PROSPECTUS

GGE a.s.

offering of up to 5,000,000 new bearer shares, with a nominal value of 1 EUR each and admission to trading on the Giełda Papierów Wartościowych w Warszawie S.A. with its registered office in Warsaw of up to 15,000,000 shares (existing shares and new shares) of joint stock company GGE a.s.

ISIN: SK1120010865

Series: 01

This document ("Prospectus") has been prepared on 3 December 2013 for the purpose of the offering ("Offering") of up to 5,000,000 bearer shares in the share capital of GGE a.s. ("Issuer"), with a nominal value of 1 EUR each ("New Shares") and for the purpose of admission of all its shares (shares existing as of the date of this Prospectus, i.e. 10,000,000 ordinary, bearer book–entry shares with a nominal value of 1 EUR each ("Existing Shares") and New Shares) on a regulated market, i.e. the main market of the Giełda Papierów Wartościowych w Warszawie S.A. with its registered office in Warsaw ("WSE") (Existing Shares and New Shares commonly as "Shares").

The Offering consists solely of: (i) public offering to retail investors in Poland which term includes both natural or legal persons and organizational units without a legal personality; both residents and non–residents within the meaning of the Polish Act on Foreign Currency Exchange Rules dated 27 July 2002, as amended ("Foreign Currency Act"), holding, at the time of subscription for the offered New Shares, an investment account or being a beneficiary of an omnibus account with an investment firm licensed to provide such services within the territory of Poland or the Slovak Republic ("Retail Investors") in Poland pursuant to the Directive 2003/71/EC of the European Parliament and of the Council, as amended ("Prospectus Directive") which was implemented in the Slovak Republic via Slovak Act No. 566/2001 Coll., on Securities and Investment Services, as amended ("Securities Act") and in Poland via Polish Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies dated 29 July 2005, as amended ("Public Offering Act") ("Retail Offering") and (ii) offering to Investors that receive an invitation from the company Dom Maklerski BZ WBK, organized and existing under the laws of Poland, with registered number: 0000006408, whose registered office is at Plac Wolności 15, 60–967 Poznań, Poland ("Joint Global Coordinator", "Joint Bookrunner" and "Offering Agent") and Raiffeisen Centrobank AG, a company organized and existing under the laws of Austria, with registered number: FN 117507f and having its registered office at Tegetthoffstrasse 1, A–1015 Vienna, Austria ("Joint Global Coordinator" and "Joint Bookrunner") (the Dom Maklerski BZ WBK as Joint Bookrunner together with Raiffeisen Centrobank AG as Joint Bookrunner as "Joint Bookrunners") to participate in the book–building process and subscribe for the offered New Shares, i.e.: (A) public offering in Poland to legal persons who are institutional investors (which term includes entities managing portfolios of securities for their customers and unincorporated organizations) pursuant to the Prospectus Directive which was implemented in the Slovak Republic via Securities Act and in Poland via Public Offering Act ("Polish Institutional Public Offering") and (B) private placement to institutional investors according to the Article 3 (2)(a) of the Prospectus Directive in certain jurisdictions outside Canada, Japan, Australia, Poland and United States in reliance on Regulation S under the U.S. Securities Act ("Private Offering") ("Institutional Investor") (the Retail Investor and together with the Institutional Investor, "Investor") (the Polish Institutional Offering and together with the Retail Offering, "Public Offering").

The New Shares are being offered, as specified in this Prospectus, subject to cancellation, suspension or modification of the Offering and subject to certain other conditions.This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive, Article 121 and following of the Securities Act and Commission Regulation (EC) 809/2004 of 29 April 2004, as amended ("Prospectus Regulation"). The National Bank of Slovakia ("NBS") in its capacity as the competent authority in the Slovak Republic under the Securities Act, the Prospectus Regulation and other relevant laws has approved this document as a prospectus. The Issuer has requested that the NBS to provide the competent authority in Poland, Polish Financial Supervision Authority ("PFSA") with: (i) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive and the Prospectus Regulation, (ii) an electronic version of the approved Prospectus and (iii) a Polish translation of the summary of this Prospectus ("Summary"). The Issuer will Subscription pebe authorized to carry out the Offering to the public in Poland, once the NBS has provided the PFSA with a certificate of approval of this Prospectus and after the Prospectus has been made available to the public together with a translation of the Summary into the Polish language.

Prior to the Offering, there was no public offering of any of the Existing Shares of the Issuer. The Issuer intends to apply for the Shares to be admitted and introduced to listing and trading on the WSE and, unless the context provides otherwise, the regulated market (main market) operated by this company ("Main Market of the WSE") ("Admission"). The Issuer expects that trading of the Shares on the WSE will commence on 21 March 2014 ("Listing Date"). Prospective Investors may subscribe for the New Shares during a period is expected to commence on 11 February 2014 and is expected to end on 14 February 2014 ("Subscription Period"). The final offer price per one New Share denominated in Polish Zloty ("PLN") ("Issue Price") will be determined by the Issuer on the basis of recommendation of the Joint Bookrunners after completion of book–building process for Institutional Investors, but it is expected that not later than on 10 February 2014, based on the interest from Investors. The final number of the New Shares allocated to each category of Investors will be determined by the Issuer upon recommendation of the Joint Bookrunners on 15 February 2014. The Issue Price will not be higher than 38.00 PLN ("Maximum Price").

All the Shares (Existing Shares and New Shares) are bearer shares and are registered with the Central Securities Depository of the Slovak Republic ("CDSR") under ISIN code SK1120010865, series 01. The delivery of the New Shares will be made through the book–entry facilities by transferring them from the CDSR to the National Depository for Securities – the clearing and settlement institution in Poland ("NDS"), acting as a secondary depository for the New Shares.

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the Summary, unless such Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in such securities.

Furthermore, the Joint Bookrunners, Dentons Europe CS LLP, 2 Lambeth Hill, London EC4V 4AJ, United Kingdom, acting through its Slovak branch Dentons Europe CS LLP, organizačná zložka, with its registered seat at Námestie SNP 15, 811 06 Bratislava, Slovak Republic, registered number: 36 861 391, as legal advisor to the Issuer ("Legal Advisor"), the company CC Group sp. z o.o., a company organized and existing under the laws of Poland, with its registered seat at Zielna 41/43, 00–108 Warsaw, registered number: 0000203153 ("Advisor") and he company ŠIROKÉ, s.r.o. with its registered seat at Kupeckého 5, 821 08 Bratislava, Slovak Republic, registered number: 35 887 575 ("IPO Coordinator") expressly disclaim any liability based on the information contained in this Prospectus, the Summary or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information . No information contained in this Prospectus or disseminated by the Issuer in connection with the Offering may be construed to constitute a warranty or representation, whether express or implied, made by the Joint Bookrunners, Offering Agent, Legal Advisor, Advisor or IPO Coordinator to any third parties.

Neither the Issuer nor the Joint Bookrunners, Legal Advisor, Advisor or IPO Coordinator will accept any responsibility for the information pertaining to the Offering, the listing of the Shares on the WSE, the Issuer and its related companies forming a group, *as defined in Section 3.7 of this Prospectus* or its operations, where such information is disseminated or otherwise made public by third parties either in connection with this Offering or otherwise.

By participating in the Offering, Investors agree that they are relying on their own examination and analysis of this Prospectus (including the financial statements of the Issuer) which form an indispensable part of this Prospectus) and any information on the Issuer that is available in the public domain. Investors should also acknowledge the risk factors that may affect the outcome of such investment decision *(please see Section 2 of this Prospectus)*.

Investors should not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus. The delivery of this Prospectus at any time after the conclusion of it will not, under any circumstances, create any implication that there has been no change in the Issuer's (its Group's) affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

In case of a dispute related to this Prospectus or the Offering, the plaintiff may have to resort to the jurisdiction of the Slovak courts and consequently a need may arise for the plaintiff to cover relevant state fees and translation costs in respect of this Prospectus or other relevant documents.

The Prospectus was prepared on 3 December 2013. The Prospectus will be published on the website of the Issuer (www.gge.sk) and on the website of the Offering Agent: (www.dmbzwbk.pl).

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1. SUMMARY

This Summary is made up of disclosure requirements known as “Elements” in accordance with Annex XXII (Disclosure Requirements in Summaries) of the Prospectus Regulation. These elements are numbered in Sections A – E (A.1 – E.7) below. This Summary contains all the Elements required to be included in a summary for this type of securities and the Issuer. Because some Elements are not required to be addressed, there may be mentioned of ‘not applicable’ in the numbering sequence of the Elements. Even though, an Element may be required to be inserted in the Summary because of the type of securities and the Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with a note of ‘not applicable’ as well.

Section A — Introduction and warnings

Element	Title	Disclosure
A.1	Introduction and warnings	This Summary is not the prospectus for the Public Offering and the listing of the Issuer’s Shares and should be read merely as an introduction to the Prospectus. This Summary presents the facts and circumstances that the Issuer considers important with respect to the Issuer’s business and the Public Offering of the Issuer’s New Shares and is a summary of certain information appearing in more detail elsewhere in the Prospectus. Any decision to participate in the Offering and invest in the Issuer’s New Shares should be based by each Investor on the Prospectus (including any amendments or supplements thereto) as a whole and not merely on this Summary. Prospective Investors are cautioned that where a claim relating to the information contained in the Prospectus (or this Summary) is brought before a court, the plaintiff Investor might, under the national legislation of the relevant state, have to bear the costs of translating the entire Prospectus before court proceedings are initiated. The Issuer, represented by Mr. Roland Tóth and Mr. Pavel Komorník has civil liability in respect of this Summary (including any translation hereof) solely in case where this Summary is found to be misleading, inaccurate or inconsistent when read together with the Prospectus as a whole or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in such securities. To the best of the knowledge and belief of the Issuer and members of the board of directors of the Issuer (“Management Board”) – Mr. Roland Tóth and Mr. Pavel Komorník having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. ____________________ Mr. Roland Tóth chairman of the Management Board ____________________ Mr. Pavel Komorník member of the Management Board
A.2	Introduction and warnings	Not applicable. The Issuer has not granted consent to the use of prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B — Issuer

Element	Title	Disclosure
B.1	Legal and commercial name	GGE a.s.
B.2	Domicile/legal form/legislation/ country of incorporation	Issuer is a joint stock company established and operating under the laws of the Slovak Republic, with its registered address at Pekná cesta 6, 834 03 Bratislava, Slovak Republic, registered with the Commercial Register of the District Court Bratislava I, registered number: 36 746 941, Section: Sa, Insert No.: 4098/B.
B.3	Key factors regarding current operations, principal activities, categories of products sold and services performed Identification of principal markets	The Issuer is a holding company and the business is mostly carried out by related companies of the Issuer forming a Group. The Group consists of following companies: a) Issuer b) TEPLÁREŇ, a.s., Považská Bystrica c) Teplo GGE s.r.o. d) SOUTHERM, s.r.o. e) Energy Snina, a.s. f) KGJ Invest a.s. g) ELGAS, s.r.o. h) EnerWood, s.r.o. i) TENERGO Brno, a.s. j) TENERGO Slovensko, a.s. k) IFM, a.s. l) GGE invest, s.r.o. m) GGE d.o.o. BEOGRAD n) GGE UA TOV (from b) to n) “Subsidiaries”) o) GGE distribúcia, a.s. p) POV BYT development, s.r.o. q) SOUTHERM SPRÁVA, s.r.o. r) Snina Energy, s.r.o. s) GGE UA Pivden TOV t) GGE UA Odesa TOV u) GGE UA Zahid TOV v) ELGAS Sales a.s. y) ELGAS Energy Trading, d.o.o. x) ELGAS Energy, s.r.o. w) ELGAS Energy, Kft. z) ELGAS Energy, sp. z o.o (from o) to z) “Subsidiaries of Subsidiaries”). Financial figures in the Summary refer to companies listed below: a) Issuer b) TEPLÁREŇ, a.s., Považská Bystrica

		c) Teplo GGE s.r.o., d) SOUTHERM, s.r.o. e) Energy Snina, a.s. f) ELGAS, s.r.o. g) TENERGO Brno, a.s. h) TENERGO Slovensko, a.s. i) GGE distribúcia, a.s. j) POV BYT development, s.r.o. k) Snina Energy, s.r.o. (since the beginning of 2013) l) GGE d.o.o. BEOGRAD (since the beginning of 2013), m) ELGAS Energy Trading, d.o.o. (since the beginning of 2013) (“Consolidated Companies”). The Group is active in four core business segments: (1) Production of heat and electricity, including the provision of power balancing and system ancillary services (“Production”) (2) Distribution of utilities (heat, electricity, gas and water) (“Distribution”) (3) Trading with fuels (mostly natural gas) and electricity (“Trading”) (4) Provision of engineering services and facility management (“Engineering Services”). Production and Distribution segments go hand in hand and follow also similar regulatory pattern. Therefore, from the business point of view, these two segments are perceived together as one segment by the management of the Group. **(1) Production and (2) Distribution** In Production and Distribution segment, the Group is a niche player focusing on highly efficient combined production of heat and electricity (“Cogeneration”) operating within regulated business environment. Thanks to the regulated nature of the heating and distribution markets, guaranteed off–take and ‘feed–in tariffs’ for electricity out of highly efficient Cogeneration and provision of ancillary services, the Group has an capability to generate long–term, stable and highly predictable cash flows to the Group (EBITDA margin for Production and Distribution segment is approximately 35% in 2012 and in first half of 2013). The Production and Distribution segment is contributing to approximately 80-90% (93% in 2012 and 83% in first half of 2013) of the total consolidated EBITDA of the Group. Moreover, the Group does not compete with the largest electrical power producers whose power plants are mostly based on nuclear power or coal. The Group is not exposed to the risk of heat and electricity price fluctuations given the regulation and guarantees provided by the market where the Group operates. Active in six locations of the Slovak Republic, the Group produces over 80% of the energy out of cogeneration with an installed thermal capacity of 257 MWt and electric capacity of 96 MWe. Key focus of the Group is highly efficient Cogeneration which, supported by the European Union (“EU”) legislation, results in guaranteed off–take of the entire volume of electricity production by the grid as well as in guaranteed price (‘feed–in tariff’) fixed for fifteen years since the commissioning of each individual plant. In terms of heat production and its off–take, the Group focuses on small and medium–sized municipalities (households being the end–customers) and industrial parks; representing sound customer base with stable and predictable heat volume off–takes. As a natural monopoly, district heating is regulated by Slovak Regulatory Office for Network Industries (in Slovak: *Úrad pre reguláciu sieťových odvetví*) (“URSO”). Heat prices are set as allowed cost (fixed and variable cost of production and distribution, including fuel, interest, depreciation, etc.) plus reasonable profit. The Group engages only in projects allowing for full control over the heat cycle (i.e. control over heat distribution network and the heat source) complemented by long term off–take guarantees by

respective key customers (municipalities, housing cooperatives and industrial customers).

Thanks to the state of the art technology at its Combined Cycle Gas Turbine ("CCGT") plant allowing for quick changes in output within almost the entire gas turbine installed output, the Group also provides ancillary services for the grid representing additional source of revenue and increasing the overall profitability of the Production and Distribution segment.

The Group controls over 128 km of heat networks. Furthermore, the Group is active in building and operating own local distribution networks and supplying gas, electricity and water within the system, as well as operating non–public water pipes and sewerage. The Group operates approximately 25 km of high/low voltage cables and over 8 km of gas pipes.

(3) Trading with gas and electricity

The Trading segment complements the Generation and Distribution segments by securing all the fuel needs (mostly natural gas) of the Group, creating rooms for synergies between these segments. The Group is also active in supplying gas and electricity to third parties, ranking in TOP 5 players in the Slovak Republic and being number one private player in Serbia. Having the infrastructure and know–how in place, on top of the expansion to Serbia in 2012, the Group continues expanding to other CEE countries (Czech Republic, Poland and Hungary). The Trading segment is a large contributor of the Group in terms of sales and modest contributor in terms of EBITDA given the trading nature of the business.

(4) Provision of Engineering Services

The Engineering Services segments allows for the full control over and effective use of technologies used by the Group, including provision of maintenance services. The Engineering Services segment enables effective cost control of both running operations and projects to be realized. This segment also enables quick and efficient evaluation of large number of potential projects within very short period of time and helps creating efficient engineering solutions resulting in attractive returns for the Group in the Generation and Distribution segment. Revenues in this segment are also generated by providing the Engineering Services to third parties.

Split of revenues/EBITDA by segments

in thousands of EUR	1H 2013	1H 2012	2012	2011	2010
Production and Distribution					
Revenues	26,362	25,518	48,013	43,804	15,764
Sale heat (MWh)	*168,209*	*171,002*	*296,610*	*251,011*	180,886
Sale electricity (MWh)	*148,138*	*135,417*	*256,209*	*221,134*	15,694
EBITDA	9,258	8,094	16,363	12,700	2,121
Operating profit	5,566	4,368	9,172	7,408	771
Trading					
Revenues	59,936	30,173	59,626	19,162	8,658
Sale gas (MWh)	*1,139,919*	*406,835*	*707,609*	*237,311*	66,731
Sale electricity (MWh)	*228,117*	*176,572*	*392,891*	*100,596*	67,410
EBITDA	1,718	1,054	973	1,280	377
Operating profit	1,638	995	850	1,196	366
Services					
Revenues	2,082	1,318	1,689	972	3,940
EBITDA	115	955	253	290	1,875
Operating profit	95	947	230	268	1,870

Source: Issuer

The four pillar strategy also enables the Group to enjoy synergies out of the combination of know–how in respective segments resulting in

		more competitive products and services. The Group has an capability to boost its revenues and profitability in combining the Production and Trading segments features when providing the services to balance electricity deviations for its customers. Besides, by increasing the total off–take volume of the Group and possessing sound asset base for corporate guarantees, the Production and Distribution segments allow the Trading segment to negotiate better prices with suppliers than the competition and to reflect these more advantageous terms into pricing of gas deliveries to the Group and to third parties. On top of increasing competitiveness of the Trading segment in gas, own electricity production capacities of the Group also support the Trading segment with flexibility to complement its electricity trades with own production, representing another competitive edge against competitors. Own engineering capacities also add to synergies for the Group by allowing it to address complete needs of customers and to provide complex solutions. **Markets** The Group has currently presence in six countries (Slovak Republic, Czech Republic, Serbia, Poland, Ukraine and Hungary). Until 2012, the Group focused on developing and growing its business in the Slovak Republic. Beginning by 2012, the Group took advantage of the opportunities arising on Serbian market by winning its first project in heat and power production and distribution and mainly by launching its gas trading operations. In 2013, the Group opened gas and electricity trading Subsidiaries in the Czech Republic, Poland and Hungary. The development of activities in Ukraine dates also to 2013 and is based on projects in heat production and distribution. **Strategy of the Group** Strategy of the Group is to bolster its position on the Slovak energy market and to expand its activities to other CEE countries by growing and strengthening its four core business lines – Production, Distribution, Trading and Engineering Services.The Group strives to actively pursue growth opportunities in CEE markets where the opportunities arise from the pre–mature phase of the development of respective markets and continuous process of harmonization of legislations with the EU rules. Developing the core business lines, benefiting from synergies among them and profiting out of competitive advantages of the Group will allow the Issuer to maximize return and value for shareholders. The Group implements and will maintain international best practices in corporate governance. The Group keeps focusing on projects within stable and regulated energy environment and/or guaranteed long–term off–take volume and price arrangements for heat and electricity resulting in long–term, stable and predictable cash flows to the Group. The Group builds its strategy on the competitive advantages seen in the Slovak Republic that allow it to maximize long–term profitability and returns to shareholders. The key competitive advantages include: (1) capability to acquire and develop projects with potential for modernization and new investments resulting in high and stable returns (2) focus on less developed energy markets that do promise huge potential (3) capability to implement projects with guaranteed off–take and above–the–market average sales prices of electricity going hand in hand with guaranteed heat off–take and regulated heat prices (4) high flexibility of decision making process (5) experienced, loyal and motivated management team (6) capability to boost the revenue generating capacity of installed output by using flexible state of the art production facilities and special know how of the team enabling provision of ancillary

		services (7) capability to boost the revenue generating capacity of the Group by combining Production and Trading segments in a unique know how in provision of balancing services in electricity (8) own engineering capabilities (9) competitive pricing thanks to synergies between Production, Distribution and Trading segments (10) pioneer in new products.
B.4a	Significant recent trends affecting the Issuer and the industry in which the Issuer operates	**Production and sales** The revenues from the most important segment of Production and Distribution have significantly risen from 15,764,000 EUR in 2010 to 48,013,000 EUR in 2012. The Trading segment achieved also very high growth, from 8,658,000 EUR in 2010 to 59,626,000 EUR in 2012 and an increase by 99% comparing 1H 2013 to 1H 2012. The total revenues in 1H 2013 amounted to 88,380,000 EUR which means an increase by 55% comparing to 1H 2012. In the first three quarters of 2013 increased by almost 60% comparing to first three quarters of 2012 and amounted to approximately 118,000,000 EUR. The most important growth is observed in gas and electricity segments due to expansion of trading activity both in the Slovak Republic and Serbia. Revenues of trading activity were almost doubled if comparison is made between 1H 2013 and 1H 2012. In period from the beginning of 2013 to the date of this Prospectus the growth of total revenues resulted from increase of trading activity, revenues of Production and Distribution segment were on similar level than in comparable period. **Inventory** The majority of the Group's inventories consist of black coal and woodchips for the production of heat and electricity by facilities operated by Energy Snina, a.s. The amount of inventories is much higher during autum and winter (before and during the heating season which starts around October) compared to spring and summer season. The other part of inventories is related to work in progress by companies from services segment. On the date of this Prospectus inventories of black coal and woodchips remain on broadly the same level as in comparable date of 2012. Inventories of black coal will lower in next months due to change of technology in facilities operated by Energy Snina, a.s. In next year units which are using black coal as a fuel will be shut down and whole operations will be conducted by gas and woodchips fueled units. However, the total amount of inventories grew due to expansion of engineering activities (segment services). **Costs** The main cost item of the Group is energy (gas used for production of heat and electricity as well as gas and electricity purchased in order to be resold). Due to expansion of trading activity, the amount (and the percentage share) of energy consumption costs have risen accordingly. The energy consumption in 1H 2013 amounted to 67,658,000 EUR which is an increase of 70% comparing to 1H 2012. The following trend was maintained also in 3rd quarter of 2013. The energy consumption costs in these time periods amount to 81% of total costs. The other costs rose more steadily. **Selling prices** The selling prices of a Production and Distribution part of the revenues are regulated. The prices of electricity produced by highly efficient Cogeneration are fixed for fifteen years from the date of

<table>
<tr><td></td><td></td><td>commissioning of facility. The prices for heat are approved annually by URSO.</td></tr>
<tr><td>B.5</td><td>Position of the Issuer within the Group</td><td>The Issuer is a part of the Group which consists of companies which are under direct and indirect influence of GRAFOBAL GROUP akciová spoločnosť (“Major Shareholder”). Major Shareholder has 80% of share capital and voting rights in the Issuer. The Issuer has currently 12 Subsidiaries and 1 Joint Venture as described below in the table.
<table>
<tr><th>Issuer</th><th>Status</th><th>Share</th><th>Voting Rights</th></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>TEPLÁREŇ, a.s., Považská Bystrica</td><td>Subsidiary</td><td>100%</td><td>100%</td></tr>
<tr><td>Teplo GGE s.r.o.*)</td><td>Subsidiary</td><td>90%</td><td>90%</td></tr>
<tr><td>SOUTHERM, s.r.o.</td><td>Subsidiary</td><td>100%</td><td>100%</td></tr>
<tr><td>Energy Snina, a.s.</td><td>Subsidiary</td><td>100%</td><td>100%</td></tr>
<tr><td>KGJ Invest a.s.</td><td>Joint Venture</td><td>50%</td><td>50%</td></tr>
<tr><td>ELGAS, s.r.o.</td><td>Subsidiary</td><td>100%</td><td>100%</td></tr>
<tr><td>EnerWood, s.r.o.</td><td>Subsidiary</td><td>100%</td><td>100%</td></tr>
<tr><td>TENERGO Brno, a.s.</td><td>Subsidiary</td><td>100%</td><td>100%</td></tr>
<tr><td>TENERGO Slovensko, a.s.</td><td>Subsidiary</td><td>99%</td><td>99%</td></tr>
<tr><td>IFM, a.s.*)</td><td>Subsidiary</td><td>98%</td><td>98%</td></tr>
<tr><td>GGE invest, s.r.o.</td><td>Subsidiary</td><td>100%</td><td>100%</td></tr>
<tr><td>GGE d.o.o. BEOGRAD</td><td>Subsidiary</td><td>90%</td><td>90%</td></tr>
<tr><td>GGE UA TOV</td><td>Subsidiary</td><td>100%</td><td>100%</td></tr>
</table>
Source: Issuer
*) The effective share is 100%
**)The effective share is 100%</td></tr>
<tr><td>B.6</td><td>Persons, directly or indirectly, having interest in the Issuer’s capital or voting rights notifiable under Slovak law and the amount of such interest

Voting rights of major shareholders

Direct or indirect control of the Issuer</td><td>The Issuer is directly controlled by the Major Shareholder which holds 80% share interest and voting rights in the Issuer as described by the table below.
<table>
<tr><th>Shareholder</th><th>Number of shares and votes owned</th><th>Percentage of shares and votes owned</th></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Major Shareholder</td><td>8,000,000</td><td>80%</td></tr>
<tr><td>Roman Jankovič</td><td>1,000,000</td><td>10%</td></tr>
<tr><td>Roland Tóth</td><td>1,000,000</td><td>10%</td></tr>
<tr><td>Total</td><td>10,000,000</td><td>100%</td></tr>
</table>
Source: Issuer

Therefore, the Major Shareholder has a control over the Issuer pursuant to the the Slovak Act No. 566/2001 Coll., on Securities, as amended (“Securities Act”) as a result of which the Major Shareholder has a right to appoint or dismiss the members of the Management Board and members of the supervisory board of the Issuer (“Supervisory Body”) and Senior Management. Mr. Ivan Kmotrík, who is the major shareholder in the Major Shareholder has indirect control over the Issuer.</td></tr>
<tr><td>B.7</td><td>Selected historical key financial information

Narrative description of significant change to the Issuer’s financial condition and operating results during or subsequent</td><td>Selected historical key financial information are presented on the basis of:

historical consolidated annual financial information of the Issuer (including the Consolidated Companies) for 2010 – 2012, prepared in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”), audited by an independent auditor
historical condensed consolidated interim financial information of the Issuer (including the Consolidated Companies) for the first six months of 2013 prepared in accordance with International Accounting Standard 34 ‘Interim Financial Information’, reviewed by an independent auditor.

Selected items from the consolidated statement of comprehensive income</td></tr>
</table>

to the period covered by selected historical key financial information

in thousands of EUR	1H 2013	1H 2012	2012	2011	2010
				restated	restated
Revenue	88,380	57,009	109,328	63,938	28,362
EBITDA	10,274	9,377	16,480	13,494	3,727
Operating profit	6,434	5,546	9,064	8,016	2,323
Profit before tax	5,197	5,062	7,126	5,288	1,847
Profit for the period	4,162	4,214	5,432	4,351	1,285
TOTAL comprehensive income for the period	**4,176**	**4,350**	**5,351**	**3,941**	**1,285**
Earnings per share	*20.67*	*20.87*	*26.98*	*21.43*	*5.65*
Adjustment: goodwill					
Profit before tax	5,197	4,156	6,220	5,288	1,847
Profit for the period	4,162	3,308	4,526	4,351	1,285
TOTAL comprehensive income for the period	**4,176**	**3,444**	**4,445**	**3,941**	**1,285**

Source: Issuer

EBIT (operating profit) and EBITDA are not a part of consolidated statements of comprehensive income but were calculated on the basis of data from consolidated statements of comprehensive income:

- *EBIT (operating profit) = revenues – energy consumption – material consumption and services purchased – labor and related expenses – depreciation and amortization – other gains and losses – other expenses*
- *EBITDA = revenues – energy consumption – material consumption and services purchased – labor and related expenses – other gains and losses – other expenses.*

Selected items from the consolidated statement of financial position

in thousands of EUR	30.06.2013	31.12.2012	31.12.2011	31.12.2010
			restated	restated
TOTAL assets	**120,370**	**120,929**	**116,775**	**96,837**
Non–current assets	93,396	92,948	88,830	69,591
Current assets	26,974	27,981	27,945	27,246
Inventories	1,684	1,147	275	316
Trade and other receivables	17,863	18,755	12,126	8,622
Current tax asset	196	395	30	20
Current financial investments	352	355	382	1,217
Other current assets	266	445	391	252
Cash and cash equivalents	6,613	6,884	14,741	16,819
Equity	25,656	21,837	17,637	14,347
Share Capital	664	664	664	664
Liabilities	94,714	99,092	99,138	82,490
Non–current liabilities	52,994	55,903	56,083	19,399
Borrowings	46,432	48,992	55,095	18,734
Current liabilities	41,720	43,189	43,055	63,091
Borrowings	15,380	19,033	21,793	48,270
Trade and other payables	23,838	22,405	19,072	13,042

Source: Issuer

Selected items form the consolidated cash flow statement

in thousands of EUR	1H 2013	1H 2012	2012	2011	2010
				restated	restated
Net cash provided by operating activities	10,565	7,268	10,418	10,245	3,585
Net cash used in investing activities	–3,927	–8,382	–7,340	–17,357	–34,119
Net cash received from financing activities	–6,824	–3,242	–10,855	5,469	45,582
Net increase in cash and cash equivalents	–186	–4,356	–7,777	–1,643	15,048

Source: Issuer

		The following events had material effect on the Consolidated Companies' financial standing during 2010 – 2012 and first half of 2013: • **2013:** – installation of Cogeneration units in Snina and Bratislava–Devínska Nová Ves – expansion of trading activity both in the Slovak Republic and Serbia • **2012:** – acquisition of 100% of Energy Snina, a.s. – Cogeneration plant – iInstallation of a Cogeneration unit in Dunajská Streda – commencement of back pressure steam turbine in TEPLÁREŇ, a.s., Považská Bystrica • **2011:** – acquisition of TENERGO Brno, a.s. – a company engaged in the Engineering Services and in heat production and distribution in Snina, Bratislava–Devínska Nová Ves and Želiezovce – commencement of CCGT unit in Považská Bystrica – commencement of gas and electricity trading with third party customers in 2011 which resulted in: ▪ a large increase in the Consolidated Companies' revenue (trading activity increased from 8,658,000 EUR in 2010 to 59,626,000 EUR in 2012, an increase of 589%) ▪ a lowering of the average operating and net margins of the Consolidated Companies as the trading activity consists of large volumes but significantly lower margins than the Consolidated Companies' core operations–production and distribution of heat and electricity – reconstruction of heat distribution networks in Považská Bystrica and Dunajská Streda • **2010:** – foundation of ELGAS, s.r.o. – trading of gas and electricity
B.8	Selected key pro forma financial information	Not applicable. The Prospectus does not include pro forma financial information.
B.9	Profit forecast	Not applicable. The Issuer does not publish profit forecasts or estimates.
B.10	Qualifications in the audit report on the historical financial information	Not applicable. There are no such qualifications.
B.11	Working capital	As the Issuer is only a holding company, we refer to the working capital of the Group. In the opinion of the Issuer, the working capital available to the Group is sufficient to meet the Group's needs for at least the next 12 months from the date of the Prospectus.

Section C — Securities

Element	Title	Disclosure
C.1	Type and class of securities and security identification number	The Shares (Existing and New Shares) are ordinary bearer shares in a book–entry form with a nominal value of 1 EUR each. The ISIN Code of the shares is: SK 1120010865, Series: 01. All the Shares are *pari passu* (at an equal pace without preference) with regard to property and non–property rights they grant to shareholders.

C.2	Currency of the issue	The currency of the issue of the New Shares is EUR.
C.3	Number of shares issued and fully paid/issued but not fully paid. Par value per share	The nominal value of the Existing Shares of the Issuer is 10,000,000 EUR. Since the registration of the Issuer in the commercial register in 2007 until 20 June 2008, only 30% of the share capital of the Issuer was paid; since that date the registered capital of the Issuer has been fully paid. The nominal value of one Existing Share is 1 EUR.
C.4	Rights attached to the securities	Generally, following are the rights and limitations according to the Slovak commercial register which is applicable: • dividends rights • right to take part in a general meeting of the Issuer • information and explanations right • right for complete and true information • right to call for extraordinary general meeting • right to inspect at the Issuer's registered office.
C.5	Restrictions on free transferability of securities	There are not any restrictions.
C.6	Admission to trading/name of the regulated market	The Shares (Existing Shares and New Shares) will be object of an application for Admission to trading on a regulated market on the Giełda Papierów Wartościowych w Warszawie S.A. with its registered office in Warsaw.
C.7	Dividend policy	Given the relatively short period in which the Issuer is in the market and given ambitious expansion strategy, for the period covered by historical financial information, the Issuer did not distribute any dividends as the operational profit was used for further investments of the Group. However, in accordance with the policies of the Management Board to the payment of dividends in the next five financial years (starting with dividends arising from the financial year 2014), the intention of the Management Board is to recommend to the general meeting of the Issuer ("General Meeting") a dividend of approximately 60 – 70% of the net profit of the Issuer, with the possibility of extending that period for the next years. The payout of dividend for the financial year 2013 will be conditional upon development stage of planned investments and results of the envisaged to this initial public offering. Where all planned investments will start shortly, the Management Board would recommend seizing the opportunity of sharp increase of company development and postponing dividend payouts to start from dividends arising from the financial year 2014.

Section D — Risks

Element	Title	Disclosure
D.1	Key risks specific to the Issuer and its industry	The risk of political environment and developments in the Slovak Republic or other countries where the Group operates The risk of macroeconomic situation in the Slovak Republic or other countries where the Group operates The risk of decline in demand for heat or electric energy in the countries of Group's operations or in other countries in Europe The risk of changes in the renewable energy policy and an accelerated market shift towards renewable energy sources The risk of unstable and changing legal system and regulations in the Slovak Republic and other countries, especially concerning the energy sector The risk of unstable tax policy in the Slovak Republic and other countries and their interpretation Tax contingencies and uncertain tax positions Tax treatment for non–Slovak Investors in a Slovak company may vary The risk of foreign exchange rates The risk connected with energy sector regulations and regulator's decisions

		in the Slovak Republic or other countries The risk of changes in regulated tariffs The risk of more stringent regulation of energy sector The risk of exposition to the wholesale energy, greenhouse gas emission allowances and green certificates markets The risk of requirement of various administrative authorizations and licenses that may be difficult to obtain, maintain or renew or their granting may be subject to conditions hard to fulfill The risk of environmental, health and safety laws and regulations and environmental, health and safety regulatory approvals The risk of fixed costs The risk of facing difficulties in keeping possession over certain assets which are not owned by the Group The risk of problems or shortage of energy sources (mainly natural gas) supply The risk of increase in commodity prices The risk of gradual deterioration of the Group's facilities and distribution network over time The risk not to meet the efficiency degree that is demanded by the regulator The risk of theft of electricity The risk associated with technology changes The risk of failures, breakdowns, planned or unplanned outages as well as natural disasters or any intentional actions at the Group's production or distribution facilities The risk of weather conditions impact on the Group operations, in particular on the heat and electric energy sales The risk that the Group's strategy may be wrong or may fail to be successfully implemented The risk relating to the incorrect assessment of the investment needs Risk relating to the use of proceeds from the New Shares issue The risk associated with expanding the Group's operations and integrating newly acquired Subsidiaries The risk of dependency on key personnel The risk that the Group's insurance coverage may not be adequate Risk relating to material agreements The risk of different interpretation of legal acts Risks relating to the dividend payment Risks relating to environmental issues Substantial level of the Group's indebtedness could adversely affect the Group's capability to fund future needs of its business and to react to changes affecting the Group's business and industry Changes in interest rates may adversely affect the Group's financial results The recent global sovereign debt crisis could result in higher borrowing costs and more limited availability of credit, as well as impact the business and the financial health of the Group's business partners The Group's access to sources of financing may be limited The risk relating to transactions with related parties
D.3	Key risks that are specific to the Shares	The Offering may be postponed, suspended or cancelled The Offering may be delayed or aborted The price of the Shares may fluctuate significantly The market value of the Shares may be adversely affected by future sales or issues of substantial amounts of the Shares There has been no prior public trading market for the Existing Shares and therefore liquidity as well as trading price of the Shares could be materially and adversely affected The marketability of the Shares may decline and the market price of the Shares may fluctuate disproportionately and decline below the Issue Price in response to adverse developments that are unrelated to the Issuer's operating performance Impact of securities analysts The Issuer may be unable to list the Shares on the WSE or the Issuer may be delisted from the WSE Trading in the Shares on the WSE may be suspended The Issuer will have a limited free float which may have a negative effect on the liquidity, marketability or value of its Shares The Issuer has been and will continue to be, influenced by the Major Shareholder The Issuer has no experience in complying with requirements for publicly–listed companies

		The Polish reform of Polish open pension funds ("Polish OPFS") which comprise the second pillar of the pension system in Poland, may have an adverse effect on Poland's capital market and result in a decrease in investments in shares of companies listed on the WSE

Section E — Offer

Element	Title	Disclosure
E.1	Total net proceeds Estimate of total expenses of the Offering (including estimated expenses charged to the Investor)	Due to the fact that remuneration of the Raiffeisen Centrobank AG, a company organized and existing under the laws of Austria, with registered number: FN 117507f and having its registered office in Vienna, at Tegetthoffstrasse 1, A–1015 Vienna, Austria ("Joint Bookrunner"), Dom Maklerski BZ WBK S.A. a company organized and existing under the laws of Poland, with registered number: 0000006408, whose registered office is at Plac Wolności 15, 60–967 Poznań, Poland ("Offering Agent") (the Dom Maklerski BZ WBK as Joint Bookrunner together with Raiffeisen Centrobank AG as Joint Bookrunner as the "Joint Bookrunners") and CC Group sp. z o.o., a company organized and existing under the laws of Poland, with registered number: 0000203153, whose registered office is at ul. Zielna 41/43, 00–108 Warszawa, Poland ("Advisor") are dependent on the gross proceeds from the Offering and that the final Issue Prices is not known on the date of the Prospectus, the Issuer cannot precisely determine the costs of the Offer. Assuming that all the New Shares are subscribed for at the Maximum Offer Price, the net proceeds from the issuance of the New Shares are expected to be approximately 181,500,000 PLN after deduction of the costs of the Offering. The costs of the Offering include approximately 4,275,000 PLN costs of placement of the offer payable to the Joint Bookrunners. The Issuer expects that other costs of the Offering will amount to approximately 4,150,000 PLN, out of which 150,000 PLN will be paid for introduction and listing of shares on WSE..
E.2a	Reasons for the Offering/use of proceeds/estimated net amount of proceeds	The amount of the net proceeds raised from the issue of the New Shares depends on the number of the New Shares actually placed and the set Issue Price. The Issuer expects the net proceeds from the issue of the New Shares, provided that all of the New Shares are subscribed at the Maximum Price, paid and allotted, to be approximately 181,500,000 PLN (please bear in mind that some costs are incurred in EUR, for the purposes of presentation in the Prospectus these were converted to Polish Zloty with exchange rate of 4.20 EUR/PLN). The net proceeds depend on final costs and expenses associated with issue of the New Shares. The Issuer will receive the net proceeds from the issuance of the New Shares. The Issuer intends to use the net proceeds from the issuance of the new Shares to acquire and finance new projects in accordance with the Group development strategy. The acquisition of these projects will enable further growth of the Group. The projects were grouped according to the geographical location: • investments in the Slovak Republic: the Issuer intends to proceed with 4 new projects (2 groups of smaller projects counted as two stand–alone projects respectively), with a total equity investment by the Issuer estimated at 10,000,000 EUR (42,000,000 PLN – exchange rate of 4.20 EUR/PLN) • investments in the Czech Republic: the Issuer intends to proceed with 3 new projects (including expansion of Elgas operations), with a total equity investment by the Issuer estimated at 12,500,000 EUR (52,500,000 PLN – exchange rate of 4.20 EUR/PLN) • investments on other markets in Central Eastern Europe, Serbia, Poland, Ukraine and Hungary: the Issuer intends to proceed with 9 new projects (including expansion of Elgas operations in Poland and Hungary), with a total equity investment by the Issuer estimated at 21,000,000 EUR (88,200,000 PLN – exchange rate of 4.20 EUR/PLN) • alternative investments on other markets: in Serbia and Hungary. Projects were sorted according to their priority and progress made in realization of respective projects. The Issuer intends primarily to carry on projects in the Slovak and Czech Republic, the markets which are best known and developed by the Group. The component on investment in new markets, particularly in less developed markets like Serbia and Ukraine is an important element of the Issuer's strategy to be active in such markets which are less competitive. These markets allow for better margins and enable to develop solid market position and to leverage from the know–how acquired in

developing business and production in the Slovak Republic. The alternative investments are the projects which are most uncertain, both given the pace of negotiations as well as the characteristics of the projects.

Sufficiency of proceeds from new issue

At the date of this Prospectus, the Issuer cannot precisely determine the size of proceeds from the issue. However, it is expected that the proceeds from the issue will be sufficient for the implementation of the development strategy and will cover almost all necessary capital (excluding alternative investments on other markets: in Serbia and Hungary). The rest of necessary capital will be covered by own sources. If the capital earned from the issue is lower than expected, in the first place the Issuer will increase share of cash from ongoing business operations. Notwithstanding, in case when the proceeds from the issue are not sufficient to achieve the intended objectives of the issue, the Issuer may also consider resignation from given project (projects were sorted according to their priority) or dividing projects on stages and spreading planned investments over time. In case when implementation of those objectives would not be possible or would be ineffective, the Issuer could change the issue objectives. The decision to change issue objectives will be based on changing market conditions and the Group's development strategy and would be solely on the discretion of the Management Board. The Group does not disclose expected individual investment figures as some of the acquisitions are subjects to non disclosure agreements. Since this Prospectus is public information disclosing expected individual investments into acquiring new assets from their current owners could also have negative impact on the Group´s negotiating positions.

1) Investments in the Slovak Republic (23% of planned equity investments in the period of 2014 and 2015)

- **Increasing the efficiency of existing infrastructure and investments in small Cogeneration units and boiler rooms**
  - iInvestments allowing increasing the efficiency of energy infrastructure on its existing locations, namely in Snina, Považská Bystrica and Dunajská Streda
  - the Group also will realize further investments into small Cogenerations (up to 2 MW) and boiler rooms (up to 2 MW)
- **Acquisitions of heat and hot water producers and distributors**
  - acquisition of companies producing and distribution heat and hot water in the municiplities of Prievidza, Nitra and other municipalities

2) Investments in the Czech Republic (29% of planned equity investments in the period of 2014 and 2015)

- acquisition of existing Cogeneration unit and distribution network in Kutna Hora
- acquisition of up to 100% shares in a company producing and distributing heat and electricity in the Czech Republic
- development of ELGAS operations

3) Investments in other markets – Serbia (16% of planned equity investments in the period of 2014 and 2015)

- construction of new Cogeneration plant in Novi Sad in Serbia to supply heat to refinery owned by NIS Gazpromneft (50/50 JV with NIS Gazpromneft)
- construction of a Cogeneration plant in Kursumlija in Serbia to supply Simpo Sik production plant with heat and electricity

4) Investments in other markets – Poland (20% of planned equity investments in the period of 2014 and 2015)

- acquisition of 100% in the company producing and distributing heat
- construction and installation of a Cogeneration plant
- acquisition of up to 100% shares in a company producing and distributing heat and electricity in Poland
- development of ELGAS operations

5) Investments in other markets – Ukraine (11% of planned equity investments in the period of 2014 and 2015)

- replacement of primary heat distribution infrastructure in Odessa in Ukraine
- refurbishment of the heating infrastructure of the Ukrainian state jail system

6) Investments in other markets – Hungary (1% of planned equity investments in the period of 2014 and 2015)

- development of ELGAS operations

7) Alternative investments on other markets – Serbia and Hungary

- construction of new Cogeneration plant in Novi Sad in Serbia (Joint

		– Venture with the Power Industry of Serbia (in Serbian: *Elektroprivreda Srbije Javno Preduzeće*) ("EPS")) – acquisition of one of the biggest Cogeneration firm in Hungary **Use of proceeds from the issue to the date of realization of issue objectives** The funds raised from the issue to the date of realization of issue objectives will temporarily increase the working capital of the Group and may be invested in financial instruments with limited risk (bank deposits, government bonds) and can also be used to reduce financial costs of revolving loans.
E.3	Terms and conditions of the Offering	**General information** On the basis of this Prospectus, the Issuer is offering up to 5,000,000 newly issued New Shares of the Issuer and is submitting of up to 15,000,000 Shares (Existing and New Shares) on the WSE. The Offering consists solely of Public Offering in Poland and Private Offering. The Prospectus has been filed with the NBS which is the competent authority under the relevant implementing measures of the Prospectus Directive in the Slovak Republic. The New Shares may be acquired by Retail Investors and Institutional Investors. As at the date of this Prospectus, there is no restriction on the amount of New Shares that will be allocated to each category of Investors. The Issuer intends to offer ca 15% of New Shares to Retail Investors and ca 85% of New Shares to Institutional Investors. The New Shares are being offered at the Issue Price which will be determined through a book–building process and expressed in PLN. The final number of the New Shares allotted to the Investors will be set by the Issuer in agreement with the Joint Bookrunners after the Issue Price is determined, but will not be higher than Maximum Price which will be 38.00 PLN. **Notice** Any notices relating to the Issue Price and final results of the Offering will be notified to the NBS and will be published on the website of the Issuer: www.gge.sk, the Offering Agent: www.dmbzwbk.pl. **Place subscription** Subscriptions from Retail Investors will be accepted at points of services of the Offering Agent and selected offices of the Bank Zachodni WBK S.A., who operates as an agent of the Offering Agent. Subscriptions in institutional tranche and private placement among the International Investors will be accepted at the office of the Offering Agent at Grzybowska 5A St. 00–132 Warsaw, Poland. In case of the retail tranche, the Offering Agent and the Issuer reserve the right to establish a distribution consortium. If such a consortium is created, it will be publicly announced in compliance with applicable regulations. **Book–building** Before the start of subscriptions for Institutional Investors, the Joint Bookrunners will carry out the book–building process within which the Institutional Investors will make declarations as to the acquisition of the New Shares. In their bookbuilding declarations, the Investors will determine the total number of the New Shares they would like to buy and the price they are willing to pay for the New Shares. **Subscription procedure** Subscription for the New Shares may be placed by eligible Investors. Subscriptions are irrevocable subject to exemption stated by the Prospectus Directive. In the retail tranche, an Investor may subscribe for the minimum of 10 New Shares. The Investor may make any number of subscriptions exceeding the minimum amount of the New Shares; provided that the total number of the New Shares subscribed for by him in the retail tranche cannot exceed the total amount of offered New Shares. In case of Institutional Investors who have been invited to subscribe, they are required to place a subscription order or orders for a number of the New Shares no less than the number of the New Shares given in the invitation which cannot be less than 10 New Shares. However, the Offering Agent acting on behalf of Joint Bookrunners may at its own discretion deem valid also those subscriptions which do not comply with the aforementioned requirement. **Minimum and/or maximum amount of application** The Issue Price will not be set at higher than Maximum Price. The Issue Price will be expressed in PLN. The Issue Price for one New Share expressed in PLN, should not be less than the nominal value per Share, i.e. 1 EUR.

<table>
<tr><td></td><td></td><td>Pricing
The New Shares are being offered at the Issue Price which shall be determined through a subscription procedure and after taking into account other conditions as specified in this Prospectus.
The Issue Price shall not exceed the Maximum Price.
Time Table
The book–building shall take place between 7 – 10 February 2014, determination of the Issue Price and a number of the New Shares on 10 February 2014, Subscription by Investors between 11 – 14 February 2014, Delivery Date on 10 March 2014 and Listing Date on 21 March 2014.</td></tr>
<tr><td>E.4</td><td>Interests material to the Offering/conflicting interests</td><td>There is no interest that is material to the Issuer or to the offer.</td></tr>
<tr><td>E.5</td><td>Name of the person or entity offering to sell the security
‘Lock–up’ agreements: parties involved, period of ‘lock–up’</td><td>At the date of this Prospectus, there are not any persons or entities acting as selling security holders offering to sell the securities.

In connection with the Offering, certain ‘lock–up’ agreements might be executed in respect of the issue and sale of New Shares by the Issuer and the Joint Bookrunners as well as among the shareholders of the Issuer in the future.</td></tr>
<tr><td>E.6</td><td>Immediate dilution

Amount and percentage of immediate dilution, if the Shareholders did not subscribe during the Offering</td><td>The table below illustrates dilution of the existing shareholders in the Issuer after the Offering.
<table>
<tr><th>Shareholder</th><th>Share in registered capital</th><th>Share in votes on GM</th></tr>
<tr><td>Major Shareholder</td><td>53.3%</td><td>53.3%</td></tr>
<tr><td>Roland Tóth</td><td>6.7%</td><td>6.7%</td></tr>
<tr><td>Roman Jankovič</td><td>6.7%</td><td>6.7%</td></tr>
<tr><td>Others</td><td>33.3%</td><td>33.3%</td></tr>
<tr><td>Total</td><td>100%</td><td>100%</td></tr>
</table>
Source: Issuer</td></tr>
<tr><td>E.7</td><td>Estimated expenses charged to the Investors by the Issuer</td><td>Investors will not bear any additional costs or taxes in filing subscriptions, except for Retail Investors who may incur costs associated with opening and maintaining a securities account and any broker’s commission payable to the entity accepting such order.</td></tr>
</table>

2. RISK FACTORS

The Issuer is a holding company. The main business is performed by other related companies to the Issuer. For the purpose of this Prospectus, the term “Group” shall mean the following companies:

a) Issuer

b) TEPLÁREŇ, a.s., Považská Bystrica

c) Teplo GGE s.r.o.

d) SOUTHERM, s.r.o.

e) Energy Snina, a.s.

f) KGJ Invest a.s.

g) ELGAS, s.r.o.

h) EnerWood, s.r.o.

i) TENERGO Brno, a.s.

j) TENERGO Slovensko, a.s.

k) IFM, a.s.

l) GGE invest, s.r.o.

m) GGE d.o.o. BEOGRAD

n) GGE UA TOV (from b) to n) “Subsidiaries”)

o) GGE distribúcia, a.s.

p) POV BYT development, s.r.o.

q) SOUTHERM SPRÁVA, s.r.o.

r) Snina Energy, s.r.o.

s) GGE UA Pivden TOV

t) GGE UA Odesa TOV

u) GGE UA Zahid TOV

v) ELGAS Sales a.s.

w) ELGAS Energy Trading, d.o.o.

x) ELGAS Energy, s.r.o.

y) ELGAS Energy, Kft.

z) ELGAS Energy, sp. z o.o (from o) to z) “Subsidiaries of Subsidiaries”).

