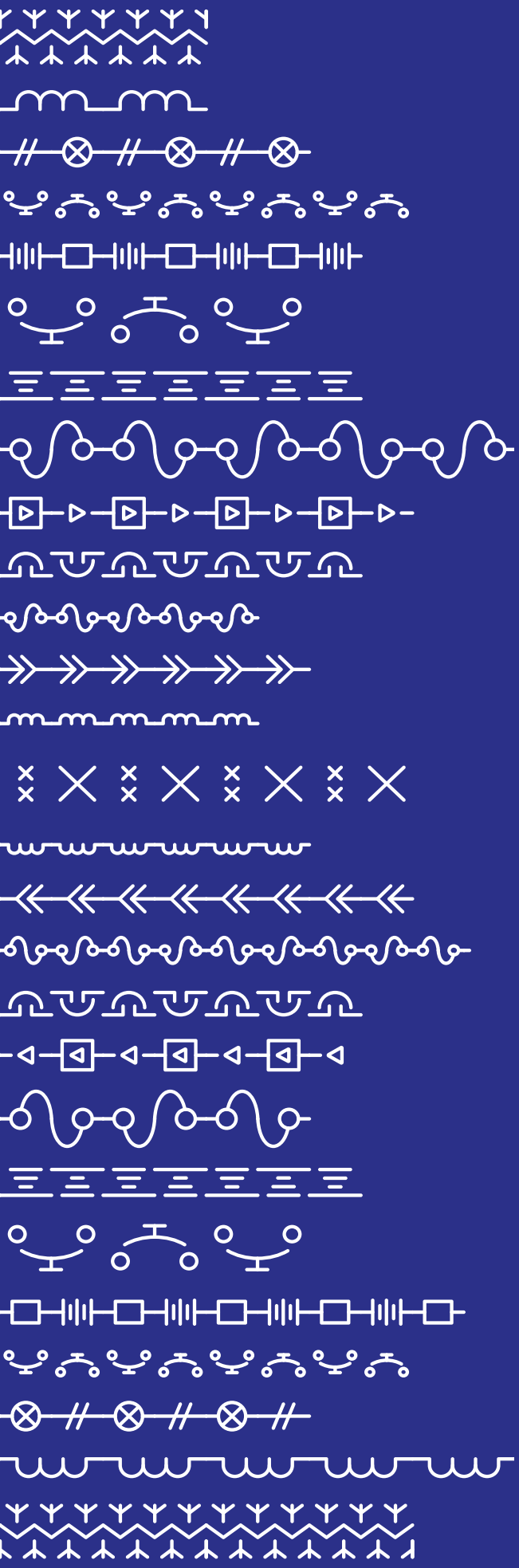
SLOVENSKÉ ELEKTRÁRNE

2019

ANNUAL REPORT

part 1

Contents



Foreword by the CEO

The year 2019 was very dynamic, and demanding for Slovenské elektrárne, and in many fields we have much to be proud of. We reported an operating profit (EBITDA) of 342 million EUR. For comparison, in 2018 it was 293 million EUR. The increase was positively affected by developments in electricity prices and our ongoing efforts to optimize the costs and cost effectiveness.

Thanks to a balanced energy mix, with a high share of electricity generation from nuclear and hydro power plants, we supplied as much as 92.5% of electricity without CO2 emissions, which is our historical record. We plan to continue this trend also in the future, especially by transforming our thermal power plants at Nováky and Vojany.

The production of nuclear power plants increased year-on-year from 14,843 GWh to 15,369 GWh but did not reach the planned target. This was mainly due to the extension of planned outages, as well as additional outages of the Mochovce NPP Unit 2 for the repair of steam generators.

The results of hydropower stations are significantly affected by climate change. Due to dry weather and minimum precipitations, we generated 1,726 GWh of electricity in our 31 hydropower plants, only 23 GWh more than in the extremely dry year of 2018.

In the case of the completion of Mochovce, a key project of Slovenske elektrárne, the physical progress of work on the construction of Unit 3 reached 99.3 %, and 87.1 % at Unit 4. The commissioning of the Unit 3 got to the final stage of inactive tests and came remarkably close to the technical readiness for the first fuel loading. In March 2019, we completed the hot hydrotest. The primary circuit of Unit 3 with fuel assembly imitators was heated and pressurized to nominal operating parameters. We have successfully performed a pressure test of the primary circuit, as well as an integrated pressure and tightness test of the containment of Unit 3. The result of this test was twice as good as the limit defined by the Nuclear Regulatory Authority of the Slovak Republic

and was the best result so far among all VVER 440 units. In November, a team of experts from the International Atomic Energy Agency (IAEA) visited Mochovce, together with an Austrian observer on a Pre-OSART mission. It is important that we maintained a high level of nuclear safety in our nuclear power plants in 2019, which is crucial in achieving good economic results. We did not record any operational event, which would lead to reactor scram, there was no radiation accident and the limits of individual doses of personnel were not exceeded.

In 2019, we strongly focused on communication with our employees. Without their motivated work, we would not be able to move forward. Improving the climate in the Company and promoting internal education are key factors. Our unique project, the University of Slovenské elektrárne also serves this purpose, where employees gain comprehensive knowledge to better understand how the Company operates.

Open communication with the public is important – either through the magazine “Energia pre krajinu” (Energy for the Country), the edutainment centre Energoland in Mochovce, or at the Ekotopfilm Junior roadshow, where we lectured for more than 13 thousand children in 16 towns in Slovakia. In addition, we have organized or participated in almost twenty public events, such as “Night in Energoland”, “Stars for Children”, or “Researchers´ Night”.

Our employees took part in various volunteer activities – cleaning hiking trails in the Tatra National Park, or the project “Our City”. We won second place in the national competition “To Work on a Bike”.
Our employees deserve appreciation for their responsible work and activity.

Branislav Strýček

Slovenské elektrárne

The core business of Slovenské elektrárne, a.s.[1] is the production and sale of electricity. The Company is the largest producer of electricity in Slovakia and one of the largest in Central Europe. SE also generates and sells heat, and provides ancillary services for the power grid.

Slovenské elektrárne operates 31 hydropower[2], two nuclear[3] , two thermal[4] and two photovoltaic[5] (solar) power plants, with a total installed capacity of 4 080.92 MWe.

The Company's goal is to safely, reliably, efficiently and competitively produce, sell and trade electricity and heat, to safely handle radioactive waste and spent nuclear fuel and to permanently reduce the environmental impact of production processes. Thanks to its balanced mix of production sources, the Company supplied 92.5% of electricity to the grid without local carbon dioxide emissions in 2019.

1.1 Vision and Mission

1.1.1 Vision

To be the safest, most innovative and competitive producer in the Central and Eastern Europe, creating value for our customers, shareholders and employees.

1.1.2 Mission

To produce and supply affordable, safe and environmentally friendly energy for all our customers.

1 Hereinafter SE or the Company
2 Hereinafter also HPP
3 Hereinafter also NPP
4 Hereinafter also TPP
5 Hereinafter also PhPP

Structure and Governance

2.1 Shareholder Structure

The Company had two shareholders as at 31.12.2019. The majority shareholder was Slovak Power Holding BV ("SPH"), owning a 66.0000000523% share in the Company's registered capital. 50% of the registered capital was owned by EP Slovakia B.V. (a subsidiary of the EPH Group) and the remaining 50% was owned by Enel Produzione S.p.A. (a subsidiary of the Enel Group). The Company's minority shareholder was the Slovak Republic, with a 33.9999999477% share in the registered capital, represented by the Ministry of Economy of the Slovak Republic.

2.1.1 EPH Group

Energetický a průmyslový holding ("EPH") is a leading Central European energy group that owns and operates facilities in the Czech Republic, Slovakia, Germany, Italy, the United Kingdom, France, Hungary and Poland. EPH is a vertically integrated energy utility covering the complete value chain: ranging from brown coal, through to electricity and heat production, to electricity and heat distribution. It also includes platforms for supply and trading on the one hand and management of gas infrastructure on the other.

2.1.2 Enel Group

The Enel Group is a leading multinational energy company and a prominent integrated player on the world's electricity and gas markets. The Group operates in 33 countries across five continents, generating more than 89 GW of installed capacity and having an electricity and gas transmission grid of 2.2 million kilometres. With 73 million end customers, Enel has the largest customer base compared to other European competitors and is one of the leaders on the European energy market in terms of installed capacity and EBITDA operating profit.

2.1.3 Slovak Republic

The Slovak Republic has the right to hold three positions on the Company's Board of Directors and it may have two nominated representatives on the Supervisory Board positions. The positions of the Chairman and Vice-Chairman of the Supervisory Board are occupied, on a rotation principle, alternately each year by the appointed representatives of both shareholders. In accordance with applicable law, the Ministry of Economy of the Slovak Republic represents the State as the Company's shareholder.

2.2 Board of Directors, Supervisory Board

The Company's statutory body is the Board of Directors. The Supervisory Board functions as the Company's supervisory body; the Supervisory Board also performs the activities of the Audit Committee.

2.2.1 The Board of Directors

The Company Board of Directors has nine members. The Board of Directors is chaired by its Chairman who is, in the case of absence, substituted by the First Vice-Chairman.

As of 31 December 2019 the positions of the Chairman, First Vice-Chairman and Second Vice-Chairman and Members of the Board of Directors were held by:

Branislav Strýček

Member and Chairman of the Board of Directors

Branislav Strýček has held the position of Member of the Board of Directors since 14 May 2009. On the basis of the nomination by Slovak Power Holding B. V., he was re-elected in the position of Member of the Board of Directors, effective as of 27 June 2017. He has held the position of the Chairman of the Board of Directors since 27 June 2018.

Michele Bologna

Member and First Vice-Chairman of the Board of Directors

Michele Bologna has held the position of Member and the First Vice-Chairman of the Board of Directors since 12 December 2017, nominated by Slovak Power Holding B. V.

Peter Hlbocký

Member and Second Vice-Chairman of the Board of Directors

Peter Hlbocký has held the position of Member of the Board of Directors since 17 October 2012. With effect from 13 December 2016, he was re-elected as a Member of the Board of Directors; from the same date he has also held the position of the Second Vice-Chairman of the Board of Directors. He was nominated by the shareholder the Slovak Republic.

Jaroslav Holubec

Member of the Board of Directors

Jaroslav Holubec has held the position of Member of the Board of Directors since 8 February 2013. On the basis of his nomination by the shareholder Slovak Power Holding B. V. he was re-elected, as of 9 February 2017, for the position of Member of the Board of Directors.

Pavol Štuller

Member of the Board of Directors

Pavol Štuller was nominated by the shareholder the Slovak Republic. He has held the position of Member of the Board of Directors since 13 December 2016.

Martin Suchánek

Member of the Board of Directors

Martin Suchánek was nominated by the shareholder the Slovak Republic. He has held the position of Member of the Board of Directors since 28 January 2017.

Lukáš Maršálek

Member of the Board of Directors

Lukáš Maršálek was elected as a substitute member of the Board of Directors with effect from 13 December 2018. Effective as of 21 January 2019, he was elected a full Member of the Board of Directors. He was nominated by the shareholder Slovak Power Holding B. V.

Pedro José Cañamero González

Member of the Board of Directors

Pedro José Cañamero González was nominated by the shareholder Slovak Power Holding B. V. He has held the position of Member of the Board of Directors since 25 May 2019.

2.2.2 The Supervisory Board

The Supervisory Board consists of fifteen members. It is presided over by its Chairman who is, in the case of absence, substituted by the Vice-Chairman.

As at 31 December 2019, the positions of Chairman, Vice-Chairman and Members of the Supervisory Board were held by:

Elisabetta Barberi

Member and Chairman of the Supervisory Board

Elisabetta Barberi was nominated to the position of a Member and Chairman of the Supervisory Board by the shareholder Slovak Power Holding B. V. and has held this position since 22 November 2019.

Peter Hajduček

Member and Vice-Chairman of the Supervisory Board

Peter Hajduček has held the position of Member of the Supervisory Board since 22 November 2019. He was nominated by the shareholder the Slovak Republic.

Boris Balog

Member of the Supervisory Board

Boris Balog has held the position of Member of the Supervisory Board since 22 November 2019. He was nominated by the shareholder the Slovak Republic.

Zdenek Turian

Member of the Supervisory Board

Zdenek Turian was elected to the position of Member of the Supervisory Board by the Company's employees, and was re-elected as of 23 December 2019.

Ján Topoľovský

Member of the Supervisory Board

Jan Topolovský was elected to the position of Member of the Supervisory Board by the Company's employees, and has held this position since 23 December 2019.

Ľudovít Hacaj

Member of the Supervisory Board

Ľudovít Hacaj was elected to the position of Member of the Supervisory Board by the Company's employees, and was re-elected as of 15 December 2017.

Maria Antonietta Giannelli

Member of the Supervisory Board

Maria Antonietta Giannelli was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding B. V., and has held this position since 25 May 2019.

Giuseppe Ferrara

Member of the Supervisory Board

Giuseppe Ferraraje was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding B. V., and has held this position since 25 May 2019.

Jiří Feist

Member of the Supervisory Board

Jiří Feist was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding B. V., and has held this position since 30 July 2019.

Pavel Janík

Member of the Supervisory Board

Pavel Janík was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding B. V., and has held this position since 30 July 2019.

Jan Stříteský

Member of the Supervisory Board

Ján Stříteský was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding B. V., and has held this position since 30 July 2019.

Jozef Ondrejíček

Member of the Supervisory Board

Jozef Ondrejíček was elected to the position of Member of the Supervisory Board by the Company's employees, and has held this position since 20 March 2018.

Stanislav Kysel

Member of the Supervisory Board

Stanislav Kysel was elected to the position of Member of the Supervisory Board by the Company's employees, and has held this position since 21 May 2018.

Bohumil Kratochvíl

Member of the Supervisory Board

Bohumil Kratochvíl was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding B. V., and has held this position since 27 June 2018.

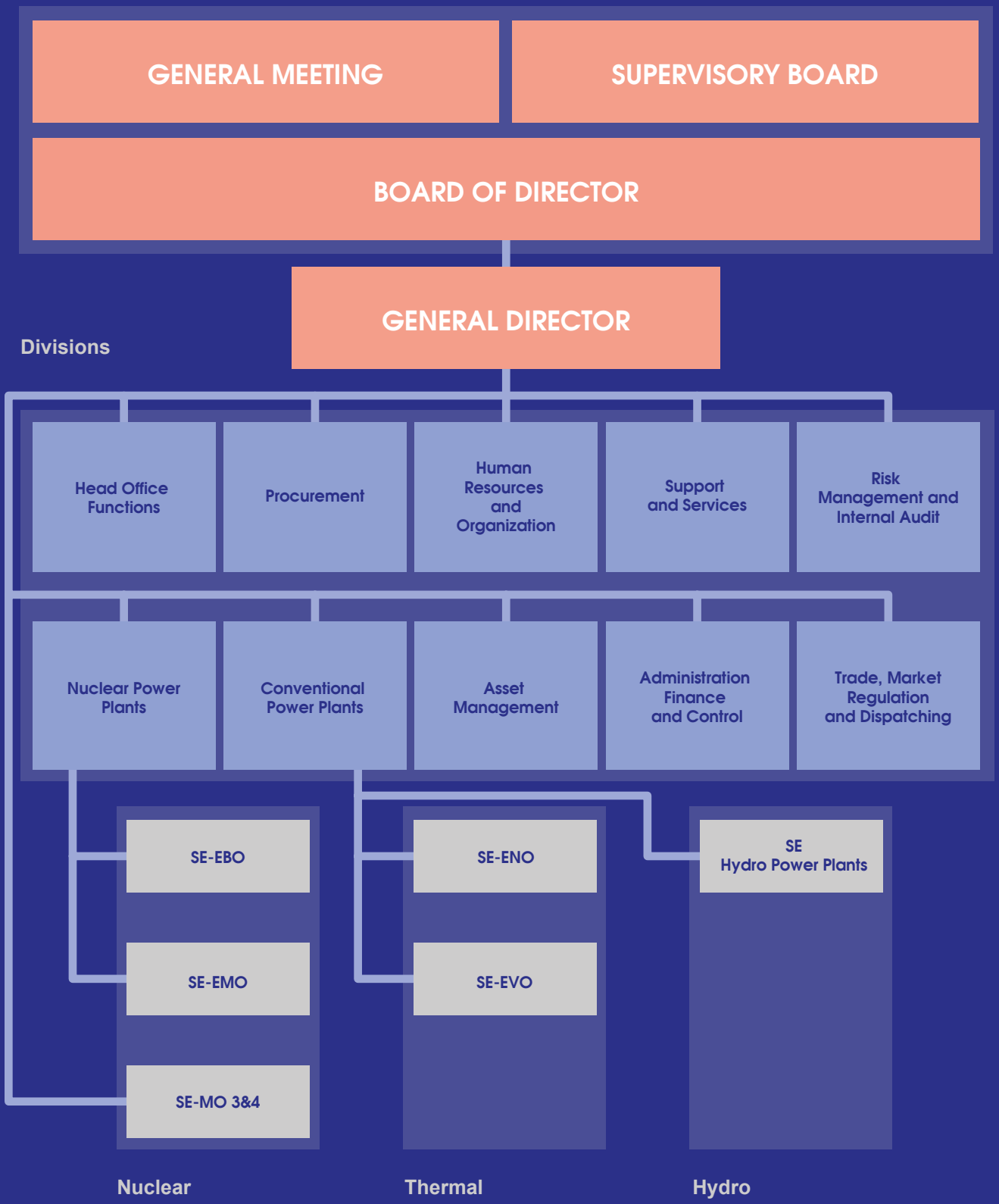
Andrea Piagentini

Member of the Supervisory Board

Andrea Piagentini was nominated to the position of Member of the Supervisory Board by the shareholder Slovak Power Holding B. V., and has held this position since 25 July 2018.

2.3 Organisational structure

Company Bodies



Results

3.1 Main Financial Information

In 2019, SE and its subsidiaries recorded earnings before interest, income tax, depreciation and amortization (EBITDA) of 342 million EUR, compared to 293 million EUR in 2018.

Compared to the previous year's results, the EBITDA result was positively influenced in particular by the development of electricity prices affected by underlying commodity prices, as well as by the Company's continuing drive to optimise cost efficiency, which concerned costs related to power plants and Central Functions costs. Market developments reflected in the valuation of derivatives also had an impact on EBITDA and net income for 2019.

Cash optimisation and efficient cash flow management continued to be key initiatives to support the Company's profitability, with net debt increasing by 371 million EUR, despite higher investments of 420 million EUR made over the year.

Net income profit for the year amounted to 23 million EUR, compared to 20 million EUR reached in 2018.

The Company remains fully committed to sustaining its investment plan for the upcoming years 2020 - 2024, focusing on the completion of Units 3 and 4 of the Mochovce Nuclear Power Plant. Total investments in 2019 amounted to 420 million EUR (not including capitalised interest); for the purpose of comparison, in 2018 the figure was 431 million EUR. The vast majority of investments was directed at the construction of Units 3 and 4 in Mochovce.

Moreover, the Company continues to fully utilise and maximise its capability to operate power plants, exploring potential opportunities as well as providing innovative services to its end customers.

3.2 Companies with Capital Interest

SE holds a capital interest in companies whose business activities are closely related to the SE's line of business and its safety. These are, in particular, the supply of electricity and gas, provision of design and engineering services, provision of comprehensive energy services aimed at increasing energy efficiency, research and development, engineering and protection of SE facilities.

In 2019, the legal form of the company Ochrana a bezpečnosť SE changed from a joint stock company to a limited liability company. The reason for the change was to ensure easier management, more efficient management and higher efficiency of the Company.

The overview of companies in which SE held capital interest as of 31 December 2019:

Company	Year of incorporation (entry)	SE share in %	Line of business
SE Služby inžinierskych stavieb, s.r.o.	2015	100	engineering services
Slovenské elektrárne - energetické služby, s.r.o	2008	100	electricity, gas and heat supply, energy services
Slovenské elektrárne Česká republika, s.r.o.	2015	100	electricity and gas supply, energy services
Centrum pre vedu a výskum, s.r.o.	2011	100	science and research
Ochrana a bezpečnosť SE, a.s.	2004	100	protection of Company's premises and assets
REAKTORTEST, s.r.o.	1991	49	non-destructive inspection of reactors
ÚJV Řež a.s.	1998	28	research and development of nuclear technologies
Energotel, a.s.	2001	20	telecommunications services
BlueRe, m.a.	2011	5	mutual reinsurance association
ELINI	2007	5	mutual reinsurance association
EMANI	2003	1	mutual reinsurance association
NIRA	2006	0.3	mutual reinsurance association
DMD holding, a.s. Company in liquidation	1997	3	company in liquidation

3.3 Trading in Electricity, Heat and Ancillary services

3.3.1 Electricity Trading

Slovenské elektrárne sells its production via transactions concluded under market conditions, usually using brokerage platforms or Energy Exchange Europe (EEX), considered to be the most transparent and most reliable means of electricity trading in the region. This strategy has long been received positively by the Company's trading partners.

Most of the Company's production is sold on a forward basis three years in advance of electricity supply in accordance with its long-term sales strategy. This strategy represents a cost-effective way of hedging prices and planned production volumes.

The residual open position is traded on the spot market in Slovakia or on neighbouring markets, either on organised trading venues, bilaterally or using brokerage platforms. This volume represents a small part of the total annual production and is necessary to ensure SE's balanced trading position, taking into account mainly the unpredictability of water resources and possible outages of other sources in the Company's production portfolio. Given the effective functioning of the implicit market-coupling method of allocating cross-border transmission capacities, the size of the Slovak spot market is sufficient for SE's needs.

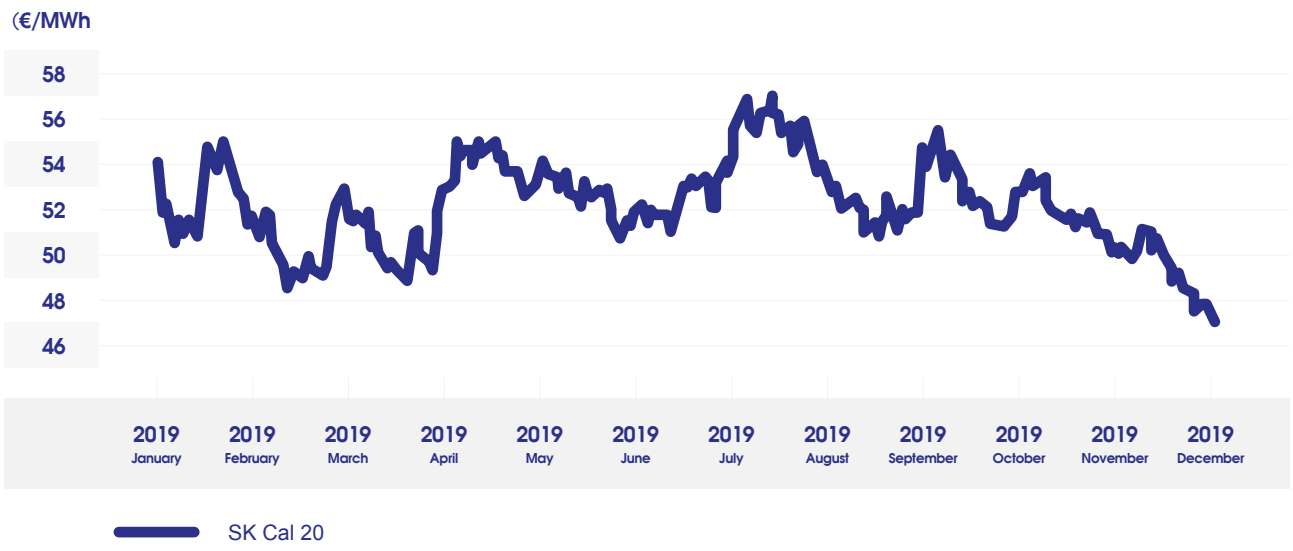
Development of Electricity Prices

Wholesale prices in Slovakia copied the price trends in the German market, which is decisive for this region. In particular, the first half of 2019 was marked by volatile commodity prices. From among the significant impacts on electricity prices, we did not detect any significant aggregate trend, with opposing forces of slightly rising prices of emission allowances and slowly falling prices of

gas and coal. In July, the allowances reached their previous maximum, nearly 30 EUR/t, and then had a downward turn.

In the second half of the year, we observed a downward trend in prices for all three underlying commodities. The price of gas fell throughout the year from January's 21 EUR/MWh to 13 EUR/MWh. Likewise, coal experienced a significant long-term decline from 87 USD/t at the beginning of the year to 56 USSD/t. Allowances copied the trend and gradually decreased from the mentioned maximum to around 24 EUR/t. Naturally, the price of electricity responded accordingly and started to decline and gradually fell from the July maximum of 56.8 EUR/MWh to the December minimum at around 47 EUR/MWh.

Graph 1: Development of electricity prices in Slovakia (€/MWh)



The strategic position of Slovakia is one of the important factors for electricity trade and transmission to Hungary and to the Balkans, a region with higher price levels. Since Romania joined the market coupling, the importance of the local market, and of SE, in the region has grown even greater.

SE is aware of its leading position in the domestic electricity market, which is why the Company seeks to increase the liquidity and transparency of the Slovak market through trading platforms. As a result, the Slovak market reflects real market conditions and is becoming even more attractive for all its participants.

Market Price in Slovakia

The Slovak electricity market is fully liberalised, open to all market participants, and has sufficient transmission capacities. There are no barriers to free electricity exchange within the system, not even between neighbouring countries. Domestic market prices are in line with market prices in adjacent markets, and are transparently created by supply and demand.

Thanks to its strategic geographic location, the Slovak electricity market is an important market in the central part of the Central Europe region. The market price is determined in a fair and transparent way by market participants who have access to the same information. It is evident in the stable operation of the day-ahead market in electricity that evaluates and publishes hourly prices supplies for the upcoming day.

Following the successful coupling of the Slovak, Czech, Hungarian and Romanian markets (4M Market Coupling), an upward trend of market coupling is anticipated in the future, along with the expected greater trading capacity and increased stability of the electricity system. Specifically, 4M coupling to the MRC coupling zone, including most European countries, has been planned.

Given its role as Slovakia's dominant electricity producer and an integral part of the Slovak market, SE cannot overlook the influence of market forces. In spite of difficult electricity market conditions, the Company maintains competitive prices at the regional level.

Sales Policy in the Domestic Market

The Company's business strategy is to sell and purchase electricity in a transparent and non-discriminatory manner. This trend is reflected in all business transactions, which are always concluded under market conditions, predominantly via trading platforms. Most wholesale market participants have access to them, ensuring the transparency of each concluded deal and that the closed price corresponds to the current market value.

SE's focus on the end customer segment forms an integral part of its business strategy, where, in addition to selling electricity, the Company through its subsidiaries also offers energy services and thereby continues to stabilise its position in the domestic energy market.

Strategy in the Region

In addition to trading on the German market, the Company's main strategic priorities include taking full advantage of the opportunities in the surrounding markets of the Czech Republic, Poland and Hungary, in view of the parallel development of these liberalised markets and a sufficient level of transmission lines between them. Thanks to active trading in the above listed markets, SE maintains its position of a major player in the Central European electricity market.

The German electricity market plays a specific strategic role in SE's hedging operations related to the sales of its production volumes. The latter, thanks to its size and liquidity, has become the reference market where the base price for the region is set.

3.3.2 Trading in Ancillary Services and Regulation Electricity

In order to provide for system services in 2019, the transmission system operator Slovenská elektrizačná prenosová sústava, a.s. (SEPS) purchased ancillary services in compliance with the Operational Rules of the transmission system operator from certified providers complying with the technical requirements for providing ancillary services defined in the Technical Conditions for Access and Connection and in codes and guidelines for transmission system operation. The division of services remained unchanged into primary, secondary and three- and ten-minute tertiary positive and negative active capacity regulation, secondary voltage regulation and black start, provided by the producers and the ancillary services of reduced offtake and increased offtake, provided by customers. Compared to the previous year, demanded volumes of ancillary services remained unchanged.

The ceiling prices of ancillary services procured by the transmission system operator, as well as the limit prices of regulation electricity, were determined by Decision of the Regulatory Office for Network Industries (RONI) no. 0001/2019/E of 3 October 2018. On a year-on-year basis, the unit prices declined in all services of regulation of active outputs by 10%. The price of secondary voltage regulation service decreased by 31 %. The price of the black start service remained unchanged. The gradual return to higher electricity prices on the markets was reflected in an increase in prices of positive regulation electricity by 15 EUR/MW/h, while prices of negative regulation electricity fell by 15 EUR/MW/h.

In 2019, the value of provided ancillary services continued to be set on the basis of commercial and technical evaluation. The evaluation was reflected in revenues corresponding to the ancillary services provided. The imposition of contractual penalties by SEPS helped to maintain the quality of the services provided. The Company provided ancillary services in the scope of valid contracted volumes of annual, monthly and daily selection processes, contracts taken over on behalf of other providers and in the scope of concluded bilateral contracts (including subcontracts of negative secondary regulation for the virtual unit) in which the Company used its own sources. The Company confirmed its orientation on the long-term stable supply of ancillary services.

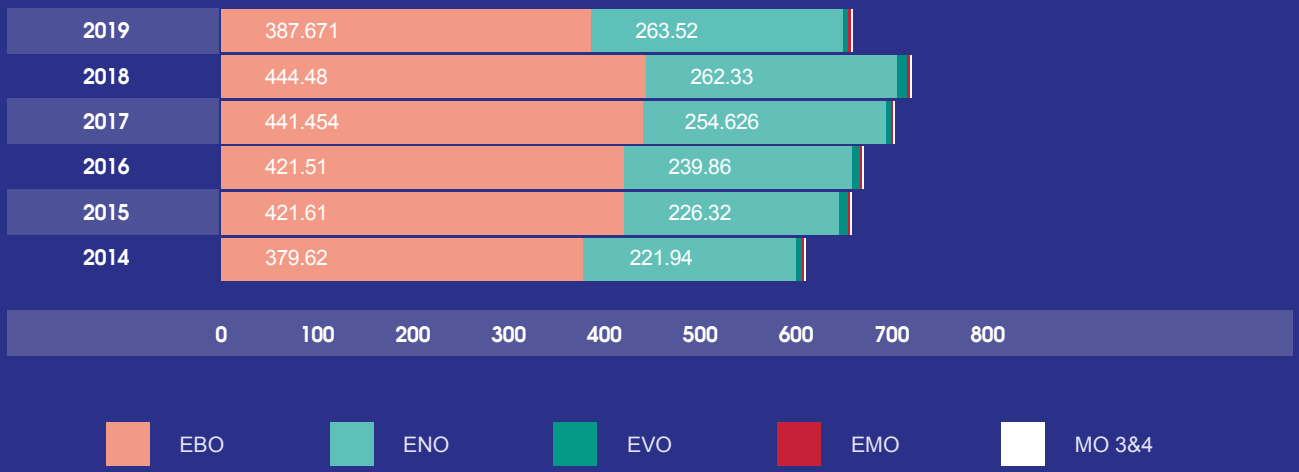
Activation of ancillary services also included supplies of regulation electricity to SEPS The volume of regulation electricity supplied by ancillary services providers was influenced by the system of cross-border exchange of regulation electricity (e-GCC). Financial settlement of regulation electricity as well as the settlement of deviation of the SE balance group was carried out by OKTE, a.s., the electricity spot market organiser.

3.3.3 Heat Trading

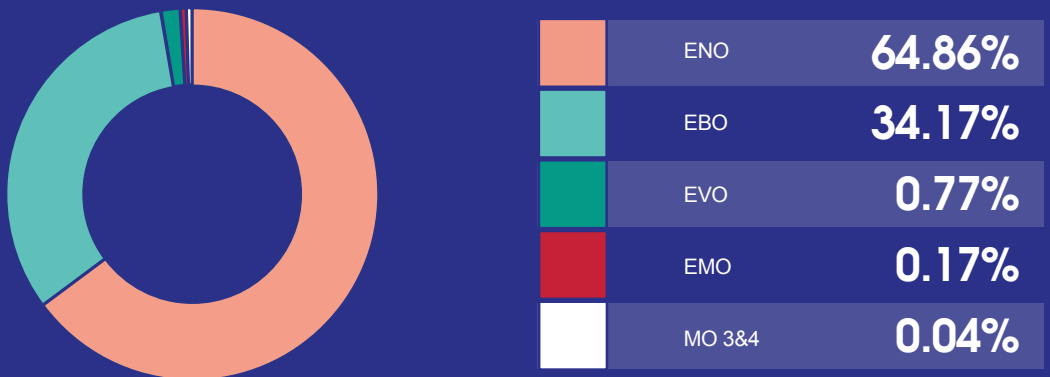
SE is the third largest supplier of heat in Slovakia. In 2019, SE produced 795 GWh and sold 658 GWh of heat, achieving revenues of 19.5 million EUR. The largest system of the central heat supply in the SE portfolio constitutes the system located at the site of the Jaslovské Bohunice nuclear power plant. This nuclear power plant supplies heat to the towns of Trnava, Hlohovec, Leopoldov and the municipality of Jaslovské Bohunice. The year 2018 saw a fundamental change in the strategy of supplying heat to customers. In line with the Company's strategy in the field of comprehensive customer care, the Company's subsidiary Slovenské elektrárne energetické služby, s.r.o., took over the heat producers in the areas of Nováky, Vojany, Mochovce and the Trnava branch in the area of Jaslovské Bohunice nuclear power plant. The entire transfer of heat customers to the subsidiary will be completed in 2020 with the transfer of the remaining customers in the area of the Jaslovské Bohunice nuclear power plant. In so doing the Company strives to provide comprehensive care for all customers across the portfolio in all areas of energy. In this way Slovenské elektrárne energetické služby, s.r.o. will become the exclusive heat customer.

Heat for customers both in production and non-production sectors was delivered smoothly and reliably, based on their needs, and in line with the quality standards of heat supply.

Graph 2: Share of plants in SE's heat sales (GWh)



Graph 3: Share of plants in heat sales revenues in 2019



Regulatory Period 2017 – 2021

The new five-year regulatory period of 2017-2021 began in 2017. Price regulation of thermal energy in the regulatory period is governed by Decree no. 248/2016 Coll. The entire regulatory period focuses on stabilising both variable and fixed costs. The variable heat price is regulated by the Regulatory Office for Network Industries by means of introducing correction coefficients for calculating maximum fuel prices. Fixed costs may be increased on a year-on-year basis only due to new investments in increasing the production and heat distribution efficiency. However, the fixed heat price is affected by regulatory input, which is based on real heat supply in the year preceding the submission of a cost proposal. Based on the Regulatory Office's decision, at the end of the regulatory year the set heat prices are subject to clearing for the actually consumed quantity of heat and economically eligible costs actually incurred. The difference between variable and fixed costs is settled in the form of credit note at the end of the regulatory year by 31 March of the following calendar year.

Structure and development of heat prices from 2017 - 2021

The objective of the regulatory pricing policy is to stabilise heat prices for the regulatory period 2017 – 2021. Prices for the regulatory period 2017 – 2021 are based on the fixed costs approved in the previous regulatory period and the variable costs projected for the following year. The issued price decisions remain valid until 2021.

3.3.4 Electricity Pricing and Price Structure for the End Consumer

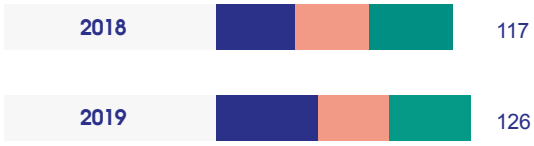
The electricity price for end consumers consists of three main components: commodity, transmission and distribution-related fees and system fees. The price of electricity as a commodity is determined by the market without any form of regulation, while other fees are regulated and laid down in a decision of the Regulatory Office for Network Industries (RONI). The main part of system fees serves to support the use of renewable sources, the

electricity production from domestic brown coal, the procurement of ancillary services and the operation of the electricity spot market organiser (OKTE, a.s.). Transmission and distribution fees cover costs incurred by the transmission and distribution system operators.

The price of electricity also includes the levy to the National Nuclear Fund, the amount of which is determined by the relevant government decree. In addition to these fees, end customers, other than households, are also charged excise duty. All customers are also subject to value-added tax (VAT), pursuant to applicable laws.

MWh/year and for industry with consumption 70 – 150 GWh/year (in €/MWh exclusive of taxes)

Households



Industry

	Households 2018	Households 2019	Industry 2018	Industry 2019
Electricity transmission and distribution, including losses	41	40	18	19
System fees	37	35	37	35
Commodity and supply	39	51	38	50

3.3.5 Regulatory Framework

HIGHLIGHTS AT THE NATIONAL LEVEL

Support for Electricity Production from Domestic Coal

The legal basis for support for electricity production from domestic coal is laid down in Directive no. 2009/72/EC. Electricity production from domestic coal was performed in Slovakia in line with Government Resolution no. 140/2015 of March 2015 setting out the obligation to promote production of electricity from domestic coal in the general economic interest ("GEI"). On 2 September 2015 the Ministry of Economy of the Slovak Republic issued Decision no. 23/2015, imposing the obligation on SE to produce electricity from domestic coal in the volume of 1 584 GWh/year, supply it in the volume of 1 350 GWh/year, and provide the secondary capacity regulation in the volume of 10 MW throughout the year.

In order to provide security of electricity supplies, on 5 August 2019 the Ministry of Economy of the Slovak Republic issued Decision no. 17237/2019, imposing an obligation on the operators of Units 1 and 2 and Unit A of the Nováky Thermal Power Plant, starting from 1 September 2019, to produce electricity in the volume of

870 GWh/year to 1 100 GWh/year, for the period during which Units 1 and 2 and Unit A of the Nováky Thermal Power Plant comply with the applicable environmental protection regulations, but in any case by the end of 2023 at the latest.
On 5 December 2019, the Regulatory Office for Network Industries issued Decision no. 0086/2020/E, determining a fixed price for electricity production from domestic coal in the amount of 133.8115 EUR/MWh.

Payments for Access to the Electricity Grid for Slovak Electricity Producers ("G-component")

In 2019, both distribution and transmission system operators continued to charge electricity generators for access to the distribution and transmission system (the so-called G-component). An electricity producer connected to the regional distribution system was charged a G-component of 30% of the maximum reserved capacity value. The payment for access to the transmission system made to the transmission system operator is paid by the electricity producer at an average rate of 0.5 €/MWh. The payment does not apply to any electricity producers whose electricity producing facilities serve solely for providing ancillary services or exclusively for supplying regulation electricity, neither does it apply to any electricity producers operating a facility for electricity production from hydro energy with a total installed capacity of less than 5 MW.

From SE's point of view, the application of the G-component has a negative impact on the functioning and development of the electricity market and at the same time forms a barrier to the development of renewable energy sources, since the G-component fee for hydropower plants may climb up to 32 EUR/MWH, which is approximately 20 EUR/MWh for photovoltaic power plants, or about 17 EUR/MWh for wind power plants. At current market prices, it is therefore disincentive to operate existing or build new sources.

In 2019, SE was developing activities at the national and European level with a view to highlighting the aforementioned negative impacts of the G-component and promoting measures to avert them in future. At the same time, SE pointed out the non-compliance of the G-component-related legislation with the newly adopted EU legislation.

Emissions Trading Act

In 2019, the Ministry of Environment of the Slovak Republic transposed the EU ETS Directive into the Emissions Trading Act. The key element of this transposition was to implement a new funding programme, the "Modernisation Fund", which is focused on directing funds to modernise the energy system and industry. At the same time, the Act defined that 30% of the proceeds from the auctioning of CO2 quotas will be transferred to the Modernisation Fund, which will provide space for strengthening this funding programme.

Slovenské elektrárne actively participated in the preparation of the amendment to this Act and the transposition of the EU ETS Directive in order to highlight the need to modernise the electricity/energy as well as heat sector and direct the funds from the Modernisation Fund for this purpose.

Integrated National Energy and Climate Plan and Low-Carbon Development Strategy of the Slovak Republic until 2030 with a view to 2050

Over the course of 2019, the Ministry of Economy of the SR prepared a final version of the Integrated National Energy and Climate Plan ("INE&CP"), whose preparation results from the EU law. The INE&CP is a strategic document on energy sector development by 2030. In its final form it replaces the already surpassed SR energy policy dating from 2014.

Key objectives quantified in the area of energy and climate by 2030 are summarised below:

EU and SR objectives	EU 2030	SR 2030
Greenhouse gas emissions (as at 1990)	- 40%	No national objectives set for individual Member States
Emissions in the ETS sector (as at 2005)	- 43%	
Greenhouse gas emissions in non-ETS (as at 2005)	- 30%	- 20%
Total share of renewables	32%	19.2%, alternatively 20.0%
Share of renewables in transport	14%	14%
Energy efficiency	32.5%	30.3%
Interconnection of electrical systems	15%	52%

Source: INE&CP

In 2019, the Ministry of Environment of the SR repaired a final version the Low-Carbon Development Strategy of the SR until 2030 with a outlook to 2050, whose preparation results from the EU law. Its primary objective is to outline the possibilities for a coherent long-term (30-year) strategic outlook for the transition to a low-carbon economy, which will be completed by achieving climate neutrality in 2050. The strategy identifies key policies and measures that will lead to the achievement of the key goal of the Paris Agreement. In line with this goal, Slovakia has committed itself to achieving climate neutrality by 2050, which means that only such quantity of greenhouse gas emissions can be discharged that can be captured.

Slovenské elektrárne have actively been participating in discussions in contributing with their proposals to create the mentioned documents.

HIGHLIGHTS AT THE INTERNATIONAL LEVEL

Clean Energy for All Europeans

The presented package of proposals has three main objectives: putting energy efficiency first, achieving global leadership in renewable energies, and providing a fair deal for consumers and ensuring their active participation in the market. In connection with the adopted package of measures, Europe has defined the following areas of development in energy and the environment:

- a reduction of more than 40% of CO2 emissions below 1990 levels;
- a share of renewables in gross final energy consumption of at least 32%; and
- primary energy savings of at least 32.5%.

During 2019, three main regulations of the Winter Energy Package came into force:

- Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU, which was adopted for the purpose of adapting current EU market rules to the new market needs.
- Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019, establishing a European Union Agency for the Cooperation of Energy Regulators (ACER).
- Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC, laying down rules for cooperation between Member States to prevent, prepare for and manage electricity supply crises.

SE views the Clean Energy for All Europeans package as a key set of documents outlining the future direction of the EU in the area of energy and climate change policy. SE yet again in 2019 closely cooperated with all the relevant actors at the national and European level in order to express its position and comments on individual legislative and non-legislative documents. SE continues to prioritise the proper functioning of the wholesale electricity market, support for renewables, ancillary services market, sufficient development of infrastructure, elimination of non-market regulatory intervention in the market's functioning, correct delegation of competences within the national as well as European regulatory authorities.

SE will again actively cooperate with the national institutions on the implementation and transposition of the package into the national legislation and regulatory framework over the course of 2020.

Regulatory Framework for Trading Greenhouse Gas Emission Allowances (EU ETS)

In March 2018 the Council and the European Parliament adopted Directive 2018/410 (“EU ETS Directive”) amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and thereby adopting the final text of legislation concerning the European Union Emission Trading System in greenhouse gases (“EU ETS”). These measures aim at strengthening the EU ETS for the current trading period 2013-2020 as well as for the forthcoming fourth trading period 2021-2030. In 2019, the ‘market stability reserve’ (“MSR”), a mechanism designed to keep excess greenhouse gas emissions within a specified range, was launched. The operation of the MSR resulted in a reduction in the quantity of CO2 allowances in circulation and a consequent pressure to increase the price of CO2 allowances on the market.

SE considers the EU ETS to be a key element on the path to the complete implementation of the EU energy and climate policy framework for the period to 2030, as well as a primary driver of decarbonisation.

3.3.6 Commercial Risk

As an international company, SE is exposed to various risks. Efficient risk management means increasing the Company’s value by optimal exploitation of business opportunities, while minimising market risks arising from such activities. Risk management is therefore part of the Company’s financial and operational management and fully identifies, quantifies, regularly monitors and controls the amount of risk to prevent potential negative impact on the Company’s financial performance. Constant fluctuations and high volatility in commodity markets require the application of sophisticated risk assessment approaches. It can be stated that SE fully reflects this trend by using the latest statistical and simulation methods and tools.

The commodity risks faced by a company producing and selling electricity on a daily basis are mainly related to changes in electricity prices on international markets. These price fluctuations are dependent on the price movements of commodities entering the process of producing and selling electricity, while exchange rate volatility also plays a role in terms of risk. As a result of tackling the above-mentioned risks, a number of modern mathematical-probabilistic models are being used to measure the commodity risk to which a company is exposed over time. In order to hedge against the above-listed uncertainties, SE also uses one of the most efficient tools for protecting itself against risks, namely hedging. Hedging operations aimed at minimising or completely eliminating risks have been used in several of the Company’s commercial activities.

Risk management also deals with the issue of protecting the Company from the insolvency of its business partners. Credit risks mainly concern the monitoring, evaluation and management of counterparty credit exposures in accordance with established individual credit limits. The credit limit is assigned to the counterparty by taking into account

qualitative and quantitative indicators, and is reviewed regularly with an emphasis on any change in the counterparty's creditworthiness and payment discipline. In 2019, the Company stabilised customer growth in the represented segments and strove to maximise cooperation with its business partners. Credit risk is minimised through counterparty credit quality assessment based on sophisticated internal systems, processes and mechanisms, such as third-party guarantees, bank guarantees and mutual netting of claims. This means that the Company is applying new approaches to manage its credit exposures within the SE portfolio. Risk management at SE is also very efficient in terms of international comparison, as evidenced by the almost 0% share of counterparty failure in the overall portfolio of SE's customers.

3.3.7 Financial Risk

Exchange Rate Risk

Slovenské elektrárne uses currency forwards and cross-currency interest rate swaps to reduce the exchange rate risk of expected future cash flows in foreign currencies, as well as to hedge its exposure toward currencies other than the euro. Payments in foreign currencies are mainly denominated in US dollars, Russian roubles and Czech korunas.

Interest Rate Risk

Interest rate derivatives are used by SE to reduce the amount of debt exposed to interest rate changes and to reduce the volatility of interest costs. Slovenské elektrárne enters into interest rate derivative contracts with counterparties for replacing variable interest rates with fixed interest rates. As at 31 December 2019, SE had interest rate and cross currency interest rate swaps in a total value of 3 230 million EUR.

Liquidity Risk

Liquidity risk management ensures adequate coverage of cash needs. As at 31 December 2019, SE had unused contracted general-purpose or specific loans, including a subordinated loan, totalling 808 million EUR, and cash and cash equivalents totalling 5 million EUR[6] .

3.3.8 Insurance

SE uses insurance as one of its risk management tools with a view to minimising any negative impact on its business.

For thermal, hydro and nuclear power plants, including auxiliary operations, the Company's insurance strategy in the field of property risks is based on the insurance of all tangible and intangible assets against key risks. In 2019, the Company continued to optimise insurance costs.
Liability risks associated with the Company's operating activities are covered by general liability insurance for damage to third parties. The statutory obligation of the Company as an operator of nuclear installations at the

6 Data on individual (non-consolidated) basis

Mochovce and Jaslovské Bohunice sites as well as the operator for the Project of Completion of Units 3 and 4 of the Mochovce nuclear power plant, is satisfied through the liability insurance of the nuclear installation operator for any nuclear damage resulting from a nuclear incident at its nuclear installation. The insurance complies with the requirements of the Vienna Convention on Civil Liability for Nuclear Damage, which entered into force in the Slovak Republic on 7 June 1995, and likewise complies with Act no. 54/2015 Coll. on civil liability for nuclear damage and its financial coverage and on the amendment of certain acts, which entered into force on 1 January 2016 and sets liability limits of the operator whose nuclear facility is located within the Slovak Republic.

3.4 Electricity and Heat Production

3.4.1 Installed capacity

The Company's production base is balanced and consists of two nuclear, two thermal, thirty-one hydro and two photovoltaic power plants. The installed capacity of the Company compared to the previous year remained unchanged at 4 080.92 MW.

Installed capacity (MW)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Slovenské elektrárne	4 992.60	4 992.60	4 992.60	4 520.92	4 300.92	4 175.92	4 080.92	4 080.92	4080.92
VEG	746.54	746.54	746.54	746.54	0[7]	0	0	0	0
TOTAL	5 739.14	5 739.14	5 739.14	5 267.46	4 300.92	4 175.92	4 080.92	4 080.92	4080.92

Gross electricity production (GWh)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Slovenské elektrárne	20 024	19 786	20 224	19 972	19 259	18 981	19 444	18 638	18 865
VEG	1 910	2 459	2 619	2 043	448	0	0	0	0
TOTAL	21 934	22 245	22 843	22 015	19 707	18 981	19 444	18 638	18 865

7 Hydropower structure Gabčíkovo (HPP Gabčíkovo, HPP Small Gabčíkovo, HPP Čuňovo, HPP Mošoň), operation in balance group of Slovenské elektrárne up until 9.3.2015 23:59.

Nuclear Power Plants

Power plant	Installed capacity (MW)	Commissioned in
Bohunice (EBO)	2 x 500	1984, 1985
Nuclear power plant Mochovce (EMO)	2 x 470	1998, 2000
TOTAL	1 940	

Thermal Power Plants

Power plant	Fuel type	Installed capacity (MW)	Commissioned in
Vojany 1 power plant (EVO 1)	black coal	220	2001
Nováky A power plant (ENO A)	lignite	46	1996, 2004
Nováky B power plant (ENO B)	lignite	220	1992, 1994
TOTAL		486	

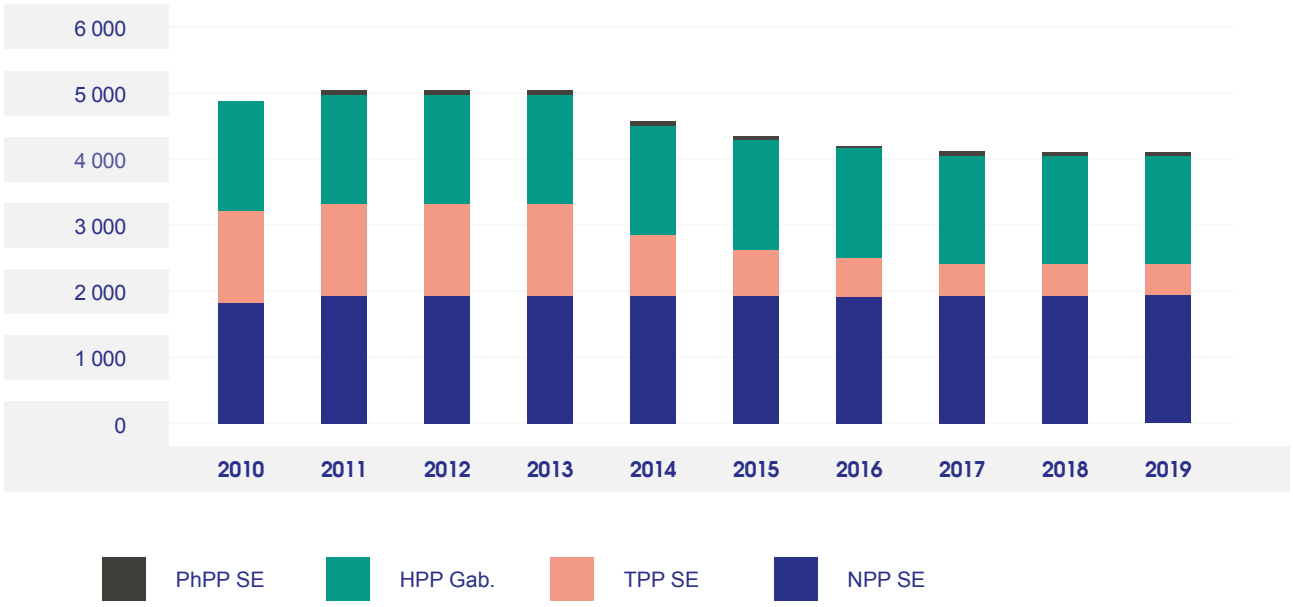
Hydro Power Plants

Power plant	Installed capacity (MW)	Commissioned in
Pumped Storage HPP		
Čierny Váh	6 x 122.40	1982
Liptovská Mara	2 x 49.00	1976
Ružín	2 x 30.00	1972
Dobšiná	2 x 12.00	1953, 1954
Run-Of-The-River HPP		
Orava	10.87 + 10.88	1953, 1954
Liptovská Mara	2 x 50.00	1975
Krpeľany	3 x 8.25	1957
Sučany	3 x 12.80	1958
Lipovec	3 x 12.80	1961
Hričov	3 x 10.50	1962, 1964
Mikšová 1	3 x 31.20	1963, 1965
Považská Bystrica	3 x 18.40	1963, 1964
Nosice	3 x 22.50	1957, 1958
Ladce	2 x 9.45	1936
Ilava	2 x 7.50	1946
Dubnica	2 x 8.25	1949
Trenčín	2 x 8.05	1956
Kostolná	2 x 12.75	1952, 1953
Nové Mesto n / V	2 x 12.75	1953, 1954
Horná Streda	2 x 12.75	1954, 1955
Madunice	3 x 14.40	1960, 1961
Kráľová	2 x 22.53	1985
SMALL HPP		
Čierny Váh flow	0.76	1982
Tvrdošín	2 x 2.80 + 1 x 0.50	1979
Bešeňová	2 x 2.32	1976
Domaša	2 x 6.20	1966
V. Kozmálovce	2 x 2.40 + 1 x 0.52	1988
Ružín II	1.80	1974
Dobšiná II	2.00	1994
Dobšiná III	0.32	2014
Rakovec	2 x 0.25	1913
Krompachy	0.33	1932
Švedlár	0.09	1924
TOTAL	1 653.02	

Photovoltaic power plants

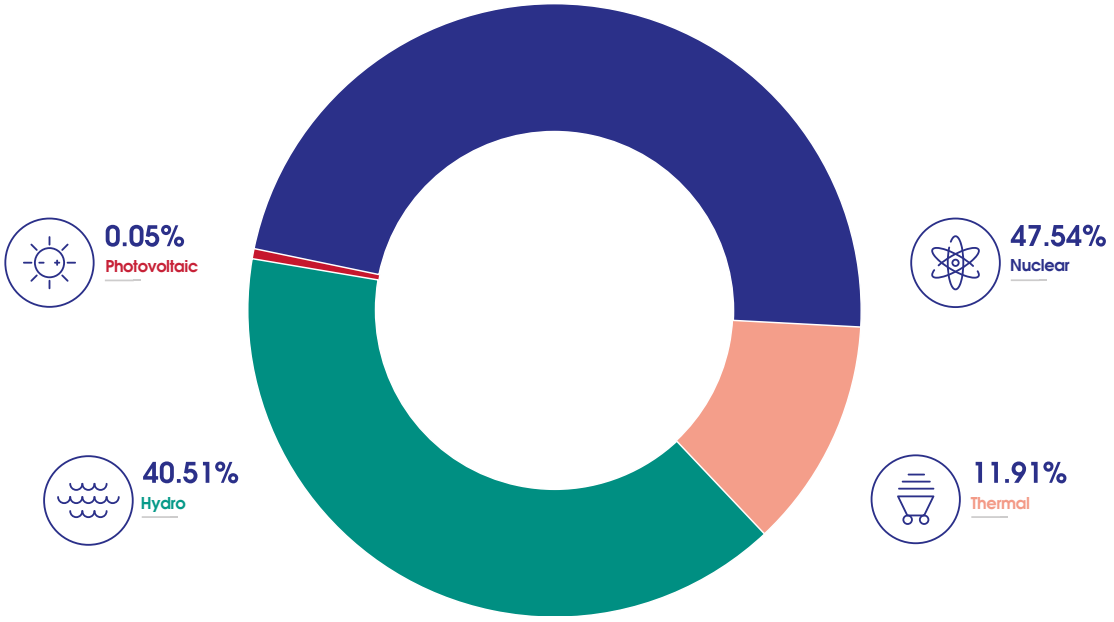
Power plant	Installed capacity (MW)	Commissioned in
Mochovce photovoltaic power plant	0.95	2011
Vojany photovoltaic power plant	0.95	2011
TOTAL	1.90	

Development of installed capacity of SE (MW)



Share of power plant types in installed capacity

Share of power plant types in installed capacity



3.4.2 Electricity and Heat Production and Supply

In 2019, SE produced 18 865 GWh of electricity with a year-on-year index of 1.012. Besides the production of electricity, the production sources provided ancillary services, significantly contributing to the stability of the Slovak electricity grid.

The Company, thanks to a balanced portfolio of production technologies as well as a decrease in coal production, achieves a high share of greenhouse gas emission-free electricity. In 2019, SE supplied to the power grid electricity in the amount of 17 097 GWh. As much as 92.6% of the electricity supplied was greenhouse gas-free, which is historically the highest share so far.

ELECTRICITY GENERATION

Nuclear Power Plants

The production of nuclear power plants increased on a year-on-year basis from 14 843 to 15 369 GWh, though missed their planned production level. This was mainly due to the extension of planned shutdowns as well as additional shutdowns of the second Mochovce unit in order to repair steam generators. Electricity supply to the grid increased by 462 GWh, reaching the level of 14 207 GWh. As for 2019, Bohunice nuclear power plant (EBO) supplied to the grid electricity in the amount of 7 310 GWh. Mochovce (EMO) supplied 6 946 GWh, while Units 3 and 4 of EMO, currently under construction, consumed almost 50 GWh. Throughout the year the nuclear units reliably provided ancillary services, secondary regulation – mainly by means of an EBO electric boiler, as well as negative tertiary capacity regulation and secondary voltage regulation.

Hydro Power Plants

Hydro power plants depend directly on weather and hydrological circumstances. At the beginning of the year, the top reservoirs was filled nearly to the long-term average. During the winter, good snow reserves were created. This fact created good prerequisites for production. Indeed, production went according to plan until June. With the start of summer, however, this changed. The summer gave us long-term warm weather with a minimum of rain. Neither did the autumn bring any significant precipitation, with a few exceptions. For this reason, the production of the Váh Cascade was reduced to a minimum during night hours, lasting from July to mid-November. The production deficit progressively grew against the plans. A slight improvement came only at the end of the year. The total production of hydroelectric power plants was also influenced by the scheduled, nearly 3-month, shutdown of the Hričov - Mikšová - Považská Bystrica canal. Last year, SE generated almost 1 726 GWh of electricity in its 31 hydro power plants, slightly exceeding the production by 23 GWh against the extremely dry 2018. The Company supplied 1 694 GWh from its run-of-the-river power plants. The pumped storage power plants confirmed again in 2019 their irreplaceable role in producing peak electricity and providing ancillary services, in particular fast tertiary capacity regulation. Together they produced 224 GWh, with a pumping consumption of 297 GWh.

Thermal Power Plants

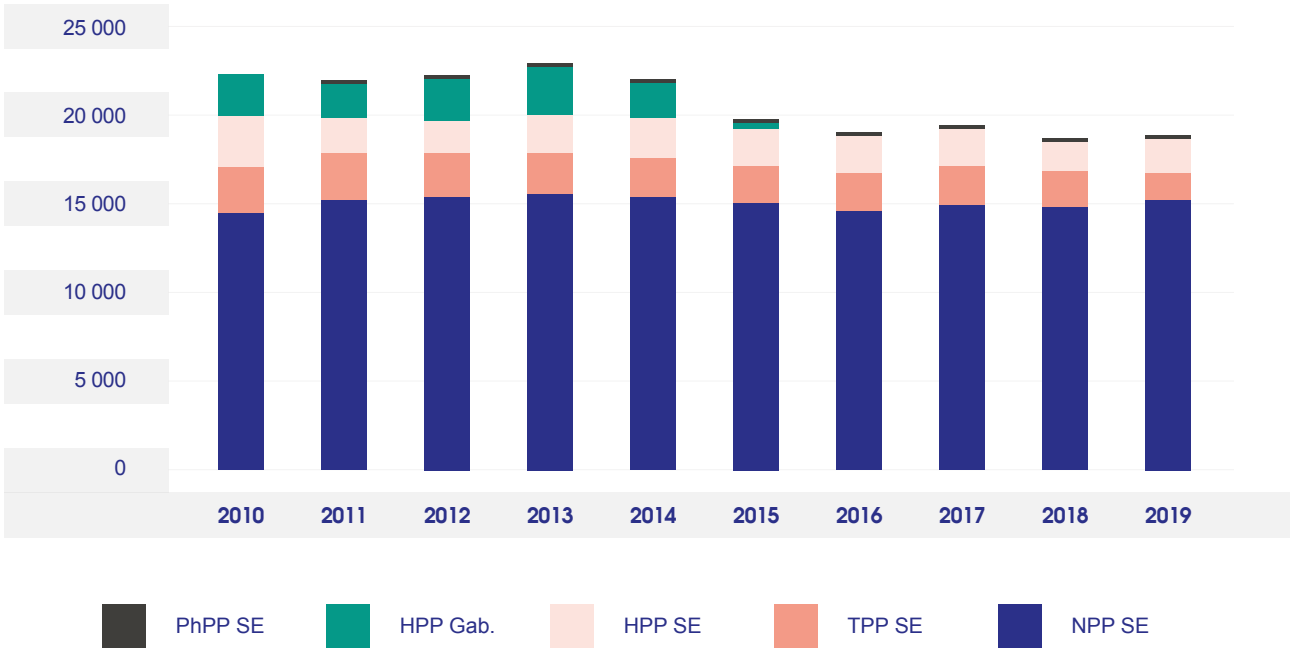
The Nováky Power Plant (ENO), which must buy domestic brown coal and produce and supply electricity in the framework of the general economic interest, produced 1 167 GWh and supplied 967 GWh in the network.

Until the end of August 2019, the Nováky power plant units were also providing secondary capacity regulation as part of the general economic interest.

Vojany power plant (EVO), burning black coal, produced nearly 378 GWh of electricity, and supplied 314 GWh of electricity to the grid. The operation of this power plant was greatly impacted by a significant increase in the price for emission allowances, and for this reason there were periods during the year when the plant was shut down. In the last months of 2019, solid secondary fuel co-firing tests were successfully carried out.

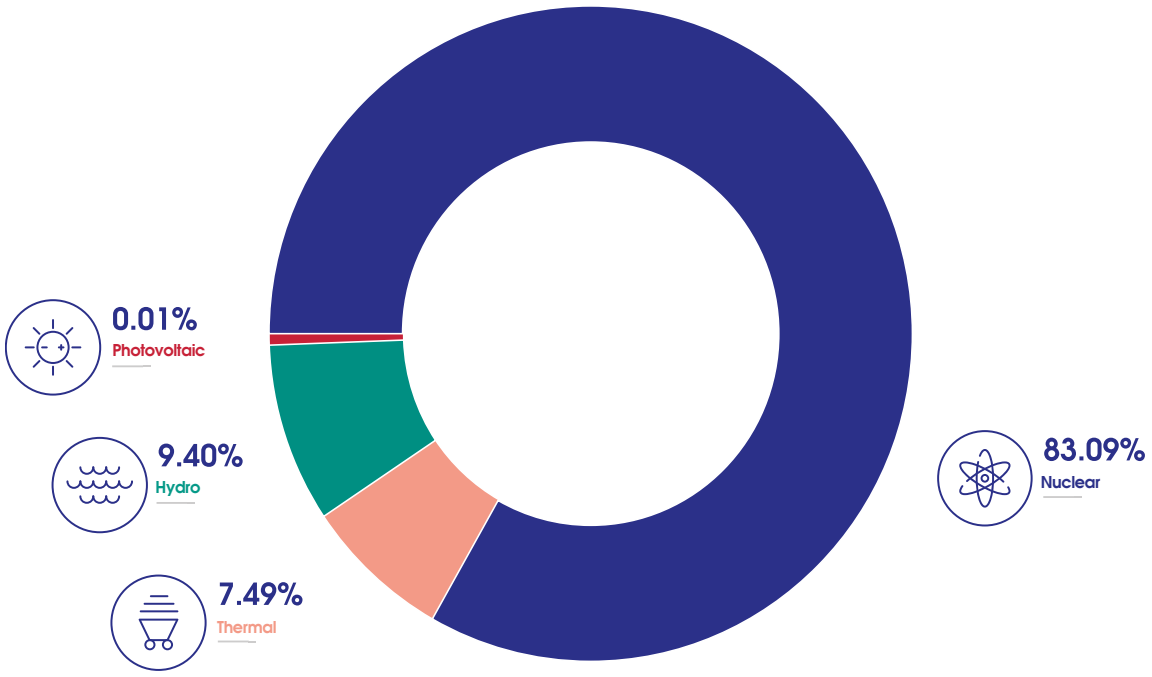
Biomass co-combustion at EVO produced for SE 26.6 GWh last year and delivered 22.0 GWh of electricity. Photovoltaic power plants produced and supplied 2.0 GWh.

Gross electricity production at operated power plants (in GWh)



Share in electricity supplies from sources operated by SE

Share in electricity supplies from sources operated by SE



Heat Production

Heat production is based mainly on the cogeneration of heat and electricity. In 2019 Slovenské elektrárne produced 802 GWh of heat for heating purposes. Of this, the heat production at the Bohunice V2 NPP site was 445 GWh and at the Nováky Power Plant site it was 270 GWh, with a total of 87 GWh produced at other sites.

Major Projects

4.1 Completion of the Mochovce Nuclear Power Plant

4.1.1 Basic Information

Completion of Units 3 and 4 of the Mochovce Nuclear Power Plant (MO34) is the largest private investment in Slovakia and the new units will cover up to 26% of Slovakia's electricity demand in the future. Commissioning of Unit 3 reached the final stage of non-active tests and closely approached technical readiness for initial fuel loading. SE General Assembly approved a conditioned budget increase in 2019 by 270 million EUR to the total of 5.7 billion EUR.

The man-hours worked in 2019 were at a similar level to the year before and exceeded 10 million, reaching the total of 95.38 million from the beginning of the Project (November 2008 to December 2019). An average of 3 500 employees worked on the construction site under the leadership of a 600-member team of Slovenské elektrárne and its subsidiary SE SIS. Approximately 450 suppliers and contractors participated in the construction. More than 50% of contracts were concluded with Slovak companies or branches.

The production of the units after their trial run will be 2 x 471 MW, each unit being designed to reach 530 MW of electrical output in the future. The technology used is VVER 440/V-213 with pressurised water reactors, i.e. the reactor is moderated and cooled by water. MO34 technology is noted for its evolutionary design with proven technology and numerous safety enhancements; inherent safety with low power density and large primary circuit thermal capacity; as well as higher availability and efficiency.

4.1.2 The Most Significant Activities and Milestones in 2019

By the end of 2019, the physical progress of construction work on Unit 3 had reached 99.3% and on Unit 4 it was 87.1%.

Slovenské elektrárne completed hot hydrostatic testing in March. The Unit 3 primary circuit with fuel mock-ups was heated and pressurised to nominal operating parameters (260°C and 12.26 MPa) with a series of tests performed to prove reliability of the installation. The primary circuit pressure test at 19.12 MP was also successfully performed.

After the hot hydro-test, the integrated containment strength and tightness test of Unit 3 was successfully performed. The containment tightness test result was two times better than the limit set by the Nuclear Regulatory Authority of the Slovak Republic and it was the best result so far among all VVER 440 units, hence confirming the high strength and tightness of the containment.

The hydrostatic testing was immediately followed by an extended inspection, which was completed in August (except for activities strictly necessary before the fuel loading). This was the last phase of the non-active testing before the active commissioning testing of Unit 3. The extended inspection included a control check of the reactor and other primary circuit components such as internal reactor parts, pumps, pipelines and pressuriser by visual, tightness, pressure, ultrasonic and other tests to check the integrity and quality of the primary circuit components to detect any impurities or foreign materials.

In August, the Nuclear Regulatory Authority of the Slovak Republic resumed administrative proceedings for early use of Units 3 and 4 under the Building Act. Subsequently, the competent authorities and stakeholders carried out all local inspections, which were successfully concluded in November by a public hearing and inspection, including the presence of the Austrian anti-nuclear organisation Global 2000.

Also in November, a team of 17 experts from the International Atomic Energy Agency (IAEA), including the Austrian observer, came to Mochovce for a Pre-OSART Mission to assess the safety of activities against IAEA safety standards. The team observed the Unit 3 operator's commitment to pre-operational safety and identified a number of best practice areas as well as areas where further improvement could be achieved.

At the end of 2019, Unit 3 was repeatedly re-heated to the nominal parameter for performing complementary pressure tests of the primary circuit and reactor and functional tests of ventilation and safety systems in accordance with the operating procedures to be used after nuclear fuel loading.

Works on Unit 4 continued with assembly and testing of equipment and systems, including installation and testing of all electrical panels of the instrumentation and control system, installation of fire detection and signalling systems of seismic category 1 needed for energisation, and distribution of essential service water. Installation also included roughly 250 tonnes of steel structures for seismic reinforcement structures in the conventional island.

4.1.3 Safety at the Construction Site

Occupational health and safety remains number one priority in the Unit 3 and 4 Project. The Company has set itself the very ambitious goal of zero lost-time accidents. Therefore, safety is an integral part of the mindset of all SE employees and contractors involved in the Project.

Safety indicators of on-site activities are better than those in this industrial sector: three minor lost-time accidents were registered in 2019. For the 10 718 865 man-hours worked in 2019, the frequency index was 0.28 and the severity index 0.0044.

The cumulative value of the frequency index from 2009 to 2019 was 0.36, representing one event for every 2 805 279 hours worked. The cumulative value of the severity index in the period from 2009 to 2019 was 0.0103, resulting in a loss of 92.15 hours per each million hours worked.

4.2 Nuclear Power Projects

4.2.1 Bohunice V2 Nuclear Power Plant

In 2019, we worked on projects in accordance with the approved investment plan in order to increase safety and reliability and increase the efficiency of nuclear power plant production.

At the Jaslovské Bohunice site, the project of replacing the wooden construction of the cooling towers together with the replacement of the cooling filler are among the completed ones. The degraded wooden bearing structure of the eliminators, walkways and railings, including the replacement of a clogged cooling filler, were replaced as part of the project, which significantly improved the cooling efficiency of the towers, resulting in higher power output to the power plant.

In the area of nuclear safety, the project for replacing inverters and rectifiers of category I secured power supply was implemented in order to increase the ability to maintain basic safety functions for the next period of operation.

Another important project that was performed was the replacement of operator stations on turbine protection systems, from which we expect smooth control of turbo generators, their maintenance and system serviceability.

The completed investment of the Bently Nevada system replacement increased the service life, reliability and functionality of the equipment, including the elimination of limitations resulting from the lack of spare parts. The project made it possible to improve the decision-making of the main control room personnel, carried out on the basis of information from the equipment, and to enable a correct diagnosis of problems arisen in case of anomalies in the operation of turbo generators.

This year, the reconstruction of the special laundry for washing work clothes continued, which included the delivery, connection, testing and putting into operation of industrial washing machines for the special laundry of the nuclear power plant.

The implementation of the project Innovation of Internal Technical Water Distribution Systems was also important, dealing with the replacement of fittings, drainage pipes and venting of these distribution systems on separable sections in the secondary part with the aim of ensuring the reliable function of drainage and venting routes of the distribution system in some important civil buildings.

Last but not least, it is necessary to mention the completion of the electric boiler project, enabling a significant increase in the efficiency of the Jaslovské Bohunice power plant units in the area of providing ancillary services. In 2019, this facility was included under the regulation of EBO Unit 3.

The preparation of the programme, called ESO - electro/I&C/reconstruction, was also completed to a great degree this year. This is a programme that strategically plans the reconstruction of electrical and instrumentation & control systems in the power plant. Based on the evaluation of the condition of equipment from system engineers, we created a plan for their replacement with the assumed time of operation of the power plant by 2045. This outlook also includes the replacement of safety systems that were changed in the framework of the V2 modernisation project. Based on this strategy, individual projects started to be prepared and will be implemented in the coming years.

4.2.2 Mochovce nuclear power plant, Units 1 and 2

Again in 2019, the seismic resistance of the power plant took priority number one in the Mochovce Units 1 and 2. We changed the way the project is managed, we strengthened the group for the solution of technological systems resistance. There remain four structures to be finished in buildings resistance programme. The activities on the project are hence shifting toward technology resistance and the project is continuing intensively to be completed by the end of 2022.

The project of refuelling machine modification for the use of the Sipping Bell from Jaslovské Bohunice for seeking leaking control assemblies due to an irreparable failure of the same equipment in Mochovce was urgently completed.

In the framework of raising efficiency with an impact on nuclear safety, the project of the complete reconstruction of the independent computer control of the refuelling machine was also implemented, which will enable the refuelling process to be shortened and consequently shorter nuclear power plant shutdowns. Nuclear safety was further increased by the implementation of the project to change the link between the electrical and instrumentation and control system at the 6kV switchgear outlets and to change the protection of the 6kV

outlets to transformers. The project involved a change in the wiring of the protections so that their internal failure does not block the control of safety-relevant drives.

An interesting project implemented was the “Replacement of the VAZ200 video centre”, intended for the preparation of ensuring the four-unit operation after commissioning the Mochovce Unit 3.

An important project for the Mochovce Nuclear Power Plant was the project in progress concerning the system for the treatment of liquid radioactive concentrates, which should bring a significant reduction of the environmental burden by reducing the volume of liquid radioactive wastes from the operation of the nuclear installation. The project involves providing a complex licensing process for this line, as well as demanding management by the US supplier, which should be completed in 2020.

2019 was a turning point in the approval and preparation of the comprehensive project ZUB – “Increasing the Efficiency of EMO12 Units”. The next two years will bring significant changes in EMO. In 2020, the ZUB Project – “Increasing the Efficiency of EMO12 Units” will be implemented during the Unit 2 shutdown. This concerns a reconstruction of both turbines to be modified to more efficient TG. This is directly related to the replacement of oil regulation and electronic control of turbines. The efficiency enhancement project also includes the replacement of feedwater metering nozzles for more accurate reactor performance, replacing 400kV transformers, project for reducing pressure loss in steam piping, and completion of the replacement of generators for higher power generators. In the future there is still reconstruction of the remaining two cooling tower to be carried out. Upon completion of the project, the Unit’s achievable capacity will be increased to 505 MW with unchanged reactor performance.

As part of the projects under preparation in 2019, it is necessary to mention the installation of an electric boiler, as was the case of the nuclear power plant in Jaslovské Bohunice. The reason is not the replacement of the reserve heat source for the shutdown units as in the previous case, but the advantageous possibilities and high return on investment in the provision of ancillary services in the regulation of the Slovak electricity grid

4.3 Conventional Power Projects

4.3.1 Nováky Thermal Power Plant

The year 2019 marked an important milestone for the Nováky power plant in the preparation and development of a comprehensive transformation plan for the power plant site, which will be operated in the General Economic Interest until 2023. We prepared a transformation concept, carried out feasibility studies on two major stages, and prepared the basis for the authorisation procedures to be carried out in 2020. The comprehensive transformation of the Nováky power plant involves mainly a new heat generation source to maintain the continuity and reliability of heat supply through an efficient central heat supply system. In the second phase, the heat generating plant will be complemented by modern circulation system control. The comprehensive transformation also includes greening and remediation, a brown industrial park, modernisation of heat distribution routes and retraining of employees, including the construction of a training centre for vocational schools.

An important project implemented in 2019 at this power plant was the project of consolidating measurement and automated data collection, which ensures compliance with legislative requirements for remote collection of electricity metering data from registers of own consumption meters.

4.3.2 Vojany Thermal Power Plant

The year 2019 meant for the Vojany power plant the preparation for transformation with a view to its long-term use for energy purposes. Developments in the energy market and in commodity prices have caused low competitiveness of the current technology and have been forcing a gradual decline in black coal use. The year 2019 was significant in terms of testing co-incineration of secondary fuel, which is intended for gradual replacement of black coal and keeping the plant in operation for the years to come.

An important project implemented in 2019 at this power plant was the investment in the downpipes above and below the coal shredder with a view to reducing gas consumption and the project for consolidating metering and automated data collection, as had been performed at other sites.

4.3.3 Hydro Power Plants

In 2019, the aging of the systems and equipment used in the hydro power plants continued to be systematically addressed on the basis of the maintenance strategy.

These comprise mainly modifications of the power supply of power plants after the sale of 22kV lines, replacement of own consumption equipment, reconstruction of aged control systems, reconstruction of protections, replacement of turbine regulators and excitation regulators. All events have their own schedule according to the current state of equipment and importance of individual power plants.

In terms of operation, an important investment was to ensure the availability of emergency dispatching control of hydro power plants in the event of a blackout of the main energy dispatching centre in Trenčín.

For several power plants, a project was also prepared and implemented to increase the level of physical protection by technical security elements with the introduction of a unified identification and access system.

In the autumn of 2019, we began to prepare a new project for replacing the first-filling pumps at Čierny Váh storage-pumped hydro power plant, which will bring, in addition to extending the equipment's service life, more flexible provision of the negative regulation electricity required for the stability of the electricity transmission system.

Safety, Inspections and Management System

5.1 Integrated Policy

5.1.1 Preamble

The highest priority in Slovenské elektrárne (hereinafter the "Company") is safety[8] , which is always superior to production requirements and business profit. In nuclear installations (NIs), which are unique technology, the priority is to improve and maintain a high level of nuclear safety and radiation protection in accordance with world best practices. The key principle applied at all levels is that every employee in the Company is responsible for the safety and quality of their work, recognising the risks involved.

5.1.2 Principles

Maintain the Integrated Management System (ISM)[9] in line with the GOSP[10] model as a corporate governance tool and continually improve its efficiency and performance so that the Company continually achieves all its objectives, meets stakeholders'[11] requirements, fulfils relevant legal and other requirements, and thereby ensures sustainable development. The identified Company processes, activities, and projects are managed with regard to the principles and approaches of the integrated risk management system, which is part of the general framework for strategic and operational management and company decision-making.

Define long-term and short-term objectives and tasks, to periodically review this Policy and fulfilment of defined objectives and tasks at all levels of management. With a view to achieving the objectives, to ensure the availability of resources to seize opportunities and minimise risks and possible losses to an acceptable level necessary for innovative solutions.

Satisfy the stakeholders' and customers' needs and expectations in the provision of products and services, including continual verification of their satisfaction and pursue an open and constructive dialogue.

Manage risk strategy effectively and comprehensively to increase the likelihood that the Company, programme or project will achieve its objectives. Identify and analyse in time particular those risks jeopardising the safety of employees, the public, the environment and the Company's assets. Use best practices in identifying, analysing, evaluating, monitoring, and effective and comprehensive risk management with relevant periodic outputs communicated to the Company's executives for the purposes of effective Company management.
Create conditions for protecting employees' health at work. Monitor and evaluate indicators of the impact of

8 Safety includes the fields: occupational safety and health, fire safety prevention of severe industrial accidents, emergency planning and preparation, security 4, at nuclear facilities also nuclear safety and radiation protection

9 Integrated Management System is a mechanism of company management that integrates individual management systems so that the company meets the set objectives effectively and efficiently.

10 GOSP – Governance, Oversight, Support and Perform, a model that ensures that each employee clearly understands their role and tasks in the framework of the Company, by means of the implementation of standardised policies, programs, processes and procedures according to best practice. There are clearly differentiated responsibilities between ownership for standards (governance and oversight) and their implementation (support and performance).

11 Stakeholder is a person or organisation having or potentially having an impact on the running of the company or who may be impacted by the running of the company. Stakeholders are shareholders, state authorities, employees, customers, clients, business partners, citizens living in the vicinity of plants, etc.

the operation of production equipment on occupational health and safety, the environment (including possible radiation exposure), and Company's assets. Ensure that security measures and procedures are documented, the necessary measures are taken, and compliance is monitored.

Provide the required number of selected and professionally qualified employees. Promote the maintenance and deepening of the staff qualifications and knowledge, and knowledge management.

Continually require that the Company employees and supplier employees continually adhere to the principles and features of the strong safety culture and risk management, motivate them toward professional behaviour and exceptional performance in accordance with the declared Values and Behaviours Model, respect the principles of the Ethics Code and Zero Corruption Tolerance, apply open communication about problems, adhere to the Security[12] principles and environmental protection. Perform the activities in the framework of the ISM exclusively according to the applicable documented procedures.

In selecting suppliers, emphasise their competence to meet qualification and quality requirements, taking into account their approach to the ISM and the principles of the Code of Ethics and Zero Corruption Tolerance.

Maintain an effective crisis and emergency preparedness and response system, including the provision of the necessary resources, infrastructure and staff training.

To apply the ALARA[13] principle at nuclear facilities. Protect the environment through technologically meaningful reduction in the creation of waste, air emissions, discharges into the water and soil, with an emphasis on prevention. Apply a strategy of in-depth protection in technical measures through preventive measures minimising the risk of injury, occupational diseases, operational incidents, significant industrial accidents and environmental degradation.

Economically use energy and raw materials, support the use of renewable energy. Direct the development of the production and technical base on technologies that reduce the adverse impact on employee health and safety, on the environment, and which contribute to sustainability.

Manage the existing nuclear power plant production and technical base so that it can be used in the long term. Ensure the long-term operation programme, including managerial, material and human resources for its implementation.

12 Security includes fields such as crisis planning and management; continuity planning; protecting the company's reputation, secrecy, business secrecy, personal data; management of physical protection, information, financial, commercial and administrative security

13 ALARA principle – As Low As Reasonably Achievable – with the aim of constantly reducing the radiation burden at nuclear facilities and in their surroundings

5.2 Integrated Management System

The Integrated Management System (IMS) of SE is the cornerstone for setting the Integrated Policy and main goals and tasks of the organisation as well as for their effective and efficient deployment. Concurrently it guarantees the fulfilment of all relevant requirements of stakeholders, i.e. shareholders, customers, suppliers, as well as the public, supervisory authorities and the Company's employees.

In accordance with the defined characteristics of a healthy nuclear safety culture (according to WANO PL 2013-1), ISM provides the organisational structure and direction of the Company in a way that promotes the development of a safety culture along with achieving the highest level of nuclear safety. The IMS defines a working environment in which personnel can address safety issues immediately and without fear of possible persecution, intimidation, retaliation or discrimination.

The integrated management system includes the following key principles, approaches and values:

- safety first, each SE employee is personally responsible for and contributes to increasing the safety level;
- ocus on prevention, risk management and opportunities for continual improvement and learning;
- promotion of the optimum course of processes through an appropriate organisational structure;
- provision of information on the performance of processes and of the entire organisation;
- use of results, operational experience, and suggestions from ongoing IMS continual improvement projects;
- focus on internal and external customers, provision of information on satisfaction of customers and other stakeholders, flexible response to eligible requirements put forward by stakeholders.

Essential requirements that IMS has to meet are general generic requirements under the international standards ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 (ISO 45001:2018).

Slovenské elektrárne as an operator of nuclear installations and holder of a licence for the construction and commissioning of nuclear installations must respect and apply a number of legal and other requirements and recommendations, though particularly the following:

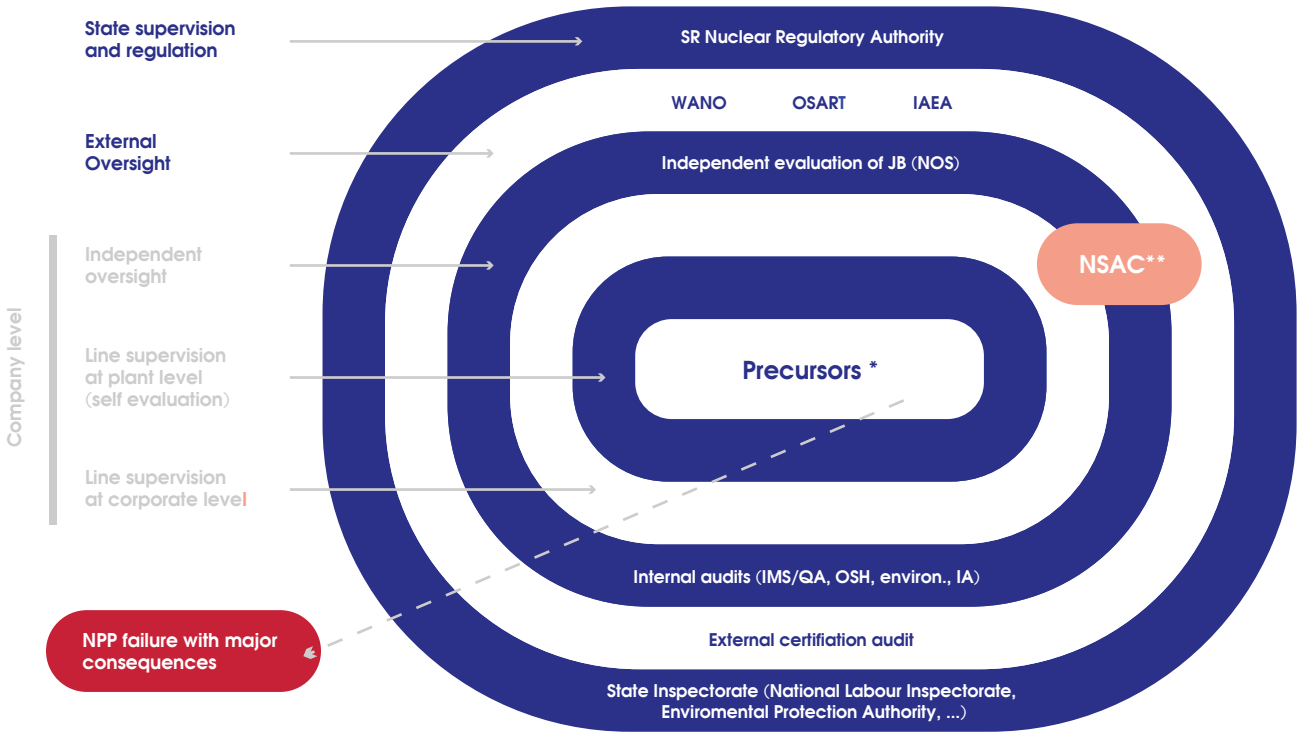
- legislative requirements set out in Act of the National Council of the Slovak Republic no. 541/2004 Coll. on peaceful use of nuclear energy (the "Atomic Act") as amended and the related implementing regulations issued by the Nuclear Regulatory Authority of the Slovak Republic (NRA SR);
- requirements and recommendations of the relevant regulations of the International Atomic Energy Agency in Vienna (IAEA), in particular GSR Part 2 Leadership and Management for Safety. General Safety Requirements for the IMS, or systems of management that are to integrate strategy, planning and objectives in the field of safety, occupational health, environment, quality, economic aspects and other fields, such as social responsibility, etc.;
- recommendations from peer reviews and missions of international organisations (WANO, OSART) and inspections by regulatory bodies such as the NRA SR, NLI, etc.;

- experience and information gained from operational events and self-assessment and benchmarking carried out in cooperation with foreign operators;

- recommendations and experience of local and foreign consulting and advisory firms, benchmarking results, continual improvement projects.

The IMS's functionality and efficiency was reviewed in 2019 by a renowned independent accredited authority. The outcome was the renewal of SE certificates under the international standards ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 (see attached below) and confirmation of the Company's orientation toward integration and continual improvement.

5.2.1 Governance and Oversight Model



* Precursors: Latent process and/or organisational shortcomings

** NSAC: Independent external advisory committee for JB

The established “Governance and Oversight Model” contains the essential attributes of corporate governance and oversight, including key elements needed for the nuclear power plants to achieve and maintain a high level of operating safety, reliability and sustainability. The model is a set of policies, processes and programmes, self-assessments, audits and independent reviews, including international peer reviews. The findings of the independent feedback process are included in the Company’s corrective action programme and continual improvement process.

5.3 Quality

The quality management system (QMS) is one of the key pillars of the IMS. An important indicator of a sound company is its ability to define ambitious main goals, as well as to ensure resources and controlled conditions for achieving and fulfilling those goals. One of the prerequisites for the successful fulfilment of the goals also includes the process approach effectively applied at Slovenské elektrárne in the framework of the "Company's Process Model", the Company's key performance indicators or process documentation.

In 2019, the efficiency and effectiveness of the IMS was verified through 8 integrated IMS audits, coordinated with other departments and feedback tools (e.g. Independent Nuclear Oversight assessments, self-assessments, etc.) and conducted at the headquarters and at selected plants and operating premises of the Company. The findings are used on an ongoing basis for the continual improvement of the IMS through defined corrective and preventive action, or initiatives for continual improvement projects.

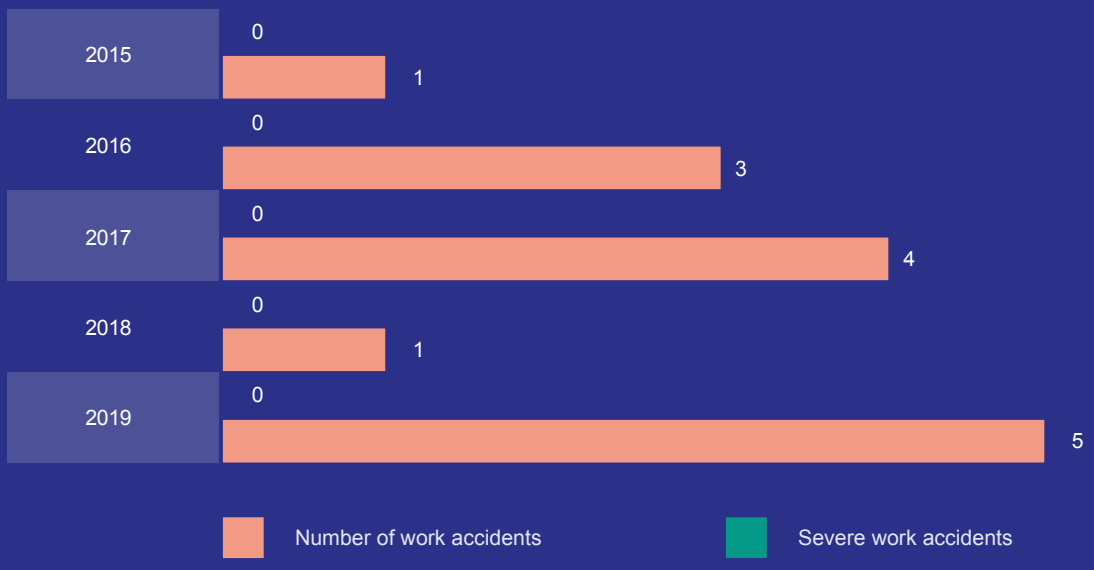
Slovenské elektrárne is aware of the full responsibility resulting from its area of activity and also the fact that this responsibility cannot be passed on to suppliers. For this reason, 24 external (customer) audits were performed in 2019 at selected suppliers having a potential impact on nuclear safety. The audits were carried out by qualified auditors in the presence of engineers from plants – nuclear installations or from the field of asset management. The results from audits at suppliers serve for overall improvements in suppliers' performance, streamlining the procurement process and raising the safety and reliability of the nuclear power plants.

5.4 Safety Management System

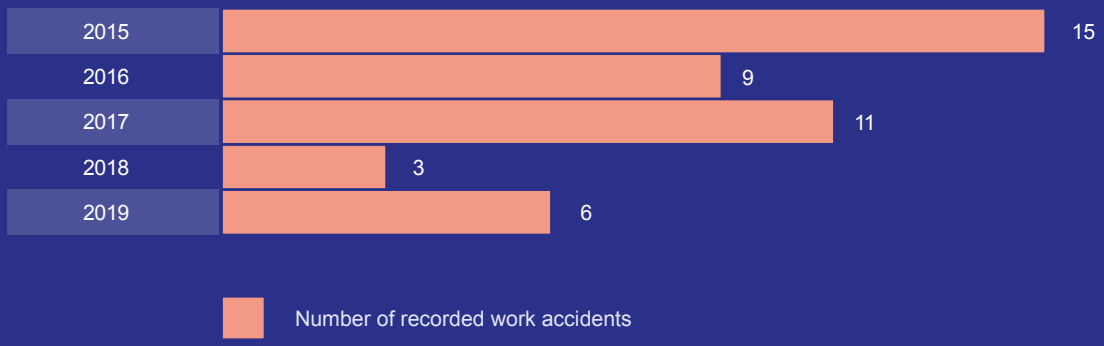
5.4.1 Occupational Health and Safety

Assessment of occupational health and safety and the development of the occupational injury rate at Slovenské elektrárne is carried out in accordance with the requirements of Act no. 124/2006 on occupational health and safety, as amended, STN OHSAS 18001:2009 and the Company's internal regulations. In 2019, five registered occupational accidents among SE employees were recorded.

Graph 9: Registered occupational accidents of SE employees - trend



Graph 10: Registered occupational accidents of SE employees - trend



Graph 11: Frequency Rate (FR)[14] and Severity Index (SI)[15] of SE employees

14 Frequency Rate: the number of work accidents that occurred and were recorded, other than accidents that occurred on the way to/from work, in relation to million hours worked: FR = (number of accidents / hours worked) x 10^6

15 Severity Index: the number of working days lost due to work accidents that occurred and which were recorded, other than accidents that occurred on the way to/from work, in relation to million hours worked: SI = (number of days lost / hours worked) x 10^6

Inspection Activities

In 2019, inspection activity in the area of occupational health and safety was carried out in accordance with the approved plans for inspection activities and internal requirements. Regarding the Company employees, 1 721 inspections were carried out by OHS specialists, revealing 1 469 deficiencies; in the case of suppliers (including controls carried out on the MO3,4 Completion Project) it was 7 105 inspections with 13581 deficiencies found. Managers carried out 3 515 walk-through inspections, in which they identified 2557 shortcomings. A total of 18 inspections were carried out at SE workplaces by state professional supervision, resulting in the detection of 36 deficiencies.

Main Initiatives in the Area of OSH and FP

The main initiatives in the field of OSH and fire safety in 2019 included activities aimed at improving the corporate culture with a focus on safety. New safety section was launched on the corporate intranet, including the OSH and fire protection section, while strengthening the communication on safety through the information campaign "Are you sure?" It included safety quizzes, articles, videos, thematic weeks on safety when walking, and on works with heavy loads. Another activities were the professional assistance during EBO and EMO shutdowns using technical and safety experts from other SE sites, Safety Moving Pool initiative, internships of OSH and fire protection staff at MO3,4 completion site. The OSH and fire protection section was launched in the Eranet system for suppliers (documents and information for suppliers). In the months of September and October, "Safety Weeks" and safety days were organised at all SE sites, at the Dubnica HPP and Červeník EBO.

Investments to Improve Safety

In 2019, SE invested a total of 3.46 million EUR in projects that contributed, among other things, to increasing safety (e.g. EBO – reconstruction of internal parts of cooling towers, modification of technological civil buildings, replacement of rectifiers, optimisation of pumping and filtering stations, change of switchboards protection, EMO – reconstruction of cooling towers, replacement of generator stator, HPP – reconstruction of emergency lighting, reconstruction of emergency control system (NSDR), reconstruction of HC HPP Kráľová, etc.).

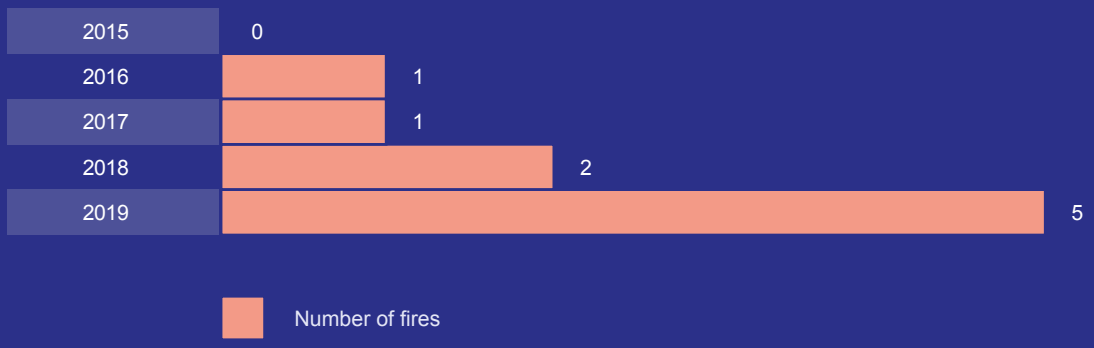
5.4.2 Fire Protection

Assessment of fire protection at Slovenské elektrárne is carried out in accordance with the requirements of Act no. 314/2001 on fire protection, as amended, STN OHSAS 18001:2009 and the Company's internal regulations. In 2019, SE recorded four fires at its power plants, resulting in damage of 253 thousand EUR (transformer fire at Mikšová HPP, fire at the TDS8 EBO-Veľké Kostoľany tele-dosimetric station, grassland and dry vegetation fire outside the EMO site and fire of oil leaked in insulation at the EBO engine room). SE also recorded one fire over the course of contractors' work at Mochovce (during welding work), resulting in no damage. No one was injured during the fires or during their extinguishing.

Inspection Activities

The internal inspection activities of the fire prevention expert units were carried out by the fire prevention technicians in accordance with the approved inspection plans for 2019. Some 1014 preventive fire protection inspections were performed, during which 336 shortcomings were detected. In 2019, the state for inspection authority carried out 10 fire inspections, detecting 4 deficiencies that were remedied within the set deadlines.

Graph 12: Number of fires - trend



5.5 Nuclear Safety

Slovenské elektrárne fulfils its vision and mission in accordance with its integrated safety policy. Safety, in particular nuclear safety and radiation protection, of which they are integral parts, is represented in the Company management and is the basic pillar of the Company's operation with greater priority than production targets and business profit.

The basic approach in the use of nuclear energy is to make continual improvements in processes, in the organisation of activities, in staff training and in the implementation of necessary technical improvements.

The objective is to ensure a high level of nuclear safety and reliability of equipment and personnel at nuclear power plants (NPPs).

Operational Events at the Company – INES 1 Evaluation

NPP	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EBO	0	0	1	0	0	0	1	0	0	0
EMO	1	0	0	0	0	0	0	0	0	0

In 2019, there was not recorded at the units any operational event rated as INES grade 1, an event with a low potential safety impact.

Average Number of Automatic Reactor Scrams (AO1) per Unit in SE

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
number	0.25	0.25	0.25	0	0	0	0.25	0	0	0

In 2019, there was no operational event that would cause a reactor scram.

SE complies with requirements for the radiation protection of people and the environment from radiation and its effects, including means for ensuring radiation protection.

The ALARA principle (As Low As Reasonably Achievable) is the basic principle of radiation protection and is applied for managing the personal doses of employees and contractors, the generation of radioactive waste and the release of radioactive substances into the environment. Personal doses of SE employees and contractors are significantly below the radiation limits. Under legislation, activities that entail the radiation exposure of workers or inhabitants are permitted only when justified. The Company has long achieved excellent results in radiation protection.

As the following table shows, the effective collective dose for power plant personnel and contractors exposed to radiation is very low; the Slovak units are in the world top ten among pressurised water reactor operators.

Average collective effective dose per unit at SE (in man mSv)

NPP	2014	2015	2016	2017	2018	2019
EBO	97	199	196	89	159	95
EMO	156	128	96	163	157	114

There was not a single case in 2019 where the individual dose limits of personnel would have been exceeded. There was no radiation incident or accident. Gases and liquids discharged into the environment had low levels of radioactivity and were within permissible guide values. For the purposes of protection of the population, this means the maximum calculated individual effective dose rate is in the order a tenth of a microsievert. It is an insignificant fraction when compared to the annual radiology limit for an individual among citizens and their exposure to radiation from the nuclear power plant operation. The limit set by the Public Health Authority of the Slovak Republic is 50 microsieverts per year.

In order to understand these values better, it is necessary to present a comparison of few examples of personal doses each person may receive when exposed to ionising radiation in everyday life:

- the medium effective dose for human exposure to background radiation is ~ 2 400 microsievert per year;
- the median dose of radiation from medical applications is ~1 500 microsieverts per year;
- the annual radiation limit for all source of ionising radiation and all activities involving irradiation laid down by law is 1 000 microsieverts per year;
- the limit set by law for the exposure of a resident from all nuclear installations in one area is 250 microsieverts per year;
- the basic radiological limit on radiation exposure for an inhabitant caused by the operation of a nuclear power plant is ~ 50 microsieverts per year;
- a three-hour plane flight at a 10 km altitude provides a single dose of ~ 10 microsieverts;
- in 2019, the maximum calculated individual effective dose per inhabitant in the vicinity of EMO NPP was 0.226 microsieverts and 0.151 microsieverts in the vicinity of EBO NPP.

These facts show that the actual impact on human health from the operation of SE nuclear power plants is negligible.

5.5.2 Emergency Planning

The Company meets the requirements for permanent preparedness to implement measures from emergency planning for managing accidents or incidents with very low probability of occurrence. The system of emergency preparedness at SE is subject to continuous maintenance, testing and improvement based on the Company's own experience and those of other power plant operators around the world.

The main objective of emergency preparedness is to ensure that employees and external persons meet the technical, personnel and documentary requirements for the successful management of extraordinary events and the mitigation of their consequences. At the same time the Company places a strong emphasis on preventing the occurrence of incidents and accidents.

5.6 Independent Nuclear Oversight

The Independent Nuclear Oversight Unit was established at SE in 2007, based on the world practices in nuclear installations, with a view to promoting excellence in safety and reliability of operations in nuclear installations.

The independent nuclear oversight includes an international Nuclear Safety Advisory Committee (NSAC), whose external international experts are involved in key areas of operation, reliability and nuclear safety.

The organisational structure and activities of the Independent Nuclear Oversight Unit are in line with the performance objectives of the World Association of Nuclear Operators (WANO, objectives OR.5 and CO.4) as well as with the principles of effective governance and oversight set out in WANO "Principles for Strong Governance and Oversight" (WANO PL 2012-1).

5.6.1 Mission of the Independent Nuclear Oversight Unit

The unit's mission is to provide the Company with an independent evaluation of the performance in the operation of nuclear installations in order to identify areas for improvement in safety and reliability of nuclear installations, compared to the Company management's goals and expectations and the best world practices in nuclear sector.

5.6.2 Activity Overview

In 2019, the activities of the Independent Nuclear Oversight unit consisted mainly in reviewing the functional and cross-functional areas, based on performance objectives and WANO criteria at Bohunice (EBO) and Mochovce (EMO) nuclear power plants with a view to identifying shortcomings and areas for improvement, including the MO34 construction site, that may have an adverse impact on the safety of the future operation. The organisational section likewise carried out an independent assessment of the operation of EBO NPP and EMO NPP, which was presented to the

Company's management in monthly reports. It also performed an independent risk assessment of the proposed organisational changes of the Company. The unit's specialists also took part in independent safety assessments of the operation of nuclear installations in the world within WANO peer review teams.

Based on the operating results, trends of key performance indicators and the results of NOS reviews, the Nuclear Oversight evaluated operation of the nuclear power plants EBO and EMO in 2019 as safe and reliable.

5.7 Security

SE pays due attention to corporate security issues, including areas such as information and cyber security, physical protection of assets, crisis management and continuity management. An integral part of corporate security activities is security analytics, including in particular security risk analysis, functional impact analysis, and the screening and monitoring of counterparties. All activities are performed so as to ensure an adequate level of protection of the Company's assets against identified security risks and so that they are in line with the security interests of the Slovak Republic (SR).

5.7.1 Information and Cyber Security

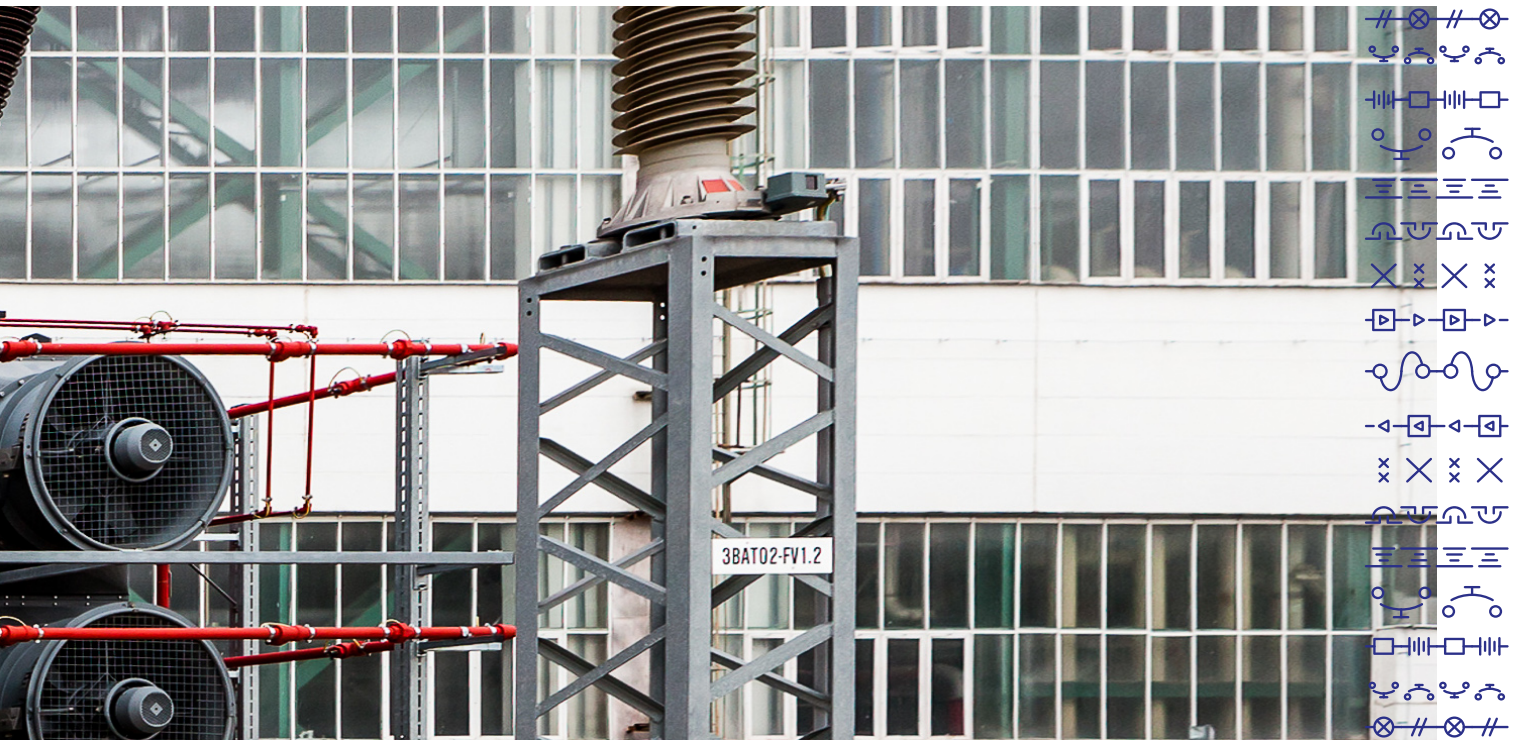
The aim of information and cyber security is to ensure an adequate level of protection for SE's information, networks and information systems through appropriate and adequate security measures so that networks and information systems are able to withstand to some degree of reliability any behaviour that compromises the availability, authenticity, integrity or confidentiality of transmitted or processed data or related services provided or accessible through these networks and information systems, and to prevent cyber security incidents, deal with cyber security incidents and minimise their impact on the continuity of SE's activities. In accordance with the Cyber Security Act, SE was included in the Register of the Operators of Essential Services. Being aware of the importance of cyber security, this field is one of SE's priorities. In 2019, a cyber security strategy was approved by the Company's Board of Directors, and the project to implement the requirements of cyber security legislation into the SE environment continued.

5.7.2 Physical Protection of Assets

Physical protection of assets in SE is ensured via a set of technical, regime, organisational and personnel measures needed for securing against and preventing any unauthorised activities threatening the Company's assets. In 2019, SE continued in fulfilling the enhanced security measures.

5.7.3 Crisis Management and Business Continuity Management

In the area of crisis management and continuity management, SE fulfils the tasks arising from the relevant legislation of the Slovak Republic and decisions of state authorities, especially in the field of economic mobilisation. In 2019, the SE Crisis Plan was updated, and activities were carried out which were aimed at increasing the effectiveness of crisis communication for rapid, reliable and unambiguous transmission of information following the declaration of a crisis situation, in the event of extraordinary events or other information-related significant events, as well as their exercises and drills.



5.8 Audit and Internal Control System

Internal audit is an independent, objective, assurance and consulting activity designed to add value and to improve processes within the organisation. Internal audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the organisation's risk management, management & control processes and governance.

The Company has in place an Internal Audit Department that fulfils this definition by means of monitoring the system of internal controls, identifying shortcomings in it and proposing action plans aimed at improving and streamlining this system.

Based on identified risks and initiatives from management, the Internal Audit Department draws up an annual audit plan taking into account the results of the risk analysis, updated on a regular basis. The result of internal audits is a final report including a list of corrective actions. They are evaluated and submitted to Company management, according to deadlines, on a quarterly basis.

Over the course of 2019, the Internal Audit Department carried out six planned internal audits and one ad hoc audit.

Over the past year Slovenské elektrárne continued in its initiative aimed at fighting corruption, financial crime, sanctions busting and monitored the efficiency of internal control mechanisms implemented in the framework of the organisational model aimed at minimising the risk of such an offence being committed.

Slovenské elektrárne undertakes to respect its own Code of Ethics, defining the principles of corporate social responsibility, to which the Company is committed. The Company has established an

ethics hotline through which notices of suspected violations of the Code of Ethics and the Zero Corruption Tolerance Plan can be filed, which will be subsequently investigated by the Company's risk management and internal audit sections.

The Company has set up a hotline and determined rules for whistleblowing, record keeping of whistleblower reports, their verification and notification of the outcome of verification of the reported crime or other anti-social activity (Whistleblower Programme) pursuant to Act no. 54/2019 Coll. on protection of whistleblowers of anti-social activity and on amendments to certain acts. The responsible person for the Company's Whistleblower Programme and for the verification of reports filed are the Risk Management and Internal Audit, performing the Employer's tasks laid down by law.

5.9 Company Risk Management

The implementation of the risk management process continued in 2019 with the publication of an updated ISM policy and management documentation in the form of a directive and methodological guideline. These documents define the activities, roles and responsibilities within the process, the risk assessment criteria, the outputs in the form of records and the statute of the Risk Management Committee.

During the year, risks were identified in individual risk areas at all plants, including the SE Directorate. Subsequently, the risks were analysed and assessed according to uniform criteria. The phase of defining and implementing measures is currently under way, and which will continue in 2020 in the form of monitoring the measures, identifying new threats and opportunities, and reviewing the existing ones.

Activities related to the creation of the methodology for effective risk management within investment projects also continued.

In the assessment by the recertification body in June 2019, the following areas were identified as the Company's strengths: Risk management, management of potentials for improvement, opportunity management.

The risk management process was also reviewed as part of the FU PR WANO review at EBO.

For the purpose of benchmarking, a meeting was held at ČEZ with a view to exchanging and sharing experience in the following areas:

- Integrated risk management, Corporate risks, NPP operational and project risks, Risk management SW tools (SAP GRC).

Environment

6.1 Environmental Management System

In 2019, an ISM re-certification audit was carried out in SE, within which one of the main cornerstones of the ISM – environmental management system – was successfully upheld. In 2019, the Company continued to observe the requirements under ISO 14001 standard according to the set mechanisms, which were applied also in the previous period and assessed positively by the auditors. The highly qualified personnel and project management were rated as strengths in the environmental protection system.

6.1.1 Air Protection

Operation in thermal power plants, which are virtually the only assets from among the SE's sources to emit pollutants, met in 2019 air protection requirements in accordance with the Industrial Emissions Directive and related national legislation. The high efficiency of emission abatement equipment (deSOX, deNOX (SNCR), electrostatic precipitators) in combination with the deployment of sources has had a positive effect on the year-on-year reduction of emissions of all basic pollutants (particulate pollutants, SO2, NOX and CO), and hence on compliance with the set emission limits.

Through replacing fossil fuels with wood chips – biomass in fluidised-bed boilers at the Vojany power plant in the volume of 20 956 tonnes, a greenhouse gas saving was achieved in the quantity of 24 546 tonnes of carbon dioxide (CO2). The equivalent savings of around 2 200 tonnes of CO2, compared to the same quantity of electricity produced in coal-fired power plants, were achieved by making full use of the installed capacity of the photovoltaic power plants at Mochovce and Vojany.

Emissions of basic pollutants into the air for SE

Pollutant (tonnes)	2015	2016	2017	2018	2019
PM (particulate matter)	533	169	102	50	34
SO_2 (sulphur dioxide)	47 265	6 393	7 248	3 144	1 386
NO_x (nitrogen oxides)	3 885	1 887	1 824	1317	1 210
NO_x (nitrogen oxides)	708	1 144	974	914	612

Specific CO2 emissions related to net electricity supply fell in 2019 to a historically low level due to a balanced energy mix with a high share of nuclear and hydro power generation and lower supply from fossil fuel-fired thermal power plants, i.e. a year-on-year decline of more than 20%.

Specific (nominal) emissions of CO_2

		2015	2016	2017	2018	2019
Verified CO_2 emissions	kt	2 535	2 305	2 409	2 291	1 825
Electricity supplied	TWh	17.9	17.2	17.5	16.8	17.1
Specific CO_2 emissions	g/kWh	141.7	133.7	137.3	136.5	106.7

SE is required to monitor outdoor air quality by continuous measurement using automatic monitoring stations (AMS) of outdoor air quality in the vicinity of ENO (Oslany village) and EVO (Leles village). The air quality data is continuously provided by the relevant district environmental authorities as well as by the Slovak Hydrometeorological Institute. Measured pollutant values have long been below the limit values for human health protection and critical levels to protect vegetation.

Mass concentration of pollutants at Oslany AMS

Pollutant	AMS Oslany mass concentration of pollutant average annual ($\mu g.m^{-3}$)				
	2015	2016	2017	2018	2019
PM10	27	25	26	22	22
SO_2	7.8	4.1	5.6	4.3	4.1
NO_x	15.6	13.3	15.0	12.8	12.3

Mass concentration of pollutants at Leles AMS

Pollutant	AMS Leles mass concentration of pollutant average annual (µg.m^{-3})				
	2015	2016	2017	2018	2019
PM10	25	22	23	20	21
SO_2	3.6	3.5	3.7	3.9	4.0
NO_x	10.9	8.9	9.3	9.0	8.7

6.1.2 Water Protection

There was a slight year-on-year increase in potable water consumption, but overall, potable water consumption shows a downward trend. The main reasons for the increase in potable water consumption are leaks on the pipelines, which are however being regularly searched for and removed. Flushing of potable water distribution lines at the MO34 construction site also contributed to the increase, which was necessary to maintain the required quality parameters for potable water.

Potable water consumption 2015 – 2019

	2015	2016	2017	2018	2019
Potable water (000 m^3)	308	284	301	244	277

In 2019, SE recorded a slight drop in the consumption of technological and cooling water for the production of electricity and heat, in consequence of the lower production at Vojany power plant. Over the long term, SE maintains a steady trend in water consumption, which is a reflection of overall savings, as well as the drive for operating at the lowest possible input costs.

Consumption of technological and cooling water 2015 – 2019

	2015	2016	2017	2018	2019
Technological and cooling water (000 m^3)	53 533	50 899	53 662	54 801	52 816

6.1.3 Waste Management

The total quantity of waste is affected mainly by the production of technological waste from the combustion processes at thermal power plants and the limited possibilities for placing the waste on the market.

Mass concentration of pollutants at Leles AMS

Waste category	2015	2016	2017	2018	2019
other (t)	463 380	702 319	712 387	619 819	547 050
hazardous (t)	2 006	2 437	577	496	422
TOTAL (t)	465 386	704 756	712 964	620 315	547 472

Raising the environmental awareness of employees, and related educational activities are having a positive impact on the growing trend towards separating waste (glass, paper, plastics) at all the Company's plants.

6.1.4 Environmental Burdens

Aware of the impact of its past activities on the surrounding environment, Slovenské elektrárne is constantly and responsibly approaching environmental protection. Over the long term, the Company has been paying attention to the issues of environmental burdens, especially at sites the of the Nováky and Vojany thermal power plants.

In 2019, in the framework of the issue of environmental burdens, attention was focused mostly on the following activities.

ENO temporary sludge bed – at the site, the ground environment and groundwater are contaminated with arsenic. To prevent the contaminated water from flowing into the Chalmová spa, a reaction barrier was built between the spa and the sludge bed. On the barrier, in the reaction baskets, the pollutants are collected and only the purified water continues to flow through. Back in 2016, part of the barrier was built as a pilot experiment, the results of which confirmed the effectiveness of this remediation method up to 96%. In 2019, a reaction barrier of 210 m in total was built between the spa and the settling pond, preventing the flow of pollutants across the entire contact area of the settling pond and the spa. In the upcoming period, the effectiveness of remediation will be monitored.

In 2019, the remediation of the environmental burden at the Zemiansky Brook site and the post-ante monitoring at the Filtration Station site were completed at the Nováky Power Plant. The approved target remediation limits were achieved for all environmental burdens.

Innovations, Science and Research

7.1 Innovations, Science and Research

Science and research are an integral part of the activities of Slovenské elektrárne. As a leading company in the nuclear industry and the only company operating nuclear reactors in Slovakia, SE's research is focused mainly on activities aimed at supporting increased nuclear safety, ensuring long-term NPP operation, ancillary activities in the operation of EBO V2 and EMO12 NPP. In addition to ancillary activities in performing nuclear safety enhancement measures resulting from periodic evaluations, research in 2019 was also focused on promoting the project of completion of Units 3 and 4 of Mochovce Nuclear Power Plant (MO34), namely in the area of risk analysis and quality of components and materials used. Other areas of interest are safety aspects in the operation of nuclear installations, maintenance of systems, components and structures reliability, development and evaluation of new material diagnostic methods and equipment maintenance work flow procedures.

Increasing demands for safety and optimum operation require new solutions, materials and procedures that SE addresses through research and applied science. Other partners, especially Slovak universities of technology, are involved in the solutions. SE thus demonstrably supports science and research in the Slovak Republic.

Centrum pre vedu a výskum, s.r.o. (CVV), as a 100%-owned subsidiary of SE, whose main focus is to support research and development activities in the nuclear sector, maintenance and development of nuclear capabilities, support for the completion of MO34 construction, improvement of operational safety and extension of the service life of nuclear installations and streamlining of operational parameters at conventional power plants.

CVV assists SE in the implementation of specific projects:

In 2019, CVV prepared for SE a final review of the comprehensive programme for the EMO12 long-term operation. The purpose of the long-term operation programme (LTOP) is to ensure that the legislative conditions for the EMO12 NPP are met in ensuring long-term operation. Long-term operation is operation based on safety assessment, taking into account limiting processes and features of systems, structures and components.

In the area of safety enhancement, CVV carried out an assessment of radiation damage to the reactor internal parts. Radiation damage of the internal parts of VVER-440/V-213 reactors operated by SE is monitored in accordance with the applicable legal regulations and monitored by regular inspections of the NRA SR. Unlike the TNR, the internal reactor parts are replaceable and, in terms of scheduled maintenance, the selected components (inserted rods, control assembly absorption attachments) are also being replaced.

In cooperation with the Slovak University of Technology (STU), it drew up a technical report on optimising fuel assembly storage in the storage refuelling pool for the EMO12 nuclear power plant. Furthermore, CVV, in collaboration with professional organisations, cooperated on the development of technology for correction of circumferential indications at the end of control assembly sockets of the reactor pressure vessel (RPV).

In addition to ensuring research activities, it also organised a repeated energy audit for all SE buildings in accordance with Act no. 321/2014 Coll. on energy efficiency and on the amendment of certain acts ("Act no. 321/2014"), focused on the consumption of electricity, heat, natural gas and fuels at SE operation sites. Under the aforementioned act, the energy audit serves as a systematic procedure for obtaining sufficient information on current status and characteristics of energy consumption to identify and suggest cost-effective energy saving options in a building, or in a group of buildings, at an industrial operation site, at a business outlet or at a private or public services facility; the energy audit must be balanced, representative and based on an economic, environmental and technical evaluation taking into account the life cycle of products and services.

7.2 Energy Services

In 2019, SE consolidated its position as an established supplier of energy services in both the public and private sectors. SE strengthened its position in particular by signing long-term contracts for energy services for heat and cooling supply in new residential development projects, and by signing the first photovoltaic power plant contract as a local source in accordance with the new Renewable Energy Act. The search for long-term energy efficiency business opportunities is at the heart of the SE's energy efficiency strategy, and new projects in preparation are aimed at enhancing this position in the future.

7.3 Commodity Provider

SE's long-term strategy for supplying commodities to end customers is to focus on segments that show stable consumption, a reasonable trading margin and, at the same time, the potential of selling energy services that add value to customers over the long term. The volume of commodity supplies is stable with regard to the quality of the Company as a supplier and at the same time as a result of the departure of less creditworthy and quality suppliers from the market. The total electricity supply for 2019 represents a volume of almost 4.0 TWh and a total gas supply of 0.4 TWh.

In 2019, the SE subsidiary – Slovenské elektrárne – energetické služby, s.r.o. (SE-ES) – supplied electricity, gas, heat and energy services to more than 5 000 customers within its portfolio. This confirms SE-ES's stable position in the market and the role of a major player in providing comprehensive energy services.

SE is represented on the Czech market of supplies to end customers through its subsidiary Slovenské elektrárne Česká republika, s.r.o. (SEČR). SEČR does not merely focus on the supply of commodities, but also provides comprehensive energy services. Its customers include important Czech and international companies, which ranks SEČR among the most important suppliers and providers of energy services on the Czech market.

In Poland the sale of electricity is carried out through a branch of SE in Warsaw.

Many important clients year after year renew their trust towards the Company as a stable, reliable and innovative supplier. The Company's clients include many small and medium-sized enterprises. The small and medium-sized enterprise segment in particular is becoming increasingly attractive and, in view of its nature, they provide some stabilisation in the portfolio of end customers.

7.3.1 Energy Services Company

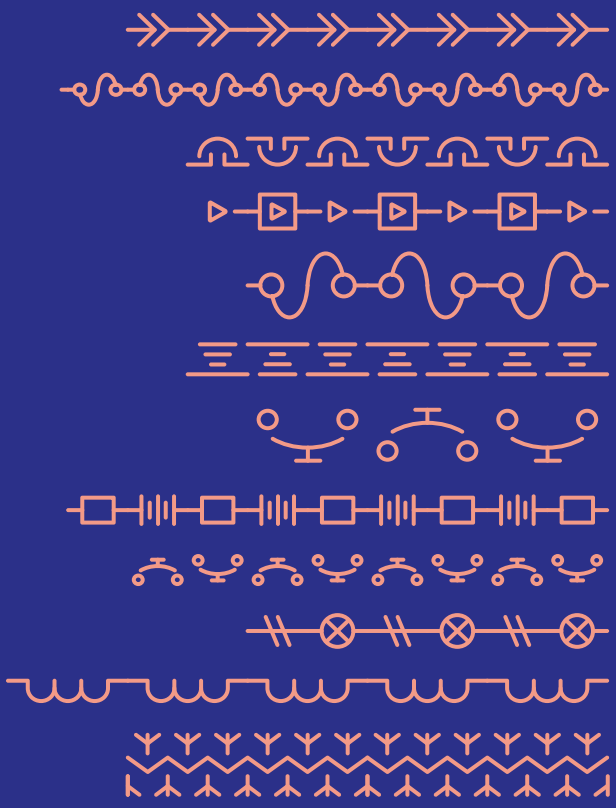
In 2019, Slovenské elektrárne – energetické služby, s.r.o. strengthened its position of as an ESCO company in the Slovak market. One of the priorities was the efficient and successful completion of the Energocentre for the National Football Stadium project. The Company successfully built the infrastructure for the supply of electricity within the football stadium grounds and ensured the minimum level of heating.

Besides this, Slovenské elektrárne – energetické služby, s.r.o. expanded its position as a supplier of efficient heating and cooling technology for developers, and successfully realised the heating and cooling machines for the projects: Anna Park Miloslavov, Mamapapa Bratislava, Gansberg Koliba Bratislava.