Prospective Investors should consider all of the information in this Prospectus, including the following risk factors, before deciding to invest in the New Shares. If any of the events described below actually occur the Group’s business, financial condition or results of operations could be materially adversely affected and the value and trading price of the New Shares may decline, resulting in a loss of all or a part of any investment in the New Shares. Furthermore, the risks described below are not the only risks the Group faces.

The order of the risk factors described below is not an indication of their relative importance for the Group, the probability of their occurrence or their potential influence on the Group’s activity. Additional risks not currently known or which are currently believed to be immaterial may also have a material adverse effect on its business, financial condition and results of operations of the Group.

2.1 Risks related to global, political and economic environment

The risk of political environment and developments in the Slovak Republic or other countries

The political environment in the Slovak Republic, in the other countries in which the Group operates or intends to operate and in the EU countries, the developments in these countries, including any future integration of European countries and changes in the economic policy, executive authority or composition of the EU and its institutions, may have an adverse effect on the overall economic stability of our region, the EU countries and the other European countries in which the Group runs its operations.

There is a risk that changes in the political or economic stability of any of the countries in which the Group operates or intends to operate, or other EU countries, as well as any political, economic, regulatory or administrative developments in these countries could have a material adverse effect on the Group's strategy, business, financial results and financial conditions.

The risk of macroeconomic situation in the Slovak Republic or other countries

The Group's business operations and financial results are dependent to a large extent on the macroeconomic situation in all countries where the operations are conducted or intended to be conducted, primarily in the Slovak Republic, but also in other countries of the region. The macroeconomic situation in these countries may be affected by macroeconomic situation in other EU countries or globally. The recent global sovereign debt crisis of 2009 – 2012 and the threat of collapse of Eurozone strengthen the risk of unexpected changes of macroeconomic factors.

Any adverse changes in factors like the above mentioned countries' GDP levels and their changes, inflation rates, foreign exchange rates, interest rates, unemployment levels, average salaries and their changes, fiscal and monetary policies may have an adverse effect on the local demand for heat and electric energy or otherwise adversely influence the Group's strategy, business, results of operations and financial conditions.

The risk of decline in demand for heat or electric energy in the countries of Group's operations or in other countries in Europe

The demand for heat and electric energy is affected by a number of factors including: changes in GDP, changes in personal consumers' wealth, weather conditions, availability and use of efficient devices and materials and others. Any deterioration of macroeconomic conditions in Europe or globally may decrease consumption, industrial production and overall level of economic activity in Europe which in turn may decrease the demand for heat and electric energy. In particular, slowdown in growth or decline in GDP, adverse changes in the level of consumer affluence and implementation of solutions, materials and products aimed at increasing the energy consumption efficiency may lead to a decrease in energy demand. Any reduction in the demand for energy consumption may adversely impact the Group's strategy, business and its financial results and financial condition.

The risk of changes in the renewable energy policy and an accelerated market shift towards renewable energy sources

The heat and electric energy sector in the Slovak Republic and other countries the Group operates or intends to operate is strongly influenced by the EU's policy to increase the share of heat and electricity generated by renewable energy sources. The Group is effectively forced by economic incentives to reflect and comply with the EU policy. There is the climate and energy package adopted by the EU as being a headline of the Europe 2020 strategy and contains a set of binding legislation (Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, as amended, Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC, as amended, Directive 2009/31/EC of the European Parliament and of the Council on the geological storage of carbon dioxide, as amended and Decision No 406/2009/EC of the European Parliament and of the Council on the effort of each member state of the EU ("Member State") to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020, as amended) which aims to ensure that the EU will meet its ambitious plans in this sector. These plans are well–known as 20–20–20 targets which set three objectives to be achieved by 2020:

- a 20% decrease in CO_2 emissions
- a 20% increase in share of energy consumption produced from renewable resources

- a 20% improvement in the EU's energy efficiency.

Generally, these targets aim to combat climate change, increase the EU's energy security and strengthen its competitiveness. As a result, several EU policies and support for renewable sources may decrease energy prices, influence the production, its quantity, distribution and the profitability of the Group operations. Continued or increased support for renewable energy sources in the EU, particularly in the Slovak Republic, may adversely affect the Group's strategy, business and its financial results and financial condition.

The renewable energy policy in the Slovak Republic and other countries the Group operates or intends to operate, the future targets or any change to the targets of the EU renewal energy sources policy, may have an adverse effect on the Group's strategy, business and its financial results and financial conditions.

The risk of unstable and changing legal system and regulations in the Slovak Republic and other countries, especially concerning the energy sector

The energy sector regulatory framework in the Slovak Republic or other countries where the Group operates or intends to operate, as well as in the EU, defines to a large extent the business environment the Group operates. Any changes in regulations within these countries may impact adversely both the business environment the Group operates or intends to operate, as well as may influence the current or future regulatory bodies' or authorities' decisions. The Group carries out business in: Slovak Republic, Czech Republic, Serbia, Poland, Ukraine and Hungary; therefore, it is mainly exposed to changes in the legal environment in these countries. The legal environment in these countries has changed recently, especially in Serbia or in the Slovak Republic where just recently two major legal acts, i.e. Slovak Act No. 250/2012 Coll., on Regulation of Network Industries, as amended ("Network Industries Act") and Slovak Act No. 251/2012 Coll., on Power Engineering, as amended ("Power Engineering Act") implementing corresponding EU legislation and regulating energy sector were adopted and is still changing. Moreover, there may be problems with interpreting some of the regulations and the legal regulations are not applied consistently by courts and public administration bodies. For example, the areas such as the structure and model of heat and electricity markets, the principles of heat and electricity prices regulations, heat and electricity distribution fees and regulations on supply cost of gas or other fuel used in the generation of heat and electricity as well as various environment protection regulations could be influenced by regulation changes. The changes to the energy sector regulatory framework, competiveness of the sector and the regulatory bodies' or authorities' decisions are uncertain, often unexpected or unlawful. The Issuer cannot foresee these changes and their direction. There is a risk that existing or changing regulations in energy sector in the Slovak Republic or other countries may result in restricted capability or inability to carry out the Group's business as expected, limiting the Group's revenues or margins or in a different way adversely influencing the Group's strategy, business, its financial results and financial conditions.

The risk of unstable tax policy in the Slovak Republic and other countries and their interpretation

The tax regulations in the countries in which the Group operates or intends to operate and their interpretation is unstable and often changes which could, among other things, generate a risk of incorrect qualification of income and costs in respect of corporate income tax, applying transfer pricing and settling the tax due to added value (VAT).

The Slovak Republic and other countries in which the Group operates or intends to operate have tax systems that are characterized by frequent changes in the regulations, many of which have not been defined precisely and for which there is no unequivocal interpretation. Interpretations of the tax regulations are often changed and the practice of the tax authorities and the tax case law are frequently changed and are inconsistent.

There is a risk of changes in the tax regulations and risk of the tax authorities interpreting the tax regulations differently from the Group which could have a negative impact on the Group's strategy, business, its financial results and financial condition. Especially, the emission allowances tax may be reintroduced after having been abolished in 2012.

Tax contingencies and uncertain tax positions

The Issuer's uncertain tax positions are reassessed by the Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Slovak tax legislation may be subject to varying interpretations. Consequently, tax positions taken by Management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Successful challenging of the tax positions taken by authorities may have a negative impact on the Group's strategy, business, its financial results and financial condition. Fiscal periods remain open to review by the authorities for further five calendar years after the year in which the relevant occasion occurred.

As the Issuer is resident for tax purposes in the Slovak Republic, it expects to be subject to the income tax laws of the Slovak Republic and it may be eligible for the benefits of the various bilateral tax treaties between the Slovak Republic and a number of other countries. In addition, the Issuer may be subject to income or other taxes in other jurisdictions by reason of its activities and operations therein. The imposition of such taxes could adversely affect the Issuer's business and would result in decreased earnings available for distribution to its shareholders.

Tax treatment for non–Slovak Investors in the Slovak company may vary

The Issuer is organized and exists under the laws of the Slovak Republic and, as such, the tax regime of the Slovak Republic applies to the distribution of profit and other payments from the Issuer to its Investors. The taxation of income from such payments as well as other income (for instance, from the sale of the Shares), may vary depending on the tax residence of particular Investors as well as on the existence and the provisions of double tax treaties between an Investor's country of residence and the Slovak Republic. Tax provisions applying to particular Investors may be unfavorable and/or may change in the future in a way which has an adverse effect on the tax treatment of an Investor's holding of the Shares.

The risk of foreign exchange rates

The Group's functional currency is EUR. The Group currently operates its business primarily in the Slovak Republic and to a smaller extent in the countries with different functional currencies. Some of the purchase or sale transactions may be subject to exchange rate fluctuations and resulting foreign exchange differences. Since the Group intends to increase its operations outside the Slovak Republic, the amount of such transaction may increase. The exchange rate fluctuations may result in negative exchange rate differences, having both short–term and long–term effects which may have an adverse effect on the Group's strategy, business, its financial results and financial conditions.

Apart from the foreign exchange risk described above, there is also the risk arising from the consolidation of the financial statements of the Issuer's companies with functional currencies different than EUR. It is a risk of currency translation, involving a change in the carrying values due to changes in EUR versus these currencies exchange rates.

Additionally the Group took a loan for investment in CCGT unit in Považská Bystrica which is denominated in USD. To mitigate the risk of sudden change of exchange rate, the Group keeps funds on deposit denominated in USD.

Long term change in this exchange rate may influence the Group's business by making it less competitive against businesses which don't have indebtedness in foreign currencies.

Currently the Group is not significantly dependent on exchange risk. However, with regional expansion, a higher proportion of Group's business will be conducted in foreign currency: Czech Crowns, Polish Zloty, Serbian Dinar, Ukrainian Hryvnia and Hungarian Forint and therefore an adverse trend in these currencies could have a negative effect on the Group's strategy, business, results of operations and financial conditions.

2.2 Risks related to the Issuer

The risk connected with energy sector regulations and regulator's decisions in the Slovak Republic or other countries

As the power industry in the Slovak Republic is strictly governed by law and is subject to regulatory power of respective state authorities, the performance of the Group's business activities is thus subject to the issuance by those of the respective permits. Moreover, by the authority vested in respective state bodies by law, they are also entitled to determine and supervise the price policy on an annual basis in compliance with applicable law. As a result of the above, any change of legislation in the field of power regulation may represent potential risk to any aspect of the business of the Group and may have material impact on its production and revenues depending on the nature of the change of legislation. Moreover, the total turnover of the Group is directly dependent on the price policy approved for respective calendar year by authorized state body and may represent a significant limitation to the Group's profit. In connection with potential risks and hazards of the Group's business, authority of the respective state bodies to revoke the permits to perform a business activity in the field of power industry is also particularly significant. State authorities may do so in case of failure by the Group to comply with certain obligations imposed by applicable law and/or permits awarded. Revocations of pertinent permits do not exclude the Group from re–obtaining them, however, this could negatively affect the Group's capability to implement its long–term expansion plans and could have a material adverse impact on the Group's strategy, business, its financial results and financial conditions. Besides the above, in cases determined by law pecuniary fines may also be imposed on the Group in the course of the performance of its business activity provided that the Group fails to comply with its certain statutory obligations; the amount of fine to be imposed varies depending on the nature of obligation violated, however, such fines are not expected to have significant effect on the profit of the Group. For details regarding specific regulations, *please see Section 3.6.3 of this Prospectus*.

The risk of changes in regulated tariffs

A significant part of the Group's business is subject to regulated tariffs (including heat and electric energy sales and distribution prices as well as energy source prices). Such tariffs are set by the relevant authorities and changed periodically based on the decision and analysis by these authorities. Relating to the Slovak Republic, the law sets out which specific business activities performed in the field of network industries are subject to regulated prices, while prices of any other business activities, e.g. price of power and gas supply to other medium size or large size entrepreneurs, are determined as a result of the supply and demand balance on the relevant market.Regulatory policies in other countries the Group operates or intends to operate, particularly Serbia, may be less developed and more susceptible to political influence.

With regard to the Slovak Republic, new price regulation in the field of power, heat and gas sector has recently been adopted by URSO. Major changes shall apply for the scope and methods of price regulation. Those regulations became effective in July 2013; however, they shall apply only in price proceedings for 2014, in all other cases, the former price regulations will apply. Price for 2014 shall be approved by URSO not later than 31 December 2013; otherwise the price for 2013 shall apply also in 2014.

Regulatory authorities in the countries the Group operates or intends to operate may limit or freeze tariff increases, or may change the conditions of access to such regulated tariffs, including changes to the price setting mechanisms as a result of political interference. The Issuer cannot give any assurance that new tariff mechanisms would be put in place or that regulated tariffs would be set at a level which will allow us to carry the business as planned and ensure the expected returns on new projects. There is a risk that changes in regulated tariffs, particularly those that may affect our revenues from heat or electric energy generation, sales or distribution, may have a material adverse effect on the Group's strategy, business, its financial results and financial conditions.

The risk of more stringent regulation of energy sector

The potential risk in connection with the business of the Group may be presented by the recent change of the price regulation in the field of the power industry in the Slovak Republic. On 11 June

2013 URSO adopted new Decree No. 221/2013 on price regulation in the power industry, as amended ("G–tariff Decree") introducing a new type of payment, so called G–tariff. This type of tariff shall be chargeable to the power producers for an access to the regional distribution grid in the amount of 30% of the volume of the maximum reserved capacity agreed in the contract concluded by and between the power producer and the regional distribution grid operator; in case of the absence of such contract, the amount to be charged shall be calculated on the basis of the total installed capacity of the facility. The said tariff is normally charged in several Member States; in the Slovak Republic it is applicable only since January 2014. Aforementioned tariff has been previously borne only by the power customers, but according to the G–tariff Decree it shall be shared also by the power producers which may lead to the increase of the business expenses of the Group. According to first to the first estimates of the Management Board implementation of the G-tariff Decree has an incremental implication of approximately 425,000 EUR to be paid by the Group to regional distribution companies (estimate for 2014). The G-tariff Decree may have an adverse impact on the Group's existing strategy, business, its financial results and overall revenues. However, in this connection it is necessary to point out that the lawfulness and non–discriminatory nature of the G–tariff Decree is strongly challenged and the possibility of the future repeal of or amendment to the relevant provisions of the G-tariff Decree cannot be excluded.

The risk of exposition to the wholesale energy, greenhouse gas emission allowances and green certificates markets

The Group operates on the energy markets in the Slovak Republic and other countries through its generation, distribution and trading activities. As a result, it is exposed to price fluctuations in the wholesale energy markets (electricity, gas, coal, crude oil) as well as in the greenhouse gas emission allowances market and green certificates markets. The Group is a net buyer of the emission allowances. In 2013 the Group has to buy approximately 58,000 of emission rights for 289,000 EUR (the average price for one emission right was 5 EUR). This can, however, vary as it depends also on the range of the emission rights to be approved by the European Commission for 2013 which has not happened yet.The Management expects further decrease of granted free allowances by 3,000 – 4,000 a year. During next few years the Group will have to buy up to 100,000 allowances each year. The price for emission right may increase. Historically in 2010 – 2011 the price for emission right was 12 EUR.These fluctuations may be significant. Any shortage of products or lack of market liquidity may limit the Group's capability to close certain risk exposure. Any fluctuations in the wholesale energy markets may have an adverse effect on the Group's strategy, business, its financial results and financial condition.

As of January 2016 new stricter rules on emission allowances should be applicable based on the Directive No. 2010/75/EU of the European Parliament and of the Council dated 24 November 2010 on industrial emissions, as amended ("Directive on Industrial Emissions"). This should apply with respect to large combustion plants. Once this will be effective in the countries where the Group operates, the Group would have to spend more on purchase of the emission allowances. This might have and adverse effect on the Group's strategy, business, its financial results and financial condition.

The risk of requirement of various administrative authorizations and licenses that may be difficult to obtain, maintain or renew or their granting may be subject to conditions hard to fulfill

The Group's business is subject to decisions of numerous national and international institutions, regulatory and administrative authorities. The Group's activities of generation, distribution and sales of heat and electric energy requires various administrative authorizations in the countries in which the Group operates, both on local and national level. The procedures for obtaining and renewing these authorizations can be protracted and complex. Obtaining these authorizations may not be standard process and the conditions attached may be subject to change and may not be predictable. The process of obtaining or renewing these authorizations may last, may incur above expected expenses or investments and the Issuer may not guarantee that all authorizations will be granted on time. There is a risk that unexpected costs, time delays or lack of getting the authorization on time may adversely affect the Group's strategy, business, its financial results and financial conditions.

The risk of environmental, health and safety laws and regulations and environmental, health and safety regulatory approvals

The Group is subject to various environmental, health and safety regulations governing, among others: the generation, storage, handling, release, use, disposal and transportation of waste or hazardous materials, the emission and discharge of hazardous materials into the ground, air or water, the health and safety of the public and the Group's employees. These regulations vary between the countries the Group operates or intends to operate. The Group is required to obtain several environmental and safety permits from various governmental authorities. Certain permits require also periodic renewal or review of their conditions as well as continuous monitoring and reporting of compliance with their conditions. The Issuer cannot give any assurance that the Group will be capable to renew all such required permits. Renewal or obtaining of some permits may require significant expenditures. Violation of any regulations or permits could result in plant shut–downs, fines or legal proceedings against the Group or in other sanctions, in addition to negative PR and damage to the Group's reputation. Environmental and health and safety regulations are complex, change frequently and have tended to become more stringent over time. They are also often subject to authority interpretation. The Group cannot be sure to be in full compliance with all such regulations. There is a risk that changing or unclear environmental, health and safety regulations may lead to increased costs or inability to carry on the Group's business as planned and in the result may adversely affect the Group's strategy, business, its financial results and financial conditions. For this purposes, the environmental issues remain to be open and therefore could always have a material effect on the Group's operations. For more information, *please see Section 3.8 of this Prospectus*.

The risk of fixed costs

The Group's generation and distribution of operations carry significant fixed costs. The Group's capability to generate sufficient sales of heat and electric energy to cover these costs and experience a sufficient margin, in accordance with the Group's strategy, is dependent, in part on favorable heat and electric energy prices and the Group's overall sales and trading activities. Therefore, it is possible that the Group may not generate sufficient revenue which could have a material adverse effect on the Group's strategy, business and its financial results and financial condition.

The risk of facing difficulties in keeping possesion over certain assets which are not in the ownership of the Group

Some of the assets of the Group are not owned but leased or rented, e.g. distribution network of Teplo GGE s.r.o. (heat) in Snina and Bratislava–Devínska Nová Ves. The agreements are for definite period of time and shall therefore terminate in eight years. There is a risk that the Group might face difficulties keeping possession over these assets (e.g. renewing of agreements, purchase of the assets). Furthermore the renewal of agreements might be subject to new financial terms. In such case the Group will not be capable to conduct its business activities in these locations or it can lead to increase of expenses for such assets. Occurrence of this risk may adversely affect the operations, market position, sales, financial performance and prospects of the Group.

The risk of problems or shortage of energy sources (mainly natural gas) supply

Production of heat and electricity by the Group's generating units are dependent on supplies of energy sources, mainly natural gas. The Group is supplied mainly by RWE (can be supplied by others like SPP, Shell, MET, VNG). There is a risk of disruption in the supply of natural gas, in particular, for technical reasons, natural disasters, adverse weather conditions, strikes or of social unrest, as well as for non–compliance of contracts by suppliers. Providing alternative energy source supplies may not be possible while guaranteeing uninterrupted operations or may result in higher costs. Interruption or reduction of energy source supply may cause disruption or significant reduction of heat or electric energy sales which may have an adverse effect on the Group's strategy, business, its financial results and financial condition.

The risk of increase in commodity prices

Energy source costs, mainly natural gas, accounts for 90% of variable costs which accounts for 60% – 75% of the heat price. The sales prices for heat are regulated and are subject to change once a year. The prices for electricity are stable during a period of fifteen years and can be changed only if material increase of raw material occurs (more than 8% since commencement of the Cogeneration unit). There is a risk that an increase in the price of energy sources, in the extent not covered by the increase of sale prices of heat and electric energy based on regulated price may have an adverse effect on the Group's strategy, business, its financial results and financial condition.

The risk of gradual deterioration of the Group's facilities and distribution network over time

The operations of the Group's production and distribution facilities, as well as natural processes, such as erosion and corrosion, have an impact on the condition of these facilities. The Group's facilities undergo a systematic maintenance and modernization program according to the sector best practices, aimed at keeping the facilities at the proper condition. Moreover, some assets were bought already fully depreciated and are difficult to inspect (i.e. underground distribution networks). Thus, the Issuer may not guarantee that all the facilities will be kept operational at all time, because some inspections or procedures may not be successful and may not result in proactive repairing or replacing equipment and components before they fail. There is a risk that failure of part of the Group's production or distribution facilities may adversely affect the Group's strategy, business, its financial results and financial condition.

The risk not to meet the efficiency degree what is demanded by the regulator

The production and distribution costs are estimated by each facility individually by URSO. URSO uses norms found in certificates issued by the Slovak Innovation and Energy Agency (in Slovak: *Slovenská inovačná a energetická agentúra*) ("SIEA"). If a producer surpasses the norms, he can make an extraordinary profit. Certificates describe the efficiency of machinery, if a producer is more effective (i.e. consumes less natural gas to deliver the same amount of heat) the savings belong to him. Similar mechanism can be found in fixed costs formulas, if a company can be more effective than the benchmark, it gains extra profit. In opposite, if a company is not capable to meet the efficiency degree that is demanded by the regulator, it would bear losses.

In some cases when the Issuer does not meet a required degree of efficiency and/or related conditions it can even be not entitled to high efficiency price subsidy.

There is a risk that strengthening of necessary efficiency degree demanded by the regulator, a change in efficiency degree reporting methodology, conditions and procedures, or deterioration of Group's assets may adversely affect the Group's strategy, business, its financial results and financial condition.

The risk of theft of electricity

The Group is active in building and operating its own local distribution networks and supplying with electricity. The Group operates approximately 115 km of high/low voltage cables. There is a risk of theft of electricity which could be strengthened due to lack of maintenance works on distribution networks. Occurrence of this risk may adversely affect the Group's business, its financial results and financial condition.

The risk associated with technology changes

Changes in technology can affect the Group's business. The Management of the Group has to anticipate and keep pace with the introduction of new technologies, especially in segment production, distribution and in segment engineering, procurement, construction services. Second, the Management Board has to adapt to changes in technologies introduced by competitors of the Group.

As a result of technology developments, the Group could be forced to make substantial and unanticipated expenditures to introduce new technologies in existing power plants. Further, the Group may not adequately anticipate or respond to technology changes for many reasons, including misjudging the impact of technology changes, as well as financial, technological or other constraints. A lack of adequate response to changes in technology may result in loss of competitiveness e.g. due to lower efficiency in production and distribution than efficiency of competitors and the end consumers and could have a material adverse impact on Group's strategy, business, its financial results and financial condition.

The risk of failures, breakdowns, planned or unplanned outages as well as natural disasters or any intentional actions at the Group's production or distribution facilities

The Group's production and distribution facilities could be subject to failure, breakdowns, unplanned outages, capacity limitations, system loss, breaches of security or physical damage due to natural disasters (such as storms, floods or earthquakes), intentional acts, terrorism, computer viruses, fuel interruptions and other causes. The Issuer cannot give any assurance that such accidents will not occur or that the preventative measures taken by the Group will be fully effective in all cases, particularly in relation to external events that are not within the Group's control, such as floods and other natural disasters.

Due to the complexity of operating the Group facilities, it is not possible to eliminate fully the risk of unplanned outages and the Group cannot predict the timing or impact of these outages with full certainty. Any service disruption may cause loss in heat or electric energy generation, customer dissatisfaction and may also lead to liability for damages, the imposition of penalties and other unforeseen costs and expenses. In some cases it may be required to temporarily shut down some of the facilities and to incur expenses in connection with inspections, maintenance or repair activities. There is a risk that the occurrence of such events may adversely affect the Group's strategy, business, its financial results and financial condition.

The risk of weather conditions impact on the Group's operations, in particular on the heat and electric energy sales

Weather conditions in a given year, in particular in the winter season, may have an impact on the Group's business, in particular on the production, distribution and sale of heat and electric energy. Weather conditions, including air temperature, may impact on the level of heat and electric energy demand. As a general rule, the lower and longer persistence air temperature, the greater the demand for heat and electric energy supply. In addition, during summer season the production of electricity in Cogeneration units in Snina, Dunajská Streda and Bratislava–Devínska Nová Ves due to lack of heat sale goes down (summer season doesn't affect the production of electricity in CCGT units e.g. in Považská Bystrica). In addition, weather conditions such as strong winds, thunderstorms, heavy rain or snow, rain etc. may have an adverse impact on the technical conditions of production and distribution of heat and electric energy, causing efficiency of the Group's facilities to be diminished. This can result in the Group's reduced revenue or, in extreme cases, claims by consumers for compensations, penalties or grant discounts in connection with shortage of heat or electricity supply. There is a risk that weather conditions influencing the demand for heat or electric energy may have an adverse effect on the Group's strategy, business, its financial results and financial condition.

The risk that the Group's strategy may be wrong or may not be successfully implemented

The Group's strategy is to expand the existing business by developing and/or acquiring new projects of the similar characteristics to the existing ones, i.e. to become a main or a sole provider of heat and important electric energy provider to middle or large size municiplities, based on long–term contracts, own Cogeneration production facilities and owned or long–term contracted distribution network. There are a lot of factors which may impede pursuing the strategy or make it impossible, in particular for example: lack of potential projects to acquire, difficulties in acquiring these projects, including the offer prices for such projects which according to the Issuer may not be attractive, the intensification of competition in the markets on which the Group operates or intends to operate, an absence or insufficient numbers of appropriately qualified employees responsible for pursuing the Issuer's strategy. The strategy may be implemented by the Issuer, but management errors in implementing the strategy may occur and the Issuer's strategy may not be successful and may fail. There is a risk that any of these actions may have an adverse effect on the Group's strategy, business, its financial results and financial condition.

The risk related to the incorrect assessment of the investment needs

The Group's corporate strategy is based both on acquisition and on organic growth through capital investments into the Group's facilities. Implementation of the Group's strategy requires significant capital investments. Since the beginning of the Group's activity over 100,000,000 EUR has been invested into development of the Group. Each investment is thoroughly analyzed before the start and different scenarios are analyzed. Nevertheless, there is a risk that some of ongoing or planned investments may be less profitable than previously planned, or even unprofitable. Misguided investments could have a material adverse effect on the Group's strategy, business, its financial results and financial condition.

Risk related to the use of proceeds from the New Shares issue

One of the major factors of the development strategy of the Group are acquisitions. The Issuer has clearly defined entities and assets that could be the subject of acquisition (*please see Section 4.3.4 of* *this Prospectus*). However, there are not any binding commitments. In addition, performing acquisition is dependent on a number of factors which are beyond the control of the Issuer and unpredictable by him, e.g. in the process of a tender offer competition may offer better condition.

In case when implementation of those objectives would not be possible or ineffective, the Issuer could change the issue objectives. The decision to change issue objectives will be based on changing market conditions and the Group's development strategy. There are risks associated with the development through acquisitions. Occurrence of this risk may adversely affect the operations, market position, sales, financial performance and prospects of the Group.

The risk associated with expanding the Group's operations and integrating newly acquired subsidiaries

The Group has expanded since 2007 mainly by acquisitions and new investments. The Issuer expects to continue this strategy in order to evaluate various investment opportunities in the future and the Issuer may expand its operations in other countries or on new markets.

The Group faces many risks inherent in expanding its operations and doing business on an international level, such as unexpected changes in regulatory requirements, default by the Group Joint Venture partners, trade barriers, including import and export controls, tariffs, customs and duties, difficulties in staffing and managing foreign operations, longer payment cycles and problems in collecting accounts receivable, political instability, expropriation, nationalization, war and other political risks, fluctuations in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions and potentially adverse tax consequences. Any failure to manage the risks associated with expanding the Group's operations could have a material adverse effect on the Group's strategy, business, its financial results and financial condition.

The risk of dependency on key personnel

The Group's competitive position and the Group's future prospects depend on the efforts and abilities of the Group's management team, including members of the Management Board, directors of the Group's facilities and other key technical, financial and commercial personnel. Although some of the Group's employment agreements with the senior managers contain non–competition and non–disclosure provisions, there can be no assurance that these provisions will be enforceable in whole or in part, or will be comprehensive enough to protect the business adequately, should any key members of the Group's personnel decide to leave the Group. There is also a risk that the Group will not be capable to attract enough experienced personnel. Competition for highly qualified management personnel is intense and the loss of any of senior manager could have an adverse effect on the Group's strategy, business, its financial results and financial condition.

The risk that the Group's insurance coverage may not be adequate

The Group maintains insurance of liability for damage which covers insurance of liability for damage caused by the performance of the business activities. It encompasses the Group's responsibility for damage caused to others' health or life, as well as for damage caused to others by impairment, destruction, loss or theft of an object provided, that we are responsible for such damage. We also maintain other forms of insurance. All the insurance policies have maximum limits for one and all insurance events occurring in one year and therefore the risk exists that if extraordinary events should occur, the Group's insurance coverage may not recover all the losses that the Group may incur. Furthermore, some mistakes in systems or solutions that the Group delivers to its customers may create damages on the side of the customer that may be claimed by them to be repaid by us. However, such risks are not coverable by insurance within the Slovak Republic. There is a risk that if such a situation occurs in some of the Group's projects, payment of such claims may adversely influence the Group's strategy, business, financial results and financial condition.

Risk related to material agreements

There are several agreements already concluded or which will be concluded in the future by the Group companies that are of great importance in respect of revenues incurred as a result of conclusion of such agreements (e.g. with Panonske Te–To, Stredoslovenská energetika, a.s., Západoslovenská energetika, a.s., Východoslovenská energetika, a.s.) (p*lease see Section 3.22 of this Prospectus)*.

Such revenues might represent a relevant portion of revenues of the respective Group company.

Generally, the Group operations are based primarily on long–term agreements for heat and electric energy supply and distribution. The terms and conditions of these agreements to a large extent decide on the level of the Group revenues from these agreements and its profitability.

In the segment of heat production and distribution the agreements are signed for an unspecified period of time. In the production and distribution of electricity the price is set on one level for the fifteen years following the year of commissioning of the Cogeneration plant. The prices in both of mentioned cases are regulated by URSO. In case of heat the prices are subject to change each year. The price for electrical energy is fixed and is subject to change only if the prices of primary energy sources (e.g. natural gas) rise significantly (more than 8% since commencement of Cogeneration unit).

There is a risk that changes in these provisions, change in their interpretation, different provisions in new projects and agreements, new provisions in renewed agreements or undermining any of existing provisions by the Group's customers may adversely affect the Group's strategy, business, its financial results and financial condition.

The risk of different interpretation of legal acts

The rights of Slovak company shareholders may differ from the rights of shareholders of a Polish company and the legislation, interpretation and application of legal acts may be different in the Slovak Republic from that in Poland.

The Issuer is organized and exists under the laws of the Slovak Republic. Accordingly, the Issuer's corporate structure as well as rights and obligations of the shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE. The exercise of certain shareholders' rights for non–Slovak Investors in a Slovak company may be more difficult and costly than the exercise of rights in a Polish company. In addition, the Slovak law may provide shareholders with particular rights and privileges which could not exist in Poland and, vice versa, certain rights and privileges that shareholders may benefit from in Polish companies may not be guaranteed.

Even though Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, as amended should be transposed into the national law of Poland and the Slovak Republic, there still might be differences in regulation of the shareholder rights and exercise thereof across the countries. In addition, even where the regulation is comparable, there might still be differences in its interpretation and application.

Furthermore, the conflicts regarding the applicable laws (Slovak or Polish) with regard to disclosures of information in connection with this Offering and other relevant issues on this Offering may arise.

After the successful Offering and Admission, the Slovak Republic will be the home Member State of the Issuer for the purpose of the EU securities regulations and Poland will be its host Member State. The EU directives provide different competencies for the home Member State and the host Member State with respect to rights and obligations of the Investors in public companies, depending on the subject of regulations. In addition, the directives are not always implemented at a national level in the proper manner. Consequently, the Investors in the Shares may be forced to seek complex legal advice in order to comply with all regulations when exercising their rights or when fulfilling their obligations. In case an Investor fails to fulfill its obligations or violates law when exercising rights from or regarding the Shares, such Investor may be fined or sentenced for such non–compliance or may be unable to exercise rights from the Shares.

Also two thresholds applicable with regard to the voting rights of the Issuer should be considered if it comes to the takeover bid, i.e. 33% and 33 ⅓%. According to the applicable Polish laws a shareholder that wishes to cross the 33% voting rights threshold in a company is obligated to launch a public tender for shares that will entitle it to hold 66% of votes. It should be noted that the Polish law explicitly excludes application of the Polish regulations concerning thresholds only with respect to the 66% threshold as the mandatory threshold under the directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, as amended ("Takeover Directive"). In such case, the Slovak threshold of 33 ⅓% should apply. On the other hand, the additional threshold of 33% stipulated in the Polish law is a separate obligation imposed by Poland irrespective of the Takeover Directive. Therefore, the announcement of a take–over bid when exceeding 33 ⅓% of votes to satisfy the obligations imposed by the Takeover Directive should be deemed a different obligation from the obligation to announce a bid for 66% of votes when exceeding 33% of votes to satisfy additional Polish requirements. For more information on this issue, *please see Section 4.11 of this Prospectus*.

In addition, the exercise of pre–emption and certain other shareholder rights for Polish or non–Slovak Investors in a Slovak company may be more difficult and costly than the exercise of rights in a Slovak company listed on the WSE. Resolutions of the general meeting may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Action with a view to declaring a resolution invalid must be filed with and will be reviewed by a Slovak court in accordance with the Slovak law. Moreover, certain protections such as anti–takeover measures may not be available to holders of the Shares or their application may be uncertain.

Judgments of Polish courts against the Issuer and the Group may be more difficult to enforce than if the Issuer and its management were located in Poland.

The Issuer and the most of the Subsidiaries were formed in accordance with the Slovak law and their registered offices are in the Slovak Republic. For the same reason it may be more difficult for Polish Investors to enforce a judgment of the Polish courts issued against any entities within the Group and/or the management personnel working for the Group than if those entities and/or the management personnel were located in Poland.

Risks related to the dividend payment

The Issuer is under no lasting and definite obligation to pay regular dividends to its shareholders and no representation can be made with respect to the payment and amount of future dividends, if any. The Management's recommendations for the distribution of profit will be based on financial performance, working capital requirements, reinvestment needs and strategic considerations which may not necessarily coincide with the short–term interests of all shareholders. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the majority of the Issuer's shareholders.

Accordingly, Investors cannot rely on dividend income from the Shares and any returns on an investment in the Shares will likely depend entirely upon any future appreciation in the price of the Shares.

Furthermore, the Issuer can be regarded as a holding company with no substantial business activities.

Distribution of profits is made on the basis of non–consolidated statements of the Issuer. Part of the Issuer's net income may come from dividends from Subsidiaries. Therefore, the payment of dividends by the Issuer may depend partly on the results of the Subsidiaries and on the dividends from these companies. If the Issuer does not receive dividends from its Subsidiaries, this could lead to reduction in size of the dividend payment or failure to pay dividends for the year.

As the dividends are paid out from a given company's last year's profit, there is a delay after which the parent company receives dividends from its Subsidiaries. As those dividends themselves are profit for the parent company, they contribute to the parent's company results one year later. When the parent company itself wishes to pay out dividends, it can do so with its profit from last year operations. As a result of this mechanism, the profit of a subsidiary can be paid in dividend to the shareholders of the parent company two fiscal years later after their occurrence.

Additionally, in accordance with Slovak Act No. 513/1991 Coll., Commercial Code, as amended ("Commercial Code"), the dividend is only paid out when the Issuer's General Meeting adopts a corresponding resolution on the profit distribution among its shareholders. The Issuer's Management is not obligated to propose such resolutions to the General Meeting. Even if the Management does recommend allocating a part of profit to be paid in dividends, it can't guarantee that the General Meeting will adopt such a resolution.

As some of the loan agreements include covenants which block the payment of dividends, under certain circumstances (based on financial performance of the company concerned), there is a risk that the Issuer will not be capable to pay dividends due to the provisions under certain loan contracts.

There is a risk of not paying out or delay in paying out dividends which can miss the dividend policy and consequently it could result in the loss of trust for the Issuer and as a result impact the Issuer's share price.

Risks related to environmental issues

The Group´s core business activity, i.e. the power, gas, water and heat production and distribution, is not in particular safe type of business, as it may be subject to unpredictable occurrences having grave consequences. The operation of business of the Group is inseparably connected with production and treatment of waste and dangerous waste and release of air and water pollutants which results into the obligation to pay applicable fee on an annual basis. Such activities are strictly regulated by law and in order to be performed, various notification duties have to be complied with and respective permissions have to be awarded. Notwithstanding the fact that the Group complies with all technical norms and applicable law in course of performance of its business activity and takes all possible and necessary measures in order to prevent any accidents of harmful environmental impact, its business activities may still result into unwilling industrial accidents causing air, water and/or soil contamination and *inter alia* public health together with the environment may be put into risk. The Group may thus experience temporal shutdowns or period of reduced production as a result of any of the above factors. Such occurrences could also cause material damage to, or the destruction of, production facilities, human exposure to pollution, personal injury or even death, environmental and natural source damage, delays in production or shipment, pecuniary losses and possible legal liability. Under applicable law respective authorities may also require the Group to perform some corrective actions to decrease the amount of contamination or to take additional measures to ensure labor safety, all at its own expenses. Moreover, there is also risk that fines exceeding, in some cases 100,000 EUR may be imposed. Respective authorities have also power to change or revoke awarded permits, however, upon the compliance with any and all conditions imposed by law, those permits may be re–awarded.

Substantial level of the Group's indebtedness could adversely affect the Group's caability to fund future needs of its business and to react to changes affecting the Group's business and industry

Business in energy sector is a capital intensive business that requires significant investments into assets. Such investments often requires a substantial amount of indebtedness which in turn requires interest and principal payments. The Group has 61,812,000 EUR in borrowings outstanding as of end June 2013. The potential consequences of high level of indebtedness can be as follows:

- requiring the Group to dedicate a substantial portion of its cash flow from operations to payments on the Group's indebtedness, thereby reducing funds available for other purposes, including exploring business opportunities
- increasing the Group's vulnerability to adverse economic and industry conditions
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and industry
- limiting the Group's capability to borrow additional funds or refinance its existing indebtedness.

Changes in interest rates may adversely affect the Group's financial results

The Group finances itself to a large extent with debt, primarily bank loans. The interest rate of a significant portion of loans payable to banks is variable based on EURIBOR, CIRR, LIBOR plus a margin. Other loans payable to banks bear fixed interest rates. The greatest indebtedness concerns loan taken for investment in Považská Bystrica: construction of new CCGT power plant which was done in 2010 – 2011. Debt taken for this investment consists of two loans with fixed rates. First is denominated in EUR (approximately 2/3 of whole debt) and the second in USD (approximately 1/3 of whole debt). Pursuant to an agreement, a rate of loan denominated in USD may be changed to floating in case of significant increase of LIBOR 6M rate to more than 0.76% p.a. The total indebtedness for construction of this power plant is approximately 30,000,000 EUR. Loans with variable rates amount to approximately 19,000,000 EUR, out of which circa 10,000,000 EUR is secured by derivatives (SWAP). An increase in interest rates in the Slovak Republic or EU will automatically lead to an increase in the Group's financial costs. There is a risk that a change in interest rates in the market will lead to an increase in the costs of debt for the Group and thus may have an adverse effect on the Group's strategy, business and its financial results and financial conditions.

Changes, both increases and decreases, in the Group's cost of borrowing, as reflected in its composite interest rate, directly impact the Group's net income. The Group has used floating–rate debt to finance a significant portion of the Group's acquisitions.

Some companies of the Group are currently involved in interest rate hedging activities which at the date of this Prospectus amounts to approximately 8,000,000 EUR. The Management is constantly evaluating the possibilities of engaging in hedging activities in the future. Any such hedging activities will require the Group to incur additional costs and there can be no assurance that it will be capable to successfully protect the Group from any or all adverse interest rate fluctuations at a reasonable cost.

The recent global sovereign debt crisis could result in higher borrowing costs and more limited availability of credit, as well as impact the business and the financial health of the Group's business partners

Due to on–going recession and financial disturbance in Europe the availability of capital can be limited and therefore the cost for borrowing can increase. Poor economic situation in Greece, Spain, Ireland, Cyprus and other Member States might further negatively affect the commercial situation of many banks operating in Europe. In addition, the risk of lower consumer confidence can have an adverse impact on financial markets and economic conditions in the EU and throughout the world and, in turn, the market's anticipation or reflection of these impacts could have a material adverse effect on the Group's business in a variety of ways:

- difficulty or inability to acquire capital for further investments and to cover financial obligations of current debts
- increased risk of weak financial condition of the Group's business resulting from current economic situation
- exposure to increased bank risk, if banks issue letters of credit or other forms of guarantees to the Group in lieu of cash security deposit from its lessees, such banks may fail to pay when the Group seeks to draw on these letters of credit.

The Group's access to sources of financing may be limited

The Group is continually seeking capital in forms of debt such as bank loans or bond offerings to finance its growth. If the Group defaults on any of its obligations under these financings, the Group's operations may be impaired. The Group's access to sources of financing, whether public or private, will depend upon a number of factors including the following:

- general global financial market conditions
- the market's perception of the quality of the Group's assets
- the market's view of the Group's growth potential
- the market's evaluation of the Group's business strategy.

Potential financing entities may be unwilling or unable to provide financing to the Group. This also refers to currently cooperating financing facilities which may have limits in terms of their exposure to risk and hence either refuse to lend further or decide to increase the cost of financing.

As a result the Group may have to rely more on capital injections from equity issuances which may be dilutive to its shareholders. The Group can also revert to less efficient forms of debt financing that may require greater portions of its cash flow from operations, hence reducing funds available for the Group's operations, future business opportunities, cash distributions to its shareholders and other purposes.

The risk related to transactions with related parties

In the period covered by the historical financial statements, the Issuer and its Group companies engaged in and continue to engage in transactions with related parties. The transactions were related directly to the current statutory operations of the Group. Related parties of the Group have been identified as unconsolidated Subsidiaries and associates, companies under common ownership, shareholders, directors, management of the Group and Subsidiaries and the majority owner of the Issuer, companies under its ownership and control, the beneficiary owner of the Issuer, the beneficiary owner of the parent company of the Issuer companies under its ownership and control as well as his family members. In the opinion of the Management, transactions with related entities were concluded at arm's length. The agreements contained clauses and provisions which did not significantly depart from the adopted market standards.

However, there is a risk of negative tax consequences arising in the event of the tax authorities' challenging the arm's length principle of the transactions. Even though the Management Board of the Issuer puts its best efforts to ensure the compliance with the arm's length standard, there still remains a theoretical risk of potential tax implications if it were determined that certain transactions deviate from the arm's length standard. This, if challenged by the tax authorities, may result in adjustment to cost or revenues which may have a negative impact on the Group's strategy, business, its financial results and financial condition.

The risk related to the cross–guarantees provided between companies of the Group

Some of the companies of the Group have issued a guarantee for other companies of the Group namely in order to strengthen the position of suchrelevant companies of the Groupon the financial market, e.g. when concluding credit agreements with financial institution. Thus, the companies of the Group which have provided such guarantee may be to a certain extent dependent on financial position of other companies of the Group to which the guarantees have been provided. Therefore, even if a company of the Group achieves great financial results, poor financial results of other company of the Group may significantly deteriorate financial position of the first company and the whole Group as such.

2.3 Risks related to the Offering, listing and market

The Offering may be postponed, suspended or cancelled

Public offerings are subject to various circumstances independent from the Issuer. In particular, the demand for the New Shares is shaped by, among others, Investors' sentiment toward sector, legal and financial conditions of the Offering. If such circumstances have an adverse impact on the results of the Offering, the Issuer may decide to suspend or cancel the Offering (for further details, *please see Section 4.5 of this Prospectus*). Consequently, the Investors may be unable to successfully subscribe for the New Shares and payments made by Investors during the Offering, if any, may be returned without any compensation.

The Offering may be delayed or aborted

According to the Article 19 of the Public Offering Act, if the Issuer, or an entity participating in the public offering, subscription or sale carried out pursuant to the offering, admission or introduction of securities to trading on a regulated market or promotional activities on behalf or upon orders of the Issuer, breaches legislation in force in connection with the public offering, subscription or sale carried out pursuant to the offering, or admission or introduction of securities to trading on a regulated market or conducting promotional activities on the territory of Poland, the PFSA should notify the NBS about that.

If, despite notification by the PFSA, the NBS does not immediately take measures to prevent further violation of the legislation in force, or if such measures prove ineffective, the PFSA may, with a view to protecting the interests of Investors and having first notified the NBS, apply measures provided for in Article 16, 17 or Article 53 of the Public Offering Act. The PFSA should also promptly notify the European Commission that it has taken such measures.

Pursuant to Article 16 of the Public Offering Act, in the event that the Issuer or any other entity participating in the offering, subscription or sale carried out pursuant to the Offering on behalf of or upon the instructions of the Issuer is in breach or there is a reasonable suspicion of such parties being in breach of the law in connection with the public offer, subscription of securities in Poland or that such breach may occur, the PFSA may:

a) order that the commencement of the public offer to be withheld or the offering, subscription to be interrupted for up to 10 business days

b) prohibit the commencement of the public offering, subscription or their further conduct

c) publish at the Issuer's expense, information with respect to the breach in connection with the public offering, subscription.

With respect to any public offering, subscription, or sale the PFSA may apply the measures provided in items (b) and (c) above more than once.

If the grounds for the decision provided in (a) and (b) above cease to exist, the PFSA may, upon request of the Issuer, or on its own initiative, repeal such decision.

Pursuant to Article 17 of the Public Offering Act, in the event that the Issuer or other entities acting on behalf or upon instructions from the Issuer are in breach, or there is a reasonable suspicion of such entities being in breach, of the law in connection with applying for admission of securities to trading or admission to trading of securities on the regulated market in Poland, or there is a reasonable suspicion that such breach may occur, the PFSA may:

a) order that the application for the admission or introduction of the securities to trading on the regulated market be suspended for up to 10 business days

b) prohibit the application for admission or introduction of the securities for trading on the regulated market

c) publish, at the Issuer's expense, information with respect to the breach when the Issuer seeks to have the securities admitted or introduced to trading on the regulated market.

If the grounds for the decision provided in (a) and (b) above cease to exist, the PFSA may, upon the request of the Issuer, or on its own initiative, repeal such decision.

Pursuant to Article 53.12 of the Public Offering Act, if the PFSA finds out that a violation of the obligations regarding the promotion activities have occurred, the PFSA may:

a) order that the commencement of the promotional activities to be withheld or that the promotional activities already underway to be discontinued, in each case for a period not exceeding 10 business days for the purpose of rectifying the identified irregularities

b) proscribe the promotional activities, in particular when the Issuer evades rectifying the irregularities identified by the PFSA within the deadline set in item a) above, or the contents of the promotional or advertising materials violate statutory provisions

c) publish, at the expense of the Issuer, information concerning illegality of the promotional activities, specifying the identified violations.

In cases where the Issuer or other parties participating in the Public Offering, subscription or sale on behalf of or upon Issuer's order do not perform or improperly perform obligation referred in provisions of the Public Offering Act indicated above, the PFSA may impose a penalty of up to 5,000,000 PLN.

If the Issuer leads a promotional campaign in violation of the Public Offering Act, the PFSA may impose a penalty of up to 1,000,000 PLN.

In case of gross violation of the provisions referred to in above, the PFSA may impose a penalty of up to 1,000,000 PLN per person acting on behalf or upon Issuer's order when making activities related to the public offering or promotional campaign, particularly as a member of the Management Board.

The price of the Shares may fluctuate significantly

The trading prices of the Shares may be subject to significant price and volume fluctuations in response to many factors including, but not limited to:

- variations in the Group's operating results
- negative research reports or adverse broker comments
- future sales of Shares owned by the Issuer's significant shareholders, or the perception that

such sales will occur

- general economic, political or regulatory conditions in the Slovak Republic
- extreme price and volume fluctuations on the WSE or other stock exchanges, including those in other emerging markets.

Fluctuations in the price and volume of the Shares may not be correlated in a predictable way to the Group's performance or operating results. The Issue Price may not be indicative of prices that will subsequently prevail in the market and an Investor may not be capable to resell its Shares at or above the Issue Price.

The market value of the Shares may be adversely affected by future sales or issues of substantial amounts of the new shares

In connection with the Offering, certain 'lock–up' agreements will be (are) executed in respect of the issue and sale of the New Shares by the Issuer and the Joint Bookrunners as well as among the Shareholders of the Issuer. After these 'lock–ups' expire or terminate, the respective New Shares will be available for sale without any restrictions and there can be no assurance as to whether or not they will be sold in the market.

The Issuer cannot predict what effects such future sales or offerings of the New Shares, if any, may have in the market price of the Shares. However, such transactions may have a material adverse effect, even if temporary, in the market price of the Shares. Therefore, there can be no assurance that the market price of the Shares will not decrease due to subsequent sales of the Shares held by the existing Shareholders of the Issuer or the New Shares issued by the Issuer.

There has been no prior public trading market for the Existing Shares and therefore liquidity as well as trading price of the Shares could be materially and adversely affected

Prior to the Offering, there has been no public trading market for the Existing Shares. Although the Issuer will apply for the Shares to be admitted to trading on the WSE, there is no guarantee that an active trading market for the Shares will develop or, if developed, can be sustained following the closing of the Offering. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be materially and adversely affected. Active liquid trading markets generally result in lower price volatility and more efficient execution of orders for purchase and sell of the Shares. If an actual liquid trading market for the Shares does not develop, the price of the Shares may be more volatile and it may be difficult to complete a order for purchase or sell of the Shares.

The marketability of the Shares may decline and the market price of the Shares may fluctuate disproportionately and decline below the Issue Price in response to adverse developments that are unrelated to the Issuer's operating performance

The Issuer cannot assure that the marketability of the Shares will improve or remain consistent. The Issue Price in the Offering may not be indicative of the market price for the Shares after the Offering has been completed. Shares listed on regulated markets, such as the WSE, have from time to time experienced and in the future may experience, significant price fluctuations in response to developments that are unrelated to the operating performance of particular companies. The market price of the Shares may fluctuate widely, depending on many factors beyond the Issuer's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession. These and other factors may cause the market price and demand for the Shares to fluctuate substantially and any such development, may have an adverse effect in the market price of the Shares which may decline disproportionately to the Group companies' operating performance. The market price of the Shares is also subject to fluctuations in response to further issuance of Shares by the Issuer, sales of Shares by the Major Shareholder, the liquidity of trading in the Shares and capital reduction or purchases of the Shares by the Issuer as well as Investor perception. As a result of these or other factors, there can be no assurance that the market price of the Shares will not decline below the Issue Price.

Impact of securities analysts

Trading volumes and price of the Shares may depend on opinions of securities analysts who regularly monitor operations of the Issuer and publish their research reports regarding the future performance of the Issuer. The Issuer has no control over these analysts who may downgrade their recommended price of the Shares at any time, issue opinions which are not in line with the Management's view, or may drop the coverage of the Issuer altogether. All these events may have an adverse impact on trading volume and price of the Shares.

The Issuer may be unable to list the Shares on the WSE or the Issuer may be delisted from the WSE

The Admission of the Shares to trading on the WSE requires, *inter alia*, that: (i) the Shares are registered with the clearing and settlement system of the NDS and (ii) the management board of the WSE approves the listing and trading of the Shares on the WSE. In order to obtain the WSE management board's approval the Issuer has to meet certain requirements provided for in the respective regulations of the WSE and other applicable laws. Such requirements include, but are not limited to: (i) the appropriate free float of the Shares, (ii) the appropriate market value of the Shares or the equity of the Issuer, (iii) no restriction on transferability of the Shares, (iv) the approval of this Prospectus by the NBS and its notification to the PFSA and (v) no bankruptcy or liquidation proceedings pending with respect to the Issuer. Furthermore, while examining the Issuer's application for Admission of the Shares to trading on the WSE, the management board of the WSE will take into consideration: (i) the Issuer's current and projected financial standing, in particular profitability, liquidity and capability to service debt, as well as other factors affecting the financial performance of the Issuer/Group, (ii) the Issuer/Group's development perspectives, in particular, assessment of investments objectives taking into account its financial sources, (iii) experience and qualifications of the members of the Issuer's Management Board and Supervisory Body, (iv) the terms on which the securities were issued and the compliance of these terms with the principles of the public nature laid out in the rules of the WSE and (v) security of public trading on the WSE and interests of trading participants. Some of the conditions mentioned above are of discretional nature and, therefore, the Issuer cannot assure that the management board of the WSE will conclude that the Issuer meets all of them.

The rules of the WSE require the Issuer to file an application for introduction of Shares to trading on the WSE within a period of six months from the date on which the Shares have been admitted to such trading. If the Issuer fails to comply with this obligation, the decision of the Management Board on the Admission of the Shares to trading on the WSE could be annulled.

The Issuer intends to take all the necessary steps to ensure that its Shares are admitted to trading on the WSE as soon as possible after the closing of the Offering. However, there is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading on the WSE on the Listing Date as expected or at all.

Moreover, if the Issuer fails to fulfill certain requirements or obligations under the applicable provisions of securities laws, including in particular the requirements and obligations provided for under the Public Offering Act and the Polish Act of 29 July 2005, on Trading in Financial Instruments, as amended ("Financial Instruments Dealings Act"), the PFSA could impose a fine on the Issuer or delist its Shares from trading on the WSE.

The WSE management board will delist the Shares from trading upon the request of the PFSA, if the PFSA concludes that trading in the Shares imposes a significant threat to the proper functioning of the WSE or the safety of trading on that exchange, or infringes Investors' interests. The mandatory delisting will also be effected by the WSE management board where: (i) transferability of Shares has become restricted, (ii) Shares are no longer in book–entry form, (iii) the PFSA has requested so in accordance with the Trading in Finance Instruments Act, (iv) the Shares have been delisted from regulated market by the NBS or another competent supervisory authority over such market.

The WSE management board may also delist the Shares where: (i) the Shares cease meeting all requirements for Admission to trading on the WSE, (ii) the Issuer persistently violates the regulations of the WSE, (iii) the Issuer has requested so, (iv) the Issuer has been declared bankrupt or a petition for bankruptcy has been dismissed by the court because the Issuer's assets do not suffice to cover the costs of the bankruptcy proceedings, (v) the WSE considers it necessary in order to protect the interests of the market participants, (vi) following a decision on a merger, split or transformation of the Issuer, (vii) no trading was effected in the Shares within a period of three previous months, (viii) the Issuer has become involved in a business that is illegal under the applicable provisions of laws and (ix) the Issuer is in liquidation proceedings.

The Issuer believes that as at the date hereof there are no circumstances which could give grounds for delisting of the Shares from the WSE in the foreseeable future. However, there can be no assurance that any of such circumstances will not arise in relation to the Shares in the future. Delisting of the Shares from the WSE could have an adverse effect on the liquidity of the Shares and, consequently, on Investors' capability to sell the Shares at a satisfactory price.

Trading in the Shares on the WSE may be suspended

The WSE management board has the right to suspend trading in the Shares for up to three months: (i) upon the Issuer's request, (ii) if the Issuer fails to comply with the respective regulations of the WSE (such as specific disclosure requirements), or (iii) if it concludes that such a suspension is necessary to protect the interests and safety of market participants.

Furthermore, the WSE management board will suspend trading in Shares for up to one month upon the request of the PFSA, if the PFSA concludes that trading in the Shares is carried out in circumstances which may pose a possible threat to the proper functioning of the WSE or the safety of trading on that exchange, or may harm Investors' interests.

The Issuer will make all endeavors to comply with all applicable regulations in this respect. However, there can be no assurance that trading in the Shares will not be suspended. Any suspension of trading could adversely affect the Share price.

The Issuer will have a limited free float which may have a negative effect on the liquidity, marketability or value of its Shares

Prior to the Offering, the Major Shareholder and Mr. Roland Tóth and Mr. Roman Jankovič own 100% of the Issuer's Existing Shares and immediately after the Offering the Major Shareholder and Mr. Roland Tóth and Mr. Roman Jankovič will own 66.7% of the Issuer's Existing Shares, provided that all the New Shares are placed with Investors. Consequently, the free float of Shares held by the public will be limited.

In addition, the WSE requires that the share capital of the Issuer to be listed on the Main Market of the WSE to be adequately diluted, i.e. a part of the capital must be held by minority shareholders holding individually less than 5% of that Issuer's share capital. If the New Shares are acquired by a limited number of large Investors, there is a risk that the share capital would not be adequately diluted and as a result the WSE would not approve the Shares for listing on the Main Market of the WSE and, consequently, the Shares would be listed on the parallel market of the WSE.

The Issuer has been and will continue to be, influenced by the Major Shareholder

As of the date of the Prospectus the Major Shareholder owns 80% of the Issuer's share capital. Following the Offering, the Major Shareholder will continue to own at least 53.3% of the Issuer's Shares, assuming all of the New Shares are placed with Investors. Although, the Major Shareholder should not be deemed as acting in concert, it has the capability to influence most actions requiring shareholder's approval, including electing the majority of the Supervisory Body and determining the outcome of most corporate matters, without recourse to the Issuer's minority shareholders. As a result, the Major Shareholder could, for example, cause the Group to pursue transactions which may involve higher risk for the Group. Moreover, the interests of the Major Shareholder may, in some circumstances, conflict with the interests of other holders of the Shares. If circumstances were to arise where the interests of the Major Shareholder conflicted with the interests of other holders of the Shares, they could take actions materially adverse to the interests of holders of the Shares.

The Issuer has no experience in complying with requirements for publicly–listed companies

A public company is subject to a number of obligations mostly relating to disclosure of respective information, in particular, current and periodic reports as well as making public of notifications on large shareholdings made by the Investors. The Issuer has never been subject to such obligations and may fail to fulfill such obligations. As a consequence, the Investors may not be provided on time or at all with price–sensitive information or the content of materials made public may be of unsatisfactory quality. In addition, in case of the Issuer's non–compliance with relevant rules and regulations relating to a public company, the Issuer may be fined or have other sanctions imposed on it which may have an adverse impact on the Issuer's financial results, Share price and demand for the Shares.

Furthermore, the Issuer has no experience in complying and may not comply, with certain corporate governance requirements for publicly–listed companies. As a consequence, image of the Issuer and perception of the Issuer by the Investors may be negative, what may have an adverse impact on price and demand for the Shares.

In addition, in the event of its non–compliance resulting from a breach of relevant rules and regulations relating to a public company, the Issuer may be fined or have other sanctions imposed on it which may have an adverse impact on the Issuer's financial results, Share price and demand for the Shares.

The Polish reform of Polish OPFS which comprise the second pillar of the pension system in Poland, may have an adverse effect on Poland's capital market and result in a decrease in investments in shares of companies listed on the WSE

Polish OPFS have been, historically, the largest private investor on the WSE. In December 2013, the Polish President Bronislaw Komorowski signed the Polish OPFS reform and decided to send the bill to the Constitutional Tribunal. The reform to be carried out by the Polish government in order to decrease the Polish debt to GDP ratio as well as the deficit of the Polish Social Security Institution (in Polish: Zakład Ubezpieczeń Społecznych) ("Polish SSI"). According to the bill, the Polish OPFS reform envisages, among others, the transfer of treasury bonds and bonds guaranteed by the Polish State Treasury from Polish OPFS to the Polish SSI. Pursuant to press releases, such bonds constitute half of the Polish OPFS' assets. Additionally, upon completion of the Polish OPFS reform, the insured persons will be capable to decide whether they want to transfer their payments to both Polish OPFS and the Polish SSI or to the Polish SSI exclusively. The planned reform may have a material adverse effect on the capability of Polish OPFS to invest in the shares of companies listed on the WSE and in consequence, on the WSE's liquidity. In addition, uncertainties relating to the planned reform and negative opinions related thereto have a negative impact on the willingness of other investors to invest in the shares of companies listed on the WSE, including the Shares.

3. INFORMATION CONCERNING THE ISSUER

3.1 Persons responsible

The person responsible for the information provided in this part of the Prospectus is the Issuer represented by Mr. Roland Tóth and Mr. Pavel Komorník. The Issuer accepts the responsibility for the information contained in this part of the Prospectus. To the best of the knowledge and belief of the Issuer and members of its Management Board – Mr. Roland Tóth and Mr. Pavel Komorník having taken all reasonable care to ensure that such is the case, the information contained in this part of the Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Mr. Roland Tóth chairman of the Management Board	Mr. Pavel Komorník member of the Management Board

3.2 Statutory auditor

3.2.1 Names and addresses of the Issuer's auditor.

The consolidated financial statements of the Issuer have been prepared in accordance with the IFRS and have been audited in line with the International Standards on Auditing for the years ended 31 December 2012, 31 December 2011 and 31 December 2010 by Deloitte Audit s.r.o. ("Auditor"), who issued an auditor‘s report with unqualified conclusion.

The interim consolidated financial statements of the Issuer for the six month period ended 30 June 2013, prepared in accordance with the International Accounting Standard 34 – Interim financial reporting have been reviewed by Deloitte Audit s.r.o., who issued an interim review report in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity (ISRE 2410) with unqualified conclusion.

Deloitte Audit s.r.o. is a company incorporated and existing under the laws of the Slovak Republic, with its registered seat at Digital Park II, Einsteinova 23, 851 01 Bratislava, Slovak Republic. Deloitte Audit s.r.o. has registered number: 31 343 414, registered in the Commercial Register of the District Court Bratislava I, Section: Sro, Insert No.: 4444/B and is a member of the Slovak Chamber of Auditors and is registered within the List of Audit Companies maintained by the Audit Oversight Office with audit license No. 14.

The stand alone statutory financial statements of the Issuer for the years ended 31 December 2012, 31 December 2011 and 31 December 2010 were also audited by Deloitte Audit s.r.o.

3.2.2 Information on resignation, removal from office or on not re–appointing of auditor

During the period covered by the historical financial statements the Auditor did not resign or been removed or not re–appointed.

3.3 Selected financial information

Historical consolidated annual financial information of the Issuer and historical consolidated interim financial information of the Issuer includes companies:

- Issuer
- TEPLÁREŇ, a.s., Považská Bystrica

- Teplo GGE s.r.o.
- SOUTHERM, s.r.o.
- Energy Snina, a.s.
- ELGAS, s.r.o.
- TENERGO Brno, a.s.
- TENERGO Slovensko, a.s.
- GGE distribúcia, a.s.
- POV BYT development, s.r.o.
- Snina Energy, s.r.o. (since the beginning of 2013)
- GGE d.o.o. BEOGRAD (since the beginning of 2013)
- ELGAS Energy Trading, d.o.o. (since the beginning of 2013) (Consolidated Companies).

The operating and financial review was prepared on the basis of:

- historical consolidated annual financial information of the Issuer (including the Consolidated Companies) for 2010 – 2012, prepared in accordance with the IFRS, audited by an independent auditor
- historical condensed consolidated interim financial information of the Issuer (including the Consolidated Companies) for the first six months of 2013 prepared in accordance with International Accounting Standard 34 'Interim Financial Information', reviewed by an independent auditor.

TABLE 1: Selected items from the consolidated statement of comprehensive income

in thousands of EUR	1H 2013	1H 2012	2012	2011 restated	2010 restated
Revenue	88,380	57,009	109,328	63,938	28,362
EBITDA	10,274	9,377	16,480	13,494	3,725
Operating profit	6,434	5,546	9,064	8,016	2,321
Profit before tax	5,197	5,062	7,126	5,288	1,847
Profit for the period	4,162	4,214	5,432	4,351	1,285
TOTAL comprehensive income for the period	**4,176**	**4,350**	**5,351**	**3,941**	**1,285**
Earnings per share	*20.67*	*20.87*	*26.98*	*21.43*	*5.65*
Adjustment: goodwill excluded *)					
Profit before tax	5,197	4,156	6,220	5,288	1,847
Profit for the period	4,162	3,308	4,526	4,351	1,285
TOTAL comprehensive income for the period	**4,176**	**3,444**	**4,445**	**3,941**	**1,285**

Source: Issuer

**) release of goodwill was a one off event which could bias analysis of the financial information*

EBIT (operating profit) and EBITDA were calculated on the basis of data from consolidated statements of comprehensive income:

- *EBIT (operating profit) = revenues – energy consumption – material consumption and services purchased – labor and related expenses – depreciation and amortization – other gains and losses – other expenses*
- *EBITDA = revenues – energy consumption – material consumption and services purchased – labor and related expenses – other gains and losses – other expenses.*

TABLE 2: Selected items from the consolidated statement of financial position

in thousands of EUR	30 June 2013	31 December 2012	31 December 2011	31 December 2010
			restated	restated
TOTAL assets	**120,370**	**120,929**	**116,755**	**96,837**
Non–current assets	93,396	92,948	88,830	69,591
Current assets	26,974	27,981	27,945	27,246
Inventories	1,684	1,147	275	316
Trade and other receivables	17,863	18,755	12,126	8,622
Current tax asset	196	395	30	20
Current financial investments	352	355	382	1,217
Other current assets	266	445	391	252
Cash and cash equivalents	6,613	6,884	14,741	16,819
Equity	25,656	21,837	17,637	14,347
Share Capital	664	664	664	664
Liabilities	94,714	99,092	99,138	82,490
Non–current liabilities	52,994	55,903	56,083	19,399
Borrowings	46,432	48,992	55,095	18,734
Current liabilities	41,720	43,189	43,055	63,091
Borrowings	15,380	19,033	21,793	48,270
Trade and other payables	23,838	22,405	19,072	13,042

Source: Issuer

TABLE 3: Selected items form the consolidated cash flow statement

in thousands of EUR	1H 2013	1H 2012	2012	2011	2010
				restated	restated
Net cash provided by operating activities	10,565	7,268	10,418	10,245	3,585
Net cash used in investing activities	–3,927	–8,382	–7,340	–17,357	–34,119
Net cash received from financing activities	–6,824	–3,242	–10,855	5,469	45,582
Net increase in cash and cash equivalents	–186	–4,356	–7,777	–1,643	15,048

Source: Issuer

3.4 Risk factors specific to the Issuer or industry

Please see Section 2 of this Prospectus.

3.5 Information about the companies of the Group and the remaining Subsidiaries of the Issuer

The Issuer has the nature of a holding company. The main business is performed by other companies related to the Issuer. For the purpose of this Prospectus, the term the Group shall mean following companies:

- Issuer
- Subsidiaries
- Subsidiaries of Subsidiaries.

3.5.1 History and development of the companies of the Group

(a) Issuer

The Issuer is a joint–stock company with its registered seat at Pekná cesta 6, 834 03 Bratislava, Slovak Republic.

The Issuer was incorporated on 2 March 2007 within the Commercial Register of the District Court Bratislava I, Section: Sa, Insert No.: 4098/B, registered number: 36 746 941.

The Issuer was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 2 4949 3255.

Based on the resolution of the General Meeting of the Issuer dated 24 October 2013, there are currently 10,000,000 authorized bearer shares already fully paid, each of them in the nominal value of 1 EUR in a book–entry form (Existing Shares). All of these shares are ordinary shares therefore the Issuer has no preference Existing Shares. The nominal value of the Existing Shares is 10,000,000 EUR. Since the registration of the Issuer in the commercial register in 2007 until June 2008, only 30% of the registered capital of the Issuer was paid; since that date the registered capital of the Issuer has been fully paid.

The share capital of the Issuer has not been always fully paid since the registration of the Issuer in the commercial register in 2007:

- from 2 March 2007 to 20 June 2008: 20,000,000 SKK (of which 6,000,000 SKK was paid) on the basis of the memorandum of association of the Issuer made in the form of notarial deed dated 15 February 2007 ("Memorandum of Association") on the basis of which the Issuer was established
- from 21 June 2008 to 4 August 2010: 20,000,000 SKK on the basis of declaration of the Management Board of the Issuer on paid up of the entire share capital dated 28 May 2008
- from 5 August 2010 to 6 November 2013: 663,878 EUR on the basis of resolution of the General Meeting of the Issuer dated 21 December 2009 due to conversion from SKK to EUR
- from 7 November 2013: 10,000,000 EUR on the basis of resolution of the extraordinary General Meeting dated 24 October 2013 due to increase of share capital from the own assets.

(b) Teplo GGE s.r.o.

Teplo GGE s.r.o. is a limited liability company with its registered seat at Rozkvet 2058/125, 017 01 Považská Bystrica, Slovak Republic.

Teplo GGE s.r.o. was incorporated on 30 October 1996 within the Commercial Register of the District Court Trenčín, Section: Sro, Insert No.: 3544/R, registered number: 36 012 424.

Teplo GGE s.r.o. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 42 437 8327.

(c) SOUTHERM, s.r.o.

SOUTHERM, s.r.o. is a limited liability company with its registered seat at Športová 4021/13 A, 929 01 Dunajská Streda, Slovak Republic.

SOUTHERM, s.r.o. was incorporated on 18 December 1996 within the Commercial Register of the District Court Trnava, Section: Sro, Insert No.: 2493/T, registered number: 34 152 644.

SOUTHERM, s.r.o. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 31 552 2231.

(d) EnerWood, s.r.o.

EnerWood, s.r.o. is a limited liability company with its registered seat at Pekná cesta 6, 834 03 Bratislava, Slovak Republic.

EnerWood, s.r.o. was incorporated on 5 June 2007 within the Commercial Register of the District Court Bratislava I, Section: Sro, Insert No.: 90958/B, registered number: 36 786 748.

EnerWood, s.r.o. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 2 4949 3255.

(e) TEPLÁREŇ, a.s., Považská Bystrica

TEPLÁREŇ, a.s., Považská Bystrica is a joint–stock company with its registered seat at Robotnícka, 017 34, Považská Bystrica, Slovak Republic.

TEPLÁREŇ, a.s., Považská Bystrica was incorporated on 5 December 1997 within the Commercial Register of the District Court Trenčín, Section: Sa, Insert No.: 10073/R, registered number: 36 300 683.

TEPLÁREŇ, a.s., Považská Bystrica was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 42 466 4301.

(f) ELGAS, s.r.o.

ELGAS, s.r.o. is a limited liability company with its registered seat at Robotnícka ul. 2271, 017 01 Považská Bystrica, Slovak Republic.

ELGAS, s.r.o. was incorporated on 25 September 2000 within the Commercial Register of the District Court Trenčín, Section: Sro, Insert No.: 12201/R, registered number: 36 314 242.

ELGAS, s.r.o. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 42 432 6542.

(g) TENERGO Slovensko, a.s.

TENERGO Slovensko, a.s. is a joint–stock company with its registered seat at Pekná cesta 6, 834 03 Bratislava, Slovak Republic.

TENERGO Slovensko, a.s. was incorporated on 24 March 2007 within the Commercial Register of the District Court Bratislava I, Section: Sa, Insert No.: 4107/B, registered number: 36 757 136.

TENERGO Slovensko, a.s. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is + 421 2 6453 8037.

(h) IFM, a.s.

IFM, a.s. is a joint–stock company with its registered seat at Pekná cesta 6, 834 03 Bratislava, Slovak Republic.

IFM, a.s. was incorporated on 25 February 2009 within the Commercial Register of the District Court Bratislava I, Section: Sa, Insert No.: 4704/B, registered number: 44 643 560.

IFM, a.s. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 2 4949 3255.

(i) GGE invest, s.r.o.

GGE invest, s.r.o. is a limited liability company with its registered seat at Pekná cesta 6, 834 03 Bratislava, Slovak Republic.

GGE invest, s.r.o. was incorporated on 20 June 2008 within the Commercial Register of the District Court Bratislava I, Section: Sro, Insert No.: 53010/B, registered number: 36 858 773.

GGE invest, s.r.o. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 2 4949 3255.

(j) TENERGO Brno, a.s.

TENERGO Brno, a.s. is a joint–stock company with its registered seat at Křenová 71, 602 00, Brno – město, Czech Republic.

TENERGO Brno, a.s. was incorporated on 24 July 2000 within the Commercial Register of the Regional Court Brno, Insert No.: B 3359, registered number: 262 19 417.

TENERGO Brno, a.s. was incorporated under the Czech law for an indefinite period of time. The telephone number of its registered office is +420 54 342 1281.

(k) Energy Snina, a.s.

Energy Snina, a.s. is a joint–stock company with its registered seat at Strojárska 4435, 069 01 Snina, Slovak Republic.

Energy Snina, a.s. was incorporated on 15 June 2005 within the Commercial Register of the District Court Prešov, Section: Sa, Insert No.: 10321/P, registered number: 35 940 832.

Energy Snina, a.s. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 57 242 4300.

(l) KGJ Invest a.s.

KGJ Invest a.s.is a joint–stock company with its registered seat at Prievozská 14/A, 821 09 Bratislava, Slovak Republic.

KGJ Invest a.s. was incorporated on 18 April 2013 within the Commercial Register of the District Court Bratislava I, Section: Sa, Insert No.: 5746/B, registered number: 47 140 739.

KGJ Invest a.s., was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 911 723 025.

(m) GGE UA TOV

GGE UA TOV is a private limited liability company with its registered seat at Bereznjakivska 16, 02125 Kyiv, Ukraine.

GGE UA TOV was incorporated on 20 August 2013 within the Jedinij deržavnij rejestr juridičnych osib ta fyzičnych osib of Ukraine, Serija: AG, No.: 206469, registered number: 38808283.

GGE UA TOV was incorporated under the Ukrainian law for an indefinite period of time. The registered seat of the GGE UA TOV is at Bereznjakivska 16, 02125 Kyiv, Ukraine. The telephone number of its registered office is +380 930 068666.

(n) GGE d.o.o. BEOGRAD

GGE d.o.o. BEOGRAD is a private limited liability company with its registered seat at Takovska 23 – 25, Belgrade, Serbia.

GGE d.o.o. BEOGRAD, was incorporated on 2 February 2012 within the Serbian Business Register Agency (Agencia za privredne organize), registered number: 20 80 10 34.

GGE d.o.o. BEOGRAD was incorporated under the Serbian law for an indefinite period of time. The registered seat of the GGE d.o.o. BEOGRAD is at Takovska 23 – 25, Belgrade, Serbia. The telephone number of its registered office is +381 11 3330555.

(o) GGE distribúcia, a.s.

GGE distribúcia, a.s. is a joint–stock company with its registered seat at Robotnícka, 017 34 Považská Bystrica, Slovak Republic.

GGE distribúcia, a.s. was incorporated on 22 October 2011 within the Commercial Register of the District Court Trenčín, Section: Sa, Insert No.: 10605/R, registered number: 36 849 901.

GGE distribúcia, a.s. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 914 323 488.

(p) POV BYT development, s.r.o.

POV BYT development, s.r.o. is a limited liability company with its registered seat at Pekná cesta 6, 834 03 Bratislava, Slovak Republic.

POV BYT development, s.r.o. was incorporated on 30 January 2009 within the Commercial Register of the District Court Bratislava I, Section: Sro, Insert No.:56545/B, registered number: 44 575 220.

POV BYT development, s.r.o. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 2 4949 3255.

(q) SOUTHERM SPRÁVA, s.r.o.

SOUTHERM SPRÁVA, s.r.o. is a limited liability company with its registered seat at Športová 4021/13A, 929 01 Dunajská Streda, Slovak Republic.

SOUTHERM SPRÁVA, s.r.o. was incorporated on 16 June 2009 within the Commercial Register of the District Court Trnava, Section: Sro, Insert No.:23931/T, registered number: 44 813 384.

SOUTHERM SPRÁVA, s.r.o. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 31 552 2231.

(r) Snina Energy, s.r.o.

Snina Energy, s.r.o. is a limited liability company with its registered seat at Strojárska 4435, 069 01 Snina, Slovak Republic.

Snina Energy, s.r.o. was incorporated on 4 October 2012 within the Commercial Register of the District Court Prešov, Section: Sro, Insert No.: 28001/P, registered number: 46 857 249.

Snina Energy, s.r.o. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 57 242 4311.

(s) GGE UA Pivden TOV (GGE UA South TOV)

GGE UA Pivden TOV is a limited liability company with its registered seat at Generala Naumova 3, 031 64 Kyiv, Ukraine.

GGE UA Pivden TOV was incorporated on 3 October 2013 within the Jedinij derzavnij rejestr juridichnich osib ta fyzičnych osib of Ukraine, registered number: 38922818.

GGE UA Pivden TOV was incorporated under the Ukraine law for an indefinite period of time. The telephone number of its registered office is +380 930 068666.

(t) GGE UA Odesa TOV

GGE UA Odesa TOV is a limited liability company with its registered seat at Katerininska 17, 65 026 Odessa, Ukraine.

GGE UA Odesa TOV was incorporated on 4 October 2013 within the Jedinij derzavnij rejestr juridichnich osib ta fyzičnych osib of Ukraine, registered number: 38925173.

GGE UA Odesa TOV was incorporated under the Ukraine law for an indefinite period of time. The telephone number of its registered office is +380 930 068666.

(u) GGE UA Zahid TOV (GGE UA West TOV)

GGE UA Zahid TOV is a limited liability company with its registered seat at Kamenyariv str. 3, 790 00 Lviv, Ukraine.

GGE UA Zahid TOV was incorporated on 1 October 2013 within the Jedinij derzavnij rejestr juridichnich osib, registered number: 38920742.

GGE UA Zahid TOV was incorporated under the Ukraine law for an indefinite period of time. The telephone number of its registered office is +380 930 068666.

(v) ELGAS Sales a.s.

ELGAS Sales a.s. is a joint stock company with its registered seat at Pekná cesta 6, 834 03 Bratislava, Slovak Republic.

ELGAS Sales a.s. was incorporated on 1 June 2013 within the Commercial Register of the District Court Bratislava I, Section: Sro, Insert No.: 5772/B, registered number: 47 153 521.

ELGAS Sales a.s. was incorporated under the Slovak law for an indefinite period of time. The telephone number of its registered office is +421 2 4949 3255.

(w) ELGAS Energy Trading, d.o.o.

ELGAS Energy Trading, d.o.o. is a private limited liability company with its registered seat at Takovska 23 – 25, Belgrade, Serbia.

ELGAS Energy Trading, d.o.o. was incorporated on 7 March 2012 within the Serbian Business Register Agency (Agencia za privredne organize), registered number: 20 80 80 98.

ELGAS Energy Trading, d.o.o. was incorporated under the Serbian law for an unlimited period of time. The registered seat of the ELGAS Energy Trading, d.o.o. is at Takovska 23 – 25, Belgrade, Serbia. The telephone number of its registered office is +381 11 3330555.

(x) ELGAS Energy, s.r.o.

ELGAS Energy, s.r.o. is a limited liability company with its registered seat at Křenová, 602 00 Brno, Czech Republic.

ELGAS Energy, s.r.o. was incorporated on 1 February 2013 within the Commercial Register of the Regional Court Brno, Insert No.: C 77816, registered number: 29 321 638.

ELGAS Energy, s.r.o. was incorporated under the Czech law for an indefinite period of time. The telephone number of its registered office is +420 54 342 1281.

(y) ELGAS Energy, Kft.

ELGAS Energy, Kft. is a limited liability company with its registered seat at Ebner Gyorgy koz.4, 2040 Budaors, Hungary.

ELGAS Energy, Kft. was incorporated on 18 May 2006 within the Commercial Register of Budapest, registered number: 13–09–159781.

ELGAS Energy, Kft. was incorporated under the Hungarian law for an indefinite period of time. The telephone number of its registered office is +36 306 981 219.

(z) ELGAS Energy, sp. z o.o.

ELGAS Energy sp. z o.o. is a limited liability company with its registered seat at Armii Krajowej 220, 43 316 Bielsko–Biala, Poland.

ELGAS Energy sp. z o.o. was incorporated on 29. March 2004 within the Krajowy Rejester Sadowy, Insert No.: 5471997923, registered number (REGON): 072896687.

ELGAS Energy sp. z o.o. was incorporated under the Polish law for an indefinite period of time. The telephone number of its registered office is +48 883 636 999.

The important events in the development of the Issuer's business and also business of other companies of the Group

PICTURE 1: The important events in the development of the Group's business

Investments (EUR mn)	Year	Highlight
1.79 (1)	2013	Installation of a cogeneration unit in Bratislava (Dopravny podnik)
	2013	Expansion into Ukraine: foundation of 4 new companies
	2013	Expansion of Elgas into Poland, Czech Republic and Hungary
0.15	2013	Acquisition of ENET Energy Polska sp. z o.o., renamed to Elgas sp. z o.o.
0.45	2013	Purchase of the remaining 31% share in SOUTHERM s.r.o.
1.92	2013	Purchase of boilers, and part of heating system in Dunajska Streda
3.20	2013	Installation of a cogeneration unit in Snina
1.00	2012-2013	Installation of a cogeneration unit in Devinska Nova Ves
	2012	GGE expansion into Serbia
3.33	2012	Acquisition of 100% of Energy Snina, a.s. – cogeneration plant
0.83	2011-2012	Reconstruction of back-pressure steam turbine in Teplaren
7.70	2011-2012	Instalation of a cogeneration unit in Dunajska Streda
1.14	2011-2012	Reconstruction of administrative building in Považská Bystrica
0.67	2011-2012	Instalation of backup boilers in Považská Bystrica
3.40	2011-2012	Reconstruction of heating network in Dunajska Streda
1.00	2011	Purchase of boilers, and part of heating system in Považska Bystrica
0.65	2011	Purchase of the remaining 20% share in POV BYT s.r.o.
6.41	2011	Acquisition of 100% of Tenergo Brno, a.s.
	2010	Foundation of Elgas, s.r.o. – trading of gas and electricity
6.00	2010 - 2011	Reconstruction of heat distribution networks in Povazska Bystrica
52.69	2009 - 2011	Construction of a CCGT in Povazska Bystrica
4.00	2009	Acquisition of TEPLÁREŇ, a.s., Považská Bystrica – heat production and distribution
2.10	2008	Acquisition of 69% in Southerm, s.r.o. (Dunajska Streda) – heat production and distribution
8.00	2008	Acquisition of 80% in Pov Byt, s.r.o. (Povazska Bystrica) – heat production and distribution
	2007	Foundation of GGE, a.s.

Notes:

(1) – Total investment equals EUR 3.58, GGE participation on a project equals 50%

0

Source: Issuer

3.5.2 Investments

As stated below, the investments of the Issuer were mainly carried out through acquisitions of companies. Furthermore, the investments relating to the ordinary course of business were carried out by other companies of the Group and not directly by the Issuer.

Investments into reconstruction of heat distribution networks in Považská Bystrica by Teplo GGE s.r.o. and Dunajská Streda by SOUTHERM, s.r.o., installation of Cogeneration unit in Dunajská Streda by TEPLÁREŇ, a.s.,Považská Bystrica, Bratislava–Devínska Nová Ves by Teplo GGE s.r.o., Bratislava by KGJ Invest a.s. and Snina by Snina Energy, s.r.o. were realized via TENERGO Slovensko, a.s. or TENERGO Brno, a.s. (part of Group). There is an intra–group profit left in TENERGO Slovensko, a.s. and TENERGO Brno, a.s. In this part of prospectus they are shown in non consolidated amounts.

In the period covered by the historical financial information up to the date of the Prospectus, the Issuer made following principal investments:

Investments made in 2011

Acquisition of 1,000 shares (100%) of TENERGO Brno, a.s. by the Issuer for the price of 6,400,000 EUR. TENERGO Brno, a.s. was at that time a company engaged in the Engineering Services and in heat production and distribution in Snina, Bratislava–Devínska Nová Ves and Želiezovce. Those heat production and distribution activities were transferred to the company Teplo GGE s.r.o. As of the date of the Prospectus, TENERGO Brno, a.s. is a specialized engineering company.

Purchase of the remaining 20% shares in former POV BYT s.r.o. by the Issuer from the municipality for the price of 650,000 EUR. POV BYT s.r.o. (currently Teplo GGE s.r.o.) is a company engaged in heat production and distribution in Považská Bystrica.

Investments made in 2012

Acquisition of 100% shares of Energy Snina, a.s. by the Issuer for the price of 3,300,000 EUR. Energy Snina, a.s. is a company engaged in heat and electricity production and distribution in Snina with its own local distribution network for electricity, gas and water.

Investments made since the beginning of 2013 to the date of this Prospectus

Acquisition of the remaining shares owned by municipality (31% shares) in SOUTHERM, s.r.o. by the Issuer for the price of 450,000 EUR. SOUTHERM, s.r.o. is a company engaged in production and distribution of heat in Dunajská Streda.

Acquisition of 100% shares in ENET Energy Polska Sp. z o. o. (renamed to ELGAS Energy sp. z o.o.), by ELGAS, s.r.o. for the price of 630,000 PLN (about 150,000 EUR). The company is engaged in selling of electricity and gas in Poland.

(a) A description (including the amount) of principal investments of other companies of the Group for each financial year for the period covered by the historical financial information up to the date of this Prospectus

In the period covered by the historical financial information up to the date of the Prospectus other principal investments were made by the remaining companies of the Group. For the purposes of this Prospectus, the Group shall be defined as the Issuer with the Subsidiaries and the Subsidiaries of Subsidiaries (for precise list of the companies which belongs to the Group, *please see Section 5 of this Prospectus* “List of definitions and abbreviations”).

New investments in tangible assets

In 2009 – 2011 the Group built a CCGT power plant with electrical output of 58 MW and heat output of 50.8 MW in Považská Bystrica. The total amount of investment during three years was over 52,700,000 EUR. The project was carried out by TEPLÁREŇ, a.s., Považská Bystrica.

In 2011 the Group bought boilers and heating system in Považská Bystrica from OSBD (Okresné stavebné a bytové družstvo) for the price of 1,000,000 EUR. The project was carried out by Teplo GGE s.r.o.

In 2011 – 2012 the Group built a Cogeneration unit in Dunajská Streda with electrical output of 5.5 MW. The total amount of investment during two years was 7,700,000 EUR (40% of the project was financed from the EU grants). The project was carried out by TEPLÁREŇ, a.s., Považská Bystrica.

In 2011 – 2012 the Group reconstructed 4 km of the heating network and built 10 new heat exchangers in Dunajská Streda. The total amount of investment was 3,400,000 EUR. The project was carried out by SOUTHERM, s.r.o.

In 2011 – 2012 the Group modernized a back pressure steam turbine with electrical output of 6 MW for 826,000 EUR. The project was carried out by TEPLÁREŇ, a.s., Považská Bystrica.

In 2011 – 2012 the Group build backup boilers with heat output of 31.6 MW for 669,000 EUR. The project was carried out by TEPLÁREŇ, a.s., Považská Bystrica.

In 2012 – 2013 the Group built a Cogeneration unit in Bratislava–Devínska Nová Ves with electrical output of 1.0 MW. The total amount of investment was 1,000,000 EUR. The project was carried out by Teplo GGE s.r.o.

In 2013 the Group built a Cogeneration unit in Snina with electrical output of 3.12 MW. The total amount of investment was 3,200,000 EUR. The project was carried out by Snina Energy, s.r.o.

In 2013 the Group bought boilers and part of heating system in Dunajská Streda, owned by municipality, for the price of 1,920,000 EUR. The project was carried out by SOUTHERM, s.r.o.

Investments in tangible assets–maintenance segment

In 2010 – 2011, the Group reconstructed 12 km of old heating network (steam and water pipes) and built 160 new heat exchangers in Považská Bystrica. The total amount of investment was 6,000,000 EUR. The project was carried out by Teplo GGE s.r.o.

In 2011 – 2012 the Group reconstructed an administrative building in Považská Bystrica. The total amount of investment was 1,100,000 EUR. The project was carried out by TEPLÁREŇ, a.s., Považská Bystrica.

According to the best knowledge of the Management Board, there were no other material investments conducted by remaining companies of the Group.

Below is a table with information of completed investments in period covered by historical financial information and interim financial information done by the Consolidated Companies.

TABLE 4: The Consolidated Companies: completed investments in period covered by historical financial information and interim financial information

in thousands of EUR	1H 2013	1H 2012	2012	2011	2010
Tangible assets	**4,215**	**13,171**	**16,470**	**24,325**	**43,298**
Land	1	153	214	1 171	12
Structures (buildings, constructions)	76	3,634	5,299	7,978	13,775
Separate movable assets and sets of movables (machines, engines ...)	4,138	9,228	10,719	8,688	29,486
Vehicles	0	156	238	49	25
Others		0		6,440	
Intangible assets	24	21	58	0	295
TOTAL	**4,239**	**13,192**	**16,528**	**24,325**	**43,594**

Source: Issuer

(b) A description of the Issuer's principal investments that are in progress, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external)

There are currently no investments that are in progress conducted by the Issuer.

One of the companies from the Group – KGJ Invest a.s. is currently engaged in building of a new Cogeneration unit in Bratislava.

The total investment is estimated at 3,580,000 EUR. Out of this amount 600,000 EUR comes from the equity and the remaining part is financed by a loan granted by Slovenská sporiteľňa, a.s. The equity part will be provided partially by the Issuer and partially by a Joint Venture partner (50/50 split).

The output of the plant is 2.7 MW electricity and 2.7 MW heat. As at the date of the Prospectus, the heat and power plant operated by KGJ Invest a.s. has not started regular operation yet, the final tests are in progress. The Group has already secured the sales of the plant's output. Dopravný podnik Bratislava – a transport company located in Bratislava will buy all the electricity and part of the heat. The remaining heat will be sold to the other end consumers.

Another company from the Group – GGE UA TOV is currently engaged in the building of new boiler house in Dragobic near Lviv, Ukraine.

The total investment is estimated at 280,000 EUR. The whole amount comes from the equity.

The output of the plant is 3.0 MW heat. As at the date of the Prospectus, the heat boilers operated by GGE UA TOV has not started start regular operation yet, the investment is in progress. The Group has already secured the sales of the plant's output. Ukrainian jail in Dragobic will buy all the produced heat.

According to the best knowledge of the Management Board, there are currently no investments that are in progress conducted by remaining companies of the Group.

(c) Information concerning the Issuer's principal future investments on which its management bodies have already made firm commitments

There are planned investments in the Group on which the Issuer's Management Board or managements of the companies from the Group have made firm commitments.

(i) Construction of new Cogeneration plant in Novi Sad in the Republic of Serbia to supply heat to refinery owned by NIS Gazpromneft (50/50 Joint Venture with NIS Gazpromneft)

The project will be carried out by new SPV company (Joint Venture with NIS Gazpromneft). The Cogeneration unit will be fueled by natural gas. New power plant will have a capacity of 16 MWt (heat) and 8 MWe (electricity) which will increase the total capacity of the Group's plants: in case of electricity by 8% and in case of heat by 6%.

The total value of the project is 12,000,000 EUR (total investment, project is a 50/50 Joint Venture project with NIS Gazpromneft).

Details of the project are described in *Section 4.3.4. of this Prospectus*.

(ii) Other investments in the amount of 7,500,000 EUR

The other investments are listed in the table No. 5 below.

TABLE 5: Planned investments

Company	Investment	Amount (EUR)
Teplo GGE s.r.o.	Modernization of an old part of the heating system in Považská Bystrica	1,120,000
SOUTHERM, s.r.o.	Modernization of an old part of the heating system in Dunajská Streda	400,000
Snina Energy, s.r.o.	Installation of new gas boilers in Snina	1,655,000
TEPLÁREŇ, a.s., Považská Bystrica	Modernization of gas turbine GTG in CCGT in Považská Bystrica	1,700,000
GGE invest, s.r.o.	Installation of a new 400 kWe Cogeneration unit in Bratislava–Rača	500,000
GGE invest, s.r.o.	Installation of a new 800 kWe Cogeneration unit in Grafobal Skalica	600,000
GGE invest, s.r.o.	Installation of a new 800 kWe trigeneration unit in Bratislava – Slovenská Grafia	1,500,000
SPV to be created	Construction of a cogeneration plant with installed capacity of 16 MW (heat) and 8.7 MW (electricity) in Novi Sad (project is a 50/50 joint venture project with NIS Gazpromneft)	12,000,000

Source: Issuer

3.6 Business overview

3.6.1 Principal activities

A description of the nature of the Group's operations and its principal activities

The Issuer is a holding company which doesn't conduct any ongoing business activities. The principal operations are carried out by other companies of the Group which is defined as the Issuer with the Subsidiaries and the Subsidiaries of Subsidiaries (for precise list of companies which belongs to the Group *please Section5 of this Prospectus* "List of definitions and abbreviations").

The Group is active in four core business segments:

- production of heat and electricity, including the provision of power system ancillary services ("Production")
- distribution of utilities (heat, electricity, gas and water) ("Distribution")
- trading with fuels (mostly natural gas) and electricity ("Trading")
- provision of the Engineering Services and facility management.

Within the operational model of the Group, the Production and Distribution activities are almost inseparable and analyzed financially as one segment. According to the regulations, the prices for the production and distribution of heat are calculated jointly. The split is possible only in production and distribution of electricity; however, due to insignificance of revenues from electricity distribution for accounting purposes the, activity of the Group was divided into three segments:

- Production and Distribution which consists of revenues from: production and distribution of heat and electricity, distribution of water, sale of goods and from other services
- Trading which consists of revenues from: trade of gas, electricity and from other services

- services (engineering, procurement, construction services and facility management) which consists of revenues from sale of goods, from contracts and from other services.

As at the date of the Prospectus, heat and power plants and distribution networks are located in the Slovak Republic, in the following municipalities: Považská Bystrica, Snina, Želiezovce, Bratislava and Dunajská Streda.

Outside the Slovak Republic, the Group is currently present in: Czech Republic, Serbia, Poland, Ukraine Hungary. In the Czech Republic and Serbia the Group primary activity is trading and services, in Poland and Hungary only trading. The development of activities in Ukraine dates to 2013 and is based on projects in heat production and distribution.

PICTURE 2: Geographic diversification of the Group's companies

Source: Issuer

(a) <u>Segment: Production and Distribution</u>

The following Group companies operate in the Production and Distribution of heat and power segment: TEPLÁREŇ, a.s., Považská Bystrica; Energy Snina, a.s.; Teplo GGE s.r.o.; SOUTHERM, s.r.o.; GGE distribucia, a.s.; Snina Energy, s.r.o.; KGJ Invest a.s.; GGE UA TOV; GGE UA Pivden TOV; GGE UA Odesa TOV; GGE UA Zahid TOV. Not all of the companies which belong to the Group were consolidated in period covered by historical financial information and interim financial information. The table presented below refers to consolidated financial statements of the Issuer and presents data for the Consolidated Companies, i.e. the Issuer along with all its consolidated Subsidiaries and the Subsidiaries of Subsidiaries (for precise list of companies which belong to the Group *please Section 5 of this Prospectus* "List of definitions and abbreviations").

TABLE 6: Selected financial information regarding Production and Distribution segment of the Consolidated Companies

Production and Distribution					
in thousands of EUR	**1H 2013**	**1H 2012**	**2012**	**2011**	**2010**
Revenues from sale of goods	0	0	0	122	0
change in %					
Revenues from sale of heat	11,242	11,212	20,744	18,649	12,800
change in %	*0%*		*11%*	*46%*	
Revenues from sale of water	711	763	1,082	949	822
change in %	*–7%*		*14%*	*15%*	
Revenues from production and sales of electricity	14,276	13,266	25,780	23,761	1,335
change in %	*8%*		*8%*	*1,680%*	
Revenues from other services	133	278	407	323	807
change in %	*–52%*		*26%*	*–60%*	
TOTAL	**26,362**	**25,518**	**48,013**	**43,804**	**15,764**
change in %	*3%*		*10%*	*178%*	

Source: Issuer, unaudited management data

In Production and Distribution segment, the Group is a niche player focusing on highly efficient combined production of heat and electricity operating within regulated business environment in the Slovak Republic. Moreover, the Group does not compete with the largest electrical power producers whose power plants are based on nuclear power or coal. The Group is not exposed to the risk of heat and electricity price fluctuations given the regulation and guarantees provided either by the markets where the Group operates and/or by its customers.

As of the date of this Prospectus generation of heat and power is conducted in heat and power plants belonging to the following companies: Energy Snina, a.s.; Snina Energy, s.r.o.; SOUTHERM, s.r.o.; TEPLÁREŇ, a.s., Považská Bystrica; Teplo GGE s.r.o.; KGJ Invest a.s.

TEPLÁREŇ, a.s., Považská Bystrica, Energy Snina, a.s. and Teplo GGE s.r.o. own heat and power plants with the highest production capacity. Some of these companies own also heat distribution networks.

The Group is active in six locations in the Slovak Republic (Považská Bystrica, Snina, Želiezovce, Bratislava, Dunajská Streda and small facility in Zohor), with installed thermal capacity of 257 MWt and installed electric capacity of 96 MWe. The table below summarizes installed capacities of the most important individual companies of the Group as of the date of the Prospectus. The tables below do not include any adjustments related to sales within the Group.

TABLE 7: Installed capacity of the Group's companies by ownership as of the date of the Prospectus

		Capacity	
Company	**Region**	**Heat (MWt)**	**Electricity (MWe)**
Energy Snina, a.s.		**72.00**	**18.00**
	Snina	72.00	18.00
Snina Energy, s.r.o.		**3.30**	**3.12**
	Snina	3.30	3.12
SOUTHERM, s.r.o.		**27.09**	**0.00**
	Dunajská Streda	27.09	0.00
TEPLÁREŇ, a.s., Považská Bystrica		**110.49**	**69.48**
	Dunajská Streda	4.93	5.51
	Považská Bystrica	105.56	63.97
Teplo GGE s.r.o.		**41.08**	**3.13**
	Bratislava–Devínska Nová Ves	26.92	3.13
	Považská Bystrica	1.01	0.00
	Snina	4.30	0.00
	Želiezovce	8.85	0.00
KGJ Invest a.s.		**2.69**	**2.73**
	Bratislava	2.69	2.73
TOTAL		**256.65**	**96.46**

Source: Issuer

The heat and power plants located in Považská Bystrica and Snina have the highest production capacities both in terms of heat and power.

The table below shows the annual heat and power production of the Consolidated Companies in the years covered by historical financial information and the first half of 2013.

TABLE 8: Heat and power production volume of the Consolidated Companies

	1H 2013		1H 2012	
	MWh	kEUR	MWh	kEUR
Heat				
Production	219,789		219,939	
Purchase from 3rd parties	0		0	
Sale	168,209	11,242	171,002	11,212
Consumption for electricity production	20,105		22,554	
Losses and own consumption	31,475		26,383	
Electricity				
Production	150,183		142,698	
Sale	148,138	14,276	135,417	13,266
Losses and own consumption	2,045		7,281	

	2012		2011		2010	
	MWh	kEUR	MWh	kEUR	MWh	kEUR
Heat						
Production	389,626		245,183		223,343	
Purchase from 3rd parties	0		43,102		0	
Sale	296,610	20,744	251,011	18,649	180,886	12,800
Consumption for electricity production *)	37,567		0		15,766	
Losses and own consumption	55,449		37,274		26,691	
Electricity						
Production	273,354		222,731		19,378	
Sale	256,209	25,780	221,134	23,761	15,694	1,335
Losses and own consumption	17,145		1,597		3,684	

Source: Issuer

*) consumption for electricity production is showed only in case of coal fueled systems with steam turbine (until 2010 operated by TEPLÁREŇ, a.s., Považská Bystrica, since 2012 operated by Energy Snina, a.s.)