From among its industrial clients, it is necessary to mention the upgrading of the industrial lighting of the industrial halls of Železiarne Podbrezová a.s., where the conditions of the premises and high internal temperatures were a challenge for finding an optimal solution between achieving savings and ensuring the highest level of operational safety.

Another successful project in the industrial sector we realised for the company HTS BB s.r.o., where the Company's specialists designed and implemented a project to exploit the potential of exterior temperatures (freecooling). Kaliaren in this way saves up to 60% of electricity costs.

For the purpose of ensuring continued growth, Slovenské elektrárne – energetické služby, s.r.o. is focusing on becoming a reliable provider of guaranteed energy services for the public sector in the implementation of public building reconstruction projects, where building works necessary for the reconstruction (usually having a very long return on investment) are integrated with the upgrading of technological systems, whereby the entire project becomes attractive both for end users and for private investors.




QUADRO DI DISTRIBUZIONE CEI 23-51
Costruttore
Identificazione
Corrente nominale
Natura corrente
Frequenza
Tensione nominale
Grado di protezione

Our People

8.1 Basic Data

Safe and reliable production of electricity for the whole of Slovakia, the implementation of innovative projects in technology, but also unique corporate know-how, for all this, Slovenské elektrárne thanks its employees. They stand behind all our successes and create value that lasts above all others.

8.2 Number of Employees

As of 31 December 2019, Slovenské elektrárne employed 3 625 employees, of whom 555 were women. In 2019, the number of years worked per employee averaged 20.44 years, reflecting great expertise and low voluntary staff turnover.

	Hydro Power Plants	330
	SE Head Office	296
	Completion of Mochovce (Units 3&4)	328
	Vojany Power Plant	132
	Nováky Power Plant	228
	Mochovce Nuclear Power Plant	1317
	Bohunice Nuclear Power Plant	994

8.3 Employee Relations

Motivating employees at Slovenské elektrárne means not just steady financial remuneration with the possibility of special remuneration, depending on individual performance. It means also above-standard care and benefits significantly above the framework set by law, for example in the number of days' holiday leave, a 7½ hour working time, an employer's contribution to supplementary pension saving, as well as in wage benefits for work during state holidays, days off or a contribution at a work jubilee. Employees can also take advantage of discounts in purchasing cars, or in travel, cultural, sports and relaxation leisure.

Campaigns aimed at identifying and implementing good ideas through the Ideas Exchange project called "Burza nápadov" and the General Director Award "Cena generálneho riaditeľa" competition also contribute to corporate culture. Its goal is to further highlight the roles and responsibilities of people who, in an exceptional way, meet the main objectives of Slovenské elektrárne, achieve a high level of safety, create a positive margin, streamline, optimize and innovate processes and costs. All in accordance with the Slovenské elektrárne Values and Behavior Model (Model hodnôt a správaní).

8.4 Education

The specific industry in which we operate stimulates us toward long-term development of programmes for educating and training our employees in order that their unique know-how is maintained and experience in each field is strengthened. We place a special emphasis on the systematic improvement of skills in the framework of regular training and required qualification. In so doing we offer our employees a unique opportunity to grow and apply themselves at a company with a long history and broad portfolio of partnerships with international organisations.

Within the promotion of internal education, we launched the project Slovenské elektrárne University. The scheme is intended to provide all executive employees with facts and arguments to better understand how the Company works. The lecturer team is made up of senior managers who explain to the participants the most important information from their functional areas.

Over the course of the year, the SE University was complemented by a series of interactive workshops aimed at creating a forum for open discussion between the executive employees and their subordinates, as well as the Leaders Academy, a six-day development scheme for each new executive employee.

An important element in this development remains the training programme for operative-technical personnel of unit supervision and the organisation of emergency response at nuclear power plants. Their members are systematically prepared year round, both from the professional and psychological aspect. The training programmes are focused in particular on team cooperation, managing a variety of situations, mainly in the field of safety and averting the occurrence of operational events.

We continue in the preparation and implementation of the e-learning form of education in the field of professional and vocational training of employees. At our practical training centres we conducted both basic and periodic professional training is aimed at compliance with safety rules and procedural practices.

We finished the project of implementing the internationally recognized methodology of Systematic Approach to Preparation, when we transformed the results into 5 preparation programmes and started to prepare employees

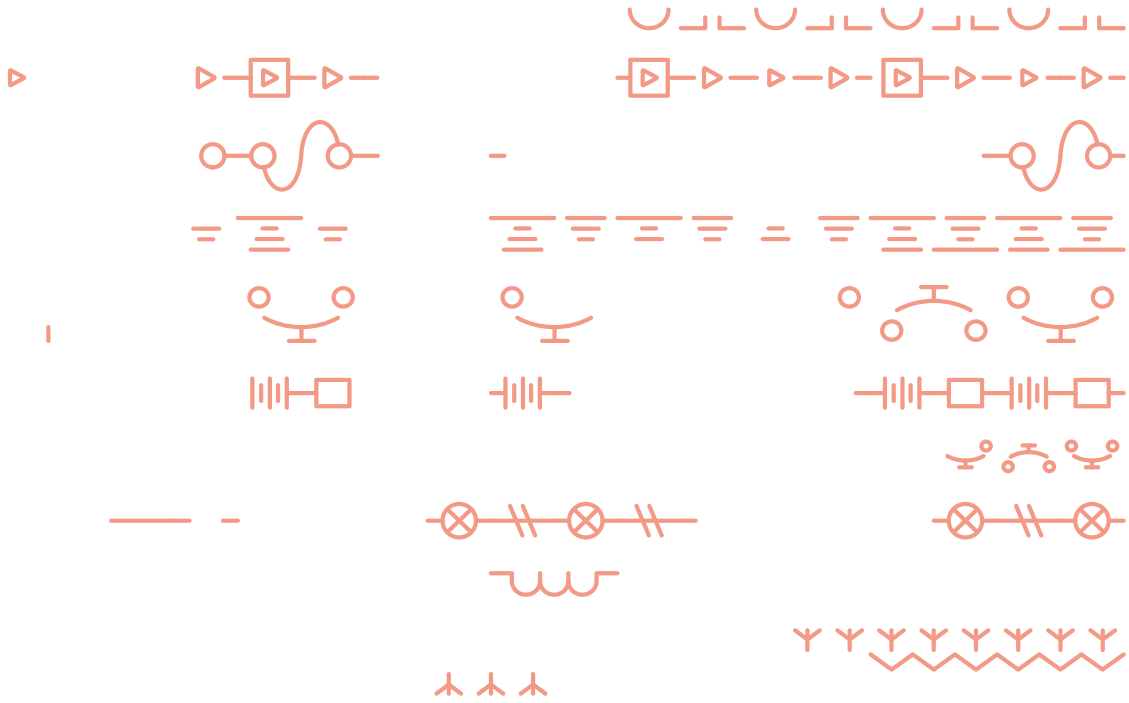
working in all crucial areas of the production section. For training in engineering positions, the training centres developed new display simulators enabling the control and operating equipment and systems of a NPP under normal, abnormal and emergency situations of nuclear units.

8.4.1 Collaboration with Universities

In collaboration with universities, Slovenské elektrárne annually gives graduates the opportunity to apply for the Aurel Stodola Award, which is awarded for the best final works in the field of power engineering. In 2019, 22 papers were participating in the competition, of which 4 were doctoral theses, 8 diploma theses and 10 bachelor theses. The authors of two diploma theses, one doctoral thesis and one bachelor thesis were invited to the event “Career Day in Power Plants”, where they presented their final papers and the best of them received a financial reward. In addition to the Aurel Stodola Award finalists, some one hundred and forty technical school students were invited to the Career Day.

In 2019, Slovenské elektrárne provided the opportunity for secondary-school and university students to learn during the school year and school holidays through student internships and practical exercises. We created opportunities for 21 students on paid and unpaid intern stays at nuclear, hydro or thermal power plants as well as at the headquarters.

In addition to internships, we employed two students through the Graduate Programme, aimed at university students who can work part-time during their studies. At the same time, SE experts provide their knowledge and experience in the form of consultations to university students who, in the course of their vocational training, prepare their theses, papers or other forms of scientific publications. During the year 2019, we met with representatives of universities (STU FEI, STU MTF, TUKE and UNIZA) twice in the committee for collaboration with universities, where we extended our on-going cooperation, such as the Aurel Stodola Award, Career Day, student opportunities as well as the use of social networks of individual university departments for the purpose of building the SE brand as an attractive employer for the students.



Corporate Social Responsibility

9.1 Support for Regions

9.1.1 Collaboration with Regions

Slovenské elektrárne has long sought to develop good public relations in the vicinity of its power plants, with open and transparent communications. Information regarding the latest happenings in the energy sector is available to the inhabitants in the regions housing our power plants with the aid of the journal Energy for the Country, both in print and digital form. In 2019, Slovenské elektrárne published five issues, each with 5 000 copies. The journal was distributed free of charge to all municipalities and their councils in the 20 km zone of both nuclear power plants.

The localities of both Bohunice and Mochovce nuclear installations continued in the active work of the Civic Information Commissions, whose members are mayors of municipalities and whose main role is to transfer information between the power plants and the public.

9.1.2 Visits and Excursions

In 2019, Slovenské elektrárne were visited by almost 15 000 visitors, of whom 13 000 were visitors to Energoland in Mochovce. Nearly 2 000 students of technical universities and secondary schools and energy experts viewed the production facilities of nuclear, hydro and thermal power plants.

SE, as a partner of the Ekotopfilm Junior event, organised during these festivals for schoolchildren lectures on global warming and the role of low-carbon sources in limiting it, which were attended by more than 13 000 children in 16 cities of Slovakia. Moreover, the Company organised or participated in almost twenty public events (for instance Night at Energoland, Stars for Children, Researchers' Night, Science Fair) during 2019, in which they addressed thousands of children, teachers and the public.

9.2 Employee Volunteering

Corporate volunteering is an integral part of Slovenské elektrárne. Through its volunteering scheme, Slovenské elektrárne creates a space for its employees who wish to participate in the planned activities in order to help those who are dependent on the support of others in their regions. Through volunteering, employees use their skills, knowledge, build and develop team spirit while contributing to the revitalisation of public spaces, cleaning hiking trails in protected areas of the Tatra National Park.

The Company motivates its staff to become increasingly involved in volunteer activities. Every year, our employees participate in the nationwide project Our Town and they themselves design volunteer projects in the regions in which they subsequently actively participate, in most cases as coordinators. As part of the Show Yourself in Good Light scheme, all employees vote on the projects proposed by them and again participate in their implementation. Last year, the Mochovce NPP staff helped to restore the neglected promenade in the historic city park in Levice and prepared the Hrušov Castle grounds for the next season of archaeological research. In Trenčín, the catchment area of hydro power plants, employees helped to increase the safety of children at the workout playground, built an outdoor classroom and helped increase the comfort and safety of children with autism. In Prievidza, near the Zemianske Kostoľany power plant, employees revitalised the lake, which dominates the local park.

The employees of Slovenské elektrárne, acting as the Christmas Angel, anonymously provided gifts under the Christmas tree for more than 300 children from various Centres for Children and Families. With the held of its employees, Slovenské elektrárne also carries out pro bono activities in the form of expert volunteering. In 2019, more than 13% of employees participated in volunteering activities.

9.3 Philanthropic and Charity Activities

Slovenské elektrárne has long been developing a social responsibility scheme Energy for the Country, whose main objective is to promote community activities and initiatives thematically divided into five areas focusing on culture, science and education, sports, the environment and social assistance. The SE's Endowment Fund at the Pontis Foundation performs philanthropic activities aimed at supporting the employees and communities in which they live in order to establish relationships with important partners, as well as to promote meaningful projects that create and deliver value.

In 2019, the Company supported a total of 32 projects under the Social Responsibility and Sustainable Development scheme.

9.3.1 Culture

Supporting cultural heritage, preserving artistic values and traditions for future generations is the core mission of the Energy for Culture scheme. Regional festivities and music festivals around the plants are a good opportunity for building a good name for the Company. Among the most famous are the Tekov folk festival "Tekov is Dancing and Singing" or the popular "Festival of Singing, Music and Dance" in Červeník. Slovenské elektrárne is also involved in the nationwide event Night at Museums and Galleries. In this time until the late evening, the modern educational centre for children and young persons Energoland is open to the public, with a rich cultural programme.

9.3.2 Science and Education

Slovenské elektrárne devotes great attention to the promotion of education, recognising the importance of educated and qualified youth for the economic development of society. Technological development, the rise of the information society and the transformation of the labour market underline the strategic importance of education. One of the most important events of popularisation of science and education is the Science & Technology Week, organised by the Ministry of Education, Science, Research and Sport of the Slovak Republic in cooperation with the Centre of Scientific and Technical Information, which annually engages dozens of elementary and secondary schools from all over Slovakia. The event also involves the Association for Youth, Science and Technology (AMAVET) with its Festival for Science and Technology were 90 best scientific works are announced.

Slovenské elektrárne is a proud partner of the event and actively participate in the creation of the programme in which they hold the scientific debate forum (Science Talks), and annually award the best students for their final papers (Aurel Stodola Award). The winners of the Aurel Stodola Award later present their successful work to colleagues and classmates from technical universities who are invited to the SE event Career Day. At the same time, they have the opportunity to meet with experts from Slovenské elektrárne and discuss their work, study, but also the possibility to find work in the field of energy.

The Energoland entertainment and educational information centre in Mochovce is regularly the venue for many internal and external events. For several years, Slovenské elektrárne has been inviting teachers and elementary-schoolchildren from the region to attend the Energoland School Certificate event. In addition to school certificates, a number of educational activities are prepared during the day along with a tour of the training centre. New modern technologies attract the attention of young students of the Children's Comenius University, who enjoy an educational trip to Energoland during their summer university classes.

With a view to motivating young people to study the technical fields of study with a prospect of their further application at Slovenské elektrárne, the Company's participation in selected trade fairs and job marketplaces in 2019 was a good opportunity to present its corporate benefits. These were, for instance, Career Days, Opportunity Days, Nitra University Days, or Science Fair.

The SE Endowment Fund supported the national project This is 21, in which inspiring personalities of the Slovak business sphere return to their high-school desks in order to motivate young people to study, innovate and develop. Several senior managers of Slovenské elektrárne personally participated in the project to inspire students with their successful business stories.

9.3.3 Sport

Investing in a healthy lifestyle through the development of sporting activities is an important part of the Energy for Sport scheme. One of the most popular sports within the Company is cycling. This easy to use and easily accessible device is used by many employees as a means of transport to their workplaces. This is one of the reasons why Slovenské elektrárne joined for the first time in the national initiative to Work on Bikes and in competition with 1 405 companies it won second place in its mileage ridden and CO2 emissions saved. In addition to supporting sporting activities in the regions, employees also actively participate in these events and deliver excellent results as amateur athletes, representatives of their Company. We can, for example, mention the National Devín-Bratislava Run, the Tlmačský Half Marathon, Malženická 13 Run and the Slovak Cup in cycling with a hobby bike ride from Tlmáč to Energoland.

The sporting event with a charity objective Stars for Children, held in Trenčín, is every year organised by the AS Trenčín for both young and adults. A "Day Full of Fun", sports and other activities is annually attended by hundreds of visitors. The main attraction is the football match of outstanding athletes and celebrities. The sportspersons the Hossa brothers, Marián Gáborík, Richard Lintner and Dominika Cibulková also accepted their participation for the good cause in 2019. The proceeds from the fundraising events go to support charity projects throughout Slovakia.

9.3.4 Environment

As part of its strategy for the protection of natural heritage, Slovenské elektrárne has long been responsible for issues of biodiversity conservation and restoration, efforts to stop ecosystem degradation, energy savings and greenhouse gas reduction.

Corporate volunteering and employee engagement finds its platform in the nationwide event Our Town, which annually involves thousands of people from all over Slovakia. In 2019, 14 teams from Slovenské elektrárne participated in the "Our Town" event, who revitalised, cleaned and helped to restore the public spaces of towns and villages in their regions.

Similar enthusiasm was also shown for the event Clean Mountains, in which staff participated for the eleventh time now. In addition to the traditional cleaning of mountain trails, a group of volunteers actively helped build a crisis centre for chamois kids in one of the Tatras' valleys.

Climate change and the associated global warming is the theme of the International Film Festival Ekotopfilm/ Envirotour 2019, where Slovenské elektrárne is the general partner for the event and an active participant at dozens of Slovak towns, answering students' questions and explaining the positive benefits of nuclear power generation.

Slovenské elektrárne supports many other smaller regional projects focused on nature conservation, revitalisation of public areas, hiking trails and nature reserves

9.3.5 Social field

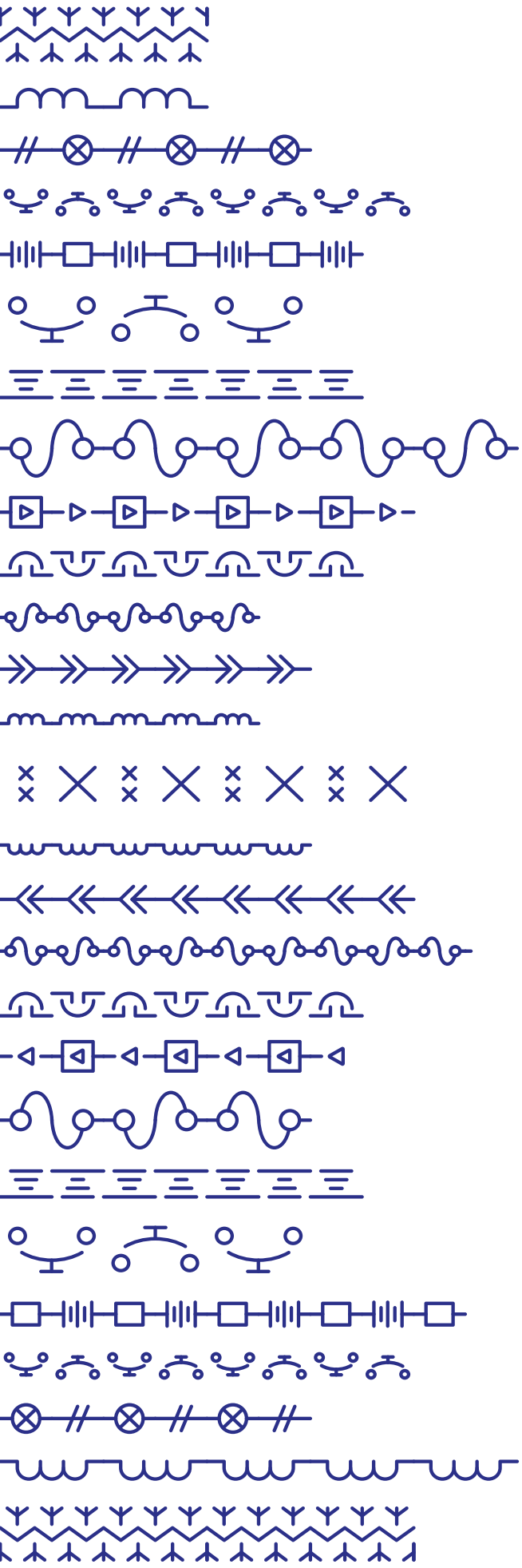
Slovenské elektrárne has long supported socially disadvantaged groups within their initiatives, demonstrating that through their own efforts they can improve their living conditions. In 2019, the Company focused on the inclusion of marginalised groups, orphaned and abandoned children, homeless people or otherwise disadvantaged people.

The Company is not indifferent to the social situation of its own staff either. It helps its employees in difficult life situations through grant calls of the Special Employee Scheme administered by the Slovenské elektrárne Endowment Fund.

Health, human life is the most precious gift that is exposed to tough tests in mountain areas, not only because of human indifference, disabilities, or unexpected changes of weather. These are the situations requiring rapid help, which is often difficult to access in such demanding terrains. Therefore, in recent years Slovenské elektrárne has donated 12 defibrillators to the most visited tourist chalets in the Tatras region, one for the Belianska Cave and one automatic defibrillator for indirect heart massage.

The popular Easter and Christmas markets organised by SE for their employees have a similar charitable dimension. Slovenské elektrárne invites only representatives of protected workshops or non-profit organisations for people with disabilities to these markets to help them by selling their hand-made items.

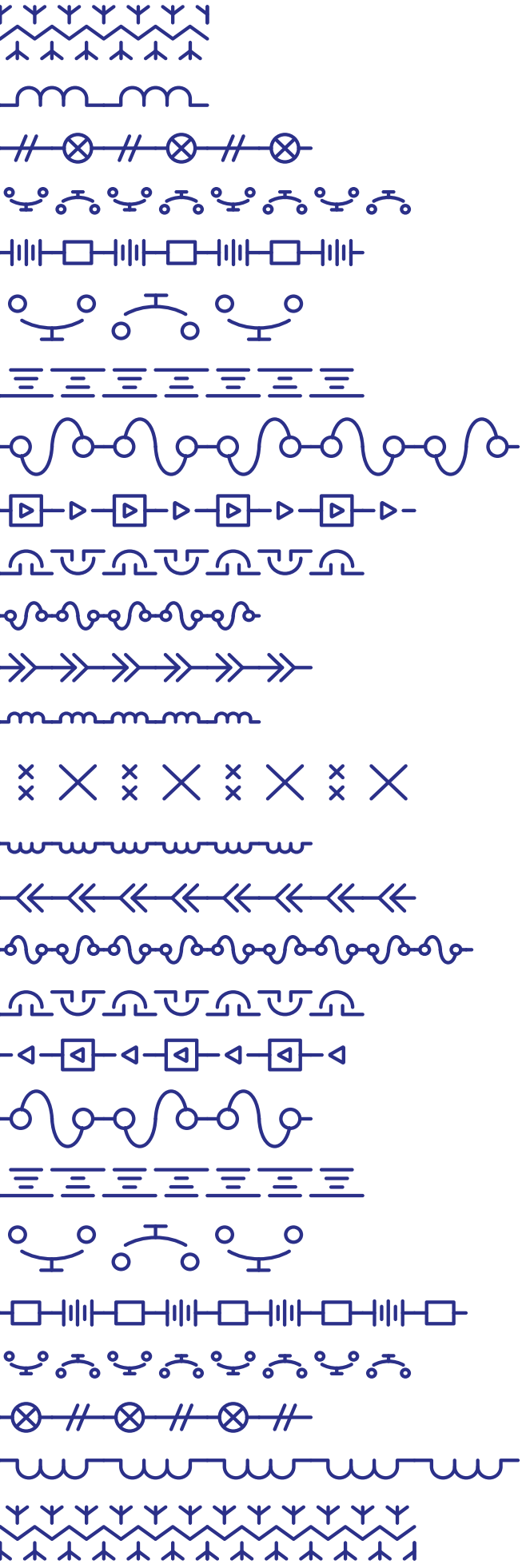
Corporate volunteering and charity are very tightly intertwined. For the fourth year in a row, employees of Slovenské elektrárne, as Christmas Angels, have been fulfilling dreams and desires for children from the Centres for Children and Families and crisis centres around the plants. In 2019, employees of Slovenské elektrárne met the Christmas wishes of some 300 children.



Abbreviations

ACER	Agency for Cooperation of Energy Regulators
ALARA	As Low As Reasonably Achievable
AMAVET	Association for Youth, Science and Technology
AP	Automatic protection
AO1	Automatic Reactor Scram
OSH	Occupational Safety & Health
BO V2	Bohunice V2 Nuclear Power Plant
CENTREL	A cooperative group of four transmission system operators
ČEZ	The largest electricity producer in the Czech Republic
COP	Coefficient of performance
CVV	Centrum pre vedu a výskum, s.r.o.
CZT	central heat supply
VAT	Value-Added Tax
e-GCC	System of cross-border exchange of regulated electricity
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EBO	Bohunice nuclear power plant
EEX	European Energy Exchange
EC	European Commission
EMO	Mochovce nuclear power plant
ENO	Nováky power plant
ENO A	Nováky A power plant, operation
ENO B	Nováky B power plant, operation
ENSREG	European Nuclear Safety Regulators Group
ENTSO-E	European Network of Transmission System Operators for Electricity
ETS	European Union Emissions Trading Scheme
EU	European Union
EVO	Vojany power plant
EVO 1	Vojany 1 power plant, operation
EVO 2	Vojany 2 power plant, operation
FNM SR	National Property Fund of the SR
GO	general overhaul (shutdown)
INES	International Nuclear Event Scale
IMS	Integrated Management System
JAVYS	Jadrová a vyraďovacia spoločnosť, a. s.
NS	Nuclear safety
NPP	Nuclear power station(s)
IAEA	International Atomic Energy Agency
MiFID II	Markets in Financial Instruments Directive (second version)
MO12	Mochovce nuclear power plant, Units 1 and 2
MO34	Mochovce nuclear power plant, Units 3 and 4
MSR	market stabilisation reserve
SHPP	small hydro power plant

NIRA	Nuclear Industry Reinsurance Association
NOS	Independent Nuclear Safety Assessment Unit
NSAC	Nuclear Safety Advisory Committee
ERO	Emergency Response Organisation
OKTE	short-term electricity market operator
FP	Fire protection
OSART	Operational Safety Review Team
ASP	Ancillary services providers
PSPP	Pumped storage hydro power plant
PXE	Prague Energy Exchange
REMIT	Regulation on wholesale energy market integrity and transparency
SE-HQ	Headquarters of Slovenské elektrárne
SAT	Systematic approach to training
SAV	Slovak Academy of Sciences
SE	Slovenské elektrárne, a. s.
SEPS	Slovenská elektrizačná a prenosová sústava, a. s.
QMS	Quality Management System
SNaP	Corrective action program
SNETP	Technology Platform
SR	Slovak Republic
STU	Slovak University of Technology in Bratislava
TPP	Thermal Power Plant
TG	Turbo Generator
PM	Particulate Matter
NRA SR	Nuclear Regulatory Authority of the Slovak Republic
RONI	Regulatory Office for Network Industries
V1	B2 Unit of the Nuclear Decommissioning Company
HPP	Hydro power plant
HPP Gab.	Hydro Power Plants Gabčíkovo, Čuňovo, Mošoň and S VII
VH	Vodohospodárska výstavba, š. p.
WANO	World Association of Nuclear Operators
WENRA	Western European Nuclear Regulator Association
ZSD	Západoslovenská distribučná, a.s.



Attachments

3EC International

SNAS
Reg. No. 305/Q-050

CERTIFICATE

This certifies that the Quality management system of company

Slovenské elektrárne, a.s.

Mlynské nivy 47, Bratislava 821 09, Slovak Republic

SLOVENSKÉ ELEKTRÁRNE

has been assessed by 3EC International
and found to be in conformance with the following standard:

ISO 9001:2015

for the following scope:

PRODUCTION, SUPPLY, PURCHASE AND SALES OF ELECTRICITY.
PRODUCTION, SUPPLY AND SALES OF HEAT.
SALES OF BY-PRODUCTS FROM ELECTRICITY PRODUCTION.
MANAGEMENT OF CONSTRUCTION AND COMMISSIONING OF ELECTRICITY PRODUCTION SOURCE.
EXECUTION OF MAINTENANCE WORKS.

Certificate No.: Q-0840/19 **Date of issuance: June 28th, 2019** **Original date of approval: July 2nd, 2016**

This certificate is valid from **June 28th, 2019** to **June 27th, 2022** on condition that organization will maintain effective Quality management system. To verify the validity of this certificate please contact our office at: +421 (0)2 5831 8343.

Issuing office: 3EC International a.s., Hraničná 18, 821 05 Bratislava, Slovak Republic

Dr. Katarína Tomin Srdošová
Head of Certification Body 3EC International a.s.

Certification body 3EC International a.s. is accredited by SNAS under registration number 305/Q-050 with accreditation certificate No. Q-050 for certification of Quality management systems covered by EA MLA and IAF MLA.

3EC International

SNAS
Reg. No. 305/R-064

CERTIFICATE

This certifies that the Environmental management system of company

Slovenské elektrárne, a.s.

Mlynské nivy 47, Bratislava 821 09, Slovak Republic

SLOVENSKÉ ELEKTRÁRNE

has been assessed by 3EC International
and found to be in conformance with the following standard:

ISO 14001:2015

for the following scope:

PRODUCTION, SUPPLY, PURCHASE AND SALES OF ELECTRICITY.
PRODUCTION, SUPPLY AND SALES OF HEAT.
SALES OF BY-PRODUCTS FROM ELECTRICITY PRODUCTION.
MANAGEMENT OF CONSTRUCTION AND COMMISSIONING OF ELECTRICITY PRODUCTION SOURCE.
EXECUTION OF MAINTENANCE WORKS.

Certificate No.: E-0386/19 **Date of issuance: June 28th, 2019** **Original date of approval: July 2nd, 2016**

This certificate is valid from **June 28th, 2019** to **June 27th, 2022** on condition that organization will maintain effective Environmental management system. To verify the validity of this certificate please contact our office at: +421 (0)2 5831 8343.

Issuing office: 3EC International a.s., Hraničná 18, 821 05 Bratislava, Slovak Republic

Dr. Katarína Tomin Srdošová
Head of Certification Body 3EC International a.s.

Certification body 3EC International a.s. is accredited by SNAS under registration number 305/R-064 with accreditation certificate No. R-064 for certification of Environmental management systems covered by EA MLA and IAF MLA.

SNAS
Reg. No. 305/R-065

3EC®
international

CERTIFICATE

This certifies that the OH&S management system of company

Slovenské elektrárne, a.s.

Mlynské nivy 47, Bratislava 821 09, Slovak Republic

SLOVENSKÉ ELEKTRÁRNE

has been assessed by 3EC International
and found to be in conformance with the following standard:

OHSAS 18001:2007

for the following scope:

PRODUCTION, SUPPLY, PURCHASE AND SALES OF ELECTRICITY.
PRODUCTION, SUPPLY AND SALES OF HEAT.
SALES OF BY-PRODUCTS FROM ELECTRICITY PRODUCTION.
MANAGEMENT OF CONSTRUCTION AND COMMISSIONING OF ELECTRICITY PRODUCTION SOURCE.
EXECUTION OF MAINTENANCE WORKS.

Certificate No.: S-0312/19 **Date of issuance: June 28th, 2019** **Original date of approval: July 2nd, 2016**

This certificate is valid from **June 28th, 2019** to **March 12th, 2021** on condition that organization will maintain effective OH&S management system. To verify the validity of this certificate please contact our office at: +421 (0)2 5831 8343.

Issuing office: 3EC International a.s., Hraničná 18, 821 05 Bratislava, Slovak Republic

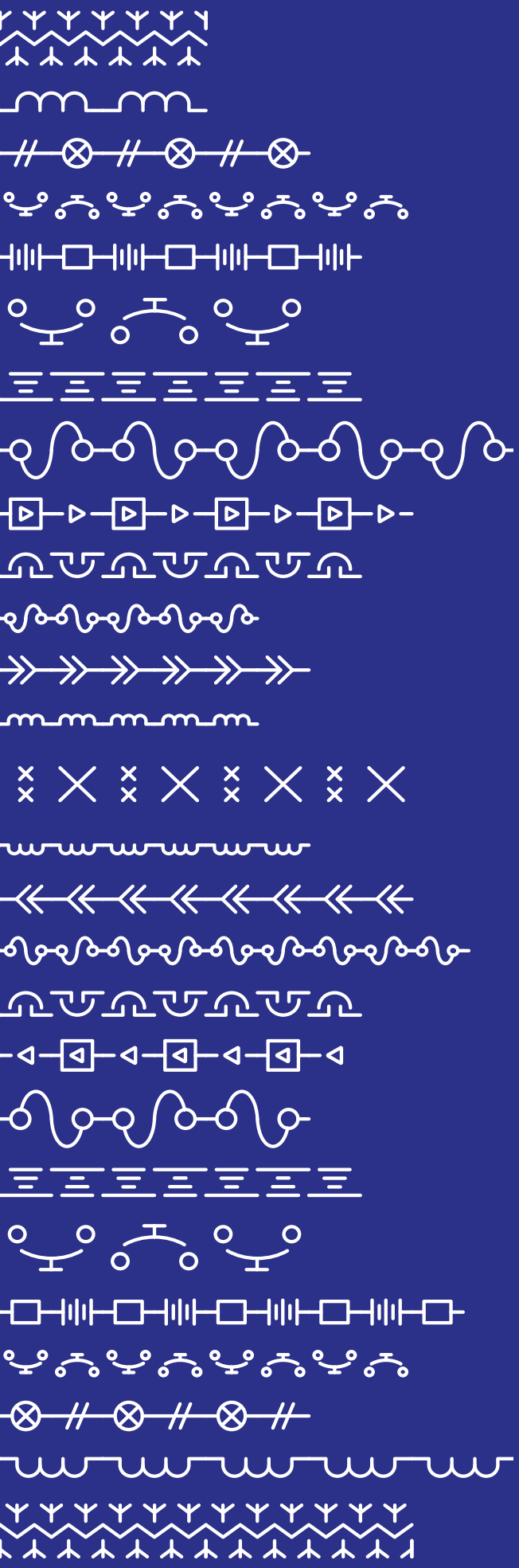
Dr. Katarína Tomin Srdošová
Head of Certification Body 3EC International a.s.

Certification body 3EC International a.s. is accredited by SNAS under registration number 305/R-065 with accreditation certificate No. R-065 for certification of OH&S management systems.


SLOVENSKÉ
ELEKTRÁRNE

Annual Report

part 2



Slovenské elektrárne, a.s.

Independent Auditor's Report and Consolidated Financial Statements in Accordance with the International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2019

Ernst & Young Slovakia, spol. s r.o.
Žižkova 9
811 02 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
ey.com/sk

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Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of Slovenské elektrárne, a.s.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Slovenské elektrárne, a.s. ('the Company') and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the consolidated financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to Notes 3 and 15 to the consolidated financial statements. The Group has evaluated its obligations arising from the nuclear production of electricity and booked provisions in respect to thereof based on management's best estimate of the expenditure required to settle those obligations as at 31 December 2019. The estimates and assumptions considered by management in forming these provisions are inherently sensitive to expectations about future costs and forecasted cash outflows, timing of cash outflows, inflation rates, discount rates, technical plans and changes in government legislation. Any changes in these parameters could materially affect the carrying amounts of the provisions recorded in the consolidated financial statements in future periods.

We draw attention to Note 29 to the consolidated financial statements which describes uncertainty related to the outcome of several court disputes pertaining to Vodné elektrárne Gabčíkovo ("VEG") Operating Agreement, the Agreement on Settlement of Legal Relations with respect to the VEG Assets and the Agreement of Indemnity.

Our opinion is not modified in respect of these matters.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements including the presented information as well as whether the consolidated financial statements capture the underlying transactions and events in a manner that leads to their fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Consolidated Annual Report

Management is responsible for the information disclosed in the consolidated annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the consolidated financial statements expressed above does not apply to other information contained in the consolidated annual report.

In connection with audit of the consolidated financial statements it is our responsibility to understand the information disclosed in the consolidated annual report and to consider whether such information is not materially inconsistent with audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

We considered whether the Group's consolidated annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of consolidated financial statements, in our opinion:

- Information disclosed in the consolidated annual report prepared for 2019 is consistent with the consolidated financial statements for the relevant year,
- The consolidated annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Group and its situation, obtained in the audit of the consolidated financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

22 April 2020
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Tomáš Přeček, statutory auditor
UDVA Licence No. 1067

Slovenské elektrárne, a.s.

Consolidated Financial Statements
Prepared in Accordance with International Financial Reporting Standards
as Adopted by the European Union

31 December 2019

Branislav Strýček

Chief Executive Officer
Chairman of the Board of Directors

Pedro José Cañamero González

Member of the Board of Directors

Bratislava, 22 April 2020

CONTENTS

Slovenské elektrárne, a.s.

CONSOLIDATED BALANCE SHEET
as at 31 December 2019
(in thousands of EUR)

	Note	*31 December 2019*	*31 December 2018*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	9,176,952	8,211,211
Intangible assets	6	5,995	7,157
Assets from embedded derivatives	7	622	607
Derivative assets	7	6,243	526
Investments in associates	9	20,095	19,030
Other investments	9	5,495	4,695
Right for reimbursement from the National Nuclear Fund	15	1,339,112	1,229,869
Other receivables	11	107,289	100,610
Other non-current assets	13	3,248	2,070
Deferred tax receivable	27	1,517	1,594
Prepayments for non-current assets	5	27,434	20,382
Total non-current assets		**10,694,002**	**9,597,751**
CURRENT ASSETS			
Inventories	10	338,585	342,668
Trade and other receivables	11	179,471	158,612
Current income tax receivable	27	198	1,694
Assets from embedded derivatives	7	29	349
Derivative assets	7	182,796	425,079
Cash and cash equivalents	12	12,460	13,159
Assets classified as held for sale	5	288	317
Other current assets	13	28,823	14,893
Total current assets		**742,650**	**956,771**
TOTAL ASSETS		**11,436,652**	**10,554,522**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,269,296	1,269,296
Revaluation reserve	14	3,364,393	2,881,948
Other reserves	14	188,803	124,101
Retained earnings, of that:	14	(322,566)	(345,167)
Retained earnings of prior periods		*(345,167)*	*(364,763)*
Net income for the year		*22,601*	*19,596*
Total equity attributable to equity holders of the Company		**4,499,926**	**3,930,178**
Non-controlling interest		-	-
Total equity		**4,499,926**	**3,930,178**
NON-CURRENT LIABILITIES			
Subordinated loan	19	350,903	244,634
Provision for nuclear decommissioning and storage costs	15	2,150,189	2,006,976
Provision for dismantling of thermal power plants	16	126,707	125,569
Employee benefits	17	41,490	38,968
Other provisions	18	19,719	19,775
Loans and borrowings	19	2,918,671	2,679,205
Derivative liabilities	7	99,115	202,283
Other non-current liabilities	20	2,556	2,726
Deferred tax liability	27	429,134	290,049
Total non-current liabilities		**6,138,484**	**5,610,185**
CURRENT LIABILITIES			
Provision for nuclear decommissioning and storage costs	15	15,758	17,812
Provision for dismantling of thermal power plants	16	150	185
Employee benefits	17	1,682	1,142
Other provisions	18	43,667	34,292
Loans and borrowings	19	207,778	183,682
Derivative liabilities	7	182,623	401,415
Trade and other current payables	21	318,228	361,305
Current income tax liability	27	21,682	4,870
Other current liabilities	20	6,674	9,456
Total current liabilities		**798,242**	**1,014,159**
Total liabilities		**6,936,726**	**6,624,344**
TOTAL EQUITY AND LIABILITIES		**11,436,652**	**10,554,522**

Slovenské elektrárne, a.s.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2019
(in thousands of EUR)

	Note	*Year ended 31 December 2019*	*Year ended 31 December 2018*
REVENUES			
Electricity and heat revenues	22	2,444,508	2,535,182
Revenues from rendering of other services		5,197	4,399
Total revenues		**2,449,705**	**2,539,581**
OTHER INCOME			
Other operating income	23	55,591	109,341
Total other income		**55,591**	**109,341**
OPERATING EXPENSES			
Nuclear fuel		(70,061)	(74,850)
Fossil and other fuel		(100,066)	(116,038)
Cost of electricity purchased for resale	22	(1,578,045)	(1,771,095)
Repairs and maintenance		(35,283)	(37,774)
Other raw materials and consumables		(108,196)	(104,668)
Personnel expenses	24	(133,841)	(128,190)
Changes in provision for nuclear decommissioning and storage costs	15	(45,817)	(60,368)
Changes in provisions for dismantling of thermal power plants	16	4,654	(1,809)
Other operating costs, other than depreciation, amortisation and impairment	23	(96,436)	(61,458)
Total operating expenses		**(2,163,091)**	**(2,356,250)**
PROFIT BEFORE FINANCIAL RESULT, TAX, DEPRECIATION, AMORTISATION AND IMPAIRMENT		**342,205**	**292,672**
Revaluation of property, plant and equipment	5	(30,321)	-
Depreciation, amortisation and impairment	25	(217,644)	(190,496)
PROFIT BEFORE FINANCIAL RESULT AND TAX		**94,240**	**102,176**
Share of profit of associates		1,234	1,460
Finance income	26	34,781	46,924
Finance costs	26	(99,206)	(125,659)
PROFIT BEFORE TAX		**31,049**	**24,901**
INCOME TAX	27	(8,448)	(5,305)
NET PROFIT FOR THE YEAR		**22,601**	**19,596**
Profit attributable to:			
Shareholders of the Company		22,601	19,596
Non-controlling interest of other owners of subsidiaries		-	-

Slovenské elektrárne, a.s.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019
(in thousands of EUR)

	Year ended 31 December 2019	*Year ended 31 December 2018*
Net profit for the year	**22,601**	**19,596**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net movement on cash flow hedges, net of tax	65,172	(91,241)
Other, net of tax	892	(343)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**66,064**	**(91,584)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of property, plant and equipment, net of tax	503,111	-
Changes in valuation of property, plant and equipment, net of tax	(907)	(512)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	(18,894)	(17,307)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	(482)	(1,656)
Change in estimates of the environmental provision through revaluation reserve, net of tax	(383)	(135)
Remeasurement losses on defined benefit plans, net of tax	(1,362)	1,134
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**481,083**	**(18,476)**
Other comprehensive income for the year, net of tax	**547,147**	**(110,060)**
Total comprehensive income for the year, net of tax	**569,748**	**(90,464)**
Total comprehensive income attributable to:		
Equity holders of the Company	569,748	(90,464)
Non-controlling interests of other owners of subsidiaries		-

Slovenské elektrárne, a.s.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019
(in thousands of EUR)

	Share capital	*Hedging reserve*	*Revaluation reserve*	*Other reserves*	*Accumulated losses*	*Total*	*Non-controlling interest*	*Total equity*
Balance as at 1 January 2018	**1,269,296**	**(14,760)**	**2,901,558**	**229,311**	**(364,763)**	**4,020,642**	**-**	**4,020,642**
Net income for the year	-	-	-	-	19,596	19,596	-	19,596
Other comprehensive income								
Changes in valuation of property, plant and equipment, net of tax	-	-	(512)	-	-	(512)	-	(512)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	-	-	(17,307)	-	-	(17,307)	-	(17,307)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	-	-	(1,656)	-	-	(1,656)	-	(1,656)
Change in estimates of the environmental through revaluation reserve, net of tax	-	-	(135)	-	-	(135)	-	(135)
Net movement on cash flow hedges, net of tax	-	(91,241)	-	-	-	(91,241)	-	(91,241)
Remeasurement losses on defined benefit plans, net of tax	-	-	-	1,134	-	1,134	-	1,134
Other, net of tax	-	-	-	(343)	-	(343)	-	(343)
Total comprehensive income, net of tax	**-**	**(91,241)**	**(19,610)**	**791**	**19,596**	**(90,464)**	-	**(90,464)**
Balance as at 31 December 2018	**1,269,296**	**(106,001)**	**2,881,948**	**230,102**	**(345,167)**	**3,930,178**	**-**	**3,930,178**
Balance as at 1 January 2019	**1,269,296**	**(106,001)**	**2,881,948**	**230,102**	**(345,167)**	**3,930,178**	**-**	**3,930,178**
Net income for the year	-	-	-	-	22,601	22,601	-	
Other comprehensive income								
Revaluation of property, plant and equipment, net of tax	-	-	503,111	-	-	503,111	-	503,111
Changes in valuation of property, plant and equipment, net of tax	-	-	(907)	-	-	(907)	-	(907)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	-	-	(18,894)	-	-	(18,894)	-	(18,894)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	-	-	(482)	-	-	(482)	-	(482)
Change in estimates of the environmental through revaluation reserve, net of tax	-	-	(383)	-	-	(383)	-	(383)
Net movement on cash flow hedges, net of tax	-	65,172	-	-	-	65,172	-	65,172
Remeasurement losses on defined benefit plans, net of tax	-	-	-	(1,362)	-	(1,362)	-	(1,362)
Other, net of tax	-	-	-	892	-	892	-	892
Total comprehensive income, net of tax	**-**	**65,172**	**482,445**	**(470)**	**22,601**	**569,748**	**-**	**569,748**
Balance as at 31 December 2019	**1,269,296**	**(40,829)**	**3,364,393**	**229,632**	**(322,566)**	**4,499,926**	**-**	**4,499,926**

Slovenské elektrárne, a.s.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019
(in thousands of EUR)

	Note	*Year ended 31 December 2019*	*Year ended 31 December 2018*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income taxes		**31,049**	**24,901**
Adjustments to reconcile profit before income taxes to net cash from operating activities:			
Depreciation, amortisation and impairment of non-current assets	5,6	216,524	189,339
Effect of the revaluation	5	30,321	-
Amortisation of deferred income		(921)	221
Gain on sale of property, plant and equipment and intangible assets	23	(17)	(995)
Interest income	26	(2,644)	(2,646)
Interest charge on other provisions (employee benefits, environmental provision)	26	949	870
Interest charge on provision for nuclear decommissioning and storage costs and dismantling of thermal power plants	26	92,050	88,579
Interest from loans and borrowings		1,690	1,904
Change in estimate of provision for nuclear decommissioning and storage costs and dismantling of thermal power plants through income statement	15,16	24,455	47,567
Other changes in provision for nuclear decommissioning and storage costs and dismantling of thermal power plants	15,16	1,230	(3,987)
Change in valuation of embedded derivatives	30	305	(11,286)
Change in environmental and employee benefits provision		(844)	(1,348)
Change in other provisions		10,067	20,905
Interest income from the National Nuclear Fund	15, 26	(30,691)	(29,494)
National Nuclear Fund administration fee	15	794	562
Change in revaluation of derivatives through income statement		35,812	(73,277)
Share of profit of associates		(1,234)	(1,460)
Efect of other finance cost		2,400	-
Changes in other assets and liabilities through equity		(3,849)	(2,154)
Changes in working capital:			
Inventories	10	4,083	(9,318)
Trade and other receivables		(33,699)	(16,857)
Trade and other payables		(51,573)	(59,990)
Other assets and liabilities		(15,507)	1,814
Cash generated from operations		**310,750**	**163,850**
Interest received		109	20
Interest paid		(123,450)	(85,971)
Income taxes paid		4,616	10,292
Net cash from operating activities		**192,025**	**88,191**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(447,281)	(411,991)
Acquisition of intangible assets		(662)	(2,275)
Proceeds from sale of property, plant and equipment and intangible assets		27	1,044
Contributions to the National Nuclear Fund	15	(79,346)	(56,246)
Net cash used in investing activities		**(527,262)**	**(469,468)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawing of borrowings		2,461,264	8,375,970
Repayment of borrowings		(2,126,726)	(8,005,211)
Net cash from financing activities		**334,538**	**370,759**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(699)**	**(10,518)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**12**	**13 159**	**23,677**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**12**	**12,460**	**13,159**

1. General information

Slovenské elektrárne, a.s. (hereinafter as the “Company”, or “SE”) is an electricity and heat generation, supply and trading company, which owns and operates 52.8% (2018: 53.0%) of the installed capacity of power plants in the Slovak Republic.

The Company’s registered address and registration numbers are:
Slovenské elektrárne, a.s.
Registration number: 35 829 052
Tax registration number: 2020261353
Mlynské nivy 47
821 09 Bratislava
Slovak Republic

The Company was set up on 13 December 2001 and was incorporated into the Commercial Register on 21 January 2002.

The Company and its subsidiaries (hereinafter as the “Group”) has two branches, one is established in the Czech Republic and the second one is in Poland.

The companies in the Group are not a partner with unlimited liability in any company.

During the year 2018, the Group had 4,223 employees on average (2018: 4,357 employees), the number of employees as at 31 December 2018 was 4,228 (as at 31 December 2018: 4,309), of which 31 were management (31 December 2018: 33 managers).

These consolidated financial statements are presented in thousands of euros.

These consolidated financial statements have been prepared as ordinary consolidated financial statements according to Section 17 (6) of the Slovak Accounting Act No. 431/2002 Coll. as amended.

The consolidated financial statements are available at the Company’s registered address and at the Commercial Register of District Court in Bratislava I, Záhradnícka 10, 812 44 Bratislava. According to Section 23 of the Slovak Accounting Act No. 431/2001 Coll. as amended, the consolidated financial statements are also filed in the registry of the financial statements, in the electronic form.

Ownership structure

As at the date of these consolidated financial statements the Company’s shares were owned by Slovak Power Holding B.V., the Netherlands, amounting to 66% and by the Slovak Republic, on behalf of which acts the Ministry of Economy of the Slovak Republic, amounting to 34%. As at the date of these consolidated financial statements the shares of the company Slovak Power Holding B.V. (hereinafter as "SPH”) were owned by Enel Produzione S.p.A., Italy (hereinafter as "Enel Produzione") in the amount of 50% and by the company EP Slovakia B.V., the Netherlands (hereinafter as "EP Slovakia") also in the amount of 50%. The only shareholder of EP Slovakia was Energetický a průmyslový holding a.s., Czech Republic (hereinafter as “EPH”). The ultimate parent entity of the Company is SPH.

Based on the contract for the sale of the stake held by Enel Produzione in Slovenské elektrárne, a.s. equal to 66% of the Company’s share capital agreed on 18 December 2015 there is a possibility to exercise an option for sale or purchase of remaining shares of SPH respectively by Enel Produzione or by EP Slovakia. The option is exercisable 12 months after receiving the Trial Operation Permit of units 3 and 4 of the Mochovce nuclear power plant, which are currently under construction. Upon exercise of the option, Enel Produzione would transfer the remaining 50% of the SPH’s share capital to EP Slovakia. The closing of this phase is subject to obtaining the Final Operation Permit for the units 3 and 4 of the Mochovce nuclear power plant. The agreement also provides that, should the options not become exercisable within the aforementioned terms, these options could be in any case exercisable starting from 30 June, 2022.

2.1 Basis of preparation

The consolidated financial statements were prepared using the going concern assumption that the Group will continue its operations for the foreseeable future.

The financial year is the same as the calendar year.

The consolidated financial statements of the Group for the previous period were approved by the ordinary Annual General Meeting of the Company held on 24 May 2019.

The assets and liabilities reported in the consolidated balance sheet are classified on a current/non-current basis, with separate presentation of assets classified as held for sale. Current assets, which include cash and cash equivalents, are assets that are intended to be realised, sold or consumed during the normal operating cycle of the Group or within the twelve months following the balance sheet date. Current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Group or within the twelve months following the balance sheet date.

The costs in the consolidated income statement are classified according to their nature.

The indirect method is used for the consolidated statement of cash flows that presents the net cash flows attributable to the operating, investing and financing activities.

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- property, plant and equipment are carried at their revalued amounts,
- derivative financial instruments are measured at fair value,
- financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further in Note 5 and 30.

i) Information on the consolidated group

The consolidated financial statements of the Group are included in the consolidated financial statements of Slovak Power Holding B.V. and are available directly at the registered address of the company, at Herengracht 471, 1017 BS Amsterdam, the Netherlands. The consolidated financial statements are filed in the business register of the Chamber of Commerce of Amsterdam, De Ruijterkade 5, 1013 AA, Amsterdam, the Netherlands.

ii) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. IFRS comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

iii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (hereinafter as “the Group”) as at 31 December 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those applied in the consolidated financial statements prepared as at 31 December 2018 except as follows:

The Group has adopted the following new and amended IFRS as at 1 January 2019, all adopted by the European Union (hereinafter as the "EU"):

IAS 19	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement *(effective for annual reporting periods beginning on or after 1 January 2019);*
IAS 28	Amendments to IAS 28: Long-term interests in Associates and Joint Ventures *(effective for annual reporting periods beginning on or after 1 January 2019);*
IFRS 9	Amendments to IFRS 9: Prepayment Features with Negative Compensation *(effective for annual reporting periods beginning on or after 1 January 2019);*
IFRS 16	Leases *(effective for annual reporting periods beginning on or after 1 January 2019);*
IFRIC 23	Uncertainty over Income Tax Treatments *(effective for annual reporting periods beginning on or after 1 January 2019);*

Annual improvements to IFRSs 2015 - 2017 Cycle *(effective for annual reporting periods beginning on or after 1 January 2019.*

The impact of adoption of the new or amended standards on the consolidated financial statements of the Group is described below:

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
According to the amendments, if a plan amendment, curtailment or settlement occurs, it will be mandatory that the current service cost and the net interest for the period after remeasurement are determined using the assumptions used for remeasurement. In addition, the amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The application of these amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28: Long-term interests in Associates and Joint Ventures
IFRS 9 Financial Instruments excludes from its scope interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. These amendments clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The application of these amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
The amendments modify the current provisions of IFRS 9 concerning the value of compensation for early repayment, clarifying that such a financial asset would be eligible to be measured at amortised cost or at fair value through other comprehensive income, depending on a company's business model. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain. The application of these amendments did not have any impact on the Group's consolidated financial statements.

IFRS 16 Leases
IFRS 16 introduces a common model for reporting leases by a lessee in which all the leased assets and liabilities from the leases with a lease term of more than twelve months are shown on the balance sheet, regardless of whether it is an operating or a financial lease. Lessees will account for operating leases in the same way as they currently do for financial leases. Accounting on the lessor side will remain almost unchanged. The Group has elected to apply the standard retrospectively, with the cumulative effect of initially applying the standard recognised at the date of initial application, in line with the transition requirements of IFRS 16. As at 1 January 2019, the Group recognized an increase in the lease liabilities of EUR 14,493 thousand, with a corresponding increase in right-of-use assets in the same amount. Additional disclosures regarding this standard are provided in Note 5.

IFRIC 23 Uncertainty over Income Tax Treatments

International Financial Reporting Interpretations Committee identified practical issues regarding measurement and recognition of current taxes, deferred tax liabilities and receivables, when there is an uncertainty in the valuation of current income tax. The interpretation clarifies that an entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. An entity is to assume that a taxation authority will have full knowledge of all relevant information during a tax inspection and consider whether it is probable that the relevant authority will accept each tax treatment (or group of tax treatments), that it used or plans to use in its income tax filing. If it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining the expected tax charge. The decision should be based on the method that provides better predictions of the resolution of the uncertainty. Judgements and expected values used have to be reassessed each time that related circumstances change. The application of this interpretation did not have any impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2015 – 2017 Cycle

In December 2017 the IASB issued a collection of amendments to IAS and IFRS, the document contains formal modifications and clarifications of the existing standards.

The following standards were amended:

IFRS 3	Business Combinations
IFRS 11	Joint Arrangements
IAS 12	Income Taxes
IAS 23	Borrowing Costs

The application of these improvements did not have any impact on the Group´s consolidated financial statements.

The Group has not early adopted any standards and interpretations where the adoption is not mandatory at the balance sheet date.

2.3 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Additional acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

b) Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of associates is shown on the face of the consolidated income statement and represents the profit attributable to shareholders of the Company and therefore it represents profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group's. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

c) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group 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.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

d) Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Foreign currency transactions are recorded in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction to the foreign currency amount. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised in the consolidated income statement in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences are recorded as financial income or expense.

ii) Group companies

The assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognised in translation reserve with the impact on consolidated statement of comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

e) Revenue recognition

Revenues are generated primarily from the sale of electricity and related services and gas to wholesale markets, to retail customers, to market and network operators and from the sale of heat.

The Group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised in the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, value added tax).

(i) Revenue from sale of electricity and gas

Revenue from sale of electricity and related services and revenue from sale of gas is recognised when these commodities are supplied to the customer and based on the quantities provided during the period, even if these have not yet been invoiced, and is determined using estimates as well as periodic meter readings.

(ii) Revenue from rendering of services

Revenue from rendering of services is recognised when the services are rendered or by reference to the stage of completion of services at the end of the reporting period.

f) Government grants

Government grants are recognised if there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis with the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to the consolidated income statement in equal amounts over the expected useful life of the related asset.

g) Income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in consolidated other comprehensive income or directly in equity. In this case the tax is also recognised in consolidated other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income.

In line with Act No. 235/2012 Coll. on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplement of Certain Acts, the Company is obliged to pay a monthly special levy effective from September 2012. The special levy represents 6.54% per annum (2018: 8.712%). This levy is based on profit before tax and is presented as part of the current income tax pursuant to the IFRS requirements.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

h) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and classification of financial assets
A financial asset is recognised in the consolidated statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial assets within the scope of IFRS 9 Financial Instruments are classified as financial assets subsequently measured at amortised cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss, depending on the Group´s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets. Financial assets can be designated as hedging instruments in an effective hedging relationship, as appropriate. Embedded derivatives, which represent a component of hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative, are also within the scope of IFRS 9 Financial instruments.

The Group determines the classification of its financial assets at initial recognition.

The Group accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 Financial Instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are outside the scope of this standard.

Except for trade receivables, at initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in consolidated profit or loss. At initial recognition, the Group measures trade receivables that do not contain a significant financing component at their transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification at initial recognition as follows:

Financial assets measured at amortised cost
A financial asset is classified as measured at amortised cost if the objective of the Group is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (hereinafter as "EIR"), less impairment. Amortised cost is calculated by taking into account the fees paid or received between the contractual parties that are an integral part of the EIR, transaction costs and all other premiums and discounts. The EIR amortisation is included in finance income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement. This category includes cash and cash equivalents, trade and other receivables and other current and non-current assets.

Financial assets measured at fair value through other comprehensive income
A financial asset is classified as measured at fair value through other comprehensive income if the Group´s business model objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated profit or loss. This category includes equity securities which are not held for trading.

Financial assets measured at fair value through profit or loss
Financial assets that do not meet the criteria for classification as measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes:

- commodity derivatives that are not designated as hedging instruments in hedge relationships as defined by IFRS 9
- separated embedded derivatives

After the initial recognition, financial assets at fair value through profit or loss are carried in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement.

Derivatives embedded in host contracts (hereinafter as the "hybrid instruments") are accounted for as separate derivatives and recorded at fair value through profit or loss if: (i) their economic characteristics and risks are not closely related to those of the host contracts, (ii) a separate instrument with the same terms as embedded derivative would meet the definition of a derivative and (iii) the hybrid contract is not measured at fair value with the changes in fair value recognised in profit or loss. Reassessment is required if there is a change in the terms of the contract that significantly modifies the cash flows.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or at fair value through other comprehensive income, a lease receivable, a contract asset, a loan commitment or a financial guarantee contract to which the impairment requirements apply in accordance with IFRS 9 Financial Instruments.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. For trade and lease receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised since the initial recognition of receivables. For further details, see Note 11 and Note 31.

For all financial assets other than trade receivables and lease receivables, the Group applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is recognised at an amount equal to the lifetime expected credit losses, if the credit risk on those financial assets has increased significantly since initial recognition, considering all reasonable and supportable information, including also forward-looking inputs. If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

As at 31 December 2019 and 31 December 2018 the Group recognised allowance for doubtful debts only in respect of trade and lease receivables. There has been no significant increase in credit risk identified for other financial assets recognised in the consolidated balance sheet, nor have any historical credit losses been experienced for other financial assets, except for the trade receivables.

The Group recognises in consolidated profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as at the balance sheet date in line with IFRS 9 Financial Instruments. The loss allowance for the financial assets measured at fair value through other comprehensive income is recognised in consolidated other comprehensive income and shall not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Financial assets together with the related allowance are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to the cash flows from the financial asset expire;
- The Group has transferred the financial asset and the transfer qualifies for derecognition in line with requirements of IFRS 9 Financial Instruments.

ii) Financial liabilities

Initial recognition and measurement
A financial liability is recognised in the consolidated statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, financial guarantee contracts, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, commitments to provide a loan at a below-market interest rate and contingent consideration recognised by an acquirer in a business combination in scope of IFRS 3 Business Combinations.

The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities may be designated as hedging instruments in a hedging relationship.

The Group accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 Financial instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are outside the scope of IFRS 9.

At initial recognition, the Group measures a financial liability at its fair value plus or minus, in case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement
After initial recognition, the financial liabilities are measured according to their classification determined at initial recognition. Reclassifications of financial liabilities are not permitted in any circumstances. The Group classified its financial liabilities as financial liabilities at fair value through profit or loss and financial liabilities subsequently measured at amortised costs.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

The Group has designated the following financial liabilities upon initial recognition at fair value through profit or loss:
- embedded derivatives,
- commodity derivatives, that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities measured at amortised cost
This category includes loans and borrowings, finance lease payables, trade and other payables. Amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The calculation of EIR includes the fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. The EIR amortisation is recognised in finance cost in the consolidated income statement.

Derecognition
A financial liability is derecognised when it is extinguished, i.e. when the obligation under the liability is discharged or cancelled or expires.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

In case of modification of the terms of an existing financial liability, the Group considers both quantitative and qualitative criteria to evaluate whether the modification was significant. As for the quantitative criteria, based on the pronouncements of IFRS 9, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Significant qualitative changes include for example change in the currency in which the liability is denominated, a substantial change in covenants, a change in the interest rate basis, significant extension of the maturity period which results in renegotiated interest rate and other contractual terms, a change in terms of security or a change in creditor.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. In accordance with IAS 32, Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities, the right to offset must not be contingent on a future event and it has to be legally enforceable both in the normal course of business and in case of default, insolvency or bankruptcy.

iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

i) *Hedge accounting*

The Group holds derivative financial instruments to hedge its foreign currency, interest rate and commodity price risk exposures. A hedged item is a recognised asset or liability, unrecognised firm commitment, highly probable forecast transaction or net investment in a foreign operation that exposes the Group to risk of changes in fair value or future cash flows and is formally designated as a hedged item in the hedging relationship. A hedged item can also be a component of such an item or group of items. The hedged item must be reliably measured.

A hedging instrument is a designated derivative or a designated non-derivative financial asset or non-derivative financial liability (or its proportion) whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. The Group has designated the following derivatives as hedging instruments: interest rate swaps, cross-currency interest rate swaps, commodity forwards and FX forwards.

Hedging derivatives are recognised initially at fair value, the attributable transaction costs are recognised in consolidated profit or loss when incurred. Subsequent to initial recognition, hedging derivatives are measured at fair value, and changes in fair value are accounted for as described below.

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective, following the conditions set in IFRS 9. The amount recognised within equity is the lower of cumulative gain or loss on the hedging instrument from the inception of the hedge and the cumulative change in fair value of the hedged item from the inception of the hedge. Any remaining gain or loss on the hedging instrument is a hedge ineffectiveness that is recognised in consolidated profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that have been recognised directly in equity shall be reclassified to profit or loss during the same period(s) during which the asset acquired or the liability assumed affects profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability.