The observable continuous growth of heat and electricity generation by the Consolidated Companies is possible thanks to continuously increase of the production capacity through the intensive investment policy and acquisitions discussed *in Section 3.5.2 of this Prospectus*.

CAGR (Compound Annual Growth Rate) for 2010 – 2012 amounted to 27% in heat production and to 276% in electricity production. First half of 2013 was stable. Heat sales in first half of 2013 was at the same level as the year before. In electricity sector, there was an 8% increase in the revenues. Due to technological process which requires consumption of heat for electricity production and which implies losses and own consumption, sale of heat as well as sale of electricity are lower than production except of 2011. In this year company Teplo GGE s.r.o. started distribution of heat produced by Energy Snina, a.s. However, Energy Snina, a.s. was consolidated for the first time at the beginning of 2012, so the purchase of heat in 2011 is classified as purchase from 3rd parties. Losses and own consumption of heat maintain steady share in production across analyzed time period. Losses and own consumption of electricity was dependent on current regulatory framework. In 2012 its value increased due to changes in settlement of consumption deviation (in 2011 the producer was paid accordingly to nominal power of production units, in 2012 for real supply of electricity). In 2013 share of "losses and own consumption of electricity" returned to levels witnessed in 2011 due to establishment of intra–group deviation balancing mechanism thanks to development of trading activity.

Key focus of the Group is highly efficient Cogeneration which, supported by the EU legislation, results in guaranteed off–take of the entire volume of electricity production by the grid as well as in guaranteed price ('feed–in tariff') fixed for fifteen years since the commencement of plant operation.

In terms of heat production and its off–take, the Group focuses on small and medium–sized municipalities (i.e. namely households) and industrial parks representing sound customer base with stable and predictable heat volume off–takes.

As a natural monopoly, district heating is regulated by URSO. Heat prices are set as allowed cost (fixed and variable cost of production and distribution, including fuel, interest, depreciation, etc.) plus reasonable profit.

The Group engages only in projects allowing for full control over the heat cycle (i.e. control over heat distribution network and the heat source) complemented by long term off–take guarantees by respective key customers (municipalities, housing cooperatives and industrial customers). By controlling the entire heat cycle the Group effectively also becomes a local leader.

The Group also provides ancillary services for the grid representing additional source of revenue and increasing the overall profitability of the Production and Distribution segment.

The Group controls over 128 km of heat networks. Furthermore, the Group is active in building and operating own local distribution networks and supplying gas, electricity and water within the system, as well as operating non–public water pipes and sewerage. The Group operates approximately 25 km of high/low voltage cables and over 8 km of gas pipes.

Thanks to the regulated nature of the heating and distribution markets, guaranteed off–take and 'feed–in tariffs' for electricity out of highly efficient Cogeneration and provision of ancillary services, the Group has capability to generate long–term, stable and highly predictable cash flows (EBITDA margin for Production and Distribution segment is over 25%). The Production and Distribution segment is contributing to approximately 90% of the total consolidated EBITDA of the Group.

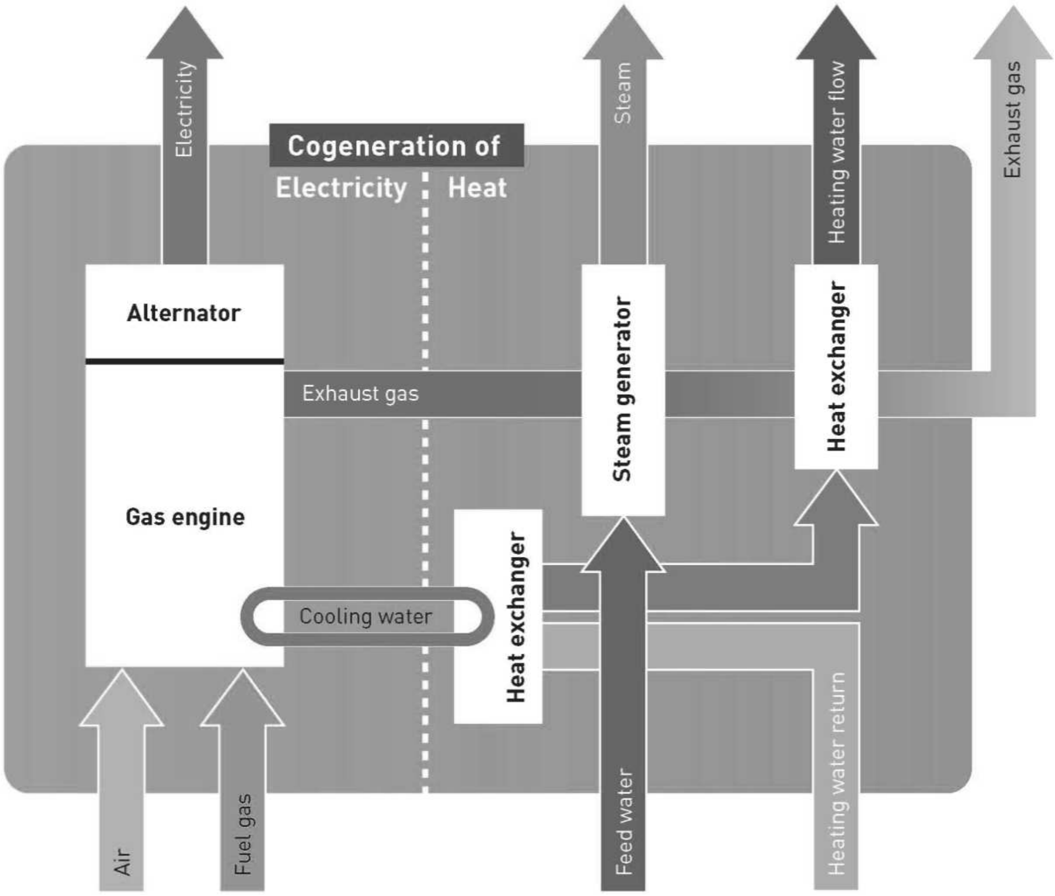
The main primary energy sources used by the Group companies are: natural gas and woodchips (treated as biomass–renewable energy). Heat and power plants are supplied by companies from the Trade segment. ELGAS, s.r.o. is responsible for supplying natural gas and EnerWood, s.r.o. for supplying woodchips. Furthermore, the boiler system in Želiezovce has corn stover installations with attainable power of 2 MW which are used for heat and power generation. Another 2 MW of attainable power in the scope of power generation is generated by woodchips–fired units located in Snina. The total attainable power in the scope of power generation from renewable sources is 18 MW.

The Group produces over 80% of the energy out of combined production of heat and electricity. Cogeneration enables the highest level of efficiency in conversion of fuels into other forms of energy. In separate production of electricity, some energy must be released as waste heat, but in Cogeneration this thermal energy is used efficiently. All thermal power plants emit heat during electricity generation which can be released into the natural environment through cooling towers, flue gas, or by other means. In contrast, Cogeneration heat plant captures some of the by–product for heating, either very close to the plant or, especially in Scandinavia and Eastern Europe, as hot water for district heating with temperatures ranging from approximately 80 to 130 °C.

Cogeneration is a technology for simultaneous production of electricity and heat. The most frequently used technologies are:

- systems with steam turbine
- systems with combustion engine
- systems with combustion turbine
- combined systems.

PICTURE 3: Cogeneration



Source: Issuer

Systems with steam turbine

There is a long track of experience with this type of technology. The energy of fuel released in the combustion process in boiler is transmitted to water which transforms into steam (in the middle of high range of pressure). Steam is further transferred through the pipeline into turbine, where it expands and transmits its energy while spinning the turbine connected to an electric generator. In generator, the electricity is produced and distributed to electricity distribution network. After expansion (with a lower pressure potential) is steam used for other technological purposes. The disadvantage of this system (as opposed to systems with combustion engines and turbines) is relatively slow starting process of the operation. Power range produced by steam turbomachinery ranges from approximately 100 kWe up to approximately 700 MWe.

This type of systems are used in Snina (electricity capacity of 18 MW).

Systems with combustion engine

The basis of this technology is a piston combustion engine, in which combustion of fuel (natural gas, woodchips, black coal) takes place. The energy released in the combustion process spins the engine and thereby also electric generator which is connected with combustion engine by a connector. In the generator electricity is produced which is distributed further into the electricity distribution system. Heat generated by the engine during combustion is transmitted for further use with help of exchangers. This technology is simpler than systems with steam and combustion turbine.

Power range produced by combustion engines ranges from approximately 10 kWe to approximately 17 MWe.

This type of Cogeneration units are used in Dunajská Streda (electricity capacity of 4.9 MW – operated by TEPLÁREŇ, a.s., Považská Bystrica), Bratislava (electricity capacity of 3.1 MW operated by Teplo GGE s.r.o. and 2.7 MW operated by KGJ Invest a.s.), Snina (electricity capacity of 3.3 MW operated by Snina Energy, s.r.o.).

Systems with combustion turbines

This type of technology has been introduced in the Slovak Republic in the second half of the 1900s. It was mainly used in large municiplities, but also in large industrial plants or areas, with simultaneous need of both electric and thermal energy.

The fuel combustion takes place in combustion turbine, specifically in the combustion chamber. Energy released during combustion process spins turbine. Connector attached to turbine transmits the spinning to electric generator. The generator produces electricity that is distributed further into the distribution system. Combustions leaving the turbine at a temperature of about 500°C enter into combustion boiler, where they transmit the heat to water, while producing steam. The steam is removed from the boiler through system of pipelines for further technological use. Power range of manufactured gas turbines ranges from approximately 30 kWe to approximately 280 MWe.

The Group doesn't use this type of systems.

Combined systems – combined cycle gas turbine (CCGT)

The application and use of these systems is similar, as in the above described systems with combustion turbines. The facility consists of a system with the combustion turbine, supplemented by a system of gas turbines, located after the combustion boiler. In this case, the steam of the combustion boiler is first lead to the steam turbine (electricity is produced in the electrical generator of steam turbine) and then for further consumption – usually heating. This allows for the achievement of higher overall electricity output and especially higher electric efficiency of power unit.

This type of systems is used in Považská Bystrica (electricity capacity of 58 MW).

(i) The Consolidated Companies

TEPLÁREŇ, a.s., Považská Bystrica

The company is producing and supplying heat and electricity in Považská Bystrica and Dunajská Streda. The combined heat and power production is realized by modern technologies – CCGT cycle located within Považská Bystrica industrial park and Cogeneration units located in Dunajská Streda.

<u>Považská Bystrica location</u>

In 2012, at its Považská Bystrica location, the company produced 235,099 MWh of electricity and 179,551 MWh of heat.

Regional distribution company SSE distribúcia, a.s. is the key off–taker of the electricity with the rest going to the off–takers within the industrial park via GGE distribúcia, a.s. as a distribution company and ELGAS, s.r.o as the seller of the electricity.

Over 60% of the heat is supplied to municipal type of customers and households in Považská Bystrica via Teplo GGE s.r.o. with the rest being supplied to customers within the industrial park.

The company also provides ancillary services (secondary regulation – SRV) for the transmission system operator (SEPS, a.s.).

TEPLÁREŇ, a.s., Považská Bystrica location also generates revenue by using the flexibility of its electricity output in supplying ELGAS, s.r.o. with balancing electricity according to its needs for balancing the electricity deviations for its customers.

As a result of investments into high efficient and advanced technologies described in next Section, the Group is one of only two players in the Slovak Republic capable to provide to such an extent both ancillary and balancing services.

The company is the largest producer and supplier of electricity in Považská Bystrica thanks to the investments into state of the art CCGT with installed electric capacity of 58 MW and installed heat capacity of 50,8 MW, reaching the total electric capacity of 64.0 MW and heat capacity of 105.6 MW. Firstly, in 2010, the company launched the operation of the gas turbine system GE to the municipality and to the industrial park. One year later, the company further enhanced the installations by the steam extraction condensing turbine. These investments enabled the company to substantially increase the annual electricity output from 19,378 MWh in 2010 to over 230,000 MWh in 2012. Please refer to more details on investments, *plase see Section 3.5.2 of this Prospectus*.

Furthermore, there are four gas boilers on location with total installed heat capacity of 54.8 MW. This capacity is used as a peak source in extreme cold weather as well as a back–up source in case of maintenance or outages of CCGT.

Moreover, the company owns and operates 7.8 km of heating network within the industrial park.

Dunajská Streda location

In 2012, at its Dunajská Streda location, the company produced 17,479 MWh of heat and 15,354 MWh of electricity. The heat is supplied to the municipality of Dunajská Streda via SOUTHERM, s.r.o. and the electricity is sold through ELGAS, s.r.o. to regional distribution company Západoslovenská distribučná, a.s.

Two new Cogeneration units based on gas engine with total output of 5.5 MWe were installed in Dunajská Streda in 2012. These two new installations enable strong increase in heat and electricity sales. This increase can be seen already in 2013 where the first half of the year volumes of heat and electricity sold reach almost the full 2012 figures.

Dunajská Streda location also generates revenue by using the flexibility of its electricity output in supplying ELGAS, s.r.o. with balancing electricity according to its needs for balancing the electricity deviation for its customers.

Thanks to the investments into its sources and advanced and unique technologies including its CCGT plant, the Group is one of only two players in the Slovak Republic capable to provide such as extent of the balancing services.

TABLE 9: Heat and electricity generation and sale by TEPLÁREŇ, a.s., Považská Bystrica

	1H 2013	**1H 2012**	**2012**	**2011**	**2010**
Považská Bystrica					
Heat					
Heat production (MWh)	105,589	97,019	181,642	117,194	121,975
change in %	*9%*		*55%*	*–4%*	
Heat sale for 3rd parties (MWh)	32,660	32,182	59,517	17,852	18,715
change in %	*1%*		*233%*	*–5%*	
Average price for 3rd parties (EUR/MWh)*)	*20*	*19*	*19*	*61*	*59*
change in %	*5%*		*–69%*	*3%*	
Heat sale for the Group (MWh)	66,986	62,586	110,209	92,022	82,264
Heat for electricity production (MWh)	0	0	0	0	15,766
Losses and own consumption (MWh)	5,943	2,251	11,916	7,320	5,230
Electricity					
Electricity production (MWh)	125,421	124,752	235,099	213,465	19,378
change in %	*1%*		*10%*	*1,002%*	
Electricity sale (MWh)	125,421	119,550	219,692	212,405	15,694
change in %	*5%*		*3%*	*1,253%*	
Average price (EUR/MWh)	*98*	*99*	*99*	*109*	*85*
change in %	*–1%*		*–9%*	*28%*	
Losses and own consumption (MWh) **)	0	5,202	15,407	1,060	3,684

**) average heat price biased due to sale of technical heat to the industrial customer (price 1 EUR/MWh), the average heat price for other customers are about 60 EUR/MWh*

***) losses and own consumption of electricity was dependent on current regulatory framework. In 2012 its value increased due to changes in settlement of consumption deviation (in 2011 the producer was paid according to nominal power of production units, in 2012 for real supply of electricity). In 2013 share of "losses and own consumption of electricity" returned to levels witnessed in 2011 due to establishment of intra–group deviation balancing mechanism thanks to development of trading activity*

	1H 2013	1H 2012	2012	2011	2010
Dunajská Streda					
Heat					
Heat production (MWh)	15,200	4,295	17,479	0	0
change in %	*254%*		*N/A*	*N/A*	
Heat sale to 3rd parties (MWh)	0	0	0	0	0
change in %	*0%*		*N/A*	*N/A*	
Average price for 3rd parties (EUR/MWh)	0	0	0	0	0
change in %	*0%*		*N/A*	*N/A*	
Heat sale to the Group (MWh)	15,200	4,295	17,479	0	0
Heat for electricity production (MWh)	0	0	0	0	0
Losses and own consumption (MWh)	0	0	0	0	0
Electricity					
Electricity production (MWh)	13,455	4,161	15,354	0	0
change in %	*223%*		*N/A*	*N/A*	
Electricity sale (MWh)	13,360	3,842	15,354	0	0
change in %	*248%*		*N/A*	*N/A*	
Average price (EUR/MWh)	*84*	*79*	*82*	*0*	*0*
change in %	*6%*		*N/A*	*N/A*	
Losses and own consumption (MWh)	95	319	0	0	0

Source: Issuer

Energy Snina, a.s.

The company produces heat for the municipality of Snina as well as for the industrial park located in the same municipality. Electricity is supplied to customers within the industrial park.

The company operates a combined heat and power plant (“CHP”) located within the industrial park in Snina fueled by coal and woodchips. The latter is used to maximum possible extent in order to reach maximal ecological production. The location has installed thermal capacity of 72 MWt and installed electric capacity of 18 MWe. In 2012, the company produced 91,506 MWh of heat and generated 12,645 MWh of electricity.

TABLE 10: Heat and electricity generation and sale by Energy Snina, a.s. *)

	1H 2013	1H 2012	2012
Snina			
Heat			
Heat production (MWh)	50,443	54,712	91,506
change in %	*–8%*		
Heat sale to 3rd parties MWh	602	662	1,036
change in %	*–9%*		
Average price for 3rd parties (EUR/MWh)	*57*	*62*	*62*
change in %	*–8%*		
Heat sales to the Group (MWh)	23,280	24,591	41,384
Heat for electricity production (MWh)	20,105	22,554	37,567
Losses and own consumption (MWh)	6,456	6,905	11,519
Electricity			
Electricity production (MWh)	6,527	8,094	12,645
change in %	*–19%*		
Electricity sale (MWh)	4,901	6,673	11,512
change in %	*–27%*		
*Average price (EUR/MWh)**)*	*100*	*107*	*173*
change in %	*–7%*		
Losses and own consumption (MWh)	1,626	1,421	1,133

Source: Issuer

**) in 2010 – 2011 Energy Snina, a.s. wasn't a part of the Group*

***) average prices for 1H2013 and 1H2012 do not include distribution fees (the average prices including distribution fees are estimated at 167 EUR for 1H2012 and at 160 EUR for 1H2013)*

The CHP plant in Snina was originally intended to supply the industrial zone with heat and electricity. The location offers fully redundant technology including four steam boilers and three steam turbines.

Original two coal fueled boilers were modified to allow for the use of woodchips allowing for more ecological production. On top of the modification of existing boilers, two new boilers fueled solely by woodchips were installed on location as well. Use of woodchips represents cheaper fuel base and also favors savings in CO_2 allowances. Moreover, the electricity produced from woodchips enjoys the 'feed–in tariff' that was set for the Snina location by URSO to 105.96 EUR/MWh.

In 2013, woodchips out of waste wood amounted to approximately 70% of total used energy input. Woodchips are supplied by EnerWood, s.r.o. (the Group) in order to take advantage of capacities of EnerWood, s.r.o. to provide sustainably cheaper supplies. EnerWood, s.r.o. has its own wood processing capacities and also purchases wood from other local wood processors.

Given the fact that the heat consumption within the industrial zone has recently decreased, the heat production out of woodchips has become economically inefficient during summer period. Therefore, the Group stopped production of electricity during summer season, leading effectively to decrease in overall electricity production of Snina location.

Following further optimization measures and installation of new Cogeneration units by Snina Energy, s.r.o. (100% daughter company of Energy Snina, a.s.), the coal fired boilers will be closed down and the ones fueled by woodchips will be used only throughout the heating season.

Moreover, the company owns and operates 10.1 km of heating network.

Teplo GGE s.r.o.

Teplo GGE s.r.o. (legal successor of POV BYT s.r.o.) was created at the beginning of 2012 by consolidating the activities related with operation of heat production and distribution infrastructures in different locations operated by the Group into one company. Locations included the municipality of Považská Bystrica (operated before the consolidation by POV BYT s.r.o.), Snina, Želiezovce and Bratislava–Devínska Nová Ves (operated before the consolidation by TENERGO Brno, a.s.). The main objective of this consolidation was to take advantage of the synergies out of joint purchases, human sources and know–how of respective companies.

The main activity of the company is to supply heat and hot water to households, municipalities and municipality related customers. The company supplies over 185,000 MWh of heat per year to over 18,000 households and other non–housing units.

On top of its own production, the company also purchases heat from Energy Snina, a.s. and TEPLÁREŇ, a.s., Považská Bystrica (both companies being part of the Group).

Teplo GGE s.r.o. either owns (Považská Bystrica and Želiezovce locations) or leases (Bratislava–Devínska Nová Ves and Snina locations) the heating infrastructure from the municipality. In total, Teplo GGE s.r.o. controls 64.6 km of pipes out of which 23.5 km are rented and owns 467 heat exchangers. On the basis of the agreement signed with a city of Snina, the company will acquire 15.8 km of rented heat network in 2014. Since 2010, Teplo GGE s.r.o. has built more than 12 km of the heating networks, installed 160 compact heat exchangers and invested 6,000,000 EUR in the modernization of existing municipal heating networks.

Považská Bystrica location

The company supplies approximately 8,700 households and other non–housing units in Považská Bystrica. During the 2010 and 2011, the Group invested into reconstruction and modernization of the central heating system that also enabled the interconnection of the system to the CCGT plant location inPovažská Bystrica and increaseof the heat off–take and customer base of the newly connected location.

Bratislava–Devínska Nová Ves location

The company supplies approximately 5,000 households and other non–housing units in Bratislava–Devínska NováVes (municipality district of Bratislava). The company leases the heat infrastructure from the municipality based on a long–term contract valid until 2022.

Bratislava–Devínska Nová Ves location generates also some electricity from its altogether nine Cogeneration units. The last Cogeneration was installed by Teplo GGE s.r.o. in 2013 and resulted into increase of total electricity production to the level of 15,800 MWh per year. The electricity is used for own consumption and the rest is supplied to the regional electricity distribution operator Zapadoslovenska energetika, a.s. via ELGAS, s.r.o.

Snina location

The company supplies appproximately 4,200 households and other non–housing units in Snina. Most of the heat is purchased from Energy Snina, a.s. The remaining part of the heat is produced in its own three gas fired boiler rooms, out of which one has been turned into combined gas and biomass (woodchips) fuel base. Teplo GGE s.r.o. leases the heat infrastructure from the municipality based on a long term contract valid until 2022.

Želiezovce location

The company supplies over 600 households and other non–housing units in Želiezovce. Few of smaller scale investments have been also realized in Želiezovce location including the change in fuel base of the 2 MW boiler into biomass (straw) and installation of a new small Cogeneration unit.

TABLE 11: Heat and electricity generation and sale by Teplo GGE s.r.o. *)

	1H 2013	1H 2012	2012	2011
Snina				
Heat				
Heat production + purchase (MWh)	26,520	27,963	46,929	48,863
change in %	*–5%*		*–4%*	
Heat sale for 3rd parties (MWh)	23,298	24,731	40,943	42,163
change in %	*–6%*		*–3%*	
Average price for 3rd parties (EUR/MWh)	*83*	*80*	*85*	*74*
change in %	*4%*		*15%*	
Heat sale for the Group (MWh)	0	0	0	0
Heat for electricity production (MWh)	0	0	0	0
Losses and own consumption (MWh)	3,222	3,232	5,986	6,700
Electricity				
Electricity production (MWh)	35	33	47	47
change in %	*6%*		*0%*	
Electricity sale (MWh)	0	0	0	0
change in %	*N/A*		*N/A*	*N/A*
Average price (EUR/MWh)	*0*	*0*	*0*	*0*
change in %	*N/A*		*N/A*	*N/A*
Losses and own consumption (MWh)	35	33	47	47

	1H 2013	1H 2012	2012	2011
Bratislava–Devínska Nová Ves				
Heat				
Heat production + purchase (MWh)	22,285	24,978	38,888	40,273
change in %	*–11%*		*–3%*	
Heat sale for 3rd parties (MWh)	20,278	20,730	35,329	37,045
change in %	*–2%*		*–5%*	
Average price for 3rd parties (EUR/MWh)	*81*	*79*	*79*	*68*
change in %	*2%*		*16%*	
Heat sale for the Group (MWh)	0	0	0	0
Heat for electricity production (MWh)	0	0	0	0
Losses and own consumption (MWh)	2,007	4,248	3,559	3,228
Electricity				
Electricity production (MWh)	4,686	5,618	10,131	9,138
change in %	*–17%*		*11%*	
Electricity sale (MWh)	4,456	5,352	9,651	8,729
change in %	*–17%*		*11%*	
Average price (EUR/MWh)	*94*	*84*	*88*	*80*
change in %	*12%*		*10%*	
Losses and own consumption (MWh)	230	266	480	409

	1H 2013	1H 2012	2012	2011
Železovce				
Heat				
Heat production + purchase (MWh)	5,655	5,032	8,900	8,763
change in %	*12%*		*2%*	
Heat sale for 3rd parties (MWh)	5,038	4,486	7,855	7,826
change in %	*12%*		*0%*	
Average price to 3rd parties (EUR/MWh)	*73*	*75*	*80*	*78*
change in %	*–3%*		*3%*	
Heat sale to the Group (MWh)	0	0	0	0
Heat for electricity production (MWh)	0	0	0	0
Losses and own consumption (MWh)	617	546	1,045	937
Electricity				
Electricity production (MWh)	59	40	78	81
change in %	*48%*		*–4%*	
Electricity sale (MWh)	0	0	0	0
change in %	*N/A*		*N/A*	
Average price (EUR/MWh)	*0*	*0*	*0*	*0*
change in %	*N/A*		*N/A*	
Losses and own consumption (MWh)	59	40	78	81

	1H 2013	1H 2012	2012	2011	2010
Považská Bystrica					
Heat					
Heat production + purchase (MWh)	67,362	68,500	116,599	111,296	123,070
change in %	*–2%*		*5%*	*–10%*	
Heat sale to 3rd parties (MWh)	57,580	60,142	101,240	91,992	101,086
change in %	*–4%*		*10%*	*–9%*	
Average price for 3rd parties **) (EUR/MWh)	*79*	*75*	*86*	*82*	*80*
change in %	*5%*		*5%*	*3%*	
Heat sale to the Group (MWh)	1,288	1,277	2,091	2,181	2,062
Heat for electricity production (MWh)	0	0	0	0	
Losses and own consumption (MWh)	8,494	7,081	13,268	17,123	19,922
Electricity					
Electricity production (MWh)	0	0	0	0	0
change in %	*N/A*		*N/A*	*N/A*	
Electricity sale (MWh)	0	0	0	0	0
change in %	*N/A*		*N/A*	*N/A*	
Average price (EUR/MWh)	*0*	*0*	*0*	*0*	*0*
change in %	*N/A*		*N/A*	*N/A*	
Losses and own consumption (MWh)	0	0	0	0	0

Source: Issuer

**) Production in Považská Bystrica was terminated after launching CCGT facility operated by TEPLÁREŇ, a.s., Považská Bystrica*

***) the reasoning behind the difference between half year average prices for third parties and average prices for the whole financial year: although the real consumption for the first half of financial year is higher than in the second half of financial year, the fixed costs are invoiced evenly on the level of 1/12. Fixed costs are thus assigned to greater amount of supplied heat in the first half of year than in the second one*

SOUTHERM, s.r.o.

SOUTHERM, s.r.o. owns and operates heat infrastructure in the municipality of Dunajská Streda where it supplies heat to approximately 6,000 households and few other municipal customers. The Group currently controls 100% of the company after acquiring the outstanding 31% stake from the municipality in 2013.

The Group has thoroughly invested into refurbishment of the heating pipes infrastructure as well as into construction of new Cogeneration units in Dunajská Streda.

Investments into the reconstruction of the heating network amounted to 3,400,000 EUR and were realized through 2011 and 2012. The company refurbished 4.0 km of pipes and installed 10 heat exchangers (for details, *please see Section 3.5.2 of this Prospectus*).

The investments into Cogeneration units were made through TEPLÁREŇ, a.s., Považská Bystrica. As a result, the company purchases approximately 51% of the heat that it supplies to third parties from the new Cogeneration units owned by TEPLÁREŇ, a.s., Považská Bystrica and complements the rest of its heat supplies by production from its own gas fired boiler rooms with installed heat capacity of 27.1 MWt.

The company runs 45.7 km of the heating pipe network.

TABLE 12: Heat and electricity generation and sale by SOUTHERM, s.r.o.

	1H 2013	1H 2012	2012	2011	2010
Dunajská Streda					
Heat					
Heat production + purchase (MWh)	33,489	30,189	58,846	56,099	62,624
change in %	*11%*		*5%*	*–10%*	
Heat sale to 3rd parties (MWh)	28,753	28,069	50,690	54,133	61,085
change in %	*2%*		*–6%*	*–11%*	
Average price for 3rd parties (EUR/MWh)	*72*	*75*	*77*	*69*	*60*
change in %	*–4%*		*12%*	*15%*	
Heat sale to the Group (MWh)	0	0	0	0	0
Heat for electricity production (MWh)	0	0	0	0	0
Losses and own consumption (MWh)	4,736	2,120	8,156	1,966	1,539
Electricity					
Electricity production (MWh)	0	0	0	0	0
change in %	*N/A*		*N/A*	*N/A*	
Electricity sale (MWh)	0	0	0	0	0
change in %	*N/A*		*N/A*	*N/A*	
Average price (EUR/MWh)	*0*	*0*	*0*	*0*	*0*
change in %	*N/A*		*N/A*	*N/A*	
Losses and own consumption (MWh)	0	0	0	0	0

Source: Issuer

GGE distribúcia, a.s.

GGE distribúcia, a.s. is a company active in distribution of electricity and natural gas within industrial parks for industrial customers as well as in operating water and sewage infrastructure.

The company operates utilities infrastructures in Snina and Považská Bystrica industrial parks and manages altogether 25.5 km of high and low voltage cables and 8.0 km of natural gas distribution pipelines. GGE distribúcia, a.s distributes yearly over 40,000 MWh of electricity and over 650,000 MWh of natural gas.

The company operates water and sewage infrastructure. The company operates 4 km of drinking water pipes and 4.5 km of technological water pipes. Sewerage network is 22 km long (including 9.5 km of rainwater drainage system, 8 km of sanitary sewerage system and 4.5 km of chemical waste sewerage system).

<u>Distribution of electricity</u>

GGE distribúcia, a.s. ensures the operation of the local distribution networks and distributes electricity out of the regional distribution network and out of a power plant within the local distribution networks directly to the end consumers. The power plants in both Snina and Považská Bystrica industrial parks are owned by the Group.

Distribution networks in the industrial parks were built with high standard to secure high quality, reliable and non–interrupted supplies of electricity using redundancy feature (i.e. electricity supplies guaranteed by availability of two independent sources). The regional distribution network interconnection works on a high–voltage level while the interconnection with end–customers works on medium and low–voltage levels.

Distribution margin is created by the difference between the entering the regional distribution network fees paid by the local distribution network operator to the regional distribution system operator and distribution fees received by the local distribution network operator from the end–customers. Supplies of the electricity produced by a power plant within the local distribution network allow maximizing of the overall distribution margin by saving part of the distribution fee that would otherwise be paid to the regional distribution system operator. This substantially increases the profitability of GGE distribúcia, a.s.

Distribution of natural gas

GGE distribúcia, a.s. operates high, medium and low pressure pipes and natural gas pressure reduction stations. The end consumers use gas mostly for technological purposes through the entire year enabling the company to optimize the purchased maximum daily capacity reserved from the regional distributor and therefore effectively lowers the entering distribution fees.

The company uses the Group's employees for ensuring safe, reliable and continuous operation of the basic activities (operating the infrastructure and performing regular inspections) and outsources the one–off activities (diagnosis, revisions, reparation works) to 3rd party providers.

Operating water and sewage infrastructure

Moreover, GGE distribúcia, a.s. operates drinking and technological water infrastructure. Drinking water is purchased from the regional water distributor and the technological water is pumped out of its own wells. The company operates sanitary, rainwater and chemical waste sewer systems and the obtained waste is treated by the industrial water treatment facility owned by the company.

(ii) Other companies of the Group

Snina Energy, s.r.o.

The company produces heat and electricity in two Cogeneration plants based on gas engine located near the old CHP of Energy Snina, a.s. Total installed electricity capacity of the two Cogeneration units reaches 3.12 MWe while total installed heat capacity reaches 3.3 MWt.

The source was built in order to render the production of heat and electricity for the municipality of Snina and for the industrial park more efficient. High efficient combined heat and electricity production will be in operation over 8,000 hours per year and will represent the primary source of energy in the given location, offsetting the decrease of production of the Group's Energy Snina, a.s. location.

New boilers with flexible heat output and quick start (within few minutes) will be installed on location in 2014 in order to be capable to secure peaks in heat consumption during extremely cold weather.

Snina Energy, s.r.o. started its business activity in July 2013 and has no impact on data presented in period covered by historical financial information and interim financial information.

KGJ Invest a.s.

KGJ Invest a.s. is a 50/50 Joint Venture project with the company E–Group, a.s. aming to install two small gas fueled Cogeneration units (with total installed heat capacity of 2.7 MWt and total installed electric capacity of 2.73 MWe) in the area of Dopravný podnik Bratislava the sole company operating public transport in Bratislava. The realization of the project is in progress.

GGE UA TOV (GGE UA LLC)

This Ukrainian company focuses its business especially on investment into heat sources in Ukraine. The company sets up special purpose vehicle companies for projects carried out by the Issuer in Ukraine.

GGE UA PIVDEN TOV (GGE UA SOUTH LLC)

The company was established as a special purpose vehicle dedicated to conduct heat projects especially in the southern Ukraine. Its business model comprises construction of boiler houses on the land plots or buildings rented from local prisons. Provided that any and all objectives are met, the company is expected to operate 18 of such boiler houses in that region in the future. Moreover, the company will rent existing boiler houses from GGE UA LLC. At present the first boiler house – Kolonia 53 Nikolajev is being constructed and is expected to be finished in February 2014.

GGE UA ODESA TOV

The company is a special purpose vehicle established in order to provide heat for Odessa, Suvorovsky District (300,000 inhabitants). The heat will be supplied rented, old plants, new plants and newly constructed units.

GGE UA ZAHID TOV (GGE UA WEST LLC)

The company was established as a special purpose vehicle dedicated to conduct heat projects especially in the western Ukraine. Its business model comprises construction of boiler houses on the land plots or buildings rented from local prisons. Provided that any and all objectives are met, the company is expected to operate 15 of such boiler houses in that region in the future. Moreover, the company will rent existing boiler houses from GGE UA TOV. At present the first boiler house – 40 Dragobic is being constructed near Lviv.

(iii) Suppliers and customers of the Production and Distribution segment

Supplies of raw materials to the companies from the Production and Distribution segment are made mainly by companies from the trade segment, i.e. ELGAS, s.r.o. and EnerWood, s.r.o. The former is responsible for the supply of natural gas, hard coal and electricity. The latter is responsible for the supply of woodchips.

The main customers of the Production and Distribution segment are:

- households, housing cooperatives
- municipalities (hospitals, schools, etc.)
- industrial customers within industrial parks
- residential and other small customers
- transmission system operator and regional distribution companies (in terms of electricity).

Distribution of heat, power and natural gas is strictly regulated (the description of the regulations is provided *in Section 3.6.3 of this Prospectus*). The prices paid by end users must be approved by URSO and are publicly available.

(iv) An excerpt from the Group companies' tariffs valid as at the date of the Prospectus

Heat production and distribution

TABLE 13: List of decisions of URSO applicable to production, distribution and supply of heat for 2013 (VAT and excise taxes not included)

The Company (Facility)	Variable Part of Maximum Price for Heat (EUR/kWh)	Fixed Part of Maximum Price for Heat with Reasonable Profit (EUR/kWh)
TEPLÁREŇ, a.s., Považská Bystrica	0.0492	116.6906
Teplo GGE s.r.o. (in respect of establishment in Považská Bystrica)	0.0593	205.7677
Teplo GGE s.r.o. (in respect of establishment in Bratislava–Devínska Nová Ves)	0.0589	139.0150
Teplo GGE s.r.o. (in respect of establishment in Želiezovce)	0.0435	179.9759
Teplo GGE s.r.o. (in respect of establishment in Snina)	0.0415	248.6392
SOUTHERM, s.r.o.	0.0509	174.9094
Energy Snina, a.s.	0.0360	115.7000
Snina Energy, s.r.o.	0.0437	126.4569

Source: Resolution of URSO No. 0052/2013/T, File No. 7960–2012–BA dated 14 December 2012, Resolution of URSO No. 0195/2013/T, File No. 7914–2012–BA dated 21 December 2012, Resolution of URSO No. 0196/2013/T, File No. 7914–2012–BA dated 21 December 2012, Resolution of URSO No. 0197/2013/T, File No. 7914–2012–BA dated 21 December 2012, Resolution of URSO No. 0198/2013/T, File No. 7914–2012–BA dated 21 December 2012, Resolution of URSO No. 0149/2013/T, File No. 7912–2012–BA dated 12 December 2012,Resolution of URSO No. 0083/2013/T, File No. 8161–2012–BA dated 10 December 2012,Resolution of URSO No. 0335/2013/T, File No. 6068–2013–BA dated 5 September 2013

Electricity production

TABLE 14: List of decisions of URSO applicable to electricity production (VAT and excise taxes not included)

Issuer	Manner of Price Regulation	Price (EUR/MWh)	The Year in which Feed–in Tariff Ends*)
Energy Snina, a.s.	fixed price	105.96	01/2024
TEPLÁREŇ, a.s., Považská Bystrica (in respect of establishment in Považská Bystrica)	fixed price	85.64	10/2025 06/2026 03/2028
TEPLÁREŇ, a.s., Považská Bystrica (in respect of establishment in Dunajská Streda)	fixed price	82.45 (TEDOM QUANTO D 2000) 88.13 (TEDOM QUANTO D 3000)	02/2027 (D 2000) 07/2027 (D 3000)
Teplo GGE s.r.o. (in respect of establishment in Bratislava–Devínska Nová Ves)	fixed price	91.70	10/2028
Teplo GGE s.r.o. (in respect of establishment at Eisnerova 25 and Uhrovecká 2, Bratislava)	fixed price	85.07	09/2018 12/2019 09/2023
Snina Energy, s.r.o.	fixed price	91.70	07/2028

Source: Issuer, Resolution of URSO No. 0007/2013/E–KV, File No. 5087–2012–BA dated 30 November 2012, Resolution of URSO No. 0019/2013/E–KV, File No. 5092–2012–BA dated 30 November 2012, Resolution of URSO No. 0050/2013/E–KV, File No. 5240–2013–BA, dated 11 October 2012; Resolution of URSO No. 0008/2013/E–KV, File No. 5102–2012–BA dated 19 November 2012, Resolution of URSO No. 0009/2013/E–KV, File No. 5103–2012–BA dated 19 November 2012, Resolution of URSO No. 0046/2013/E–KV, File No. 6569–2013–BA dated 16 August 2013, Resolution of URSO No. 0493/2013/E–OZ, File No. 5086–2012–BA dated 16 November 2012

**) The moment when the 'feed-in tariff' ends depends on the moment of commissioning each single electricity generation unit. In case of TEPLÁREŇ, a.s., Považská Bystrica (in respect of establishment in Považská Bystrica), TEPLÁREŇ, a.s., Považská Bystrica (in respect of establishment in Dunajská Streda), Teplo GGE s.r.o. (in respect of establishment at Eisnerova 25 and Uhrovecká 2, Bratislava) the individual units were commenced in various times which resulted in various time when 'feed-in tariff' ends.*

Pursuant to the Act No. 309/2009 Coll., on Support of Renewable Energy Sources and Highly Effective Combined Production, as amended ("Renewable Energy Act"), the feed–in tariff will stay in place as given by the regulation over the duration of tariff described in the table above, if the Group will invest into or modernize the installation entitled for the feed–in tariff over 50% of its replacement costs. In case the Group invests or modernizes for less than 50%, the feed–in tariff is decreased proportionally.

Electricity distribution

TABLE 15: Price regulation of supply of electricity by Energy Snina, a.s. to small companies for 2013 (VAT and excise taxes not included)

Type of Tariff	Fixed Monthly Payment (EUR/month)	Variable Payment (EUR/MWh)
DMP1	0.65	65.7413

Source: Resolution of URSO No. 0062/2013/E, File No. 8782–2012–BA dated 10 December 2012. For other types of tariffs of supply of electricity by Energy Snina, a.s. please see Resolution of URSO No. 0196/2013/E, File No. 5534–2012–BA dated 31 December 2012 available at official website of URSO

The regulated maximum price for access to distribution network and distribution of gas by Energy Snina, a.s. is 0.0254 EUR/m^3 (Resolution of URSO No. 0023/2013/P, File No. 5605–2012–BA, dated 23 November 2012).

TABLE 16: Price regulation of access to distribution network and distribution of gas by GGE distribúcia, a.s.

Type of Tariff	Annual Volume of Distributed Gas	Price in EUR/m^3
M1	0 – 6,500m^3 (incl.)	0.0800
M2	6,500 m^3 – 60,000m^3 (incl.)	0.0700
S	60,000 m^3 – 400,000m^3 (incl.)	0.0300
V4	above 25,000,000 m^3	0.0140

Source: Resolution of URSO No. 0016/2013/P, File No. 4257–2012–BA, dated 26 October 2012

Tariffs for access to the local distribution network and distribution of electricity by GGE distribúcia,a.s. are determined by Resolution of URSO No. 0172/2013/E, File No. 5664–2012–BA, dated 31 December 2012 which is published at the official website of URSO.

(b) <u>Segment: Trade</u>

The following Group companies operate in the trade segment: ELGAS, s.r.o., ELGAS Sales a.s.; ELGAS Energy, s.r.o.; ELGAS Energy, Kft., ELGAS Energy, sp. z o.o., ELGAS Energy Trading, d.o.o., EnerWood, s.r.o. Not all of the companies which belong to the Group were consolidated in period covered by historical financial information and interim financial information. The table presented below refers to consolidated financial statements of the Issuer and presents data for the Consolidated Companies, i.e. the Issuer along with all its consolidated Subsidiaries and the Subsidiaries of Subsidiaries (for precise list of companies which belong to the Consolidated Companies, *please see Section 5 of this Prospectus* “List of definitions and abbreviations”).

TABLE 17: The Consolidated Companies: revenues from trading

Trade					
in thousands of EUR	**1H 2013**	**1H 2012**	**2012**	**2011**	**2010**
Revenues from trade of gas	40,689	15,726	26,925	7,718	1,900
change in %	*159%*		*249%*	*306%*	
Revenues from trade of electricity	19,247	14,446	32,228	11,444	6,004
change in %	*33%*		*182%*	*91%*	
Revenues from other services	0	0	473	0	754
change in %				*–100%*	
TOTAL	**59,936**	**30,173**	**59,626**	**19,162**	**8,658**
change in %	*99%*		*211%*	*121%*	

Source: Issuer, unaudited management data

Trading segment complements the Production and Distribution segments by securing all the fuel needs (mostly natural gas) of the Group, creating rooms for synergies between these two segments. The Group is also active in supplying gas and electricity to third parties, ranging in TOP 3 players in gas sales in the Slovak Republic and being number one private player in Serbia. Having the infrastructure and know–how in place, on top of the expansion to Serbia in 2012, the Group continues expanding to other CEE countries (Czech Republic, Poland and Hungary). The Trading segment is a large contributor of the Group in terms of sales and modest contributor in terms of the EBITDA given the trading nature of the business.

TABLE 18: Volumes of utilities traded by the Consolidated Companies

Commodity	1H 2013	1H 2012	2012	2011	2010
Gas (MWh)	1,209,491	406,835	707,609	237,311	66,731
Gas Slovak Republic (MWh)	870,661	406,835	707,609	237,311	66,731
Gas Serbia (MWh)	338,830	0	0	0	0
Electricity (MWh)	228,833	176,572	392,891	100,596	67,410

Source: Issuer

(v) The Consolidated Companies

ELGAS, s.r.o.

ELGAS, s.r.o. is a company active in gas and electricity trading for its end consumers and on wholesale market in the Slovak Republic. ELGAS, s.r.o. also secures the entire natural gas and electricity needs of the Group. The company targets on small, medium–sized and large customers in both electricity and gas trades.

Gas

In 1H2013, ELGAS, s.r.o. sold over 1,300,000 MWh of natural gas. The Group sales accounted for approximately 35% of this volume. The structure of external customers is dominated by heat producers accounting for 63% of total gas supplies to external customers followed by industrial players with 17% and services and transportation 9%. The rest of the customer base is represented by agriculture companies, healthcare providing institutions, municipalities and others.

The company secures gas either via standardized European Federation of Energy Traders ("EFET") contracts with renowned gas suppliers like RWE, Shell, SPP, Vemex, etc. or via long term contracts. Price is derived from prices at EEX exchange.

Electricity

In 1H2013, the company sold over 230,000 MWh of electricity. Endcustomers accounted for 30% out of this volume, while the wholesale 69%. The Group consumed 1% of total ELGAS, s.r.o. electricity sales.

End consumers´ group is dominated by medium–sized and large industrial customers (76%), followed by companies from logistics and transport industries (8%) and heat producers (7%) with shopping facilities, agriculture companies and hotels accounting for the rest (9%).

In wholesale segment, the company is active in creating and selling profile diagrams adjusted to customer needs.

The company ensures electricity supplies via standardized EFET contracts with renowned electricity suppliers Slovenské Elektrárne, ČEZ, Pow–en, A–en, etc. The prices are derived from the Prague exchange PXE.

Balancing of electricity

Technical parameters of power plants used by the Group allows flexibility of production that can be used by ELGAS, s.r.o. in order to balance its electricity needs and smooth out its electricity consumption curve. ELGAS, s.r.o.is measuring on–line real consumption of its customers and uses production capacity of the Group to balance the deviations from the planned consumption. Limiting to the maximum extent the difference between planned and real electricity consumption effectively lowers the fees due to the market operator (OKTE) for these differences. This allows for increasing the overall margin in Production segment and also provides room to offer more competitive prices to its customers in Trading segment and gain more market share.

The company provides electricity balancing services to:

- companies where it supplies electricity directly
- external companies interested only in electricity balancing product
- power plants (including power plants owned by the Group).

TABLE 19: ELGAS, s.r.o.: electricity trade split

Electricity	1H 2013	1H 2012	2012	2011	2010
Electricity wholesale (MWh)	160,486	111,672	258,413	13,033	0
Electricity end consumers (MWh)	68,347	64,900	134,478	87,563	67,410

Source: Issuer

ELGAS Energy Trading, d.o.o.

ELGAS Energy Trading, d.o.o was founded in 2012 in order to pursue opportunities on Serbian energy market. The company is currently active in natural gas trading and envisages also trading in electricity.

Volume of gas traded in 1H2013 amounted to 338,830 MWh (29.7% of total gas trade by the Consolidated Companies).

Serbian gas market is still dominated by state owned Srbijagas Javno Preduzeće ("SG"). ELGAS Energy Trading, d.o.o is number one private player on the Serbian natural gas market, positioned therefore well ahead of competition in the market that is at its early stage of liberalization promising exciting room for opportunities to gain more and more market share.

(vi) Other companies from the Group

EnerWood, s.r.o.

The company secures woodchips supplies to the companies in the Production segment.

ELGAS Sales a.s.

The company acts as a commercial agent for selling electric energy and natural gas on behalf of the company ELGAS, s.r.o. The company targets on small businesses and households.

ELGAS Energy, s.r.o.

Company is active in electricity and gas trading in the Czech Republic.

ELGAS Energy, Kft.

Company is active in electricity and gas trading in Hungary.

ELGAS Energy sp. z o.o.

Company is active in electricity and gas trading in Poland.

(vii) Suppliers and customers of the Trade segment

The companies in the trade segment are supplied by both the production companies of the Group and the external suppliers. External suppliers include producers of electrical power, distributors of natural gas and producers of woodchips, e.g. RWE Gas Slovensko, Slovenské Elektrárne, ČEZ, VSE (Východoslovenská energetika), Pow–en, A.En, ZSE Energia.

The production companies in the Group are largely customers of trade segment companies. The external customers are: heat producers, industrial companies, public authorities (municipalities, higher territory units), educational sector, transportation and logistics companies, healthcare institutions, agricultural companies, shopping retailers, companies in all other sectors, small–sized companies, sole traders and households.

(viii) An excerpt from the Group companies' tariffs valid as at the date of the Prospectus.

TABLE 20: Price regulation of supply of gas by ELGAS, s.r.o. to small companies for 2013 (VAT and excise taxes not included)

Type of Tariff	Fixed Monthly Payment (EUR/month)	Variable Payment (EUR/kWh)
M1	2.85	0.0591
M2	5.33	0.0455
M3	7.92	0.0440
M4	29.95	0.0426

Source: Resolution of URSO No. 0029/2013/P, File No. 6232–2012–BA dated 30 November 2012

TABLE 21: Price regulation of supply of gas by ELGAS, s.r.o. to households for 2013 (VAT and excise taxes not included)

Type of Tariff	Fixed Monthly Payment (EUR/month))	Variable Payment (EUR/kWh)
D1	1.76	0.0539
D2	4.15	0.0402
D3	6.46	0.0386

Source: Resolution of URSO No. 0061/2013/P, File No. 6234–2012–BA dated 18 December 2012

TABLE 22: Price regulation of supply of electricity by ELGAS, s.r.o. to small companies for 2013 (VAT and excise taxes not included)

Type of Tariff	Fixed Monthly Payment (EUR/month)	Variable Payment (EUR/kWh)
DMP1	0.65	71.7154
DMP2	0.65	65.7413
DMP3	0.65	59.9672
DMP4	0.65	80.1766 or 54.1930
DMP5	0.65	77.2896 or 54.1930
DMP6	0.65	74.4025 or 54.1930
DMP7	0.65	94.6120 or 65.7413
DMP8	0.65	94.6120 or 65.7413
DMP10	0.65	59.9672
DMP11	0.65	65.7413

Source: Resolution of URSO No.0090/2013/E, File No. 8838–2012–BA dated 12 December 2012

TABLE 23: Price regulation of supply of electricity by ELGAS, s.r.o. to households for 2013 (VAT and excise taxes not included)

Type of Tariff	Fixed Monthly Payment (EUR/month)	Variable Payment (EUR/MWh), High or Low Tariff
DD1	0.65	62.6467
DD2	0.65	59.5864
DD3	0.65	72.2895 or 46.3059
DD4	0.65	69.4025 or 40.5318
DD5	0.65	106.9343 or 56.6994
DD6	0.65	106.9343 or 56.6994
DD7	0.65	83.8378 or 50.3478
DD8	0.65	78.0636 or 40.5318

Source: Resolution of URSO No. 0030/2013/E, File No. 8486–2012–BA dated 23 November 2012

c) Segment: Services

The following Group companies operate in the services segment: GGE d.o.o. BEOGRAD; POV BYT development,s.r.o.; SOUTHERM SPRÁVA,s.r.o.; IFM, a.s.;TENERGO Slovensko, a.s.;TENERGO Brno, a.s.; GGE invest, s.r.o. Not all of the companies which belong to the Group were consolidated in period covered by historical financial information and interim financial information. The table presented below refers to consolidated financial statements of the Issuer and presents data for the Consolidated Companies, i.e. the Issuer along with all its consolidated Subsidiaries and the Subsidiaries of Subsidiaries (for precise list of companies which belong to the Consolidated Companies, *please see Section 5 of this Prospectus* “List of definitions and abbreviations”).

TABLE 24: Segment: services

Services					
in thousands of EUR	**1H 2013**	**1H 2012**	**2012**	**2011**	**2010**
Revenues from sale of goods	0	4	4	915	39
change in %	*–100%*		*–100%*	*2,246%*	
Revenues from contracts	1,037	141	141	57	0
change in %	*635%*		*147%*		
Revenues from other services	1,045	1,173	1,544	0	3,901
change in %	*–11%*			*–100%*	
TOTAL	**2,082**	**1,318**	**1,689**	**972**	**3,940**
change in %	*58%*		*74%*	*–75%*	

Source: Issuer, unaudited management data

The Engineering Services segment allows for the full control over effective use of technologies used by the Group, including provision of maintenance services. The Engineering Services segment enables effective cost control of both running operations and projects to be realized. This segment also enables quick and efficient evaluation of large number of potential projects within very short period of time and helps create efficient engineering solutions resulting in attractive returns for the Group in the generation and Distribution segment. Revenues in this segment are also generated by providing Engineering Services to third parties.

(ix) The Consolidated Companies

TENERGO Brno, a.s. and TENERGO Slovensko, a.s.

TENERGO Brno, a.s. and TENERGO Slovensko, a.s. are the companies active in engineering, procurement and construction projects in energy sector, focusing namely on delivering solutions in the area of combined heat and power technologies.

TENERGO Brno, a.s. focuses more on the engineering part of the projects while TENERGO Slovensko, a.s. provides also maintenance and repair services related to supplied technologies.

The companies are provide services in following type of projects:

- construction, supply and installation of:
  - gas–powered Cogeneration units
  - trigeneration units
  - biomass heat sources
  - gas–powered hot water boilers
- construction of machinery and energy facilities
- modernizations of heat supply infrastructures:
  - replacement of pipes, insulation and heat exchange stations
  - building of a central dispatch center.

The companies provide most of the services to the Group. The companies are also active in providing services for external customers.

The companies have realized over 20 projects in last four years. Selected credentials include:

- constructions of combined heat and power units (installed outputs ranging from 0.35 MWe to 2.7 MWe):
  - locations include Bratislava, Štúrovo, Skalica, Prešov, Kremnička (Slovak Republic); Sirakovo, Turija, Bradac (Serbia)
- construction of production facilities (construction of production parts of the plant, installation of heat pumps for heating and cooling, etc.):
  - Brno (Czech Republic)
- construction of heat distribution and gas powered hot water boilers in Považská Bystrica (Slovak Republic) and Zlín (Czech Republic):
- change of the fuel base – construction of biomass heat source and modernization of heat distribution:
  - Snina (Slovak Republic)
- construction of gas–powered hot water boilers:
  - Považská Bystrica(Slovak Republic).

GGE d.o.o. BEOGRAD

The company was created as a holding company for operation on the territory of Serbia. The company is currently in the process of establishing its Subsidiaries which will be operating in energy sector on Serbian market.

POV BYT development, s.r.o.

The company was established for the purpose of a reconstruction of a former seat of POV BYT s.r.o. (currently Teplo GGE s.r.o.). Negotiations on the sale of the company to third party are in advanced stage.

(x) Other companies from the Group

IFM, a.s.

IFM, a.s. provides facility management services in residential and non–residential premises in Považská Bystrica, Želiezovce, Galanta and Bratislava.

SOUTHERM SPRÁVA,s.r.o.

The company provides facility management services in residential and non–residential premises in Dunajská Streda.

GGE invest, s.r.o.

The company was established for the purpose of construction and operation of small Cogeneration units for other companies, schools and municipalities in which no heat distribution networks are owned by the Issuer.

d) Strategy

Strategy of the Group is to bolster its position on the Slovak energy market and expand its activities to other CEE countries by growing and strengthening its four core business lines – Production, Distribution, Trading and Engineering Services. The Group actively pursues growth opportunities in CEE markets arising from the pre–mature phase of the development of these markets and continuous process of harmonization of respective legislations with the EU rules. Developing the core business lines, benefiting from synergies among them and profiting out of competitive advantages of the Group will allow the Issuer to maximize return and value to shareholders. Moreover, the entire value chain of four business lines enables the Group to distinguish itself from its competitors in terms of providing customers with complete solutions rather than addressing a specific need alone. The Group implements and will maintain international best practices in corporate governance.

Production and Distribution

Production and Distribution segments have been contributing 90% of the Group EBITDA. The Issuer remains committed to these segments and will keep focus on projects in high efficient combined heat and electricity production achieving stable, long term, above–market margins by taking advantage of energy market regulations and long term contracts and guarantees. The Group will leverage its experience gained in the Slovak Republic into CEE geography including: Czech Republic, Serbia, Poland, Ukraine and Hungary. Medium–sized municipalities (i.e. namely households) and industrial parks will represent the key targeted customer´s groups.

One of the key endeavors of the Group is to focus on continuous improvement of efficiency and profitability of its heat and electricity generation facilities and distribution networks.

Trading

Trading constitutes an important part of the business of the Issuer and in addition to enjoying the synergies out of supplying the fuel within the Group, the Issuer will pursue the opportunities to expand in other liberalized/about to be liberalized CEE markets including Serbia (already present since 2012) followed by Poland, the Czech Republic and Hungary (establishing presence in 2013). In the Trading segment, the Group will focus on energy and heating companies, industrial (medium and large) customers, municipalities, hospitals, schools, hotels and other customers.

Engineering Services

The Engineering Services segment represents relatively small contributor to the bottom line but an enormous value added in allowing the Group the full control over and effective use of modern technologies, improving efficiency and profit margins in Production and Distribution segments. Own engineering capabilities allow for cost advantage and better control of the modernization and investment processes and increase the Group's capability to assess efficiently potential acquisitions.

The Group will continue developing its own engineering capabilities to be capable to provide comprehensive engineering works internally as well as for external customers, generating additional revenues to the Group.

Competitive advantages

Key competitive advantages enabling the Group to continue growing and achieving sound and stable returns are:

1) capability to acquire and develop projects with potential for modernization and new investments resulting in high and stable returns

2) focus on less developed energy markets but with promising potential

3) capability to implement projects with guaranteed off–take and above–the–market average sales prices of electricity going hand in hand with guaranteed heat off–take and regulated heat prices

4) high flexibility of decision making process

5) experienced, loyal and motivated management team

6) capability to boost the revenue generating capacity of installed output by using flexible state of the art production facilities and special know how of the team enabling the provision of ancillary services

7) capability to boost the revenue generating capacity of the Group through unique know how by combining Production and Trading segments in providing balancing services in electricity

8) own engineering abilities

9) competitive pricing thanks to synergies between Production, Distribution and Trading segments

10) capabilities to be pioneer in new products

(i) ability to acquire and develop projects with potential for modernization and new investments resulting in high and stable returns.

The Group has proved it has right capabilities to find, assess, negotiate and acquire the projects which after proper development provide a high and stable return for the Group. In most of the projects acquired, the Issuer has assumed and executed a complete modernization of heat and power generation facilities as well as, to extent economically justified, heat and water distribution networks. The modernization includes primarily transforming the existing generation units into modern heat and electricity co–generation facilities. Every new project deepens also the synergies with other activities of the company.

The good example of such a project is a development of the new CCGT in Považská Bystrica. The total capital investments in 2010–2011 amounted to around 71,000,000 EUR of which: 12,000,000 EUR as spent on two acquisitions of the production and distribution companies respectively, 6,000,000 EUR for reconstruction of 12 km of heating network and installation of 160 heat exchangers and 52,700,00EUR in investment in new CCGT plant. Synergy out of combining the production with the distribution together with the performed investments resulted in following increases in TEPLÁREŇ, a.s., Považská Bystrica in 2012 versus 2009, despite of higher gas prices in 2012: 2.7 – fold increase in production (453.9 GWh in 2012 versus 169.4 GWh in 2009), 2.7 – fold increase in revenue (38,400,000 EUR in 2012 versus 14,200,000 EUR in 2009), 5.5 – fold increase in operating profit – EBIT (4,000,000 UER in 2012 versus 700,000 EUR in 2009), 2.0 – fold increase in operating profit (EBIT) margin (5.2% in 2009 versus 10.6% in 2012). The results continue growing in 2013.

(ii) Focus on less developed energy markets promising huge potential

The Group is growing its presence on less developed markets that are in their early or pre–liberalization/pre–privatization phases and will follow the path of further harmonization of the rules and energy legislation with the ones by the EU. This provides room for the Group to leverage its experience from the Slovek Republic. Entire Serbian energy market, Ukrainian heat market or Polish gas market are viewed as most promising markets for the Issuer to grasp the opportunities arising out of the pre–maturing phase of respective markets.

(iii) Ability to implement projects with guaranteed off–take and above–the–market average sales prices of electricity going hand in hand with guaranteed heat off–take and regulated heat prices

The most principal of the Group’s strategic decision is to focus only on the projects which enable the Group to have a competitive advantage in energy prices and in its cost basis. The Group enters primarily into heat and electricity generation and distribution projects in medium sized municipalities, encompassing acquisitions and modernization of heat and electricity generation facilities. The Issuer enters only into the projects where the off–take is regulated by long–term regulations or agreements to supply heat, water and electricity for households and corporate customers in these locations and only if the regulations allow for having the energy prices guaranteed (possibly after modernization of the facilities) at a level ensuring stable and relatively high returns.

In the result of such business model, the Group is capable to achieve the much–above–market average energy prices for its own produced electricity and stable prices for own produced heat, enabling for high returns and margins while rendering the business highly stable and predictable.

(iv) High flexibility of decision making process

The Group enjoys very flexible, prompt and efficient decision making. Quick and flat governing of the investment process complemented by its own engineering and technical capabilities helps the Issuer to react on arising opportunities much more swiftly than competition that is very often slowed down by the cross–border ownership structures with final decisions to be taken in mother countries and by the maladroit multiple levels of decisions taking at these competitors. Moreover, being more agile and efficient than competition in approaching potential targets often results in gaining exclusivity, avoiding competitive process and leading to negotiations of more favorable deal terms.

(v) Experienced, loyal and motivated management team

The management team, composed out of the top experts in respective industries in the Slovak Republic, is the key element of implementing the Group strategy. The Group's management team has a proven track record of very fast growth of the Group since its foundation. Motivation, loyalty, team spirit and tremendous drive of the management are forming one of the key competitive advantages of the Group.

(vi) Ability to boost the revenue generating capacity of installed output by using flexible state of the art production facilities enabling for provision of ancillary services

Combination of gained know–how, use of cutting edge technology and synergies between Production and trading helps extracting additional revenue capacity out of its own sources. Flexibility of state of the art facilities allows the Group to take advantage of provision of ancillary services that enjoy high electricity prices due to securing and balancing peaks and lows on demand curve. As a result, the Group reaches even higher average price of electricity than the maximum prices guaranteed by 'feed–in tariffs' per respective site. This is possible thanks to the modern CCGT plant used by the Group allowing for quick changes in output within almost the entire gas turbine installed output.

(vii) Ability to boost the revenue generating capacity of the Group by combining Production and Trading segments in a unique know how in provision of balancing services in electricity

The Group has another exceptional competitive advantage in combining its electricity production capacities in Production segment with electricity off–take in Trading segment. Given the mix of production and trading capacities, the Group is capable to balance electricity deviations for its customers. The Group has gained a unique know–how for balancing the deviation for its customers who would otherwise be due payments to the grid operator at costs higher than the ones due for the services provided by the Group. The know–how lies in combining its own flexible electricity production facilities with the needs of customers of the Trading segment. This creates additional margin in both Production and Trading segments and, furthermore allows the Group to be even more competitive in pricing electricity supplies to respective customers, thus gaining customers and market share. On top of providing balancing services to solid customers like Slovak Railways, the Group also provides consultancy services for the customers having their own electricity generating capacity (e.g. US Steel), generating additional, high margin revenues to the Group.

(viii) Own engineering abilities

Own engineering abilities enable to increase efficiency and effective cost control of both running operations and projects to be realized as well as quick and efficient evaluation of large number of potential projects within very short period of time.

Moreover, own engineering abilities allow for provision of not only a single product, but a complex energy solution to respective customers. The Group is capable to provide to its customers not only the energy or the fuel, but also a complete solution for energy infrastructure modernization and operation including design, installation and operation of new heat generation/co–generation facilities.

(ix) Competitive pricing thanks to synergies between Production, Distribution and Trading segments

Production and Distribution segments contribute also to the competitiveness of the Trading segment and thus to the Group profitability. Production segment consumes an important and stable volume of natural gas. By increasing the total off–take volume of the Group, smoothing out the consumption curve and by possessing sound asset base (altogether with the Distribution segment) for corporate guarantees on behalf of Trading, Production and Distribution segments allow the Trading segment to negotiate better prices with the suppliers than the competition and to reflect these more advantageous terms into pricing of gas deliveries to the Group and to third parties. On top of increasing competitiveness of the Trading segment in gas, own electricity production capacities of the Group also support the Trading segment with flexibility to complement its electricity trades with own production, representing another competitive edge against the competition.

(x) Abilities to be pioneer in new products

The Group has also a successful track record in being the first one in the market with introduction of new products. The Issuer was the first company in the Slovak Republic offering jointly gas and electricity products to its customers. The Issuer is continuously examining opportunities of improve its products to fit better to the customers' needs. The Group has an ambition to provide customers with complete solutions taking advantage out of the whole value chain in energy sector controlled by the Group rather than providing a single product alone.

3.6.2 An indication of any significant new products or services

The Group introduced following new significant products or services in the period covered by historical financial statements:

- in 2011, after commencement of CCGT unit in Považská Bystrica, the Group introduced product "balancing". The balancing services allow to obtain higher prices for production and distribution of electric energy due to balancing peaks and lows on consumption curve by own Production. As a result the average price of electricity sold is higher than maximum regulated price
- in 2011 the Group also introduced an offer of selling a package of gas and electricity to the end consumers. The Group was the first entity in the market which introduced such a product.

In remaining years the Group did not introduce any new significant products or services.

3.6.3 Principal markets

The activities of the Group companies focus largely on the Slovak market. Moreover, the Group is present on the following markets: Czech Republic, Serbia, Poland, Ukraine and Hungary.

TABLE 25: Geographical split of revenues of the Group

in thousands of EUR	1H 2013	1H 2012	2012	2011	2010
Slovak Republic	76,933	56,674	107,872	63,938	28,362
change in %	*36%*		*69%*	*125%*	
Serbia	10,852	0	0	0	0
change in %					
Czech Republic	597	335	1,457	0	0
change in %	*78%*				
TOTAL	**88,380**	**57,009**	**109,328**	**63,938**	**28,362**
change in %	*55%*		*71%*	*125%*	

Source: Issuer

The Group does not compete with the largest electric power producers whose power plants are based, among other things, on nuclear power. The Group sees itself as niche player which operates on the highly profitable heat and power production and distribution market. Heat and power are generated in the Cogeneration process. The production under the Cogeneration process, being more ecological than traditional techniques (lower energy losses, utilization of heat produced during power generation, lower CO_2 emission) is supported by the EU legislation. The relevant provisions supporting the development of Cogeneration are contained in the EU Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources in the internal electricity market and EU Directive 2004/08/EC on the promotion of Cogeneration based on a useful heat demand in the internal energy market and amending Directive 92/42/EEC transposed into the Slovak law through Renewable Energy Act (*please see Section below*). In the Slovak Republic, provisions regarding the application of Cogeneration have been implemented, among other things, by ensuring a fixed price for one unit of electricity coming from a plant over a period of fifteen years from the moment of commissioning of that heat and power plant.

Using its distribution networks, the Group conducts activities mainly in medium sized municipalities and industrial parks, where it holds the position of local leader. The Group does not only produce and distribute electricity and heat, but through ELGAS, s.r.o. it is also present in the market of natural gas and electricity trade.

Slovak market regulation framework

Energy sector in the Slovak Republic is, likewise in any other European country, regulated to the certain extent by specific legal rules in order to secure fair and non–discriminatory environment for all its participants. Accordingly, some activities being the core business of the Group, e.g. the production and distribution of heat and power or trading in electricity and natural gas are in certain aspects subject to applicable Slovak law. The relevant public authority vested with the regulatory and supervisory power in this field is URSO. The said state authority is a body competent, among others, to issue the permits and approvals relevant for the performance of regulated economic activities as well as to approve certain elements of price in the field of network industries proposed by respective energy entrepreneurs; regulation of other elements of price does not fall within the regulatory power of the state authority and those may be thus determined at the own discretion and in the best interests of the entrepreneur. The aim of the whole price regulation is to create a regulatory framework ensuring transparent and non–discriminatory market environment in which any regulated subject (companies of the Group concerned) will have sufficient opportunity to cover its business expenses and achieve reasonable profit. The main principle of price regulation in the Slovak Republic is, so called, "price–cap principle" consisting in setting out maximum prices which shall not be exceeded. The price resolution of URSO is valid until the end of the respective calendar year.

Given the recently adopted legislative acts, i.e. Network Industries Act and Power Engineering Act, several changes in the power industry as well as in the gas industry have been made in order to ensure even higher protection of transparency and non–discriminatory nature of the energy market. In compliance with that some changes concerning the price regulation have been adopted, e.g. the supply of power and gas to the small enterprise became, together with the purchase of gas equipment, subject to the price regulatory power of URSO. On the other side, the price of gas supplied for the production of heat was excluded from the price regulatory framework which gave entrepreneurs more liberty in adopting the gas prices to their respective needs and created room for gaining higher profit. The recent changes affected also regulatory power and independence of URSO as a competent network industries authority and the scope of rights and duties of regulated subjects. The intention of new laws is, in particular, to liberate and open the gas market and to improve the system of exchange of information among the Member States. New law is effective since 1 September 2012, however, new provisions on price regulation by URSO shall commence to apply from the regulatory 2014. Under new law, the appeal against the price resolution may be filed within 40 days from the date of the notification thereof which is, in comparison with the 15–day period applicable generally in any other administrative proceeding, more than favorable. On the other side, in case of extraordinary situation on the energy market, or in case of insufficiently competitive environment threatening the energy market, or if protection of consumer or general economic needs require so, URSO may, after the negotiations with the European Committee, take specific measures and reserve some additional power in order to restore the energy market. However, taking into account an overall positive development and existing stability of the Slovak energy market, all listed cases of extraordinary situation seem to be unlikely to happen and the said statutory provision is thus deemed barely applicable; moreover, the negotiation duty of URSO with the European Committee seems to be effective checks–and–balance tool towards the present regulatory power of URSO in case of occurrence of any extraordinary situation. New laws had certain impact also on a special group of the power and gas consumers, so called "vulnerable consumers", i.e. household, by way of vesting them some additional rights, e.g. right to change the power and gas supplier within the period of three weeks, right to have its rights stated on invoices and websites of the suppliers, etc.

The Slovak law specifically regulates following areas:

In the electricity industry:

- production of electricity from renewable energy sources and electricity from high–efficiency combined production
- production of electricity from domestic coal based on the decision of relevant state authority on imposition of obligation in general economic interest
- grid connection
- access to the transmission system and transmission of electricity
- access to the distribution system and distribution of electricity
- supply of electricity to vulnerable customers (small size companies and consumers)
- support services

- system services
- performance of short–term electricity market organizer's activities
- supply of electricity to last instance suppliers.

In the gas industry:

- connection to the network
- support services in gas industry
- access to the transmission network and transmission of gas
- access to the distribution network and distribution of gas
- supply of gas to vulnerable customers (small size companies and consumers)
- supply of gas to last instance suppliers
- purchase of gas facility.

In the thermal energy industry:

- production and supply of heat
- production, distribution and supply of heat
- distribution and supply of heat.

In the water sources industry, following activities are subject to price regulation:

- production and supply of drinking water through public water supply
- production and distribution of drinking water through public water supply
- supply of drinking water through public water supply
- draining and purification of waste water through public sewerage
- draining of waste water through public sewerage
- purification of waste water piped to waste water treatment plant through public sewerage
- extraction of surface water from watersourses
- use of watercourses hydropower potential
- extraction of energy water from watercourses.

Some of the economic activities of the Group do not fall within the regulated areas mentioned above and therefore market prices can be used – for example in cases when natural gas is supplied B2B (excluding small companies). For more information about price regulation, please refer to item a) of this *Section* below.

In this regard, the legal framework of the above mentioned Renewable Energy Act should also be further described as it is inseparably connected to the performance of the business activity of the Group. The Renewable Energy Act was adopted in 2009 in connection with the implementation of Directive 2004/8/EC of the European Parliament and of the Council on the promotion of Cogeneration based on a useful heat demand in the internal energy market and amending Directive 92/42/EEC and Directive 2001/77/EC of the European Parliament and of the Council on the promotion of electricity produced from renewable energy sources in the internal electricity market.

Subject of the Renewable Energy Act is in particular:

- regulation of the means and conditions for promotion of the generation of electricity from renewable energy sources, highly effective combined production and generation of electricity from bio–methane
- regulation of rights and obligations of producers of electricity from renewable energy sources, combined production, highly effective combined production and from bio–methane
- regulation of rights and obligations of other electricity and gas market participants.

The main aim of the Renewable Energy Act is to optimize the operation of the power market in the field of the highly effective combined production and renewable energy sources, to promote decentralization of the power production and to encourage the power and heat producers to more effective use of the primary energy sources by using highly effective combined production leading to elimination of the quotas of emissions produced.

The Renewable Energy Act was adopted also in connection with the objective of the Slovak Republic to cover at least 14% of the gross energy consumption by the renewable energy sources by 2020. In order to meet the intent determined, it is necessary to increase the portion of renewable electricity produced within the Slovak Republic and for this purpose several incentive and supportive measures applicable for the producers generating the electricity from the renewable energy sources or through the highly effective combined production have been stipulated in the Renewable Energy Act. In this connection renewable electricity producers shall be entitled, among others, to:

- prior connection to the regional distribution grid
- prior access to the grid
- prior transfer, distribution and supply of the electricity
- supply the electricity to the regional distribution grid operator at any time for specific price aiming to cover the loss sustained in connection with the renewable electricity production
- special additional payment
- absolve itself from the liability for deviation.

Moreover, the Renewable Energy Act aims to promote the use of innovative technologies applied in the course of the supply of the electricity and with this respect sets forth provisions on the use of the ORC (Organic Rankine Cycle), fuel cells and Stirling engines.

Apart from the above, renewable energy producers may also seek a financial support in order to construct, reconstruct or modernize the existing power plants; for this purpose special programs and funds have been created and subsidized by the Slovak Republic.

Other core regulation applicable in the energy sector is Government Ordinance No. 317/2007 Coll.,on Power Market Rules, as amended ("Power Ordinance"), establishing rules for connection and access to the grid, transfer, distribution and supply of the electricity as well as the supply of supporting and system services.

Under the Power Ordinance a new electric device may be connected to the grid on the mutual agreement with the grid operator and after the compliance with any and all technical conditions established by law; once those statutory prerequisites have been met, the connection to the grid shall be carried out within 5 business days.

The access to the grid shall be permitted on the special type of commercial contract concluded by and between the grid operator and grid user which is a power producer. The remuneration for the access to the grid shall depend on the capacity of an output withdrawn by the power producer from the grid, however, the withdrawal of an output from the grid for the own needs of the power producer related to the power production shall be free of charge. Moreover, the Power Ordinance stipulates other cases in which the withdrawal of an output by the power producer from the grid shall not be subject to any charges.

The transfer and distribution of the electricity shall be carried out by the grid operator on the request delivered not later than 14 business days before the transfer or distribution itself. Any costs related to the transfer of the electricity shall be included into the remuneration borne in connection with the distribution thereof; the value of those remunerations shall be published on the grid operator's website in order to secure the transparent environment in the field of the electricity trade. Any restriction or suspension of electricity distribution and the period thereof shall be notified to the electricity supplier not later than 5 days before.

Apart from the above, other issues, e.g. the supply of electricity and regulative electricity to subjects specified therein, purchase of the supportive services and provision of the system services, obligations of the grid operators, reporting duties of certain groups of the power producers, liability for deviation, etc. are also specifically governed by the Power Ordinance.

The members of the Group carry out their major business activities by entering into the contracts on natural gas, electricity and heat supply. As already mentioned above, certain areas of the business activities performed in the field of energy, gas and heat sector in the Slovak Republic are subject to regulatory power of respective state authority – URSO. The most significant area regulated by the respective state authority is probably price–making process. However, as we already pointed out above, only certain elements of sale price are subject to the regulatory authority of URSO; other elements of price are excluded from the price–making process and are thus determined in accordance with the best interests of the Group. As a result of this, the sale and purchase price stated in material contracts concluded by the members of the Group consists of two parts – regulated and non–regulated one.

As far as the natural gas is concerned, the first part of the price represents the remuneration for the supply of gas itself and results from the current supply and demand balance on the relevant natural gas market. The second part of the price for natural gas covering mainly distribution and transfer of gas to the customer is subject to regulatory power of URSO which approves this part of price upon the motion of the regulated person for the entire regulatory period (currently five years). URSO shall approve the motion of the regulated subject (companies of the Group concerned) on the price for distribution and transfer of gas or any other disposal of natural gas covered by the regulatory power of URSO provided the price stems from economically reasonable expenses specified in URSO decree. Such price may be modified by approval of URSO upon the motion of a regulated person. It is a practice that only motions for the increase of the price are filed because the price lower than the one approved by URSO may always be charged by the energy producer. The regulated subject is entitled to file a motion for the increase of regulated part of price at any time during the calendar year and upon the increase of any economically reasonable expenses.

In cases stipulated by the law, URSO is entitled to regulate also prices for production of power. The regulations concerning the pricing policy are set once every five years which secures the overall stability of the energy market and prevents from unexpected fluctuations capable to harm the Group's strategy.

The formal liberalization of the energy market began in 2005. Since 2005, legal solutions have been introduced enabling companies a free choice of their electricity suppliers. Then, in July 2007, the same possibility was introduced for households. However, the competition in the market did not appear very quickly due to the domination of the current suppliers. Also in July 2007, the obligation to separate power transmission from its generation was introduced. The operator of the central transmission system must be a company which is independent from the main producers.

The actual liberalization of the energy market in the Slovak Republic took place in 2010 – 2011. In this period, alternative suppliers of electric power for firms and households entered the market. Also in 2011, an independent supplier of natural gas began to offer its services to households. The regulations were changed to help alternative firms enter the market, namely a limit on the price to be paid by the end consumer was introduced instead of the method for setting the revenue limit. The method of setting the price limit enabled supervised entities to retain the profits generated by increasing Production and Distribution efficiency and cost reductions. Also from 2009, new regulatory tools were introduced into the legal regulations for controlling the quality of services. The main purpose for such control is consumer protection. In 2012 – 2016 regulatory policy period (the policy is established for five–year periods), URSO regulations focus on the highest possible compliance of services with the quality standards. A supervised entity must comply with the regulations which specify the quality of power, heat or natural gas supplied for a specified price. The purpose of introducing these regulations was to improve the quality of the supplied goods. If the quality standards set by URSO are not complied with, the price is reduced for the 'insufficiency ratio'.

In accordance with the 2012 – 2016 regulatory policy, the scope of URSO's authority was amended in several aspects; in compliance with that URSO is currently entitled to inspect the cost structure of a supervised entity in order to set a fair price for the end consumers. In this respect other several changes in the field of energy regulation have been approved recently, especially in connection with the adoption of the Network Industries Act which implemented the so–called third energy package of the EU and is further described above.

(a) Price regulations which directly apply to the activities of the Group

The price regulations implemented by URSO apply to the distribution of electricity, heat, natural gas and water management by the Group companies. The price regulatory proceedings shall be initiated by the submission of the price motion by the regulated subject (companies of the Group concerned). The price motion shall be calculated upon the economically reasonable expenses of the regulated subject. The proceedings may be also initiated by URSO itself, however, it does not usually happen in practice. The price motion submitted to URSO may be approved or dismissed. Originally, the price determination was valid for the time period of one calendar year, unless changed. Regulated subject was thus obligated to submit the price motion to be approved on yearly basis. However, as new laws were enacted, the prices currently approved by URSO will be valid for the regulatory period of 2014 – 2016. The regulated subject shall be bound by the price resolution for the entire regulatory period.

Non–compliance with this law can trigger imposing various sanctions. The regulated subject may deviate from the price determined by URSO only in case when the motion to change the price has been submitted to and approved by URSO. In practice, the motion to change the price is filed by the regulated subject only in cases when increase of price is sought; the motion for decrease of the price approved does not have to be filed with URSO, whereas price lower than the one approved by URSO may always be charged by the regulated subject. URSO may change the price resolution, *inter alia*: (i) if it is necessary to achieve the aim of regulatory policy stated in applicable law, (ii) if it was issued on the ground of untrue or incorrect documentation, (iii) in case of emergency situation in the power industry or crisis in the gas industry, (iv) in the event of change in the extent or methods of the price regulatory policy, or (v) if the conditions for issuance of price resolution have been changed. The price resolution may also be changed in case of the significant change in economic indicators relevant to the calculation of the price, however, legal definition of the term "significant change" is absent in applicable law and will thus be considered individually and based on own discretion of URSO. Besides, all reasons stated above allow URSO to act *ex offo* and to change or repeal the price resolution at its own discretion, however, this barely happens in practice.

Generally, the manner by which price regulation can be carried out by URSO shall be as follows:

- determination of the fixed price
- determination of the maximum price
- determination of a manner of computation of the fixed price
- determination of a manner of computation of the maximum price
- determination of economically justified expenses and reasonable profit
- determination of price by means of market price determination (for example: auctions).

The most significant ones, due to the revenues generated by the Group, are the regulations concerning production and distribution of electricity and heat.

Electricity production

The price regulations related to the production of electricity vary depending on the methods of the production. There are two methods of production of electricity which are subject to price regulation, i.e. electricity produced under the Cogeneration process, i.e. from: (i) renewable energy sources and electricity production on the basis of highly effective combined production and (ii) domestic coal based on the decision of relevant state authority on imposition of obligation in general economic interest. In case of electricity produced under the Cogeneration process (nearly 100% of the electricity production by the Group companies), the price per one MWh is not set for only one calendar year or for regulatory period of 2014 – 2016 as stated above, but instead is set for a period of fifteen years at the moment of commissioning a heat and power plant. This is due to the reason that the companies of the Group producing electricity under Cogeneration process shall have right to get a back pay as a result of use of renewable energy sources in the process of electricity production pursuant to the Renewable Energy Act. The price is fixed over this period and can only be changed upward in the event of extraordinary events, such as significant (more than 8% since commencement of the facility) change in the prices of raw materials (natural gas, woodchips).

Natural gas and electricity distribution

As stated above, the price regulation also applies to certain activities related to natural gas and to electricity distribution. URSO decides on prices mainly by determining the maximum price. The price contains a fixed monthly sum which is paid to the supplier irrespective of the fact whether or not the consumer has spent any gas and of a variable part which reflects the real consumption of the gas. These are the maximum prices and can be therefore lowered by the supplier. Assignment to the relevant tariff is based on the previous consumption of the consumer.

Heat production and distribution

These regulations specify which part of the production and distribution costs can be taken into account in the price paid by the end consumer. In particular, the costs which can be transferred to the end include: costs which must be obligatorily incurred during heat production and distribution, i.e. raw material costs, necessary investments (only up to the limit specified by URSO), interest rates, maintenance and insurances.

The production and distribution costs are estimated by each company individually. They are then submitted to URSO in the form of an application for verification and approval. The costs are divided into two categories: fixed and variable costs. Fixed costs include: insurance, taxes, rent, revision, pollution fees, auditors fees, depreciation, maintenance, interests from investment loans, regulated fix cost (personal cost, services, taxes and fees not related exactly to Production, financial costs, depreciation from assets not directly related to Production of heat and other costs), cost of purchase of heat from third party and variable costs include: raw materials, electricity costs, water, CO_2 allowances, transport costs and other.

The final price of the heat supplied is established once a year. By September of a given year (“T”), the companies (regulated entities) specify their price proposal which is then verified and approved by URSO by the end of that year (“T”). The price is binding for the entire following year (“T+1”). Then, in April of the year “T+2” the costs actually incurred in “T+1” are accounted for and verification is performed as to whether or not the price was set at an appropriate level. If the price was too high (i.e. the costs actually incurred were lower than expected), the company is obligated to return the difference in the price thus calculated to the end consumers.There is a room for optimization (and for profit), some estimations are not based on incurred costs but on norms given by URSO and if a producer surpasses the norms, he can make extraordinary profit. However, if it transpires that the actual costs were higher than planned, the company would have to bear the loss resulting from underestimation. Should the prices of raw materials necessary for heat production increase significantly during the year, the company may apply URSO to change the end price.

The profit of a heat production and distribution company can be generated at three levels. Firstly, the margin specified by URSO in EUR/kW. Secondly, profit can be generated on the distribution networks and on production efficiency. The standards relating to a distribution network’s efficiency are set by SIEA. Profit is generated when heat is distributed and produced more efficiently than specified in SIEA standards. The third level is the profit on regulated fixed cost.

Description of markets and main competitors on these markets

Heating market

The heating market is strictly regulated to prevent the high pricing of local monopolies through setting regulated prices for heat supply which are binding for the end consumers. However, the price limit must be high enough to enable those operators who use outdated production units and transmission lines to cover their costs. The high efficiency of modern production units operating on the base of Cogeneration enables the Group to earn high margins, in spite of the regulatory policy maintained by URSO.

A considerable part of the heat production and distribution system on the Slovak market consists of central heating systems which account for more than 30% of heat consumption. Natural gas is the main fuel used in the heat production process in centralized heat and power plants.

The majority of the production equipment and distribution networks are in connection with the intensive development of urban areas. Heat in the form of central heating is supplied to about 16,100 residential buildings with a total number of 650,620 apartments inhabited by more than 1,800,000 persons.

There are currently about 320 entities in the market which obtained operational licenses within the thermal energy sector in accordance with Section 5 of Act No.657/2004 Coll., on Thermal Energy, as amended. More than one half of the heat supply is delivered by 3.4% of entities owning production assets with attainable power of more than 200 MW. The production equipment used varies both in terms of its age, parameters and type of fuel used. Based on the analysis prepared by SIEA, the average age of the production equipment is less than fifteen years. The average age is lowered by new installations with small power which were developed mainly after 2000. If the weighted average attainable power is applied in the analysis, then the average age of the equipment is more than twenty years.

The heat distribution system is based on pipes with hot water and steam. The lines based on distribution of steam are mainly used in the industry. The majority of the distribution networks is about twenty – thirty years old.

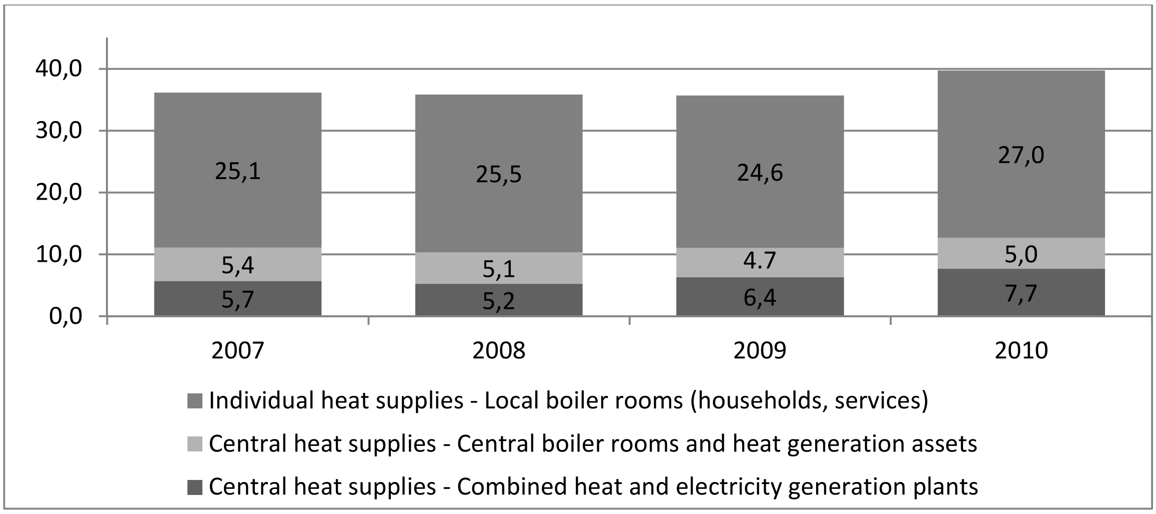
The reduction in demand for heat supply results mainly from the increased efficiency. The installation of modern highly efficient equipment by enterprises, execution of thermoinsulation programs implemented by the EU and installation of thermostats have limited the demand. Due to the high price of heat which has currently reached the level of the average European prices, the limitation in demand is also result of changed household behavior and more frequent underheating of apartments.

Due to the reduced demand for heat, it turned out that some obsolete heat and power plants as well as some distribution networks were oversized which ledto reduced Production and distribution efficiency. A long return on investments and, partly, restrictions on qualifying the investment costs imposed by URSO make it difficult to introduce the modernization of inefficient installations. On the other hand, the mechanism for setting the prices of heat rewards modern and more efficient heat production and distribution systems. Moreover, the need to modernize the existing heat and power plants will grow in connection with the tightening of industrial emission standards which will become binding from 2016. This will mainly relate to solid fuel–fired heat and power plants. It can be expected that the need to incur considerable capital expenditure will be shifted to a large extent to the end consumers by increasing the heat prices. This may either result in the customers disconnecting from the central heating systems and investing in local boiler houses or encourage them to change the supplier to one offering better prices.

The market may become more selective and reward enterprises owning heat and power plants in good locations (for example, like the Group, near industrial parks), modern–producing heat under highly efficient Cogeneration systems and using renewable energy, like the Group.

Shift of heat production to more cost effective individual heat supplies and Cogeneration central heat supplies is already visible.

DIAGRAM 1: Heat production in TWh



Source: SIEA, Statistical Office of the Slovak Republic

Electricity market overview

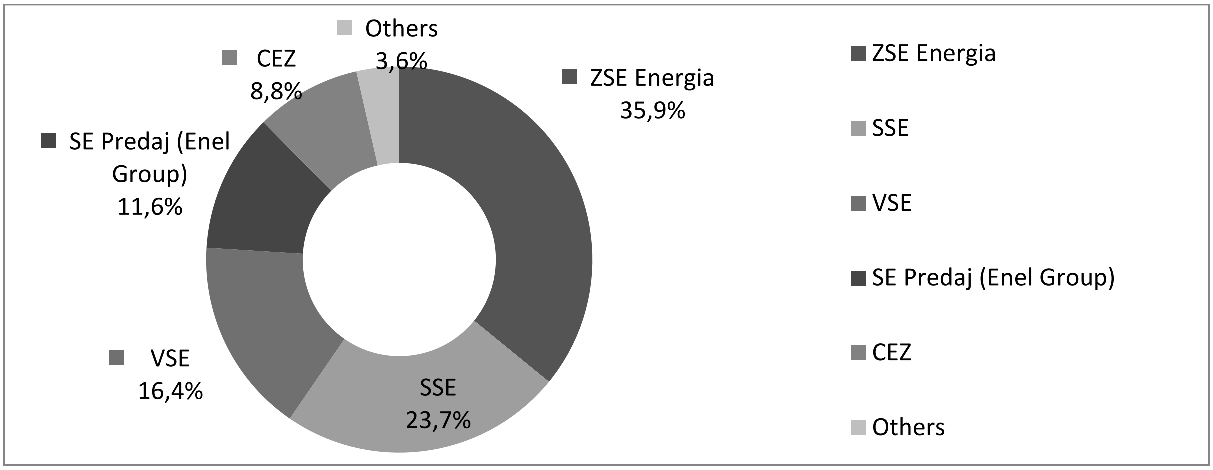
The electricity market in the Slovak Republic is well developed. After the construction of two power units in Mochovce in 1998 and 2000 became self–sufficient in terms of energy generation and was a net exporter until 2006. In that year, old power units in V–1 Bohunice were liquidated, as a result of which the Slovak Republic again became dependent on imports of energy. In recent years utilization of electricity remains stable.

In 2012, the Slovak Republic utilized 28.786 TWh of electrical power compared with 28.862 TWh in 2011 (year–on–year decrease of 0.26%). Production is dominated by nuclear power (53.8% in 2012). The generation of electricity based on coal is going down (–1.7% in 2012 compared with 2011), while the generation from renewable sources is growing: hydroelectric power plants (up to 1.2% in 2012 compared with 2011), solar power plants (up to 0.9% in 2012 compared with 2011).

In contrast to the heating market, the electricity market is highly centralized. One very significant power producer is operating in the market together with other three large distribution firms whose networks cover the entire country. Slovenské Elektrárne is the largest producer of electrical power and is also the second largest producer in Central Europe. The attainable power of the power units of Slovenské Elektrárne is 6 GW (mainly nuclear energy) and the annual production is 22.2 TWh.

In 2012, there were about 20 distributors in the market, of which the majority also dealt with the distribution of natural gas. The main distributors are: ZSE Energia, VSE (Východoslovenská energetika) and SSE (Stredoslovenská energetika). They are partly owned by foreign firms, namely: E.ON, RWE and Energetický a průmyslový holding (EPH) and partly by the State Treasury. The main distributors are entities with a long history and experience in the sector. The market is geographically divided and the companies accept the current *status quo*. The actual competition only occurs in the event of tenders for the supply of power to the largest customers. According to the estimates presented in the ENERGETICKÝ TRH SR report prepared by energy analytics, s.r.o. in April 2013, the three largest distributors in 2012 supplied about 13.8 TWh of power, representing 48% of the total consumption. This shows the continuation of the downward trend in these entities' market share. In 2011, these three suppliers delivered 14.6 TWh, representing approximately 51% of the market share. The overall supply of electrical power by the three dominant players (ZSE Energia, SSE, VSE) is estimated in context of total consumption which consists of the sum of supplies realized directly from transmission system, supplies realized through distribution network, volume of selfproduction and volume of losses and own production at transmission and distribution of electrical power. In context of supplies realized through distribution network (only) the report estimates the market share of dominant energy power distributors on the level of 75.98%.

DIAGRAM 2: Market players (2012, % market share):



Others: Magna E.A., ELGAS, s.r.o., PB Power Trading, Slovakian Energy, Korlea, Pow–en, Energeticke Centrum, etc.

Source: Energetický trh SR 2012, energy analytics; Company estimates

According to the regulations, the operator of transmission networks must be independent of the producers and distributors of power. The operator is Slovenská elektrizačná prenosová sústava.

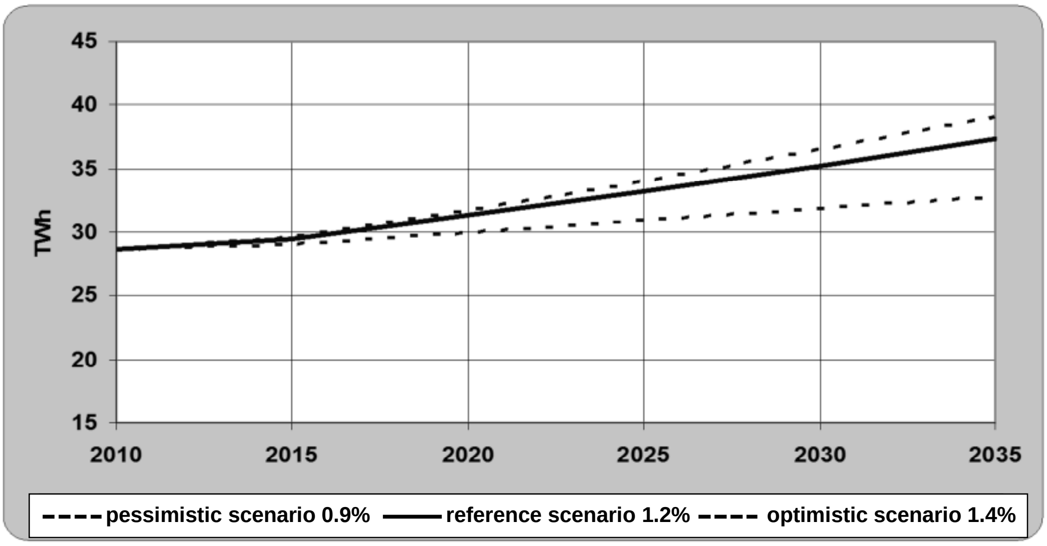
The development of the electricity market in the Slovak Republic depends on the following factors: changes in the demand for electricity, closing outdated power plants and commissioning new ones, the availability and prices of raw materials necessary for power generation, prices of electricity in the market, increased costs related to emission allowances, the development of new renewable energy production technologies and potential renewable energy production technologies as well as potential changes in the legal regulations.

Below are forecasts of electricity consumption until 2035 based on the Report on Energetic Policy of the Slovak Republic of April 2013. These forecasts have been prepared as a basis for the Slovak long–term energy security program and as input for setting the country's electricity strategy directions. The forecasts were presented in three scenarios. The scenarios do not assume any sudden changes in electricity consumption. In particular, they do not assume the liquidation of any of the most significant electrical power recipients in the Slovak Republic, such as: U.S. Steel, OFZ Slovalco, whereas only Slovalco accounts for approximately 8% of the total electricity consumption in the Slovak Republic.

The scenarios: forecasted electricity consumption in 2014 – 2035 in the Slovak Republic:

- the pessimistic scenario–assumes a considerable economic slowdown, a drop in the GDP and a low annual increase in electricity consumption of 0.6%
- the reference scenario–assumes a small economic growth and a small increase in the GDP and an annual increase in electricity consumption of 1.2%
- the optimistic scenario–assumes the acceleration of economic growth and the GDP and an annual increase in electricity consumption of 1.4%.

DIAGRAM 3: Forecasts of electricity consumption in 2014 – 2035 in the Slovak Republic

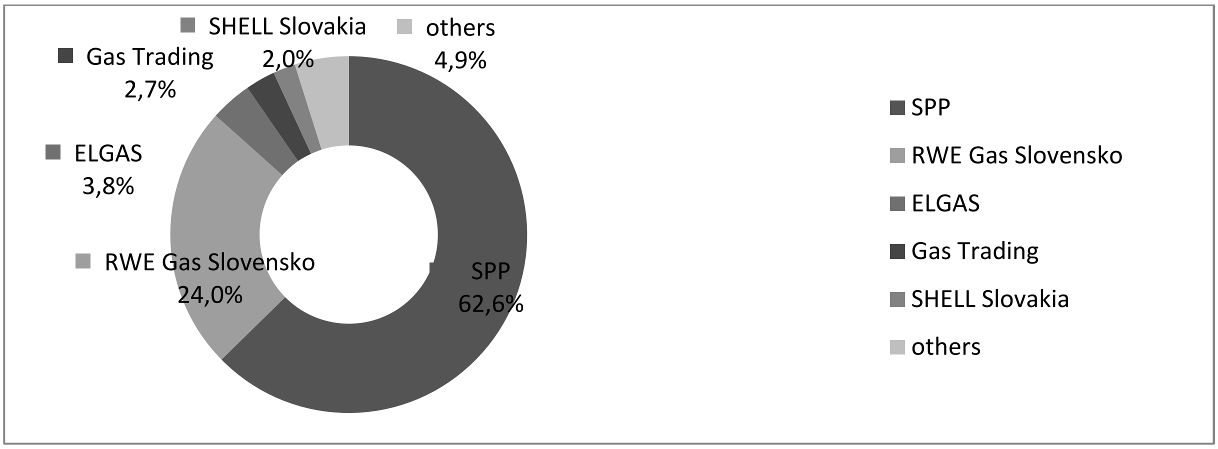


Source: Report on Energy Policy of the Slovak Republic as of April 2013, Ministry of Economy of the Slovak Republic

Natural gas market

On the natural gas market in the Slovak Republic there is one dominant player – SPP a.s. (Slovenský Plynárenský Priemysel, a.s.). From 2013, the shareholders in SPP are the National Property Fund of the Slovak Republic (in Slovak: *Fond národného majetku Slovenskej republiky*) (51%) and Slovak Gas Holding B.V. (controlled by Energetický a průmyslový holding (EPH) (49%). The market share of SPP dropped from 77.1% in 2011 to 62.6% in October 2013. The market situation is similar to the electricity market where three companies (ZSE Energia, SSE and VSE) control most of the market–they have a large customer base and a recognizable brand. After the liberalization of the gas market in the Slovak Republic new companies started competing with SPP a.s. In 2012 the market share of RWE Gas Slovensko was around 24%. Other smaller companies included ELGAS, s.r.o. (3.8% market share), Gas Trading, s.r.o. (2.7% market share), SHELL Slovakia, s.r.o. (2% market share) cooperate mostly with large corporate customers and do not focus on individual households. The market forecasts for 2013 include the continued drop of the market share of SPP.