Fair value hedges
A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The gain or loss on the hedging instrument is recognised in consolidated profit or loss. When a hedged item in a fair value hedge is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in consolidated profit or loss. When a hedged item in a fair value hedge is a firm commitment to acquire an asset or assume a liability, the initial carrying amount of the asset or the liability that results from the entity meeting the firm commitment is adjusted to include the cumulative change in the fair value of the hedged item that was recognised in the consolidated statement of financial position.

The gain or loss from remeasuring the hedging instrument at fair value shall be recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss.

As of 31 December 2019 and 31 December 2018, the Group classified all its hedging relationships as cash flow hedges.

The effectiveness of the hedge is an extent to which changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are offset by changes in those of the hedging instrument. The hedge ineffectiveness is evaluated through a qualitative assessment or a quantitative computation, depending on the extent to which the critical terms of the hedged item and the hedging instrument match.

The main causes of hedge ineffectiveness include the basis difference (i.e. the fair value or cash flows of the hedged item depend on a variable that is different from the variable that causes the fair value or cash flows of the hedging instrument to change), timing difference (i.e. the hedged item and the hedging instrument occur or are settled at different dates), quantity or notional amount differences, credit or other risks that have an impact on the fair value of a hedged item or a hedging instrument.

Discontinuing of the hedge accounting
The Group discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The cumulative gains or losses previously recognised in equity are reclassified to profit and loss in the same period(s) when the hedged item affects the profit or loss. A hedging relationship that still meets the risk management objective and continues to meet all other qualifying criteria, after taking into account any rebalancing, cannot be discontinued.

Current versus non-current classification
Derivative instruments are classified as current or non-current or separated into a current and non-current portion as follows:

- When the Group holds a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.
- Derivative instruments which are held primarily for the purpose of trading are classified as current.

j) Property, plant and equipment

Items of property, plant and equipment are measured at cost upon initial recognition. Cost includes expenditures that are directly attributable to the acquisition of the asset, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located ("dismantling asset"). The cost of self-constructed assets includes also the cost of materials and direct labour consumed during its construction.

Subsequent to initial recognition, items of property, plant and equipment are carried at revalued amount, being their fair value at the date of the most recent revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of the property, plant and equipment is credited in equity to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Property, plant and equipment in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, other than property related to the construction of third and fourth unit of the nuclear power plant in Mochovce (hereinafter as "Mochovce 3&4"), are carried at cost, less any recognised impairment loss. Assets related to construction of nuclear power plant Mochovce 3&4 are carried at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated impairment losses. Depreciation of property, plant and equipment commences when the assets are ready for their intended use.

Subsequent costs incurred in relation to an item of property, plant and equipment are recognised as an increase in the carrying amount of this item only if it is probable that these costs will result in the increase in related future economic benefits and the costs can be measured reliably. All other costs are recognised in consolidated profit or loss as incurred.

The cost of replacing part or all of an item of property, plant and equipment is recognised as an increase in the carrying amount of this item and is depreciated over its remaining useful life; the net carrying amount of the replaced unit is derecognised through consolidated profit or loss, with the recognition of any capital gain or loss.

Periodic maintenance and inspection costs are capitalized as a separate component of the related item of property, plant and equipment. All other repair and day-to-day maintenance costs are recognised in the consolidated income statement as incurred.

Depreciation of property, plant and equipment is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The Group does not perform any transfer from the revaluation reserve to retained earnings on derecognition, sale or retirement of revalued property.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings, halls and structures	20 – 60 years
• Machines, plant, equipment and vehicles	4 – 60 years
• Other assets	up to 4 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation methods, useful lives and residual values are reassessed regularly, with the effect of any changes in estimate accounted for on a prospective basis.

Leased property, plant and equipment recognised in the consolidated balance sheet are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated as it is deemed to have an infinite life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other operating costs/income" in the consolidated income statement in the period in which the item was disposed of.

k) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. An arrangement is considered to contain a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This applies when the Group has both of the following:
i) the right to obtain substantially all of the economic benefits from use of the identified asset;
ii) the right to direct the use of the identified asset

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

Group as a lessee
At the commencement date, the Group recognises a right-of-use asset and a lease liability. Right-of-use asset represents the Group's right to use an underlying asset for the lease term and is measured at cost.

The cost of the right-of-use asset comprises the following:
- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Group measures the right-of-use assets in a way consistent with the measurement of the assets owned by the Group. The depreciation policy for depreciable leased assets is also consistent with that for depreciable assets that are owned by the Group.

Group as a lessor
The Group classifies each of its leases as either an operating lease or a finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (e.g. economic life or residual value of the underlying asset) or changes in circumstances (e.g. default) do not give rise to a new classification of a lease.

l) Borrowing costs

Following IAS 23 (Revised), the borrowing costs are included in the acquisition cost of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. Borrowing costs include interest charges, commitment fees and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs. The amount of borrowing costs that is capitalised shall be limited by the value of borrowing costs recognised as a finance cost during the period.

m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are not capitalised and expenditure is recognised in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite. The estimated useful lives for the current and comparative period are as follows:

- Software 4 – 5 years
- Licences 4 – 5 years

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the proceeds from disposal and the carrying amount of the asset and are recognised net within “other operating costs/income” in the consolidated income statement in the period in which the item was disposed of.

n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprise of the expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The stock value is based on the weighted average principle except for nuclear fuel as described below.

Nuclear fuel which is consumed over a period of more than one year, whether being used in the reactors or stored is recognised in inventories. Each individual nuclear fuel supply is valued at acquisition costs of particular supply. Nuclear fuel consumption is determined for each load based on the volume of energy produced in reactor from that nuclear fuel load. The volumes of energy produced are determined based on the technical data extracted from balancing system of each plant. The quantities consumed are valued at the acquisition costs of the particular fuel supply burnt in the reactor. Cost of inventories consumed is periodically corrected in view of forecast burnt quantities based on neutron measurements.

o) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The Group is considered as one cash generating unit. Where the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to the consolidated other comprehensive income. In this case, the impairment is first recognised in the consolidated other comprehensive income up to the amount of any previous revaluation.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.

p) Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash at banks and on hand, valuables and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. In case of long-term provisions, which are discounted to their present value, the value of provision is periodically increased by the unwounded interest cost. This increase is recognised as a finance cost in the consolidated income statement.

(i) Provision for severance payments and other termination benefits

The employees of the Group are eligible, immediately upon termination due to organizational changes or in other cases as set by the valid legislation or valid Collective Agreement, for severance payment pursuant to the Slovak law and the terms of the Collective Agreement, signed between the trade unions operating at the companies of the Group and the companies. The liability is recognised within Other provisions in the consolidated balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

(ii) Provision for retirement benefits

Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to the fund and will have no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group contributes to the government and private defined contribution pension plans. The Group makes contributions to the Government's health, retirement and social benefit and unemployment schemes at the statutory rates in force, based on gross salary payments. Throughout the period, the Group made contributions to such schemes amounting to max. 35.2% (2018: 35.2%) of gross salaries in accordance with the Slovak legislation, together with contributions by employees of a further 13.4% (2018: 13.4%). The cost of the contributions made by the Group is charged to the consolidated income statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, during 2019 and 2018 the Group made contributions to the supplementary scheme amounting up to 2.0% from the total of monthly tariff wage plus compensatory wage, with monthly limit of EUR 50 per one employee.

Unfunded defined benefit pension plan

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age or years of service.

According to the valid Company Collective Agreement, signed between the trade unions operating at the company of the Group and the company, the Group is obliged, based on the number of years in service, to pay its employees on retirement or disability a multiple of their average monthly earning according to the valid Company Collective Agreement. The minimum requirement of the Labour Code of one-month average earning payment on retirement is included in the above multiples.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using market yield on high quality European corporate bonds.

Amendments to pension plans are charged or credited as past service cost to the consolidated income statement in the period when the amendments occur.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated statement of comprehensive income in case these relate to the retirement benefits. In case of other employment benefits, the adjustments are charged to the consolidated income statement.

(iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in Trade and other current payables and is paid out after the evaluation of the performance in the given year. Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

(iv) Other employee benefits

In line with the terms of the valid Collective Agreement, signed between the trade unions operating at the companies of the Group and the companies, the Group also pays certain work anniversary benefits.

The liability in respect of work anniversary benefits plan is the present value of the work anniversary benefit obligation at the balance sheet date. The work anniversary benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the work anniversary benefit obligation is determined by the estimated future cash outflows using market yield curve on high quality European corporate bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and amendments to pension plans are charged or credited to the consolidated income statement when incurred.

(v) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or the Group has raised valid expectations that the restructuring will be undertaken by starting to implement that plan or announcing its main features.

(vi) Environmental provisions (Site restoration)

Environmental liabilities represent any current or future environmental assignments whose implementation is subject to the need to comply with the legislative requirements or the constructive obligation of the Group. Environmental provisions can only be recognised for those types of costs that are incurred in relation with the abovementioned assignments and only if the provision recognition criteria is met. Environmental provisions should also be recognised when there is an obligation to eliminate damages caused by contamination or disposal of hazardous wastes.

(vii) Provision for nuclear decommissioning and storage costs

The provision for nuclear decommissioning and storage costs is recognised based on discounted future cash flows estimated in relation to the decommissioning of nuclear facilities, storage and disposal of radioactive waste, the storage and disposal of spent nuclear fuel and post-operational costs of nuclear power plants. The future estimated cash flows include also estimated costs of recultivation of the sludge beds since their operation is directly related to the operation of a nuclear power plant. The provision is reduced by the actual costs incurred (i.e. usage of provision) and increased for the effect of unwinding of interest. Any excess of actual decommissioning costs over the planned amounts in the current year are included in the consolidated income statement of the current year.

The provision for nuclear decommissioning and storage costs is estimated by applying a forecast long-term inflation index to the projected disbursements, which are then discounted to present value using discount rate determined based on long-term data series and takes into account the fact that some expenses covered by provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

(viii) Provision for dismantling of thermal power plants

A provision for the dismantling of thermal power plants is recognised to cover future decommissioning costs which are expected to take place upon the shut-down of the thermal power plants. The provision includes also estimated costs for recultivation of sludge beds that are located in the area of thermal power plants.

Remeasurement of provision for nuclear decommissioning and storage costs and provision for dismantling of thermal power plants

Remeasurement of an existing provision for nuclear decommissioning and storage costs and provision for dismantling of thermal power plants that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are accounted for as follows:

(a) Changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

(i) a decrease in the liability is (subject to (b)) credited directly to revaluation surplus in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;

(ii) an increase in the liability is recognised in profit or loss, except that it is debited directly to revaluation surplus in equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

(b) In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in consolidated profit or loss;

(c) A change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Any such revaluation is taken into account in determining the amounts to be taken to consolidated profit or loss and equity under (a). If a revaluation is necessary, all assets of that class are revalued;

(d) The change in the revaluation surplus arising from a change in the liability is separately identified and disclosed in the consolidated statement of other comprehensive income of each item of income or expense that is recognised directly in equity.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in the consolidated income statement as they occur.

The periodic unwinding of interest is recognised in the consolidated income statement as a finance cost as it occurs.

r) Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

s) Greenhouse gas emissions

According to the European Union Emissions Trading Scheme and a valid National Allocation Plan the Group receives part of emission allowances for selected facilities for free. The rest of emission allowances are purchased from the third parties. Emission allowances acquired by the Group for free are provided on an annual basis and the Group is required to return allowances corresponding to the emissions actually discharged by the end of April of the following calendar year. The Group accounts for the net liability arising from greenhouse gas emissions. This means that the allowances acquired for free are not accounted for and the provision is recognised only in the case and at the moment when actual greenhouse gas emissions exceed the emission allowances acquired for free.

Emission allowances purchased from third parties are measured at cost and are accounted for as inventory.

Emission allowances acquired by the purchase from the third parties for the purpose of further sale on the market are measured at fair value. The fair value is considered to be the actual market price. The change in the fair value of the emission allowances held for trading is recognised in the consolidated income statement.

3. Significant accounting judgments, estimates and assumptions

Judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of consolidated revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in future periods. The key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below:

(i) Nuclear decommissioning, storage and disposal of spent nuclear fuel and radioactive waste

The Group recognises significant amounts as a provision for decommissioning and post operational costs of nuclear power plants and provision for storage and disposal of spent nuclear fuel and radioactive waste. These amounts are based on the technical and financial estimates of cash flows that will be incurred over periods ranging from 1 to 100 years, based on current technology and strategy for decommissioning and disposal as applied by the Group.

The Group's management has used its best estimates, knowledge and a valid "National Policy and National Programme for handling of spent nuclear fuel and radioactive wastes in the Slovak Republic", adopted by Slovak government on 8 July 2015 in form of an update of strategic document "Strategy of the Back-end Cycle of the Peaceful Exploitation of the Nuclear Energy in the Slovak Republic" as well as the "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning" approved by the Nuclear Regulatory Authority of the Slovak Republic on 27 August 2018 when defining disbursement schedules in respect to the nuclear decommissioning and storage and disposal of spent nuclear fuel and radioactive waste. There is an inherent risk in these estimates given the timeframe, the valid and the planned legislation, the different alternatives open to the management of the Group and the possible future changes in technology for nuclear decommissioning and storage and disposal of spent nuclear fuel and radioactive waste.

(ii) Dismantling of thermal power plants

The Group recognises a significant amount as a provision for dismantling of thermal power plants. Estimation of this provision is sensitive to assumptions concerning costs, inflation, discount rates and disbursement schedules. Disbursement schedules can be significantly impacted by the Group's future decisions regarding the strategy of the operation and dismantling. This decision could be also driven by the Slovak Government's decision to stimulate the Group through system costs to run some of these plants for the general economic interest of the country for a period different than currently envisaged. Market developments could also impact future plans of the management of the Group.

(iii) Embedded derivatives

The Group has long-term electricity purchase and sales agreements. Some of these contracts include embedded derivatives which are fair valued. These valuations are sensitive to future development of the electricity prices, exchange rates and aluminium prices.

(iv) Post-employment benefits and other employee benefits

The Group recognises a significant amount as a provision for long-term employee benefits related to its current employees. Valuations of these provisions are sensitive to assumptions used in calculation, such as future earnings and benefit levels, discount rates, turnover rate, rate of late retirement, mortality and life expectancy.

(v) Revaluation of property plant and equipment

In 2006, the Group applied the revaluation model in accordance with the accounting standard IAS 16 and revalued the items of property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4. The assumptions used in the revaluation model were taken from the report of an independent professionally qualified expert. Based on the appraisal, the useful life of the property, plant and equipment has been modified.

Subsequent revaluation of the Group's property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4 was undertaken in 2010, in 2014 and, in 2019 by an independent professionally qualified expert in accordance with IAS 16. The following approaches have been used: the cost approach, the market approach and the income approach. The following assumptions were reflected in the revaluation model: technical condition of assets (useful lives, maintenance, technical enhancement), market conditions, economic factors and other specific conditions. For further information please refer to Note 5.

(vi) Testing for impairment of non-financial assets

Following the standard IAS 36 the Group tests the non-current non-financial assets for impairment in case there are any impairment indicators identified. The Group recognises impairment of non-financial assets if the carrying amount exceeds their recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

Value in use is determined as the estimated future cash flows discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the non-financial asset. The cash flows are derived from the long-term plan of the Group. The value in use is sensitive to the assumptions related to the inflation, discount rates, growth rate and future development of the electricity prices.

(vii) Fair value of financial instruments

Where the fair value of the financial instruments recorded in the consolidated balance sheet cannot be derived from active markets, it is determined taking into account the observable market inputs and management judgement on the future development of the key variables affecting fair values, such as yield curves, exchange rates or risk-free interest rates. Fair value determination includes considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(viii) Litigations

The Group is involved in various legal disputes in the ordinary course of its business. In view of the nature of such litigations, it is not always objectively possible to predict the outcome of such disputes. Provisions have been recognised to cover all significant liabilities for cases in which the Group's management believe an adverse outcome is probable and a reasonable estimate of the financial effect can be made.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below:

IAS 1 IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material *(effective for annual reporting periods beginning on or after 1 January 2020, these amendments have not been approved by the EU yet);*
IFRS 3	Amendments to IFRS 3 Business Combinations *(effective for annual reporting periods beginning on or after 1 January 2020, these amendments have not been approved by the EU yet);*
IFRS 9 IAS 39 IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (*effective for annual reporting periods beginning on or after 1 January 2020, these amendments have not been approved by the EU yet);*
IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(these amendments have not been approved by the EU yet, the effectiveness date of the amendments was deferred indefinitely);*
IFRS 14	Regulatory Deferral Accounts *(effective for annual reporting periods beginning on or after 1 January 2016. The European Commission decided not to launch the endorsement process of the interim standard and wait for the final IFRS standard);*
IFRS 17	Insurance Contracts *(effective for annual reporting periods beginning on or after 1 January 2021, the standard has not been approved by the EU yet);*

Amendments to References to the Conceptual Framework in IFRS Standards *(effective for annual reporting periods beginning on or after 1 January 2020.*

The principal effects of these changes are as follows:

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments introduce a new definition of material. The information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity´s financial statements would make on the basis of those financial statements. The materiality of information is assessed either individually or in combination with other information. The Group is considering the impact of these amendments on the consolidated financial statements.

Amendments to IFRS 3 Business Combinations
The amendments are aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. In order to be considered a business, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create an output. The focus is on goods and services provided to customers, the reference to an ability to reduce costs is removed. The amendment introduces an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects no impact of these amendments on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Platform
The objective of the Amendments is to avoid the discontinuation of hedging relationships as a result of uncertainties related to the IBOR transition, in particular due to the inability to meet specific forward-looking hedge accounting requirements in the periods before the transition. The Amendments provide relief from the highly probable and prospective assessments required by IFRS 9 and IAS 39 insofar these tests relate to hedging relationships that are affected by the uncertainties of the IBOR reform. With the same objective, the Amendments also provide relief from the retrospective assessment under IAS 39. The exceptions described in the Amendments apply only to those hedging relationships directly affected by uncertainties of the IBOR reform including some types of cross-currency interest rate swaps. The Group is considering the impact of these amendments on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

According to these amendments, the current requirements of IAS 28 Investment in Associates and Joint Ventures regarding the partial gain or loss recognition for transaction between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations. The gain or loss resulting from the sale or contribution of assets to an associate or joint venture of assets that constitute a business as defined by IFRS 3 Business Combinations is recognised in full.

IFRS 10 Consolidated Financial Statements was amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined by IFRS 3 Business Combinations to an associate or joint venture is recognised only to the extent of unrelated investors interests in the associate or joint venture. The Group is considering the impact of these amendments on the consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for regulatory deferral account balances in accordance with its previous GAAP requirements, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The Standard cannot be adopted by the entities that currently prepare their financial statements under IFRS. The application of the standard will not have any impact on the consolidated financial statements of the Group.

IFRS 17 Insurance Contracts

Standard introduces a complex accounting model applicable for all insurance and reinsurance contracts (both short-term and long-term) and also for investment contracts with discretionary participation features. It brings a new approach for measurement and recognition of life and property insurance contracts and defines a new measurement aspect of the insurance contracts, contractual service margin, representing the unearned profit that the entity will recognise as it provides services under the insurance contracts. The application of the standard will not have any impact on the consolidated financial statements of the Group.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of asset and liability and guidance supporting these definitions. Consequently, it was necessary to amend the references to the Conceptual Framework in IFRS standards. The Group is considering the impact of these amendments on the consolidated financial statements.

5. Property, plant and equipment

In thousands of EUR	*Buildings, halls and structures* Level 3	*Plant, machinery and other* Level 3	*Land* Level 2	*Assets in the course of construction* Level 3	*Total*
Cost or valuation as at 1 January 2019	1,715,903	2,553,596	41,503	5,515,548	9,826,550
Accumulated depreciation as at 1 January 2019	(195,706)	(573,219)	-	-	(768,925)
Accumulated impairment losses as at 1 January 2019	(173,619)	(235,587)	(719)	(436,489)	(846,414)
Carrying amount as at 1 January 2019	**1,346,578**	**1,744,790**	**40,784**	**5,079,059**	**8,211,211**
Year ended 31 December 2019					
Opening carrying amount as at 1 January 2019	1,346,578	1,744,790	40,784	5,079,059	8,211,211
Additions	17,815	26,467	1,455	529,284	575,021
Revaluation through revaluation reserve	56,764	538,278	41,807	-	636,849
Revaluation through income statement	1,657	(32,415)	1,081	(644)	(30,321)
Impairment loss through revaluation reserve	-	(1,148)	-	-	(1,148)
Impairment loss through income statement (Note 25)	(11)	(1,268)	(2)	(14,101)	(15,382)
Transfers	4,253	11,343	-	(15,596)	-
Other	3	12	1	34	50
Disposals	-	(10)	-	-	(10)
Depreciation charge (Note 25)	(51,873)	(147,384)	(61)	-	(199,318)
Cost or valuation as at 31 December 2019	1,384,138	2,185,452	85,076	6,028,882	9,683,548
Accumulated depreciation as at 31 December 2019	(5,429)	(21,391)	(5)	-	(26,825)
Accumulated impairment losses as at 31 December 2019	(3,523)	(25,396)	(6)	(450,846)	(479,771)
Carrying amount as at 31 December 2019	**1,375,186**	**2,138,665**	**85,065**	**5,578,036**	**9,176,952**

In thousands of EUR	*Buildings, halls and structures* *Level 3*	*Plant, machinery and other* *Level 3*	*Land* *Level 2*	*Assets in the course of construction* *Level 3*	*Total*
Cost or valuation as at 1 January 2018	1,712,035	2,519,577	41,730	5,035,628	9,308,970
Accumulated depreciation as at 1 January 2018	(147,627)	(437,245)	-	-	(584,872)
Accumulated impairment losses as at 1 January 2018	(173,516)	(236,773)	(712)	(437,985)	(848,986)
Carrying amount as at 1 January 2018	**1,390,892**	**1,845,559**	**41,018**	**4,597,643**	**7,875,112**
Year ended 31 December 2018					
Opening carrying amount as at 1 January 2018	1,390,892	1,845,559	41,018	4,597,643	7,875,112
Additions	3,388	31,389	3	489,679	524,459
Impairment loss through revaluation reserve	(75)	(74)	-	-	(149)
Impairment loss through income statement (Note 25)	(23)	(3,049)	(84)	144	(3,012)
Transfers	497	7,908	(193)	(8,407)	(195)
Transfers to assets held for sale	(30)	(60)	41	-	(49)
Disposals	-	(12)	(1)	-	(13)
Depreciation charge (Note 25)	(48,071)	(136,871)	-	-	(184,942)
Cost or valuation as at 31 December 2018	1,715,903	2,553,596	41,503	5,515,548	9,826,550
Accumulated depreciation as at 31 December 2018	(195,706)	(573,219)	-	-	(768,925)
Accumulated impairment losses as at 31 December 2018	(173,619)	(235,587)	(719)	(436,489)	(846,414)
Carrying amount as at 31 December 2018	**1,346,578**	**1,744,790**	**40,784**	**5,079,059**	**8,211,211**

The Group has prepayments for non-current assets in the amount of EUR 27,434 thousand which relate to property, plant and equipment, thereof EUR 10,380 thousand relate to the construction of nuclear power plant Mochovce 3&4 (2018: EUR 20,382 thousand, thereof EUR 12,608 thousand related to the construction of nuclear power plant Mochovce 3&4). Change in capital commitments for the year 2019 represents EUR (19,455) thousand (2018: EUR 16,349 thousand).

Assets classified as held for sale

Assets classified as held for sale are mainly land and buildings which are not used by the Group for their initial purpose.

In thousands of EUR	*2019*	*2018*
Buildings, halls & structures	267	267
Plant, machinery & other	-	-
Land	21	50
Total	**288**	**317**

Revaluation of property, plant and equipment to fair value

The first revaluation of the Group's property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4 took place on 28 April 2006. This revaluation was carried out by an independent professionally qualified expert.

The second and third subsequent revaluation was performed as at 31 December 2010 and as at 31 December 2014. During 2019 a new revaluation of property, plant and equipment was performed. This fair valuation was recorded as at 30 November 2019. All subsequent fair valuations were also undertaken by an independent professionally qualified expert. The fair value was determined by using the following approaches: the cost, the market and the income approach.

The cost approach was the primary method. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset and is based on the cost to a market participant to acquire or construct a substitute asset or comparable utility, adjusted for the obsolescence (Level 3). Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets (Level 2). The market approach was primarily used to value land. Appropriate consideration was given to location and current and future use of individual land plots.

The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those amounts. The income approach was considered on an overall portfolio basis since these plants work together in generating electricity for the grid.

Fair valuation of the thermal power plant in Nováky as well as fair valuation of selected assets in the nuclear power plant in Jaslovské Bohunice was based on the presumptions that electricity production in the thermal power plant Nováky would not be economically viable without the state support and that heat production is regulated. Therefore, the fair value of electricity production assets of the thermal power plant Nováky is primarily driven by their carrying amounts and the fair value of the heat production assets in the thermal power plant Nováky and the heat production assets in the nuclear power plant Jaslovské Bohunice is primarily driven by tax carrying amounts (Level 3).

Following the revaluation of property, plant and equipment in 2019 the Group recognized overall increase of the value of non-current assets in amount of EUR 606,528 thousand, out of which EUR 636,849 thousand as an increase through the revaluation reserve and, at the same time impairment loss in the value of EUR 30,321 EUR in the income statement.

Impairment of property, plant and equipment

As at 31 December 2019 and as at 31 December 2018 the Group tested property, plant and equipment for impairment.

During the period ended 31 December 2019 the Group recognised an impairment loss in total of EUR 16,530 thousand in respect of individually assessed items of property, plant and equipment (2018: EUR 3,161 thousand).

The fair value of assets as at 31 December 2019 and 2018 is as follows:

In thousands of EUR	*31 December 2019*	*Level 1*	*Level 2*	*Level 3*
Buildings, halls and structures	1,375,186	-	-	1,375,186
Plant, machinery & other	2,138,665	-	-	2,138,665
Land	85,065	-	85,065	-
Assets in the course of construction	5,578,036	-	-	5,578,036
Total	**9,176,952**	**-**	**85,065**	**9,091,887**

In thousands of EUR	*31 December 2018*	*Level 1*	*Level 2*	*Level 3*
Buildings, halls and structures	1,346,578	-	-	1,346,578
Plant, machinery & other	1,744,790	-	-	1,744,790
Land	40,784	-	40,784	-
Assets in the course of construction	5,079,059	-	-	5,079,059
Total	**8,211,211**	**-**	**40,784**	**8,170,427**

Since there have been no transfers of non-current assets between levels 1 – 3 during years 2019 and 2018, the reconciliation from the opening to closing carrying amounts for each individual level is valid as shown in the table on pages 29 and 30.

If property, plant and equipment were measured using the cost model, the carrying amounts as at 31 December 2019 and 2018 would be as follows:

In thousands of EUR	*Buildings, halls & structures*	*Plant, machinery & other*	*Assets under finance lease*	*Land*	*Assets in the course of construction*	*Total*
Carrying amount as at 31 December 2019 under the cost model	441,381	1,042,288	16,537	13,884	5,578,036	**7,092,126**
Carrying amount as at 31 December 2018 under the cost model	444,742	1,073,461	2,499	13,873	5,079,059	**6,613,634**

Change in estimate

In 2019 the management of the Group reassessed economic useful lives of the selected classes of property, plant and equipment placed in the nuclear plant in Mochovce to correspond with the expected shut-down date taking to account the economic useful life.

The expected effect of these changes on the depreciation expense in future periods is as follows:

In thousands of EUR	*2020*	*2021*	*2022*	*2023*	*2024*	*Later*
Change in depreciation expense	(120,391)	11,347	11,297	8,787	8,787	80,173

Capitalised borrowing costs

The Group capitalised borrowing costs in the total amount of EUR 140,859 thousand for the year ended 31 December 2019, thereof EUR 298 thousand related to prepayments (2018: EUR 95,661 thousand, thereof EUR 346 thousand related to prepayments). The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.23% p.a. which is the average effective interest rate of all the general borrowings of the Group.

Insurance of property, plant and equipment

As at 31 December 2019 the fixed assets of the Group were insured as follows:

- The insured value of the fixed assets of conventional power plants and non-generating assets of the Group represented EUR 2,970 million.
- Assets of nuclear power plants were insured up to the limit of EUR 700 million for the operating nuclear power plants.
- The insured value of the assets in the course of construction was EUR 3,933 million.

The Group insures its property as follows:

- Fixed assets of conventional power plants and conventional part of the nuclear property are insured in commercial insurance companies.
- Fixed assets of the nuclear power plants are insured with EMANI (a mutual insurance association with the registered seat in Belgium).

Leases

At 31 December 2019, the carrying value of assets under lease included in Property, plant and equipment was EUR 16,537 thousand (31 December 2018: EUR 2,499 thousand). Total cash outflow for leases in 2019 was EUR 3,415 thousand.

As at 31 December 2019 and 31 December 2018, the total minimum lease payments and the present value of minimum lease payments are as follows:

	Total minimum lease payments		*Present value of minimum lease payments*	
In thousands of EUR	*2019*	*2018*	*2019*	*2018*
Amounts payable under leases:				
Within one year	4,006	645	3,534	544
In the second to fifth year inclusive	10,766	1,104	10,094	1,036
After five years	1,752	-	1,371	-
Total	16,524	1,749	14,999	1,580
Less future finance charges	(1,525)	(169)	-	-
Present value of lease payments	**14,999**	**1,580**	**14,999**	**1,580**
Liabilities from lease recognised in line Loans and borrowings in the consolidated balance sheet (Note 19)			**14,999**	**1,580**
Less: Amount due for settlement within 12 months presented within current liabilities (Note 19)			(3,534)	(544)
Amount due for settlement after 12 months (Note 19)			**11,465**	**1,036**

A reconciliation of the operating lease commitments disclosed in Note 29 to the recognised lease liability is as follows:

In thousands of EUR	
Total future minimum lease payments for non-cancellable operating leases as at 31 December 2018 (Note 29)	**20,137**
Finance lease liabilities recognised as at 31 December 2018	1,580
Effect of discounting to present value	(1,199)
Leases not recognised as a liability	(6,025)
Lease liabilities recognised as at 1 January 2019 in line Loans and borrowings in the consolidated balance sheet (Note 19)	**14,493**
Of which are:	
Current lease liabilities	2,328
Non-current lease liabilities	12,165

Movements of assets recognised under lease are as follows:

In EUR thousands	*Land*	*Buildings, halls and structures*	*Total*
Carrying amount as at 1 January 2019	1,455	15,537	16,992
Additions	-	3,209	3,209
Depreciation charge	(61)	(3,603)	(3,664)
Carrying amount as at 31 December 2019	**1,394**	**15,143**	**16,537**

Expenses relating to short-term leases and to leases of low-value assets of EUR 3,630 thousand that are not shown as short-term leases are included in the line Other raw materials and consumables in the income statement.

6. Intangible assets

In thousands of EUR	*Software*	*Other intangible assets*	*Intangible assets in progress*	*Total*
Cost as at 1 January 2019	77,641	1,531	332	79,504
Accumulated amortisation as at 1 January 2019	(71,046)	(1,281)	-	(72,327)
Accumulated impairment losses as at 1 January 2019	(20)	-	-	(20)
Carrying amount as at 1 January 2019	**6,575**	**250**	**332**	**7,157**
Year ended 31 December 2019				
Opening carrying amount as at 1 January 2019	6,575	250	332	7,157
Additions	330	-	332	662
Transfers	320	-	(320)	-
Amortisation (Note 25)	(1,801)	(23)	-	(1,824)
Cost as at 31 December 2019	76,757	1,531	344	78,632
Accumulated amortisation as at 31 December 2019	(71,313)	(1,304)	-	(72,617)
Accumulated impairment losses as at 31 December 2019	(20)	-	-	(20)
Carrying amount as at 31 December 2019	**5,424**	**227**	**344**	**5 995**
Cost as at 1 January 2018	76,283	1,276	198	77,757
Accumulated amortisation as at 1 January 2018	(70,208)	(1,262)	-	(71,470)
Accumulated impairment losses as at 1 January 2018	(20)	-	-	(20)
Carrying amount as at 1 January 2018	**6,055**	**14**	**198**	**6,267**
Year ended 31 December 2018				
Opening carrying amount as at 1 January 2018	6,055	14	198	6,267
Additions	1,778	60	242	2,080
Transfers	108	195	(108)	195
Amortisation (Note 25)	(1,366)	(19)	-	(1,385)
Cost as at 31 December 2018	77,641	1,531	332	79,504
Accumulated amortisation as at 31 December 2018	(71,046)	(1,281)	-	(72,327)
Accumulated impairment losses as at 31 December 2018	(20)	-	-	(20)
Carrying amount as at 31 December 2018	**6,575**	**250**	**332**	**7,157**

7. Derivatives

Assets from derivatives measured at fair value through profit or loss

In thousands of EUR	*2019*	*2018*
Non-current		
Embedded derivatives	622	607
Total	**622**	**607**
Current		
Embedded derivatives	29	349
Derivatives not designated as hedges	152,869	392,899
Total	**152,898**	**393,248**

Assets from derivatives measured at fair value through other comprehensive income

In thousands of EUR	*2019*	*2018*
Non-current		
Hedging derivatives - exchange rate	9	-
Hedging derivatives - commodities	6,234	526
Total	**6,243**	**526**
Current		
Hedging derivatives - exchange rate	66	230
Hedging derivatives - commodities	29,861	31,950
Total	**29,927**	**32,180**

Liabilities from derivatives measured at fair value through profit or loss

In thousands of EUR	*2019*	*2018*
Current		
Commodity derivatives not designated as hedges	115,940	329,745
Total	**115,940**	**329,745**

Liabilities from derivatives measured at fair value through other comprehensive income

In thousands of EUR	*2019*	*2018*
Non-current		
Hedging derivatives - exchange rate	89,163	125,197
Hedging derivatives - interest rate	5,708	5,988
Hedging derivatives - commodities	4,244	71,098
Total	**99,115**	**202,283**
Current		
Hedging derivatives - exchange rate	4,604	6,489
Hedging derivatives - interest rate	1,096	2,227
Hedging derivatives - commodities	60,983	62,954
Total	**66,683**	**71,670**

Derivatives measured at fair value through profit or loss

Embedded derivatives
On 7 October 2013 a long-term electricity contract with Slovalco, a.s. was signed that is valid from 1 January 2014 to 31 December 2021. According to the contract provisions the price of electricity is expressed in USD. The value of the embedded option on the price of aluminium is subject to indexation to the price of aluminium on the London Metals Exchange (LME). The initial value of the embedded options as at the date of the conclusion of the long-term electricity contract with Slovalco, a. s. was recognised against deferred revenue on the face of the consolidated balance sheet as it related to revenues from electricity deliveries since 1 January 2014. This value is amortised to consolidated income statement over the term of the long-term contract on a straight line basis (see Note 20 and 30).

Commodity derivatives
The Group recognises commodity derivatives not designated as hedges in respect of trading contracts for purchase and sale of electricity according to the valid accounting policy of the Group. Except for the contracts on electricity the Group has derivative transactions also for other commodities (uranium, emission allowances) with the aim of economic hedge against the price volatility of these commodities.

Derivatives designated as hedges

All derivative contracts designated as hedges are classified as cash flow hedges.

Exchange rate
The Group hedges the impact of the exchange rate fluctuations connected with the purchase and sale of electricity and also the purchase of commodities necessary for the production of electricity through forwards on foreign currency exchange rates. The cash flows from the hedging derivatives are contracted to occur in the moment when the purchase or sale of the hedged transaction is expected to occur.

In case of purchase and sale of electricity the cash flows from the hedging foreign currency derivatives are recognised in consolidated profit or loss at the moment of the realization of the trade.

Interest rate and exchange rate
The Group hedges its exposure to interest rate risk and exposure to exchange rate fluctuations in connection with the loans drawn through interest rate swaps or cross-currency interest rate swaps. The maturity of the swaps interest payments corresponds with the maturity of interests from loans.

Electricity price
The Group hedges cash flows from sales of future electricity production against the risk of electricity price movement by selling the production via forward contracts with respect to the strategy of production selling.

Uranium price
In connection with the contracted purchases of nuclear fuel, the Group hedges its exposure to volatility of the price of uranium, as a risk component of the nuclear fuel price, through swaps for sale and purchase of the uranium product.

Change in the hedging reserve in the consolidated statement of other comprehensive income, before tax, during the period was as follows:

In thousands of EUR	*2019*	*2018*
Balance as at 1 January	**133,586**	**19,013**
Change in valuation of cash flow hedges	(107,905)	133,875
Reclassification to profit or loss:		
Unrealized foreign exchange loss	*26,677*	*(29,544)*
Hedges that became ineffective	*4,391*	*(3,935)*
Net gain/(loss) of the matured contracts	*(4,777)*	*14,177*
Balance as at 31 December	**51,972**	**133,586**

8. The Group's subsidiaries

The structure of the Group's interest in subsidiaries is as follows:

Company name	*Country of incorporation*	*Ownership 2019*
Ochrana a bezpečnosť SE, s.r.o.*	Mochovce, Slovak Republic	100%
Slovenské elektrárne - energetické služby, s.r.o.	Bratislava, Slovak Republic	100%
Centrum pre vedu a výskum, s.r.o.	Mochovce, Slovak Republic	100%
Slovenské elektrárne Česká republika, s.r.o.	Prague, Czech Republic	100%
SE Služby inžinierskych stavieb, s.r.o.	Mochovce, Slovak Republic	100%

**Change of legal form from from joint stock company to limited liability company of Ochrana a bezpečnosť SE was registered in the Commercial register on 18 September 2019*

Company name	*Country of incorporation*	*Ownership 2018*
Ochrana a bezpečnosť SE, a.s.	Mochovce, Slovak Republic	100%
Slovenské elektrárne - energetické služby, s.r.o.	Bratislava, Slovak Republic	100%
Centrum pre vedu a výskum, s.r.o.	Mochovce, Slovak Republic	100%
Slovenské elektrárne Česká republika, s.r.o.	Prague, Czech Republic	100%
SE Služby inžinierskych stavieb, s.r.o.	Mochovce, Slovak Republic	100%

9. Investments in associates and other investments

The structure of the Group's interest in the associates is as follows:

In thousands of EUR

Company name	*Country of incorporation*	*Ownership 2019*	*Carrying amount of investment 2019*	*Equity 2019*	*Profit 2019*
REAKTORTEST, s.r.o.	Slovak Republic	49%	216	440	275
ÚJV Řež, a.s.	Czech Republic	27.77%	19,273	69,402	3,097
Energotel, a.s.	Slovak Republic	20%	606	6,919	1,407
Total investments in associates			**20,095**	**76,761**	**4,779**

In thousands of EUR

Company name	*Country of incorporation*	*Ownership 2018*	*Carrying amount of investment 2018*	*Equity 2018*	*Profit 2018*
REAKTORTEST, s.r.o.	Slovak Republic	49%	245	500	336
ÚJV Řež, a.s.	Czech Republic	27.77%	18,178	65,460	3,618
Energotel, a.s.	Slovak Republic	20%	607	6,922	1,410
Total investments in associates			**19,030**	**72,882**	**5,364**

Assets, liabilities, revenues and expenses of the associates were as follows:

In thousands of EUR	*Ownership*	*Non – current assets*	*Currents assets*	***Total assets***	*Equity*	*Non – current liabilities*	*Current liabilities*	***Total liabilities***	*Revenues*	*Expenses*	***Profit***
2019											
REAKTORTEST, s.r.o.	49%	-	2,574	**2,574**	440	338	1,796	**2,134**	23,580	23,305	**275**
ÚJV Řež, a.s.	27.77%	53,610	52,638	**106,248**	69,402	20,907	15,939	**36,846**	51,415	48,318	**3,097**
Energotel, a.s.	20%	4,679	7,251	**11,930**	6,919	169	4,842	**5,011**	12,037	10,630	**1,407**
Total		**58,289**	**62,463**	**120,752**	**76,761**	**21,414**	**22,577**	**43,991**	**87,032**	**82,253**	**4,779**

In thousands of EUR	*Ownership*	*Non – current assets*	*Currents assets*	***Total assets***	*Equity*	*Non – current liabilities*	*Current liabilities*	***Total liabilities***	*Revenues*	*Expenses*	***Profit***
2018											
REAKTORTEST, s.r.o.	49%	3	2,121	**2,124**	500	294	1,330	**1,624**	26,022	25,686	**336**
ÚJV Řež, a.s.	27.77%	39,878	65,440	**105,318**	65,460	23,072	16,786	**39,858**	61,132	57,514	**3,618**
Energotel, a.s.	20%	4,966	7,148	**12,114**	6,922	124	5,068	**5,192**	11,825	10,415	**1,410**
Total		**44,847**	**74,709**	**119,556**	**72,882**	**23,490**	**23,184**	**46,674**	**98,979**	**93,615**	**5,364**

The structure of the other investments is as follows:

In thousands of EUR	*Carrying amount of investment 2019*	*Carrying amount of investment 2018*
Other investments	5,495	4,695
Total	**5,495**	**4,695**

Other investments include the Group's equity interests in the European Liability Insurance for the Nuclear Industry (ELINI), European Mutual Association for Nuclear Insurance (EMANI), Blue Re Mutual Association and Nuclear Industry Reinsurance Association (NIRA).

10. Inventories

In thousands of EUR	*At cost 2019*	*At lower of cost or net realizable value 2019*	*At cost 2018*	*At lower of cost or net realizable value 2018*
Nuclear fuel	249,668	249,381	264,870	264,870
Fossil fuel	20,153	17,338	19,724	18,263
Spare parts	23,660	19,333	22,448	18,726
Material and supplies	6,405	4,378	6,778	4,809
Other	48,155	48,155	36,000	36,000
Total inventories	**348,041**	**338,585**	**349,820**	**342,668**

Inventories in total value of EUR 186,298 thousand (2018: EUR 189,536 thousand) are expected to be recovered within a period of more than twelve months following the balance sheet date.

The Group recognised as other inventories mainly purchased emission allowances that are designated to settle the liability from actually discharged emissions in accordance with the European Union Emissions Trading Scheme and in line with the valid legislation in the Slovak Republic (2019: EUR 45,597 thousand, 2018: EUR 33,491 thousand).

Nuclear fuel movements

In thousands of EUR	*2019*	*2018*
Balance as at 1 January	**264,870**	**262,625**
Purchases	70,061	93,389
Consumption	(78,987)	(74,850)
Sale to the Slovak State Reserves	(6,276)	(16,294)
Balance as at 31 December	**249,668**	**264,870**

Movement in the write-down to inventories

In thousands of EUR	*2019*	*2018*
Balance as at 1 January	**7,152**	**5,127**
Write-down	3,256	2,050
Usage	(273)	(2)
Release	(679)	(23)
Balance as at 31 December	**9,456**	**7,152**

The Group writes down obsolete and slow-moving inventories.

11. Trade and other receivables

In thousands of EUR	*2019*	*2018*
Current receivables		
Trade receivables and other current receivables	253,449	211,295
Receivables from related parties	70,666	90,019
Allowance for doubtful debts	(146,534)	(145,305)
Total financial receivables	**177,581**	**156,009**
Value added tax and other taxes and fees	1,890	2,603
Total trade and other receivables	**179,471**	**158,612**

In thousands of EUR	*2019*	*2018*
Non-current receivables		
Receivable from the sale of Gabčíkovo hydro power plant	79,984	77,461
Non-current prepayments	26,380	22,015
Other non-current receivables	925	1,134
Total non-current receivables	**107,289**	**100,610**

Receivable from the sale of Gabčíkovo hydro power plant (hereinafter as the "VEG") was recognised based on the Agreement on settlement of legal relations with respect to the VEG assets, signed on 24 March 2006, in the value determined by an expert. The balance of non-current receivable from the sale of the VEG assets recognised as at 31 December 2019 amounting to EUR 79,984 thousand (31 December 2018: EUR 77,461 thousand) represents its discounted present value. The nominal value of the receivable as at 31 December 2019 amounts to EUR 102,612 thousand (31 December 2018: EUR 102,612 thousand). For the information regarding related ongoing legal disputes, refer to Note 29.

For terms and conditions relating to related parties, refer to Note 28.

Trade receivables are non-interest bearing and are generally due within 14 - 90 days.

The Group applies the IFRS 9 simplified approach for trade receivables that measures expected credit losses by calculating a lifetime expected loss allowance. Trade receivables have been grouped based on the days past due. The Group has established a provision matrix, the expected loss rates for trade receivables were calculated based on payment profiles of sales over a period of 5 years before 31 December 2019 and 31 December 2018 and the corresponding historical credit losses experienced within this period. For more details regarding credit risk, please refer also to Note 31.

Movements in the allowance for doubtful debts were as follows:

In thousands of EUR	*2019*
Balance as at 1 January	**145,305**
Charge for the year (Note 25)	1,375
Utilised	(13)
Unused amounts reversed (Note 25)	(133)
Balance as at 31 December	**146,534**

In thousands of EUR	*2018*
Balance as at 1 January	**141,193**
Adjustment upon adoption of IFRS 9 - amount recognised through equity	2,640
Charge for the year (Note 25)	4,137
Utilised	(76)
Unused amounts reversed (Note 25)	(2,589)
Balance as at 31 December	**145,305**

As at 31 December 2019 and 2018 trade receivables included receivables against VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK in total value of EUR 22,137 thousand, which are subject to an ongoing dispute with the counterparty. Due to uncertainties related to the collectability of these receivables, the Group recognised an allowance for doubtful debts against the full amount. These receivables were not included in the IFRS 9 simplified model for calculation of the allowance for doubtful debts, but were assessed on an individual basis.

As at 31 December 2019 and 2018 trade receivables included an amount of EUR 113.85 million related to past contributions to Združenie Dunaj ("the Danube Association") which was established to facilitate the co-operation between the Group and the company VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK for the construction of the Gabčíkovo dam and electricity facilities. Due to uncertainties related to the collectability of this receivable, the Group recognised an allowance for doubtful debt against the full amount. These receivables were not included in the IFRS 9 simplified model for calculation of the allowance for doubtful debts, but were assessed on an individual basis

As at 31 December 2019, trade receivables include an amount of EUR 1,470 thousand (31 December 2018: EUR 1,466 thousand) related to purchased credit-impaired trade receivables.

12. Cash and cash equivalents

In thousands of EUR	*2019*	*2018*
Cash at banks and on hand	12,460	13,159
Total cash and cash equivalents	**12,460**	**13,159**

Cash and cash equivalents as at 31 December 2018 include EUR 1,387 thousand that was restricted by legislation. This amount represented a special purpose financial reserve according to the Act No. 79/2015 Coll. on waste. As at 1 January 2019 a new Act No. 312/2018 Coll. amending the Act No. 79/2015 Coll. on waste came into effect based on which the Group was obliged to transfer the funds into State Chamber. For details see Note 13.

Cash and cash equivalents as at 31 December 2019 include EUR 100 thousand that is restricted by legislation.

13. Other assets

In thousands of EUR	*2019*	*2018*
Other current assets		
Prepaid expenses - insurance	1,953	1,802
Prepaid expenses - lease of buildings	-	619
Prepaid expenses - state supervision over nuclear power plants	5,302	-
Prepaid expenses - fees related to loans and borrowings	361	363
Prepaid expenses - other	2,456	319
Accrued revenue - uninvoiced electricity deliveries	18,751	11,790
Total other current assets	**28,823**	**14,893**

In thousands of EUR	*2019*	*2018*
Other non-current assets		
Prepaid expenses	1,885	2,070
Right for reimbursement of the special purpose financial reserve	1,363	-
Total other non-current assets	**3,248**	**2,070**

On 1 January 2019 a new Act No. 312/2018 Coll. amending the Act No. 79/2015 Coll. on waste came into effect. This new act has amended, inter alia, also the pronouncements regarding the special purpose financial reserve for waste dumps which the Group as an operator of the waste dumps must create. According to the § 24, article 4 of this act the funds must be deposited on the special account in the State Chamber. Following the § 135e, article 1 of the Act No. 312/2018 Coll. the Group had an obligation to transfer the funds on the special account of the State Chamber by 31 March 2019. Since this moment the Group recognizes this special purpose financial reserve as a long-term asset - a right for reimbursement of the special purpose financial reserve in line with interpretation IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

14. Share capital and reserves

i) Share capital

As at 31 December 2019, the share capital comprised 39,041 ordinary shares (2018: 39,041), thereof 38,238 shares at a par value of EUR 33,193.92 and 803 shares at a par value of EUR 33.19. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends in accordance with legislation valid in the Slovak Republic and as decided by the general meeting and are entitled to vote, while each EUR 33.19 represents one vote.

The Company does not hold any of its own shares.

ii) Reserves

Revaluation reserve
Following the IAS 16 and the valid accounting policy the Group applies revaluation model for subsequent measurement of property, plant and equipment after initial recognition. The assets' revaluation reserve is recognised in relation to the increase in the carrying value of property, plant and equipment and decrease in this value to the extent that such decrease reverses an increase in the fair value, previously recognised in equity. The reserve cannot be used to pay dividends.

Other reserves
Other reserves mainly consist of the legal reserve fund and the hedging reserve. As at 31 December 2019, the legal reserve fund amounts to EUR 256,560 thousand (2018: EUR 256,560 thousand). This fund is not available for distribution to shareholders, but to cover losses or increase the share capital.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred or have not yet affected profit or loss.

Distribution of profit from the previous accounting period
Distribution of the consolidated profit from the previous accounting period of EUR 19,596 thousand was as follows:

In thousands of EUR	*Accounting profit for 2018*
Transfer to retained earnings	19,596
Total	**19,596**

15. Provision for nuclear decommissioning and storage costs

Provision for decommissioning of nuclear power plants

Based on the provisions of the Act No. 541/2004 Coll. on Peaceful use of Nuclear Energy as amended (hereinafter as the "Atomic Act"), the licence holder for operation of nuclear power plants is responsible for preparation of the conceptual plan of decommissioning of each nuclear power plant and provide for its decommissioning after the end of its operation. According to the pronouncements of the Atomic Act, the entity responsible for execution of the decommissioning is the licence holder for decommissioning.

Provision for decommissioning of nuclear power plants includes the costs of dismantling of V2 nuclear power plant in Jaslovské Bohunice (hereinafter as "V2") and the first and the second unit of the nuclear power plant in Mochovce (hereinafter as "EMO 1&2") (VVER plants with 505 MW reactors and 470 MW reactors, respectively). The underlying assumption for recognizing the provision is the obligation after the end of operation of nuclear power plants to dismantle the facility, process and dispose all radioactive waste from decommissioning and return the site to the condition defined in the conceptual plan of decommissioning developed for the individual power plant. The total present value of the obligations concerning decommissioning of nuclear power plants is covered by a provision. The initial estimate of cost in respect of the provision that has been recognised by the Group forms a part of the carrying amount of property, plant and equipment.

The Council Directive No. 2011/70/EURATOM, which establishes a basic framework for the responsible and safe management of spent fuel and radioactive waste in the European Atomic Energy Community (hereinafter as the "Directive"), raised the requirement for the member states of the European Union to prepare a national policy and national programme for the responsible and safe management of spent nuclear fuel and radioactive waste. The Directive was reflected in the Slovak legislation through the Act No. 143/2013 Coll. from 21 May 2013, by which the Atomic Act and at that time valid Act No. 238/2006 Coll. on National Nuclear Fund were amended. Following the abovementioned, on 8 July 2015 the Slovak Government adopted the document named "National Policy and National Programme for handling of spent nuclear fuel and radioactive wastes in SR", as an update of the strategic document "Strategy of the back-end cycle of the peaceful exploitation of the nuclear energy in the Slovak Republic" (hereinafter as the "National Policy" and the "National Programme").

The above mentioned documents define the strategy of immediate decommissioning for the nuclear power plants both in Jaslovské Bohunice and Mochovce, which is consistent with the one applied by the Group and reflected in the conceptual plans of decommissioning subject to approval of the Nuclear Regulatory Authority of the Slovak Republic (hereinafter as the "UJD SR"). Estimation of the costs and disbursements for decommissioning of the nuclear plants as at 31 December 2019 is based on the strategy of the Group to apply a prompt (immediate) decommissioning approach. This strategy is driven by optimisation of safety, technical and economic considerations and is more conservative in comparison to deferred decommissioning with supervision. The decommissioning strategy is subject to review and assessment of the UJD SR and the National Nuclear Fund for decommissioning of nuclear power plants and disposal of spent nuclear fuel and radioactive waste (hereinafter as the "National Nuclear Fund", or the "NNF").

The updated estimation of the costs of decommissioning, as included in the document "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed in April 2017 by the company EGP INVEST, spol. s r.o., an independent specialist in determining cost estimates of back-end cycle processes of nuclear industry, was used as a basis for valuation of the provision for decommissioning of nuclear power plants as at 31 December 2019 and 31 December 2018. These documents were approved by the UJD SR on 27 August 2018.

Provision for post-operational costs of nuclear power plants

This provision includes disbursements to be incurred by the operator of a nuclear power plant once the nuclear power plant's energy production is stopped until the license for decommissioning is obtained. It is expected that the length of this period will not exceed four years from the moment the last nuclear reactor of the particular power plant is shut-down.

The provision for post-operational costs of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the Group as the holder of the operating license to bring the plant into the decommissioning stage as defined by the Atomic Act.

The provision for post-operational costs reflects the present value of the expected disbursements to be incurred during the four year period. Disbursements of the costs are dependent on an expected date of the shut-down of the nuclear power plants.

The expected disbursements reflected in the valuation of the provision as at 31 December 2019 and 31 December 2018 are based on the estimation included in the document "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed by the company EGP INVEST, spol. s.r.o.

Provision for storage and disposal of spent nuclear fuel

This provision includes the costs of transportation of spent nuclear fuel (hereinafter as "SNF"), storage of such waste in the interim storage facility and its final disposal in the deep geological repository.

The provision for SNF of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the originator of such waste as defined by the Atomic Act.

On 31 March 2006 the Company entered into a service agreement with the company Jadrová vyraďovacia spoločnosť, a.s. (hereinafter as "JAVYS, a.s."). The subject of this agreement is a provision of services related to transportation to an interim storage facility and storage of SNF in the interim storage facility. The Group concluded a service agreement and subsequent amendments to it with the prices and quantities until 2022. The amendment to the service agreement for the years 2020 through 2022 was approved for signature by the Board of Directors of the Company on 24 March 2020. The prices and quantities after these dates are subject to negotiations.

The disbursement schedule of costs related to transportation of SNF and its storage in the interim repository till the end of 2009 was defined in the service agreement. The disbursements schedule of the costs for the subsequent years until 2022 was defined in the amendments to the service agreement. The provision as at 31 December 2019 was calculated using unit prices as per the amendment to the service agreement for the years 2020 through 2022. Costs beyond this date were determined based on technical assumptions after this date. The provision takes into account quantity of SNF existing as at 31 December 2019.

In line with the National Policy, the Group expects final disposal of spent nuclear fuel in a deep geological repository. The provision for disposal in the deep geological repository was calculated considering expected costs to build such repository, since this repository does not exist as at 31 December 2019.

As of 6 December 2016, a team of independent experts for analyses of back-end cycle processes of nuclear power plants (ÚJP Praha a.s., ÚJV Řež, a.s.) developed "Updated feasibility study of deep geological repository in the Slovak Republic". This study was used as a basis for valuation of the provision for final disposal of spent nuclear fuel as at 31 December 2019 and 31 December 2018.

The valuation of the provision as at 31 December 2019 and 31 December 2018 reflects the expected timing of commissioning of the deep geological repository compliant with the National Policy and the National Programme adopted by the Government of the Slovak Republic on 8 July 2015. The valid National Policy and the National Programme specify the year 2065 as the planned year for commissioning of the deep geological repository.

Provision for storage and disposal of radioactive waste

This provision includes the costs of transportation, treatment and disposal in the surface repository facility of low-level radioactive waste and it is recognised for radioactive waste generated by V2 and EMO 1&2.

The provision for long-life low-level radioactive waste of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the originator of such waste as defined by the Atomic Act.

On 31 March 2006 the Company entered into a service agreement with JAVYS, a.s. The subject of this service agreement is a provision of the nuclear services the cost of which is the basis for valuation of this provision. The Group concluded a service contract and subsequent amendments to it with the prices and quantities being defined until 2022. The amendment to the service agreement for the years 2020 through 2022 was approved for signature by the Board of Directors of the Company on 24 March 2020. The prices and quantities after this date are subject to negotiations.

The disbursement schedule of these costs till the end of 2009 was defined in the service agreement. The disbursement schedule of these costs for subsequent years until 2022 was defined in the amendments to the agreement. The provision as at 31 December 2019 was calculated using unit prices as per the amendment to the service agreement for the years 2022 through 2022. Costs beyond this date were determined based on technical assumptions after this date. The provision takes into account quantity of long-life low-level radioactive waste existing as at 31 December 2019.

Movements in the provision are summarised as follows:

In thousands of EUR	*Provision for decommissioning of nuclear power plants*	*Provision for post-operational costs of nuclear power plants*	*Provision for storage and disposal of spent nuclear fuel*	*Provision for storage and disposal of radioactive waste*	*Total*
Balance as at 1 January 2019	**542,570**	**144,772**	**1,280,604**	**56,842**	**2,024,788**
Increase of provision through income statement	-	-	14,244	2,433	16,677
Unwinding of interest (Note 26)	23,601	6,297	54,686	2,246	86,830
Effect of change in estimates through income statement	1,208	5,076	21,197	1,659	29,140
Effect of change in estimates through equity	23,917	-	-	-	23,917
Usage of provision	-	-	(8,593)	(6,812)	(15,405)
Balance as at 31 December 2019	**591,296**	**156,145**	**1,362,138**	**56,368**	**2,165,947**
Balance as at 1 January 2018	**499,555**	**131,755**	**1,187,795**	**58,466**	**1,877,571**
Increase of provision through income statement	-	-	11,873	2,341	14,214
Unwinding of interest (Note 26)	22,443	5,967	52,673	2,417	83,500
Effect of change in estimates through income statement	(1,335)*	7,050	38,436	1,607	45,758
Effect of change in estimates through equity	21,907	-	-	-	21,907
Usage of provision	-	-	(10,173)	(7,989)	(18,162)
Balance as at 31 December 2018	**542,570**	**144,772**	**1,280,604**	**56,842**	**2,024,788**

**thereof EUR 396 thousand was presented as a credit within the line Depreciation, amortisation and impairment in the consolidated income statement, see Note 25*

In 2019 the Group recognized change in estimate of the provision for storage and disposal of spent nuclear fuel based on the updated estimation of future costs, following the signed amendment to the service agreement on provision of the nuclear services with JAVYS, a.s. The effect of change in estimates through income statement for the year ended 31 December 2019 represents credit of EUR 22,940 thousand.

In 2019, the Group reassessed the interest rates used for discounting of the provision for nuclear decommissioning and storage costs to its present value. As a result, the Group recognised a change in estimate of EUR 52,080 thousand debit through profit and loss and EUR 23,917 thousand debit through equity. These amounts are included within lines Effect of change in estimates through income statement and Effect of change in estimates through equity for the year ended 31 December 2019 in the table above.

In 2018 the Group recognised change in estimate of the provision for decommissioning of nuclear power plants and the provision for post-operational costs of nuclear power plants, based on the updated estimation of costs of decommissioning and post-operational costs, as included in the document “Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed in April 2017 by the company EGP INVEST, spol. s r.o., an independent specialist in determining cost estimates of back-end cycle processes of nuclear industry. These documents were approved by the UJD SR on 27 August 2018. As a result, the Group recognised a change in estimate of EUR 5,579 thousand through consolidated profit and loss and EUR 22,210 thousand through equity. These amounts are included within lines Effect of change in estimates through income statement and Effect of change in estimates through equity for the year ended 31 December 2018 in the table above.

In 2018, the Group reassessed the interest rates used for discounting of the provision for nuclear decommissioning and storage costs to its present value. As a result, the Group recognised a change in estimate of EUR 95,479 thousand through consolidated profit and loss and EUR 44,117 thousand through equity. These amounts are included within lines Effect of change in estimates through income statement and Effect of change in estimates through equity for the year ended 31 December 2018 in the table above.

In 2018 the Group recognised in consolidated profit and loss a change in estimate of the provision for storage and disposal of spent nuclear fuel and provision for storage and disposal of radioactive waste in the total value of EUR 44,142 thousand, as a result of changes in other estimates, mainly the updated estimation of future costs included in document "Updated feasibility study of deep geological repository in the Slovak Republic", prepared by a team of independent experts for analyses of back-end cycle processes of nuclear power plants (ÚJP Praha a.s., ÚJV Řež, a.s.) as of 6 December 2016. This amount is included within the line Effect of change in estimates through income statement for the year ended 31 December 2018 in the table above.

The provision is presented in the consolidated balance sheet as at 31 December 2019 as follows:

In thousands of EUR	*Provision for decommissioning of nuclear power plants*	*Provision for post-operational costs of nuclear power plants*	*Provision for storage and disposal of spent nuclear fuel*	*Provision for storage and disposal of radioactive waste*	*Total*
Current liabilities	-	-	11,126	4,632	15,758
Non-current liabilities	591,296	156,145	1,351,012	51,736	2,150,189
Total provision	**591,296**	**156,145**	**1,362,138**	**56,368**	**2,165,947**

The provision was presented in the consolidated balance sheet as at 31 December 2018 as follows:

In thousands of EUR	*Provision for decommissioning of nuclear power plants*	*Provision for post-operational costs of nuclear power plants*	*Provision for storage and disposal of spent nuclear fuel*	*Provision for storage and disposal of radioactive waste*	*Total*
Current liabilities	-	-	9,637	8,175	17,812
Non-current liabilities	542,570	144,772	1,270,967	48,667	2,006,976
Total provision	**542,570**	**144,772**	**1,280,604**	**56,842**	**2,024,788**

The present value assumptions of the provisions

The present value of the provisions mentioned above was calculated applying 2% inflation rate (31 December 2018: 2%) and a discount rate ranging from 3.88% to 4.25% (31 December 2018: 3.97% to 4.35%) over forecasted disbursement schedules. The discount rate was determined based on long-term series of interest rate data and it takes into account the fact that some expenses covered by provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

The estimated schedule of future disbursements takes into account all known statutory and environmental regulations applicable, together with an uncertainty factor inherent to the fact that payments will only be made in the long-term (see Note 3 (i)).

The sensitivity of the main components of provisions to changes in the discount rate is shown in the table below:

			Sensitivity to discount rate change			
	Present value of the provision		*2019*		*2018*	
In thousands of EUR	*2019*	*2018*	*+ 0.25%*	*- 0.25%*	*+ 0.25%*	*- 0.25%*
Storage and disposal of spent nuclear fuel and radioactive waste	1,418,506	1,337,446	(110,658)	124,286	(104,053)	116,872
Decommissioning and post-operational costs of nuclear power plants	747,441	687,342	(73,081)	81,613	(68,506)	76,656
Total	**2,165,947**	**2,024,788**	**(183,739)**	**205,899**	**(172,559)**	**193,528**

Funding for decommissioning of nuclear power plants and for costs of storage and disposal of spent nuclear fuel and radioactive waste

In August 1994, the National Council of the Slovak Republic passed the Act No. 254, which provided for the creation of the State Fund for Decommissioning of Nuclear Facilities and Disposal of Spent Nuclear Fuel and Radioactive Waste ("Fund"). On 16 March 2006 the National Council of the Slovak Republic passed the Act No. 238/2006 Coll. (hereinafter as the "Act on the National Nuclear Fund"), which cancelled the Fund and established its successor, the National Nuclear Fund. Based on the Act No. 550/2011 Coll., which amends the Act on the National Nuclear Fund, rules for the amount of the contributions were established. Pursuant to valid pronouncements of this act, commencing 1 February 2012, the operators of nuclear facilities were required to contribute a fixed amount of EUR 13,428.26 per each MW of installed electric capacity relating to nuclear facilities and 5.95% of the sales price of electricity generated by these nuclear facilities per year. The rate paid per each MW of installed capacity was valorised by the rate of inflation every year.

As of 17 October 2018, new Act No. 308/2018 on the National Nuclear Fund was passed. With the effective date of 1 January 2019, new rules for determination of the amount of the contributions to the National Nuclear Fund have been established. The amount of contribution is separately calculated for each nuclear facility, mostly based on the total estimated cost of the back-end cycle processes of each nuclear power plant, the number of years during which the contributions are accumulated on the sub-account assigned to the nuclear facility, the appreciation of accumulated contributions over time and the impact of macroeconomic factors on each nuclear power plant over individual phases of its life cycle. Based on the new calculation and following the regulation No. 22/2019 Coll. dated 9 January 2019 a new contribution was determined stating the value of yearly contribution for the years 2019 through 2022 in amount of EUR 41,036,084 per year for V2 and EUR 24,891,727 per year for EMO1&2.

The following table reconciles the right for reimbursement from the National Nuclear Fund which represents financial amounts on the subaccounts of the National Nuclear Fund designated for decommissioning of nuclear facilities (V2 and EMO 1&2) including management of radioactive waste from such decommissioning:

In thousands of EUR	*Balance of NNF sub-accounts assigned to NPPs of the Group*
Balance as at 1 January 2019	**1,229,869**
Payments to the fund during 2019	79,346
Interest received (Note 26)	30,691
Fund administration fee	(794)
Balance as at 31 December 2019	**1,339,112**
Balance as at 1 January 2018	**1,146,531**
Payments to the fund during 2018	56,246
Interest received (Note 26)	29,494
Transfer to other sub-accounts of the National Nuclear Fund	(1,837)
Usage of funds	(201)
Penalty imposed by the Nuclear Regulatory Authority, paid to National Nuclear Fund sub-accounts for nuclear facilities V2 and EMO 1&2	198
Fund administration fee	(562)
Balance as at 31 December 2018	**1,229,869**

According to the Act on the National Nuclear Fund the Group is one of the contributors to the National Nuclear Fund. The National Nuclear Fund, reporting to the Ministry of Economy of the Slovak Republic, is not controlled by the Group. The above mentioned right for reimbursement from the National Nuclear Fund is recognised as a separate asset and represents the reimbursement right for the purposes of decommissioning of nuclear facilities (V2 and EMO 1&2) including management of radioactive waste from such decommissioning in the amount of actual contributions paid including net revenue interest from this part of contributions in line with the interpretation IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

Based on provisions of the Act on the National Nuclear Fund covering activities of the National Nuclear Fund, the Group expects that the assets of the National Nuclear Fund (primarily deposits at the Slovak State Treasury and commercial banks) will be used exclusively for enacted purposes in future. If there is a decrease in the funds accumulated on the sub-accounts assigned to the nuclear power generating facilities owned by the Group as a result of the decision on funds allocation issued by the authorized bodies of the National Nuclear Fund, the Group decreases the carrying value of the right to receive the reimbursement reported as the right for reimbursement from the National Nuclear Fund on the consolidated balance sheet and charges the change in the value of the reimbursement right to profit or loss.

Under the Atomic Act the Group is responsible to secure decommissioning of nuclear facilities and to manage radioactive waste and spent nuclear fuel until their takeover by an entity established, incorporated or authorized by Ministry of Economy of the Slovak Republic. Assuming all legal requirements are met, the Group therefore expects that, there is a right for reimbursement from the National Nuclear Fund a part of the contributions, which shall be used to reimburse actual costs incurred mainly during decommissioning, liquidation and management of spent nuclear fuel and radioactive waste from decommissioning of the nuclear power plants of the Group. The Group also expects that the remaining part of its contributions (together with other sources of the National Nuclear Fund) determined for the purposes of design, construction, operation and closure of repositories, will be used by the state in future under conditions and for the purposes set by the law.

The ability of the National Nuclear Fund to meet the costs of decommissioning of the nuclear power facilities operated by the Group and storage of spent fuel is dependent on various factors. These factors include, among other things: the generation of nuclear power in line with current forecasts, the revenues earned by the Group on such generation, earnings on cash deposited in the National Nuclear Fund and the level of contributions to the National Nuclear Fund from other sources. The actual decommissioning and disposal costs may vary from the initial estimates because of regulatory requirements, changes in technology and increased costs of labour, materials and equipment. The current projections indicate that there is a shortfall in the funding of the National Nuclear Fund mostly related to the state owned nuclear facilities in Jaslovské Bohunice (A1 and V1), both out of operation as of the balance sheet date. The shortfall has arisen due to the fact that the National Nuclear Fund was established in 1994 and contributions were collected since 1996, i.e. not over the whole life of operations of the nuclear power plants and not to the sub-account dedicated to the decommissioning of the state owned nuclear power plant A1 in Jaslovské Bohunice, which was out of operation at that time already. In order to cover this shortfall, the Government of the Slovak Republic approved the Regulation No. 426 dated 6 October 2010, introducing a special tariff to be ultimately paid by final consumers amounting to 3 EUR/MWh of the electricity delivered in 2011, which is valorised by the rate of the core inflation every year. Based on the core inflation published by the Statistical Office of the Slovak Republic the tariff was increased to the current 3.27 EUR/MWh since 1 July 2018 in line with the Section 3 of the regulation. The special tariff to cover historical deficit appears to be adequate and the approved National Programme for handling of spent nuclear fuel and radioactive wastes in the Slovak Republic does not assume to modify it. On 9 January 2019, the Government of the Slovak Republic approved a new regulation No. 21/2019, with the effective date of 1 February 2019, establishing the amount of special tariff to be used to cover the historical deficit. The tariff shall be paid by final customers and is set as 3.27 EUR/MWh.

16. Provision for dismantling of thermal power plants

Considering the current market and regulatory environment the Group estimates that it will not be able to operate Nováky ("ENO") and Vojany ("EVO") thermal power plants beyond their estimated remaining useful lives. Due to the existing legal environment, the Group, in line with its past practice, takes full responsibility for decommissioning of these thermal power plants once the plants cease their operations. Consequently, the Group recognised a provision to cover future decommissioning costs which are expected to be incurred upon shut-down of the plants.

In thousands of EUR	*2019*	*2018*
Balance as at 1 January	**125,754**	**116,809**
Unwinding of interest (Note 26)	5,220	5,079
Effect of change in estimates through income statement	(4,685)*	1,809
Effect of change in estimates through equity	610	2,096
Actual expenditure in period	(42)	(39)
Balance as at 31 December	**126,857**	**125,754**

**thereof EUR 31 thousand was presented as a credit within the line Depreciation, amortisation and impairment in the consolidated income statement, see Note 25*

The provision is presented in the consolidated balance sheet as at 31 December 2019 as follows:

In thousands of EUR	*Provision for dismantling of thermal power plants*
Current liabilities	150
Non-current liabilities	126,707
Total provision	**126,857**

The provision is presented in the consolidated balance sheet as at 31 December 2018 as follows:

In thousands of EUR	*Provision for dismantling of thermal power plants*
Current liabilities	185
Non-current liabilities	125,569
Total provision	**125,754**

The thermal power plant Nováky is operated based on the decision of the Slovak Government on electricity production from domestic coal in general economic interest. On 5 august 2019 the Ministry of Economy issued a decision No. 17237/2019-4130-38165 valid since 1 September 2019 by which it defines responsibility for the Company in respect of the production of electricity from domestic coal in the thermal power plant Nováky within the general economic interest until 2023.

The Regulatory Office for Network Industries issued a decision No. 0162/2018/E dated 18 December 2017 further amended by a decision No. 0273/2018/E dated 27 August 2018 stating a fixed price for the domestic coal electricity production and a decision No. 0174/2018/E dated 19 December 2017 further amended by a decision No. 0274/2018/E dated 28 August 2018 stating a tariff for system operation that the Company has to invoice to the short-term electricity market operator OKTE, a.s. for the period of 2018 - 2021. These decisions were valid as at 31 December 2019.

The Group operates the thermal power plant in Nováky and the thermal power plant in Vojany in line with the valid environmental legislation.

The Group allocates revenues and expenses in accordance with the accounting principles mentioned in these financial statements and in accordance with the internal accounting records and the valid legislation.

The process of shut down and dismantling of the thermal power plants shall be administered in line with the decommissioning strategy of individual plants in EVO and ENO. This strategy is currently considering different possibilities how to proceed with areas of the thermal power plants such as partial dismantling of the plant, utilization of the area for further business development, or, sale of the area not used.

For the purpose of dismantling of thermal power plants in Vojany and Nováky a comprehensive studies “Assessment of the costs for decommissioning of the thermal power plants of SE, a.s.” were developed by the company EGP Invest, spol. s r.o. The studies contain the assessment of the status of individual main production facilities as well as auxiliary equipment reflecting their useful life and planned utilization. The studies assessed also a secondary usage of materials and sources. The dismantling of already shutdown and non-operated production facilities in ENO and EVO is planned to be executed in stages. The studies contain also the plan for dismantling of the sources and equipment that is currently in operation and dismantling of which will begin only after the end of their useful lives.

In 2019 the management of the Group reassessed disbursement schedules related to the process of dismantling of thermal power plants with no change in relation to the volume of the estimated cost and, at the same time, reassessed the discount rates used for discounting of the provisions. As a result of this reassessment the Group recognised a change in the estimate of the provision in amount of EUR 4,075 thousand which represent a net effect of the increase of provision due to change in the discount rate in amount of EUR 2,133 thousand and a decrease due to shift of the time schedule of the cash disbursements in amount of EUR 6,208 thousand.

During the year 2018 the Group reassessed the discount rates used for discounting of the provisions. As a result the Group recognised a change in the estimate of the provision in amount EUR 1,809 thousand through consolidated income statement and EUR 2,096 thousand through equity.

The present value assumptions of the provisions

There is an inherent uncertainty involved in the calculation of the provision due to the estimation of various assumptions, including future inflation expectations, discount rates and the actual disbursement schedules. The present value of the provisions mentioned above is calculated applying 2% inflation rate and a discount rate based on long-term series of interest rate data ranging from 3.88% to 4.25% (as at 31 December 2018 ranging from 3.97% to 4.35%) over forecasted disbursement schedules.

The sensitivity of the provision to the change in the discount rate is shown in the table below:

	Present value of the provision		*Sensitivity to discount rate change*			
			2019		*2018*	
In thousands of EUR	*2019*	*2018*	*+ 0.25%*	*- 0.25%*	*+ 0.25%*	*- 0.25%*
Provision for dismantling of thermal power plants	126,857	125,754	(5,262)	5,511	(4,860)	5,082

17. Employee benefits

Employee benefits recognised in the consolidated balance sheet are as follows:

	2019		*2018*	
In thousands of EUR	*Current liabilities*	*Non-current liabilities*	*Current liabilities*	*Non-current liabilities*
Long-term incentives	-	182	-	613
Post-employment benefits and other employee benefits	1,682	41,308	1,142	38,355
Total	**1,682**	**41,490**	**1,142**	**38,968**

In terms of the Collective Agreement (hereinafter as “CCA”), signed between the trade unions operating at the companies of the Group and the companies, the long-term employee benefit programs within the Group represent defined benefit plans, specifically classified as post-employment benefits (retirement) and other employee benefits (work anniversary benefits).

In December 2018 the amendments to the CCA of the Company valid for years 2017 – 2020 and new CCA of the company Ochrana a bezpečnosť SE, a.s. (hereinafter as “OBSE”) valid for years 2019 – 2021 were approved and signed. All the parties concerned were informed about their conditions.

As at 31 December 2019 the Group had 3,986 employees (2018: 4,013 employees) eligible for employee benefits payable in future periods. The weighted average duration of the post-employment benefits and other benefits is 9 years in SE and 6 years in OBSE (2018: 9 years in SE, 6 years in OBSE).

Change in the present value of the defined benefit obligation

In thousands of EUR	*Post-employment benefits*	*Other benefits*	*2019*	*2018*
Present value of the obligations as of 1 January	**38,222**	**1,275**	**39,497**	**40,732**
Current service cost	1,799	68	1,867	1,960
Unwinding of interest (Note 26)	525	17	542	441
Gains/losses due to change in demographic assumptions	278	85	363	(3,989)
Gains/losses due to change in financial assumptions	1,503	32	1,535	703
Experience gains/losses arising during the year	(57)	37	(20)	1,785
Effect of the benefit curtailment due to the change in CCA or employment reduction	-	-	-	(465)
Benefit payments during the year	(610)	(184)	(794)	(1,670)
Present value of the obligations as at 31 December	**41,660**	**1,330**	**42,990**	**39,497**

In thousands of EUR	*Post-employment benefits*	*Other benefits*	*2019*	*2018*
Net liability as at 1 January	**38,222**	**1,275**	**39,497**	**40,732**
Expenses recognised in profit and loss	2,324	239	2,563	1,871
Remeasurements recognised in other comprehensive income	1,724	-	1,724	(1,436)
Benefit payments	(610)	(184)	(794)	(1,670)
Net liability as at 31 December	**41,660**	**1,330**	**42,990**	**39,497**
Thereof: Current portion	1,547	135	1,682	1,142
Non-current portion	40,113	1,195	41,308	38,355

Expenses recognised in the consolidated income statement

In thousands of EUR	*Post-employment benefits*	*Other benefits*	*2019*	*2018*
Current service cost	1 799	68	1 867	1,960
Effect of plan amendment and curtailment	-	-	-	(465)
Unwinding of interest (Note 26)	525	17	542	441
Immediately recognised actuarial losses or gains	-	154	154	(65)
Expenses for the year	**2 324**	**239**	**2 563**	**1,871**

Actuarial assumptions

Assumptions regarding future mortality are based on published mortality tables valid in the Slovak Republic in the year 2018 issued by the Statistical Office of the Slovak Republic during the year 2019 (used for calculations at 31 December 2019) and based on published mortality tables valid in the Slovak Republic in the year 2017 issued by the Statistical Office of the Slovak Republic during the year 2018 (used for calculations at 31 December 2018).

Other actuarial assumptions are disclosed below:

	2019	*2018*
Discount rate as at 31 December	1%	1.39%
Future earnings increases	SE: 2.5% OBSE: 2020: 7% Since 2021: 2.5%	SE: 2.5% OBSE: 2019: 18% Since 2020: 2.5%
Average fluctuation rate	SE: 2.5% OBSE: 8%	SE: 2.9% OBSE: 12.9%
Retirement age	SE: according to valid legislation; OBSE: according to valid legislation	SE: according to valid legislation; OBSE: according to valid legislation

Historical information

In thousands of EUR	*2019*	*2018*	*2017*	*2016*	*2015*	*2014*
Present value of the defined benefit obligation as at 31 December	42,990	39,497	40,732	35,229	66,519	65,240

Sensitivity analysis

The sensitivity of the provision to the change in significant assumptions is shown in the table below:

		Discount rate		*Future salary increase*
In thousands of EUR	*31 December 2019*	*+ 0.50%*	*- 0.50%*	*+ 0.50%*
Net liability from defined benefit obligation	42,990	(1,946)	2,103	1,946

		Discount rate		*Future salary increase*
In thousands of EUR	*31 December 2018*	*+ 0.50%*	*- 0.50%*	*+ 0.50%*
Net liability from defined benefit obligation	39,497	(1,753)	1,887	1,683

18. Other provisions

In thousands of EUR	*Environmental provision*	*Legal provision*	*Provision for emissions*	*Other provisions*	*Total*
Balance as at 1 January 2019	**9,927**	**10,962**	**33,143**	**35**	**54,067**
Provisions made during the period	-	89	43,154	2	43,245
Provisions used during the period	(1,845)	-	(34,264)	(35)	(36,144)
Unwinding of interest (Note 26)	407	-	-	-	407
Effect of change in estimates through income statement	205	-	1,121	-	1,326
Effect of change in estimates through equity	485	-	-	-	485
Release of provision	-	-	-	-	-
Balance as at 31 December 2019	**9,179**	**11,051**	**43,154**	**2**	**63,386**
Non-current portion	8,668	11,051	-	-	19,719
Current portion	511	-	43,154	2	43,667
Balance as at 1 January 2018	**10,554**	**10,849**	**11,958**	**34**	**33,395**
Provisions made during the period	-	140	33,143	2	33,285
Provisions used during the period	(1,032)	-	(12,015)	(1)	(13,048)
Unwinding of interest (Note 26)	429	-	-	-	429
Effect of change in estimates through income statement	(195)	-	57	-	(138)
Effect of change in estimates through equity	171	-	-	-	171
Release of provision	-	(27)	-	-	(27)
Balance as at 31 December 2018	**9,927**	**10,962**	**33,143**	**35**	**54,067**

Environmental provision

The environmental provision is recognised for the recultivation of waste dumps and the removal of confirmed environmental burdens in accordance with the environmental legislation valid in the Slovak Republic and in line with the Group´s published environmental policy.

The Group owns and operates several waste dumps and has a legal obligation to recultivate them once their capacity is filled up. The Group recognises this provision based on the expected future disbursements arising at the expected date of closure of these dumps.

The provision for the removal of environmental burdens, where the Group is confirmed originator, is recognised at the value of the estimated future costs for their clearance.

The present value of the environmental provision as at 31 December 2019 is calculated based on applying 2% inflation rate (31 December 2018: 2%) and a discount rate ranging from 3.88% to 4.25% (31 December 2018: 3.97% to 4.35%) over forecasted disbursement schedules.

Legal provision

Based on estimate of the Group's management, a provision for legal cases against the companies of the Group has been recognised to reflect probability of an unsuccessful resolution of these legal disputes, including the court fees and other related legal fees.

Provision for emission allowances

Provision for emission allowances was recognised for the actual quantity of greenhouse gas emissions discharged during the period, in excess of the emission allowances acquired by the Group for free. The provision is measured at the estimated quantity of the emissions discharged for the period of a calendar year, valued by the unit market price or unit contracted price of the emission allowances designated for the purposes of compliance under the European Union Emissions Trading Scheme and the valid legislation in the Slovak Republic.

19. Loans and borrowings

In thousands of EUR	*Nominal interest rate (%)*	*Maturity*	*2019*	*2018*
Current loans and borrowings				
Loans payable to banks	0.721 – 5.5	2020	204,206	183,111
Subordinated loan (accrued interest)	5.92	2020	38	27
Obligations from finance lease (Note 5)	5.75	2020	3,534	544
Total current loans and borrowings			**207,778**	**183,682**
Non-current loans and borrowings				
Loans payable to banks	0.721 – 5.5	2021 - 2026	2,907,206	2,678,169
Subordinated loan	5.92	2027	350,903	244,634
Obligations from finance lease (Note 5)	5.75	2021 - 2043	11,465	1,036
Total non-current loans and borrowings			**3,269,574**	**2,923,839**

As at 31 August 2018 the Group successfully completed the process of renegotiation of the conditions of all existing loan facilities with its creditors. The Group has extended the maturity of its loan facilities with the maximum maturity agreed as at 31 December 2026. At the same time the Group renegotiated financial as well as non-financial covenants. In line with the valid accounting policies, the Group concluded that the modification of loan terms was substantial. The financial impact of the above mentioned modification represented EUR 29,972 thousand and in line with the valid provisions of IFRS 9 was recognised in the income statement (see Note 26).

In 2018 the company Slovak Power Holding B.V. committed to provide a subordinated debt to the Group up to the amount of EUR 700 million. In connection with this contract on subordinated debt also Subordination Agreement in respect of selected receivables related to VEG and Agreement on Postponement of Enforcement of selected receivables related to VEG were concluded.

The substantial part of the loan portfolio is collateralized via pledge over a selected portfolio of assets of the Group. The carrying amount of the pledged assets is disclosed in the Note 29.

As at 31 December 2019 out of the total amount of loan facilities drawn, the Group recognized EUR 165,000 thousand of revolving loans which are classified as long-term, since the Group has the discretion and intention to roll over the obligation for more than twelve months after the reporting period under the existing loan facilities.

In 2019 the Group did not breach any financial or non-financial covenants defined in the loan facility agreements.

As at 31 December 2019 and 31 December 2018, the scheduled repayments of loans and borrowings are as follows:

In thousands of EUR	*2019*	*2018*
On demand or within one year	207,778	183,682
In the second to eighth year inclusive	3,269,574	2,679,205
Beyond the eighth year	-	244,634
Total	**3,477,352**	**3,107,521**

Overview of undrawn credit lines balances:

In thousands of EUR	*2019*	*2018*
Uncommitted credit lines	65,251	125,103
Specific purpose term loans	453,441	629,422
Subordinated loan	355,000	456,000
Total	**873,692**	**1,210,525**

Overview of the loans movements during the year 2019 and 2018 is as follows:

			Non-cash movements		
In thousands of EUR	*Balance as at 1 January 2019*	*Cash flows*	*Other*	*Foreign exchange differences*	*Balance as at 31 December 2019*
Loans payable to banks	2,861,280	236,953	(13,898)	27,077	3,111,412
Subordinated loan	244,661	101,000	5,280	-	350,941
Obligations from finance lease (Note 5)	1,580	(3,415)	16,834	-	14,999
Total current and non-current loans and borrowings	**3,107,521**	**334,538**	**8,216**	**27,077**	**3,477,352**

			Non-cash movements		
In thousands of EUR	*Balance as at 1 January 2018*	*Cash flows*	*Other*	*Foreign exchange differences*	*Balance as at 31 December 2018*
Loans payable to banks	2,807,163	127,414	(43,353)*	(29,944)	2,861,280
Subordinated loan	-	244,000	661	-	244,661
Obligations from finance lease (Note 5)	2,128	(655)	107	-	1,580
Total current and non-current loans and borrowings	**2,809,291**	**370,759**	**(42,585)**	**(29,944)**	**3,107,521**

**The value represents the net effect of the amortized cost adjustment of the carrying value of loans due to the modification of the loan terms in the amount of EUR 48,140 thousand and an accrued interest in arrears with the opposite impact of EUR 4,787 thousand*

20. Other liabilities

Other liabilities consist of accrued expenses, mostly related to fees paid to the short-term electricity market operator, deferred income from derivative transactions, deferred income from grants, long-term advance payments received and other non-current liabilities.

Deferred income from derivative transactions relates to the initial value of the embedded options as at the date of the conclusion of the long-term electricity contract with Slovalco, a. s. For further detail see Note 7.

Other liabilities comprise the following:

In thousands of EUR	*2019*	*2018*
Deferred income from derivative transactions	1,554	2,331
Daily settlement of profits and losses on commodity exchange	-	1,143
Other deferred income	27	26
Accrued expenses – fees related to electricity sales	4,942	5,704
Accrued expenses – air pollution charges	152	252
Grants	293	437
Other non-current liabilities	2,262	2,289
Total	**9,230**	**12,182**
Non-current portion	2,556	2,726
Current portion	6,674	9,456

21. Trade and other current payables

In thousands of EUR	*2019*	*2018*
Financial liabilities		
Trade payables	**247,138**	**289,299**
Other current liabilities		
Social security payables	5,764	5,753
Payables to employees	30,652	27,406
Other direct taxes	7,748	6,336
Short-term provisions	15,831	20,867
Other payables	11,095	11,644
Total other current liabilities	**71,090**	**72,006**
Total trade and other current payables	**318,228**	**361,305**

Terms and conditions of the above stated financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of payment of one to three months.
- For terms and conditions relating to related parties, refer to Note 28.

For explanations on the Group's credit risk management processes, refer to Note 31.

The social fund payable is included in other non-financial liabilities. The creation and use of the social fund during the period are shown in the table below:

In thousands of EUR	*2019*	*2018*
At the beginning of the period	**934**	**599**
Legal creation through expenses	1,315	1,363
Usage	(1,013)	(1,028)
At the end of the period	**1,236**	**934**

Trade and other payables divided into due and overdue are shown in the table below:

In thousands of EUR	*2019*	*2018*
Trade and other payables due	317,835	360,831
Trade and other payables overdue	393	474
Total	**318,228**	**361,305**

22. Electricity and heat revenues and cost of electricity purchased for resale

Electricity and heat revenues comprise the following:

In thousands of EUR	*2019*	*2018*
Domestic sales, including traders	889,297	1,003,375
Ancillary services	73,012	85,237
Regulating electricity	3,229	4,898
Deviation	8,634	10,714
Revenues from tariff from system operation	116,638	105,948
Heat revenues	23,744	20,180
Other	8,606	6,851
Domestic revenues	**1,123,160**	**1,237,203**
Foreign sales	1,321,348	1,297,979
Total electricity and heat revenues	**2,444,508**	**2,535,182**

Cost of electricity purchased for resale comprise the following:

In thousands of EUR	*2019*	*2018*
Purchase of electricity	1,481,599	1,663,940
Electricity fees	80,199	85,991
Other	16,247	21,164
Cost of electricity purchased for resale	**1,578,045**	**1,771,095**

23. Other operating income and other operating costs

Other operating income comprises the following:

In thousands of EUR	*2019*	*2018*
Rental income	723	705
Commodity derivatives, net	-	95,326
Gain on sale of emission allowances	52,295	10,569
Amortisation of deferred income	117	117
Gain on sale of property, plant and equipment	17	995
Contractual fines	1,454	604
Gain on sale of material	423	251
Compensation of damage	10	1
Income from settlement agreements	413	505
Other	139	268
Total other operating income	**55,591**	**109,341**

Other operating costs, other than depreciation, amortisation and impairment, comprise the following:

In thousands of EUR	*2019*	*2018*
Local taxes and environmental charges	15,290	15,363
Insurance costs	5,491	6,455
Changes in other provisions	295	(83)
Commodity derivatives, net	30,314	4,504
Contractual fines	295	222
Membership fees	911	822
Changes in provision for reimbursement of damages caused by exhalations	(555)	(111)
Provision for emission allowances	44,276	33,199
Other	119	1,087
Total other operating costs	**96,436**	**61,458**

The expenses for services provided by auditors to the Group were as follows:

In thousands of EUR	*2019*	*2018*
Audit of the financial statements	170	155
Related audit services	33	7
Other non-audit services	20	11
Total	**223**	**173**

24. Personnel expenses

In thousands of EUR	*2019*	*2018*
Wages and salaries	87,230	83,408
Social security costs	37,663	37,120
Other social expenses	5,795	5,639
Employee benefits (Note 17)	2,021	1,430
Long-term incentives	(107)	-
Severance payments	1,239	593
Personnel expenses	**133,841**	**128,190**

25. Depreciation, amortisation and impairment

In thousands of EUR	*2019*	*2018*
Depreciation charge - property, plant and equipment (Note 5)	199,318	184,942
Amortisation charge - intangible assets (Note 6)	1,824	1,385
Impairment loss through income statement - property, plant and equipment (Note 5)	15,382	3,012
Change in estimate of provision for nuclear decommissioning and storage costs (Note 15)	-	(396)
Change in estimate of provision for dismantling of thermal power plants (Note 16)	(31)	-
Creation of allowance for doubtful debts, net (Note 11)	1,146	1,548
Other	5	5
Depreciation, amortisation and impairment	**217,644**	**190,496**

26. Finance income and costs

In thousands of EUR	*2019*	*2018*
Foreign exchange differences, net	-	357
Interest income	2,644	2,646
National Nuclear Fund – interest received (Note 15)	30,691	29,494
Embedded derivatives – change in valuation (Note 30)	-	11,286
Embedded derivatives – release of deferred revenues (Note 20)	777	778
Revaluation gain from ineffective hedging derivatives	669	2,305
Other	-	58
Finance income	**34,781**	**46,924**

In thousands of EUR	*2019*	*2018*
Foreign exchange differences, net	742	-
Unwinding of interest – provision for nuclear decommissioning and storage costs (Note 15)	86,830	83,500
Unwinding of interest – provision for dismantling of thermal power plants (Note 16)	5,220	5,079
Unwinding of interest – employee benefits (Note 17)	542	441
Unwinding of interest – other provisions (Note 18)	407	429
Loss on loan derecognition (Note 19)	-	29,972
Embedded derivatives – change in valuation (Note 30)	305	-
Other	5,160	6,238
Finance costs	**99,206**	**125,659**

27. Income tax expense

Current and deferred tax expense

In thousands of EUR	*2019*	*2018*
Current tax expense	**13,610**	**(4,823)**
Out of that: Tax for current period	13,600	1,357
Tax for previous years recognised in the income statement	10	(6,180)
Deferred tax expense		
Origination and reversal of temporary differences	(5,162)	10,128
Income tax recognised in the income statement	**8,448**	**5,305**

In accordance with the valid legislation as at 31 December 2019 the Group applied the tax rate of 21% for income tax calculation (21% in the year 2018) and 21% for deferred tax calculation (21% in the year 2018).

Current income tax receivable amounting to EUR 198 thousand recognised as at 31 December 2019 is related to the income tax position as at the balance sheet date (31 December 2018: EUR 1,694 thousand).

Current income tax liability amounting to EUR 21,693 thousand recognised as at 31 December 2019 is related to the income tax position and to the position in respect of the special levy on business in regulated industries as at the balance sheet date (31 December 2018: EUR 4,870 thousand).

Special levy

On 23 November 2016, the National Council of the Slovak Republic adopted an amendment to the Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries with effect from 31 December 2016. The amendment states the force of the legislation is delayed ad infinitum, i.e. the special levy will be paid also beyond the year 2016. The amendment also increased the monthly rate from 0.00363 to 0.00726 for the period of the year 2017 and 2018 and to 0.00545 in years 2019 and 2020. Starting from the year 2021 the monthly rate is determined at 0.00363. Pursuant the amendment the basis for the special levy has been changed as well and since 2017 the levy is paid only from the regulated activities.

Reconciliation of effective tax rate

In thousands of EUR		*2019*		*2018*
Profit for the period		22,601		19,596
Total income tax expense		8,448		5,305
Profit before income tax		**31,049**		**24,901**
Income tax using the Company´s domestic tax rate	21%	6,520	21%	5,229
Special levy on business in regulated industries		778		1,134
Non-deductible expenses/revenues, net	4%	1,140	21%	5,122
Income tax recognised before prior year adjustments	**27%**	**8,438**	**46%**	**11,485**
Current tax for previous years recognised in the income statement		10		(6,180)
Income tax recognised in the income statement	**27%**	**8,448**	**21%**	**5,305**

Deferred tax recognised directly in equity

In thousands of EUR	*2019*	*2018*
Net movement on cash flow hedges	(16,442)	23,331
Revaluation of property, plant and equipment	(133,738)	-
Changes in valuation of property, plant and equipment	241	(363)
Remeasurement losses on defined benefit plans	362	(301)
Change in estimate of the provision for nuclear decommissioning and storage costs	5,023	4,600
Change in estimate of the provision for dismantling of thermal power plants	128	440
Change in estimate of the environmental provision	102	36
Effect of initial application of IFRS 9	-	554
Total deferred tax recognised directly in equity	**(144,324)**	**28,297**

Deferred tax assets and liabilities

	Assets		*Liabilities*		*Net*	
In thousands of EUR	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
Property, plant and equipment	-	-	(667,396)	(526,971)	(667,396)	(526,971)
Derivatives and cash flow hedges	4,228	65,124	-	(49,479)	4,228	15,645
Embedded derivatives	-	-	(137)	(201)	(137)	(201)
Inventories	1,985	1,501	-	-	1,985	1,501
Employee benefits	9,066	8,446	-	-	9,066	8,446
Provision for nuclear decommissioning and storage costs	454,849	425,205	-	-	454,849	425,205
Provision for dismantling of thermal power plants	26,640	26,408	-	-	26,640	26,408
Receivable from the sale of the VEG assets	4,752	5,282	-	-	4,752	5,282
Right for reimbursement from the National Nuclear Fund	-	-	(281,214)	(261,171)	(281,214)	(261,171)
Other	21,719	19,466	(2,109)	(2,065)	19,610	17,401
Balance as at 31 December	**523,239**	**551,432**	**(950,856)**	**(839,887)**	**(427,617)**	**(288,455)**

Movement in temporary differences during the year

In thousands of EUR	*Balance as at 1 January 2018*	*Recognised in profit or loss*	*Recognised in equity*	*Balance as at 31 December 2018*	*Recognised in profit or loss*	*Recognised in equity*	*Balance as at 31 December 2019*
Property, plant and equipment	(529,727)	3,119	(363)	(526,971)	(6,928)	(133,497)	(667,396)
Derivatives and cash flow hedges	7,528	(15,214)	23,331	15,645	5,025	(16,442)	4,228
Embedded derivatives	2,169	(2,370)	-	(201)	64	-	(137)
Inventories	1,076	425	-	1,501	484	-	1,985
Employee benefits	8,701	46	(301)	8,446	258	362	9,066
Provision for nuclear decommissioning and storage costs	394,290	26,315	4,600	425,205	24,621	5,023	454,849
Provision for dismantling of thermal power plants	24,530	1,438	440	26,408	104	128	26,640
Receivable from the sale of the VEG assets	5,832	(550)	-	5,282	(530)	-	4,752
Right for reimbursement from the National Nuclear Fund	(243,791)	(17,380)	-	(261,171)	(20,043)	-	(281,214)
Other	22,768	(5,957)	590	17,401	2,107	102	19,610
Deferred tax liability	**(306,624)**	**(10,128)**	**28,297**	**(288,455)**	**5,162**	**(144,324)**	**(427,617)**

As at 31 December 2019 the Group recognised a deferred tax position in the net amount of EUR 26,040 thousand (31. December 2018: 11,240 thousand) on the face of the consolidated balance sheet (deferred tax asset) from the temporary differences on the following items: dismantling asset, right for reimbursement from the National Nuclear Fund, provision for decommissioning of nuclear power plants, part of provision for storage and disposal of spent nuclear fuel related to its final disposal in the deep geological repository.

As of 17 October 2018 a new Act No. 308/2018 on the National Nuclear Fund was passed that introduces new legal requirements regarding post operation and decommissioning of nuclear power plants, with the effective date as of 1 January 2019.

With regards to the long-term horizon of the final stage of peaceful utilization of nuclear energy it is not possible to anticipate impact of changes on tax deductibility in future with reference to the new wording of the Act on the National Nuclear Fund. Under the prudency principles the Group currently resolved not to alter the said tax position.

28. Related party transactions

Related parties have been identified as associates, shareholders, directors and management of the Group and entities controlled by the government that the Group transacts with.

The Group had the following transactions and outstanding balances with related parties as at and for the year ended 31 December 2019:

In thousands of EUR	*Sales*	*Purchases*	*Receivables*	*Payables*
Companies ENEL Group	98,819	113,373	9,030	46,320
Chladiace veže Bohunice, spol. s r.o.	6	882	2	85
Energotel, a.s.	69	999	20	269
REAKTORTEST, s.r.o.	-	10,768	-	-
ÚJV Řež, a.s.	2	3,733	-	1,923
ÚJV Řež, a.s. - organizačná zložka Slovensko	-	87	-	73
EMANI	-	1,944	-	-
ELINI	-	883	-	252
Wood Nuclear Slovakia s.r.o.	-	295	-	66
EGEM, s.r.o.	-	24	-	14
EOP HOKA SK, s.r.o.	131	78	11	14
EP Coal Trading a.s.	-	-	-	6
EP Commodities, a.s.	21,557	39,421	2,308	1,567
EP ENERGY TRADING, a.s.	2,031	942	135	373
EP ENERGY TRADING, a.s., organizačná zložka	-	-	-	-
Jadrová a vyraďovacia spoločnosť, a.s.	2,443	16,485	413	5,660
Jadrová energetická spoločnosť Slovenska, a.s.	-	-	-	-
Slovenská elektrizačná prenosová sústava, a.s.	71,481	6,788	17,750	2,779
Slovenský plynárenský priemysel, a.s.	51,608	7	4,981	-
I&C Energo a.s.	-	4,572	-	329
I&C Energo a.s. organizačná zložka	-	5	2,738	1,161
MH Invest, s.r.o.	77	-	8	-
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	-	5	-	-
SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik	213	32,376	249	9,471
SPP - distribúcia, a.s.	4	1,978	360	174
SSE CZ, s.r.o.	5,613	-	477	-
Stredoslovenská energetika Holding, a.s.*	70,155	3,461	8,961	344
Stredoslovenská distribučná, a.s.	7,253	14,398	706	1,311
VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK	25	386	67,820	496
Východoslovenská distribučná, a.s.	967	723	66	69
Východoslovenská energetika, a.s.	22,047	2,621	2,232	266
Západoslovenská distribučná, a. s.	5,124	16,931	395	313
Západoslovenská energetika, a.s.	-	10	-	-
ZSE Energia, a.s.	96,584	4,887	9,851	570
Total	**456,209**	**279,062**	**128,513**	**73,905**

** In 2019 the company name was changed from Stredoslovenská energetika, a.s. to Stredoslovenská energetika Holding, a.s.*

The Group had the following transactions and outstanding balances with related parties as at and for the year ended 31 December 2018:

In thousands of EUR	*Sales*	*Purchases*	*Receivables*	*Payables*
Companies ENEL Group	32,265	60,716	10,276	54,258
Chladiace veže Bohunice, spol. s r.o.	6	1,034	2	109
Energotel, a.s.	70	1,013	15	305
REAKTORTEST, s.r.o.	-	11,369	-	9
ÚJV Řež, a.s.	2	5,221	-	1,910
ÚJV Řež, a.s. - organizačná zložka Slovensko	-	794	-	656
EMANI	-	1,987	-	-
ELINI	-	512	-	33
EGEM, s.r.o.	-	3,353	-	3,438
EOP HOKA SK, s.r.o.	99	258	22	95
EP Coal Trading a.s.	-	26,048	-	14,924
EP Commodities, a.s.	10,383	3,352	11,423	2,116
EP ENERGY TRADING, a.s.	3,690	5,495	203	509
EP ENERGY TRADING, a.s., organizačná zložka	288	77	-	-
Jadrová a vyraďovacia spoločnosť, a.s.	2,083	17,435	383	6,046
Jadrová energetická spoločnosť Slovenska, a.s.	-	49	-	5
Slovenská elektrizačná prenosová sústava, a.s.	82,277	7,029	15,830	1,274
Slovenský plynárenský priemysel, a.s.	40,903	12,462	6,006	1,284
I&C Energo a.s.	-	904	-	165
I&C Energo a.s. organizačná zložka	-	428	-	553
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	4	2	-	2
SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik	141	26,812	162	5,760
SPP - distribúcia, a.s.	24	2,357	417	11
SSE CZ, s.r.o.	6,244	2,111	530	179
Stredoslovenská energetika, a.s.	66,313	8,656	8,186	1,173
Stredoslovenská distribučná, a.s.**	8,200	16,960	567	868
VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK	60	1,953	77,488	633
Východoslovenská distribučná, a.s.	1,409	681	35	73
Východoslovenská energetika, a.s.	54,227	27	5,643	2
Západoslovenská distribučná, a. s.	5,668	18,511	378	307
Západoslovenská energetika, a.s.	-	8	-	1
ZSE Energia, a.s.	80,138	9,716	7,777	667
Wood Nuclear Slovakia s.r.o.*	-	471	-	452
Total	**394,494**	**247,801**	**145,343**	**97,817**

**In 2018 the company name was changed from Amec Foster Wheeler Nuclear Slovakia s.r.o. to Wood Nuclear Slovakia, s.r.o.*
***In 2018 the company name was changed from Stredoslovenská energetika - Distribúcia, a.s. to Stredoslovenská distribučná, a.s.*

As of 31 December 2019 the Group has recognised a provision for doubtful debts related to overdue receivables from the companies of Enel Group amounting to EUR 3,181 thousand (2018: EUR 3,153 thousand).

As of 31 December 2019 the Group has subordinated loan from the company Slovak Power Holding B.V. amounting to EUR 350,941 thousand (2018: EUR 244,661 thousand).

For information regarding the transactions with VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK, see the Note 11 and 29.

The Group discloses only those transactions and balances with the government-related entities, which are significant. Transactions with National Nuclear Fund are disclosed in the Note 15.

All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months from the reporting date, except for the non-current receivable from VV (see note 11) and right for reimbursement from National Nuclear Fund (see note 15). None of the balances is secured with the exception of the payable towards Slovenská elektrizačná prenosová sústava, a.s., which was secured by the bank guarantee in the amount of EUR 3,338 thousand valid from 8 December 2017 until 31 January 2019.

Statutory bodies of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2019, the Company's statutory bodies have the following composition:

The Board of Directors:
Ing. Branislav Strýček, Chairman of the Board
Michele Bologna, Vice-chairman of the Board
Ing. Peter Hlbocký, Vice-chairman of the Board
Ing. Jaroslav Holubec
Pavol Štuller, MBA
Ing. Martin Suchánek
Ing. Lukáš Maršálek
Pedro José Cañamero González (from 27 June 2019)

The Supervisory Board:
Elisabetta Barberi, Chairman of the Board (from 22 November 2019)
JUDr. Peter Hajduček, Vice-chairman of the Board (from 22 November 2019)
Mgr. Zdenek Turian
Ľudovít Hacaj
Jiří Feist
Pavel Janík
Jan Stříteský
Jozef Ondrejíček
Stanislav Kysel
Ing. Bohumil Kratochvíl
Andrea Piagentini
Maria Antonietta Giannelli (from 25 May 2019)
Giuseppe Ferrara (from 25 May 2019)
doc. JUDr. Boris Balog (from 22 November 2019)
Ján Topoľovský (from 23 December 2019)

The membership in the Company's statutory bodies which ended during 2019:

Ing. Tatiana Kamenská (by 24 May 2019)
Igino Maria Chellini (by 21 November 2019)
Ing. Richard Paško, Chairman of the Board (by 24 May 2019)
Georgios Karavas, Vice-chairman of the Board (by 24 May 2019)
Rodolfo Avogadro di Vigliano (by 24 May 2019)
Giuseppe Turchiarelli, Chairman of the Board (by 21 November 2019)
Ing. Oľga Beckerová (by 22 December 2019)

Emoluments of the members of the Board of Directors:

In thousands of EUR	*2019*	*2018*
Salaries and other short-term employee benefits	1,532	1,409
Benefits in kind	21	17
Total	**1,553**	**1,426**

Emoluments of the members of the Supervisory Board:

In thousands of EUR	*2019*	*2018*
Salaries and other short-term employee benefits	237	111
Total	**237**	**111**

Emoluments of the members of the key management:

In thousands of EUR	*2019*	*2018*
Salaries and other short-term employee benefits	4,153	4,088
Benefits in kind	80	104
Total	**4,233**	**4,192**

No loans and advance payments have been granted to the key management and the members of the Board of Directors and the Supervisory Board. No guarantees have been granted to the key management and the members of the Board of Directors and the Supervisory Board.

29. Commitments and contingencies

Short-term and low value lease commitments – Group as the lessee

Short-term and low value lease charges comprise:

In thousands of EUR	*2019*	*2018*
Lease of cars	1,705	1,805
Lease of land and buildings	873	4,227
Lease of IT and telecommunication devices	1,052	1,362
Total	**3,630**	**7,394**

The Group has entered into contracts on lease of cars and IT and telecommunication devices with definite terms. The Group has entered into contracts on lease of land and buildings with definite and indefinite terms.

The future minimum lease payments under non-cancellable lease contracts are as follows:

In thousands of EUR	*2019*	*2018*
Less than one year	2,540	5,297
Between one and five years (inclusive)	3,394	13,952
More than five years	260	888
Total	**6,194**	**20,137**

Short-term and low value lease commitments – Group as the lessor

Short-term and low value lease revenues comprise:

In thousands of EUR	*2019*	*2018*
Lease of land and buildings	711	751
Lease of IT and telecommunication devices	6	6
Lease of cars	16	16
Total	**733**	**773**

The Group has entered into contracts on thses leases with both, definite and indefinite terms.

The future minimum lease payments under non-cancellable leasees are as follows:

In thousands of EUR	*2019*	*2018*
Less than one year	726	594
Between one and five years (inclusive)	909	1,284
More than five years	368	417
Total	**2,003**	**2,295**

Capital commitments

The Group is engaged in continuous capital expenditure programs, including environmental improvements and the modernisation, replacement and expansion of existing power generation facilities and continuing of construction of Mochovce 3&4. As at 31 December 2018 the Group has concluded contracts to purchase property, plant and equipment in overall amount of EUR 5,516,782 thousand (31 December 2018: EUR 5,231,819 thousand), thereof EUR 305,388 thousand was not yet realized as at 31 December 2019 (31 December 2018: EUR 475,304 thousand).

Legal claim contingency

The Group is involved in various litigations in the ordinary course of its business. Except for the legal proceedings specified below and the litigations for which the provision has been recognised (see Note 18), the Group is not currently involved in any legal proceeding that is expected, either individually or in aggregate, to have a significant effect on the accompanying consolidated financial statements.

VEG court proceedings

The Company, the company VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK (hereinafter as the "VV") and certain other entities are involved in several court disputes pertaining VEG Operating Agreement (hereinafter as the "Operating Agreement") signed on 10 March 2006 as amended by the Amendment No. 1 dated 17 July 2006, the Agreement on Settlement of Legal Relations with respect to the VEG Assets (hereinafter as the "Settlement Agreement") signed on 24 March 2006 as well as the Agreement of Indemnity signed on 22 March 2006 between the National Property Fund of the Slovak Republic (hereinafter as the "NPF") and the Company (hereinafter as the "Indemnity Agreement").

Finished court proceedings.
The Company was party to dispute in two proceedings concerning invalidity of the Operating Agreement. The court definitely decided that the Operating Agreement is invalid in the proceedings initiated by the Public Procurement Office.

Another legal action was raised by VV, but the court stopped these proceedings due to the final decision about invalidity of the Operating Agreement in proceedings initiated by the Public Procurement Office.

Court proceedings ongoing
1. Action initiated by VV challenging the Indemnity Agreement

On 20 June 2008, VV filed an action (against the Company as well as against the NPF) claiming that the Indemnity Agreement is null and void arguing, in essence, that it (i) does not comply with the International Treaty, (ii) is contrary to several laws and good morals and fair commercial relations.

On 27 September 2017 the court dismissed the action filed by VV. VV filed an appeal on 27 November 2017.

The appellate proceeding confirmed the dismissal of the action by the first instance court.

2. Action initiated by the National Property Fund of the Slovak Republic challenging the Indemnity Agreement

On 16 July 2008, the NPF filed an action claiming that the Indemnity Agreement is null and void, in essence, because one of its conditions precedent – validity of the Operating Agreement – had never been fulfilled.

The company MH Manažment, a.s. alleges that it is a legal successor of the NPF (implicitly in relation to the Indemnity Agreement) and asked the court to continue in proceeding. The Company stated that (i) the company MH Manažment, a.s. is not a legal successor of the NPF, and (ii) the court has no jurisdiction to hear the case due to the existence of the arbitration clause In the Indemnity Agreement.

The company MH Manažment, a.s. entered into the proceedings as a legal successor of the NPF. On 27 September 2017 the court dismissed the action, subsequently, the company MH Manažment, a.s. filed an appeal on 24 November 2017.

The appellate proceeding confirmed the dismissal of the action by the first instance court.

3. Action initiated by VV challenging the Settlement Agreement

On 20 June 2008, VV filed an action claiming that Article 6 of the Settlement Agreement is null and void arguing, in essence, that: (i) it does not comply with the International Treaty, (ii) is contrary to several laws and good morals and fair commercial relations. The National Property Fund of the Slovak Republic, the Ministry of Economy of the Slovak Republic and Slovenský energetický podnik, štátny podnik v likvidácii, act as other defendants.

The company MH Manažment, a.s. entered into the proceedings as a legal successor of the NPF. The judge´s preliminary legal assessment of the matter complies with the Company´s legal argumentation. At the hearing of 5 March 2019, the court dismissed VV´s legal action and awarded the right for the reimbursement of the costs of the proceeding in full extent to the other parties to the dispute.

In May 2019, both VV and the Ministry of Economy of the Slovak Republic filed an appeal. The appelate proceeding is pending.

4. Several court disputes in which VV claims unjustified enrichment allegedly gained by the Company due to the operation of the VEG

In ten disputes, VV claims from the Company the amount of 35% share on revenues gained by the Company during operation of the VEG on the basis of the allegedly invalid Operating Agreement for years 2006 – 2015 in total amount of EUR 364,495 thousand. The Company filed a statement for setting up a counterclaim (i.e. for preventive reasons the Company raised its claim to receive payment of services rendered in connection with operation of the VEG in case that the Operating Agreement is null and void).

Each of the disputes covers one year, or its respective part from the period of 2006 through 2015.

During 2018, the Company raised counterclaims against VV arising from invalidity of the VEG Operating Agreement and also financial compensation for non-financial performance.

In the proceeding concerning recovery of unjustified enrichment for the year 2012 the court dismissed VV´s legal action and also the Company´s counterclaim on 25 April 2019; on 7 June 2019 VV filed an appeal and on 21 June 2019 the Company filed an appeal.The appellate proceeding is pending.

In the proceedings concerning recovery of unjustified enrichment for the years 2006 – 2008 the court dismissed VV´s legal action and also the Company´s counterclaim on 26 June 2019; on 17 July 2019 VV filed appeals and on 30 July 2019 the Company filed appeals. The appellate proceedings are pending.

All other proceedings on Unjust Enrichment Proceedings (concerning years 2009, 2010, 2011, 2013, 2014 and 2015) are pending.

5. Action initiated by VV to recover the amounts paid to the Company under the Settlement Agreement

On 8 July 2015, VV filed a claim requesting that the Company is ordered to pay to VV the amount of EUR 43,279 thousand (plus default interests) corresponding to the amount already fulfilled by VV to the Company for VEG assets carved out from the Company´s assets in 2006 under the Settlement Agreement. VV argues that the Company should have never received such compensation for VEG assets given the invalidity of the Operating Agreement and the fact that a transfer of VEG assets to the Company in 1994 was illegal. In reaction to the Company's objections, VV decreased requested amount to EUR 20,385 thousand (plus default interests).

The proceeding is pending.

6. The Company's claim for annual settlement

On 31 December 2014, the Company filed the claim for a balance resulting from the annual settlement for year 2010 which has not been paid until the date of these financial statements by VV in the amount of EUR 5,824 thousand (including VAT) with default interest.

On 22 January 2019 the court rendered a ruling about continuation in the proceeding. On 10 October 2019 the court dismissed the Company´s legal action. Subsequently, on 15 November 2019 the Company filed an appeal. The appellate proceeding is pending.

7. The Company's claim for a return of payments made under Article 10 of the Operating Agreement

On 12 November 2014, the Company filed a claim for EUR 23,887 thousand with default interest, i.e. the return of a regular payment made under Article 10 of the Operating Agreement in the amount not yet statute-barred. The Company argues, in essence, that the contractual conditions under Article 10 of the Operating Agreement by VV for receiving a regular payment were not fulfilled and that the Company was never obliged to pay approximately EUR 5 million per year.

On 22 January 2019 the court rendered a ruling about continuation in the proceeding. The proceeding is pending. On 10 October 2019 the court dismissed the Company´s legal action. Subsequently, on 15 November 2019 the Company filed an appeal. The appellate proceeding is pending.

Other court proceedings

1. Court proceedings with SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik

The Company was involved in several court disputes with SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik (hereinafter as the "SVP") pertaining to a price to be paid by the Company for an offtake of surface water from Laborec river in 2002. In the court proceeding initiated by SVP in 2004, SVP prevailed on both instances and the Company paid to SVP, in 2010, the amount of EUR 10,004 thousand (the amount of principal was EUR 5,847 thousand). Subsequently, in 2012, the Company was successful with its constitutional complaint, the judgment ordering the Company to pay the above-mentioned amount was cancelled and the matter was referred back to the courts to rehear the case.

This proceeding is still pending in the first instance.

In the expert opinion, from expert appointed by the court, a market price for the surface water off-take was stated in amount of EUR 1,550 thousand (without VAT).

Given the fact that SVP refused to return EUR 10,004 thousand paid originally by the Company under the judgment set aside by the Constitutional Court, the Company sued SVP and obtained the judgment (effective and enforceable at the day of these financial statements) ordering SVP to pay the Company EUR 10,004 thousand and default interests. Until now, SVP has not paid this amount.

The Company is involved in a court dispute with SVP related to the commission for recovery of SVP´s receivables against the Company performed by the company BRNO TRUST, a.s. for SVP in an amount of EUR 7,801 thousands and default interests. The Company prevailed in both instances but the general prosecutor filed an extraordinary review which reversed the matter in the end to the first-instance proceedings which is still pending.

The Company negotiates with SVP about a possible settlement of mutual receivables and out-of-court termination of disputes.

2. Court proceedings related to G – component

The Company is involved in 3 court disputes with all distribution system operator after the cancellation of the part of the Regulatory Office for Network Industries´ decree allowing distribution system operator to ask to pay a fee (so called G-component) from an electricity producer even without conclusion of the respective contract on access and electricity distribution given in the Energy Act, by the award of the Constitutional Court of the Slovak Republic.

The Company asked for back-payment of the payments of G-component for years 2014, 2015 and first half of year 2016, in aggregate app. amount of EUR 34,100 thousand.

Vienna Convention on Civil Liability for Nuclear Damage

Under the Vienna Convention on Civil Liability for Nuclear Damage (May 1963), the operator of a nuclear installation is absolutely liable for the nuclear damages. The Vienna Convention entered into force in the Slovak Republic on 7 June 1995. The Vienna Convention requires the operator to maintain insurance or other financial security covering its liability for nuclear damage in such an amount, of such a type and in such terms as the installation state shall specify. The installation state may not reduce the limit of the operator's liability below USD 5 million (USD in terms of gold on 29 April 1963, that is to say USD 35 per one troy ounce of fine gold) per single nuclear incident.

On 19 March 2015 the National Council of the Slovak Republic approved the Act No. 54/2015 Coll. on Civil Liability for Nuclear Damage and on its Financial Coverage and on amendment and supplement of certain acts, which entered into force on 1 January 2016 and based on which the operator's liability for nuclear damage caused by each nuclear incident is limited to EUR 300 million for a nuclear installation for energy purposes and EUR 185 million for other nuclear installation and transport of nuclear material.

As at the balance sheet date the Company had in place liability insurance policies compliant with the indemnity limit of EUR 300 million for each operating nuclear installation (Jaslovské Bohunice and Mochovce) separately, a liability insurance policy compliant with the indemnity limit of EUR 185 million for units 3 and 4 of Mochovce nuclear power plant and a policy for insurance of the liability for a damage caused by operation and handling of ionizing radiation sources with an indemnity limit up to EUR 1.4 million.

Financial guarantees

During 2018, the Company has granted promise of indemnification in favour of its supplier, in total value of EUR 4,840 thousand. As of 31 December 2019 the value of the promise of indemnification remains unchanged. The Group does not expect any reimbursements towards the supplier in this respect and therefore no liabilities were recognised on face of the balance sheet.

Except for the abovementioned, the Group did not have any financial guarantee contracts in favour of third parties as at 31 December 2019 and 31 December 2018.

Other inspections

The Group is subject to various controls performed by the state authorities. Although the Group cannot exclude that any of these proceedings discover irregularities in its activities based on which the Group could be penalized, the management cannot determine any amount for which a provision should be recognised because of such proceedings. Due to that reason, no provision has been recognised for that purpose as at 31 December 2019 and as at 31 December 2018.

The Group has significant transactions with shareholders and other related parties and recognizes significant accounting transactions that are based on technical, financial and other expert assumptions which bear a certain extent of uncertainty. The tax environment in which the Group operates in is dependent on the prevailing tax legislation and practice. As the tax authorities are reluctant to provide official interpretations in respect of tax legislation, there is an inherent risk that the tax authorities may require, for example, transfer pricing or other adjustments of the corporate income tax base. The tax authorities in have broad powers of interpretation of tax laws which could result in unexpected results from tax inspections. The amount of any potential tax liabilities related to these risks cannot be estimated.

Pledged assets

As of the date of these financial statements the Group's long term tangible assets in the value of EUR 9,059,366 thousand (2018: in the value of EUR 8,092,547 thousand) and inventories in the value of EUR 22,100 thousand (2018: in the value of EUR 21,184 thousand) were pledged in favour of banks and loan creditors.

30. Fair values

The fair values of financial assets and liabilities, compared to the carrying amounts shown in the consolidated balance sheet, are as follows:

		31 December 2019		*31 December 2018*	
In thousands of EUR	*Note*	*Carrying amounts*	*Fair values*	*Carrying amounts*	*Fair values*
Non-current financial assets					
Other receivables	11	107,289	107,289	100,610	100,610
Right for reimbursement from the National Nuclear Fund	15	1,339,112	1,339,112	1,229,869	1,229,869
Embedded derivatives	7	622	622	607	607
Hedging derivatives	7	6,243	6,243	526	526
Other investments	9	5,495	5,495	4,695	4,695
Total non-current financial assets		**1,458,761**	**1,458,761**	**1,336,307**	**1,336,307**
Non-current financial liabilities					
Loans and borrowings	19	3,269,574	4,088,003	2,923,839	2,923,839
Hedging derivatives	7	99,115	99,115	202,283	202,283
Total non-current financial liabilities		**3,368,689**	**4,187,118**	**3,126,122**	**3,126,122**
Current financial assets					
Trade and other receivables	11	179,471	179,471	158,612	158,612
Embedded derivatives	7	29	29	349	349
Derivatives not designated as hedges	7	152,869	152,869	392,899	392,899
Hedging derivatives	7	29,927	29,927	32,180	32,180
Cash and cash equivalents	12	12,460	12,460	13,159	13,159
Total current financial assets		**374,756**	**374,756**	**597,199**	**597,199**
Current financial liabilities					
Loans and borrowings	19	207,778	207,778	183,682	183,682
Derivatives not designated as hedges	7	115,940	115,940	329,745	329,745
Hedging derivatives	7	66,683	66,683	71,670	71,670
Trade and other current payables	21	318,228	318,228	361,305	361,305
Total current financial liabilities		**708,629**	**708,629**	**946,402**	**946,402**

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between informed, willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Fair values of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, the individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2019 and 31 December 2018, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- Fair value of quoted instruments is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair values of available-for-sale financial assets are derived from quoted market prices in active markets, if available.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using a valuation techniques with market observable inputs are mainly foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments and non-financial assets (see Note 5) by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

As at 31 December 2019 the Group held the following financial instruments measured at fair value:

Financial assets measured at fair value

In thousands of EUR	*Note*	*31 December 2019*	*Level 1*	*Level 2*	*Level 3*
Embedded derivatives	7	651	-	651	-
Derivatives not designated as hedges	7	152,869	-	152,869	-
Hedging derivatives	7	36,170	-	36,170	-

Financial liabilities measured at fair value

In thousands of EUR	*Note*	*31 December 2019*	*Level 1*	*Level 2*	*Level 3*
Derivatives not designated as hedges	7	115,940	-	115,940	-
Hedging derivatives	7	165,798	-	165,798	-

As at 31 December 2018 the Group held the following financial instruments measured at fair value:

Financial assets measured at fair value

In thousands of EUR	*Note*	*31 December 2018*	*Level 1*	*Level 2*	*Level 3*
Embedded derivatives	7	956	-	956	-
Derivatives not designated as hedges	7	392,899	-	392,899	-
Hedging derivatives	7	32,706	-	32,706	-

Financial liabilities measured at fair value

In thousands of EUR	*Note*	*31 December 2018*	*Level 1*	*Level 2*	*Level 3*
Derivatives not designated as hedges	7	329,745	-	329,745	-
Hedging derivatives	7	273,953	-	273,953	-

There have been no transfers between the Levels 1 – 3 during 2019 and 2018.

The movement in fair value of embedded derivatives is summarized as follows:

In thousands of EUR	
Balance as at 1 January 2019	**956**
Change in fair value through profit or loss (Note 26)	(305)
Closing balance as at 31 December 2019	**651**

In thousands of EUR	
Balance as at 1 January 2018	**(10,330)**
Change in fair value through profit or loss (Note 26)	11,286
Closing balance as at 31 December 2018	**956**

The fair value of commodity derivatives not designated as hedges (net) is sensitive to movements in electricity prices, effect of which is summarized as follows:

Derivatives on electricity

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	9,432	(16,408)
Balance as at 31 December 2019	**25,840**	
10% increase	42,247	16,407

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	2,486	(744)
Balance as at 31 December 2018	**3,230**	
10% increase	3,974	744

Derivatives on other commodities

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	13,948	2,859
Balance as at 31 December 2019	**11,089**	
10% increase	8,230	(2,859)

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	68,229	3,658
Balance as at 31 December 2018	**64,571**	
10% increase	60,912	(3,659)

The impact of shift in electricity and commodity prices by +/- 10 % has been calculated by changing the spot price at the valuation date or as at the reporting date.