DIAGRAM 4: Market players (2012, % market share)



Others: CEZ Slovensko, Lumius Slovakia, VNG Slovakia

Source: Hospodárske noviny, URSO, 23 October 2013

Serbia

The Group plans to expand foreign operation, particularly in emerging markets. The most promising market to start production and distribution of electricity and heat is Serbia. This market is at a similar stage of development as the Slovak market about 10 years ago. The whole energy sector in Serbia is practically state owned.

Electricity market in Serbia is dominated by national power utility EPS which owns all large generation capacities and fully supplies all tariffs and largest share of eligible consumers. EPS manages 99% of entire electricity generation – 8,350 MW in power plants. Electricity generation in Serbia is mainly thermal based (between 60% and 70% of total generated electricity).

Distribution business in Serbia is performed by five territorially organized companies which are part of public utilities of EPS: Elektrovojvodina, Elektrodistribucija Beograd, Elektrosrbija, Jugoistok and ED Centar.

The liberalization of the market will take place in the foreseeable future as part of the harmonization process toward the EU principles, as Serbia is a contracting party of Energy Community Treaty and due to the EU participation talks. With adoption of the Law of Energy 2011 there has been more competition in the market (even EPS established its subsidiary of EPS Snabdevanje d.o.o. Beograd" and separated operation of distribution from production). Besides bilateral and balancing market, there is a space for open electricity market under the rules defined by regulator body proposed by the government. The open market participants will be: generation companies, distribution companies, transmission companies, retailers, consumers and operator of open market.

Currently, in Serbia the end consumers of electricity and natural gas have the right to freely choose their supplier. The only exceptions are the households which will acquire that right as of 2015.

Serbia belongs to a group of countries with a lowest electricity price in Europe and electricity price on regulated market is set by Energy Agency of the Republic of Serbia ("AERS") being the regulatory body. There are several reasons for low electricity price: electricity price for households is influenced by the government and kept low, energy is still seen as social component in a country, generation cost is low, since EPS which supplies almost all customers owns lignite mines, while water usage fees are still inexpensive.

Since 2013 the Group is present on market of natural gas trade as the most important privately held operator. This allowed establishing the first relationships with potential customers of the Group and achieving significant competitive advantage over other privately held entities – potential future competitors of the Group in Serbia.

Serbia regulation framework

Principal law regulating the energy sectors in Serbia is the Energy Law (Official Gazette of RS numbers 57/2011, 80/2011 – correction, 93/2012 and 124/2012) ("Energy Law"). Energy Law is a wide ranging law which governs all the relevant energy sectors in Serbia: electricity, heating, oil and oil derivate and natural gas. More precisely, Energy Law *inter alia* governs: the rights and duties of the relevant participants in the energy sector, issuance of licenses for performing energy activities, issuance of energy permits for construction of energy facilities, rules applicable to renewable energy sources, access to the transmission and distribution systems, supply of energy.

Apart from the Energy Law, there is a whole set of sector laws (e.g. planning and construction, effective use of energy, environment impact and protection, mining, gas pipeline transportation, expropriation, waters/forests) and bylaws prescribing into detail respective subject areas which are of importance for the energy sector.

There are two main administrative participants on the energy market in Serbia: (i) Serbian Ministry of Energy, Development and Environmental Protection and (ii) AERS.

ELECTRIC ENERGY

Regulated electric energy activities

The Energy Law recognizes the following electric energy related activities: production of electric energy; cogeneration; transfer/transmission of electric energy and operating the transfer/transmission system; distribution of electric energy and operating the distribution system; supply of electric energy i.e. energy trading; public supply of electric energy and electricity market operation.

According to the Energy Law, listed electric energy related activities can be performed by public companies, private companies, other legal entities or entrepreneurs which are duly inscribed in the competent registry and have acquired the respective license for performing the relevant activity. Some of them are subject to general public interest regime.

However, under the Energy Law, only the: (i) production of electric energy, (ii) combined production of electric energy and heatenergy and (iii) supply of electric energy i.e. energy trading; can be performed based on the terms mentioned in the above Section (simple inscription in the registry and license), while all other above listed activities are considered to be activities of general public interest and may be performed only by public, state–owned companies or by private companies directly authorized–

appointed by the Serbian government/regulator.

Production of electric energy

The company aiming to commence production of the electric energy would first need to construct the production facilities – power plant. The actual construction of a power plant in Serbia involves a generally complex procedure which includes the obtaining of various permits issued by different administrative authorities. The procedure is somewhat less complicated for the construction of small and mini power plants and depends generally on energy capacity of the facility (below/exceeding 1 MW power).

Renewable energy sources

The Energy Law stipulates only the basic rules regarding the: production of electricity from the renewable energy sources, acquiring the status of preferential producers, incentives for using the renewable sources for the production of electricity and other.

All these issues are regulated in more detail through the associated bylaws (decrees, decisions, etc.). The most important of those bylaws are the following:

- decree on Conditions and Procedure for Acquiring the Status of the Preferential Producer of Electric Energy, Official Gazette of RS number 8/13 which, as the name implies, governs the conditions and procedure for acquiring the status of the preferential producers of electric energy
- decree on Incentives for Preferential Producers of Electric Energy, Official Gazette of RS number 8/13 which regulates the incentives and the 'feed–in tariffs' granted to the preferential producers of electric energy.

Trading and supply of electricity

Serbian energy market has been gradually opening up in the previous period.

Currently, under the Energy Law all electricity consumers have the right to freely choose their supplier, with the exception of households which will acquire that right as of 1 January 2015.

The Energy Law differentiates the regular market activity of supply (which also covers electricity trading) and the activity of public supplier of electricity whereas the latter is considered as an activity of general interest.

Public supply and regulated prices

According to the Energy Law, public supplier is the entity which performs the activity of public supply of energy, i.e. which sells energy to the selected end consumers (e.g. households and small business) based on the regulated prices ("Public Supplier").

The tariffs are determined based on the resolution of AERS. The price regulation is valid until adoption of new tariff.

In Serbia, the sole Public Supplier of electric energy is the state owned company of EPS which supplies the electric energy through its subsidiary EPS Snabdevanje d.o.o.

As of 2012, the AERS, as an independent administrative regulatory body, has the competence to approve the price of electricity and gas for public supply, as well as the price of access to the transmission and distribution systems. The tariffs are determined based on the resolution of regulator. The price regulation is valid until adoption of new tariff.

Since the market is in the process of liberalization, the list of selected consumers which have the right to public supply, i.e. regulated prices is decreasing.

Namely, under the Energy Law, right to public supply and under regulated prices:

- as of 1 January 2013 belongs to end consumers of electric energy, whose facilities are connected to the distribution system (industrial consumers directly connected to the transmission grid are not entitled to the regulated price)
- as of 1 January 2014 will belong only to households and small business of electric energy (i.e. companies with less than 50 employees, less than 10,000,000 EUR in revenues and connection to the distribution grid of up to 1kV).

Trading and supply

Concerning the actual market of electric energy, under the Energy Law, participants in the market of electric energy can be: (i) producer of electric energy, (ii) supplier, (iii) Public Supplier, (iv) end consumer, (v) distribution operator, (vi) operator of the transfer system and (vii) operator of the electric energy market.

Currently in Serbia, a state–owned company of Elektromreža Srbije Javno Preduzeće ("EMS") is functioning as the operator of the transfer system and the operator of the electric energy market.

Electric energy market in Serbia includes:

1. Bilateral market of electric energy

Bilateral market of electric energy is the market on which the sale and purchase of electric energy is performed directly between the participants of the electric energy marketbased on the agreement on sale and purchase of electric energy.

2. Balance market of electric energy

Balance market of electric energy is the market on which the operator of the transfer system, i.e. EMS purchases and sells electric energy from and to other participants in order to balance out and secure the proper functioning of the system.

3. Organized market of electric energy

Organized market of electric energy is the market on which the operator of the market organizes and administers the organized market of electric energy and connects it with the organized markets in other countries, in line with the international obligations undertaken by Serbia and is based on day–ahead and intra–day trading.

Transfer system and grid access

According to Article 122 of the Energy Law, EMS as the operator of the transfer/transmission system, must allow all third parties access to the transfer/transmission system on a non–discriminatory basis, under regulated prices and through public procedure.

Access to the system is regulated via an agreement concluded with the operator of the system, i.e. with EMS. That agreement on access, in addition to other provisions must contain especialy the data on the delivery location, power/capacity on the delivery location, calculation period and method of calculation.

The actual procedure for connection to the system commences with the acquisition of an opinion on the possibilities and conditions for connecting the power plant or the facility to the transmission system. This opinion is issued by EMS.

Once the opinion has been obtained, the applicant submits a request to EMS for the preparation of an analysis of the best possible connection.

Finally, the producer and/or consumer of electricity may connect to the transfer/transmission system based only on a connection approval granted by EMS.

AERS is authorized to decide on all appeals submitted against a decision issued by EMS. Since the AERS is an independent administrative regulatory body, all decisions of the AERS are final and can only be challenged before the Administrative Court of Serbia.

NATURAL GAS

Regulated natural gas activities

As mentioned above, the gas sector in Serbia is also principally regulated by the Energy Law.

The Energy Law recognizes the following natural gas related activities: transport and operation of the transport system for the natural gas; the storage of natural gas and operating the gas storage facilities; the distribution of natural gas and operating the distribution system; public supply of natural gas performed by the Public Suppliers; and supply of natural gas.

As in case of electric energy related activities, according to the Energy Law, listed natural gas related activities can be performed by public companies, private companies, other legal entities or entrepreneurs which are duly inscribed in the competent registry and have acquired the respective license for performing the relevant activity.

Elgas Belgrade currently possesses the license for supply of natural gas, i.e. natural gas trading.

However, under the Energy Law, only the supply of natural gas, i.e. natural gas trading can be performed based on the terms mentioned in the previous Section (simple inscription in the registry and the license), whilst all other above listed activities are considered to be activities of general public interest and may be performed only by public, state–owned companies or by private companies directly authorized by the Serbian government.

Trading and supply of natural gas

Similar to matter dealing with electric energy, the natural gas market in Serbia is gradually becoming open.

Currently, under the Energy Law, all natural gas consumers have the right to freely choose their natural gas supplier, with the exception of households which will acquire that right as of 1 January 2015.

The Energy Law differentiates the regular market activity of supply (which also covers natural gas trading) and the activity of the Public Supplier of natural gas, whereas the latter is considered as an activity of general interest.

Public supply and regulated prices

In Serbia, the largest supplier of natural gas is SG which was incorporated in 2005, based on the decision of the government. SG was established following the process of restructuring of NIS from the organizational parts of that company – NIS Gas, NIS Energogas and NIS Jugopetrol which were the main natural gas market participants in the previous fifty years.

The tariffs are determined based on the resolution of AERS. The price regulation is valid until adoption of new tariff.

Since SG performs activities of public importance and general public interest, its primary obligations are to secure: (i) safe market supply of natural gas, (ii) development and safe functioning of transfer/transmission system, distribution system and storage system, (iii) development of possibility to establish new routes and sources of supply by connecting with the transport systems of the neighboring countries, etc.

Recently, SG was elected by the government as the supplier of natural gas for all Public Suppliers of natural gas in Serbia.

On the other hand, at this point, 33 licenses for the public supply of natural gas were issued to Public Suppliers.

As mentioned above, as of 2012, the AERS, as an independent administrative regulatory body, has the competence to approve the price of electricity and gas for public supply, as well as the price of access to the transmission and distribution systems.

Since the market is in the process of liberalization, the list of selected consumers which have the right to public supply i.e. regulated prices is decreasing. Namely, under the Energy Law, right to public supply and under regulated prices:

- as of 1 January 2013 belongs to end consumers of natural gas, whose facilities are connected to the distribution system (industrial consumers directly connected to the transmission grid are not entitled to the regulated price)
- as of 1 January 2015 will belong only to households and small business of natural gas (i.e. companies with less than 50 employees, less than 10,000,000 EUR in revenues and connection to the distribution grid of up to 1kV).

Trading and supply

The trading and supply of natural gas in Serbia is performed on the free natural gas market, based on the agreement on sale and purchase of the natural gas.

Under the Energy Law, the agreement on sale and purchase of the natural gas must especially indicate the volume of natural gas, purchase price and supply period. Volume of natural gas can be determined:

- in advance for each calculation period during the supply period
- based on the achieved consumption of the buyer on the supply location during the supply period, in case of agreements on full supply.

The Energy Law also prescribes the possibility of concluding the ‘take or pay’ agreement – an agreement based on which the supplier is undertaking to deliver a certain amount of natural gas and the buyer undertakes to pay that amount regardless of whether he actually took it.

Agreement on sale and purchase of the natural gas can be concluded between the market participants.

Pursuant to the Energy Law, participants on the natural gas market can be: producer of natural gas; supplier of natural gas; Public Supplier of natural gas; end consumer; operator of the natural gas transfer system; operator of the natural gas distribution system; and operator of the natural gas storage.

Transfer system and grid access

Gas transfer/transmission system in Serbia is operated by SG. Based on the publicly available information, SG operates a gas transfer system with the total length of over 2.230 kilometers, with a pressure of between 16 and 50 bars.

In addition to operating the gas transfer/transmission system, SG is also responsible for the organization and management of the gas market, system balancing, purchasing of gas for balancing.

Under the Energy Law, SG is obligated to provide an access to all customers under regulated prices based on the principles of transparency and non–discrimination i.e. SG has the legal obligation to provide the access.

Access to the system is regulated via an agreement concluded with the operator of the system i.e. with SG. Such agreement, in addition to other provisions, especially must contain the data on the delivery location, capacity on the delivery location, calculation period and method of calculation.

Under the Energy Law, access to the transfer system and the grid may be denied only exceptionally.

Under the Energy Law, agreement concluded with the operator of the system may be a long–term agreement, with duration of over one year, or short–term agreement, with duration of less than one year, while the agreed capacity may be constant capacity or non–constant capacity.

The Czech Republic

The Group performs operations in the Czech Republic; however, this market's contribution to the overall results is not significant.

Approximately 60% of the electric energy in the Czech Republic is generated in thermal conventional facilities, 35% is generated by nuclear plants and 5% is derived from renewable sources (2012).

Electricity prices in the Czech Republic remain relatively low in relation to EU's average. In May 2013 the average price for household (assuming annual consumption of 3.5 MWh) stood at 0.15071 EUR/kWh.

Electricity generation and sale to end–customers market in the Czech Republic is fully liberalized. There are approximately 21,000 generation operators licensed by the Czech Energy Regulatory Office. In 2012 total energy generation amounted to 87.5 TWh, of which 72% was generated by the biggest player – ČEZ, a. s.

Main players in the distribution sector comprise ČEZ distribuce, E.ON distribuce and PRE distribuce. The energy is supplied to retail customers by approximately 360 operators licensed by the Energy Regulatory Authority (in Czech: *Energetický Regulační úřad*) ("ERO") (ČEZ distribuce – 37% share in 2012, E.ON, PRE, RWE, Bohemia Energy, Centropol and others). Total energy supply amounted to 70.5 TWh in 2012.

Access to the transmission and distribution network is regulated. Transmission system is operated by ČEPS, a.s. which is the sole holder of an electricity transmission license.

Similar to electricity market, the gas market is also fully liberalized. Total gas consumption in 2012 amounted to 86.33 TWh. Most of the natural gas consumed in the Czech Republic was imported from Russia, Norway and EU. In 2012 imports amounted to 78.92 TWh. Main distributors in 2012 were RWE GasNet – 33.3% share in total consumption, JMP Net – 21.8%, SMP Net – 18.1%, others (VCP Net, PP Distribuce, N4G+GG, E.ON Distribuce) – 26.8%.

The legal framework of the Czech market

Energy sector in the Czech Republic is to a certain extent regulated which is consistent with prevailing practice in other Member States. The objective of such regulation is to ensure fair and non–discriminatory environment for conducting business in the energy sector. Therefore, some of the activities of the Group on the territory of the Czech Republic, e.g. trading in electricity and natural gas by ELGAS Energy, s.r.o., are in certain aspects subject to applicable Czech energy laws (mainly Act No. 458/2000 Coll., on Business Conditions and Performance of the State Administration in the

Energy Sector and the amendment of certain other laws, as amended).

The public authority vested with regulatory and supervisory power in this field is the ERO. It is a body competent, among others, to issue permits and approvals relating to performance of regulated economic activities in the energy sector as well as to exercise certain price regulatory functions. Price regulation in the Czech energy sector aims at establishing a framework, in which any price regulated subject will have reasonable opportunity to cover its justified business expenses and achieve reasonable profit. The specific methods of price regulation are based on a combination of the so called material price regulation (in Czech: *věcné usměrňování cen*), namely in the area of thermal energy and the setting of the fixed prices (in Czech: *pevné ceny*) in the area of the electricity and gas. “Price–cap principle” consisting in setting out maximum prices which cannot be exceeded is used rarely, except for the local distributors which may use the set fixed prices as maximum prices, so that they are obligated not to exceed such fixed prices on one hand, however, on the other hand they are entitled to apply lower than fixed prices.

3.6.4 Exceptional factors affecting the core business and the markets in which the Group operates

According to the Management Board in the period covered by the historical financial information there have not occurred and currently there are no exceptional factors affecting the core business of the Group and the markets in which it operates.

3.6.5 Summary information regarding the extent to which the Issuer is dependent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes

Neither the Issuer nor other companies of the Group is dependent on any patents or licenses relating to the intellectual property, industrial, commercial or financial contracts (*please see Section 3.22 of this Prospectus)* or new manufacturing processes. However, the Group has obtained various administrative and commercial approvals or permits granted by relevant state authorities. Generally, permits and approvals are required to obtain for the purpose of obtaining legal authorization to pursue specific economic activities. As the Group performs various specific economic activities such as production of electricity, distribution of electricity, distribution of gas, supply of gas,etc, specific approvals are required. These approvals can be obtained on the basis of application submitted to URSO. Additionally, the Group is required to obtain several other administrative approvals which are relevant in the course of ordinary business of the Group. This might be the case of buildings permits, registrations or price regulation resolutions. As of the day of this Prospectus, the Issuer is not aware of any missing approvals or permissions relating to the ordinary business of the Grup’s companies.

3.6.6 The basis for any statements made by the Issuer regarding its competitive position

The statements made by the Issuer regarding its competitive position were made basing primarily on the Management Board knowledge. Moreover, the Issuer used a report prepared by independent company: ENERGETICKÝ TRH SR prepared by energy analytics, s.r.o. in April 2013 and Hospodárske noviny, October 23, 2013 (*please see Section 3.6.3 of this Prospectus*).

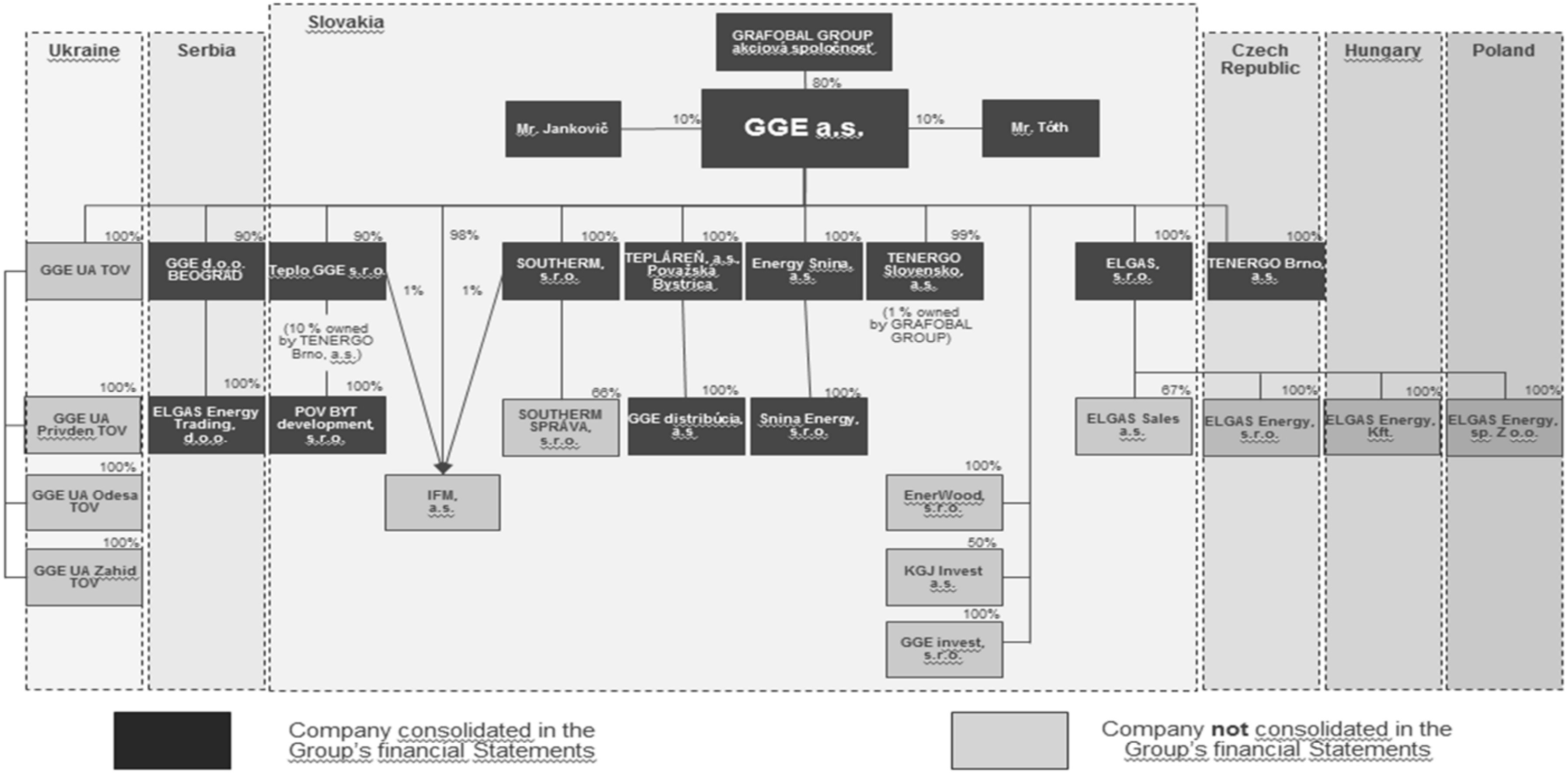
3.7 Organizational structure

Below, you can find the current organizational chart of the Group including shareholders of the Issuer.

PICTURE 4: Structure of the Group together with Shareholders of the Issuer

Group structure

Geography division of the GGE Group



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As of the date of this Prospectus, the Issuer has 12 Subsidiaries and 1 Joint Venture. A complete list of such entities in which shares are held by the Issuer directly is presented in the tables below.

TABLE 26: Ownership of Subsidiaries

Issuer	Status	Country of Incorporation	Share	Voting Rights
TEPLÁREŇ, a.s., Považská Bystrica	Subsidiary	Slovak Republic	100%	100%
Teplo GGE s.r.o.	Subsidiary	Slovak Republic	90%*	90%
SOUTHERM, s.r.o.	Subsidiary	Slovak Republic	100%	100%
Energy Snina, a.s.	Subsidiary	Slovak Republic	100%	100%
KGJ Invest a.s.	Joint Venture	Slovak Republic	50%	50%
ELGAS, s.r.o.	Subsidiary	Slovak Republic	100%	100%
EnerWood, s.r.o.	Subsidiary	Slovak Republic	100%	100%
TENERGO Brno, a.s.	Subsidiary	Czech Republic	100%	100%
TENERGO Slovensko, a.s.	Subsidiary	Slovak Republic	99%*	99%
IFM, a.s.	Subsidiary	Slovak Republic	98%*	98%
GGE invest, s.r.o.	Subsidiary	Slovak Republic	100%	100%
GGE d.o.o. BEOGRAD	Subsidiary	Serbia	90%	90%
GGE UA TOV	Subsidiary	Ukraine	100%	100%

Source: Issuer

** The effective share is 100%*

Information on the current share capital of the Issuer in its Subsidiaries is presented in the table below.

TABLE 27: Share capital of the Issuer in its Subsidiaries

Issuer	Share Capital	Shares	Par Value
TEPLÁREŇ, a.s., Považská Bystrica	12,569,053 EUR	378,700	33.19 EUR
Teplo GGE s.r.o.	900,000 EUR	N/A	N/A
SOUTHERM, s.r.o.	10,000 EUR	N/A	N/A
Energy Snina, a.s.	713,671 EUR	2,150	331.94 EUR
KGJ Invest a.s.	15,000 EUR	5	3,000 EUR
ELGAS, s.r.o.	363,474 EUR	N/A	N/A
EnerWood, s.r.o.	6,639 EUR	N/A	N/A
TENERGO Brno, a.s.	10,000,000 CZK	1,000	10,000 CZK
TENERGO Slovensko, a.s.	328,680 EUR	99	3,320 EUR
IFM, a.s.	24,500 EUR	98	250 EUR
GGE invest, s.r.o.	6,639 EUR	N/A	N/A
GGE d.o.o. BEOGRAD	180 000 EUR	N/A	N/A
GGE UA TOV	1,000,000 UAH	N/A	N/A

Source: Issuer

The main registration data of the Subsidiaries given below.

TABLE 28: Registration information about the Subsidiaries of the Issuer

Legal and commercial name	**TEPLÁREŇ, a.s., Považská Bystrica**
Legal form	Joint Stock Company (in Slovak: *akciová spoločnosť*)
Country of registration	Slovak Republic
Registration authority	District Court Trenčín
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sa, Insert No.: 10073/R, registered number: 36 300 683
Registerd number	36 300 683
Date of incorporation	5 December 1997
Registration address	Robotnícka 017 34 Považská Bystrica
Telephone number	+421 42 466 4301
The Issuer's share	12,569,053 EUR
Proportion of voting power of the Issuer	100%

Legal and commercial name	**Teplo GGE s.r.o.**
Legal form	Limited liability company (in Slovak: *spoločnosť s ručením obmedzeným*)
Country of registration	Slovak Republic
Registration authority	District Court Trenčín
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sro, Insert No.: 3544/R, registered number: 36 012 424.
Registerd number	36 012 424
Date of incorporation	30 October 1996
Registration address	Rozkvet 2058/125 017 01 Považská Bystrica
Telephone Number	+421 42 437 8327
The Issuer's share	900,000 EUR
Proportion of voting power of the Issuer	90%

Legal and commercial name	**SOUTHERM, s.r.o.**
Legal form	Limited liability company (in Slovak: *spoločnosť s ručením obmedzeným*)
Country of registration	Slovak Republic
Registration authority	District Court Trnava
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sro, Insert No.: 2493/T, registered number: 34 152 644
Registerd number	34 152 644
Date of incorporation	18 December 1996
Registration address	Športová 4021/13 A 929 01 Dunajská Streda
Telephone Number	+421 31 552 2231
The Issuer's share	10,000 EUR
Proportion of voting power of the Issuer	100%

Legal and commercial name	**Energy Snina, a.s.**
Legal form	Joint Stock Company (in Slovak: *akciová spoločnosť*)
Country of registration	Slovak Republic
Registration authority	District Court Prešov
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sa, Insert No.: 10321/P, registered number: 35 940 832
Registerd number	35 940 832
Date of incorporation	15 June 2005
Registration address	Strojárska 4435 069 01 Snina
Telephone Number	+421 57 242 4300
The Issuer's share	713,671 EUR
Proportion of voting power of the Issuer	100%

Legal and commercial name	**KGJ Invest a.s.**
Legal form	Joint Stock Company (in Slovak: *akciová spoločnosť*)
Country of registration	Slovak Republic
Registration authority	District Court Bratislava I
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sa, Insert No.: 5746/B, registered number: 47 140 739
Registerd number	47 140 739
Date of incorporation	18 April 2013
Registration address	Prievozská 14/A 821 09 Bratislava
Telephone Number	+421 911 723 025
The Issuer's share	15,000 EUR
Proportion of voting power of the Issuer	50%

Legal and commercial name	**ELGAS, s.r.o.**
Legal form	Limited liability company (in Slovak: *spoločnosť s ručením obmedzeným*)
Country of registration	Slovak Republic
Registration authority	District Court Trenčín
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sro, Insert No.: 12201/R, registered number: 36 314 242
Registerd number	36 314 242
Date of incorporation	25 September 2000
Registration address	Robotnícka ul. 2271 017 01 Považská Bystrica
Telephone Number	+421 42 432 6542
The Issuer's share	363,474 EUR
Proportion of voting power of the Issuer	100%

Legal and commercial name	**EnerWood, s.r.o.**

Legal form	Limited liability company (in Slovak: *spoločnosť s ručením obmedzeným*)
Country of registration	Slovak Republic
Registration authority	District Court Bratislava I
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sro, Insert No.: 90958/B, registered number: 36 786 748
Registerd number	36 786 748
Date of incorporation	5 June 2007
Registration address	Pekná cesta 6 834 03 Bratislava
Telephone Number	+421 2 4949 3255
The Issuer's share	6,639 EUR
Proportion of voting power of the Issuer	100%

Legal and commercial name	**TENERGO Brno, a.s.**
Legal form	Joint Stock Company (in Czech: *akciová společnosť*)
Country of registration	The Czech Republic
Registration authority	Regional Court Brno
Legislation under which the company operates	The laws of the Czech Republic
Country of incorporation of the company	The Czech Republic
Registration information	Insert No.: B 3359, registered number: 262 19 417
Registerd number	262 19 417
Date of incorporation	24 July 2000
Registration address	Křenová 71 602 00 Brno–město
Telephone Number	+420 54 342 1281
The Issuer's share	10,000,000 CZK
Proportion of voting power of the Issuer	100%

Legal and commercial name	**TENERGO Slovensko, a.s.**
Legal form	Joint Stock Company (in Slovak: *akciová spoločnosť*)
Country of registration	Slovak Republic
Registration authority	District Court Bratislava I
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sa, Insert No.: 4107/B, registered number: 36 757 136
Registerd number	36 757 136
Date of incorporation	24 March 2007
Registration address	Pekná cesta 6 834 03 Bratislava
Telephone Number	+ 421 2 6453 8037
The Issuer's share	328,680 EUR
Proportion of voting power of the Issuer	99%

Legal and commercial name	**IFM, a.s.**
Legal form	Joint Stock Company (in Slovak: *akciová spoločnosť*)
Country of registration	Slovak Republic
Registration authority	District Court Bratislava I
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sa, Insert No.: 4704/B, registered number: 44 643 560
Registerd number	44 643 560
Date of incorporation	25 February 2009
Registration address	Pekná cesta 6 834 03 Bratislava
Telephone Number	+421 2 4949 3255
The Issuer's share	24,500 EUR
Proportion of voting power of the Issuer	98%

Legal and commercial name	**GGE invest, s.r.o.**
Legal form	Limited liability company (in Slovak: *spoločnosť s ručením obmedzeným*)
Country of registration	Slovak Republic
Registration authority	District Court Bratislava I
Legislation under which the company operates	The laws of the Slovak Republic
Country of incorporation of the company	Slovak Republic
Registration information	Section: Sro, Insert No.: 53010/B, registered number: 36 858 773
Registerd number	36 858 773
Date of incorporation	20 June 2008
Registration address	Pekná cesta 6 834 03 Bratislava
Telephone Number	+421 2 4949 3255
The Issuer's share	6,639 EUR
Proportion of voting power of the Issuer	100%

Legal and commercial name	**GGE d.o.o. BEOGRAD**
Legal form	Limited liability company (in Serbian: *družstvo sa organičenom odgovormoščia*)
Country of registration	Serbia
Registration authority	Serbian Business Register Agency
Legislation under which the company operates	Serbia
Country of incorporation of the company	Serbia
Registerd number	20801034
Date of incorporation	2 February 2012
Registration address	Takovska 23–25 Beograd, Serbia
Telephone Number	381 11 333 0555
The Issuer's share	180,000 EUR
Proportion of voting power of the Issuer	90%

Legal and commercial name	**GGE UA TOV**
Legal form	limited liability company, (in Ukrainian: *tovaristvo s obmeženoju vidpovidalnistju*)
Country of registration	Ukraine
Registration authority	Jediny deržavný rejestr juridičnych osip ta fyzicnich osip – pidprijemcif, Commercial Register
Legislation under which the company operates	Ukraine
Country of incorporation of the company	Ukraine
Registerd number	388 08283
Date of incorporation	20 August 2013
Registration address	Berezniakivska 16, 021 25 Kyjev
The Issuer's share	1,000,000 UAH
Proportion of voting power of the Issuer	100%

Source: Issuer

3.8 Property, plants and equipment

3.8.1 Information regarding any existing or planned material tangible fixed assets, including leased properties and any major encumbrances thereon

The Issuer as a holding company doesn't own any material tangible fixed assets. However, the list of material immovable properties owned by other companies of the Group is provided below. For the purposes of this Prospectus, the Group shall be defined as the Issuer with Subsidiaries and Subsidiaries of Subsidiaries (for precise list of companies which belongs to the Group *please Section 5 of this Prospectus* "List of definitions and abbreviations").

The Issuer

TABLE 29: Immovable property owned by the Issuer

Buildings				
Plot of Land No.	**Registry No.**	**Cadastral Area**	**Description of Building**	**Deed of Title No.**
5736/250		Považská Bystrica	unfinished technical object	10051

Lands				
Plot of Land No.	**Cadastral Area**	**Type of Land**	**Area (m^2)**	**Deed of Title No.**
5736/275	Považská Bystrica	built–up areas and court yards	30,804	10051
5478/99	Považská Bystrica	built–up areas and court yards	4,428	10051
5736/250	Považská Bystrica	built–up areas and court yards	3,315	10051

Source: Issuer

TEPLÁREŇ, a.s., Považská Bystrica

TABLE 30: Immovable property owned by TEPLÁREŇ, a.s., Považská Bystrica

Buildings				
Plot of Land No.	**Registry No.**	**Cadastral Area**	**Description of Building**	**Deed of Title No.**
5736/170	2107	Považská Bystrica	technical premises – *tepláreň*	6589
5558/4	2741	Považská Bystrica	operational building for coal – workshop	6589
1217/65	331	Orlové	technical premises – *remíza*	4233
1217/61	332	Orlové	technical premises – compressor plant No. 18	4233
5736/62	2160	Považská Bystrica	administrative building	6589

Lands				
Plot of Land No.	**Cadastral Area**	**Type of Land**	**Area (m^2)**	**Deed of Title No.**
5558/2	Považská Bystrica	built–up areas and court yards	49,947	6589
1217/1	Orlové	built–up areas and court yards	14,708	4233
5736/374	Považská Bystrica	built–up areas and court yards	7,939	6589
5736/61	Považská Bystrica	built–up areas and court yards	7,690	6589
5736/552	Považská Bystrica	built–up areas and court yards	7,235	6589

Source: Issuer

Teplo GGE s.r.o.

TABLE 31: Immovable property owned by Teplo GGE s.r.o.

Buildings				
Plot of Land No.	**Registry No.**	**Cadastral Area**	**Description of Building**	**Deed of Title No.**
234/13	5	Želiezovce	boiler room	2839
482/6	1210	Želiezovce	boiler room	2839
7522/15	4404	Snina	gas room	6629
1121/221	4405	Snina	gas room	6629
2476/12	995	Považská Bystrica	boiler room	6226
2868/10	1944	Považská Bystrica	boiler room	6226
2868/4	1947	Považská Bystrica	boiler room	6226

Lands				
Plot of Land No.	**Cadastral Area**	**Type of Land**	**Area (m^2)**	**Deed of Title No.**
3700/17	Považská Bystrica	built–up areas and court yards	4,180	6226
2868/5	Považská Bystrica	built–up areas and court yards	3,616	6226
2868/3	Považská Bystrica	built–up areas and court yards	1,680	6226
421/2	Považská Bystrica	built–up areas and court yards	1,824	6607

Source: Issuer

SOUTHERM, s.r.o.

TABLE 32: Immovable property owned by SOUTHERM, s.r.o.

Buildings				
Plot of Land No.	**Registry No.**	**Cadastral Area**	**Description of Building**	**Deed of Title No.**
1879/19	198	Dunajská Streda	residential block of flats	5943
1565/13	4021	Dunajská Streda	administrative building	5226
1565/14	3580	Dunajská Streda	operational building	5226
2475/64	2970	Dunajská Streda	boiler room	5226
1919/126	5090	Dunajská Streda	multifunctional building and carwash	6414

Lands				
Plot of Land No.	**Cadastral Area**	**Type of Land**	**Area (m^2)**	**Deed of Title No.**
1565/1	Dunajská Streda	built–up areas and court yards	942	5226
1919/82	Dunajská Streda	built–up areas and court yards	849	5226
1880/42	Dunajská Streda	built–up areas and court yards	847	5226
1919/155	Dunajská Streda	built–up areas and court yards	500	6092
44/71	Dunajská Streda	built–up areas and court yards	477	5226

Source: Issuer

Energy Snina, a.s.

TABLE 33: Immovable property owned by Energy Snina, a.s.

Buildings				
Plot of Land No.	**Registry No.**	**Cadastral Area**	**Description of Building**	**Deed of Title No.**
5907/210	4280	Snina	regulatory gas plant SE15	7547
5907/55	4427	Snina	boiler room	7547
5907/52	4314	Snina	social operating room SVC 12	7547
5907/224	4414	Snina	electric distribution plant SE 9	7547
5907/225	4415	Snina	pump station	7547

Lands				
Plot of Land No.	**Cadastral Area**	**Type of Land**	**Area (m^2)**	**Deed of Title No.**
5907/329	Snina	built–up areas and court yards	46,521	7547
5993/9	Snina	built–up areas and court yards	45,336	7547
5907/336	Snina	built–up areas and court yards	28,682	7547
5907/331	Snina	built–up areas and court yards	22,696	7547
5907/339	Snina	built–up areas and court yards	8,741	7547
5907/270	Snina	built–up areas and court yards	6,708	7547

Source: Issuer

GGE distribúcia, a.s.

TABLE 34: Immovable property owned by GGE distribúcia, a.s.

Buildings				
Plot of Land No.	**Registry No.**	**Cadastral Area**	**Description of Building**	**Deed of Title No.**
5736/254	2733	Považská Bystrica	neutralization plant PBZ–3	9896
5736/203	2742	Považská Bystrica	regulatory natural gas plant	9896
5736/22	4335	Považská Bystrica	energyblock	9896
5736/113	4362	Považská Bystrica	technical building	9896

Lands				
Plot of Land No.	**Cadastral Area**	**Type of Land**	**Area (m^2)**	**Deed of Title No.**
5736/113	Považská Bystrica	built–up areas and court yards	305	9896

Source: Issuer

POV BYT development, s.r.o.

TABLE 35: Immovable property owned by POV BYT development, s.r.o.

Buildings				
Plot of Land No.	**Registry No.**	**Cadastral Area**	**Description of Building**	**Deed of Title No.**
1768/1	903	Považská Bystrica	DSS Považská Bystrica	9567

Lands				
Plot of Land No.	**Cadastral Area**	**Type of Land**	**Area (m^2)**	**Deed of Title No.**
1768/1	Považská Bystrica	built–up areas and court yards	583	9567
1770/5	Považská Bystrica	built–up areas and court yards	494	9567
1768/2	Považská Bystrica	built–up areas and court yards	467	9567
1770/6	Považská Bystrica	built–up areas and court yards	66	9567
1770/12	Považská Bystrica	built–up areas and court yards	15	9567

Source: Issuer

Other companies of the Group do not have any existing material fixed assets.

However, there are leased properties which are not of material nature. There are not any major encumbrances on the existing or planned material tangible assets, other than to financial institutions.

3.8.2 A description of any environmental issues that may affect the Issuer's utilization of the tangible fixed assets

There are some environmental issues relating to the business of some of the companies of the Group which can, to a certain extent, affect the utilization of their tangible fixed assets in the future. However, all of these companies do their best to comply with any and all environmental regulations and no fine or other penalty have been imposed to any of them so far.

As of the date of this Prospectus, every member of the Group performs its activities compliant to any relevant environmental laws and for the purpose of its activities, has acquired each relevant permission and approval.

Some of the companies of the Group shall be under Annex No. 1 of the Act No. 414/2012 Coll., on Trading With Greenhouse Gas Emission Allowances, as amended ("Allowances Act") regarded as an obligated participant and therefore subject to authorization in: (i) pollutants allowance market (if the installed thermal output exceeds 50MW) and (ii) greenhouse gas emission allowances market (if the installed thermal output exceeds 20 MW) – as listed in the table below.

TABLE 36: Overview of greenhouse gas emission allowances allocated to members of the Group (2008 – 2012)

No.	Member of the Group	Permit No.	Emissions Allowances Allocated					
			2008	2009	2010	2011	2012	TOTAL
1.	TEPLÁREŇ, a.s., Považská Bystrica	306–002–2005	49,135	49,135	49,135	49,135	49,135	245,675
2.	POV BYT, s.r.o.	306–001–2005	7,787	7,787	7,787	7,787	7,787	38,935
3.	Energy Snina, a.s.	709–002–2009	40,922	40,922	40,922	40,922	40,922	204,610

Source: National Allocation Plan 2008 – 2012

TABLE 37: Overview of greenhouse gas emission allowances allocated to members of the Group (2013 – 2016)

No.	Member of the Group	Permit No.	Emissions Allowances Allocated				
			2013	2014	2015	2016	TOTAL
1.	TEPLÁREŇ, a.s., Považská Bystrica	306–002–2011	58,459	52,895	47,671	43,394	202,419
2.	Energy Snina, a.s.	709–002–2009	13,985	11,843	9,922	8,350	44,100

Source: National Allocation Plan 2013 – 2020

TABLE 38: Overview of greenhouse gas emission allowances allocated to members of the Group (2017 – 2020)

No.	Member of the Group	Permit No.	Emissions Allowances Allocated				
			2017	2018	2019	2020	TOTAL
1.	TEPLÁREŇ, a.s., Považská Bystrica	306–002–2011	39,391	35,509	31,743	28,101	134,744
2.	Energy Snina, a.s.	709–002–2009	7,380	6,441	5,532	4,655	24,008

Source: National Allocation Plan 2013 – 2020

Other companies of the Group are not obligated participants, but upon a request might be registered in the trading scheme as voluntary participants.

All participants of the trading scheme – obligated or voluntary participants shall be registered into the trading scheme by the national administrator of the register which shall open an allowance account for each participant ("Allowance Account").

In the greenhouse gas emission allowances market, the companies of the Group are included into the trading scheme for eight year trading period, started as of 1 January 2013 and the national administrator of the emission allowances shall register all the emission allowances allocated by the state for free. Such emission allowances are subject to registration and might be amended during: (i) significant change in traffic capacity, (ii) reduction of the level business operation, (iii) reduction and subsequent increase in activity of the operator and (iv) termination of operation. The greenhouse gas emission allowance can be transferred between:

- participant of the trading scheme of the Slovak Republic
- participant of the trading scheme of the Slovak Republic and participant of the trading scheme of the EU
- participant of the trading scheme of the Slovak Republic and the EU and participant of the trading scheme which is a contractual party under the Kyoto protocol or under other international treaty.

Transfer of the greenhouse gas emission allowance is carried upon request of the Allowance Account holder or such holder may request the national administrator for transfer and registration of greenhouse gas emission allowances.

In the pollutants allowancemarket, the Group shall be included into the trading scheme only for one year trading period. The Ministry of Environment of the Slovak Republic shall determine the amount of the pollutants emission allowances which shall be further registered. Such value of pollutants emission allowances shall be further divided between districts which may be subject to redistribution between the obligated participants of the trading scheme by the relevant District Environment Office.

Implementation of Directive on Industrial Emissions strongly changes the regulation within operation of the large combustion plants (i.e. plants with a total rated thermal input of 50 MW or more). Directive on Industrial Emissions shall be transposed two years from effectiveness of this directive, therefore as of 7 January 2013 which shall regulate requirements for large combustion plants as follows:

- the main attribute for authorization shall be an integrated approach in accordance to the best available technology ("BAT")
- the minimum requirements for large combustion plants (i.e. the emission limits) shall be more severe
- consideration of geographic, technical and environmental aspects. Although every deviation from BAT shall be properly documented by the authorizing authority.

As of 1 January 2016 new regulation in area of emission allowances for large combustion plants shall apply. The regulation varies on whether it is a new plant or an existing plant.

Reducing greenhouse gas emissions from fuel combustion is a result of legislative changes in area of emissions allowance trading during period 2013 – 2020 under Directive 2009/29/EC of the European Parliament and Council which amends Directive 2003/87/EC of the European Parliament and Council. This amendment brings significant changes, particularly in limiting free of charge allocation of greenhouse gases emission. In order to meet economically reasonable demand in relation to the production of heat or cooling, the free allowances are allocated for district heating and high–efficiency cogeneration as defined by Directive 2004/8/EC, but their number gradually decreases.

The European Commission has under Decision of the Commission No. 2013/448/EU approved that the greenhouse gas emission allowances shall be as of 2013 allocated by the Member State which is only 80% free of charge and this amount shall decrease every year, as provided in the Tables 39 and 40 below. From the Tables 39 and 40 below it is clear that as of 2027, the greenhouse gas emission allowances shall not be allocated by the Member State to heat energy and electric energy sector free of charge at all (i.e. exceptions listed in the Directive 2009/29/ES do not apply to the Slovak Republic). Therefore as of 2013, all greenhouse gas emission allowances which are not allocated by the Member State free of charge shall be traded on the greenhouse gas emission allowances market and pollutants allowance market.

TABLE 39: Free of charge greenhouse gas emission allocation decrease (2013 – 2020)

Year	2013	2014	2015	2016	2017	2018	2019	2020
Reduction Factor	0.8000	0.7286	0.6571	0.5857	0.5143	0.4429	0.3714	0.3000

Source: Annex VI of the Commission Decision 2011/278/EU determining transitional Union–wide rules for harmonized free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and Council

TABLE 40: Free of charge greenhouse gas emission allocation decrease (2021 – 2027)

Year	2021	2022	2023	2024	2025	2026	2027
Reduction Factor	0.2571	0.2143	0.1714	0.1286	0.0857	0.0429	0.0000

Source: Article 10a of Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive96/61/EC

TABLE 41: Amount of approved greenhouse gas emission allocation for the Slovak Republic (2013 – 2020)

Year	2013	2014	2015	2016	2017	2018	2019	2020
Allocation Value	17,114,192	16,540,390	15,986,913	15,455,062	14,952,632	14,464,537	13,992,883	13,529,616

Source: Calculation from the National Allocation Plan 2013 – 2020

The specific issue in connection with the above mentioned was emission allowances tax imposed in 2011 and 2012 in the Slovak Republic. The decision establishing this type of tax resulted from the ineffective allocation of the emissions allowances in the second regulatory period, i.e. in 2008 – 2012, causing that over 90% of subjects had been allocated more emissions allowances than necessary. Those subsequently tended to sell the redundant allowances achieving a significant profit (estimated 666,000,000 EUR in total). Currently, emissions allowances tax does not apply, as the emissions allowances seem to be allocated reasonably, however, the Group cannot give any assurance that this type of tax or any similar mechanisms having an adverse impact on the Group's business would not be put in place in the future.

As regards 2013, the Group has altogether bought 58,000 greenhouse gas allowances in the amount of 289,000 EUR. The market prices for greenhouse gas allowances may increase in the course of upcoming years. The Group cannot give any assurance in this respect.

3.9 Operating and financial review

The operating and financial review was prepared on the basis of:

- historical consolidated annual financial information of the Issuer (including the Consolidated Companies) for 2010 – 2012, prepared in accordance with the IFRS, audited by an independent auditor
- historical condensed consolidated interim financial information of the Issuer (including the Consolidated Companies) for the first six months of 2013 prepared in accordance with International Accounting Standard 34 'Interim Financial Information', reviewed by an independent auditor.

Comment on the interim statements

The Issuer did not prepare the Consolidated Statement of Financial Position as of 30 June 2012. The comparable data as of 30 June 2013 Statement is therefore the Financial Position prepared as of 31 December 2012. As a result, the calculation of some of the performance ratios for the first six months of 2012 was not possible.

The Consolidated Companies

Consolidated financial statements include the following companies (the Consolidated Companies):

- Issuer
- TEPLÁREŇ, a.s., Považská Bystrica
- Teplo GGE s.r.o.
- SOUTHERM, s.r.o.
- Energy Snina, a.s.
- ELGAS, s.r.o.
- TENERGO Brno, a.s.
- TENERGO Slovensko, a.s.
- GGE distribúcia, a.s.
- POV BYT development, s.r.o.
- Snina Energy, s.r.o. (since the beginning of 2013)
- GGE d.o.o. BEOGRAD (since the beginning of 2013)
- ELGAS Energy Trading, d.o.o. (since the beginning of 2013).

3.9.1 Financial condition

Summary of changes in comprehensive income components

The Issuer is a holding company and therefore in this Section we refer to the Consolidated Companies.

The Consolidated Companies' revenues have been constantly growing since 2010. In 2012 The Consolidated Companies reported 109,328,000 EUR of revenue which shows 71% growth in comparison with 2011 (63,938,000 EUR). In 2011 revenues grew by 125% (from 28,362,000 EUR in 2010). Growth of operating income was even higher at 245% in 2011 and 13% in 2012. Operating income (EBIT) amounted to 2,321,000 EUR in 2010, 8,016,000 EUR in 2011 and 9,064,000 EUR in 2012. Apart from the increase in sales, one of the main items influencing operating profit in 2012 was recognition of other gains amounting to 1,469,000 EUR (forex gains, government grants, net profit from sale of property, plant and equipment and inventory and gains on contractual penalties). Profit for 2010, 2011 and 2012 accounted for 1,285,000 EUR, 4,351,000 EUR and 5,432,000 EUR respectively which means growth of 239% in 2011 and 25% in 2012. Total comprehensive income amounted to 1,285,000 EUR in 2010, 3,941,000 EUR in 2011 and 5,351,000 EUR in 2012 which means an increase of 207% in 2011 and 36% in 2012 respectively.