The fair value of embedded derivative (net) that relates to the long-term electricity contract with Slovalco, a. s. is sensitive to movements in aluminium prices, as follows:

In thousands of EUR	*Fair value of embedded derivatives, net*	*Change*
10% decrease	2,171	1,520
Balance as at 31 December 2019	**651**	
10% increase	143	(508)

In thousands of EUR	*Fair value of embedded derivatives, net*	*Change*
10% decrease	4,858	3,902
Balance as at 31 December 2018	**956**	
10% increase	(1,279)	(2,235)

The impact of shift in aluminium prices by +/- 10 % has been calculated by changing the spot price at the valuation date or as at the reporting date.

31. Financial risk management objectives and policies

Following financial risks are related to the activities of the Group:

i) Credit risk;
ii) Liquidity risk;
iii) Market risk, which includes:
- Interest rate risk;
- Foreign currency risk;
- Commodity risk.

Risk management

As part of its operations, the Group is exposed to different market risks, notably the risk of volatility of commodity prices, interest rates and exchange rates as well as to the liquidity risk and to the credit risk. To minimize the risk implied from volatility of exchange rates and interest rates, the Group enters into transactions with required parameters or into derivative contracts with the intent to hedge individual risk using instruments available on the market.

Transactions that qualify for hedge accounting in line with the requirements of IFRS 9 are classified as hedging transactions, while those carried out with the intent of hedging that do not qualify for hedge accounting in line with IFRS 9 are classified as trading transactions.

Depending on their purpose and the decision of the management the financial derivative instruments are classified as:
- cash flow hedges, related to hedging the risk of changes in the cash flows;
- fair value hedges, related to hedging the risk of changes in the fair value;
- trading derivatives, related to hedging interest and exchange rate risk and commodity risk which do not qualify for recognition under IFRS 9 as hedges of specific assets, liabilities, commitments or future transactions.

The fair value is determined using the prices on the relevant markets. Accordingly, the impact on profit or loss and shareholders' equity depends on normal market developments. The credit risk with respect to the derivatives portfolio is considered as negligible since transactions are conducted solely with leading Slovak and international banks, and the exposure is therefore diversified among different institutions.

Credit risk

The Group makes most of the steps in order to mitigate the credit risk, e.g. to prevent the situations when the contractual party does not fulfil any of its liabilities on time and in full amount. The Group has developed sophisticated tools and procedures for the purpose of identification and analysis of the credit risk. Further monitoring, management and mitigation of the credit risk is ensured via specific processes and methods.

Additional aspects eliminating the credit risk

The specific structure of the Group's customers requires individual approach to the evaluation of the credit risk. Distribution companies represent those with the lowest credit risk. Most of the customers and business partners have long-time history of their activities in the energy sector, thus this fact contributes to the decrease of the risk resulting from the customer insolvency. The credit risk analysis of the business partner is performed every time before the contract is closed and is reviewed on regular basis, at least once per year. With respect to the results of the analysis and other aspects influencing the risk factor the customer is assigned a limit for trading. If the analysis or other information gathered reveals potential credit risk factor of the customer the Group will evaluate and eliminate risk factor. In case of smaller customers deposit payments are required. Long-time experience of the Group shows that the analytical methods, assessment and management of the credit risk are effective and mitigate the credit risk accordingly.

The expected loss rates and the allowance for doubtful debts, calculated in line with the IFRS 9 simplified approach for trade receivables as at 31 December 2019 and 31 December 2018 were as follows:

In thousands of EUR	*Expected credit loss rate*	*Expected credit loss as at 31 December 2019*	*Expected credit loss rate*	*Expected credit loss as at 31 December 2018*
Receivables not yet due	0.02%	37	0.03%	79
Receivables less than 15 days overdue	0.02%	-	0.03%	31
Receivables less than 30 days overdue	0.33%	68	0.54%	3
Receivables less than 90 days overdue	11.64%	1	42.35%	34
Receivables less than 180 days overdue	15.92%	2	51.82%	16
Receivables less than 270 days overdue	20.96%	3	53.41%	4
Receivables less than 360 days overdue	29.75%	36	59.43%	6
Receivables more than 360 days overdue	100%	8,928	100%	7,677
Receivables assessed on an individual basis (Note 11)	100%	135,989	100%	135,989
Purchased credit-impaired receivables (Note 11)	100%	1,470	100%	1,466
Total allowance for doubtful debts (Note 11)		**146,534**		**145,305**

Analysis of cash at bank and short-term bank deposits based on rating:

In thousands of EUR	*2019*	*2018*
Cash at bank and short-term bank deposits		
AA	3,435	2
A	4,980	13,082
No rating	3,975	4
Total	**12,390**	**13,088**

Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements that enable mutual offsetting:

As at 31 December 2019:

	Gross amount on the face of the consolidated balance sheet before offsetting	*Gross amount set off on the face of the consolidated balance sheet*	*Net amounts on the face of the consolidated balance sheet*	*Related amounts not set off on the face of the consolidated balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
CURRENT ASSETS						
Trade and other receivables	244,716	65,245	179,471	87,809	20,451	71,211
Derivative assets	228,410	45,614	182,796	94,124	-	88,672
Total assets subject to disclosure for offsetting requirements	**473,126**	**110,859**	**362,267**	**181,933**	**20,451**	**159,883**

As at 31 December 2018:

	Gross amount on the face of the consolidated balance sheet before offsetting	*Gross amount set off on the face of the consolidated balance sheet*	*Net amounts on the face of the consolidated balance sheet*	*Related amounts not set off on the face of the consolidated balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
CURRENT ASSETS						
Trade and other receivables	266,519	107,907	158,612	4,198	13,145	141,269
Derivative assets	426,972	1,893	425,079	250,719	-	174,360
Total assets subject to disclosure for offsetting requirements	**693,491**	**109,800**	**583,691**	**254,917**	**13,145**	**315,629**

The column (d) contains those financial assets and liabilities that are not offset due to either absence of the enforceable right or intention of the Group.

The column (e) represents financial guarantees received and cash collateral collected by the Group.

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements that enable mutual offsetting:

As at 31 December 2019:

	Gross amount on the face of the consolidated balance sheet before offsetting	*Gross amount set off on the face of the consolidated balance sheet*	*Net amounts on the face of the consolidated balance sheet*	*Related amounts not set off on the face of the consolidated balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
NON-CURRENT LIABILITIES						
Loans and borrowings	2,918,671	-	2,918,671	-	60,000	2,858,671
CURRENT LIABILITIES						
Derivative liabilities	228,237	45,614	182,623	94,124	-	88,499
Trade and other current payables	383,462	65,245	318,228	87,809	608	229,811
Total liabilities subject to disclosure for offsetting requirements	**3,530,370**	**110,859**	**3,419,522**	**181,933**	**60,608**	**3,176,981**

As at 31 December 2018:

	Gross amount on the face of the consolidated balance sheet before offsetting	*Gross amount set off on the face of the consolidated balance sheet*	*Net amounts on the face of the consolidated balance sheet*	*Related amounts not set off on the face of the consolidated balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
NON-CURRENT LIABILITIES						
Loans and borrowings	2,679,205	-	2,679,205	-	60,000	2,619,205
CURRENT LIABILITIES						
Derivative liabilities	403,308	1,893	401,415	250,719	-	150,696
Trade and other current payables	469,212	107,907	361,305	4,198	1,838	355,269
Total liabilities subject to disclosure for offsetting requirements	**3,551,725**	**109,800**	**3,441,925**	**254,917**	**61,838**	**3,125,170**

The column (d) contains those financial assets and liabilities that are not offset due to either absence of the enforceable right or intention of the Group.

The column (e) represents financial guarantees issued and cash collateral paid by the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and/or available sources of funding through committed credit lines. Considering the dynamic nature of the underlying business, the Group treasury management aims at maintaining flexibility by keeping sufficient amount of committed credit lines available.

As at 31 December 2019, besides specific purpose term loans contracted in the total amount of EUR 1,426 million (2018: EUR 1,490 million) the Group had committed general purpose loans amounting to EUR 2,030 million (2018: EUR 2,030 million), all of which were actually drawn as at 31 December 2019 EUR and 31 December 2018. At the same date the Group had uncommitted credit lines undrawn in the amount of EUR 65 million (2018: EUR 125 million).

	2019			*2018*		
In thousands of EUR	*Amount available for drawing*	*Amount drawn*	*Available amount*	*Amount available for drawing*	*Amount drawn*	*Available amount*
Committed loans for general purposes	2,030,000	2,030,000	-	2,030,000	2,030,000	-
Specific purpose loans	1,426,338	972,897	453,441	1,489,640	860,218	629,422
Subordinated loan	700,000	345,000	355,000	700,000	244,000	456,000

Financial liabilities as at 31 December 2019

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

In thousands of EUR	*Less than one year*	*Between 1 and 8 years*	*Over 8 years*	*Total*
Loans and borrowings - principal	191,909	3,320,444	-	3,512,353
Loans and borrowings - interest	134,412	721,383	-	855,795
Trade payables (Note 21)	247,138	-	-	247,138
Obligations from finance lease (Note 5)	4,006	11,191	1,327	16,524

Financial liabilities as at 31 December 2018

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

In thousands of EUR	*Less than one year*	*Between 1 and 8 years*	*Over 8 years*	*Total*
Loans and borrowings - principal	171,492	2,729,161	244,621	3,145,274
Loans and borrowings - interest	119,426	730,185	43,309	892,920
Trade payables (Note 21)	289,299	-	-	289,299
Obligations from finance lease (Note 5)	645	1,104	-	1,749

Market risk

i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loans with floating interest rates.

The Group uses interest rate derivatives to hedge its interest rate risk.

These contracts are normally agreed with a nominal value and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

The Group adopts a policy of ensuring that adequate part of its exposure to changes in interest rates on borrowings is de facto on a fixed rate basis. Interest rate swaps were entered into to achieve an appropriate mix of fixed and floating rate exposure or cross-currency interest rate swaps in case the loans are denominated in foreign currency to achieve also appropriate currency exposure. The interest rate swaps are denominated in euros with maturity till 2025. In respect of these swaps the Group pays the fixed rate from 0.028% to 1.36% p.a. and receives EURIBOR. As at 31 December 2019 the Group had interest-rate swaps with nominal value in the amount of EUR 2,930,000 thousand (2018: EUR 1,345,000 thousand). The nominal value of cross-currency interest rate swaps was in the amount of EUR 300,000 thousand as at 31 December 2019 (2018: EUR 300,000 thousand).

Sensitivity analysis
The Group has performed an analysis of a possible impact in case of a reasonable change in interest rates by +/- 100 bp with all the other variables held constant.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

In thousands of EUR	*Increase in basis points*	*Effect on profit before tax 2019*
Variable rate instruments	+100bp	(32,430)

In thousands of EUR	*Increase in basis points*	*Effect on profit before tax 2018*
Variable rate instruments	+100bp	(29,098)

The decrease in basis points would have had the equal but opposite effect on the amounts shown above, on the basis that all the other variables remain constant.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates.

The Group is exposed to a currency risk of receivables and liabilities denominated in currency other than the functional currency of the Group, primarily USD, RUB, CZK and PLN.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include mainly forward exchange contracts and cross-currency interest rate swaps.

These contracts are normally agreed with a nominal amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the functional currency against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

Sensitivity analysis
The following table demonstrates the sensitivity to a reasonably possible change in the USD, CZK and PLN exchange rate, with all other variables held constant, on the Group's profit before tax and the Group's equity. The Group's exposure to foreign currency changes for all other currencies is not material. The risk of fluctuations in RUB exchange rate is fully eliminated by hedging in form of the cross-currency interest rate swaps.

In thousands of EUR	*Change in exchange rate*	*Effect on profit before tax*
31 December 2019		
CZK	+10%	(1,428)
USD	+10%	(1,773)
PLN	+10%	(164)
31 December 2018		
CZK	+10%	(1,230)
USD	+10%	(3,572)
PLN	+10%	(314)

iii) Commodity price risk

The exposure of the Group to the risk of volatility of commodity prices is mainly associated with the purchase and sale of electricity as well as with the purchase of fuel used for the power production. The exposition resulting from the difference between purchase and sale of commodities or as a consequence of contracts tied to price indices is quantified by risk factors.

Regarding the electricity sold, the Group enters into fixed-price contracts in the form of bilateral contracts with physical delivery, whereas in case of trading transactions the Group enters into contracts with both types of settlement, physical delivery and financial settlement (e.g. contracts for differences in which the differences are paid to the counterparty should the market electricity price exceed the strike price or to the Group in the opposite case).

Various types of derivative instruments (mainly forward contracts, swaps, options, futures and contracts for differences) are used to reduce the exposure to the fluctuations in commodity prices.

The commodity price risk management process in the Group is designed to continuously monitor and evaluate the development in risk over time and determine whether the levels of risk, as observed for specific fields (e.g. geographical, organisational etc.), comply with the thresholds consistent with the risk appetite of top management. These operations are conducted within the framework of formal governance rules that establish strict risk limits. Compliance with the limits is verified by units that are independent of those undertaking the transactions, while trading positions are monitored on daily basis using the Value at Risk indicator.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

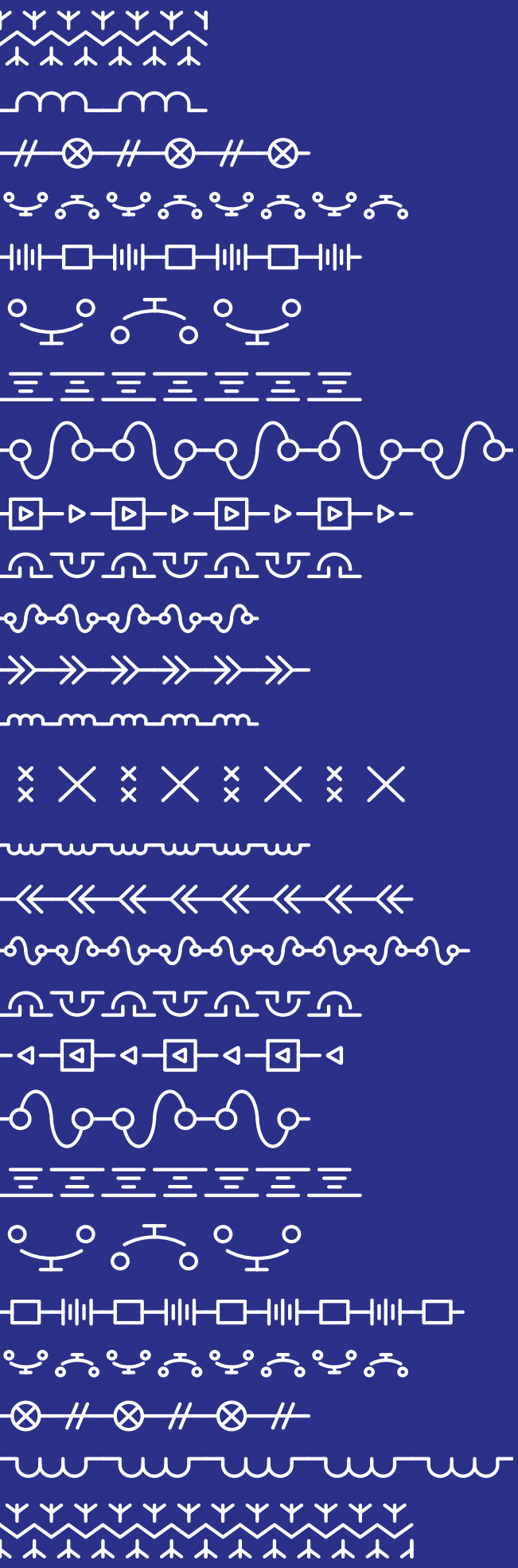
The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group includes the following within net debt: current and non-current loans and borrowings less accrued interests including finance lease liabilities, reimbursement right from the National Nuclear Fund and total amount of cash and cash equivalents. As at 31 December 2019 the net debt to equity ratio was 0.45 (as at 31 December 2018: 0.45).

32. Events after reporting date

On 24 March 2020 the Board of Directors of the Company approved the signature of an amendment to the service agreement on provision of the nuclear services with JAVYS, a.s. for the years 2020 through 2022. For further information refer to Note 15.

The Group has been granted extension of the deadline from the lenders in connection with non-financial covenants in some facility agreements.

With regards to the current developments regarding the pandemics of COVID-19 induced by the coronavirus SARS-CoV-2 it is not possible to assess the risks and their potential impact on the Group. The management shall continue to monitor the potential impact and take all necessary steps to facilitate the impact of any future negative consequences on the Group and its employees.



Slovenské elektrárne, a.s.

Independent Auditor's Report and Separate Financial Statements in Accordance with the International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2019

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Building a better working world

Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of Slovenské elektrárne, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Slovenské elektrárne, a.s. (the Company), which comprise the statement of financial position as at 31 December 2019, and statement of comprehensive income, changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to Notes 3 and 15 to the financial statements. The Company has evaluated its obligations arising from the nuclear production of electricity and booked provisions in respect thereof based on management's best estimate of the expenditure required to settle those obligations as at 31 December 2019. The estimates and assumptions considered by management in forming these provisions are inherently sensitive to expectations about future costs and forecasted cash outflows, timing of cash outflows, inflation rates, discount rates, technical plans and changes in government legislation. Any changes in these parameters could materially affect the carrying amounts of the provisions recorded in the financial statements in future periods.

We draw attention to Note 29 to the financial statements which describes uncertainty related to the outcome of several court disputes pertaining to VEG Operating Agreement, the Agreement on Settlement of Legal Relations with respect to the VEG Assets and the Agreement of Indemnity.

Our opinion is not modified in respect of these matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2019 is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Company and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

22 April 2020
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Tomáš Přeček, statutory auditor
UDVA Licence No. 1067

Slovenské elektrárne, a.s.

Separate Financial Statements
Prepared in Accordance with International Financial Reporting Standards
as Adopted by the European Union

31 December 2019

Branislav Strýček	**Pedro José Cañamero González**
Chief Executive Officer Chairman of the Board of Directors	***Member of the Board of Directors***

Bratislava, 22 April 2020

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Slovenské elektrárne, a.s.

BALANCE SHEET
as at 31 December 2019
(in thousands of EUR)

	Note	*31 December 2019*	*31 December 2018*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	9,178,080	8,210,310
Intangible assets	6	5,933	6,957
Assets from embedded derivatives	7	622	607
Derivative assets	7	6,243	526
Investments in subsidiaries, associates and other securities	8,9	27,655	26,855
Right for reimbursement from the National Nuclear Fund	15	1,339,112	1,229,869
Other receivables	11	104,969	101,386
Other non-current assets	13	1,363	-
Prepayments for non-current assets	5	27,280	20,382
Total non-current assets		**10,691,257**	**9,596,892**
CURRENT ASSETS			
Inventories	10	336,328	340,394
Trade and other receivables	11	178,796	156,116
Current income tax receivable	27	-	1,764
Assets from embedded derivatives	7	29	349
Derivative assets	7	182,796	425,079
Cash and cash equivalents	12	4,631	8,592
Other current assets	13	17,093	3,530
Assets classified as held for sale	5	288	317
Total current assets		**719,961**	**936,141**
TOTAL ASSETS		**11,411,218**	**10,533,033**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,269,296	1,269,296
Revaluation reserve	14	3,364,393	2,881,948
Other reserves	14	190,892	126,495
Retained earnings, of that:	14	(335,265)	(353,234)
Retained earnings of prior periods		*(353,234)*	*(377,587)*
Net income for the year		*17,969*	*24,353*
Total equity		**4,489,316**	**3,924,505**
NON-CURRENT LIABILITIES			
Subordinated loan	19	350,903	244,634
Provision for nuclear decommissioning and storage costs	15	2,150,189	2,006,976
Provision for dismantling of thermal power plants	16	126,707	125,569
Employee benefits	17	41,377	38,889
Other provisions	18	19,719	19,743
Loans and borrowings	19	2,915,923	2,677,159
Derivative liabilities	7	99,115	202,283
Other non-current liabilities	20	52	167
Deferred tax liability	27	429,134	290,049
Total non-current liabilities		**6,133,119**	**5,605,469**
CURRENT LIABILITIES			
Provision for nuclear decommissioning and storage costs	15	15,758	17,812
Provision for dismantling of thermal power plants	16	150	185
Employee benefits	17	1,648	1,114
Other provisions	18	43,667	34,292
Loans and borrowings	19	208,433	183,165
Derivative liabilities	7	182,623	401,415
Trade and other current payables	21	313,184	356,480
Current income tax liability	27	21,614	4,870
Other current liabilities	20	1,706	3,726
Total current liabilities		**788,783**	**1,003,059**
Total liabilities		**6,921,902**	**6,608,528**
TOTAL EQUITY AND LIABILITIES		**11,411,218**	**10,533,033**

Slovenské elektrárne, a.s.

INCOME STATEMENT
for the year ended 31 December 2019
(in thousands of EUR)

	Note	*Year ended 31 December 2019*	*Year ended 31 December 2018*
CONTINUING OPERATIONS			
REVENUES			
Electricity and heat revenues	22	2,349,470	2,422,827
Revenues from rendering of other services		3,439	2,725
Total revenues		**2,352,909**	**2,425,552**
OTHER INCOME			
Other operating income	23	54,733	116,312
Total other income		**54,733**	**116,312**
OPERATING EXPENSES			
Nuclear fuel		(70,061)	(74,850)
Fossil and other fuel		(100,066)	(116,038)
Cost of electricity purchased for resale	22	(1,489,429)	(1,660,126)
Repairs and maintenance		(35,316)	(37,795)
Other raw materials and consumables		(111,400)	(108,853)
Personnel expenses	24	(125,990)	(123,379)
Changes in provision for nuclear decommissioning and storage costs	15	(45,817)	(60,368)
Changes in provisions for dismantling of thermal power plants	16	4,654	(1,809)
Other operating costs, other than depreciation, amortisation and impairment	23	(97,012)	(61,089)
Total operating expenses		**(2,070,437)**	**(2,244,307)**
PROFIT BEFORE FINANCIAL RESULT, TAX, DEPRECIATION, AMORTISATION AND IMPAIRMENT		**337,205**	**297,557**
Revaluation of property, plant and equipment	5	(30,321)	-
Depreciation, amortisation and impairment	25	(217,158)	(189,647)
PROFIT BEFORE FINANCIAL RESULT AND TAX		**89,726**	**107,910**
Finance income	26	35,419	47,519
Finance costs	26	(98,999)	(125,569)
PROFIT BEFORE TAX		**26,146**	**29,860**
INCOME TAX	27	(8,177)	(4,545)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**17,969**	**25,315**
NET LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	32	-	(962)
NET PROFIT FOR THE YEAR		**17,969**	**24,353**

Slovenské elektrárne, a.s.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019
(in thousands of EUR)

	Year ended 31 December 2019	*Year ended 31 December 2018*
Net profit for the year	**17,969**	**24,353**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net movement on cash flow hedges, net of tax	65,172	(91,241)
Other, net of tax	557	(30)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**65,729**	**(91,271)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of property, plant and equipment, net of tax	503,111	-
Changes in valuation of property, plant and equipment, net of tax	(907)	(512)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	(18,894)	(17,307)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	(482)	(1,656)
Change in estimates of the environmental provision through revaluation reserve, net of tax	(383)	(135)
Remeasurement losses on defined benefit plans, net of tax	(1,332)	918
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**481,113**	**(18,692)**
Other comprehensive income for the year, net of tax	**546,842**	**(109,963)**
Total comprehensive income for the year, net of tax	**564,811**	**(85,610)**

Slovenské elektrárne, a.s.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019
(in thousands of EUR)

	Share capital	*Hedging reserve*	*Revaluation reserve*	*Other reserves*	*Accumulated losses*	*Total equity*
Balance as at 1 January 2018	**1,269,296**	**(14,760)**	**2,901,558**	**231,608**	**(377,587)**	**4,010,115**
Net income for the year	-	-	-	-	24,353	24,353
Other comprehensive income						
Changes in valuation of property, plant and equipment, net of tax	-	-	(512)	-	-	(512)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	-	-	(17,307)	-	-	(17,307)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	-	-	(1,656)	-	-	(1,656)
Change in estimates of the environmental through revaluation reserve, net of tax	-	-	(135)	-	-	(135)
Net movement on cash flow hedges, net of tax	-	(91,241)	-	-	-	(91,241)
Remeasurement losses on defined benefit plans, net of tax	-	-	-	918	-	918
Other, net of tax	-	-	-	(30)	-	(30)
Total comprehensive income, net of tax	**-**	**(91,241)**	**(19,610)**	**888**	**24,353**	**(85,610)**
Balance as at 31 December 2018	**1,269,296**	**(106,001)**	**2,881,948**	**232,496**	**(353,234)**	**3,924,505**
Balance as at 1 January 2019	**1,269,296**	**(106,001)**	**2,881,948**	**232,496**	**(353,234)**	**3,924,505**
Net income for the year	-	-	-	-	17,969	17,969
Other comprehensive income						
Revaluation of property, plant and equipment, net of tax	-	-	503,111	-	-	503,111
Changes in valuation of property, plant and equipment, net of tax	-	-	(907)	-	-	(907)
Change in estimates of the provision for nuclear decommissioning and storage costs through revaluation reserve, net of tax	-	-	(18,894)	-	-	(18,894)
Change in estimates of the provision for dismantling of thermal power plants through revaluation reserve, net of tax	-	-	(482)	-	-	(482)
Change in estimates of the environmental through revaluation reserve, net of tax	-	-	(383)	-	-	(383)
Net movement on cash flow hedges, net of tax	-	65,172	-	-	-	65,172
Remeasurement losses on defined benefit plans, net of tax	-	-	-	(1,332)	-	(1,332)
Other, net of tax	-	-	-	557	-	557
Total comprehensive income, net of tax	**-**	**65,172**	**482,445**	**(775)**	**17,969**	**564,811**
Balance as at 31 December 2019	**1,269,296**	**(40,829)**	**3,364,393**	**231,721**	**(335,265)**	**4,489,316**

Slovenské elektrárne, a.s.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019
(in thousands of EUR)

	Note	*Year ended 31 December 2019*	*Year ended 31 December 2018*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income taxes		**26,146**	**28, 924**
Adjustments to reconcile profit before income taxes to net cash from operating activities:			
Depreciation, amortisation, revaluation and impairment of non-current assets	5,6	216,165	188,526
Effect of the revaluation	5	30,321	-
Amortisation of deferred income		(894)	248
Gain on sale of property, plant and equipment and intangible assets	23	424	(7,721)
Interest income	26	(2,877)	(3,010)
Income from non-current investments	26	(405)	(413)
Interest charge on other provisions (employee benefits, environmental provision)	26	948	862
Interest charge on provision for nuclear decommissioning and storage costs and dismantling of thermal power plants	26	92,050	88,579
Interest from loans and borrowings		1,629	1,820
Change in estimate of provision for nuclear decommissioning and storage costs and dismantling of thermal power plants through income statement	15,16	24,455	47,567
Other changes in provision for nuclear decommissioning and storage costs and dismantling of thermal power plants	15,16	1,230	(3,987)
Change in valuation of embedded derivatives	30	305	(11,286)
Change in environmental and employee benefits provision		(847)	(1,060)
Change in other provisions		10,101	21,300
Interest income from the National Nuclear Fund	15,26	(30,691)	(29,494)
National Nuclear Fund administration fee	15	794	562
Change in revaluation of derivatives through income statement		35,812	(73,277)
Acquisition of investments – Czech Branch Transformation		-	(68)
Effect of other financial cost		2,381	-
Changes in other assets and liabilities through equity		(4,184)	(2,114)
Changes in working capital:			
Inventories	10	4,066	(9,787)
Trade and other receivables		(36,793)	(30,119)
Trade and other payables		(50,979)	(51,242)
Other assets and liabilities		(12,651)	(5,856)
Cash generated from operations		**306,506**	**148,954**
Interest received		146	384
Interest paid		(123,390)	(85,887)
Income taxes paid		5,084	9,454
Net cash from operating activities		**188,346**	**72,905***
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(447,693)	(411,936)
Acquisition of intangible assets		(681)	(2,117)
Proceeds from non-current investments	26	405	413
Proceeds from sale of property, plant and equipment and intangible assets		-	13,511
Contributions to the National Nuclear Fund	15	(79,346)	(56,246)
Net cash used in investing activities		**(527,315)**	**(456,375)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawing of borrowings		2,439,571	8,399,762
Repayment of borrowings		(2,104,563)	(8,029,722)
Net cash from financing activities		**335,008**	**370,040**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,961)	(13,430)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12	8,592	22,022
CASH AND CASH EQUIVALENTS, END OF PERIOD	12	**4,631**	**8,592**

**thereof EUR 12,472 thousand represents net cash from operating activities of the discontinued operations*

1. General information

Slovenské elektrárne, a.s. (hereinafter as the "Company" or "SE") is an electricity and heat generation, supply and trading company, which owns and operates 52,8% (2018: 53.0%) of the installed capacity of power plants in the Slovak Republic.

The Company's registered address and registration numbers are:
Slovenské elektrárne, a.s.
Registration number: 35 829 052
Tax registration number: 2020261353
Mlynské nivy 47
821 09 Bratislava
Slovak Republic

The Company was set up on 13 December 2001 and was incorporated into the Commercial Register on 21 January 2002.

The Company has two branches, one is established in the Czech Republic and the second one is in Poland.

The Company is not a partner with unlimited liability in any company.

During the year 2019 the Company had 3,597 employees on average (2018: 3,674 employees), the number of employees as at 31 December 2019 was 3,625 (as at 31 December 2018: 3,636), of which 25 were management (31 December 2018: 20 managers).

The separate financial statements are presented in thousands of euros.

The separate financial statements have been prepared as ordinary separate financial statements according to Section 17 (6) of the Slovak Accounting Act No. 431/2002 Coll. as amended.

The separate financial statements are available at the Company's registered address and at the Commercial Register of District Court in Bratislava I, Záhradnícka 10, 812 44 Bratislava. According to Section 23 of the Slovak Accounting Act No. 431/2001 Coll. as amended, the separate financial statements are also filed in the registry of the financial statements, in the electronic form.

Ownership structure
As at the date of these separate financial statements the Company's shares were owned by Slovak Power Holding B.V., the Netherlands, amounting to 66% and by the Slovak Republic, on behalf of which acts the Ministry of Economy of the Slovak Republic, amounting to 34%. As at the date of these separate financial statements the shares of the company Slovak Power Holding B.V. (hereinafter as "SPH") were owned by Enel Produzione S.p.A., Italy (hereinafter as "Enel Produzione") in the amount of 50% and by the company EP Slovakia B.V., the Netherlands (hereinafter as "EP Slovakia") also in the amount of 50%. The only shareholder of EP Slovakia was Energetický a průmyslový holding a.s., Czech Republic (hereinafter as "EPH"). The ultimate parent entity of the Company is SPH.

Based on the contract for the sale of the stake held by Enel Produzione in Slovenské elektrárne, a.s. equal to 66% of the Company's share capital agreed on 18 December 2015 there is a possibility to exercise an option for sale or purchase of remaining shares of SPH respectively by Enel Produzione or by EP Slovakia. The option is exercisable 12 months after receiving the Trial Operation Permit of units 3 and 4 of the Mochovce nuclear power plant, which are currently under construction. Upon exercise of the option, Enel Produzione would transfer the remaining 50% of the SPH's share capital to EP Slovakia. The closing of this phase is subject to obtaining the Final Operation Permit for the units 3 and 4 of the Mochovce nuclear power plant. The agreement also provides that, should the options not become exercisable within the aforementioned terms, these options could be in any case exercisable starting from 30 June, 2022.

2.1 Basis of preparation

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future.

The financial year is the same as the calendar year.

The separate financial statements of the Company for the previous period were approved by the ordinary Annual General Meeting of the Company held on 24 May 2019.

The assets and liabilities reported in the balance sheet are classified on a current/non-current basis, with separate presentation of assets classified as held for sale and assets and liabilities directly associated with discontinued operations. Current assets, which include cash and cash equivalents, are assets that are intended to be realised, sold or consumed during the normal operating cycle of the Company or within the twelve months following the balance sheet date. Current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Company or within the twelve months following the balance sheet date.

The costs in the income statement are classified according to their nature. Net profit from discontinued operations is presented separately.

The indirect method is used for the statement of cash flows that presents the net cash flows attributable to the operating, investing and financing activities.

The separate financial statements have been prepared on the historical cost basis except for the following:

- property, plant and equipment are carried at their revalued amounts,
- derivative financial instruments are measured at fair value,
- financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further in Note 5 and 30.

i) Information on the consolidated group

The separate financial statements of the Company are included in the consolidated financial statements of the Slovenské elektrárne Group which are part of the consolidated financial statements of Slovak Power Holding B.V. and are available directly at the registered address of the company, at Herengracht 471, 1017 BS Amsterdam, the Netherlands. The consolidated financial statements are filed in the business register of the Chamber of Commerce of Amsterdam, De Ruijterkade 5, 1013 AA, Amsterdam, the Netherlands.

ii) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. IFRS comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those applied in the separate financial statements prepared as at 31 December 2018 except as follows:

The Company has adopted the following new and amended IFRS as at 1 January 2019, all adopted by the European Union (hereinafter as the "EU"):

IAS 19	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement *(effective for annual reporting periods beginning on or after 1 January 2019);*
IAS 28	Amendments to IAS 28: Long-term interests in Associates and Joint Ventures *(effective for annual reporting periods beginning on or after 1 January 2019);*
IFRS 9	Amendments to IFRS 9: Prepayment Features with Negative Compensation *(effective for annual reporting periods beginning on or after 1 January 2019);*
IFRS 16	Leases *(effective for annual reporting periods beginning on or after 1 January 2019);*
IFRIC 23	Uncertainty over Income Tax Treatments *(effective for annual reporting periods beginning on or after 1 January 2019);*

Annual improvements to IFRSs 2015 - 2017 Cycle *(effective for annual reporting periods beginning on or after 1 January 2019).*

The impact of adoption of the new or amended standards on the separate financial statements of the Company is described below:

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
According to the amendments, if a plan amendment, curtailment or settlement occurs, it will be mandatory that the current service cost and the net interest for the period after remeasurement are determined using the assumptions used for remeasurement. In addition, the amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The application of these amendments did not have any impact on the Company's separate financial statements.

Amendments to IAS 28: Long-term interests in Associates and Joint Ventures
IFRS 9 Financial Instruments excludes from its scope interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. These amendments clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The application of these amendments did not have any impact on the Company's separate financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
The amendments modify the current provisions of IFRS 9 concerning the value of compensation for early repayment, clarifying that such a financial asset would be eligible to be measured at amortised cost or at fair value through other comprehensive income, depending on a company's business model. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain. The application of these amendments did not have any impact on the Company's separate financial statements.

IFRS 16 Leases
IFRS 16 introduces a common model for reporting leases by a lessee in which all the leased assets and liabilities from the leases with a lease term of more than twelve months are shown on the balance sheet, regardless of whether it is an operating or a financial lease. Lessees will account for operating leases in the same way as they currently do for financial leases. Accounting on the lessor side will remain almost unchanged. The Company has elected to apply the standard retrospectively, with the cumulative effect of initially applying the standard recognised at the date of initial application, in line with the transition requirements of IFRS 16. As at 1 January 2019, the Company recognized an increase in the lease liabilities of EUR 14,493 thousand, with a corresponding increase in right-of-use assets in the same amount. Additional disclosures regarding this standard are provided in Note 5.

IFRIC 23 Uncertainty over Income Tax Treatments

International Financial Reporting Interpretations Committee identified practical issues regarding measurement and recognition of current taxes, deferred tax liabilities and receivables, when there is an uncertainty in the valuation of current income tax. The interpretation clarifies that an entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. An entity is to assume that a taxation authority will have full knowledge of all relevant information during a tax inspection and consider whether it is probable that the relevant authority will accept each tax treatment (or group of tax treatments), that it used or plans to use in its income tax filing. If it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining the expected tax charge. The decision should be based on the method that provides better predictions of the resolution of the uncertainty. Judgements and expected values used have to be reassessed each time that related circumstances change. The application of this interpretation did not have any impact on the Company's separate financial statements.

Annual Improvements to IFRSs 2015 – 2017 Cycle

In December 2017 the IASB issued a collection of amendments to IAS and IFRS, the document contains formal modifications and clarifications of the existing standards.

The following standards were amended:

IFRS 3	Business Combinations
IFRS 11	Joint Arrangements
IAS 12	Income Taxes
IAS 23	Borrowing Costs

The application of these improvements did not have any impact on the Company´s separate financial statements.

The Company has not early adopted any standards and interpretations where the adoption is not mandatory at the balance sheet date.

2.3 Summary of significant accounting policies

a) Subsidiaries and associated companies

Securities and shares in subsidiaries and associated companies which are not classified as held for-sale are recognised in carrying value representing acquisition cost less accumulated impairment losses.

Securities and shares in subsidiaries and associated companies classified as held-for-sale are recognised at the lower of carrying value or fair value less disposal costs.

Acquisition cost of securities and shares in subsidiaries and associated companies is the purchase price of acquired securities or shares. Additional acquisition cost, such as option premium from applied bought call option, charges and commissions paid to brokers, advisors or to stock exchange, etc. form part of acquisition cost.

b) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group 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.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

c) Foreign currency translation

The Company's separate financial statements are presented in euros, which is the functional currency of the Company.

Foreign currency transactions are recorded in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction to the foreign currency amount. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences are recorded as financial income or expense.

d) Revenue recognition

Revenues are generated primarily from the sale of electricity and related services to wholesale markets, to retail customers, to market and network operators and from the sale of heat.

The Company recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised in the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, value added tax).

(i) Revenue from sale of electricity

Revenue from sale of electricity and related services is recognised when these commodities are supplied to the customer and based on the quantities provided during the period, even if these have not yet been invoiced, and is determined using estimates as well as periodic meter readings.

(ii) Revenue from rendering of services

Revenue from rendering of services is recognised when the services are rendered, or by reference to the stage of completion of services at the end of the reporting period.

e) Government grants

Government grants are recognised if there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis with the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income statement in equal amounts over the expected useful life of the related asset.

f) Income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Income tax is calculated from the accounting profit as determined according to valid legislation in the Slovak republic and adjusted for certain items to taxable income using a valid tax rate for the income tax of 21%.

In line with Act No. 235/2012 Coll. on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplement of Certain Acts, the Company is obliged to pay a monthly special levy effective from September 2012. The special levy represents 6.54% per annum (2018: 8.712%). This levy is based on profit before tax and is presented as part of the current income tax pursuant to the IFRS requirements.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

g) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and classification of financial assets
A financial asset is recognised in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Financial assets within the scope of IFRS 9 Financial Instruments are classified as financial assets subsequently measured at amortised cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss, depending on the Company´s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets. Financial assets can be designated as hedging instruments in an effective hedging relationship, as appropriate. Embedded derivatives, which represent a component of hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative, are also within the scope of IFRS 9 Financial instruments.

The Company determines the classification of its financial assets at initial recognition.

The Company accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 Financial Instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are outside the scope of this standard.

Except for trade receivables, at initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in profit or loss. At initial recognition, the Company measures trade receivables that do not contain a significant financing component at their transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification at initial recognition as follows:

Financial assets measured at amortised cost
A financial asset is classified as measured at amortised cost if the objective of the Company is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (hereinafter as "EIR"), less impairment. Amortised cost is calculated by taking into account the fees paid or received between the contractual parties that are an integral part of the EIR, transaction costs and all other premiums and discounts. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement. This category includes cash and cash equivalents, trade and other receivables and other current and non-current assets.

Financial assets measured at fair value through other comprehensive income
A financial asset is classified as measured at fair value through other comprehensive income if the Company´s business model objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. This category includes equity securities which are not held for trading.

Financial assets measured at fair value through profit or loss
Financial assets that do not meet the criteria for classification as measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes:

- commodity derivatives that are not designated as hedging instruments in hedge relationships as defined by IFRS 9
- separated embedded derivatives

After the initial recognition, financial assets at fair value through profit or loss are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Derivatives embedded in host contracts (hereinafter as the "hybrid instruments") are accounted for as separate derivatives and recorded at fair value through profit or loss if: (i) their economic characteristics and risks are not closely related to those of the host contracts, (ii) a separate instrument with the same terms as embedded derivative would meet the definition of a derivative and (iii) the hybrid contract is not measured at fair value with the changes in fair value recognised in profit or loss. Reassessment is required if there is a change in the terms of the contract that significantly modifies the cash flows.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or at fair value through other comprehensive income, a lease receivable, a contract asset, a loan commitment or a financial guarantee contract to which the impairment requirements apply in accordance with IFRS 9 Financial Instruments.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. For trade and lease receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised since the initial recognition of receivables. For further details, see Note 11 and Note 31.

For all financial assets other than trade receivables and lease receivables, the Company applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is recognised at an amount equal to the lifetime expected credit losses, if the credit risk on those financial assets has increased significantly since initial recognition, considering all reasonable and supportable information, including also forward-looking inputs. If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

As at 31 December 2019 and 31 December 2018, the Company recognised allowance for doubtful debts only in respect of trade and lease receivables. There has been no significant increase in credit risk identified for other financial assets recognised in the balance sheet, nor have any historical credit losses been experienced for other financial assets, except for the trade receivables.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as at the balance sheet date in line with IFRS 9 Financial Instruments. The loss allowance for the financial assets measured at fair value through other comprehensive income is recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

Financial assets together with the related allowance are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to the cash flows from the financial asset expire;
- The Company has transferred the financial asset and the transfer qualifies for derecognition in line with requirements of IFRS 9 Financial Instruments.

ii) Financial liabilities

Initial recognition and measurement
A financial liability is recognised in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, financial guarantee contracts, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, commitments to provide a loan at a below-market interest rate and contingent consideration recognised by an acquirer in a business combination in scope of IFRS 3 Business Combinations.

The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities may be designated as hedging instruments in a hedging relationship.

The Company accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 Financial instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are outside the scope of IFRS 9.

At initial recognition, the Company measures a financial liability at its fair value plus or minus, in case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

The Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement
After initial recognition, the financial liabilities are measured according to their classification determined at initial recognition. Reclassifications of financial liabilities are not permitted in any circumstances. The Company classified its financial liabilities as financial liabilities at fair value through profit or loss and financial liabilities subsequently measured at amortised costs.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

The Company has designated the following financial liabilities upon initial recognition at fair value through profit or loss:
- embedded derivatives,
- commodity derivatives, that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities measured at amortised cost
This category includes loans and borrowings, finance lease payables, trade and other payables. Amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The calculation of EIR includes the fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. The EIR amortisation is recognised in finance cost in the income statement.

Derecognition
A financial liability is derecognised when it is extinguished, i.e. when the obligation under the liability is discharged or cancelled or expires.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

In case of modification of the terms of an existing financial liability, the Company considers both quantitative and qualitative criteria to evaluate whether the modification was significant. As for the quantitative criteria, based on the pronouncements of IFRS 9, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Significant qualitative changes include for example change in the currency in which the liability is denominated, a substantial change in covenants, a change in the interest rate basis, significant extension of the maturity period which results in renegotiated interest rate and other contractual terms, a change in terms of security or a change in creditor.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. In accordance with IAS 32, Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities, the right to offset must not be contingent on a future event and it has to be legally enforceable both in the normal course of business and in case of default, insolvency or bankruptcy.

iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

h) Hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency, interest rate and commodity price risk exposures. A hedged item is a recognised asset or liability, unrecognised firm commitment, highly probable forecast transaction or net investment in a foreign operation that exposes the Company to risk of changes in fair value or future cash flows and is formally designated as a hedged item in the hedging relationship. A hedged item can also be a component of such an item or group of items. The hedged item must be reliably measured.

A hedging instrument is a designated derivative or a designated non-derivative financial asset or non-derivative financial liability (or its proportion) whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. The Company has designated the following derivatives as hedging instruments: interest rate swaps, cross-currency interest rate swaps, commodity forwards and FX forwards.

Hedging derivatives are recognised initially at fair value, the attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, hedging derivatives are measured at fair value, and changes in fair value are accounted for as described below.

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective, following the conditions set in IFRS 9. The amount recognised within equity is the lower of cumulative gain or loss on the hedging instrument from the inception of the hedge and the cumulative change in fair value of the hedged item from the inception of the hedge. Any remaining gain or loss on the hedging instrument is a hedge ineffectiveness that is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that have been recognised directly in equity shall be reclassified to profit or loss during the same period(s) during which the asset acquired or the liability assumed affects profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability.

Fair value hedges
A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The gain or loss on the hedging instrument is recognised in profit or loss. When a hedged item in a fair value hedge is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss. When a hedged item in a fair value hedge is a firm commitment to acquire an asset or assume a liability, the initial carrying amount of the asset or the liability that results from the entity meeting the firm commitment is adjusted to include the cumulative change in the fair value of the hedged item that was recognised in the statement of financial position.

The gain or loss from remeasuring the hedging instrument at fair value shall be recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss.

As of 31 December 2019, and 31 December 2018, the Company classified all its hedging relationships as cash flow hedges.

The effectiveness of the hedge is an extent to which changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are offset by changes in those of the hedging instrument. The hedge ineffectiveness is evaluated through a qualitative assessment or a quantitative computation, depending on the extent to which the critical terms of the hedged item and the hedging instrument match.

The main causes of hedge ineffectiveness include the basis difference (i.e. the fair value or cash flows of the hedged item depend on a variable that is different from the variable that causes the fair value or cash flows of the hedging instrument to change), timing difference (i.e. the hedged item and the hedging instrument occur or are settled at different dates), quantity or notional amount differences, credit or other risks that have an impact on the fair value of a hedged item or a hedging instrument.

Discontinuing of the hedge accounting
The Company discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The cumulative gains or losses previously recognised in equity are reclassified to profit and loss in the same period(s) when the hedged item affects the profit or loss. A hedging relationship that still meets the risk management objective and continues to meet all other qualifying criteria, after taking into account any rebalancing, cannot be discontinued.

Current versus non-current classification
Derivative instruments are classified as current or non-current or separated into a current and non-current portion as follows:

- When the Company holds a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.
- Derivative instruments which are held primarily for the purpose of trading are classified as current.

i) Property, plant and equipment

Items of property, plant and equipment are measured at cost upon initial recognition. Cost includes expenditures that are directly attributable to the acquisition of the asset, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located ("dismantling asset"). The cost of self-constructed assets includes also the cost of materials and direct labour consumed during its construction.

Subsequent to initial recognition, items of property, plant and equipment are carried at revalued amount, being their fair value at the date of the most recent revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of the property, plant and equipment is credited in equity to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Property, plant and equipment in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, other than property related to the construction of third and fourth unit of the nuclear power plant in Mochovce (hereinafter as "Mochovce 3&4"), are carried at cost, less any recognised impairment loss. Assets related to construction of nuclear power plant Mochovce 3&4 are carried at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated impairment losses. Depreciation of property, plant and equipment commences when the assets are ready for their intended use.

Subsequent costs incurred in relation to an item of property, plant and equipment are recognised as an increase in the carrying amount of this item only if it is probable that these costs will result in the increase in related future economic benefits and the costs can be measured reliably. All other costs are recognised in profit or loss as incurred.

The cost of replacing part or all of an item of property, plant and equipment is recognised as an increase in the carrying amount of this item and is depreciated over its remaining useful life; the net carrying amount of the replaced unit is derecognised through profit or loss, with the recognition of any capital gain or loss.

Periodic maintenance and inspection costs are capitalized as a separate component of the related item of property, plant and equipment. All other repair and day-to-day maintenance costs are recognised in the income statement as incurred.

Depreciation of property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The Company does not perform any transfer from the revaluation reserve to retained earnings on derecognition, sale or retirement of revalued property.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings, halls and structures	20 – 60 years
• Machines, plant, equipment and vehicles	4 – 60 years
• Other assets	up to 4 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation methods, useful lives and residual values are reassessed regularly, with the effect of any changes in estimate accounted for on a prospective basis.

Leased property, plant and equipment recognised in the balance sheet are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated as it is deemed to have an infinite life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other operating costs/income in the income statement in the period in which the item was disposed of.

j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. An arrangement is considered to contain a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This applies when the Company has both of the following:
i) the right to obtain substantially all of the economic benefits from use of the identified asset
ii) the right to direct the use of the identified asset

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

Company as a lessee
At the commencement date, the Company recognises a right-of-use asset and a lease liability. Right-of-use asset represents the Company's right to use an underlying asset for the lease term and is measured at cost. The cost of the right-of-use asset comprises the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Company measures the right-of-use assets in a way consistent with the measurement of the assets owned by the Company. The depreciation policy for depreciable leased assets is also consistent with that for depreciable assets that are owned by the Company.

Company as a lessor
The Company classifies each of its leases as either an operating lease or a finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (e.g. economic life or residual value of the underlying asset) or changes in circumstances (e.g. default) do not give rise to a new classification of a lease.

k) Borrowing costs

Following IAS 23 (Revised), the borrowing costs are included in the acquisition cost of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. Borrowing costs include interest charges, commitment fees and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs. The amount of borrowing costs that is capitalised shall be limited by the value of borrowing costs recognised as a finance cost during the period.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are not capitalised and expenditure is recognised in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite. The estimated useful lives for the current and comparative period are as follows:

- Software 4 – 5 years
- Licences 4 – 5 years

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the proceeds from disposal and the carrying amount of the asset and are recognised net within “other operating costs/income” in the income statement in the period in which the item was disposed of.

m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The Company is considered as one cash generating unit. Where the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is first recognised in other comprehensive income up to the amount of any previous revaluation

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.

n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprise of the expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The stock value is based on the weighted average principle except for nuclear fuel as described below..

Nuclear fuel which is consumed over a period of more than one year, whether being used in the reactors or stored is recognised in inventories. Each individual nuclear fuel supply is valued at acquisition costs of particular supply. Nuclear fuel consumption is determined for each load based on the volume of energy produced in reactor from that nuclear fuel load. The volumes of energy produced are determined based on the technical data extracted from balancing system of each plant. The quantities consumed are valued at the acquisition costs of the particular fuel supply burnt in the reactor. Cost of inventories consumed is periodically corrected in view of forecast burnt quantities based on neutron measurements.

o) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand, valuables and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

p) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. Where the Company expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. In case of long-term provisions, which are discounted to their present value, the value of provision is periodically increased by the unwounded interest cost. This increase is recognised as a finance cost in the income statement.

(i) Provision for severance payments and other termination benefits

The employees of the Company are eligible, immediately upon termination due to organizational changes or in other cases as set by the valid legislation or valid Company Collective Agreement, for severance payment pursuant to the Slovak law and the terms of the Company Collective Agreement, signed between the trade unions operating at the Company and the Company. The liability is recognised within Other provisions in the balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

(ii) Provision for retirement benefits

Defined contribution pension plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions to the fund and will have no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Company contributes to the government and private defined contribution pension plans. The Company makes contributions to the Government's health, retirement, and social benefit and unemployment schemes at the statutory rates in force, based on gross salary payments. Throughout the period, the Company made contributions to such schemes amounting to max. 35.2% (2018: 35.2%) of gross salaries in accordance with the Slovak legislation, together with contributions by employees of a further 13.4% (2018: 13.4%). The cost of the contributions made by the Company is charged to the income statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, during 2019 and 2018 the Company made contributions to the supplementary scheme amounting up to 2.0% from the total of monthly tariff wage plus compensatory wage, with monthly limit of EUR 50 per one employee.

Unfunded defined benefit pension plan
A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age or years of service.

According to the valid Company Collective Agreement, signed between the trade unions operating at the Company and the Company, the Company is obliged, based on the number of years in service, to pay its employees on retirement or disability a multiple of their average monthly earning according to the valid Company Collective Agreement. The minimum requirement of the Labour Code of one-month average earning payment on retirement is included in the above multiples.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using market yield on high quality European corporate bonds.

Amendments to pension plans are charged or credited as past service cost to the income statement in the period when the amendments occur.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in case these relate to the retirement benefits. In case of other employment benefits, the adjustments are charged to the income statement.

(iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in Trade and other current payables and is paid out after the evaluation of the performance in the given year. Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

(iv) Other employee benefits

In line with the terms of the valid Company Collective Agreement, signed between the trade unions operating at the Company and the Company, the Company also pays certain work anniversary benefits.

The liability in respect of work anniversary benefits plan is the present value of the work anniversary benefit obligation at the balance sheet date. The work anniversary benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the work anniversary benefit obligation is determined by the estimated future cash outflows using market yield curve on high quality European corporate bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and amendments to pension plans are charged or credited to the income statement when incurred.

(v) Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or the Company has raised valid expectations that the restructuring will be undertaken by starting to implement that plan or announcing its main features.

(vi) Environmental provisions (Site restoration)

Environmental liabilities represent any current or future environmental assignments whose implementation is subject to the need to comply with the legislative requirements or the constructive obligation of the Company. Environmental provisions can only be recognised for those types of costs that are incurred in relation with the abovementioned assignments and only if the provision recognition criteria is met. Environmental provisions should also be recognised when there is an obligation to eliminate damages caused by contamination or disposal of hazardous wastes.

(vii) Provision for nuclear decommissioning and storage costs

The provision for nuclear decommissioning and storage costs is recognised based on discounted future cash flows estimated in relation to the decommissioning of nuclear facilities, storage and disposal of radioactive waste, the storage and disposal of spent nuclear fuel and post-operational costs of nuclear power plants. The future estimated cash flows include also estimated costs of recultivation of the sludge beds since their operation is directly related to the operation of a nuclear power plant. The provision is reduced by the actual costs incurred (i.e. usage of provision) and increased for the effect of unwinding of interest. Any excess of actual decommissioning costs over the planned amounts in the current year are included in the income statement of the current year.

The provision for nuclear decommissioning and storage costs is estimated by applying a forecast long-term inflation index to the projected disbursements, which are then discounted to present value using discount rate determined based on long-term data series and takes into account the fact that some expenses covered by provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

(viii) Provision for dismantling of thermal power plants

A provision for the dismantling of thermal power plants is recognised to cover future decommissioning costs which are expected to take place upon the shut-down of the thermal power plants. The provision includes also estimated costs for recultivation of sludge beds that are located in the area of thermal power plants.

Remeasurement of provision for nuclear decommissioning and storage costs and provision for dismantling of thermal power plants

Remeasurement of an existing provision for nuclear decommissioning and storage costs and provision for dismantling of thermal power plants that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are accounted for as follows:

(a) Changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

(i) a decrease in the liability is (subject to (b)) credited directly to revaluation surplus in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;

(ii) an increase in the liability is recognised in profit or loss, except that it is debited directly to revaluation surplus in equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

(b) In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in profit or loss;

(c) A change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Any such revaluation is taken into account in determining the amounts to be taken to profit or loss and equity under (a). If a revaluation is necessary, all assets of that class are revalued;

(d) The change in the revaluation surplus arising from a change in the liability is separately identified and disclosed in the statement of other comprehensive income of each item of income or expense that is recognised directly in equity.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in income statement as they occur.

The periodic unwinding of interest is recognised in the income statement as a finance cost as it occurs.

q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the separate financial statements in the period in which the dividends are approved by the Company's shareholders.

r) Greenhouse gas emissions

According to the European Union Emissions Trading Scheme and a valid National Allocation Plan the Company receives part of emission allowances for selected facilities for free. The rest of emission allowances are purchased from the third parties. Emission allowances acquired by the Company for free are provided on an annual basis and the Company is required to return allowances corresponding to the emissions actually discharged by the end of April of the following calendar year. The Company accounts for the net liability arising from greenhouse gas emissions. This means that the allowances acquired for free are not accounted for and the provision is recognised only in the case and at the moment when actual greenhouse gas emissions exceed the emission allowances acquired for free.

Emission allowances purchased from third parties are measured at cost and are accounted for as inventory.

Emission allowances acquired by the purchase from the third parties for the purpose of further sale on the market are measured at fair value. The fair value is considered to be the actual market price. The change in the fair value of the emission allowances held for trading is recognised in the income statement.

3. Significant accounting judgments, estimates and assumptions

Judgments, estimates and assumptions

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in future periods. The key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below:

(i) Nuclear decommissioning, storage and disposal of spent nuclear fuel and radioactive waste

The Company recognises significant amounts as a provision for decommissioning and post operational costs of nuclear power plants and provision for storage and disposal of spent nuclear fuel and radioactive waste. These amounts are based on the technical and financial estimates of cash flows that will be incurred over periods ranging from 1 to 100 years, based on current technology and strategy for decommissioning and disposal, as applied by the Company.

The Company's management has used its best estimates, knowledge and a valid "National Policy and National Programme for handling of spent nuclear fuel and radioactive wastes in the Slovak Republic", adopted by Slovak government on 8 July 2015 in form of an update of strategic document "Strategy of the Back-end Cycle of the Peaceful Exploitation of the Nuclear Energy in the Slovak Republic" as well as the "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning" approved by the Nuclear Regulatory Authority of the Slovak Republic on 27 August 2018 when defining disbursement schedules in respect to the nuclear decommissioning and storage and disposal of spent nuclear fuel and radioactive waste. There is an inherent risk in these estimates given the timeframe, the valid and the planned legislation, the different alternatives open to the management of the Company and the possible future changes in technology for nuclear decommissioning and storage and disposal of spent nuclear fuel and radioactive waste.

(ii) Dismantling of thermal power plants

The Company recognises a significant amount as a provision for dismantling of thermal power plants. Estimation of this provision is sensitive to assumptions concerning costs, inflation, discount rates and disbursement schedules. Disbursement schedules can be significantly impacted by the Company's future decisions regarding the strategy of the operation and dismantling. This decision could be also driven by the Slovak Government's decision to stimulate the Company through system costs to run some of these plants for the general economic interest of the country for a period different than currently envisaged. Market developments could also impact future plans of the Company management.

(iii) Embedded derivatives

The Company has long-term electricity purchase and sales agreements. Some of these contracts include embedded derivatives which are fair valued. These valuations are sensitive to future development of the electricity prices, exchange rates and aluminium prices.

(iv) Post-employment benefits and other employee benefits

The Company recognises a significant amount as a provision for long-term employee benefits related to its current employees. Valuations of these provisions are sensitive to assumptions used in calculation, such as future earnings and benefit levels, discount rates, turnover rate, rate of late retirement, mortality and life expectancy.

(v) Revaluation of property, plant and equipment

In 2006, the Company applied the revaluation model in accordance with the accounting standard IAS 16 and revalued the items of property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4. The assumptions used in the revaluation model were taken from the report of an independent professionally qualified expert. Based on the appraisal, the useful life of the property, plant and equipment has been modified.

Subsequent revaluation of the Company's property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4 was undertaken in 2010, in 2014 and in 2019 by an independent professionally qualified expert in accordance with IAS 16. The following approaches have been used: the cost approach, the market approach and the income approach. The following assumptions were reflected in the revaluation model: technical condition of assets (useful lives, maintenance, technical enhancement), market conditions, economic factors and other specific conditions. For further information please refer to Note 5.

(vi) Testing for impairment of non-financial assets

Following the standard IAS 36 the Company tests the non-current non-financial assets for impairment in case there are any impairment indicators identified. The Company recognises impairment of non-financial assets if the carrying amount exceeds their recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

Value in use is determined as the estimated future cash flows discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the non-financial asset. The cash flows are derived from the long-term plan of the Company. The value in use is sensitive to the assumptions related to the inflation, discount rates, growth rate and future development of the electricity prices.

(vii) Fair value of financial instruments

Where the fair value of the financial instruments recorded in the balance sheet cannot be derived from active markets, it is determined taking into account the observable market inputs and management judgement on the future development of the key variables affecting fair values, such as yield curves, exchange rates or risk-free interest rates. Fair value determination includes considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(viii) Litigations

The Company is involved in various legal disputes in the ordinary course of its business. In view of the nature of such litigations, it is not always objectively possible to predict the outcome of such disputes. Provisions have been recognised to cover all significant liabilities for cases in which the Company's management believe an adverse outcome is probable and a reasonable estimate of the financial effect can be made.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's separate financial statements are listed below:

IAS 1 IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material *(effective for annual reporting periods beginning on or after 1 January 2020, these amendments have not been approved by the EU yet);*
IFRS 3	Amendments to IFRS 3 Business Combinations *(effective for annual reporting periods beginning on or after 1 January 2020, these amendments have not been approved by the EU yet);*
IFRS 9 IAS 39 IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (*effective for annual reporting periods beginning on or after 1 January 2020, these amendments have not been approved by the EU yet);*
IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(these amendments have not been approved by the EU yet, the effectiveness date of the amendments was deferred indefinitely);*
IFRS 14	Regulatory Deferral Accounts *(effective for annual reporting periods beginning on or after 1 January 2016. The European Commission decided not to launch the endorsement process of the interim standard and wait for the final IFRS standard);*
IFRS 17	Insurance Contracts *(effective for annual reporting periods beginning on or after 1 January 2021, the standard has not been approved by the EU yet);*

Amendments to References to the Conceptual Framework in IFRS Standards *(effective for annual reporting periods beginning on or after 1 January 2020).*

The principal effects of these changes are as follows:

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments introduce a new definition of material. The information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity´s financial statements would make on the basis of those financial statements. The materiality of information is assessed either individually or in combination with other information. The Company is considering the impact of these amendments on the separate financial statements.

Amendments to IFRS 3 Business Combinations
The amendments are aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. In order to be considered a business, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create an output. The focus is on goods and services provided to customers, the reference to an ability to reduce costs is removed. The amendment introduces an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The Company expects no impact of these amendments on the separate financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Platform
The objective of the Amendments is to avoid the discontinuation of hedging relationships as a result of uncertainties related to the IBOR transition, in particular due to the inability to meet specific forward-looking hedge accounting requirements in the periods before the transition. The Amendments provide relief from the highly probable and prospective assessments required by IFRS 9 and IAS 39 insofar these tests relate to hedging relationships that are affected by the uncertainties of the IBOR reform. With the same objective, the Amendments also provide relief from the retrospective assessment under IAS 39. The exceptions described in the Amendments apply only to those hedging relationships directly affected by uncertainties of the IBOR reform including some types of cross-currency interest rate swaps. The Company is considering the impact of these amendments on the separate financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
According to these amendments, the current requirements of IAS 28 Investment in Associates and Joint Ventures regarding the partial gain or loss recognition for transaction between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations. The gain or loss resulting from the sale or contribution of assets to an associate or joint venture of assets that constitute a business as defined by IFRS 3 Business Combinations is recognised in full.

IFRS 10 Consolidated Financial Statements was amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined by IFRS 3 Business Combinations to an associate or joint venture is recognised only to the extent of unrelated investors interests in the associate or joint venture. The Company is considering the impact of these amendments on the separate financial statements.

IFRS 14 Regulatory Deferral Accounts

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for regulatory deferral account balances in accordance with its previous GAAP requirements, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The Standard cannot be adopted by the entities that currently prepare their financial statements under IFRS. The application of the standard will not have any impact on the separate financial statements of the Company.

IFRS 17 Insurance Contracts

Standard introduces a complex accounting model applicable for all insurance and reinsurance contracts (both short-term and long-term) and also for investment contracts with discretionary participation features. It brings a new approach for measurement and recognition of life and property insurance contracts and defines a new measurement aspect of the insurance contracts, contractual service margin, representing the unearned profit that the entity will recognise as it provides services under the insurance contracts. The application of the standard will not have any impact on the separate financial statements of the Company.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of asset and liability and guidance supporting these definitions. Consequently, it was necessary to amend the references to the Conceptual Framework in IFRS standards. The Company is considering the impact of these amendments on the separate financial statements.

5. Property, plant and equipment

In thousands of EUR	*Buildings, halls and structures* *Level 3*	*Plant, machinery and other* *Level 3*	*Land* *Level 2*	*Assets in the course of construction* *Level 3*	*Total*
Cost or valuation as at 1 January 2019	1,710,100	2,552,034	41,503	5,519,952	9,823,589
Accumulated depreciation as at 1 January 2019	(194,513)	(572,715)	-	-	(767,228)
Accumulated impairment losses as at 1 January 2019	(173,256)	(235,587)	(719)	(436,489)	(846,051)
Carrying amount as at 1 January 2019	**1,342,331**	**1,743,732**	**40,784**	**5,083,463**	**8,210,310**
Year ended 31 December 2019					
Opening carrying amount as at 1 January 2019	1,342,331	1,743,732	40,784	5,083,463	8,210,310
Additions	19,030	26,464	1,455	529,863	576,812
Revaluation through revaluation reserve	56,764	538,278	41,807	-	636,849
Revaluation through income statement	1,657	(32,415)	1,081	(644)	(30,321)
Impairment loss through revaluation reserve	-	(1,148)	-	-	(1,148)
Impairment loss through income statement (Note 25)	(11)	(1,268)	(2)	(14,101)	(15,382)
Transfers	4,253	11,343	-	(15,596)	-
Other	3	10	1	34	48
Disposals	-	(10)	-	-	(10)
Depreciation charge (Note 25)	(51,733)	(147,284)	(61)	-	(199,078)
Cost or valuation as at 31 December 2019	1,379,550	2,183,886	85,076	6,033,865	9,682,377
Accumulated depreciation as at 31 December 2019	(4,096)	(20,788)	(5)	-	(24,889)
Accumulated impairment losses as at 31 December 2019	(3,160)	(25,396)	(6)	(450,846)	(479,408)
Carrying amount as at 31 December 2019	**1,372,294**	**2,137,702**	**85,065**	**5,583,019**	**9,178,080**

In thousands of EUR	*Buildings, halls and structures* *Level 3*	*Plant, machinery and other* *Level 3*	*Land* *Level 2*	*Assets in the course of construction* *Level 3*	*Total*
Cost or valuation as at 1 January 2018	1,712,035	2,519,257	41,730	5,040,062	9,313,084
Accumulated depreciation as at 1 January 2018	(147,627)	(436,978)	-	-	(584,605)
Accumulated impairment losses as at 1 January 2018	(173,516)	(236,773)	(712)	(437,985)	(848,986)
Carrying amount as at 1 January 2018	**1,390,892**	**1,845,506**	**41,018**	**4,602,077**	**7,879,493**
Year ended 31 December 2018					
Opening carrying amount as at 1 January 2018	1,390,892	1,845,506	41,018	4,602,077	7,879,493
Additions	3,388	31,384	3	489,412	524,187
Impairment loss through revaluation reserve	(75)	(74)	-	-	(149)
Impairment loss through income statement (Note 25)	(23)	(3,049)	(84)	144	(3,012)
Transfers	497	7,671	(193)	(8,170)	(195)
Transfers to assets held for sale	(30)	(60)	41	-	(49)
Disposals	(4,898)	(853)	(1)	-	(5,752)
Depreciation charge (Note 25)	(47,420)	(136,793)	-	-	(184,213)
Cost or valuation as at 31 December 2018	1,710,100	2,552,034	41,503	5,519,952	9,823,589
Accumulated depreciation as at 31 December 2018	(194,513)	(572,715)	-	-	(767,228)
Accumulated impairment losses as at 31 December 2018	(173,256)	(235,587)	(719)	(436,489)	(846,051)
Carrying amount as at 31 December 2018	**1,342,331**	**1,743,732**	**40,784**	**5,083,463**	**8,210,310**

The Company has prepayments for non-current assets in the amount of EUR 27,280 thousand which relate to property, plant and equipment, thereof EUR 10,380 thousand relate to the construction of nuclear power plant Mochovce 3&4 (2018: EUR 20,382 thousand, thereof EUR 12,608 thousand related to the construction of nuclear power plant Mochovce 3&4). Change in capital commitments for the year 2019 represents EUR (19,455) thousand (2018: EUR 16,349 thousand).

Assets classified as held for sale

Assets classified as held for sale are mainly land and buildings, which are not used by the Company for their initial purpose.

In thousands of EUR	*2019*	*2018*
Buildings, halls & structures	267	267
Plant, machinery & other	-	-
Land	21	50
Total	**288**	**317**

Revaluation of property, plant and equipment to fair value

The first revaluation of the Company's property, plant and equipment and property related to construction of nuclear power plant Mochovce 3&4 took place on 28 April 2006. This revaluation was carried out by an independent professionally qualified expert.

The second and third subsequent revaluation was performed as at 31 December 2010 and as at 31 December 2014. During 2019 a new revaluation of property, plant and equipment was performed. This fair valuation was recorded as at 30 November 2019. All subsequent fair valuations were also undertaken by an independent professionally qualified expert. The fair value was determined by using the following approaches: the cost, the market and the income approach.

The cost approach was the primary method. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset and is based on the cost to a market participant to acquire or construct a substitute asset or comparable utility, adjusted for the obsolescence (Level 3). Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets (Level 2). The market approach was primarily used to value land. Appropriate consideration was given to location and current and future use of individual land plots.

The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those amounts. The income approach was considered on an overall portfolio basis since these plants work together in generating electricity for the grid.

Fair valuation of the thermal power plant in Nováky as well as fair valuation of selected assets in the nuclear power plant in Jaslovské Bohunice was based on the presumptions that electricity production in the thermal power plant Nováky would not be economically viable without the state support and that heat production is regulated. Therefore, the fair value of electricity production assets of the thermal power plant Nováky is primarily driven by their carrying amounts and the fair value of the heat production assets in the thermal power plant Nováky and the heat production assets in the nuclear power plant Jaslovské Bohunice is primarily driven by tax carrying amounts (Level 3).

Following the revaluation of property, plant and equipment in 2019 the Company recognized overall increase of the value of non-current assets in amount of EUR 606,528 thousand, out of which EUR 636,849 thousand as an increase through the revaluation reserve and, at the same time impairment loss in the value of EUR 30,321 EUR in the income statement.

Impairment of property, plant and equipment

As at 31 December 2019 and as at 31 December 2018 the Company tested property, plant and equipment for impairment.

During the period ended 31 December 2019 the Company recognised an impairment loss in total of EUR 16,530 thousand in respect of individually assessed items of property, plant and equipment (2018: EUR 3,161 thousand).

The fair value of assets as at 31 December 2019 and 2018 is as follows:

In thousands of EUR	*31 December 2019*	*Level 1*	*Level 2*	*Level 3*
Buildings, halls and structures	1,372,294	-	-	1,372,294
Plant, machinery & other	2,137,702	-	-	2,137,702
Land	85,065	-	85,065	-
Assets in the course of construction	5,583,019	-	-	5,583,019
Total	**9,178,080**	**-**	**85,065**	**9,093,015**

In thousands of EUR	*31 December 2018*	*Level 1*	*Level 2*	*Level 3*
Buildings, halls and structures	1,342,331	-	-	1,342,331
Plant, machinery & other	1,743,732	-	-	1,743,732
Land	40,784	-	40,784	-
Assets in the course of construction	5,083,463	-	-	5,083,463
Total	**8,210,310**	**-**	**40,784**	**8,169,526**

Since there have been no transfers of non-current assets between levels 1 – 3 during years 2019 and 2018, the reconciliation from the opening to closing carrying amounts for each individual level is valid as shown in the table on pages 28 and 29.

If property, plant and equipment were measured using the cost model, the carrying amounts as at 31 December 2019 and 2018 would be as follows:

In thousands of EUR	*Buildings, halls & structures*	*Plant, machinery & other*	*Assets under finance lease*	*Land*	*Assets in the course of construction*	***Total***
Carrying amount as at 31 December 2019 under the cost model	441,381	1,042,048	16,537	13,884	5,583,019	**7,096,869**
Carrying amount as at 31 December 2018 under the cost model	444,742	1,073,195	2,499	13,873	5,083,463	**6,617,772**

Change in estimate

In 2019 the management of the Company reassessed economic useful lives of the selected classes of property, plant and equipment placed in the nuclear plant in Mochovce to correspond with the expected shut-down date taking to account the economic useful life.

The expected effect of these changes on the depreciation expense in future periods is as follows:

In thousands of EUR	*2020*	*2021*	*2022*	*2023*	*2024*	*Later*
Change in depreciation expense	(120,391)	11,347	11,297	8,787	8,787	80,173

Capitalised borrowing costs

The Company capitalised borrowing costs in the total amount of EUR 140,859 thousand for the year ended 31 December 2019, thereof EUR 298 thousand related to prepayments (2018: EUR 95,661 thousand, thereof EUR 346 thousand related to prepayments). The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.23% p.a. which is the average effective interest rate of all the general borrowings of the Company.

Insurance of property, plant and equipment:

As at 31 December 2019 the fixed assets of the Company were insured as follows:

- The insured value of the fixed assets of conventional power plants and non-generating assets of the Company represented EUR 2,970 million.
- Assets of nuclear power plants were insured up to the limit of EUR 700 million for the operating nuclear power plants.
- The insured value of the assets in the course of construction was EUR 3,933 million.

The Company insures its property as follows:

- Fixed assets of conventional power plants and conventional part of the nuclear property are insured in commercial insurance companies.
- Fixed assets of the nuclear power plants are insured with EMANI (a mutual insurance association with the registered seat in Belgium).

Leases

At 31 December 2019, the carrying value of assets under lease included in Property, plant and equipment was EUR 16,537 thousand (31 December 2018: EUR 2,499 thousand). Total cash outflow for leases in 2019 was EUR 3,415 thousand.

As at 31 December 2019 and 31 December 2018, the total minimum lease payments and the present value of minimum lease payments are as follows:

	Total minimum lease payments		*Present value of minimum lease payments*	
In thousands of EUR	*2019*	*2018*	*2019*	*2018*
Amounts payable under leases:				
Within one year	4,006	645	3,534	544
In the second to fifth year inclusive	10,766	1,104	10,094	1,036
After five years	1,752	-	1,371	-
Total	16,524	1,749	14,999	1,580
Less future finance charges	(1,525)	(169)	-	-
Present value of lease payments	**14,999**	**1,580**	**14,999**	**1,580**
Liabilities from lease recognised in line Loans and borrowings in the balance sheet (Note 19)			**14,999**	**1,580**
Less: Amount due for settlement within 12 months presented within current liabilities (Note 19)			(3,534)	(544)
Amount due for settlement after 12 months (Note 19)			**11,465**	**1,036**

A reconciliation of the operating lease commitments disclosed in Note 29 to the recognised lease liability is as follows:

In thousands of EUR	
Total future minimum lease payments for non-cancellable operating leases as at 31 December 2018 (Note 29)	**18,707**
Finance lease liabilities recognised as at 31 December 2018	1,580
Effect of discounting to present value	(1,199)
Leases not recognised as a liability	(4,595)
Lease liabilities recognised as at 1 January 2019 in line Loans and borrowings in the balance sheet (Note 19)	**14,493**
Of which are:	
Current lease liabilities	2,328
Non-current lease liabilities	12,165

Movements of assets recognised under lease are as follows:

In EUR thousands	*Land*	*Buildings, halls and structures*	*Total*
Carrying amount as at 1 January 2019	1,455	15,537	16,992
Additions	-	3,209	3,209
Depreciation charge	(61)	(3,603)	(3,664)
Carrying amount as at 31 December 2019	**1,394**	**15,143**	**16,537**

Expenses relating to short-term leases and to leases of low-value assets of EUR 2,347 thousand that are not shown as short-term leases are included in the line Other raw materials and consumables in the income statement.

6. Intangible assets

In thousands of EUR	*Software*	*Other intangible assets*	*Intangible assets in progress*	*Total*
Cost as at 1 January 2019	76,936	1,531	320	78,787
Accumulated amortisation as at 1 January 2019	(70,529)	(1,281)	-	(71,810)
Accumulated impairment losses as at 1 January 2019	(20)	-	-	(20)
Carrying amount as at 1 January 2019	**6,387**	**250**	**320**	**6,957**
Year ended 31 December 2019				
Opening carrying amount as at 1 January 2019	6,387	250	320	6,957
Additions	346	-	335	681
Transfers	320	-	(320)	-
Amortisation (Note 25)	(1,682)	(23)	-	(1,705)
Cost as at 31 December 2019	76,068	1,531	335	77,934
Accumulated amortisation as at 31 December 2019	(70,677)	(1,304)	-	(71,981)
Accumulated impairment losses as at 31 December 2019	(20)	-	-	(20)
Carrying amount as at 31 December 2019	**5,371**	**227**	**335**	**5,933**
Cost as at 1 January 2018	75,736	1,276	83	77,095
Accumulated amortisation as at 1 January 2018	(69,775)	(1,262)	-	(71,037)
Accumulated impairment losses as at 1 January 2018	(20)	-	-	(20)
Carrying amount as at 1 January 2018	**5,941**	**14**	**83**	**6,038**
Year ended 31 December 2018				
Opening carrying amount as at 1 January 2018	5,941	14	83	6,038
Additions	1,647	60	320	2,027
Transfers	81	195	(81)	195
Amortisation (Note 25)	(1,282)	(19)	-	(1,301)
Disposal	-	-	(2)	(2)
Cost as at 31 December 2018	76,936	1,531	320	78,787
Accumulated amortisation as at 31 December 2018	(70,529)	(1,281)	-	(71,810)
Accumulated impairment losses as at 31 December 2018	(20)	-	-	(20)
Carrying amount as at 31 December 2018	**6,387**	**250**	**320**	**6,957**

7. Derivatives

Assets from derivatives measured at fair value through profit or loss

In thousands of EUR	*2019*	*2018*
Non-current		
Embedded derivatives	622	607
Total	**622**	**607**
Current		
Embedded derivatives	29	349
Derivatives not designated as hedges	152,869	392,899
Total	**152,898**	**393,248**

Assets from derivatives measured at fair value through other comprehensive income

In thousands of EUR	*2019*	*2018*
Non-current		
Hedging derivatives – exchange rate	9	-
Hedging derivatives – commodities	6,234	526
Total	**6,243**	**526**
Current		
Hedging derivatives – exchange rate	66	230
Hedging derivatives – commodities	29,861	31,950
Total	**29,927**	**32,180**

Liabilities from derivatives measured at fair value through profit or loss

Current		
Commodity derivatives not designated as hedges	115,940	329,745
Total	**115,940**	**329,745**

Liabilities from derivatives measured at fair value through other comprehensive income

In thousands of EUR	*2019*	*2018*
Non-current		
Hedging derivatives – exchange rate	89,163	125,197
Hedging derivatives – interest rate	5,708	5,988
Hedging derivatives – commodities	4,244	71,098
Total	**99,115**	**202,283**
Current		
Hedging derivatives – exchange rate	4,604	6,489
Hedging derivatives – interest rate	1,096	2,227
Hedging derivatives – commodities	60,983	62,954
Total	**66,683**	**71,670**

Derivatives measured at fair value through profit or loss

Embedded derivatives
On 7 October 2013 a long-term electricity contract with Slovalco, a.s. was signed that is valid from 1 January 2014 to 31 December 2021. According to the contract provisions the price of electricity is expressed in USD. The value of the embedded option on the price of aluminium is subject to indexation to the price of aluminium on the London Metals Exchange (LME). The initial value of the embedded options as at the date of the conclusion of the long-term electricity contract with Slovalco, a. s. was recognised against deferred revenue on the face of the balance sheet as it related to revenues from electricity deliveries since 1 January 2014. This value is amortised to income statement over the term of the long-term contract on a straight line basis (see Note 20 and 30).

Commodity derivatives
The Company recognises commodity derivatives not designated as hedges in respect of trading contracts for purchase and sale of electricity according to the valid accounting policy of the Company. Except for the contracts on electricity the Company has derivative transactions also for other commodities (uranium, emission allowances) with the aim of economic hedge against the price volatility of these commodities.

Derivatives designated as hedges

All derivative contracts designated as hedges are classified as cash flow hedges.

Exchange rate
The Company hedges the impact of the exchange rate fluctuations connected with the purchase and sale of electricity and also the purchase of commodities necessary for the production of electricity through forwards on foreign currency exchange rates. The cash flows from the hedging derivatives are contracted to occur in the moment when the purchase or sale of the hedged transaction is expected to occur.

In case of purchase and sale of electricity the cash flows from the hedging foreign currency derivatives are recognised in profit or loss at the moment of the realization of the trade.

Interest rate and exchange rate
The Company hedges its exposure to interest rate risk and exposure to exchange rate fluctuations in connection with the loans drawn through interest rate swaps or cross-currency interest rate swaps. The maturity of the swaps interest payments corresponds with the maturity of interests from loans.

Electricity price
The Company hedges cash flows from sales of future electricity production against the risk of electricity price movement by selling the production via forward contracts with respect to the strategy of production selling.

Uranium price
In connection with the contracted purchases of nuclear fuel, the Company hedges its exposure to volatility of the price of uranium, as a risk component of the nuclear fuel price, through swaps for sale and purchase of the uranium product.

Change in the hedging reserve in the statement of other comprehensive income, before tax, during the period was as follows:

In thousands of EUR	2019	2018
Balance as at 1 January	**133,586**	**19,013**
Change in valuation of cash flow hedges	(107,905)	133,875
Reclassification to profit or loss:		
Unrealized foreign exchange loss	*26,677*	*(29,544)*
Hedges that became ineffective	*4,391*	*(3,935)*
Net gain/(loss) of the matured contracts	*(4,777)*	*14,177*
Balance as at 31 December	**51,972**	**133,586**

8. Investments in subsidiaries

The structure of the Company's interest in subsidiaries is as follows:

In thousands of EUR

Company name	*Country of incorporation*	*Ownership 2019*	*Carrying amount of investment 2019*
Ochrana a bezpečnosť SE, s.r.o.*	Mochovce, Slovak Republic	100%	37
Slovenské elektrárne – energetické služby, s.r.o.	Bratislava, Slovak Republic	100%	4,505
Centrum pre vedu a výskum, s.r.o.	Mochovce, Slovak Republic	100%	6
Slovenské elektrárne Česká republika, s.r.o.	Prague, Czech Republic	100%	11,669
SE Služby inžinierskych stavieb, s.r.o.	Mochovce, Slovak Republic	100%	200
Total investments in subsidiaries			**16,417**

**Change of legal form from joint stock company to limited liability company of Ochrana a bezpečnosť SE was registered in the Commercial register on 18 September 2019*

In thousands of EUR

Company name	*Country of incorporation*	*Ownership 2018*	*Carrying amount of investment 2018*
Ochrana a bezpečnosť SE, a.s.	Mochovce, Slovak Republic	100%	37
Slovenské elektrárne - energetické služby, s.r.o.	Bratislava, Slovak Republic	100%	4,505
Centrum pre vedu a výskum, s.r.o.	Mochovce, Slovak Republic	100%	6
Slovenské elektrárne Česká republika, s.r.o.	Prague, Czech Republic	100%	11,669
SE Služby inžinierskych stavieb, s.r.o.	Mochovce, Slovak Republic	100%	200
Total investments in subsidiaries			**16,417**

The company increased share capital of the company Slovenské elektrárne Česká republika, s.r.o. by means of contribution of assets and liabilities of the branch in the Czech Republic effective since 1 March 2018. For more details, refer to Note 32.

9. Investments in associates and other investments

The structure of the Company's interest in the associates is as follows:

In thousands of EUR

Company name	*Country of incorporation*	*Ownership 2019*	*Carrying amount of investment 2019*	*Equity 2019*	*Profit 2019*
REAKTORTEST, s.r.o.	Slovak Republic	49%	33	440	275
ÚJV Řež, a.s.	Czech Republic	27.77%	4,684	69,402	3,097
Energotel, a.s.	Slovak Republic	20%	525	6,919	1,407
Total investments in associates			**5,242**	**76,761**	**4,779**

In thousands of EUR

Company name	*Country of incorporation*	*Ownership 2018*	*Carrying amount of investment 2018*	*Equity 2018*	*Profit 2018*
REAKTORTEST, s.r.o.	Slovak Republic	49%	33	500	336
ÚJV Řež, a.s.	Czech Republic	27.77%	4,684	65,460	3,618
Energotel, a.s.	Slovak Republic	20%	525	6,922	1,410
Total investments in associates			**5,242**	**72,882**	**5,364**

Assets, liabilities, revenues and expenses of the associates were as follows:

In thousands of EUR	*Ownership*	*Non–current assets*	*Currents assets*	***Total assets***	*Equity*	*Non–current liabilities*	*Current liabilities*	***Total liabilities***	*Revenues*	*Expenses*	***Profit***
2019											
REAKTORTEST, s.r.o.	49%	-	2,574	**2,574**	440	338	1,796	**2,134**	23,580	23,305	**275**
ÚJV Řež, a.s.	27.77%	53,610	52,638	**106,248**	69,402	20,907	15,939	**36,846**	51,415	48,318	**3,097**
Energotel, a.s.	20%	4,679	7,251	**11,930**	6,919	169	4,842	**5,011**	12,037	10,630	**1,407**
Total		**58,289**	**62,463**	**120,752**	**76,761**	**21,414**	**22,577**	**43,991**	**87,032**	**82,253**	**4,779**

In thousands of EUR	*Ownership*	*Non–current assets*	*Currents assets*	***Total assets***	*Equity*	*Non–current liabilities*	*Current liabilities*	***Total liabilities***	*Revenues*	*Expenses*	***Profit***
2018											
REAKTORTEST, s.r.o.	49%	3	2,121	**2,124**	500	294	1,330	**1,624**	26,022	25,686	**336**
ÚJV Řež, a.s.	27.77%	39,878	65,440	**105,318**	65,460	23,072	16,786	**39,858**	61,132	57,514	**3,618**
Energotel, a.s.	20%	4,966	7,148	**12,114**	6,922	124	5,068	**5,192**	11,825	10,415	**1,410**
Total		**44,847**	**74,709**	**119,556**	**72,882**	**23,490**	**23,184**	**46,674**	**98,979**	**93,615**	**5,364**

The structure of the other investments is as follows:

In thousands of EUR	*Carrying amount of investment 2019*	*Carrying amount of investment 2018*
Other investments	5,996	5,196
Total	**5,996**	**5,196**

Other investments include the Company's equity interests in the European Liability Insurance for the Nuclear Industry (ELINI), European Mutual Association for Nuclear Insurance (EMANI), Blue Re Mutual Association and Nuclear Industry Reinsurance Association (NIRA) and contribution of the Company to other capital funds of the subsidiary Centrum pre vedu a výskum, s.r.o. in total value of EUR 500 thousand (2018: EUR 500 thousand).

10. Inventories

In thousands of EUR	*At cost* *2019*	*At lower of cost or net realizable value* *2019*	*At cost* *2018*	*At lower of cost or net realizable value* *2018*
Nuclear fuel	249,668	249,381	264,870	264,870
Fossil fuel	20,153	17,338	19,724	18,263
Spare parts	23,660	19,332	22,448	18,726
Material and supplies	6,402	4,377	6,775	4,808
Other	45,900	45,900	33,727	33,727
Total inventories	**345,783**	**336,328**	**347,544**	**340,394**

Inventories in total value of EUR 186,298 thousand (2018: EUR 189,536 thousand) are expected to be recovered within a period of more than twelve months following the balance sheet date.

The Company recognised as other inventories mainly purchased emission allowances that are designated to settle the liability from actually discharged emissions in accordance with the European Union Emissions Trading Scheme and in line with the valid legislation in the Slovak Republic (2019: EUR 45,597 thousand, 2018: EUR 33,491 thousand).

Nuclear fuel movements

In thousands of EUR	*2019*	*2018*
Balance as at 1 January	**264,870**	**262,625**
Purchases	70,061	93,389
Consumption	(78,987)	(74,850)
Sale to the Slovak State Reserves	(6,276)	(16,294)
Balance as at 31 December	**249,668**	**264,870**

Movement in the write-down to inventories

In thousands of EUR	*2019*	*2018*
Balance as at 1 January	**7,150**	**5,125**
Write-down	3,257	2,050
Usage	(273)	(2)
Release	(679)	(23)
Balance as at 31 December	**9,455**	**7,150**

The Company writes down obsolete and slow-moving inventories.

11. Trade and other receivables

In thousands of EUR	*2019*	*2018*
Current receivables		
Trade receivables and other current receivables	220,924	184,256
Receivables from subsidiaries (Note 28)	29,294	22,623
Receivables from other related parties	70,147	89,469
Amounts receivable under finance leases	2,569	3,041
Allowance for doubtful debts	(145,954)	(144,943)
Total financial receivables	**176,980**	**154,446**
Value added tax and other taxes and fees	1,816	1,670
Total trade and other receivables	**178,796**	**156,116**

In thousands of EUR	*2019*	*2018*
Non-current receivables		
Receivable from the sale of Gabčíkovo hydro power plant	79,984	77,461
Non-current prepayments	22,038	17,114
Amounts receivable under finance leases	2,647	6,362
Other non-current receivables	300	449
Total non-current receivables	**104,969**	**101,386**

Receivable from the sale of Gabčíkovo hydro power plant (hereinafter as the "VEG") was recognised based on the Agreement on settlement of legal relations with respect to the VEG assets, signed on 24 March 2006, in the value determined by an expert. The balance of non-current receivable from the sale of the VEG assets recognised as at 31 December 2019 amounting to EUR 79,984 thousand (31 December 2018: EUR 77,461 thousand) represents its discounted present value. The nominal value of the receivable as at 31 December 2019 amounts to EUR 102,612 thousand (31 December 2018: EUR 102,612 thousand). For the information regarding related ongoing legal disputes, refer to Note 29.

The Company recognised long-term and short-term lease receivable from the finance lease of heat distribution system to the company Slovenské elektrárne – energetické služby, s.r.o.

As at 31 December 2019 and 31 December 2018 minimum lease payments and present value of minimum lease payments is as follows:

	Total minimum lease payments		*Present value of minimum lease payments*	
V tis. EUR	*2019*	*2018*	*2019*	*2018*
Amounts receivable under leases:				
Within one year	2,690	3,281	2,569	3,041
In the second to fifth year inclusive	2,690	6,563	2,647	6,362
After five years	-	-	-	-
Total	5,380	9,844	5,216	9,403
Less future finance income	(164)	(441)		-
Present value of lease payments	**5,216**	**9,403**	**5,216**	**9,403**
Receivables from lease recognised in the lines Other receivables and Trade and other receivables			**5,216**	**9,403**
Less: Amount due for settlement within 12 months presented within Trade and other receivables			(2,569)	(3,041)
Amount due for settlement after 12 months			**2,647**	**6,362**

For terms and conditions relating to related parties, refer to Note 28.

Trade receivables are non-interest bearing and are generally due within 14 - 90 days.

For trade and lease receivables, the Company applies the IFRS 9 simplified approach that measures expected credit losses by calculating a lifetime expected loss allowance. Trade receivables have been grouped based on the days past due. The Company has established a provision matrix, the expected loss rates for trade receivables were calculated based on payment profiles of sales over a period of 5 years before 31 December 2019 and 31 December 2018 and the corresponding historical credit losses experienced within this period. For more details regarding credit risk, please refer also to Note 31.

Movements in the allowance for doubtful debts were as follows:

In thousands of EUR	*2019*
Balance as at 1 January	**144,943**
Charge for the year (Note 25)	1,148
Utilised	(4)
Unused amounts reversed (Note 25)	(133)
Balance as at 31 December	**145,954**

In thousands of EUR	*2018*
Balance as at 1 January	**140,876**
Adjustment upon adoption of IFRS 9 - amount recognised through equity	2,640
Charge for the year (Note 25)	4,095
Utilised	(79)
Unused amounts reversed (Note 25)	(2,589)
Balance as at 31 December	**144,943**

As at 31 December 2019 and 2018 trade receivables included receivables against VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK in total value of EUR 22,137 thousand, which are subject to an ongoing dispute with the counterparty. Due to uncertainties related to the collectability of these receivables, the Company recognised an allowance for doubtful debts against the full amount. These receivables were not included in the IFRS 9 simplified model for calculation of the allowance for doubtful debts, but were assessed on an individual basis.

As at 31 December 2019 and 2018 trade receivables included an amount of EUR 113.85 million related to past contributions to Združenie Dunaj ("the Danube Association") which was established to facilitate the co-operation between the Company and the company VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK for the construction of the Gabčíkovo dam and electricity facilities. Due to uncertainties related to the collectability of this receivable, the Company recognised an allowance for doubtful debt against the full amount. These receivables were not included in the IFRS 9 simplified model for calculation of the allowance for doubtful debts, but were assessed on an individual basis.

As at 31 December 2019, trade receivables include an amount of EUR 1,470 thousand, related to purchased credit-impaired trade receivables (31 December 2018: EUR 1,466 thousand).

12. Cash and cash equivalents

In thousands of EUR	*2019*	*2018*
Cash at banks and on hand	4,631	8,592
Total cash and cash equivalents	**4,631**	**8,592**

Cash and cash equivalents as at 31 December 2018 include EUR 1,387 thousand that was restricted by legislation. This amount represented a special purpose financial reserve according to the Act No. 79/2015 Coll. on waste. As at 1 January 2019 a new Act No. 312/2018 Coll. amending the Act No. 79/2015 Coll. on waste came into effect based on which the Company was obliged to transfer the funds into State Chamber. For details see Note 13.

Cash and cash equivalents as at 31 December 2019 include EUR 100 thousand that is restricted by legislation.

13. Other assets

In thousands of EUR	*2019*	*2018*
Other current assets		
Prepaid expenses - insurance	1,953	1,802
Prepaid expenses - lease of buildings	-	619
Prepaid expenses - state supervision over nuclear power plants	5,302	-
Prepaid expenses - fees related to loans and borrowings	361	363
Prepaid expenses - other	2,344	202
Accrued revenue - uninvoiced electricity deliveries	7,133	544
Total other current assets	**17,093**	**3,530**

In thousands of EUR	*2019*	*2018*
Other non-current assets		
Right for reimbursement of the special purpose financial reserve	1,363	-
Total other non-current assets	**1,363**	**-**

On 1 January 2019 a new Act No. 312/2018 Coll. amending the Act No. 79/2015 Coll. on waste came into effect. This new act has amended, inter alia, also the pronouncements regarding the special purpose financial reserve for waste dumps which the Company as an operator of the waste dumps must create. According to the § 24, article 4 of this act the funds must be deposited on the special account in the State Chamber. Following the § 135e, article 1 of the Act No. 312/2018 Coll. the Company had an obligation to transfer the funds on the special account of the State Chamber by 31 March 2019. Since this moment the Company recognizes this special purpose financial reserve as a long-term asset - a right for reimbursement of the special purpose financial reserve in line with the interpretation IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

14. Share capital and reserves

i) Share capital

As at 31 December 2019, the share capital comprised 39,041 ordinary shares (2018: 39,041), thereof 38,238 shares at a par value of EUR 33,193.92 and 803 shares at a par value of EUR 33.19. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends in accordance with legislation valid in the Slovak Republic and as decided by the general meeting and are entitled to vote, while each EUR 33.19 represents one vote.

The Company does not hold any of its own shares.

ii) Reserves

Revaluation reserve

Following the IAS 16 and the valid accounting policy the Company applies revaluation model for subsequent measurement of property, plant and equipment after initial recognition. The assets' revaluation reserve is recognised in relation to the increase in the carrying value of property, plant and equipment and decrease in this value to the extent that such decrease reverses an increase in the fair value, previously recognised in equity. The reserve cannot be used to pay dividends.

Other reserves

Other reserves mainly consist of the legal reserve fund and the hedging reserve. As at 31 December 2019 the legal reserve fund amounts to EUR 256,086 thousand (2018: EUR 256,086 thousand). This fund is not available for distribution to shareholders, but to cover losses or increase the share capital.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred or have not yet affected profit or loss.

Distribution of profit from the previous accounting period

Distribution of profit from the previous accounting period of EUR 24,353 thousand was as follows:

In thousands of EUR	*Accounting profit for 2018*
Transfer to retained earnings	24,353
Total	**24,353**

15. Provision for nuclear decommissioning and storage costs

Provision for decommissioning of nuclear power plants

Based on the provisions of the Act No. 541/2004 Coll. on Peaceful use of Nuclear Energy as amended (hereinafter as the "Atomic Act"), the licence holder for operation of nuclear power plants is responsible for preparation of the conceptual plan of decommissioning of each nuclear power plant and provide for its decommissioning after the end of its operation. According to the pronouncements of the Atomic Act, the entity responsible for execution of the decommissioning is the licence holder for decommissioning.

Provision for decommissioning of nuclear power plants includes the costs of dismantling of V2 nuclear power plant in Jaslovské Bohunice (hereinafter as "V2") and the first and the second unit of the nuclear power plant in Mochovce (hereinafter as "EMO 1&2") (VVER plants with 505 MW reactors and 470 MW reactors, respectively). The underlying assumption for recognizing the provision is the obligation after the end of operation of nuclear power plants to dismantle the facility, process and dispose all radioactive waste from decommissioning and return the site to the condition defined in the conceptual plan of decommissioning developed for the individual power plant. The total present value of the obligations concerning decommissioning of nuclear power plants is covered by a provision. The initial estimate of cost in respect of the provision that has been recognised by the Company forms a part of the carrying amount of property, plant and equipment.

The Council Directive No. 2011/70/EURATOM, which establishes a basic framework for the responsible and safe management of spent fuel and radioactive waste in the European Atomic Energy Community (hereinafter as the "Directive"), raised the requirement for the member states of the European Union to prepare a national policy and national programme for the responsible and safe management of spent nuclear fuel and radioactive waste. The Directive was reflected in the Slovak legislation through the Act No. 143/2013 Coll. from 21 May 2013, by which the Atomic Act and at that time valid Act No. 238/2006 Coll. on National Nuclear Fund were amended. Following the abovementioned, on 8 July 2015 the Slovak Government adopted the document named "National Policy and National Programme for handling of spent nuclear fuel and radioactive wastes in SR", as an update of the strategic document "Strategy of the back-end cycle of the peaceful exploitation of the nuclear energy in the Slovak Republic" (hereinafter as the "National Policy" and the "National Programme").

The above mentioned documents define the strategy of immediate decommissioning for the nuclear power plants both in Jaslovské Bohunice and Mochovce, which is consistent with the one applied by the Company and reflected in the conceptual plans of decommissioning, subject to approval of the Nuclear Regulatory Authority of the Slovak Republic (hereinafter as the "UJD SR"). Estimation of the costs and disbursements for decommissioning of the nuclear plants as at 31 December 2019 is based on the strategy of the Company to apply a prompt (immediate) decommissioning approach. This strategy is driven by optimisation of safety, technical and economic considerations and is more conservative in comparison to deferred decommissioning with supervision. The decommissioning strategy is subject to review and assessment of the UJD SR and the National Nuclear Fund for decommissioning of nuclear power plants and disposal of spent nuclear fuel and radioactive waste (hereinafter as the "National Nuclear Fund" or the "NNF").

The updated estimation of the costs of decommissioning, as included in the document "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed in April 2017 by the company EGP INVEST, spol. s r.o., an independent specialist in determining cost estimates of back-end cycle processes of nuclear industry, was used as a basis for valuation of the provision for decommissioning of nuclear power plants as at 31 December 2019 and 31 December 2018. These documents were approved by the UJD SR on 27 August 2018.

Provision for post-operational costs of nuclear power plants

This provision includes disbursements to be incurred by the operator of a nuclear power plant once the nuclear power plant's energy production is stopped until the license for decommissioning is obtained. It is expected that the length of this period will not exceed four years from the moment the last nuclear reactor of the particular power plant is shut-down.

The provision for post-operational costs of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the Company as the holder of the operating license to bring the plant into the decommissioning stage as defined by the Atomic Act.

The provision for post-operational costs reflects the present value of the expected disbursements to be incurred during the four year period. Disbursements of the costs are dependent on an expected date of the shut-down of the nuclear power plants.

The expected disbursements reflected in the valuation of the provision as at 31 December 2019 and 31 December 2018 are based on the estimation included in the document "Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed by the company EGP INVEST, spol. s r.o.

Provision for storage and disposal of spent nuclear fuel

This provision includes the costs of transportation of spent nuclear fuel (hereinafter as "SNF"), storage of such waste in the interim storage facility and its final disposal in the deep geological repository.

The provision for SNF of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the originator of such waste as defined by the Atomic Act.

On 31 March 2006 the Company entered into a service agreement with the company Jadrová vyraďovacia spoločnosť, a.s. (hereinafter as "JAVYS, a.s."). The subject of this agreement is a provision of services related to transportation to an interim storage facility and storage of SNF in the interim storage facility. The Company concluded a service agreement and subsequent amendments to it with the prices and quantities until 2022. The amendment to the service agreement for the years 2020 through 2022 was approved for signature by the Board of Directors of the Company on 24 March 2020. The prices and quantities after these dates are subject to negotiations.

The disbursement schedule of costs related to transportation of SNF and its storage in the interim repository till the end of 2009 was defined in the service agreement. The disbursements schedule of the costs for the subsequent years until 2022 was defined in the amendments to the service agreement. The provision as at 31 December 2019 was calculated using unit prices as per the amendment to the service agreement for the years 2020 through 2022. Costs beyond this date were determined based on technical assumptions after this date. The provision takes into account quantity of SNF existing as at 31 December 2019.

In line with the National Policy, the Company expects final disposal of spent nuclear fuel in a deep geological repository. The provision for disposal in the deep geological repository was calculated considering expected costs to build such repository, since this repository does not exist as at 31 December 2019.

As of 6 December 2016, a team of independent experts for analyses of back-end cycle processes of nuclear power plants (ÚJP Praha a.s., ÚJV Řež, a.s.) developed "Updated feasibility study of deep geological repository in the Slovak Republic". This study was used as a basis for valuation of the provision for final disposal of spent nuclear fuel as at 31 December 2019 and 31 December 2018.

The valuation of the provision as at 31 December 2019 and 31 December 2018 reflects the expected timing of commissioning of the deep geological repository compliant with the National Policy and the National Programme adopted by the Government of the Slovak Republic on 8 July 2015. The valid National Policy and the National Programme specify the year 2065 as the planned year for commissioning of the deep geological repository.

Provision for storage and disposal of radioactive waste

This provision includes the costs of transportation, treatment and disposal in the surface repository facility of low-level radioactive waste and it is recognised for radioactive waste generated by V2 and EMO 1&2.

The provision for long-life low-level radioactive waste of V2 and EMO 1&2 nuclear power plants is recognised considering the responsibility of the originator of such waste as defined by the Atomic Act.

On 31 March 2006 the Company entered into a service agreement with JAVYS, a.s. The subject of this service agreement is a provision of the nuclear services the cost of which is the basis for valuation of this provision. The Company concluded a service contract and subsequent amendments to it with the prices and quantities being defined until 2022. The amendment to the service agreement for the years 2020 through 2022 was approved for signature by the Board of Directors of the Company on 24 March 2020. The prices and quantities after this date are subject to negotiations.

The disbursement schedule of these costs till the end of 2009 was defined in the service agreement. The disbursement schedule of these costs for subsequent years until 2022 was defined in the amendments to the agreement. The provision as at 31 December 2019 was calculated using unit prices as per the amendment to the service agreement for the years 2020 through 2022. Costs beyond this date were determined based on technical assumptions after this date. The provision takes into account quantity of long-life low-level radioactive waste existing as at 31 December 2019.

Movements in the provision are summarised as follows:

In thousands of EUR	*Provision for decommissioning of nuclear power plants*	*Provision for post-operational costs of nuclear power plants*	*Provision for storage and disposal of spent nuclear fuel*	*Provision for storage and disposal of radioactive waste*	*Total*
Balance as at 1 January 2019	**542,570**	**144,772**	**1,280,604**	**56,842**	**2,024,788**
Increase of provision through income statement	-	-	14,244	2,433	16,677
Unwinding of interest (Note 26)	23,601	6,297	54,686	2,246	86,830
Effect of change in estimates through income statement	1,208	5,076	21,197	1,659	29,140
Effect of change in estimates through equity	23,917	-	-	-	23,917
Usage of provision	-	-	(8,593)	(6,812)	(15,405)
Balance as at 31 December 2019	**591,296**	**156,145**	**1,362,138**	**56,368**	**2,165,947**
Balance as at 1 January 2018	**499,555**	**131,755**	**1,187,795**	**58,466**	**1,877,571**
Increase of provision through income statement	-	-	11,873	2,341	14,214
Unwinding of interest (Note 26)	22,443	5,967	52,673	2,417	83,500
Effect of change in estimates through income statement	(1,335)*	7,050	38,436	1,607	45,758
Effect of change in estimates through equity	21,907	-	-	-	21,907
Usage of provision	-	-	(10,173)	(7,989)	(18,162)
Balance as at 31 December 2018	**542,570**	**144,772**	**1,280,604**	**56,842**	**2,024,788**

**thereof EUR 396 thousand was presented as a credit within the line Depreciation, amortisation and impairment in the income statement, see Note 25*

In 2019 the Company recognized change in estimate of the provision for storage and disposal of spent nuclear fuel based on the updated estimation of future costs, following the signed amendment to the service agreement on provision of the nuclear services with JAVYS, a.s. The effect of change in estimates through income statement for the year ended 31 December 2019 represents credit of EUR 22,940 thousand.

In 2019, the Company reassessed the interest rates used for discounting of the provision for nuclear decommissioning and storage costs to its present value. As a result, the Company recognised a change in estimate of EUR 52,080 thousand debit through profit and loss and EUR 23,917 thousand debit through equity. These amounts are included within lines Effect of change in estimates through income statement and Effect of change in estimates through equity for the year ended 31 December 2019 in the table above.

In 2018 the Company recognised change in estimate of the provision for decommissioning of nuclear power plants and the provision for post-operational costs of nuclear power plants, based on the updated estimation of costs of decommissioning and post-operational costs, as included in the document “Updated conceptual plan of decommissioning of the nuclear power plant V2 and EMO1&2 and creation of input database of assets subject to decommissioning", developed in April 2017 by the company EGP INVEST, spol. s r.o., an independent specialist in determining cost estimates of back-end cycle processes of nuclear industry. These documents were approved by the UJD SR on 27 August 2018. As a result, the Company recognised a change in estimate of EUR 5,579 thousand through profit and loss and EUR 22,210 thousand through equity. These amounts are included within lines Effect of change in estimates through income statement and Effect of change in estimates through equity for the year ended 31 December 2018 in the table above.

In 2018, the Company reassessed the interest rates used for discounting of the provision for nuclear decommissioning and storage costs to its present value. As a result, the Company recognised a change in estimate of EUR 95,479 thousand through profit and loss and EUR 44,117 thousand through equity. These amounts are included within lines Effect of change in estimates through income statement and Effect of change in estimates through equity for the year ended 31 December 2018 in the table above.

In 2018 the Company recognised in profit and loss a change in estimate of the provision for storage and disposal of spent nuclear fuel and provision for storage and disposal of radioactive waste in the total value of EUR 44,142 thousand, as a result of changes in other estimates, mainly the updated estimation of future costs included in document "Updated feasibility study of deep geological repository in the Slovak Republic", prepared by a team of independent experts for analyses of back-end cycle processes of nuclear power plants (ÚJP Praha a.s., ÚJV Řež, a.s.) as of 6 December 2016. This amount is included within the line Effect of change in estimates through income statement for the year ended 31 December 2018 in the table above.

The provision is presented in the balance sheet as at 31 December 2019 as follows:

In thousands of EUR	*Provision for decommissioning of nuclear power plants*	*Provision for post-operational costs of nuclear power plants*	*Provision for storage and disposal of spent nuclear fuel*	*Provision for storage and disposal of radioactive waste*	*Total*
Current liabilities	-	-	11,126	4,632	15,758
Non-current liabilities	591,296	156,145	1,351,012	51,736	2,150,189
Total provision	**591,296**	**156,145**	**1,362,138**	**56,368**	**2,165,947**

The provision was presented in the balance sheet as at 31 December 2018 as follows:

In thousands of EUR	*Provision for decommissioning of nuclear power plants*	*Provision for post-operational costs of nuclear power plants*	*Provision for storage and disposal of spent nuclear fuel*	*Provision for storage and disposal of radioactive waste*	*Total*
Current liabilities	-	-	9,637	8,175	17,812
Non-current liabilities	542,570	144,772	1,270,967	48,667	2,006,976
Total provision	**542,570**	**144,772**	**1,280,604**	**56,842**	**2,024,788**

The present value assumptions of the provisions

The present value of the provisions mentioned above was calculated applying 2% inflation rate (31 December 2018: 2%) and a discount rate ranging from 3.88% to 4.25% (31 December 2018: 3.97% to 4.35%) over forecasted disbursement schedules. The discount rate was determined based on long-term series of interest rate data and it takes into account the fact that some expenses covered by provisions will be disbursed over periods significantly longer than the duration of instruments generally traded on the financial markets.

The estimated schedule of future disbursements takes into account all known statutory and environmental regulations applicable, together with an uncertainty factor inherent to the fact that payments will only be made in the long-term (see Note 3 (i)).

The sensitivity of the main components of provisions to changes in the discount rate is shown in the table below:

	Present value of the provision		*Sensitivity to discount rate change*			
			2019		*2018*	
In thousands of EUR	*2019*	*2018*	*+ 0.25%*	*- 0.25%*	*+ 0.25%*	*- 0.25%*
Storage and disposal of spent nuclear fuel and radioactive waste	1,418,506	1,337,446	(110,658)	124,286	(104,053)	116,872
Decommissioning and post-operational costs of nuclear power plants	747,441	687,342	(73,081)	81,613	(68,506)	76,656
Total	**2,165,947**	**2,024,788**	**(183,739)**	**205,899**	**(172,559)**	**193,528**

Funding for decommissioning of nuclear power plants and for costs of storage and disposal of spent nuclear fuel and radioactive waste

In August 1994, the National Council of the Slovak Republic passed the Act No. 254, which provided for the creation of the State Fund for Decommissioning of Nuclear Facilities and Disposal of Spent Nuclear Fuel and Radioactive Waste ("Fund"). On 16 March 2006 the National Council of the Slovak Republic passed the Act No. 238/2006 Coll. (hereinafter as the "Act on the National Nuclear Fund"), which cancelled the Fund and established its successor, the National Nuclear Fund. Based on the Act No. 550/2011 Coll., which amends the Act on the National Nuclear Fund, rules for the amount of the contributions were established. Pursuant to valid pronouncements of the act, commencing 1 February 2012 the operators of nuclear facilities were required to contribute a fixed amount of EUR 13,428.26 per each MW of installed electric capacity relating to nuclear facilities and 5.95% of the sales price of electricity generated by these nuclear facilities per year. The rate paid per each MW of installed capacity was valorised by the rate of inflation every year.

As of 17 October 2018, new Act No. 308/2018 on the National Nuclear Fund was passed. With the effective date of 1 January 2019, new rules for determination of the amount of the contributions to the National Nuclear Fund have been established. The amount of contribution is separately calculated for each nuclear facility, mostly based on the total estimated cost of the back-end cycle processes of each nuclear power plant, the number of years during which the contributions are accumulated on the sub-account assigned to the nuclear facility, the appreciation of accumulated contributions over time and the impact of macroeconomic factors on each nuclear power plant over individual phases of its life cycle. Based on the new calculation and following the regulation No. 22/2019 Coll. dated on 9 January 2019 a new contribution was determined stating the value of yearly contribution for the years 2019 through 2022 in amount of EUR 41,036,084 per year for V2 and EUR 24,891,727 per year for EMO1&2.

The following table reconciles the right for reimbursement from the National Nuclear Fund which represents financial amounts on the subaccounts of the National Nuclear Fund designated for decommissioning of nuclear facilities (V2 and EMO 1&2) including management of radioactive waste from such decommissioning:

In thousands of EUR	*Balance of NNF sub-accounts assigned to NPPs of the Company*
Balance as at 1 January 2019	**1,229,869**
Payments to the fund during 2019	79,346
Interest received (Note 26)	30,691
Fund administration fee	(794)
Balance as at 31 December 2019	**1,339,112**
Balance as at 1 January 2018	**1,146,531**
Payments to the fund during 2018	56,246
Interest received (Note 26)	29,494
Transfer to other sub-accounts of the National Nuclear Fund	(1,837)
Usage of funds	(201)
Penalty imposed by the Nuclear Regulatory Authority, paid to National Nuclear Fund sub-accounts for nuclear facilities V2 and EMO 1&2	198
Fund administration fee	(562)
Balance as at 31 December 2018	**1,229,869**

According to the Act on the National Nuclear Fund the Company is one of the contributors to the National Nuclear Fund. The National Nuclear Fund, reporting to the Ministry of Economy of the Slovak Republic, is not controlled by the Company. The above mentioned right for reimbursement from the National Nuclear Fund is recognised as a separate asset and represents the reimbursement right for the purposes of decommissioning of nuclear facilities (V2 and EMO 1&2) including management of radioactive waste from such decommissioning in the amount of actual contributions paid including net revenue interest from this part of contributions in line with the interpretation IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

Based on provisions of the Act on the National Nuclear Fund covering activities of the National Nuclear Fund, the Company expects that the assets of the National Nuclear Fund (primarily deposits at the Slovak State Treasury and commercial banks) will be used exclusively for enacted purposes in future. If there is a decrease in the funds accumulated on the sub-accounts assigned to the nuclear power generating facilities owned by the Company as a result of the decision on funds allocation issued by the authorized bodies of the National Nuclear Fund, the Company decreases the carrying value of the right to receive the reimbursement reported as the right for reimbursement from the National Nuclear Fund on the balance sheet and charges the change in the value of the reimbursement right to profit or loss.

Under the Atomic Act the Company is responsible to secure decommissioning of nuclear facilities and to manage radioactive waste and spent nuclear fuel until their takeover by an entity established, incorporated or authorized by Ministry of Economy of the Slovak Republic. Assuming all legal requirements are met, the Company therefore expects that, there is a right for reimbursement from the National Nuclear Fund a part of the contributions, which shall be used to reimburse actual costs incurred mainly during decommissioning, liquidation and management of spent nuclear fuel and radioactive waste from decommissioning of the nuclear power plants of the Company. The Company also expects that the remaining part of its contributions (together with other sources of the National Nuclear Fund) determined for the purposes of design, construction, operation and closure of repositories, will be used by the state in future under conditions and for the purposes set by the law.

The ability of the National Nuclear Fund to meet the costs of decommissioning of the nuclear power facilities operated by the Company and storage of spent fuel is dependent on various factors. These factors include among other things: the generation of nuclear power in line with current forecasts, the revenues earned by the Company on such generation, earnings on cash deposited in the National Nuclear Fund and the level of contributions to the National Nuclear Fund from other sources. The actual decommissioning and disposal costs may vary from the initial estimates because of regulatory requirements, changes in technology and increased costs of labour, materials and equipment.

The current projections indicate that there is a shortfall in the funding of the National Nuclear Fund mostly related to the state owned nuclear facilities in Jaslovské Bohunice (A1 and V1), both out of operation as of the balance sheet date. The shortfall has arisen due to the fact that the National Nuclear Fund was established in 1994 and contributions were collected since 1996, i.e. not over the whole life of operations of the nuclear power plants and not to the sub-account dedicated to the decommissioning of the state owned nuclear power plant A1 in Jaslovské Bohunice, which was out of operation at that time already. In order to cover this shortfall, the Government of the Slovak Republic approved the Regulation No. 426 dated 6 October 2010, introducing a special tariff to be ultimately paid by final consumers amounting to 3 EUR/MWh of the electricity delivered in 2011, which is valorised by the rate of the core inflation every year. Based on the core inflation published by the Statistical Office of the Slovak Republic the tariff was increased to the current 3.27 EUR/MWh since 1 July 2018 in line with the Section 3 of the regulation. The special tariff to cover historical deficit appears to be adequate and the approved National Programme for handling of spent nuclear fuel and radioactive wastes in the Slovak Republic does not assume to modify it. On 9 January 2019, the Government of the Slovak Republic approved a new regulation No. 21/2019, with the effective date of 1 February 2019, establishing the amount of special tariff to be used to cover the historical deficit. The tariff shall be paid by final customers and is set as 3.27 EUR/MWh.

16. Provision for dismantling of thermal power plants

Considering the current market and regulatory environment the Company estimates that it will not be able to operate Nováky ("ENO") and Vojany ("EVO") thermal power plants beyond their estimated remaining useful lives. Due to the existing legal environment, the Company, in line with its past practice, takes full responsibility for decommissioning of these thermal power plants once the plants cease their operations. Consequently, the Company recognised a provision to cover future decommissioning costs which are expected to be incurred upon shut-down of the plants.

In thousands of EUR	*2019*	*2018*
Balance as at 1 January	**125,754**	**116,809**
Unwinding of interest (Note 26)	5,220	5,079
Effect of change in estimates through income statement	(4,685)*	1,809
Effect of change in estimates through equity	610	2,096
Actual expenditure in period	(42)	(39)
Balance as at 31 December	**126,857**	**125,754**

thereof EUR 31 thousand was presented as a credit within the line Depreciation, amortisation and impairment in the consolidated income statement, see Note 25

The provision is presented in the balance sheet as at 31 December 2019 as follows:

In thousands of EUR	*Provision for dismantling of thermal power plants*
Current liabilities	150
Non-current liabilities	126,707
Total provision	**126,857**

The provision is presented in the balance sheet as at 31 December 2018 as follows:

In thousands of EUR	*Provision for dismantling of thermal power plants*
Current liabilities	185
Non-current liabilities	125,569
Total provision	**125,754**

The thermal power plant Nováky is operated based on the decision of the Slovak Government on electricity production from domestic coal in general economic interest. On 5 august 2019 the Ministry of Economy issued a decision No. 17237/2019-4130-38165 valid since 1 September 2019 by which it defines responsibility for the Company in respect of the production of electricity from domestic coal in the thermal power plant Nováky within the general economic interest until 2023.

The Regulatory Office for Network Industries issued a decision No. 0162/2018/E dated 18 December 2017 further amended by a decision No. 0273/2018/E dated 27 August 2018 stating a fixed price for the domestic coal electricity production and a decision No. 0174/2018/E dated 19 December 2017 further amended by a decision No. 0274/2018/E dated 28 August 2018 stating a tariff for system operation that the Company has to invoice to the short-term electricity market operator OKTE, a.s. for the period of 2018 - 2021. These decisions were valid as at 31 December 2019.

The Company operates the thermal power plant in Nováky and the thermal power plant in Vojany in line with the valid environmental legislation.

The Company allocates revenues and expenses in accordance with the accounting principles mentioned in these financial statements and in accordance with the internal accounting records and the valid legislation.

The process of shut down and dismantling of the thermal power plants shall be administered in line with the decommissioning strategy of individual plants in EVO and ENO. This strategy is currently considering different possibilities how to proceed with areas of the thermal power plants such as partial dismantling of the plant, utilization of the area for further business development, or, sale of the area not used.

For the purpose of dismantling of thermal power plants in Vojany and Nováky comprehensive studies “Assessment of the costs for decommissioning of the thermal power plants of SE, a.s.” were developed by the company EGP Invest, spol. s r.o. The studies contain the assessment of the status of individual main production facilities as well as auxiliary equipment reflecting their useful life and planned utilization. The studies assessed also a secondary usage of materials and sources. The dismantling of already shutdown and non-operated production facilities in ENO and EVO is planned to be executed in stages. The studies contain also the plan for dismantling of the sources and equipment that is currently in operation and dismantling of which will begin only after the end of their useful lives.

In 2019 the management of the Company reassessed disbursement schedules related to the process of dismantling of thermal power plants with no change in relation to the volume of the estimated cost and, at the same time, reassessed the discount rates used for discounting of the provisions. As a result of this reassessment the Company recognised a change in the estimate of the provision in amount of EUR 4,075 thousand which represent a net effect of the increase of provision due to change in the discount rate in amount of EUR 2,133 thousand and a decrease due to shift of the time schedule of the cash disbursements in amount of EUR 6,208 thousand.

During the year 2018 the Company reassessed the discount rates used for discounting of the provisions. As a result, the Company recognised a change in the estimate of the provision in amount EUR 1,809 thousand through income statement and EUR 2,096 thousand through equity.

The present value assumptions of the provisions

There is an inherent uncertainty involved in the calculation of the provision due to the estimation of various assumptions, including future inflation expectations, discount rates and the actual disbursement schedules. The present value of the provisions mentioned above is calculated applying 2% inflation rate and a discount rate based on long-term series of interest rate data ranging from 3.88% to 4.25% (as at 31 December 2018 ranging from 3.97% to 4.35%) over forecasted disbursement schedules.

The sensitivity of the provision to the change in the discount rate is shown in the table below:

	Present value of the provision		*Sensitivity to discount rate change*			
			2019		*2018*	
In thousands of EUR	*2019*	*2018*	*+ 0.25%*	*- 0.25%*	*+ 0.25%*	*- 0.25%*
Provision for dismantling of thermal power plants	126,857	125,754	(5,262)	5,511	(4,860)	5,082

17. Employee benefits

Employee benefits recognised in the balance sheet are as follows:

	2019		*2018*	
In thousands of EUR	*Current liabilities*	*Non-current liabilities*	*Current liabilities*	*Non-current liabilities*
Long-term incentives	-	182	-	613
Post-employment benefits and other employee benefits	1,648	41,195	1,114	38,276
Total	**1,648**	**41,377**	1,114	38,889

In terms of the Company Collective Agreement (hereinafter as “CCA”), signed between the trade unions operating at the Company and the Company, the long-term employee benefit programs in the Company represent defined benefit plans, specifically classified as post-employment benefits (retirement) and other employee benefits (work anniversary benefits).

In December 2018 the amendments to the CCA valid for years 2017 – 2020 were approved and signed. All the parties concerned were informed about their conditions.

As at 31 December 2019 the Company had 3,654 employees (2018: 3,665 employees) eligible for employee benefits payable in future periods. The weighted average duration of the post-employment benefits and other benefits is 9 years (2018: 9 years).

Change in the present value of the defined benefit obligation

In thousands of EUR	*Post-employment benefits*	*Other benefits*	*2019*	*2018*
Present value of the obligations as of 1 January	**38,115**	**1,275**	**39,390**	**39,951**
Current service cost	1,790	68	1,858	1,891
Unwinding of interest (Note 26)	524	17	541	433
Gains/losses due to change in demographic assumptions	261	85	346	(3,755)
Gains/losses due to change in financial assumptions	1,495	32	1,527	698
Experience gains/losses arising during the year	(70)	37	(33)	1,830
Benefit payments during the year	(602)	(184)	(786)	(1,658)
Present value of the obligations as at 31 December	**41,513**	**1,330**	**42,843**	**39,390**

In thousands of EUR	*Post-employment benefits*	*Other benefits*	*2019*	*2018*
Net liability as at 1 January	**38,115**	**1,275**	**39,390**	**39,951**
Expenses recognised in profit and loss	2,314	239	2,553	2,259
Remeasurements recognised in other comprehensive income	1,686	-	1,686	(1,162)
Benefit payments	(602)	(184)	(786)	(1,658)
Net liability as at 31 December	**41,513**	**1,330**	**42,843**	**39,390**
Thereof: Current portion	1,513	135	1,648	1,114
Non-current portion	40,000	1,195	41,195	38,276

Expenses recognised in the income statement

In thousands of EUR	*Post-employment benefits*	*Other benefits*	*2019*	*2018*
Current service cost	1,790	68	1,858	1,891
Unwinding of interest (Note 26)	524	17	541	433
Immediately recognised actuarial losses or gains	-	154	154	(65)
Expenses for the year	**2,314**	**239**	**2,553**	**2,259**

Actuarial assumptions

Assumptions regarding future mortality are based on published mortality tables valid in the Slovak Republic in the year 2018 issued by the Statistical Office of the Slovak Republic during the year 2019 (used for calculations at 31 December 2019) and based on published mortality tables valid in the Slovak Republic in the year 2017 issued by the Statistical Office of the Slovak Republic during the year 2018 (used for calculations at 31 December 2018).