1H2013 – 1H2012 performance was also favorable. Revenues grew from 57,009,000 EUR as of first half of 2012 to 88,380,000 EUR as of first half of 2013 (55% growth). Operating profit grew by 16%, from 5,546,000 EUR to 6,434,000 EUR. The Consolidated Companies reported 4,162,000 EUR at the net profit line as at 30 June 2013 which in comparison to 4,214,000 EUR a year before, means a decline of 1% year–on–year. Growth of profit before tax (5,197,000 EUR in 2013 versus 5,062,000 EUR in 2012) is relatively low in comparison with other positions from the financial statement as a result of increased energy consumption in the first half of 2013 (67,658,000 EUR versus 39,760,000 EUR a year before – growth of 70% due to expansion of trading activity). Moreover, net profit and profit before tax in 1H 2012 were biased by negative goodwill release which amounted to 906,000 EUR. Analyze of adjusted net profit and adjusted profit before tax shows dynamics on level: 26% year–on–year and 25% year–on–year respectively.

Summary of the most important events that influenced the Consolidated Companies' operations

The following events had material effect on the Consolidated Companies' financial standing during 2010 – 2012 and first half of 2013:

- 2013:
  - installation of Cogeneration units in Snina and Bratislava–Devínska Nová Ves
  - expansion of trading activity both in the Slovak Republic and Serbia
- 2012:
  - acquisition of 100% of Energy Snina, a.s. – Cogeneration plant
  - installation of Cogeneration unit in Dunajská Streda
  - commencement of back pressure steam turbine in TEPLÁREŇ, a.s., Považská Bystrica
- 2011:
  - acquisition of TENERGO Brno, a.s. – a company engaged in heat production and distribution in Snina, Bratislava–Devínska Nová Ves and Želiezovce:
    - commencement of CCGT unit in Považská Bystrica
    - commencement of gas and electricity trading with third party customer in 2011 which resulted in:
      - a large increase in the Consolidated Companies' revenue (trading activity increased from 8,658,000 EUR in 2010 to 59,626,000 EUR in 2012, an increase of 589%)
      - lowering of the average operating and net margins of the Consolidated Companies, as the trading activity consists of large volumes but significantly lower margins than the Consolidated Companies' core operations–production and distribution of heat and electricity
    - reconstruction of heat distribution network in Považská Bystrica and in Dunajská Streda
- 2010:
  - foundation of ELGAS, s.r.o. – trading of gas and electricity.

Summary of changes in financial position

Total assets amounted to 96,837,000 EUR in 2010, 116,775,000 EUR in 2011 and 120,929,000 EUR in 2012 which means an increase of 21% in 2011 and 4% in 2012. In this period current assets value remained relatively stable and amounted to 27,246,000 EUR in 2010, 27,945,000 EUR in 2011 and 27,981,000 EUR in 2012. Non–current assets accounted for 69,591,000 EUR in 2010, 88,830,000 EUR in 2011 and 92,948,000 EUR in 2012. Growth in this line amounted to 27.6% in 2011 and 5% in 2012. Main facts influencing the non–current assets at this period were recognition of goodwill (4,133,000 EUR in 2011) and investments in property, plant and equipment which were conducted in 2011 (increase in net book value of 15,148,000 EUR) and 2012 (increase in net book value of 4,207,000 EUR).

Equity value amounted to 14,347,000 EUR in 2010, 17,637,000 EUR in 2011 and 21,837,000 EUR in 2012 which means growth of 23% in 2011 and 24% in 2012. Growth in this line was a result of the accumulation of retained earnings (3,559,000 EUR in 2010, 7,680,000 EUR in 2011 and 11,518,000 EUR in 2012).

Non–current liabilities amounted to 19,399,000 EUR in 2010, 56,083,000 EUR in 2011 and 55,903,000 EUR in 2012. 189% growth in 2011 was a result of increase in long–term borrowings (36,361,000 EUR). In 2011–2012 it remained in a stable trend – slight decline year–on–year was reported. Current liabilities amounted to 63,091,000 EUR in 2010, 43,055,000 EUR in 2011, 43,189,000 EUR in 2012. Decrease in 2010–2011 (–32%) was a result of 26,477,000 EUR decrease of short–term borrowings (48,270,000 EUR in 2010 versus 21,793,000 EUR in 2011). Current liabilities remained relatively stable in 2011–2012 (slight increase by 0.3% year–on–year).

There are no significant differences between the accounts of statement of financial position as of 30 June 2013 and 31 December 2012 that could not be explained by the normal course of business. Main items that need to be highlighted are accumulation of retained earnings (15,225,000 EUR as at 30 June 2013 versus 11,518,000 EUR as at 31December 2012) and decrease of short–term borrowings (15,380,000 EUR as of 30 June 2013 versus 19,033,000 EUR as of 31 December 2012).

Profitability analysis of the Consolidated Companies

The following profitability ratios were used in the analysis:

- operating margin–operating profit (EBIT)/revenue
- gross margin–profit before tax/revenue
- net margin–net profit/revenue
- return on assets–net profit/total assets (for half year data profit is calculated for last 4 quarters)
- return on equity–net profit/equity (for half year data profit is calculated for last 4 quarters)
- return on current assets–net profit/current assets (for half year data profit is calculated for last 4 quarters).

TABLE 42: Profitability ratios

Profitability Ratios					
	1H 2013	**1H 2012**	**2012**	**2011**	**2010**
Operating margin	7.3%	9.7%	8.3%	12.5%	8.2%
Gross margin	5.9%	8.9%	6.5%	8.3%	6.5%
Net margin	4.7%	7.4%	5%	6.8%	4.5%
Return on assets	4.5%	N/A	4.5%	3.7%	1.3%
Return on equity	21%	N/A	24.9%	24.7%	9%
Return on current assets	19.9%	N/A	19.4%	15.6%	4.7%

Source: Issuer

Both operating and gross margins increased in 2011 in comparison to 2010 and then decreased down to the 2010 levels in 2012. There are two main reasons behind the changes:

- **change in technology** – in 2010 the only plant producing electricity was a coal based plant in Považská Bystrica. The gas–based CCGT plant went operational in 2011 and allowed for much higher margins than the old coal based plant (roughly twice as large per MW). As the electricity production was much larger in 2011 than in 2010, the average margin for the company increased significantly. Moreover, commencement of this plant allowed the Consolidated Companies to benefit from the balancing activity. The balancing services allow to obtain higher prices for production and distribution of electric energy due to securing peaks and lows on demand curve. As a result, the average price of sold electricity is higher than maximum regulated price. Securitization of peaks and lows on demand curve is treated as ancillary services. The average prices for electricity paid by end consumers were in 2010: 85.06 EUR/MWh, in 2011: 107.45 EUR/MWh, in 2012: 100.62 EUR/MWh, in 1H 2013: 96.37 EUR/MWh
- **increasing share of the trading activity in the total revenue and decrease of margins obtained on trading activity** – as the trading activity has high volumes but lower overall margins, when the share of the trading activity increases, the overall operating margins for the whole group of the Consolidated Companies decrease. Moreover, expansion of trading activity resulted in decrease of margins on trading activity. The trading activity is developed both on Slovak market and since 2013 in the market of Serbia.

These overall trends continued into 2013.The margins dropped further despite that margins on production and distribution raised. Decline in margins achieved in first half of 2013 was influenced by further increase of share of the trading activity and a large drop on margins from services segment.

The analysis of the Financial Position Statement – based profitability ratios shows the increase in all categories. It is caused by the overall increase in the profitability of the Consolidated Companies' operations and large increase of profits generated by the Consolidated Companies' assets. Over the two years from 2010 to 2012 the return on assets grew from 1.3% to 4.5% (3.4 – fold), the return on equity grew from 9% to 24.9% (2.8 – fold) and the return on current assets grew from 4.7% to 19.4% (3.9 – fold).

TABLE 43: Current assets

Current Assets				
in thousands of EUR	**30 June 2013**	**31 December 2012**	**31 December 2011**	**31 December 2011**
Current assets:	26,974	27,981	27,945	27,246
Inventories	1,684	1,147	275	316
in %	*6%*	*4%*	*1%*	*1%*
Trade and other receivables	17,863	18,755	12,126	8,622
in %	*66%*	*67%*	*43%*	*32%*
Current tax asset	196	395	30	20
in %	*1%*	*1%*	*0%*	*0%*
Current financial investments	352	355	382	1,217
in %	*1%*	*1%*	*1%*	*4%*
Other current assets	266	445	391	252
in %	*1%*	*2%*	*1%*	*1%*
Cash and cash equivalents	6,613	6,884	14,741	16,819
in %	*25%*	*25%*	*53%*	*62%*

Source: Issuer

The current assets have not changed much when analyzing the end of period dates for 2010 – 2012 and the first half of 2013. The total value remained in the interval of 26,000,000 – 28,000,000 EUR; however, there were some differences in the structure. The material positions from the current assets include:

- **inventories** – increased from 316,000 EUR (1% of total current assets) in 2010 to 1,684,000 EUR (6% of total current assets) on 30 June 2013. Most of the increase came in 2012 when the Consolidated Companies acquired a Cogeneration plant in Snina that came with its inventory of coal and woodchips (net increase of 872,000 EUR out of which 785,000 EUR relates to Energy Snina, a.s. acquisition). The increase in the first half of 2013 was a result of work in progress capitalized in the inventories (investment for a third party) (net increase of 537,000 EUR)
- **Trade and other receivables** – trade and other receivables increased from 8,622,000 EUR (32% of total current assets) in 2010 to 17,863,000 EUR (66% of total current assets) on 30 June 2013. The increase was a result of increased trading activity
- **cash and cash equivalents** – cash and cash equivalents decreased from 16,819,000 EUR (62% of total current assets) in 2010 to 6,613,000 EUR (25% of total current assets) on 30 June 2013. The biggest change was a net drop of 7,857,000 EUR in 2012 which was caused mainly by a large repayment of a loan (the net decrease in combined long–term and short–term borrowings in 2012 was 8,863,000 EUR).

TABLE 44: Performance indicators

Performance Indicators (%)				
in days	**1H 2013**	**2012**	**2011**	**2010**
Inventory turnover	2.9	2.4	1.7	7.3
Trade receivables turnover	37.8	51.5	59.2	105.7
Trade payables turnover	47.7	69.2	91.7	117.2
The operating cycle	40.7	53.9	60.9	113.0
The cash conversion cycle	–7.0	–15.3	–30.8	–4.2

Source: Issuer

Definitions of performance indicators:

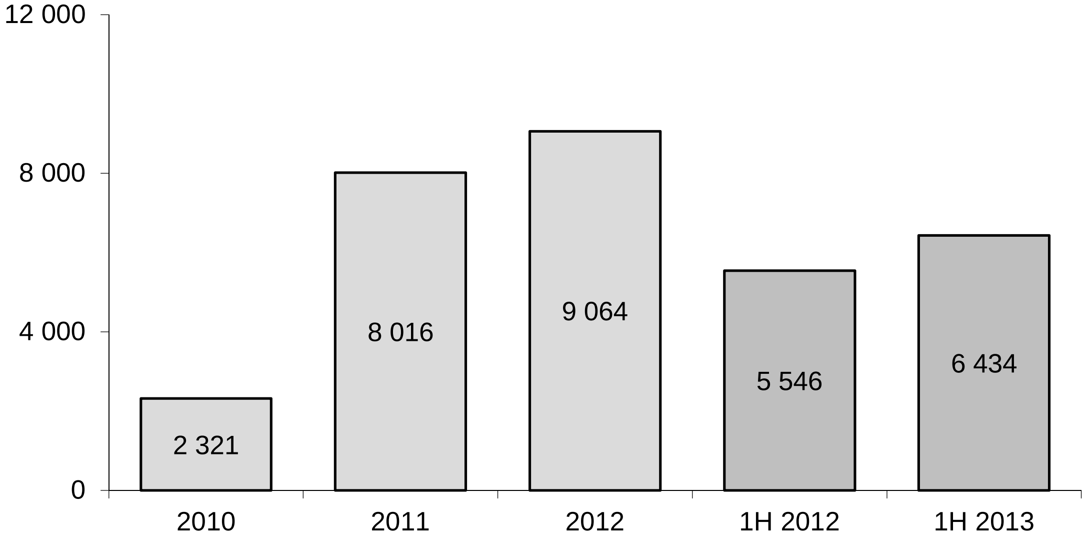
- *inventory turnover = average inventories in the period/revenues in the period multiplied by number of days in the period (183 days for interim period, 365 days for full year)*
- *trade receivables turnover = average trade receivables in the period/revenues in the period multiplied by number of days in the period (183 days for interim period, 365 days for full year)*
- *trade payables turnover = average trade payables in the period/revenues in the period multiplied by number of days in the period (183 days for interim period, 365 days for full year)*
- *the operating cycle = inventory turnover + trade receivables turnover*
- *the cash conversion cycle = the operating cycle – trade payables turnover.*

As the electricity trading share in revenue increases, there is a visible trend in the diminishing effect of the negative working capital historically found in the Consolidated Companies. In the electricity trade transactions the Consolidated Companies buy electricity from the EFET grid (payable in twenty days) and sells it to its customers giving even up to 30 days payment period. Those longer payment periods are often needed on the increasingly competitive market to be capable to reach new customers.

Until 2010 a large part of the operating activity of the Consolidated Companies involved dealing mostly with other companies from the GRAFOBAL GROUP's group. Despite the fact that all agreements were concluded at arm's length basis contractors' approach toward each other was more flexible and cooperative, as they had one ultimate shareholder. One aspect of these relations was that the payment periods were sometimes extended over contractual provisions. The average receivables and payables turnover shortened over the last two years, as the Consolidated Companies increased its operations with third party customers.

3.9.2 Operating results

GRAPH 1: EBIT in 2010 – 2012 and in the first 6 months of 2012 and 2013 (in thousands of EUR)



Source: Issue, based on non–audited management data

The level of income from operations is a result of changes in revenues as well as changes to the profitability margins of the Consolidated Companies.

The revenue has risen steadily in the past, rising almost 4 times over the last two years. It was a result of increasing the production output of the Consolidated Companies and by opening the trading activity to the third party customers from outside the GRAFOBAL GROUP´s group. For the detailed analysis of the Consolidated Companies' revenue, *please see Section 3.9.3 of this Prospectus*.

The profitability margins increased in 2011 mainly due to the change in the technology of electricity production. In 2011 the CCGT gas–based plant in Považská Bystrica went operational and it allowed the Consolidated Companies to produce electricity on much higher operating margins than with the old coal–based plant. The expansion of trading activity in 2012 in comparison to 2011 and in 1H 2013 in comparison to 1H 2012 resulted in lower overall margins.

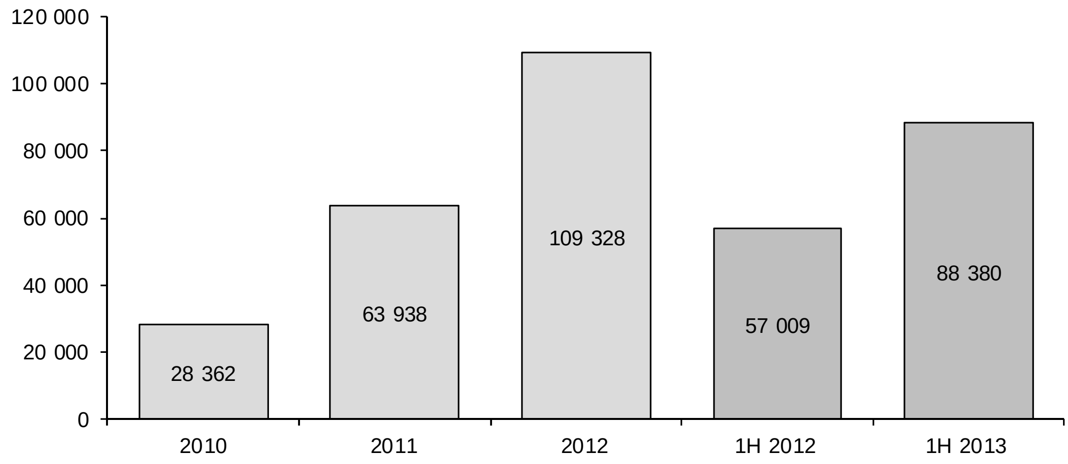
Trading business includes large volumes but lower margins. Its impact on the financial statements is large on the revenue level but much lower on the operating income. Development of the trade segment is consistent with strategy of the Consolidated Companies which assumes expansion to new markets. In order to understand the market specifics the energy trade is a first stage of expansion on each new market. Currently the Consolidated Companies are expanding its activities in Serbia. This market is at a similar stage of development as the Slovak market about ten years ago. At present, the entire energy sector is state owned. However, its liberalization is to be expected in connection with the EU accession negotiations being conducted by the Serbian authorities.

The increase of sales in 2012 is 71%, but the operating profit increased only by 13%.

For a detailed analysis of the Consolidated Companies' profitability and margins, *please see Section 3.9.1 of this Prospectus*.

3.9.3 Material changes in net sales or revenues of the Consolidated Companies

GRAPH 2: The revenue in 2010 – 2012 and in the first 6 months of 2012 and 2013 (in thousands of EUR)



Source: Issuer

In 2010 – 2012, net sales of the Consolidated Companies increased from 28,362,000 EUR in 2010 to 109,328,000 EUR in 2012, an increase of 285%. The growth has continued in 2013 as the revenue for the first 6 months of 2013 (88,380,000 EUR) is 31,371,000 EUR (or 55%) higher than for the corresponding period in 2012.

Segmentation

The main operational segments of the Consolidated Companies include:

- production and distribution of heat and electric energy
- energy and gas trade
- services and maintenance.

Production and distribution of heat and electric energy

TABLE 45: The revenue from production and distribution breakdown

Production and Distribution					
in thousands of EUR	**1H 2013**	**1H 2012**	**2012**	**2011**	**2010**
Revenues from sale of goods	0	0	0	122	0
change in %			*–100%*		
Revenues from sale of heat	11,242	11,212	20,744	18,649	12,800
change in %	*0%*		*11%*	*46%*	
Revenues from sale of water	711	763	1,082	949	822
change in %	*–7%*		*14%*	*15%*	
Revenues from production and sales of electricity	14,276	13,266	25,780	23,761	1,335
change in %	*8%*		*8%*	*1680%*	
Revenues from other services	133	278	407	323	807
change in %	*–52%*		*26%*	*–60%*	
TOTAL	**26,362**	**25,518**	**48,013**	**43,804**	**15,764**
change in %	*3%*		*10%*	*178%*	

Source: Issuer, unaudited management data

Sale of heat witnessed a large increase in 2011 (46% year–on–year) which was a result of an acquisition of heating distribution networks (Snina, Bratislava–Devínska Nová Ves and in Želiezovce) and commencement of CCGT unit in Považská Bystrica. 2012 saw a modest increase of 11% year–on–year.

Sale of water increased by 15% in 2011 and then by 14% in 2012, as a result of beginning of operations in Industrial Park Snina. Previously the Consolidated Companies sold water only in the area of Industrial Park in Považská Bystrica.

Revenues from production and sales of electricity increased by 1680% in 2011 – from 1,335,000 EUR to 23,761,000 EUR. The main reason for this change is the radical increase in the Consolidated Companies' capacity. In 2010 the only electricity generation plant was the coal based plant in Považská Bystrica. In 2011 the Consolidated Companies commenced a new gas–based CCGT unit in Považská Bystrica. In 2012 the Group finished construction of a Cogeneration unit in Dunajská Streda and in 2013 new Cogeneration units in Bratislava–Devínska Nová Ves, in Snina and in Bratislava (still under construction).

Energy and gas trade

TABLE 46: The revenue from the trade activity

Trade					
in thousands of EUR	**1H 2013**	**1H 2012**	**2012**	**2011**	**2010**
Revenues from trade of gas	40,689	15,726	26,925	7,718	1,900
change in %	*159%*		*249%*	*306%*	
Revenues from trade of electricity	19,247	14,446	32,228	11,444	6,004
change in %	*33%*		*182%*	*91%*	
Revenues from other services	0	0	473	0	754
change in %				*–100%*	
TOTAL	**59,936**	**30,173**	**59,626**	**19,162**	**8,658**
change in %	*99%*		211%	121%	

Source: Issuer, unaudited management data

The revenue from trade of gas increased significantly in both 2011 (306% year–on–year) and 2012 (249% year–on–year) – in 2010 the trading activity was conducted only within the Major Shareholder and in the Industrial Park Považská Bystrica. In 2011 the sales expanded to external customers and in 2012 to Industrial Park Snina. Since 2012 the Group entered the Serbian market which additionally boosts amount of revenues in this segment.

The revenue from trade of electricity has increased by 91% in 2011 and by 182% in 2012, reaching 32,228,000 EUR. Just like with gas trading, 2011 and 2012 brought new customers from outside the Major Shareholder and Industrial Park Snina.

Engineering, procurement, construction services

TABLE 47: The revenue from services

Services					
in thousands of EUR	**1H 2013**	**1H 2012**	**2012**	**2011**	**2010**
Revenues from sale of goods	0	4	4	915	39
change in %	*–100%*		*–100%*	*2,246%*	
Revenues from contracts	1,037	141	141	57	0
change in %	*635%*		*147%*		
Revenues from other services	1,045	1,173	1,544	0	3,901
change in %	*–11%*			*–100%*	
TOTAL	**2,082**	**1,318**	**1,689**	**972**	**3,940**
change in %	*58%*		*74%*	*–75%*	

Source: Issuer, unaudited management data

The revenue from other services and revenue from contracts are similar sources of income and consist of maintenance and investment services provided to third party companies and companies within the Group. These categories decreased both in value (from 3,901,000 EUR in 2010 to 1,544,000 EUR in 2012) and as a percentage of total revenue (from 14% in 2010 to 2% in 2012). It is important to note that majority of services is carried out within the Group and thus, eliminated in the consolidation process.

Sale of goods is an insignificant source of income for the Consolidated Companies. This category consists of occasional sales of materials such as coal. The only material income came in 2011 (915,000 EUR) and was a result of one–off sale of pipes during the acquisition of a plant in Považská Bystrica which were a part of distribution network.

3.9.4 Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could directly or indirectly materially affect the Issuer‘s operations

(a) Macroeconomic factors in the Slovak Republic

TABLE 48: Key macroeconomic data of the Slovak Republic in the period 2010 – 2012

(year–on–year change in %, unless otherwise indicated)	**2012**	**2011**	**2010**
GDP			
GDP	2.0	3.2	4.4
Current account (% GDP)	2.2	–2.0	–3.7
Industrial production index	8.1	5.3	8.1
Prices			
HICP	3.7	4.1	0.7
Industrial producer prices	3.9	2.7	–2.7
Labor market			
Unemployment rate (%)	14	13.5	14.4
Employment ESA 95	0.1	1.8	–1.5
Exchange rate			
USD/EUR exchange rate (average for the period)	1.2848	1.3920	1.3257

Source: NBS: Selected indicators of economic and monetary development of Slovak Republic

GDP growth–development of demand and supply side

Since 2010, the Slovak Republic has witnessed a slowdown in economic growth caused by the international financial crisis. Annual GDP growth in the Slovak Republic slowed to 2% in 2012, from 3.2% in 2011. The main driver of economic growth was external demand. Nominal net exports in 2012 reached an all–time high of 3,553.6 million EUR, as a consequence of growing exports on one hand (reflected mainly by higher exports in automotive industry) and of declining import intensity (caused by low domestic demand and uncertainty towards future macroeconomic development) on the other hand. Domestic demand contributed negatively to economic growth, mainly due to declining company profits and lower consumption in private as well as public sector. From the output side, GDP growth was positively affected by acceleration of industrial production index (from 5.3 in 2011 to 8.1 in 2012).

Price developments

Inflation measured by Harmonized Index of Consumer Prices (HICP) slowed from 4.1% in 2011 to 3.7% in 2012 mainly due to a lower increase in administered prices of food and energy. Industrial Producer Prices in 2012 grew by 3.9% in comparison with the previous year in line with growth of energy price inflation which is to certain extent softened by lower demand and increasing competition in the sector.

Labor market

As opposed to 1.8% growth of employment in 2011, the dynamics of employment according to ESA 95 methodology decreased to 0.1% in 2012. Sectors which were affected to largest extent were industry, trade and transportation. Unemployment rate in the Slovak Republic increased by 0.5 % in 2012, in comparison with previous year.

Exchange rate

The Slovak Republic adopted EUR as a national currency on 1 January 2009, replacing the Slovak koruna. The USD/EUR exchange rate (measured as an average of the period) experienced decrease from 1.3920 in 2011 to 1.2848 in 2012. On average in 2012 the nominal effective exchange rate (NEER) depreciated year–on–year by 0.8%, after appreciating by 0.1% in the previous year.

Legal regulations

For the detailed description of legal regulations specific for the sectors in which the Group operates, *please see Section 3.6.3 of this Prospectus*.

Other environmental regulations

During 2005, the EU–wide greenhouse gas emission rights trading scheme came into effect, together with the Act on Emission Rights Trading passed by the Slovak Parliament in order to implement the related EU Directive in the Slovak Republic. Under this legislation, the Group has been required to deliver emission rights to the Slovak Environmental Office to offset actual greenhouse gas emissions.

The Group has opted to record emission rights received using the net liability method and does not record any liability for actual emissions on the basis that the Issuer has received adequate emission rights to cover its actual emissions. The Group has an obligation to deliver emission rights for actual emissions. This obligation was satisfied by delivering emission rights by 30 April 2013 for the 2012 compliance period. The Group has received emission rights in March 2012 for the 2012 compliance period.

(b) Macroeconomic factors in Serbia

TABLE 49: Key macroeconomic data of Serbia in the period 2010 – 2012

(year–on–year change in %, unless otherwise indicated)	**2012**	**2011**	**2010**
GDP			
GDP	–1.7	1.6	1.0
Current account (% GDP)	–10.5	–9.1	–6.7
Industrial production index	–12.4	–10.9	–14.3
Prices			
CPI	12.2	7.0	10.3
Industrial producer prices	6.9	15.9	10.4
Labor market			
Unemployment rate (%)	23.9	23.0	19.2
Exchange rate			
RSD/USD exchange rate (average for the period)	88.1	73.3	77.9

Source: National Bank of Serbia: Key macroeconomic indicators, Industrial Production, http://www.nbs.rs/internet/english/80/index.html

GDP decline

Since 2011 Serbia has witnessed a slowdown in economic growth caused by its close ties with the Eurozone that is experiencing a crisis. Serbia recorded a GDP decrease by 1.7% in 2012. Apart from challenging global and regional situation the decline was also driven by a weakening internal private consumption, caused by worsening labor market situation. Decline of investment expenditures and general government consumption have also contributed to the downfall. Exports remained main positive factor influencing GDP creation. Serbia's economy is currently in the transitional phase and is strongly dependent on the foreign investments which makes the EU accession one of the most important strategic goals. Developments in 2012 had negative a impact on the state of this process (such as suspension of the Stand–by Agreement with the International Monetary Fund ("IMF") as the result of the relaxation of Serbia's fiscal stance). Nevertheless Serbia's government expects the accession process to finalize within the next ten years. GDP growth amounted to 2.1% in 1Q13 and 0.7% 2Q13. According to the IMF's forecast the 2013 GDP growth will settle at 2% (year–on–year basis).

Price developments

Serbia's CPI remains relatively high (one of the highest in Europe). At the end of 2012 the increase of prices amounted to 12.2% in comparison with 7% year before (year–on–year basis). One of the most important factors contributing to Serbia's CPI are fluctuations on the domestic and international food and other commodities markets. Tightening of the fiscal policy along with financial consolidation have resulted in the decrease of the CPI in 2013. In August 2013 this index stood at 7.3%.

Labor market

Serbia's unemployment rate stood at 23.9% in 2012. One of the key factors contributing to this situation are worsening life conditions that adversely affect consumption expenditures of households which influences negatively the process of creation of new jobs.

Exchange rate

The official currency of Serbia is Serbian dinar (ISO code: RSD). In the recent years RSD has been depreciating against the U.S. dollar.

(c) Macroeconomic factors in the Czech Republic

TABLE 50: Key macroeconomic data of the Czech Republic in the period 2010 – 2012

(year–on–year change in %, unless otherwise indicated)	**2012**	**2011**	**2010**
GDP			
GDP	–1.0	1.8	2.5
Current account (% GDP)	–2.4	–2.7	–3.9
Industrial production index	–0.8	5.9	8.6
Prices			
HICP	3.5	2.1	1.2
Industrial producer prices	0.1	0.4	0.3
Labor market			
Unemployment rate (%)	7.0	6.7	6.7
Employment ESA 95	0.4	0.0	–1.0
Exchange rate			
CZK/USD exchange rate (average for the period)	19.583	17.688	19.111

Sources: Czech Statistical Office: Czech Republic: key macroeconomic indicators, Industrial production index, Unemployment statistics, Eurostat

GDP growth

Since 2010, the Czech Republic has witnessed a slowdown in economic growth caused by the international financial crisis. Czech economy declined by 1% in 2012 in contrast to 2.5% growth in 2010. The development of the Czech economy was mostly driven by the household final consumption expenditure which declined by 4.1% in 4Q2012. It was the all–time worst slump of the consumption of Czech households. The expenditure lowered for the whole year by 3.5% in real terms. The only positive contribution to GDP growth was thanks to foreign trade (1.5%).

Price developments

Inflation measured by Harmonized Index of Consumer Prices (HICP) rose from 1.2% in 2010 to 3.5% in 2012. The main cause of the increase in 2012 was growth of prices of food and the cost of housing. In comparison with the previous period, Industrial Producer Prices in 2012 grew by 0.1% as a result of worsening global macroeconomic situation.

Labor market

In 2012 the dynamics of employment according to ESA 95 stood at 0.4% in 2012 which means an increase in comparison to 2011, when growth of the employment became stagnant. Unemployment rate in the Czech Republic increased by 0.3% in 2012, in comparison with previous year and amounted to 7%. Simultaneous growth of employment and unemployment was caused by shifts in types of employment.

Exchange rate

The CZK/USD exchange rate (measured as the average of the period) stood at 19.583 in 2012, 17.688 in 2011 and 19.111 in 2010.

3.10 Capital resources

Section regarding the capital resources of the Consolidated Companies was prepared on the basis of:

- historical consolidated annual financial information of the Issuer (including the Consolidated Companies) for 2010 – 2012, prepared in accordance with the IFRS, audited by an independent auditor
- historical condensed consolidated interim financial information of the Issuer (including the Consolidated Companies) for the first six months of 2013 prepared in accordance with International Accounting Standard 34 'Interim Financial Information', reviewed by an independent auditor.

3.10.1 Information concerning the Consolidated Companies' capital resources

The Issuer is a holding company and therefore we refer to the Consolidated Companiesi in this Section.

The total equity and liabilities of the Consolidated Companies were quite stable for the periods ended as of 31 December 2011, 2012 and as of 30 June 2013. They were in interval from 116,775,000 EUR to 120,370,000 EUR. A large increase of total equity and liabilities took place in 2011 (an increase by 21% compared to 96,837,000 EUR as of 31 December 2010, mainly due to liabilities increase).

Equity and total financial liabilities financed 21.3% and 78.7% respectively of the Consolidated Companies' total assets as at 30 June 2013. During period 2010 – 1H2013 the equity share increases continuously due to permanent increase of retained earnings. During period covered by the historical financial information, the Issuer did not pay dividends.

The breakdown of capital resources and funding structure of the Consolidated Companies is presented in the table below.

TABLE 51: Breakdown of capital resources and funding structure of the Consolidated Companies

Capital Resources				
in thousands of EUR	**1H 2013**	**2012**	**2011**	**2010**
Equity	25,656	21,837	17,637	14,347
Equity attributable to shareholders of the parent company	24,841	21,080	16,917	13,101
Share capital	664	664	664	664
Reserves	8,952	8,898	8,573	8,878
Retained earnings	15,225	11,518	7,680	3,559
Non–controlling interests	815	757	720	1 246
Liabilities	94,714	99,092	99,138	82,490
Non–current liabilities	52,994	55,903	56,083	19,399
Borrowings	46,432	48,992	55,095	18,734
Obligations under finance lease	1,447	1,032	29	0
Deferred tax liability	501	739	353	431
Deferred income	4,272	4,080	289	104
Other liabilities	342	1,060	317	130
Current liabilities	41,720	43,189	43,055	63,091
Trade and other payables	23,838	22,405	19,072	13,042
Borrowings	15,380	19,033	21,793	48,270
Obligations under finance lease	585	444	57	3
Current tax liabilities	656	421	644	482
Deferred income	560	483	646	247
Other liabilities	701	403	843	1,047
TOTAL equity and liabilities	**120,370**	**120,929**	**116,775**	**96,837**

Source: Issuer

Equity

The share capital takes the form of ordinary certified shares. As at the end of 2012, the total number of shares was 200, with a nominal value of 3,319.39 EUR per share. On the date of this Prospectus the total number of shares is 10,000,000 (Existing Shares), with a nominal value of 1.00 EUR per share.

Reserves comprise principally the legal reserve fund which amounts to 612,000 EUR as at 31 December 2012 (31 December 2011: 205,000 EUR, 31 December 2010: 100,000 EUR) and other capital funds amounting to 8,778,000 EUR as at 31 December 2012 (31 December 2011: 8,778,000 EUR, 31 December 2010: 8,778,000 EUR) and cash flow hedge amounting to –392,000 EUR as at 31 December 2012 (31 December 2011: –317,000) and foreign currency translation reserve amounting to –100,000 as at 31 December 2012 (31 December 2011: –93,000)

On 9 October 2013, the General Meeting of the Issuer decided on the distribution of capital funds in the amount of 2,778,000 EUR to the Major Shareholder.

On 24 October 2013, the extraordinary General Meeting approved the increase in share capital up to 10,000,000 EUR issuing additional 9,336,112 shares with nominal value of 1 EUR each. The contribution to share capital is as follows:

- from other capital funds (by 6,000,000EUR)
- from retained earnings (by 3,336,000EUR).

Non–controlling interests represent an equity share of other minority shareholders. In 2012, as presented in the consolidated statement of changes in equity, the amount of 757,000 EUR represents an equity share of non–controlling interests.

One of the Consolidated Companies (ELGAS, s.r.o.) carried out a profit distribution in the form of royalties to members of the Supervisory Body in the amount of 1,150,000 EUR in 2012. For the purposes of the IFRS consolidated financial statements, this transaction was not considered an Income Statement transaction but rather a distribution of retained earnings. This transaction is presented in the schedule of movements in equity as a distribution of profits.

Liabilities, borrowings

The total amount of borrowings rose until the end of 2011 reaching the value of 76,888,000 EUR. Since 2011 to the end of June 2013, the amount of total borrowings decreases smoothly to 61,812,000 EUR. As at 31 December 2010 the total amount of borrowings consisted non–current borrowings in amount of 18,734,000 EUR (28%) and current borrowings in amount of 48,270,000 EUR (72%). In 2011 the structure changed: 55,095,000 EUR (72%) were non–current borrowings and 21,793,000 EUR (28%) current borrowings. During next years the share of non–current borrowings increases to 72% as at 31 December 2012 and 75% as at 30 June 2013. Shift of borrowings from current to non–current in 2011 was related to the end of the payment of the short term loan due to completion of investment in Považská Bystrica. The other shift from current to non–current borrowings occurred in 2011 (reclassification of 8,000,000 EUR borrowing from an individual). Since 2011 in current borrowings are recognized only overdrafts and short term part of long term borrowings.

The interest rate of a significant portion of loans payable to banks is based on EURIBOR, CIRR, LIBOR plus a margin. Other loans payable to banks as at 31 December 2012 bear fixed interest rates.

The Management Board estimates that the fair value of loans approximates their carrying amount.

Interest–bearing borrowings payable to banks and other financial institutions at 31 December 2012 are mostly secured loans. These borrowings are secured by a combination of bills of exchange, pledged receivables, pledged property, plant and equipment, a bank guarantee and a guarantee provided by the ultimate parent company, the Major Shareholder and a guarantee provided by other Consolidated Companies.

Based on the current loan agreements, the Consolidated Companies are obligated to comply with certain financial and other covenants. In 2012, the Group complied with all financial covenants concerning significant long–term loans, except for covenants in the following Subsidiaries which report non–compliance with the contractually–determined financial covenants:

- Energy Snina, a.s. – long–term loan from Tatra Banka, a.s. in the amount of 1,958,441 EUR
- SOUTHERM, s.r.o. – long–term loan from Tatra Banka, a.s. in the amount of 3,075,000 EUR.

The bank confirmed the acceptance of the non–compliance with financial covenants. The Management Board believes that all financial covenants will be fully complied with in 2013.

The Consolidated Companies have interest–bearing borrowings and loans outstanding as at 31 December 2012, 2011 and 2010 denominated in the following currencies:

TABLE 52: Currency used in interest–bearing borrowings

Currency				
in thousands of EUR	**1H 2013**	**2012**	**2011**	**2010**
EUR	52,000	57,217	63,663	52,064
USD	9,812	10,808	13,225	14,940

Source: Issuer

The borrowings denominated in USD are loans taken to finance investment in CCGT unit in Považská Bystrica.

Trade and other payables

The total sum of payables is 23,838,000 EUR as of 30 June 2013 (December 2012: 22,405,000 EUR, 2011: 19,072,000 EUR, 2010: 13,042,000 EUR). Trade and other payables comprise the following: trade payables (2012: 20,362,000 EUR, 2011: 17,227,000 EUR, 2010: 12,253,000 EUR), payables to employees (2012: 451,000 EUR, 2011: 329,000 EUR, 2010: 209,000 EUR), social security payables (2012: 174,000 EUR, 2011: 103,000 EUR, 2010: 77,000 EUR), other payables (2012: 1,418,000 EUR, 2011: 1,413,000 EUR, 2010: 503,000 EUR).

The bulk of trade payables in 2012 comprise the payables of ELGAS, s.r.o. to RWE Gas Slovensko, s.r.o. in the amount of 6,954,000 EUR which is the main gas supplier and to ČEZ Slovensko, s.r.o. in the amount of 1,228,000 EUR.

The bulk of trade payables in 2011 comprise the payables of TEPLÁREŇ, a.s., Považská Bystrica to Istro Energo which is the main supplier in the construction of a combined gas power plant in Považská Bystrica.

Other payables mainly include indirect tax liabilities in the amount of 436,000 EUR in 2012 (2011: 405,000 EUR, 2010: 476,000 EUR).

As at 31 December 2012, outstanding trade and other payables within the due date in the amount of 20,160,000 EUR (2011: 13,666,000 EUR, 2010: 9,052,000 EUR) and overdue payables in the amount of 2,245,000 EUR were recorded as at 31 December 2012 (2011: 5,406,000 EUR, 2010: 3,990,000 EUR).

Deferred income

TABLE 53: Deferred income

Deferred Income				
in thousands EUR	**1H 2013**	**2012**	**2011**	**2010**
Current	560	483	646	247
Non–current	4,272	4,080	289	104
TOTAL	**4,832**	**4,563**	**935**	**351**

Source: Issuer

The deferred income arises from subsidies and emission rights granted. The balance represents subsidies received mainly from the Ministry of Environment of the Slovak Republic (Energy Snina,a.s. Teplo GGE s.r.o.), the Ministry of Finance of the Slovak Republic

(TEPLÁREŇ, a.s., Považská Bystrica) and emission rights allocated from state. Subsidies as at 31 December 2012 relate to:

- Energy Snina, a.s. in total amount of approximately 1,621,000 EUR for acquisition of boiler for biomass
- TEPLÁREŇ, a.s., Považská Bystrica in the amount of approximately 2,636,000 EUR for acquisition of Kogeneračná jednotka in Dunajská Streda
- Teplo GGE s.r.o. in amount of approximately 310,000 EUR for acquisition of boiler.

Subsidies are capitalized in line with the IFRS requirement and are annually released in operation revenues.

Liquidity ratios

TABLE 54: Liquidity ratios

Liquidity Ratios				
in pts	**1H 2013**	**2012**	**2011**	**2010**
Current ratio	0.6	0.6	0.6	0.4
Accelerated liquidity ratio	0.6	0.6	0.6	0.4
Cash liquidity ratio	0.2	0.2	0.3	0.3

Source: Issuer

Liquidity ratios definition:

current ratio = current assets/current liabilities

accelerated liquidity ratio = current assets – inventories – current tax assets/current liabilities

cash liquidity ratio = cash and bank balances/current liabilities–

In the period covered by the historical financial information, liquidity indicators have taken a fairly low value, but it cannot be considered as a threat of liquidity during this period. The current and accelerated ratio increased from level of 0.4 points as at the end of 2010 to 0.6 points in other years due to partial shift of current borrowings after completion of investment in Považská Bystrica.

Debt ratios

TABLE 55: Debt ratios

Debt Ratios				
in pts	**1H 2013**	**2012**	**2011**	**2010**
TOTAL debt ratio	**0.5**	**0.6**	**0.7**	**0.7**
Long term debt ratio	0.4	0.4	0.5	0.2
Short term debt ratio	0.1	0.2	0.2	0.5
TOTAL debt/equity ratio	**2.5**	**3.2**	**4.4**	**4.7**

Source: Issuer

Debt ratios definition:

total debt ratio = sum of long and short term borrowings and obligations under finance lease/total equity and liabilities

long term debt ratio = sum of long term borrowings and obligations under finance lease/total equity and liabilities

short term debt ratio = sum of short term borrowings and obligations under finance lease/total equity and liabilities

total debt/equity ratio = sum of long and short term borrowings and obligations under finance lease/total equity.

In the period covered by historical financial information, the total debt decreases slowly from relatively high level which was associated with incurring substantial financial costs related to loans contracted for the implementation of strategic investments in recent years (e.g. construction of CCGT power plant in Považská Bystrica). In 2011 due to completion of investment in Považská Bystrica, was a possibility to shift short term debt to the long term. The long term debt ratio increased from 0.2 as at the end of 2010 to 0.5 as at 31 December 2011, while the short term debt ratio dropped from 0.5 as at the end of 2010 to 0.2 as at 31 December 2011. During following years both short and long term indebtedness decreased slowly.

Total debt/equity ratio decreased from level of 4.7 as at the end of 2010 to 2.5 as at 30 June 2013, due to increase of equity value (no dividend payouts and increase of retained earnings) and decrease of the total debt level.

3.10.2 An explanation of the sources and amounts of and a narrative description of the Issuer's cash flows

The Issuer is a holding company and therefore we refer to the Consolidated Companies in this Section.

TABLE 56: Cash flows

Cash Flows in thousands of EUR	1H 2013	1H 2012	2012	2011	2010
Net cash provided by operations	**12,489**	**9,506**	**14,864**	**13,685**	**4,223**
Income before income taxes	5,197	5,062	7,126	5,288	1,847
Adjustments to reconcile income, including:	4,702	4,472	9,289	7,950	1,932
Depreciation	3,840	3,831	7,416	5,478	1,404
Net cash provided by operating activities	**10,565**	**7,268**	**10,418**	**10,245**	**3,585**
Net interest	–1,421	–1,378	–2,494	–2,289	–475
Income tax paid	–503	–860	–1,952	–1,151	–163
Net cash used in investing activities	**–3,927**	**–8,382**	**–7,340**	**–17,357**	**–34,119**
Inflows	173	237	181	873	1,190
Outflows	–4,100	–8,619	–7,521	–18,230	–35,309
Net cash received/used from financing activities	**–6,824**	**–3,242**	**–10,855**	**5,469**	**45,582**
Inflows	2,475	2,269	4,538	25,477	50,478
Outflows	–9,299	–5,511	–15,393	–20,008	–4,896
Net increase/decrease in cash and cash equivalents	**–186**	**–4,356**	**–7,777**	**–1,643**	**15,048**
Cash and cash equivalents, beginning of period	6,884	14,741	14,741	16,819	1,153
Unrealized fx diff – cash	–85	–275	–80	–435	618
Cash and cash equivalents, end of period	6,613	10,110	6,884	14,741	16,819

Source: Issuer

In 2012 Net cash provided by operating activities increased by 173,000 EUR which states an increase of 1.69% on year–on–year basis. In the same period the net cash used in investing activities decreased by 10,017,000 EUR and amounted to 7,340,000 EUR at the end of 2012. Main driver for this decrease was a decline in spending on additions to tangible and intangible non–current assets and acquisition of Subsidiaries (7,521,000 EUR in 2012). In 2012 the company's cash flows from financial activity were negative and consisted mostly of repayment of existing debt and payments to supervisory board of ELGAS, s.r.o. marked herein as a 'distribution of dividend' which resulted in decrease of this position by 16,324,000 EUR (year–on–year basis). Cash from financing activities was constantly decreasing since 2010, when an inflow of 50,478,000 EUR from financing activity was recognized. Cash balance for the end of each full year has been decreasing since 2010 (16,819,000 EUR) to settle at 14,741,000 EUR in 2011 and 6,884,000 EUR in 2012 which means the decrease of 12.36% and 53% accordingly.

A similar trend is observed in the first 6 months of 2013. On 30 June 2013 net cash provided by operating activities amounted to 10,565,000 EUR (growth of 3,297,000 EUR (45%) compared to 30 June 2012). The increase was mainly a result of positive adjustment for change in payables (2,379,000 EUR as of 30 June 2013) compared with –6,379,000 EUR year before. Net cash used in investing activities decreased by 4,445,000 EUR and amounted to –3,927,000 EUR in 30 June 2012 with –8,382,000 EUR a year before as a result of 2,059,000 EUR decline in spending on additions to tangible and intangible non–current assets and lack of negative cash flow from acquisition of Subsidiaries (–2,460,000 EUR as of 30 June 2012). As of 30 June 2013 net cash used in financing activities grew by 3,582,000 EUR compared to the corresponding period of the year before and amounted to –6,824,000 EUR which was a result of increase of repayment of the existing debt (–8,689,000 EUR versus –4,286,000 EUR the year before). Cash balance for the end of June 2013 amounted to 6,613,000 EUR in comparison to 10,110,000 EUR a year before (decrease of 35%).

3.10.3 Information on the borrowing requirements and funding structure of the Issuer

The Issuer is a holding company and therefore we refer to the Consolidated Companies *in this Section*.

Equity and total financial liabilities financed 21.3% and 78.7% respectively of the Consolidated Companies' total assets as at 30 June 2013. The new issue of New Shares will lead to an increase of equity share in total equity and liabilities structure. As at 30 June 2013 the main source of capital for the Consolidated Companies were long–term liabilities which amounted to 52,994,000 EUR.

The Issuer is not contemplating to take any loans for the purpose of investments any time in the foreseeable future – other than connected with potential acquisitions (*please see Section 4.3.4 of the Prospectus*). However, a few Subsidiaries of the Issuer which do ordinary business are expected to take loans in the current year for following new investments:

- a loan for pending investment of building of new Cogeneration unit in Bratislava. The construction work is carried out by KGJ Investa.s. (one of the Consolidated Companies). The expected amount of loan is 2,900,000 EUR and the repayment period is seven years. Moreover, the Consolidated Companies will take an overdraft for 700,000 EUR

- a loan for the company Snina Energy, s.r.o. for building new Cogeneration unit in Snina.The expected amount of loan is 2,400,000 EUR and the repayment period is six years

- backup leasing for investment in distribution network in Snina for the company GGE distribúcia, a.s. The expected amount of loan is 1,000,000 EUR and the repayment period is five years.

Other future investments of the Group's companies (*please see Section 3.5.2 of this Prospectus*) would also be partially financed by commercial loans.

3.10.4 Information regarding any restrictions on the use of capital sources that have materially affected, or could materially affect, directly or indirectly, the Issuer's operations

The Issuer is a holding company and therefore we refer to the Consolidated Companies in this Section.

As of the date of this Prospectus, several companies of the Consolidated Companies have restrictions on the dividend payouts due to covenants described in credit agreements. The covenants prohibit from distributing any dividends without prior consent of the banks (contractors) in companies:

- Teplo GGE s.r.o.

- TENERGO Brno, a.s.
- TEPLÁREŇ, a.s., Považská Bystrica.

Apart from restrictions described in the credit agreement, the Management Board of the Issuer is not aware of any other restrictions on the use of capital sources that have materially affected, or could materially affect, directly or indirectly, the Consolidated Companies' operations.

3.10.5 Information regarding the anticipated sources of funds needed to fulfill commitments, *please see Sections 3.5.2 and 3.8 of this Prospectus*

The investments on which Management Board of the Issuer have already made firm commitments will be financed primarily by own sources and regarding investments*, please see Section 4.3.4 of the Prospectus*, from proceeds from the issue. If those sources are insufficient, the Issuer will also will increase share of debt financing (through bank loans, leasing or through the issuance of debt securities).

3.11 Research and development, patents and licenses

The Issuer has the nature of a holding company and therefore the business of the Group is mostly carried out by the other companies of the Group.

The Group does not have any research or development policy and has not performed any activities during the period of historical financial statements with respect to any research and development.

The activities of the members of the Group do not depend on any patents, licenses or any other forms of intellectual property.

The Group uses mainly various software licenses which are not of material nature with respect to activities of the Group.

None of the members of the Group has registered any rights relating to any forms of intellectual property.

3.12 Trend information

3.12.1 The most significant recent trends in production, sales, inventory, costs and selling prices since the end of the last financial year to the date of this Prospectus

Production and sales

Revenues from the most important segment of Production and Distribution have risen significantly from 15,764,000 EUR in 2010 to 48,013,000 EUR in 2012. The Trading segment achieved also very high growth, from 8,658,000 EUR in 2010 to 59,626,000 EUR in 2012 and an increase by 99% comparing 1H 2013 to 1H 2012. The total revenues in 1H 2013 amounted to 88,380,000 EUR which means an increase by 55% comparing to 1H 2012. In first three quarters of 2013 increased by almost 60% comparing to first three quarters of 2012 and amounted to approximately 118,000,000 EUR.The most important growth is observed in gas and electricity segments due to expansion of trading activity both in the Slovak Republic and Serbia. Revenues of trading activity were almost doubled if comparison is made between 1H 2013 and 1H 2012. In period from the beginning of 2013 to the date of this Prospectus the growth of total revenues resulted from the increase of trading activity, revenues of Production and Distribution segment were on similar level as in a comparable period.

Inventory

The majority of the Group's inventories consist of black coal and woodchip for the production of heat and electricity by facilities operated by Energy Snina, a.s. The amount of inventories were much higher during autumn and winter (before and during the heating season which starts at around October) compared to spring and summer season. The other part of inventories are related to work in progress by companies from services segment.