Other actuarial assumptions are disclosed below:

	2019	*2018*
Discount rate as at 31 December	1%	1.39%
Future earnings increases	2.5%	2.5%
Average fluctuation rate	2.5%	2.9%
Retirement age	according to valid legislation	according to valid legislation

Historical information

In thousands of EUR	*2019*	*2018*	*2017*	*2016*	*2015*	*2014*
Present value of the defined benefit obligation as at 31 December	42,843	39,390	39,951	34,558	65,954	64,668

Sensitivity analysis

The sensitivity of the provision to the change in significant assumptions is shown in the table below:

		Discount rate		*Future salary increase*
In thousands of EUR	*31 December 2019*	*+ 0.50%*	*- 0.50%*	*+ 0.50%*
Net liability from defined benefit obligation	42,843	(1,942)	2,097	1,940

		Discount rate		*Future salary increase*
In thousands of EUR	*31 December 2018*	*+ 0.50%*	*- 0.50%*	*+ 0.50%*
Net liability from defined benefit obligation	39,390	(1,750)	1,884	1,680

18. Other provisions

In thousands of EUR	*Environmental provision*	*Legal provision*	*Provision for emissions*	*Other provisions*	*Total*
Balance as at 1 January 2019	**9,927**	**10,962**	**33,143**	**3**	**54,035**
Provisions made during the period	-	89	43,154	2	43,245
Provisions used during the period	(1,845)	-	(34,264)	(3)	(36,112)
Unwinding of interest (Note 26)	407	-	-	-	407
Effect of change in estimates through income statement	205	-	1,121	-	1,326
Effect of change in estimates through equity	485	-	-	-	485
Release of provision	-	-	-	-	-
Balance as at 31 December 2019	**9,179**	**11,051**	**43,154**	**2**	**63,386**
Non-current portion	8,668	11,051	-	-	19,719
Current portion	511	-	43,154	2	43,667
Balance as at 1 January 2018	**10,554**	**10,849**	**11,958**	**2**	**33,363**
Provisions made during the period	-	140	33,143	2	33,285
Provisions used during the period	(1,032)	-	(12,015)	(1)	(13,048)
Unwinding of interest (Note 26)	429	-	-	-	429
Effect of change in estimates through income statement	(195)	-	57	-	(138)
Effect of change in estimates through equity	171	-	-	-	171
Release of provision	-	(27)	-	-	(27)
Balance as at 31 December 2018	**9,927**	**10,962**	**33,143**	**3**	**54,035**

Environmental provision

The environmental provision is recognised for the recultivation of waste dumps and the removal of confirmed environmental burdens in accordance with the environmental legislation valid in the Slovak Republic and in line with the Company´s published environmental policy.

The Company owns and operates several waste dumps and has a legal obligation to recultivate them once their capacity is filled up. The Company recognises this provision based on the expected future disbursements arising at the expected date of closure of these dumps.

The provision for the removal of environmental burdens, where the Company is confirmed originator, is recognised at the value of the estimated future costs for their clearance.

The present value of the environmental provision as at 31 December 2019 is calculated based on applying 2% inflation rate (31 December 2018: 2%) and a discount rate ranging from 3.88% to 4.25% (31 December 2018: 3.97% to 4.35%) over forecasted disbursement schedules.

Legal provision

Based on estimate of the Company's management, a provision for legal cases against the Company has been recognised to reflect probability of an unsuccessful resolution of these legal disputes, including the court fees and other related legal fees.

Provision for emission allowances

Provision for emission allowances was recognised for the actual quantity of greenhouse gas emissions discharged during the period, in excess of the emission allowances acquired by the Company for free. The provision is measured at the estimated quantity of the emissions discharged for the period of a calendar year, valued by the unit market price or unit contracted price of the emission allowances designated for the purposes of compliance under the European Union Emissions Trading Scheme and the valid legislation in the Slovak Republic.

19. Loans and borrowings

In thousands of EUR	*Nominal interest rate (%)*	*Maturity*	*2019*	*2018*
Current loans and borrowings				
Loans payable to banks	0.721 – 5.5	2020	203,198	182,594
Subordinated loan (accrued interest)	5.92	2020	38	27
Loans from companies within Group	0.50	2020	1,663	-
Obligations from finance lease (Note 5)	5.75	2020	3,534	544
Total current loans and borrowings			**208,433**	**183,165**
Non-current loans and borrowings				
Loans payable to banks	0.721 – 5.5	2021 - 2026	2,904,458	2,676,123
Subordinated loan	5.92	2027	350,903	244,634
Obligations from finance lease (Note 5)	5.75	2021 - 2043	11,465	1,036
Total non-current loans and borrowings			**3,266,826**	**2,921,793**

As at 31 August 2018 the Company successfully completed the process of renegotiation of the conditions of all existing loan facilities with its creditors. The Company has extended the maturity of its loan facilities with the maximum maturity agreed as at 31 December 2026. At the same time the Company renegotiated financial as well as non-financial covenants. In line with the valid accounting policies, the Company concluded that the modification of loan terms was substantial. The financial impact of the above mentioned modification represented EUR 29,972 thousand and in line with the valid provisions of IFRS 9 was recognised in the income statement (see Note 26).

In 2018 the company Slovak Power Holding B.V. committed to provide a subordinated debt to the Company up to the amount of EUR 700 million. In connection with this contract on subordinated debt also Subordination Agreement in respect of selected receivables related to VEG and Agreement on Postponement of Enforcement of selected receivables related to VEG were concluded.

The substantial part of the loan portfolio is collateralized via pledge over a selected portfolio of assets of the Company. The carrying amount of the pledged assets is disclosed in the Note 29.

As at 31 December 2019 out of the total amount of loan facilities drawn, the Company recognized EUR 165,000 thousand of revolving loans which are classified as long-term, since the Company has the discretion and intention to roll over the obligation for more than twelve months after the reporting period under the existing loan facilities.

In 2019 the Company did not breach any financial or non-financial covenants defined in the loan facility agreements.

As at 31 December 2019 and 31 December 2018, the scheduled repayments of loans and borrowings are as follows:

In thousands of EUR	*2019*	*2018*
On demand or within one year	208,433	183,165
In the second to eighth year inclusive	3,266,826	2,677,159
Beyond the eighth year	-	244,634
Total	**3,475,259**	**3,104,958**

Overview of undrawn credit lines balances:

In thousands of EUR	*2019*	*2018*
Uncommitted credit lines	65,251	125,103
Specific purpose term loans	453,441	629,422
Subordinated loan	355,000	456,000
Total	**873,692**	**1,210,525**

Overview of the loans movements during the year 2019 and 2018 is as follows:

			Non-cash movements		
In thousands of EUR	*Balance as at 1 January 2019*	*Cash flows*	*Other*	*Foreign exchange differences*	*Balance as at 31 December 2019*
Loans payable to banks	2,858,717	235,760	(13,898)	27,077	3,107,656
Subordinated loan	244,661	101,000	5,280	-	350,941
Loans payable to companies within the Group	-	1,663	-	-	1,663
Obligations from finance lease (Note 5)	1,580	(3,415)	16,834	-	14,999
Total current and non-current loans and borrowings	**3,104,958**	**335,008**	**8,216**	**27,077**	**3,475,259**

In thousands of EUR	*Balance as at 1 January 2018*	*Cash flows*	*Other*	*Foreign exchange differences*	*Balance as at 31 December 2018*
Loans payable to banks	2,804,605	127,409	(43,353)*	(29,944)	2,858,717
Subordinated loan	-	244,000	661	-	244,661
Loans payable to companies within the Group	714	(714)	-	-	-
Obligations from finance lease (Note 5)	2,128	(655)	107	-	1,580
Total current and non-current loans and borrowings	**2,807,447**	**370,040**	**(42,585)**	**(29,944)**	**3,104,958**

**The value represents the net effect of the amortized cost adjustment of the carrying value of loans due to the modification of the loan terms in the amount of EUR 48,140 thousand and an accrued interest paid in arrears with the opposite impact of EUR 4,787 thousand*

20. Other liabilities

Other liabilities consist of deferred income from derivative transactions, accrued expenses and deferred income from grants.

Deferred income from derivative transactions relates to the initial value of the embedded options as at the date of the conclusion of the long-term electricity contract with Slovalco, a.s. For further detail see Note 7.

Other liabilities comprise the following:

In thousands of EUR	*2019*	*2018*
Deferred income from derivative transactions	1,554	2,331
Daily settlement of profits and losses on commodity exchange	-	1,143
Accrued expenses – air pollution charges	152	252
Grants	52	167
Total	**1,758**	**3,893**
Non-current portion	52	167
Current portion	1,706	3,726

21. Trade and other current payables

In thousands of EUR	*2019*	*2018*
Financial liabilities		
Trade payables	**245,925**	**288,440**
Other current liabilities		
Social security payables	5,097	4,985
Payables to employees	28,887	25,586
Other direct taxes	7,332	5,847
Short-term provisions	14,983	20,093
Other payables	10,960	11,529
Total other current liabilities	**67,259**	**68,040**
Total trade and other current payables	**313,184**	**356,480**

Terms and conditions of the above stated financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of payment of one to three months.
- For terms and conditions relating to related parties, refer to Note 28.

For explanations on the Company's credit risk management processes, refer to Note 31.

The social fund payable is included in other non-financial liabilities. The creation and use of the social fund during the period are shown in the table below:

In thousands of EUR	*2019*	*2018*
At the beginning of the period	**826**	**533**
Legal creation through expenses	1,218	1,255
Usage	(916)	(962)
At the end of the period	**1,128**	**826**

Trade and other payables divided into due and overdue are shown in the table below:

In thousands of EUR	*2019*	*2018*
Trade and other payables due	312,832	356,128
Trade and other payables overdue	352	352
Total	**313,184**	**356,480**

22. Electricity and heat revenues and cost of electricity purchased for resale

Electricity and heat revenues comprise the following:

In thousands of EUR	*2019*	*2018*
Domestic sales, including traders	830,373	935,198
Ancillary services	73,012	85,237
Regulating electricity	3,229	4,898
Deviation	7,919	9,652
Revenues from tariff from system operation	116,638	105,948
Heat revenues	19,364	16,344
Domestic revenues	**1,050,535**	**1,157,277**
Foreign sales	1,298,935	1,265,550
Total electricity and heat revenues	**2,349,470**	**2,422,827**

Cost of electricity purchased for resale comprise the following:

In thousands of EUR	*2019*	*2018*
Purchase of electricity	1,480,723	1,643,676
Electricity fees	2,706	6,701
Other	6,000	9,749
Cost of electricity purchased for resale	**1,489,429**	**1,660,126**

23. Other operating income and other operating costs

Other operating income comprises the following:

In thousands of EUR	*2019*	*2018*
Rental income	1,273	1,253
Commodity derivatives, net	-	95,326
Gain on sale of emission allowances	52,295	10,569
Amortisation of deferred income	117	117
Gain on sale of property, plant and equipment	-	7,721
Contractual fines	242	51
Gain on sale of material	412	249
Payables write-off	-	-
Compensation of damage	10	1
Income from settlement agreements	102	505
Other	282	520
Total other operating income	**54,733**	**116,312**

Other operating costs, other than depreciation, amortisation and impairment, comprise the following:

In thousands of EUR	*2019*	*2018*
Local taxes and environmental charges	15,263	15,351
Insurance costs	5,486	6,450
Changes in other provisions	295	(83)
Commodity derivatives, net	30,314	4,504
Loss on sale of property, plant and equipment	424	-
Contractual fines	292	221
Membership fees	911	822
Changes in provision for reimbursement of damages caused by exhalations	(555)	(111)
Provision for emission allowances	44,276	33,199
Other	306	736
Total other operating costs	**97,012**	**61,089**

The expenses for services provided by auditors were as follows:

In thousands of EUR	*2019*	*2018*
Audit of the financial statements	128	114
Related audit services	28	7
Other non-audit services	11	11
Total	**167**	**132**

24. Personnel expenses

In thousands of EUR	*2019*	*2018*
Wages and salaries	81,831	79,912
Social security costs	35,824	35,887
Other social expenses	5,344	5,181
Employee benefits (Note 17)	2,012	1,826
Long-term incentives	(107)	-
Severance payments	1,086	573
Personnel expenses	**125,990**	**123,379**

25. Depreciation, amortisation and impairment

In thousands of EUR	*2019*	*2018*
Depreciation charge - property, plant and equipment (Note 5)	199,078	184,213
Amortisation charge - intangible assets (Note 6)	1,705	1,301
Impairment loss through income statement - property, plant and equipment (Note 5)	15,382	3,012
Change in estimate of provision for nuclear decommissioning and storage costs (Note 15)	-	(396)
Change in estimate of provision for dismantling of thermal power plants (Note 16)	(31)	-
Creation of allowance for doubtful debts, net (Note 11)	1,015	1,506
Other	9	11
Depreciation, amortisation and impairment	**217,158**	**189,647**

26. Finance income and costs

In thousands of EUR	*2019*	*2018*
Foreign exchange differences, net	-	233
Interest income	2,877	3,010
National Nuclear Fund – interest received (Note 15)	30,691	29,494
Embedded derivatives – change in valuation (Note 30)	-	11,286
Embedded derivatives – release of deferred revenues (Note 20)	777	778
Income from investments in subsidiaries and associates	405	413
Revaluation gain from ineffective hedging derivatives	669	2,305
Finance income	**35,419**	**47,519**

In thousands of EUR	*2019*	*2018*
Foreign exchange differences, net	608	-
Unwinding of interest – provision for nuclear decommissioning and storage costs (Note 15)	86,830	83,500
Unwinding of interest – provision for dismantling of thermal power plants (Note 16)	5,220	5,079
Unwinding of interest – employee benefits (Note 17)	541	433
Unwinding of interest – other provisions (Note 18)	407	429
Loss on loan derecognition (Note 19)	-	29,972
Embedded derivatives – change in valuation (Note 30)	305	-
Other	5,088	6,156
Finance costs	**98,999**	**125,569**

27. Income tax expense

Current and deferred tax expense

In thousands of EUR	*2019*	*2018*
Current tax expense	**13,424**	**(5,046)**
Out of that: Tax for current period	13,414	1,134
Tax for previous years recognised in the income statement	10	(6,180)
Deferred tax expense		
Origination and reversal of temporary differences	(5,247)	9,591
Income tax recognised in the income statement	**8,177**	**4,545**

In accordance with the valid legislation as at 31 December 2019 the Company applied the tax rate of 21% for income tax calculation (21% in the year 2018) and 21% for deferred tax calculation (21% in the year 2018).

As at 31 December 2019 the Company does not recognize any receivable from the income tax. Income tax receivable amounting to EUR 1,764 thousand recognised as at 31 December 2018 is related to the current income tax position as at 31 December 2018.

Current income tax liability amounting to EUR 21,614 thousand recognised as at 31 December 2019 is related to the income tax position as at the balance sheet date and to the position in respect of the special levy on business in regulated industries as at the balance sheet date (31 December 2018: EUR 4,870 thousand).

Special levy

On 23 November 2016, the National Council of the Slovak Republic adopted an amendment to the Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries with effect from 31 December 2016. The amendment states the force of the legislation is delayed ad infinitum, i.e. the special levy will be paid also beyond the year 2016. The amendment also increased the monthly rate from 0.00363 to 0.00726 for the period of the year 2017 and 2018 and to 0.00545 in years 2019 and 2020. Starting from the year 2021 the monthly rate is determined at 0.00363. Pursuant the amendment the basis for the special levy has been changed as well and since 2017 the levy is paid only from the regulated activities.

Reconciliation of effective tax rate

In thousands of EUR		*2019*		*2018*
Profit for the period		17,969		25,315
Total income tax expense		8,177		4,545
Profit before income tax		**26,146**		**29,860**
Income tax using the Company's domestic tax rate	21%	5,491	21%	6,271
Special levy on business in regulated industries		778		1,134
Non-deductible expenses/revenues, net	7%	1,898	11%	3,320
Income tax recognised before prior year adjustments	**31%**	**8,167**	**36%**	**10,725**
Current tax for previous years recognised in the income statement		10		(6,180)
Income tax recognised in the income statement	**31%**	**8,177**	**15%**	**4,545**

Deferred tax recognised directly in equity

In thousands of EUR	*2019*	*2018*
Net movement on cash flow hedges	(16,442)	23,331
Revaluation of property, plant and equipment	(133,738)	-
Changes in valuation of property, plant and equipment	241	(363)
Remeasurement losses on defined benefit plans	354	(270)
Change in estimate of the provision for nuclear decommissioning and storage costs	5,023	4,600
Change in estimate of the provision for dismantling of thermal power plants	128	440
Change in estimate of the environmental provision	102	36
Effect of initial application of IFRS 9	-	554
Total deferred tax recognised directly in equity	**(144,332)**	**28,328**

Deferred tax assets and liabilities

	Assets		*Liabilities*		*Net*	
In thousands of EUR	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
Property, plant and equipment	-	-	(667,396)	(526,971)	(667,396)	(526,971)
Derivatives and cash flow hedges	4,228	65,124	-	(49,479)	4,228	15,645
Embedded derivatives	-	-	(137)	(201)	(137)	(201)
Inventories	1,985	1,501	-	-	1,985	1,501
Employee benefits	9,035	8,401	-	-	9,035	8,401
Provision for nuclear decommissioning and storage costs	454,849	425,205	-	-	454,849	425,205
Provision for dismantling of thermal power plants	26,640	26,408	-	-	26,640	26,408
Receivable from the sale of the VEG assets	4,752	5,282	-	-	4,752	5,282
Right for reimbursement from the National Nuclear Fund	-	-	(281,214)	(261,171)	(281,214)	(261,171)
Other	19,569	17,902	(1,445)	(2,050)	18,124	15,852
Balance as at 31 December	**521,058**	**549,823**	**(950,192)**	**(839,872)**	**(429,134)**	**(290,049)**

Movement in temporary differences during the year

In thousands of EUR	*Balance as at 1 January 2018*	*Recognised in profit or loss*	*Recognised in equity*	*Balance as at 31 December 2018*	*Recognised in profit or loss*	*Recognised in equity*	*Balance as at 31 December 2019*
Property, plant and equipment	(529,727)	3,119	(363)	(526,971)	(6,928)	(133,497)	(667,396)
Derivatives and cash flow hedges	7,528	(15,214)	23,331	15,645	5,025	(16,442)	4,228
Embedded derivatives	2,169	(2,370)	-	(201)	64	-	(137)
Inventories	1,076	425	-	1,501	484	-	1,985
Employee benefits	8,519	152	(270)	8,401	280	354	9,035
Provision for nuclear decommissioning and storage costs	394,290	26,315	4,600	425,205	24,621	5,023	454,849
Provision for dismantling of thermal power plants	24,530	1,438	440	26,408	104	128	26,640
Receivable from the sale of the VEG assets	5,832	(550)	-	5,282	(530)	-	4,752
Right for reimbursement from the National Nuclear Fund	(243,791)	(17,380)	-	(261,171)	(20,043)	-	(281,214)
Other	20,762	(5,500)	590	15,852	2,170	102	18,124
Assets and liabilities directly associated with discontinued operations	26	(26)	-	-	-	-	-
Deferred tax liability	**(308,786)**	**(9,591)**	**28,328**	**(290,049)**	**5,247**	**(144,332)**	**(429,134)**

As at 31 December 2019 the Company recognised a deferred tax position in the net amount of EUR 26,040 thousand (31. December 2018: 11,240 thousand) on the face of the balance sheet (deferred tax asset) from the temporary differences on the following items: dismantling asset, right for reimbursement from the National Nuclear Fund, provision for decommissioning of nuclear power plants, part of provision for storage and disposal of spent nuclear fuel related to its final disposal in the deep geological repository.

As of 17 October 2018 a new Act No. 308/2018 on the National Nuclear Fund was passed that introduces new legal requirements regarding post operation and decommissioning of nuclear power plants, with the effective date as of 1 January 2019.

With regards to the long-term horizon of the final stage of peaceful utilization of nuclear energy it is not possible to anticipate impact of changes on tax deductibility in future with reference to the new wording of the Act on the National Nuclear Fund. Under the prudency principles the Company currently resolved not to alter the said tax position.

28. Related party transactions

Related parties have been identified as subsidiaries, associates, shareholders, directors and management of the Company and entities controlled by the government that the Company transacts with.

The Company had the following transactions and outstanding balances with related parties as at and for the year ended 31 December 2019:

In thousands of EUR	*Sales*	*Purchases*	*Receivables*	*Payables*
Companies ENEL Group	98,819	113,373	9,030	46,320
Centrum pre vedu a výskum, s.r.o.	4	797	2	353
Ochrana a bezpečnosť SE, a.s.	397	6,792	80	514
SE Služby inžinierskych stavieb, s.r.o.	317	21,252	78	4,853
Slovenské elektrárne - energetické služby, s.r.o.	136,613	2,042	24,228	507
Slovenské elektrárne Česká republika, s.r.o.	58,402	1,771	4,907	229
Chladiace veže Bohunice, spol. s r.o.	6	882	2	85
Energotel, a.s.	69	999	20	269
REAKTORTEST, s.r.o.	-	10,768	-	-
ÚJV Řež, a.s.	2	3,733	-	1,923
ÚJV Řež, a.s. - organizačná zložka Slovensko	-	87	-	73
EMANI	-	1,944	-	-
ELINI	-	883	-	252
Wood Nuclear Slovakia s.r.o.	-	295	-	66
EGEM, s.r.o.	-	24	-	14
EOP HOKA SK, s.r.o.	131	78	11	14
EP Coal Trading a.s.	-	-	-	6
EP Commodities, a.s.	21,557	39,421	2,308	1,567
EP ENERGY TRADING, a.s.	2,031	942	135	373
EP ENERGY TRADING, a.s., organizačná zložka	-	-	-	-
Jadrová a vyraďovacia spoločnosť, a.s.	1,130	16,485	252	5,660
Jadrová energetická spoločnosť Slovenska, a.s.	-	-	-	-
Slovenská elektrizačná prenosová sústava, a.s.	71,481	6,788	17,750	2,779
Slovenský plynárenský priemysel, a.s.	51,599	7	4,981	-
I&C Energo a.s.	-	4,572	-	329
I&C Energo a.s. organizačná zložka	-	5	2,738	1,161
MH Invest, s.r.o.	77	-	8	-
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	-	5	-	-
SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik	213	32,376	249	9,471
SPP - distribúcia, a.s.	-	1	1	-
SSE CZ, s.r.o.	5,613	-	477	-
Stredoslovenská energetika Holding, a.s.	70,155	3,461	8,961	344
Stredoslovenská distribučná, a.s.	7,253	7,282	706	1,022
VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK	25	386	67,820	496
Východoslovenská distribučná, a.s.	967	723	66	69
Východoslovenská energetika, a.s.	22,047	2,621	2,232	266
Západoslovenská distribučná, a.s.	5,124	4,128	395	308
Západoslovenská energetika, a.s.	-	10	-	-
ZSE Energia, a.s.	96,584	45	9,851	8
Total	**650,616**	**284,978**	**157,288**	**79,331**

**In 2019 the company name was changed from Stredoslovenská energetika, a.s. to Stredoslovenská energetika Holding,a.s.*

The Company had the following transactions and outstanding balances with related parties as at and for the year ended 31 December 2018:

In thousands of EUR	*Sales*	*Purchases*	*Receivables*	*Payables*
Companies ENEL Group	32,265	60,716	10,276	54,258
Centrum pre vedu a výskum, s.r.o.	5	1,122	1	321
Ochrana a bezpečnosť SE, a.s.	400	6,131	82	618
SE Služby inžinierskych stavieb, s.r.o.	400	27,163	92	3,581
Slovenské elektrárne - energetické služby, s.r.o.	125,263	4,946	15,858	2,211
Slovenské elektrárne Česká republika, s.r.o.	53,004	5,358	6,590	1,101
Chladiace veže Bohunice, spol. s r.o.	6	1,034	2	109
Energotel, a.s.	70	1,013	15	305
REAKTORTEST, s.r.o.	-	11,369	-	9
ÚJV Řež, a.s.	2	5,221	-	1,910
ÚJV Řež, a.s. - organizačná zložka Slovensko	-	794	-	656
EMANI	-	1,987	-	-
ELINI	-	512	-	33
EGEM, s.r.o.	-	3,353	-	3,438
EOP HOKA SK, s.r.o.	99	258	22	95
EP Coal Trading a.s.	-	26,048	-	14,924
EP Commodities, a.s.	10,383	3,352	11,423	2,116
EP ENERGY TRADING, a.s.	3,690	5,495	203	509
EP ENERGY TRADING, a.s., organizačná zložka	288	77	-	-
Jadrová a vyraďovacia spoločnosť, a.s.	1,087	17,435	250	6,046
Jadrová energetická spoločnosť Slovenska, a.s.	-	49	-	5
Slovenská elektrizačná prenosová sústava, a.s.	82,277	7,029	15,830	1,274
Slovenský plynárenský priemysel, a.s.	40,903	11,616	6,006	1,183
I&C Energo a.s.	-	904	-	165
I&C Energo a.s. organizačná zložka	-	428	-	553
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	4	2	-	2
SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik	141	26,812	162	5,760
SPP - distribúcia, a.s.	-	1	-	1
SSE CZ, s.r.o.	6,244	2,111	530	179
Stredoslovenská energetika, a.s.	66,313	8,656	8,186	1,173
Stredoslovenská distribučná, a.s.**	8,200	8,996	567	868
VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK	60	1,953	77,488	633
Východoslovenská distribučná, a.s.	1,409	681	35	73
Východoslovenská energetika, a.s.	54,227	27	5,643	2
Západoslovenská distribučná, a.s.	5,668	4,288	378	307
Západoslovenská energetika, a.s.	-	8	-	1
ZSE Energia, a.s.	80,138	4,969	7,777	18
Wood Nuclear Slovakia s.r.o.*	-	471	-	452
Total	**572,546**	**262,385**	**167,416**	**104,889**

**In 2018 the company name was changed from Amec Foster Wheeler Nuclear Slovakia s.r.o. to Wood Nuclear Slovakia, s.r.o.*
***In 2018 the company name was changed from Stredoslovenská energetika - Distribúcia, a.s. to Stredoslovenská distribučná, a.s.*

As of 31 December 2019 the Company has recognised a provision for doubtful debts related to overdue receivables from the companies of Enel Group amounting to EUR 3,181 thousand (2018: EUR 3,153 thousand).

As of 31 December 2019 the Company has subordinated loan from the company Slovak Power Holding B.V. amounting to EUR 350,941 thousand (2018: EUR 244,661 thousand).

For information regarding the transactions with VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK, see the Note 11 and 29.

The Company discloses only those transactions and balances with the government-related entities, which are significant. Transactions with National Nuclear Fund are disclosed in the Note 15.

All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months from the reporting date, except for the non-current receivable from VV (see note 11) and right for reimbursement from National Nuclear Fund (see note 15). None of the balances is secured with the exception of the payable towards Slovenská elektrizačná prenosová sústava, a.s., which was secured by the bank guarantee in the amount of EUR 3,338 thousand valid from 8 December 2017 until 31 January 2019.

Statutory bodies of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2019, the Company's statutory bodies have the following composition:

The Board of Directors:
Ing. Branislav Strýček, Chairman of the Board
Michele Bologna, Vice-chairman of the Board
Ing. Peter Hlbocký, Vice-chairman of the Board
Ing. Jaroslav Holubec
Pavol Štuller, MBA
Ing. Martin Suchánek
Ing. Lukáš Maršálek
Pedro José Cañamero González (from 27 June 2019)

The Supervisory Board:
Elisabetta Barberi, Chairman of the Board (from 22 November 2019)
JUDr. Peter Hajduček, Vice-chairman of the Board (from 22 November 2019)
Mgr. Zdenek Turian
Ľudovít Hacaj
Jiří Feist
Pavel Janík
Jan Stříteský
Jozef Ondrejíček
Stanislav Kysel
Ing. Bohumil Kratochvíl
Andrea Piagentini
Maria Antonietta Giannelli (from 25 May 2019)
Giuseppe Ferrara (from 25 May 2019)
doc. JUDr. Boris Balog (from 22 November 2019)
Ján Topoľovský (from 23 December 2019)

The membership in the Company's statutory bodies which ended during 2019:

Ing. Tatiana Kamenská (by 24 May 2019)
Igino Maria Chellini (by 21 November 2019)
Ing. Richard Paško, Chairman of the Board (by 24 May 2019)
Georgios Karavas, Vice-chairman of the Board (by 24 May 2019)
Rodolfo Avogadro di Vigliano (by 24 May 2019)
Giuseppe Turchiarelli, Chairman of the Board (by 21 November 2019)
Ing. Oľga Beckerová (by 22 December 2019)

Emoluments of the members of the Board of Directors:

In thousands of EUR	*2019*	*2018*
Salaries and other short-term employee benefits	1,528	1,383
Benefits in kind	21	17
Total	**1,549**	**1,400**

Emoluments of the members of the Supervisory Board:

In thousands of EUR	*2019*	*2018*
Salaries and other short-term employee benefits	232	105
Total	**232**	**105**

Emoluments of the members of the key management:

In thousands of EUR	*2019*	*2018*
Salaries and other short-term employee benefits	3,854	3,646
Benefits in kind	58	80
Total	**3,912**	**3,726**

No loans and advance payments have been granted to the key management and the members of the Board of Directors and the Supervisory Board. No guarantees have been granted to the key management and the members of the Board of Directors and the Supervisory Board.

29. Commitments and contingencies

Short-term and low value lease commitments – Company as the lessee

Short-term and low value lease charges comprise:

In thousands of EUR	*2019*	*2018*
Lease of cars	1,333	1,443
Lease of land and buildings	60	3,131
Lease of IT and telecommunication devices	954	954
Total	**2,347**	**5,528**

The Company has entered into contracts on lease of cars and IT and telecommunication devices with definite terms. The Company has entered into contracts on lease of land and buildings with definite and indefinite terms.

The future minimum lease payments under non-cancellable lease contracts are as follows:

In thousands of EUR	*2019*	*2018*
Less than one year	1,652	4,179
Between one and five years (inclusive)	3,073	13,640
More than five years	120	888
Total	**4,845**	**18,707**

Short-term and low value lease commitments – Company as the lessor

Short-term and low value lease revenues comprise:

In thousands of EUR	*2019*	*2018*
Lease of land and buildings	1,248	1,262
Lease of IT and telecommunication devices	337	337
Total	**1,585**	**1,599**

The Company has entered into contracts on these leases with both, definite and indefinite terms.

The future minimum lease payments under non-cancellable lease contracts are as follows:

In thousands of EUR	*2019*	*2018*
Less than one year	1,536	1,394
Between one and five years (inclusive)	1,602	1,905
More than five years	582	457
Total	**3,720**	**3,756**

Capital commitments

The Company is engaged in continuous capital expenditure programs, including environmental improvements and the modernisation, replacement and expansion of existing power generation facilities and continuing of construction of Mochovce 3&4. As at 31 December 2019 the Company has concluded contracts to purchase property, plant and equipment in overall amount of EUR 5,516,782 thousand (31 December 2018: EUR 5,231,819 thousand), thereof EUR 305,388 thousand was not yet realized as at 31 December 2019 (31 December 2018: EUR 475,304 thousand).

Legal claim contingency

The Company is involved in various litigations in the ordinary course of its business. Except for the legal proceedings specified below and the litigations for which the provision has been recognised (see Note 18), the Company is not currently involved in any legal proceeding that is expected, either individually or in aggregate, to have a significant effect on the accompanying separate financial statements.

VEG court proceedings

The Company, the company VODOHOSPODÁRSKA VÝSTAVBA, ŠTÁTNY PODNIK (hereinafter as the "VV") and certain other entities are involved in several court disputes pertaining VEG Operating Agreement (hereinafter as the "Operating Agreement") signed on 10 March 2006 as amended by the Amendment No. 1 dated 17 July 2006, the Agreement on Settlement of Legal Relations with respect to the VEG Assets (hereinafter as the "Settlement Agreement") signed on 24 March 2006 as well as the Agreement of Indemnity signed on 22 March 2006 between the National Property Fund of the Slovak Republic (hereinafter as the "NPF") and the Company (hereinafter as the "Indemnity Agreement").

Finished court proceedings.
The Company was party to dispute in two proceedings concerning invalidity of the Operating Agreement. The court definitely decided that the Operating Agreement is invalid in the proceedings initiated by the Public Procurement Office.

Another legal action was raised by VV, but the court stopped these proceedings due to the final decision about invalidity of the Operating Agreement in proceedings initiated by the Public Procurement Office.

Court proceedings ongoing
1. Action initiated by VV challenging the Indemnity Agreement

On 20 June 2008, VV filed an action (against the Company as well as against the NPF) claiming that the Indemnity Agreement is null and void arguing, in essence, that it (i) does not comply with the International Treaty, (ii) is contrary to several laws and good morals and fair commercial relations.

On 27 September 2017 the court dismissed the action filed by VV. VV filed an appeal on 27 November 2017.

The appellate proceeding confirmed the dismissal of the action by the first instance court.

2. Action initiated by the National Property Fund of the Slovak Republic challenging the Indemnity Agreement

On 16 July 2008, the NPF filed an action claiming that the Indemnity Agreement is null and void, in essence, because one of its conditions precedent – validity of the Operating Agreement – had never been fulfilled.

The company MH Manažment, a.s. alleges that it is a legal successor of the NPF (implicitly in relation to the Indemnity Agreement) and asked the court to continue in proceeding. The Company stated that (i) the company MH Manažment, a.s. is not a legal successor of the NPF, and (ii) the court has no jurisdiction to hear the case due to the existence of the arbitration clause in the Indemnity Agreement.

The company MH Manažment, a.s. entered into the proceedings as a legal successor of the NPF. On 27 September 2017 the court dismissed the action, subsequently, the company MH Manažment, a.s. filed an appeal on 24 November 2017.

The appellate proceeding confirmed the dismissal of the action by the first instance court.

3. Action initiated by VV challenging the Settlement Agreement

On 20 June 2008, VV filed an action claiming that Article 6 of the Settlement Agreement is null and void arguing, in essence, that: (i) it does not comply with the International Treaty, (ii) is contrary to several laws and good morals and fair commercial relations. The National Property Fund of the Slovak Republic, the Ministry of Economy of the Slovak Republic and Slovenský energetický podnik, štátny podnik v likvidácii, act as other defendants.

The company MH Manažment, a.s. entered into the proceedings as a legal successor of the NPF. The judge´s preliminary legal assessment of the matter complies with the Company´s legal argumentation. At the hearing of 5 March 2019, the court dismissed VV´s legal action and awarded the right for the reimbursement of the costs of the proceeding in full extent to the other parties to the dispute.

In May 2019, both VV and the Ministry of Economy of the Slovak Republic filed an appeal. The appelate proceeding is pending.

4. Several court disputes in which VV claims unjustified enrichment allegedly gained by the Company due to the operation of the VEG

In ten disputes, VV claims from the Company the amount of 35% share on revenues gained by the Company during operation of the VEG on the basis of the allegedly invalid Operating Agreement for years 2006 – 2015 in total amount of EUR 364,495 thousand. The Company filed a statement for setting up a counterclaim (i.e. for preventive reasons the Company raised its claim to receive payment of services rendered in connection with operation of the VEG in case that the Operating Agreement is null and void).

Each of the disputes covers one year, or its respective part from the period of 2006 through 2015.

During 2018, the Company raised counterclaims against VV arising from invalidity of the VEG Operating Agreement and also financial compensation for non-financial performance.

In the proceeding concerning recovery of unjustified enrichment for the year 2012 the court dismissed VV´s legal action and also the Company´s counterclaim on 25 April 2019; on 7 June 2019 VV filed an appeal and on 21 June 2019 the Company filed an appeal. The appellate proceeding is pending.

In the proceedings concerning recovery of unjustified enrichment for the years 2006 – 2008 the court dismissed VV´s legal action and also the Company´s counterclaim on 26 June 2019; on 17 July 2019 VV filed appeals and on 30 July 2019 the Company filed appeals. The appellate proceedings are pending

All other proceedings on Unjust Enrichment Proceedings (concerning years 2009, 2010, 2011, 2013, 2014 and 2015) are pending.

5. Action initiated by VV to recover the amounts paid to the Company under the Settlement Agreement

On 8 July 2015, VV filed a claim requesting that the Company is ordered to pay to VV the amount of EUR 43,279 thousand (plus default interests) corresponding to the amount already fulfilled by VV to the Company for VEG assets carved out from the Company´s assets in 2006 under the Settlement Agreement. VV argues that the Company should have never received such compensation for VEG assets given the invalidity of the Operating Agreement and the fact that a transfer of VEG assets to the Company in 1994 was illegal. In reaction to the Company`s objections, VV decreased requested amount to EUR 20,385 thousand (plus default interests).

The proceeding is pending.

6. The Company's claim for annual settlement

On 31 December 2014, the Company filed the claim for a balance resulting from the annual settlement for year 2010 which has not been paid until the date of these financial statements by VV in the amount of EUR 5,824 thousand (including VAT) with default interest.

On 22 January 2019 the court rendered a ruling about continuation in the proceeding. On 10 October 2019 the court dismissed the Company´s legal action. Subsequently, on 15 November 2019 the Company filed an appeal. The appellate proceeding is pending.

7. The Company's claim for a return of payments made under Article 10 of the Operating Agreement

On 12 November 2014, the Company filed a claim for EUR 23,887 thousand with default interest, i.e. the return of a regular payment made under Article 10 of the Operating Agreement in the amount not yet statute-barred. The Company argues, in essence, that the contractual conditions under Article 10 of the Operating Agreement by VV for receiving a regular payment were not fulfilled and that the Company was never obliged to pay approximately EUR 5 million per year.

On 22 January 2019 the court rendered a ruling about continuation in the proceeding. The proceeding is pending. On 10 October 2019 the court dismissed the Company´s legal action. Subsequently, on 15 November 2019 the Company filed an appeal. The appellate proceeding is pending.

Other court proceedings

1. Court proceedings with SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik

The Company was involved in several court disputes with SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik (hereinafter as the "SVP") pertaining to a price to be paid by the Company for an offtake of surface water from Laborec river in 2002. In the court proceeding initiated by SVP in 2004, SVP prevailed on both instances and the Company paid to SVP, in 2010, the amount of EUR 10,004 thousand (the amount of principal was EUR 5,847 thousand). Subsequently, in 2012, the Company was successful with its constitutional complaint, the judgment ordering the Company to pay the above-mentioned amount was cancelled and the matter was referred back to the courts to rehear the case.

This proceeding is still pending in the first instance.

In the expert opinion, from expert appointed by the court, a market price for the surface water off-take was stated in amount of EUR 1,550 thousand (without VAT).

Given the fact that SVP refused to return EUR 10,004 thousand paid originally by the Company under the judgment set aside by the Constitutional Court, the Company sued SVP and obtained the judgment (effective and enforceable at the day of these financial statements) ordering SVP to pay the Company EUR 10,004 thousand and default interests. Until now, SVP has not paid this amount.

The Company is involved in a court dispute with SVP related to the commission for recovery of SVP´s receivables against the Company performed by the company BRNO TRUST, a.s. for SVP in an amount of EUR 7,801 thousand and default interests. The Company prevailed in both instances, but the general prosecutor filed an extraordinary review which reversed the matter in the end to the first-instance proceedings which is still pending.

The Company negotiates with SVP about a possible settlement of mutual receivables and out-of-court termination of disputes.

2. Court proceedings related to G – component

The Company is involved in 3 court disputes with all distribution system operator after the cancellation of the part of the Regulatory Office for Network Industries´ decree allowing distribution system operator to ask to pay a fee (so called G-component) from an electricity producer even without conclusion of the respective contract on access and electricity distribution given in the Energy Act, by the award of the Constitutional Court of the Slovak Republic.

The Company asked for back-payment of the payments of G-component for years 2014, 2015 and first half of year 2016, in aggregate app. amount of EUR 34,100 thousand.

Vienna Convention on Civil Liability for Nuclear Damage

Under the Vienna Convention on Civil Liability for Nuclear Damage (May 1963), the operator of a nuclear installation is absolutely liable for the nuclear damages. The Vienna Convention entered into force in the Slovak Republic on 7 June 1995. The Vienna Convention requires the operator to maintain insurance or other financial security covering its liability for nuclear damage in such an amount, of such a type and in such terms as the installation state shall specify. The installation state may not reduce the limit of the operator's liability below USD 5 million (USD in terms of gold on 29 April 1963, that is to say USD 35 per one troy ounce of fine gold) per single nuclear incident.

On 19 March 2015 the National Council of the Slovak Republic approved the Act No. 54/2015 Coll. on Civil Liability for Nuclear Damage and on its Financial Coverage and on amendment and supplement of certain acts, which entered into force on 1 January 2016 and based on which the operator's liability for nuclear damage caused by each nuclear incident is limited to EUR 300 million for a nuclear installation for energy purposes and EUR 185 million for other nuclear installation and transport of nuclear material.

As at the balance sheet date the Company had in place liability insurance policies compliant with the indemnity limit of EUR 300 million for each operating nuclear installation (Jaslovské Bohunice and Mochovce) separately, a liability insurance policy compliant with the indemnity limit of EUR 185 million for units 3 and 4 of Mochovce nuclear power plant and a policy for insurance of the liability for a damage caused by operation and handling of ionizing radiation sources with an indemnity limit up to EUR 1.4 million.

Financial guarantees

During 2018, the Company has granted promise of indemnification in favour of its supplier, in total value of EUR 4,840 thousand. As of 31 December 2019, the value of the promise of indemnification remains unchanged. The Company does not expect any reimbursements towards the supplier in this respect and therefore no liabilities were recognised on face of the balance sheet

Except for the abovementioned, the Company did not have any financial guarantee contracts in favour of third parties as at 31 December 2019 and 31 December 2018.

Other inspections

The Company is subject to various controls performed by the state authorities. Although the Company cannot exclude that any of these proceedings discover irregularities in its activities based on which the Company could be penalized, the management cannot determine any amount for which a provision should be recognised because of such proceedings. Due to that reason, no provision has been recognised for that purpose as at 31 December 2019 and as at 31 December 2018.

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

Pledged assets

As of the date of these financial statements the Company's long term tangible assets in the value of EUR 9,059,366 thousand (2018: in the value of EUR 8,092,547 thousand) and inventories in the value of EUR 22,100 thousand (2018: in the value of EUR 21,184 thousand) were pledged in favour of banks and loan creditors.

30. Fair values

The fair values of financial assets and liabilities, compared to the carrying amounts shown in the balance sheet, are as follows:

		31 December 2019		*31 December 2018*	
In thousands of EUR	*Note*	*Carrying amounts*	*Fair values*	*Carrying amounts*	*Fair values*
Non-current financial assets					
Other receivables	11	104,969	104,969	101,386	101,386
Right for reimbursement from the National Nuclear Fund	15	1,339,112	1,339,112	1,229,869	1,229,869
Embedded derivatives	7	622	622	607	607
Hedging derivatives	7	6,243	6,243	526	526
Other investments	9	5,996	5,996	5,196	5,196
Total non-current financial assets		**1,456,942**	**1,456,942**	**1,337,584**	**1,337,584**
Non-current financial liabilities					
Loans and borrowings	19	3,266,826	4,085,255	2,921,793	2,921,793
Hedging derivatives	7	99,115	99,115	202,283	202,283
Total non-current financial liabilities		**3,365,941**	**4,184,370**	**3,124,076**	**3,124,076**
Current financial assets					
Trade and other receivables	11	178,796	178,796	156,116	156,116
Embedded derivatives	7	29	29	349	349
Derivatives not designated as hedges	7	152,869	152,869	392,899	392,899
Hedging derivatives	7	29,927	29,927	32,180	32,180
Cash and cash equivalents	12	4,631	4,631	8,592	8,592
Total current financial assets		**366,252**	**366,252**	**590,136**	**590,136**
Current financial liabilities					
Loans and borrowings	19	208,433	208,433	183,165	183,165
Derivatives not designated as hedges	7	115,940	115,940	329,745	329,745
Hedging derivatives	7	66,683	66,683	71,670	71,670
Trade and other current payables	21	313,184	313,184	356,480	356,480
Total current financial liabilities		**704,240**	**704,240**	**941,060**	**941,060**

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between informed, willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Fair values of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Company based on parameters such as interest rates, specific country risk factors, the individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2019 and 31 December 2018, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- Fair value of quoted instruments is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair values of available-for-sale financial assets are derived from quoted market prices in active markets, if available.

- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using a valuation technique with market observable inputs are mainly foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments and non-financial assets (see Note 5) by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

As at 31 December 2019 the Company held the following financial instruments measured at fair value:

Financial assets measured at fair value

In thousands of EUR	*Note*	*31 December 2019*	*Level 1*	*Level 2*	*Level 3*
Embedded derivatives	7	651	-	651	-
Derivatives not designated as hedges	7	152,869	-	152,869	-
Hedging derivatives	7	36,170	-	36,170	-

Financial liabilities measured at fair value

In thousands of EUR	*Note*	*31 December 2019*	*Level 1*	*Level 2*	*Level 3*
Derivatives not designated as hedges	7	115,940	-	115,940	-
Hedging derivatives	7	165,798	-	165,798	-

As at 31 December 2018 the Company held the following financial instruments measured at fair value:

Financial assets measured at fair value

In thousands of EUR	*Note*	*31 December 2018*	*Level 1*	*Level 2*	*Level 3*
Embedded derivatives	7	956	-	956	-
Derivatives not designated as hedges	7	392,899	-	392,899	-
Hedging derivatives	7	32,706	-	32,706	-

Financial liabilities measured at fair value

In thousands of EUR	*Note*	*31 December 2018*	*Level 1*	*Level 2*	*Level 3*
Derivatives not designated as hedges	7	329,745	-	329,745	-
Hedging derivatives	7	273,953	-	273,953	-

There have been no transfers between the Levels 1 - 3 during 2019 and 2018.

The movement in fair value of embedded derivatives is summarized as follows:

In thousands of EUR	
Balance as at 1 January 2019	**956**
Change in fair value through profit or loss (Note 26)	(305)
Closing balance as at 31 December 2019	**651**

In thousands of EUR	
Balance as at 1 January 2018	**(10,330)**
Change in fair value through profit or loss (Note 26)	11,286
Closing balance as at 31 December 2018	**956**

The fair value of commodity derivatives not designated as hedges (net) is sensitive to movements in electricity prices, effect of which is summarized as follows:

Derivatives on electricity

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	9,432	(16,408)
Balance as at 31 December 2019	**25,840**	
10% increase	42,247	16,407

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	2,486	(744)
Balance as at 31 December 2018	**3,230**	
10% increase	3,974	744

Derivatives on other commodities

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	13,948	2,859
Balance as at 31 December 2019	**11,089**	
10% increase	8,230	(2,859)

In thousands of EUR	*Fair value of commodity derivatives, net*	*Change*
10% decrease	68,229	3,658
Balance as at 31 December 2018	**64,571**	
10% increase	60,912	(3,659)

The impact of shift in electricity and commodity prices by +/- 10 % has been calculated by changing the spot price at the valuation date or as at the reporting date.

The fair value of embedded derivative (net) that relates to the long-term electricity contract with Slovalco, a.s. is sensitive to movements in aluminium prices, as follows:

In thousands of EUR	*Fair value of embedded derivatives, net*	*Change*
10% decrease	2,171	1,520
Balance as at 31 December 2019	**651**	
(10% increase	143	(508)

In thousands of EUR	*Fair value of embedded derivatives, net*	*Change*
10% decrease	4,858	3,902
Balance as at 31 December 2018	**956**	
10% increase	(1,279)	(2,235)

The impact of shift in aluminium prices by +/- 10 % has been calculated by changing the spot price at the valuation date or as at the reporting date.

31. Financial risk management objectives and policies

Following financial risks are related to the activities of the Company:

i) Credit risk;
ii) Liquidity risk;
iii) Market risk, which includes:
- Interest rate risk;
- Foreign currency risk;
- Commodity risk.

Risk management

As part of its operations, the Company is exposed to different market risks, notably the risk of volatility of commodity prices, interest rates and exchange rates as well as to the liquidity risk and to the credit risk. To minimize the risk implied from volatility of exchange rates and interest rates, the Company enters into transactions with required parameters or into derivative contracts with the intent to hedge individual risk using instruments available on the market.

Transactions that qualify for hedge accounting in line with the requirements of IFRS 9 are classified as hedging transactions, while those carried out with the intent of hedging that do not qualify for hedge accounting in line with IFRS 9 are classified as trading transactions.

Depending on their purpose and the decision of the management the financial derivative instruments are classified as:
- cash flow hedges, related to hedging the risk of changes in the cash flows;
- fair value hedges, related to hedging the risk of changes in the fair value;
- trading derivatives, related to hedging interest and exchange rate risk and commodity risk which do not qualify for recognition under IFRS 9 as hedges of specific assets, liabilities, commitments or future transactions.

The fair value is determined using the prices on the relevant markets. Accordingly, the impact on profit or loss and shareholders' equity depends on normal market developments. The credit risk with respect to the derivatives portfolio is considered as negligible since transactions are conducted solely with leading Slovak and international banks, and the exposure is therefore diversified among different institutions.

Credit risk

The Company makes most of the steps in order to mitigate the credit risk, e.g. to prevent the situations when the contractual party does not fulfil any of its liabilities on time and in full amount. The Company has developed sophisticated tools and procedures for the purpose of identification and analysis of the credit risk. Further monitoring, management and mitigation of the credit risk is ensured via specific processes and methods.

Additional aspects eliminating the credit risk

The specific structure of the Company's customers requires individual approach to the evaluation of the credit risk. Distribution companies represent those with the lowest credit risk. Most of the customers and business partners have long-time history of their activities in the energy sector, thus this fact contributes to the decrease of the risk resulting from the customer insolvency. The credit risk analysis of the business partner is performed every time before the contract is closed and is reviewed on regular basis, at least once per year. With respect to the results of the analysis and other aspects influencing the risk factor the customer is assigned a limit for trading. If the analysis or other information gathered reveals potential credit risk factor of the customer, the Company will evaluate and eliminate risk factor. In case of smaller customers deposit payments are required. Long-time experience of the Company shows that the analytical methods, assessment and management of the credit risk are effective and mitigate the credit risk accordingly.

The expected loss rates and the allowance for doubtful debts, calculated in line with the IFRS 9 simplified approach for trade and lease receivables as at 31 December 2019 and 31 December 2018 were as follows:

In thousands of EUR	*Expected credit loss rate*	*Expected credit loss as at 31 December 2019*	*Expected credit loss rate*	*Expected credit loss as at 31 December 2018*
Receivables not yet due	0.02%	37	0.03%	79
Receivables less than 15 days overdue	0.02%	-	0.03%	-
Receivables less than 30 days overdue	0.33%	-	0.54%	-
Receivables less than 90 days overdue	11.64%	-	42.35%	28
Receivables less than 180 days overdue	15.92%	-	51.82%	3
Receivables less than 270 days overdue	20.96%	-	53.41%	4
Receivables less than 360 days overdue	29.75%	1	59.43%	5
Receivables more than 360 days overdue	100%	8,457	100%	7,369
Receivables assessed on an individual basis (Note 11)	100%	135,989	100%	135,989
Purchased credit-impaired receivables (Note 11)	100%	1,470	100%	1,466
Total allowance for doubtful debts (Note 11)		**145,954**		**144,943**

Analysis of cash at bank and short-term bank deposits based on rating:

In thousands of EUR	*2019*	*2018*
Cash at bank and short-term bank deposits		
AA	3,238	2
A	1,325	8,525
No rating	4	4
Total	**4,567**	**8,531**

Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements that enable mutual offsetting:

As at 31 December 2019:

	Gross amount on the face of the balance sheet before offsetting	*Gross amount set off on the face of the balance sheet*	*Net amounts on the face of the balance sheet*	*Related amounts not set off on the face of the balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
CURRENT ASSETS						
Trade and other receivables	244,041	65,245	178,796	87,809	20,074	70,913
Derivative assets	228,410	45,614	182,796	94,124	-	88,672
Total assets subject to disclosure for offsetting requirements	**472,451**	**110,859**	**361,592**	**181,933**	**20,074**	**159,585**

As at 31 December 2018:

	Gross amount on the face of the balance sheet before offsetting	*Gross amount set off on the face of the balance sheet*	*Net amounts on the face of the balance sheet*	*Related amounts not set off on the face of the balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
CURRENT ASSETS						
Trade and other receivables	264,023	107,907	156,116	4,198	11,552	140,366
Derivative assets	426,972	1,893	425,079	252,383	-	172,696
Total assets subject to disclosure for offsetting requirements	**690,995**	**109,800**	**581,195**	**256,581**	**11,552**	**313,062**

The column (d) contains those financial assets and liabilities that are not offset due to either absence of the enforceable right or intention of the Company.

The column (e) represents financial guarantees received and cash collateral collected by the Company.

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements that enable mutual offsetting:

As at 31 December 2019:

	Gross amount on the face of the balance sheet before offsetting	*Gross amount set off on the face of the balance sheet*	*Net amounts on the face of the balance sheet*	*Related amounts not set off on the face of the balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
NON-CURRENT LIABILITIES						
Loans and borrowings	2,915,923	-	2,915,923	-	60,000	2,855,923
CURRENT LIABILITIES						
Derivative liabilities	228,237	45,614	182,623	94,124	-	88,499
Trade and other current payables	378,429	65,245	313,184	87,809	608	224,767
Total liabilities subject to disclosure for offsetting requirements	**3,522,589**	**110,859**	**3,411,730**	**181,933**	**60,608**	**3,169,189**

As at 31 December 2018:

	Gross amount on the face of the balance sheet before offsetting	*Gross amount set off on the face of the balance sheet*	*Net amounts on the face of the balance sheet*	*Related amounts not set off on the face of the balance sheet*		*Total*
				Financial instruments	*Collateral*	
In thousands of EUR	*(a)*	*(b)*	*(c) = (a) - (b)*	*(d)*	*(e)*	*(c) - (d) - (e)*
NON-CURRENT LIABILITIES						
Loans and borrowings	2,677,159	-	2,677,159	-	60,000	2,617,159
CURRENT LIABILITIES						
Derivative liabilities	403,308	1,893	401,415	252,383	-	149,032
Trade and other current payables	464,387	107,907	356,480	4,198	1,835	350,447
Total liabilities subject to disclosure for offsetting requirements	**3,544,854**	**109,800**	**3,435,054**	**256,581**	**61,835**	**3,116,638**

The column (d) contains those financial assets and liabilities that are not offset due to either absence of the enforceable right or intention of the Company.

The column (e) represents financial guarantees issued and cash collateral paid by the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and/or available sources of funding through committed credit lines. Considering the dynamic nature of the underlying business, the Company treasury management aims at maintaining flexibility by keeping sufficient amount of committed credit lines available.

As at 31 December 2019, besides specific purpose term loans contracted in the total amount of EUR 1,424 million (2018: EUR 1,487 million), the Company had committed general purpose loans amounting to EUR 2,030 million (2018: EUR 2,030 million), all of which were actually drawn as at 31 December 2019 and 31 December 2018. At the same date the Company had uncommitted credit lines undrawn in the amount of EUR 65 million (2018: EUR 125 million).

	2019			*2018*		
In thousands of EUR	*Amount available for drawing*	*Amount drawn*	*Available amount*	*Amount available for drawing*	*Amount drawn*	*Available amount*
Committed loans for general purposes	2,030,000	2,030,000	-	2,030,000	2,030,000	-
Specific purpose loans	1,423,590	970,149	453,441	1,487,077	857,655	629,422
Subordinated loan	700,000	345,000	355,000	700,000	244,000	456,000

Financial liabilities as at 31 December 2019

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

In thousands of EUR	*Less than one year*	*Between 1 and 8 years*	*Over 8 years*	*Total*
Loans and borrowings - principal	192,562	3,317,696	-	3,510,258
Loans and borrowings - interest	134,331	721,281	-	855,612
Trade payables (Note 21)	245,925	-	-	245,925
Obligations from finance lease (Note 5)	4,006	11,191	1,327	16,524

Financial liabilities as at 31 December 2018

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

In thousands of EUR	*Less than one year*	*Between 1 and 8 years*	*Over 8 years*	*Total*
Loans and borrowings - principal	170,975	2,727,115	244,621	3,142,711
Loans and borrowings - interest	119,426	730,185	43,309	892,920
Trade payables (Note 21)	288,440	-	-	288,440
Obligations from finance lease (Note 5)	645	1,104	-	1,749

Market risk

i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term loans with floating interest rates.

The Company uses interest rate derivatives to hedge its interest rate risk.

These contracts are normally agreed with a nominal value and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

The Company adopts a policy of ensuring that adequate part of its exposure to changes in interest rates on borrowings is de facto on a fixed rate basis. Interest rate swaps were entered into to achieve an appropriate mix of fixed and floating rate exposure or cross-currency interest rate swaps in case the loans are denominated in foreign currency to achieve also appropriate currency exposure. The interest rate swaps are denominated in euros with maturity till 2025. In respect of these swaps the Company pays the fixed rate from 0.028% to 1.36% p.a. and receives EURIBOR. As at 31 December 2019 the Company had interest-rate swaps with nominal value in the amount of EUR 2,930,000 thousand (2018: EUR 1,345,000 thousand). The nominal value of cross-currency interest rate swaps was in the amount of EUR 300,000 thousand as at 31 December 2019 (2018: EUR 300,000 thousand).

Sensitivity analysis
The Company has performed an analysis of a possible impact in case of a reasonable change in interest rates by +/- 100 bp with all the other variables held constant.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings):

In thousands of EUR	*Increase in basis points*	*Effect on profit before tax 2019*
Variable rate instruments	+100bp	(32,409)

In thousands of EUR	*Increase in basis points*	*Effect on profit before tax 2018*
Variable rate instruments	+100bp	(29,072)

The decrease in basis points would have had the equal but opposite effect on the amounts shown above, on the basis that all the other variables remain constant.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates.

The Company is exposed to a currency risk of receivables and liabilities denominated in currency other than the functional currency of the Company, primarily USD, RUB, CZK and PLN.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include mainly forward exchange contracts and cross-currency interest rate swaps.

These contracts are normally agreed with a nominal amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the functional currency against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

Sensitivity analysis
The following table demonstrates the sensitivity to a reasonably possible change in the USD, CZK and PLN exchange rate, with all other variables held constant, on the Company's profit before tax and the Company's equity. The Company's exposure to foreign currency changes for all other currencies is not material. The risk of fluctuations in RUB exchange rate is fully eliminated by hedging in form of the cross-currency interest rate swaps.

In thousands of EUR	*Change in exchange rate*	*Effect on profit before*
31 December 2019		
CZK	+10%	(619)
USD	+10%	(1,773)
PLN	+10%	(164)
31 December 2018		
CZK	+10%	(595)
USD	+10%	(3,572)
PLN	+10%	(314)

iii) Commodity price risk

The exposure of the Company to the risk of volatility of commodity prices is mainly associated with the purchase and sale of electricity as well as with the purchase of fuel used for the power production. The exposition resulting from the difference between purchase and sale of commodities or as a consequence of contracts tied to price indices is quantified by risk factors.

Regarding the electricity sold, the Company enters into fixed-price contracts in the form of bilateral contracts with physical delivery, whereas in case of trading transactions the Company enters into contracts with both types of settlement, physical delivery and financial settlement (e.g. contracts for differences in which the differences are paid to the counterparty should the market electricity price exceed the strike price or to the Company in the opposite case).

Various types of derivative instruments (mainly forward contracts, swaps, options, futures and contracts for differences) are used to reduce the exposure to the fluctuations in commodity prices.

The commodity price risk management process in the Company is designed to continuously monitor and evaluate the development in risk over time and determine whether the levels of risk, as observed for specific fields (e.g. geographical, organisational etc.), comply with the thresholds consistent with the risk appetite of top management. These operations are conducted within the framework of formal governance rules that establish strict risk limits. Compliance with the limits is verified by units that are independent of those undertaking the transactions, while trading positions are monitored on daily basis using the Value at Risk indicator.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity. The Company includes the following within net debt: current and non-current loans and borrowings less accrued interests including finance lease liabilities, reimbursement right from the National Nuclear Fund, finance lease receivables and total amount of cash and cash equivalents. As at 31 December 2019 the net debt to equity ratio was 0.46 (as at 31 December 2018: 0.45).

32. Discontinued operations

In December 2017 the Board of Directors of the Company approved the Proposal for the Amendment of Foundation Deed of Slovenské elektrárne Česká republika, s.r.o. and the Agreement on the Contribution of Part of the Enterprise purpose of which was transfer of retail activities in the Czech Republic in form of a contribution in kind of the Branch Office of the Company in the Czech Republic (hereinafter as "Czech Branch") into the share capital of the 100% subsidiary Slovenské elektrárne Česká republika, s.r.o.

The Agreement on the Contribution of Part of the Enterprise between the Company as a contributor and the company Slovenské elektrárne Česká republika, s.r.o. as an acquirer was signed on 20 February 2018, whereas, according to the contractual terms it came into effect on 1 March 2018.

As all the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations were fulfilled, the Company presented all the activities associated with the Czech Branch as discontinued operations in the separate financial statements for the year ending 31 December 2017 (and also 31 December 2018).

Following the completion of the transformation process, the Company did not recognize any balance in respect of assets and liabilities directly associated with discontinued operations as at 31 December 2019, and at 31 December 2018.

Net profit from the discontinued operations is separately presented in the income statement for the year ended 31 December 2018 as stated in the table below:

Performance of the discontinued operation

In thousands of EUR	*Year ended 31 December 2019*	*Year ended 31 December 2018*
Total revenues	-	14,844
Total expenses	-	(15,780)
Profit before tax	**-**	**(936)**
Income tax	-	(26)
Net profit from discontinued operation	**-**	**(962)**

33. Events after reporting date

On 24 March 2020 the Board of Directors of the Company approved the signature of an amendment to the service agreement on provision of the nuclear services with JAVYS, a.s. for the years 2020 through 2022. For further information refer to Note 15.

The Company has been granted extension of the deadline from the lenders in connection with non-financial covenants in some facility agreements.

With regards to the current developments regarding the pandemics of COVID-19 induced by the coronavirus SARS-CoV-2 it is not possible to assess the risks and their potential impact on the Company. The management shall continue to monitor the potential impact and take all necessary steps to facilitate the impact of any future negative consequences on the Company and its employees.