On the date of this Prospectus inventories of black coal and woodchips remains on broadly the same level as in comparable date of 2012. Inventories of black coal will lower in next months due to change of technology in facilities operated by Energy Snina, a.s.

In next year units which are using black coal as a fuel will be shut down and whole operations will be conducted by gas and woodchips fueled units. However, the total amount of inventories grew due to the expansion of engineering activities (segment services).

Costs

The main cost item of the Group is energy (gas used for production of heat and electricity as well as gas and electricity purchased in order to be resold). Due to expansion of trading activity, the amount (and the percentage share) of energy consumption costs have risen accordingly.

The energy consumption in 1H 2013 amounted to 67,658,000 EUR which is an increase of 70% comparing to 1H 2012. The following trend was maintained also in 3rd quarter of 2013. The energy consumption costs in these time periods amount to 81% of total costs. The other costs rose more steadily.

Selling prices

The selling prices of a Production and Distribution part of the revenues are regulated. The prices of electricity produced by highly efficient Cogeneration are fixed for fifteen years from the date of commissioning of facility. The prices for heat are approved annually by URSO.

3.12.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year

The Management Board is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for the current financial year.

3.13 Profit forecasts or estimates

Profit forecasts or estimates are not included in the Prospectus since as of the date of this Prospectus, the Issuer has not published any profit forecast or estimate.

3.14 Administrative, Management and Supervisory Bodies and Senior Management of the Issuer

Management Board of the Issuer

Name:	Ing. Roland Tóth
Address:	Tichá 30/5147, 811 02 Bratislava, Slovak Republic
Function:	chairman of the Management Board

Name:	PhDr. Pavel Komorník, M.B.A.
Address:	Havelkova 2825/8, 841 03 Bratislava, Slovak Republic
Function:	member of the Management Board

Supervisory Body of the Issuer

Name:	Roman Jankovič
Address:	Kláštorská 22, 821 05 Bratislava, Slovak Republic
Function:	member of the Supervisory Body
Name:	Ing. Peter Gereg
Address:	Riazanská 9, 831 03 Bratislava, Slovak Republic
Function:	member of the Supervisory Body
Name:	Ing. Ladislav Haspel
Address:	Bôrik 7A/6881, 811 02 Bratislava, Slovak Republic
Function:	member of the Supervisory Body

Senior Management of the Issuer

Name:	Ing. Pavol Bero
Address:	Trnavská cesta 1371/21, 831 04 Bratislava, Slovak Republic
Function:	senior manager
Name:	Ing. Rudolf Pradla
Address:	SNP 595/141, 965 01 Žiar nad Hronom, Slovak Republic
Function:	senior manager
Name:	Ing. Miroslav Struž
Address:	Vajnorská 51, 831 03 Bratislava, Slovak Republic
Function:	senior manager
Name:	Ing. Juraj Králik

Address: Horný Hričov 149, 013 42 Horný Hričov, lovak Republic

Function: senior manager

The names of all companies and partnerships of which persons mentioned above have been members of the administrative, management or supervisory bodies or partners at any time in the previous five years, indicating whether or not the individuals are still members of the administrative, management or supervisory bodies or partners. Details of that persons management expertise and experience.

Ing. Roland Tóth

After graduation at the University of Economics, Bratislava, in 1982 – 1987, Mr. Roland Tóth worked at SES Tlmače (supplier of boilers) at position of "Economist of energetic block realizations". In the following years he was active in the banking sector until 1997, when he entered public service. From 2001 he was working as a manager for private waste water treatment company. In 2007 as a founder and CEO of the Issuer has developed its operations as well enhanced further strategic expansion from its beginning until now.

Member of board of directors:

- SNINA ENERGO a.s. – former member
- TECHNOTRADE INVEST spol. s r.o. – former member
- 4 REAL INVEST s.r.o. – former member
- EUGENICA DEVELOPMENT s.r.o. – former member
- EUGENICA LIPTOV, s.r.o. – active member
- Issuer – active member
- GGE invest, s.r.o. – active member
- Paroplyn PB, a.s. – former member
- Platea Nova, s.r.o. – former member
- GGE d.o.o. BEOGRAD – active member
- ELGAS Energy, s.r.o. – active member
- TECHNOTRADE INVEST spol. s r.o. – former member.

Member of supervisory board:

- SNINA ENERGO a.s. – active member
- TENERGO Slovensko, a.s. – active member
- TEPLÁREŇ, a.s., Považská Bystrica – active member
- Eco Power a.s. – former member
- ELGAS, s.r.o. – active member
- Energy Snina, a.s. – active member

- GGE distribúcia, a.s. – active member
- Grafobal Group Golf Resort a.s. – active member
- IFM, a.s. – active member.

Partner:

- 4 REAL INVEST s.r.o. – former partner
- EUGENICA DEVELOPMENT s.r.o. – former partner.

PhDr. Pavel Komorník, M.B.A.

During university studies at Faculty of Management, Comenius University and Katz Graduate School of Business, University of Pittsburgh, Mr. Pavel Komorník founded “Complete real estate market“, at that time the biggest magazine on real estate in the Slovak Republic. After graduation he became employee of Accenture being involved in strategic projects such as privatization of one of the largest commercial banks in the Slovak Republic and implementation of management information system for one of the largest utility companies in the Slovak Republic. He joined the Major Shareholder in 2003, being responsible for controlling, financial audit and increasingly M&A consulting and execution. He has been involved in decisions on strategic investments as well as operations, ranging from real estate development, media, to energy sector.

Member of board of directors:

- ADUT PLUS, a.s. – active member
- Bratislavské tlačiarne, akciová spoločnosť – active member
- C.E.N. s.r.o. – active member
- Issuer – active member
- GGE invest, s.r.o. – active member
- GGFS s.r.o. – active member
- GRAFOBAL GROUP development, a.s. – active member
- GRAFOBAL, akciová spoločnosť – active member
- INTERCOM Development s.r.o. – active member
- Kompletný TRH Nehnuteľností, s.r.o. – active member
- Národný futbalový štadión, a.s. – active member
- PDMC, s.r.o. – active member
- Prima bývanie, s.r.o. – active member
- Prvá univerzitná, a.s. – active member
- R 2, spol. s r.o. – active member
- Rača Residentials s.r.o. – active member

- Račany Rosso s.r.o. – active member
- Radničné námestie Rača s.r.o. – active member
- TECHNOTRADE INVEST spol. s r.o. – active member
- TENERGO Slovensko, a.s. – former member
- REBLOK Bratislava, a.s. – active member
- TESAKO a.s. – former member.

Member of supervisory board:

- ESO tech, a.s. – active member
- GGE distribúcia, a.s. – active member
- Grafobal Group Golf Resort a.s. – active member
- IFM, a.s. – active member
- TABAKOLAND Slovakia, a.s. – former member
- KGJ Invest a.s. – active member
- SLOV COUPON, a.s. – active member
- TENERGO Slovensko, a.s. – active member
- TEPLÁREŇ, a.s., Považská Bystrica – active member
- VODAX a.s. – active member.

Partner:

- GGFS s.r.o. – active partner
- Kompletný TRH Nehnuteľností, s.r.o. – active partner.

Roman Jankovič

Since 1990 Mr. Roman Jankovič is actively managing business development of marketing and advertising division in company REBLOK, a.s. (in position of the president of board of directors). He joined GG TABAK a.s. in 2006 in the position of the president of board of directors and until today actively manages top management of sales and distribution of tobacco products and office supplies in the Slovak Republic. As a member of board of directors of Slovenská Grafia a.s., he is actively taking part in management of one of the most important companies in Slovak printing industry since 2004.

Member of board of directors:

- EUROPROJEKT, a.s. – active member
- GG SERVIS s.r.o. – active member
- GGT a.s. – active member

- Grafobal Group Golf Resort a.s. – active member
- INTERACTIV.ME, s.r.o. – active member
- LAVO Real s.r.o. – former member
- REBLOK a.s. – active member
- Reblok Slovakia, s.r.o. – active member
- RJ one s.r.o. – active member
- SENIOR, spol. s.r.o. – active member
- Slovenská Grafia a.s. – active member
- Spotrebné družstvo I M P U L Z – active member
- TAM Group, a.s. – former member
- Snina Energy, s.r.o. – active member
- SNINA ENERGO a.s. – active member
- G system services s.r.o. – active member
- R 2, spol. s r.o. – former member
- TABAKOLAND Slovakia, a.s. – former member.

Member of supervisory board:

- Eco Power a.s. – former member
- ELGAS, s.r.o. – active member
- ESO tech, a.s. – active member
- REBLOK a.s. – former member
- TAM Group, a.s. – former member
- Issuer – active member
- GGE distribúcia, a.s. – active member
- Green House a.s. – former member
- IFM, a.s. – active member
- Paroplyn PB, a.s. – former member
- Prvá univerzitná, a.s. – former member
- REMA a.s. – active member
- TENERGO Slovensko, a.s. – active member

- TEPLÁREŇ, a.s., Považská Bystrica – active member
- TOTAL ADVERTISING a.s. – former member
- KGJ Invest a.s. – active member.

Partner:

- FORNET, spol. s r.o. – former partner
- FORTE Slovakia spol. s r.o. – active partner
- G system services s.r.o. – former partner
- GG SERVIS s.r.o. – active partner
- “BUSINESS 4” spol. s r.o. – active partner
- GSYSTEM s.r.o. – active partner
- IMPRESSION, s.r.o. – former partner
- INTERACTIV.ME, s.r.o. – active partner
- KASKOSERVIS, s.r.o. – active partner
- LAPRINT, spol. s r.o. – former partner
- RCC, spol. s r.o. – active partner
- Reblok Slovakia, s.r.o. – active partner
- RJ one s.r.o. – active partner
- SENIOR, spol. s r.o. – active partner
- R 2, spol. s r.o. – former member.

Ing. Peter Gereg

After studies at the University of Economics in Bratislava, Mr. Peter Gereg worked in 1981 – 1992 as sales manager in Incheba, a.s. being responsible for participation of Slovak companies at foreign exhibitions. From 1992 to 2000 he as a statutory representative of Teleaxis a.s., at that time the marketing leader in the Czech and Slovak Republic specialized in financing major sports, social and cultural events. Since 2000, when he joined the Major Shareholder, he has been in position of general director of strategic customers division, in which he manages business activities between the Major Shareholder and partners from banking, insurance and trade sector. He is also active in management of VODAX, a.s.,one of biggest Slovak producers of mineral water.

Member of board of directors:

- Bratislavské tlačiarne, akciová spoločnosť – active member
- GS – SERVIS, s.r.o. – active member
- OLYMPIC a.s. – active member
- Správa vzdelávacích zariadení, s.r.o. – active member

- VODAX a.s. – active member.

Member of supervisory board:

- Issuer – active member
- Prvá univerzitná, a.s. – active member
- VERSUS, a.s. – active member.

Ing. Ladislav Haspel

After graduation at University of Economics in Prague his first top management position was the one of CEO at EPIC (European Privatization and Investment Company – Austrian company which focuses on consulting and advisory for privatization projects in CEE) with responsibility for coordination of projects and operational and financial management of companies within Group EPIC Slovakia. Since 1998 he acts as vice–president of the Major Shareholder, responsible for management of financial and capital operations of the whole Group.

Member of board of directors:

- PDMC, s.r.o. – active member
- AMI Slovakia, spol. s r.o. – active member
- CONALOC, spol. s r.o. – active member
- Major Shareholder – active member
- Grafobal Group Golf Resort a.s. – active member
- SLOV COUPON, a.s. – active member.

Member of supervisory board:

- ADUT PLUS, a.s. – active member
- Bratislavské tlačiarne, akciová spoločnosť – active member
- Issuer – active member
- GOLF RESORT SKALICA, a.s. – active member
- GRAFOBAL GROUP development, a.s. – active member
- GRAFOBAL, akciová spoločnosť – active member
- LUXURY BUSINESS JETS, a.s. – active member
- Mediaprint – Kapa Pressegrosso, a.s. – active member
- Národný futbalový štadión, a.s. – active member
- Slovenská Grafia a.s. – active member
- TABACO – Print, spol. S r.o. – active member

- TRANSPETROL, a.s. – active member
- VODAX a.s. – active member
- TENERGO Slovensko, a.s. – former member.

Ing. Pavol Bero

After graduation at University of Economics in Bratislava, Mr. Pavol Bero started working for Poštová banka, a.s. in marketing and PR division. Before joining the Issuer in 2007, Mr. Bero worked for Správa služieb diplomatického zboru, a.s. as a CFO where he was responsible for division of finance and marketing. Mr. Bero has been working for the Issuer on the position of financial director since 2007.

Member of board of directors:

- Teplo GGE s.r.o. – active member
- Eco Power a.s. – former member
- ELGAS, s.r.o. – active member
- EnerWood, s.r.o. – active member
- ESO tech, a.s. – active member
- GGE distribúcia, a.s. – active member
- IFM, a.s. – active member
- POV BYT development, s.r.o. – active member
- SOUTHERM SPRÁVA, s.r.o. – Active member
- SOUTHERM, s.r.o. – active member
- TEPLÁREŇ, a.s., Považská Bystrica – active member
- GGE d.o.o. BEOGRAD – active member.

Member of supervisory board:

- Energy Snina, a.s. – active member
- Správa služieb diplomatickému zboru, a.s. – former member.

Ing. Rudolf Pradla

After his graduation in 1983 at Faculty of Mechanical Engineering of Slovak University of Technology in Bratislava, Mr. Pradla started working for a local state–owned energy factory as a technical support firstly and ended up as director of energy plant in 2008. Mr. Pradla further worked at management positions in two other companies before joining Teplo GGE s.r.o. in 2011, where he works as a general director.

Member of board of directors:

- Dalkia Lučenec a.s. – former member
- Energy Snina, a.s. – former member

- Laná, a.s. – former member
- Dalkia Industry Žiar nad Hronom, a.s. – former member
- Teplo GGE s.r.o. – active member.

Member of supervisory board:

- Dalkia Brezno, a.s. – former member
- Dalkia Žiar nad Hronom, s.r.o. – former member
- Energy Snina, a.s. – active member
- Mestský športový klub Žiar nad Hronom, spol. s r.o. – former member
- ZSNP Invest, a.s. – former member.

Ing. Miroslav Struž

After his graduation in 1997 at Faculty of Mechanical Engineering of Slovak University of Technology in Bratislava, Mr. Struž started working for ZSE a.s., energy provider in the western part of the Slovak Republic, on diagnostics of distribution network equipment and power quality metering and thermo vision metering. Mr. Struž became later director of support services in Bratislavská tepláreňská, a.s. Currently, Mr. Struž works for the Group as director of sales and production.

Member of board of directors:

- ELGAS, s.r.o. – active member
- GGE distribúcia, a.s. – active member
- ELGAS Energy, s.r.o. – active member
- ELGAS Energy, sp. z o.o. – active member.

Member of supervisory board:

- ELGAS Sales a.s. – active member
- Energy Snina, a.s. – active member
- Západoslovenská distribučná, a.s. – active member.

Ing. Juraj Králik

After his graduation in 1983 at Faculty of Mechanical Engineering of Slovak University of Technology in Bratislava, Mr. Králik started working as technical support on various projects in the field of production of heat or electricity for a state–owned energy plant. Since 2006 he worked on various management positions in various local energy plant companies. He joined the Group on 2011 and currently works as a director of investments and operation for companies of the Group: TEPLÁREŇ, a.s., Považská Bystrica, Energy Snina, a.s. and SOUTHERM, s.r.o.

Member of board of directors:

- TENERGO Slovensko, a.s. – active member

- TENERGO Brno, a.s. – active member
- Žilinská teplárenská, a.s. – former member
- Zvolenská teplárenská, a.s. – former member.

None of the persons mentioned above performs any activity outside the Group significant with respect to the Group.

There is no family relationship between any of the persons mentioned above.

None of the persons mentioned above has ever been convicted in relation to any fraudulent offence.

There has never been any bankruptcy, receivership or liquidation in relation to persons mentioned above acting in the capacity of any of the following positions:

a) members of the administrative, management or supervisory bodies

b) partners with unlimited liability, in case of a limited partnership with a share capital

c) founders, if the Issuer/Group has been established for fewer than five years

d) any senior manager who is relevant to establishing that the Issuer/Group has the appropriate expertise and experience for the management of the Issuer/Group's business.

None of the persons mentioned above has ever been officially and publicly incriminated or sanctioned by statutory or regulatory authorities (including designated professional bodies) or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of Issuer/Group or from acting in the management or conduct of the affairs of any Issuer/Group.

There are no potential conflicts of interests between any duties to the Issuer/Group, of the persons mentioned above and their private interests and/or their other duties.

The Issuer is not aware of any potential conflicts of interests between any duties to the Issuer, of the members of the Management Board, Supervisory Body and Senior Management and their private interests and or other duties.

The Issuer is not aware of any arrangement or understanding with the Major Shareholder, customers, suppliers or other agreements pursuant to which any members of the Management Board and Senior Management were selected as a member of the administrative or management bodies or member of the Senior Management apart from arrangement under which the Major Shareholder appoints or dismisses the members of the Management Board and members of the Supervisory Body and Senior Management.

There are not any restrictions agreed by members of the Management Board, Supervisory Body and Senior Management on the disposal within a certain period of time of their holdings in the Issuer's securities.

Mr. Roland Tóth and Mr. Roman Jankovič are the only persons, *please see this Section of the Prospectus*, holding the Issuer's securities (*please see Section 3.7 of this Prospectus).* There are no restrictions on the disposal within a certain period with respect to these Issuer's securities which are in the ownership of Mr. Roland Tóth and Mr. Roman Jankovič.

3.15 Remuneration and benefits

TABLE 57: Remuneration and benefits paid to the Management Board, Supervisory Body and to Senior Management of the Issuer and its Subsidiaries

Period	Name	Position in the Issuer	Amount (EUR)
Year ended 31 December 2012	Roland Tóth	chairman of the Management Board	81,055
	Pavel Komorník	member of the Management Board	0
	RomanJankovič	member of the Supervisory Body	0
	Peter Gereg	member of the Supervisory Body	0
	Ladislav Haspel	member of the Supervisory Body	0
	Pavol Bero	senior manager	81,212
	Rudolf Pradla	senior manager	58,300
	Miroslav Struž	senior manager	72,856
	Juraj Králik	senior manager	67,049

Source: Issuer, unaudited

The Issuer has not set aside or accrued any amounts to provide pension, retirement or similar benefits to any member of the Supervisory Body, Management Board or Senior Management of the Issuer.

There are no benefits in kind granted by the Issuer/Group to the members of the Management Board, the Supervisory Body, Senior Management or key executives of the Issuer, except the benefit for Pavol Bero from ELGAS, s.r.o. consisting in using a motor vehicle for private needs.

The Issuer/Group does not provide any pensions, retirement or similar benefits to the members of the Management Board, the Supervisory Body or Senior Management.

3.16 Board practices

3.16.1 Term of office

The term of office of the Management Board, the Supervisory Body and the Senior Management of the Issuer as well as the period during which respective persons hold positions are provided herein below.

TABLE 58: Tenure of the Management Board, Supervisory Body and Senior Management of the Issuer

Name	Position within the Issuer	In the Position	
		Since	Until
Management Board			
Roland Tóth	chairman	2 March 2007	9 October 2018
Pavel Komorník	member	2 March 2007	9 October 2018
Supervisory Body			
Roman Jankovič	member	2 March 2007	2 March 2017
Peter Gereg	member	21 June 2008	21 June 2018
Ladislav Haspel	member	1 November 2012	1 November 2017
Senior Management			
Pavol Bero	senior manager	17 December 2007	indefinite
Rudolf Pradla	senior manager	1 December 2011	indefinite
Miroslav Struž	senior manager	1 July 2011	indefinite
Juraj Králik	senior manager	1 October 2011	indefinite

Source: Issuer

According to the Articles of Association of the Issuer dated 24 October 2013 (“Articles of Association”), the tenure of the members of the Management Board and the Supervisory Body shall be five years. On the other hand, the tenure of the Senior Management is regulated neither by the Commercial Code, nor by the Articles of Association. In addition, there is no limitation on the number of terms of office a member of the Management Board, Supervisory Body or Senior Management may serve.

3.16.2 Severance payments

There are not any contracts of the members of the Management Board, Supervisory Body and Senior Management with the Issuer or any of the companies of the Group providing for any benefits upon termination of term.

3.16.3 The Issuer's audit committee and remuneration committee

The Issuer does not have any audit committee or remuneration committee.

3.16.4 Compliance with the corporate governance regime

In general, no corporate governance code which would be generally binding, is enacted by Slovak legislation. However, private associations might require their members or partners to be subordinated to corporate governance codes adopted by such associations. One of such associations is the Bratislava Stock Exchange which was created in 2008. This code does not apply to the Issuer. As the Issuer intends to list its Shares on the WSE, it acknowledges the importance of Code of Best Practice for WSE Listed Companies, the most recent version being the Appendix to Resolution No.19/1307/2012 of the Exchange Supervisory Board dated 21 November 2012 ("WSE Corporate Governance Code").

With respect to the WSE Corporate Governance Code, the 'comply or explain' principle is applied. The Company will be obligated to report on each non–compliance together with a justification of such non–compliance and will be obligated to include summary information on non–compliance with the WSE Corporate Governance Code in the annual report. The Issuer acknowledges the importance of good corporate governance and intends to comply with the WSE Corporate Governance Code as much as it is practicable. Notwithstanding, at the time of the debut at the Warsaw Stock Exchange, the Company does not comply with the following rules:

I.5: A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.

Explanation of the Issuer: *The Issuer partially complies with this rule. The Issuer is assessing and remunerating managers on the basis of meeting particular KPIs (i.e. KPIs associated with performance (EBITDA, revenues), fulfillment of investment plans, efficiency of particular sources and facilities, etc.)*

I.9: The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.

Explanation of the Issuer: *Presently, there are no women either in the Management Board or Supervisory Body. Energy sector is not very attractive for women to ensure equal participation of men and women in management or supervisory functions. However, the Issuer supports equality of chances for men and women in the Group. Women are represented in several companies of the Group. The Group does not exclude the possibility that recommendations to appoint women to the Issuer's bodies and the Issuer's management would be implemented in the future.*

I.12: A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.

Explanation of the Issuer: *The Issuer, having regard to the need to carry out a number of technical activities, associated costs and risks and little experience in the market, is not opting for the time being to allow its shareholders to exercise the voting right during a General Meeting outside the venue of the General Meeting, using electronic communication means.*

II.1 item 9 a): A company should operate a corporate website and publish on it, in addition to information required by legal regulations: 9 a) a record of the General Meeting in audio or video format.

Explanation of the Issuer: *The Issuer will not publish a record of the General Meeting in audio or video format due to the need to carry out a number of technical activities, associated costs and risks and little experience in the market. However, if this practice became common, the Issuer does not exclude that this rule will be implemented in the future.*

III.6: At least two members of the Supervisory Body should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non–executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of item (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Body as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.

Explanation of the Issuer: *Presently, the Supervisory Body does not comprise of any independent member. The Supervisory Body consists of 3 members, appointed by the major shareholders which is the minimum number regarded by the Commercial Code. The current Shareholders of the Issuer are willing to appoint two additional independent members after conduction of public offering in order to provide enough time for consultation with new shareholders of the Issuer.*

IV.1: Presence of representatives of the media should be allowed at General Meetings.

Explanation of the Issuer: *According to the market practice of conducting of General Meetings in the Slovak Republic, the Issuer will not allow the presence of representatives of the media at General Meeting. However, if this practice became common, the Issuer does not exclude that this rule will be implemented in the future.*

IV.10: A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

1) real–life broadcast of General Meetings

2) real–time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.

Explanation of the Issuer: *The Issuer, having regard to the need to carry out a number of technical activities, associated costs and risks and little experience in the market, is not opting for the time being to allow real–life broadcast or bilateral communication of the General Meeting from other location than the venue of the General Meeting. However, the Issuer does not exclude that it will implement this practice going forward.*

The Company's report as to its compliance with the recommendations in the WSE Corporate

Governance Code will be included in the annual report of the Company for the first time for the financial year ending 31 December 2013.

3.17 Employees

3.17.1 Number of employees

At the date of this Prospectus, the number of full–time staff employed by the Issuer is 23. As at 31 December 2012 the number of full–time staff employed by the Issuer was 18. As at 31 December 2011 the number of full–time staff employed by the Issuer was 20. As at 31 December 2010 number of full–time staff employed by the Issuer was 9.

On 30 September 2013, the number of full–time staff employed by the Group is 284. As at 31 December 2012 the number of full–time staff employed by the Group was 285. As at 31 December 2011 the number of full–time staff employed by the Group was 287. As at 31 December 2010 number of full–time staff employed by the Group was 137.

The most employees of the Group are employed in the Slovak Republic. Some of the employees are employed in the Czech Republic, Serbia and Poland.

3.17.2 Shareholdings and stock options

No member of the Management Board, the Supervisory Body and the Senior Management holds any share of the Issuer, except for 10% of shares of the Issuer held by Roman Jankovič and 10% of shares of the Issuer held by Roland Tóth and there are no options of any member of the Management Board, the Supervisory Body and the Senior Management over the shares of the Issuer.

3.17.3 Arrangements for involving the employees in the capital of the Issuer

There are no such arrangements.

3.18 Major Shareholder

3.18.1 Shareholders structure and voting rights

The table below indicates the Issuer’s shareholding structure before the Offering.

TABLE 59: The Shareholders and the share capital of the Issuer before the Offering

Shareholder	Number of Shares and Votes Owned	Percentage of Shares and Votes Owned
Major Shareholder	8,000,000	80%
Roman Jankovič	1,000,000	10%
Roland Tóth	1,000,000	10%
TOTAL	**10,000,000**	**100%**

Source: Issuer

3.18.2 Direct or indirect control or ownership over the Issuer

The Issuer is directly controlled by the Major Shareholder which holds 80% interest in the Issuer. Therefore, the Major Shareholder has a control over the Issuer pursuant to the Securities Act as a result of which the Major Shareholder has a right to appoint or dismiss the members of the Management Board and members of the Supervisory Body and Senior Management. Mr. Ivan Kmotrík, who is the major shareholder in the Major Shareholder has indirect control over the Issuer.

3.18.3 Arrangements

The Issuer is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Issuer.

3.19 Related party transactions

Related parties of the Group have been identified as unconsolidated Subsidiaries and associates, companies under common ownership, shareholders, directors, management of the Group and Subsidiaries and the majority owner of the parent company of the Issuer, companies under his ownership and control as well as his family members.

Information on related parties' transactions is presented as at 30 September 2013, 31 December 2012, 31 December 2011, 31 December 2010. Since the end of September 2013 no material related parties transactions were made, except for a transaction made on 9 October 2013. As at this date, the General Meeting of the Issuer decided on the distribution of capital funds in the amount of 2,778,000 EUR to the Major Shareholder.

Transactions between the Group and related parties are made at arm's length basis.

TABLE 60: Related party transaction as at 30 September 2013 are summarized as follows

Issuer	Receivables	Payables	Revenues	Expenses
Shareholders				
Major Shareholder	–	–	–	–
Ing. Roland Tóth	–	–	–	–
Roman Jankovič	–	–	–	–
Mesto Dunajská Streda (minority shareholder)	–	–	–	–
Unconsolidated Subsidiaries and associates	1,640	715	2,213	493
Other related parties	2,458	10,477	4,927	232
TOTAL	**4,098**	**11,192**	**7,140**	**725**

Source: Issuer

TABLE 61: Related party transactions as at 31 December 2012 are sumarized as follows

Issuer	Receivables	Payables	Revenues	Expenses
Shareholders				
Major Shareholder	66	330	–	300
Ing. Roland Tóth	–	–	–	–
Roman Jankovič	–	–	–	–
Mesto Dunajská Streda (minority shareholder)	1	24	–	–
Unconsolidated Subsidiaries and associates	629	558	461	77
Other related parties	1,743	8,237	6,421	355
TOTAL	**2,439**	**9,149**	**6,889**	**732**

Source: Issuer

TABLE 62: Related party transactions as at 31 December 2011 are sumarized as follows

Issuer	Receivables	Payables	Revenues	Expenses
Shareholders				
Major Shareholder	12	566	47	300
Ing. Roland Tóth	–	–	–	–
Roman Jankovič	–	–	–	–
Mesto Dunajská Streda (minority shareholder)	–	–	–	–
Unconsolidated Subsidiaries and associates	621	156	254	86
Other related parties	598	9,759	4,516	27
TOTAL	**1,219**	**10,481**	**4,817**	**413**

Source: Issuer

TABLE 63: Related party transactions as at 31 December 2010 are sumarized as follows

Issuer	Receivables	Payables	Revenues	Expenses
Shareholders				
Major Shareholder	–	–	–	–
Ing. Roland Tóth	–	–	–	–
Roman Jankovič	–	–	–	–
Mesto Považská Bystrica	–	–	–	–
Mesto Dunajská Streda (minority shareholder)	415	45	494	798
Unconsolidated Subsidiaries and associates	282	54	110	34
Other related parties	162	12,295	3,661	237
TOTAL	**859**	**12,394**	**4,265**	**1,069**

Source: Issuer

Receivables from unconsolidated Subsidiaries are in the total amount of 1,640 EUR as of 30 September 2013 (2012: 629,000 EUR, 2011: 621,000 EUR, 2010: 282,000 EUR).

Payables to unconsolidated Subsidiaries as of 30 September 2013 comprise mainly payables to Energy Snina, a.s. (422,000 EUR) and TEPLÁREŇ, a.s., Považská Bystrica (115,000 EUR). In period covered by historical financial information it comprises mainly to EnerWood, s.r.o. (2012: 258,000 EUR, 2011: 0 EUR, 2010: 24,000 EUR), EcoPower, a.s. (2012: 102,000, 2011: 0 EUR, 2010: 0 EUR) and IFM, a.s. (2012: 134,000 EUR, 2011: 155,000 EUR, 2010: 3,000 EUR).

The bulk of payables to other related parties comprise a payable to Mr. Ivan Kmotrik (statutory representative of the ultimate parent company, the Major Shareholder) and represent a long–term loan in the amount of 7,999,000 EUR in period from the beginning of 2013 to the end of September 2013 (2012: 7,983,000 EUR, 2011: 7,983,000 EUR, 2010: 7,983,000 EUR).

Revenues with unconsolidated Subsidiaries and associates are from common business transactions. In period from the beginning of 2013 to the end of September 2013 the transactions were conducted mainly with TENERGO Brno, a.s. (686,000 EUR) and Teplo GGE s.r.o. (667,000 EUR). In years covered by historical financial statements by GGE invest, s.r.o. (2012: 229,000 EUR, 2011: 0 EUR, 2010: 2 000 EUR). Revenues with other related parties represent revenues from the normal course of business and the most significant item refers to revenues with Slovenská Grafia in the total amount of 4,927,000 EUR in period from the beginning of 2013 to the end of September 2013 (2012: 3,766,000 EUR), 2011: 3,806,000 EUR, 2010: 3,038,000 EUR).

TABLE 64: Remuneration paid to members of the Group's bodies and executive management was as follows

in thousands of EUR	As at 30 September 2013	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Salaries	595	791	656	446
Bonuses	69	19	77	77
Other benefits	3	1	1	1
TOTAL	**671**	**811**	**734**	**524**

Source: Issuer

The members of the Group have concluded numerous loan agreements among each other.

TABLE 65: List of loan agreements concluded between the members of the Group as of 29 November 2013

Lender	Borrower	Amount (EUR)	Maturity Day	Paid up	Outstanding Amount
ELGAS, s.r.o.	Issuer	1,500,000	6 February 2014	no	1,355,000
ELGAS, s.r.o.	Issuer	500,000	28 September 2014	no	500,000
ELGAS, s.r.o.	Issuer	185,000	31 December 2013	no	185,000
ELGAS, s.r.o.	Issuer	1,000	19 December 2013	no	1,000
ELGAS, s.r.o.	Issuer	1,400,781	1 February 2014	no	1,400,781
ELGAS, s.r.o.	Issuer	1,700,000	17 July 2014	no	1,700,000
Teplo GGE, s.r.o.	Issuer	200,000	19 January 2014	no	200,000
Teplo GGE, s.r.o.	Issuer	200,000	11 May 2014	no	200,000
Teplo GGE, s.r.o.	Issuer	800,000	7 February 2014	no	80,000
Teplo GGE, s.r.o.	Issuer	130,000	7 January 2014	no	130,000
SOUTHERM, s.r.o.	Issuer	193,510	30 October 2013	no	193,510
SOUTHERM, s.r.o.	Issuer	150,000	31 October 2013	no	150,000
SOUTHERM, s.r.o.	Issuer	250,000	30 November 2013	no	250,000
SOUTHERM, s.r.o.	Issuer	100,000	10 December 2013	no	100,000
SOUTHERM, s.r.o.	Issuer	500,000	15 December 2013	no	500,000
TENERGO Slovensko	Issuer	1,400,000	31 December 2019	no	1,400,000
TEPLÁREŇ, a.s., Považská Bystrica	Issuer	200,000	28 June 2014	no	200,000
IFM	Issuer	150,000	31 December 2013	no	101,000
GGE	GGE invest, s. r. o.	350,000	27 May 2014	no	240,000
GGE	KGJ Invest a.s.	650,000	17 July 2014	no	650,000
Teplo GGE s.r.o.	POV BYT development s.r.o.	255,740	31 December 2010	no	255,740
Teplo GGE s.r.o.	POV BYT development, s.r.o.	30,000	31 December 2013	no	30,000
Teplo GGE s.r.o.	POV BYT development, s.r.o.	4,000	31 December 2013	no	4,000
Teplo GGE s.r.o.	IFM, a.s.	44,840	30 September 2012	partly	34,840
Teplo GGE, s.r.o.	TENERGO Brno, a.s.	1,035,000	31 December 2013	yes	0
Teplo GGE, s.r.o.	TENERGO Brno, a.s.	133,027	31 December 2013	yes	0
Teplo GGE, s.r.o.	TENERGO Brno, a.s.	368,754	31 December 2013	no	368,754

Teplo GGE, s.r.o.	ELGAS, s.r.o.	50,000	28 November 2012	yes	0
TENERGO Brno, a.s.	Teplo GGE, s.r.o.	1,318,897	31 December 2013	yes	0
TENERGO Brno, a.s.	TEPLÁREŇ, a.s., Považská Bystrica	400,000	31 December 2013	no	100,000
ELGAS, s.r.o.	Energy Snina, a.s.	100,000	2 October 2013	2 October 2013	100,000
ELGAS, s.r.o.	Energy Snina, a.s.	50,000	2 October 2013	2 October 2013	50,000
ELGAS, s.r.o.	Energy Snina, a.s.	250,000	2 October 2013	2 October 2013	250,000
TEPLÁREŇ, a.s., Považská Bystrica	Energy Snina, a.s.	150,000	31 December 2013	no	150,000
TEPLÁREŇ, a.s., Považská Bystrica	Energy Snina, a.s.	150,000	31 December 2013	no	150,000
Energy Snina, a.s.	Issuer	387,000	14 May 2013	yes	0
Energy Snina, a.s.	Snina Energy s.r.o.	600,000	31 December 2014	no	600,000
Energy Snina, a.s.	Snina Energy s.r.o.	98,000	31 December 2014	no	98,000
Energy Snina, a.s.	Snina Energy s.r.o.	10,000	31 December 2014	no	10,000
Energy Snina, a.s.	Snina Energy s.r.o.	156,000	31 December 2014	no	156,000
Energy Snina, a.s.	Snina Energy s.r.o.	180,000	31 December 2014	no	180,000
Energy Snina, a.s.	Snina Energy s.r.o.	30,000	31 December 2014	no	30,000
Energy Snina, a.s.	Snina Energy s.r.o.	220,000	31 December 2014	no	220,000
Energy Snina, a.s.	Snina Energy s.r.o.	250,000	31 December 2014	no	250,000
SOUTHERM, s.r.o.	Eco Power a. s.	8,000	31 May 2013	no	8,000
SOUTHERM, s.r.o.	SOUTHERM SPRÁVA, s.r.o.	5,000	31 December 2013	no	5,000
SOUTHERM, s.r.o.	Issuer	39,000	31 October 2014	no	0
GGE distribúcia, a.s.	ELGAS, s.r.o.	800,000	31 December 2013	no	800,000
ELGAS, s.r.o.	TENERGO Slovensko, a.s.	700,000	26 April 2014	no	700,000
ELGAS, s.r.o.	TENERGO Slovensko, a.s.	75,000	25 September 2013	no	75,000
ELGAS, s.r.o.	TENERGO Slovensko, a.s.	400,000	1 October 2014	no	400,000
ELGAS, s.r.o.	TENERGO Slovensko, a.s.	250,000	23 October 2014	no	250,000
ELGAS, s.r.o.	TENERGO Slovensko, a.s.	100,000	8 July 2014	no	100,000
ELGAS, s.r.o.	Teplo GGE, s.r.o.	570,000	26 July 2013	yes	0
ELGAS, s.r.o.	ELGAS Sales a.s.	12,000	31 December 2013	no	12,000
ELGAS, s.r.o.	ELGAS Energy Trading, d.o.o.	225,000	31 December 2013	no	225,000
ELGAS, s.r.o.	TENERGO Brno, a.s.	100,000	31 December 2013	no	100,000
ELGAS, s.r.o.	ELGAS Energy, s.r.o.	5,000	31 December 2013	no	5,000
ELGAS, s.r.o.	ELGAS Energy, s.r.o.	3,906	31 December 2013	no	3,906
ELGAS, s.r.o.	ELGAS Energy, Kft.	3,000	31 December 2013	no	3,000
ELGAS, s.r.o.	ELGAS Energy, Kft.	41,793		no	41,793

Source: Issuer

3.20 Financial information concerning the Issuer’s assets and liabilities, financial position, profits and losses

3.20.1 Historical financial information

The consolidated historical financial information covering the latest three financial years and the audit report in respect of each year are included in Attachment No. 1.The financial information is prepared according to Regulation (EC) No 1606/2002.

The audited consolidated historical financial information is presented and prepared in a form consistent with that which will be adopted in the Issuer’s next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

The historical annual financial information is independently audited and it gives a true and fair view, in accordance with auditing standards applicable in the Slovak Republic.

TABLE 66: The Issuer’s consolidated statement of financial position

in thousands of EUR	2012	2011	2010	2009
		(restated)	(restated)	
ASSETS				
NON–CURRENT ASSETS				
Property, plant and equipment	88,201	83,994	68,846	28,123
Goodwill	4,133	4,133	–	–
Intangible assets	209	302	420	126
Financial investments	275	319	317	776
Deferred tax asset	129	82	8	34
TOTAL non–current assets	**92,948**	**88,830**	**69,591**	**29,059**
CURRENT ASSETS				
Inventories	1,147	275	316	823
Trade and other receivables	18,755	12,126	8,622	7,801
Current tax asset	395	30	20	58
Current financial investments	355	382	1,217	1,468
Other current assets	445	391	252	23
Cash and bank balances	6,884	14,741	16,819	1,153
TOTAL current assets	**27 981**	**27 945**	**27 246**	**11 326**
TOTAL ASSETS	**120,929**	**116,775**	**96,837**	**40,385**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	664	664	664	664
Reserves	8,898	8,573	8,878	8,845
Retained earnings	11,518	7,680	3,559	2,463
Equity attributable to shareholders of the parent company	21,080	16,917	13,101	11,972
Non–controlling interests	757	720	1,246	1,086
TOTAL equity	**21,837**	**17,637**	**14,347**	**13,057**
NON–CURRENT LIABILITIES				
Borrowings	48,992	55,095	18,734	11

Obligations under finance lease	1,032	29	–	–
Deferred tax liability	739	353	431	459
Deferred income	4,080	289	104	(60)
Other liabilities	1,060	317	130	124
Non–current liabilities	55,903	56,083	19,399	534
CURRENT LIABILITIES				
Trade and other payables	22,405	19,072	13,042	5,168
Borrowings	19,033	21,793	48,270	20,763
Obligations under finance lease	444	57	3	–
Current tax liabilities	421	644	482	51
Deferred income	483	646	247	152
Other liabilities	403	843	1,047	660
Current liabilities	43,189	43,055	63,091	26,794
TOTAL LIABILITIES	**99,092**	**99,138**	**82,490**	**27,328**
TOTAL EQUITY AND LIABILITIES	**120,929**	**116,775**	**96,837**	**40,385**

Source: Issuer

TABLE 67: The Issuer's consolidated statement of comprehensive income

in thousands of EUR	2012	2011 (restated)	2010 (restated)	2009
Revenues	109,328	63,938	28,362	18,918
Energy consumption	(78,404)	(39,454)	(15,779)	(11,161)
Consumables and services	(10,546)	(5,827)	(5,904)	(2,912)
Labor and related expenses	(5,121)	(3,742)	(2,722)	(2,341)
Depreciation and amortisation	(7,416)	(5,478)	(1,404)	(1,081)
Negative Goodwill	906	–	–	–
Other gains and losses	1,469	(964)	(63)	1,698
Other expenses	(246)	(457)	(169)	(180)
Interest income	78	108	46	3
Interest expense	(2,922)	(2,836)	(522)	(204)
Profit before tax	7,126	5,288	1,847	2,734
Income tax expense	(1,694)	(937)	(562)	(73)
Profit for the year	**5,432**	**4,351**	**1,285**	**2,661**
Attributable to:				
Shareholders of the Company	5,396	4,287	1,128	2,529
Non–controlling interests	36	64	157	132
Earnings per share	26.98	21.43	5.65	12.65
Profit for the year	**5,432**	**4,351**	**1,285**	**2,661**

Other comprehensive income

Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(6)	(93)	–	–
Cash flow hedges	(97)	(411)	–	–
Income tax relating to items that may be reclassified subsequently to profit or loss	22	94	–	
Other comprehensive income for the year, net of tax	(81)	(410)	–	
TOTAL comprehensive income for the year	**5,351**	**3,941**	**1,285**	**2,661**
Attributable to:				
Shareholders of the Company	5,314	3,877	1,128	2,529
Non–controlling interests	37	64	157	132

Source: Issuer

TABLE 68: The Issuer's consolidated statement of changes in equity

in thousands of EUR	Share Capital	Other Capital Funds	Legal Reserve Fund	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Equity Attributable to Shareholders of the Issuer	Non–Controlling Interest	TOTAL
As at 1 January 2009	664	–	66	–	–	(65)	665	954	1,618
Appropriation of retained earnings	–	–	1	–	–	(1)	–	–	–
Other	–	8,778	–	–	–	–	8,778	–	8,778
Profit for the year	–	–	–	–	–	2,528	2,528	132	2,661
TOTAL as at 31 December 2009	**664**	**8,778**	**67**	**–**	**–**	**2,462**	**11,971**	**1,086**	**13,057**
As at 1 January 2010	664	8,778	67	–	–	2,462	11,971	1,086	13,057
Appropriation of retained earnings	–	–	30	–	–	(30)	–	–	–
Profit for the year	–	–	–	–	–	772	772	148	920
TOTAL as at 31 December 2010 (previously reported)	**664**	**8,778**	**97**	**–**	**–**	**3,204**	**12,743**	**1,234**	**13,977**
Adjustments	–	–	3	–	–	355	358	12	370
TOTAL as at 31 December 2010 (restated)	**664**	**8,778**	**100**	**–**	**–**	**3,559**	**13,101**	**1,246**	**14,347**
As at 1 January 2011 (previously reported)	664	8,778	97	–	–	3,204	12,743	1,234	13,977
Adjustments	–	–	3	–	–	355	358	12	370
As at 1 January 2011 (restated)	664	8,778	100	–	–	3,559	13,101	1,246	14,347
Appropriation of retained earnings	–	–	105	–	–	(105)	–	–	–
Decrease of a non–	–	–	–	–	–	(61)	(61)	(590)	(651)

controlling interest in POV BYT development, s.r.o.									
Other comprehensive income	–	–	–	(317)	(93)	–	(410)	–	(410)
Profit for the year	–	–	–	–	–	4,287	4,287	64	4,351
TOTAL as at 31 December 2011 (restated)	**664**	**8,778**	**205**	**(317)**	**(93)**	**7,680**	**16,917**	**720**	**17,637**
As at 1 January 2012 (previously reported)	664	8,778	175	–	(95)	7,362	16,884	700	17,584
Adjustments	–	–	30	(317)	2	318	33	20	53
As at 1 January 2012 (restated)	664	8,778	205	(317)	(93)	7,680	16,917	720	17,637
Appropriation of retained earnings	–	–	407	–	–	(407)	–	–	–
Profit distribution	–	–	–	–	–	(1,150)	(1,150)	–	(1,150)
Other comprehensive income	–	–	–	(75)	(7)	–	(82)	1	(81)
Profit for the year	–	–	–	–	–	5,396	5,396	36	5,432
TOTAL as at 31 December 2012	**664**	**8,778**	**612**	**(392)**	**(100)**	**11,518**	**21,080**	**757**	**21,837**

Source: Issuer

TABLE 69: The Issuer's consolidated statement of cash flow

in thousands of EUR	2012	2011 (restated)	2010 (restated)	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income taxes	7,126	5,288	1,847	2,734
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation	7,416	5,478	1,404	1,081
Interest expense, net	2,798	2,574	476	207
Provision for receivables	(16)	(1)	73	2,162
Provision for inventory	–	(2)	(2)	5
Receivables write offs	44	1	11	7
Negative goodwill release	(906)	–	–	–
Loss/(gain) on sale of fixed assets	113	(5)	(26)	(24)
Financial derivative instruments	–	391	–	–
Unrealized exchange rate differences, net	(160)	(486)	(4)	–
Changes in assets and liabilities:				
Trade and other receivables	(2,723)	(1,107)	(891)	(3,254)
Inventories	(647)	114	510	(460)
Trade and other payables	(1,648)	1,782	770	391
Deferred income	3,628	185	104	–
Other assets and liabilities	(161)	(527)	(49)	(27)
Net cash provided by operations:	14,864	13,685	4,223	2,822
Interest received	74	185	49	(3)
Interest paid	(2,568)	(2,474)	(524)	(204)
Income tax paid	(1,952)	(1,151)	(163)	5
Net cash provided by operating activities	**10,418**	**10,245**	**3,585**	**2,620**
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to tangible and intangible non–current assets	(5,061)	(12,728)	(34,998)	(6,581)
Proceeds from sale of tangible non–current assets	110	38	852	2,162
Disposal/(acquisition) of non–current financial investments	44	(2)	328	4
Net proceeds from current financial investments, i.e. loans repaid/(provided)	27	835	(311)	–
Decrease of non–controlling interests in POV BYT development, s.r.o.	–	(200)	–	–
Net cash outflow from acquisition of Subsidiaries	(2,460)	(5,300)	7	–
Minority interest	–	–	3	–
Net cash used in investing activities	**(7,340)**	**(17,357)**	**(34,119)**	**(4,415)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments made of borrowings	(13,764)	(19,758)	(4,862)	(1,540)
Payments received of borrowings	4,538	25,455	50,478	1,128
Net payments of finance lease	(479)	22	(34)	–

obligations				
Payment of dividends	(1,150)	(250)	–	–
Net cash received/(used) from financing activities	**(10,855)**	**5,469**	**45,582**	**(412)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,777)	(1,643)	15,048	(2,207)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,741	16,819	1,153	3,360
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(80)	(435)	618	–
CASH AND CASH EQUIVALENTS, END OF PERIOD	**6,884**	**14,741**	**16,819**	**1,153**

Source: Issuer

For the purposes of Article 4a of the Prospectus Regulation, the Issuer is not aware of the fact that it should be treated as an issuer with complex financial history and has not made any significant financial commitment.

3.20.2 Pro forma financial information

The pro forma information is not included in this Prospectus as any transaction undertaken by the Issuer during the period of 2012 and six months of 2013 does not represent significant gross change, i.e. a variation of more than 25% relative to one or more indicators of the size of the Issuer's business.

3.20.3 Financial statements

The audited consolidated financial statements for 2010, 2011 and 2012 are attached as Attachment No. 1 to this Prospectus.

The reviewed interim condensed consolidated financial statements for six months ended 30 June 2013 are attached as Attachment No. 2 to this Prospectus.

The Prospectus does not include other statements audited or reviewed by the independent Auditor.

In the Prospectus the Issuer presents also financial information which are not extracted from audited or reviewed financial statements. Please find below list of such information:

- operating profit (EBIT) and EBITDA, *please see Summary and Section 3.3, 3.6.1 and 3.9 of this Prospectus*
- split of revenues by segments, *please see Summary and Section 3.6.1 and 3.9 of this Prospectus*
- geographical split of revenues, *please see Section 3.6.3 of this Prospectus*
- split of revenues (sale) for each significant company, *please see Section 3.6.1 of this Prospectus*.
- revenues and costs for three quarters of 2013, *please see Section 3.12.1 of this Prospectus*.

3.20.4 Auditing of historical annual financial information

The audited financial statements for 2010, 2011 and 2012 including the Auditor's report in respect of each year are attached as Attachment No. 1 to this Prospectus. The reviewed financial statements for first half of 2013 are attached as Attachment No. 2 to this Prospectus.

3.20.5 Age of latest financial information

The last audited financial information are not older than 18 months from the date of the Prospectus.

3.20.6 Interim and other financial information

TABLE 70: The Issuer's interim condensed consolidated statement of financial position

in thousands of EUR	30 June 2013	31 December 2012
NON–CURRENT ASSETS		
Property, plant and equipment	88,759	88,201
Goodwill	4,133	4,133
Intangible assets	166	209
Financial investments	114	275
Deferred tax assets	224	129
TOTAL non–current assets	**93,396**	**92,948**
CURRENT ASSETS		
Inventories	1,684	1,147
Trade and other receivables	17,863	18,755
Current tax assets	196	395
Other financial investments	352	355
Other assets	266	445
Cash and bank balances	6,613	6,884
TOTAL current assets	**26,974**	**27,981**
TOTAL ASSETS	**120,370**	**120,929**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	664	664
Reserves	8,952	8,898
Retained earnings	15,225	11,518
Equity attributable to shareholders of the Issuer	24,841	21,080
Non–controlling interests	815	757
TOTAL equity	**25,656**	**21,837**
NON–CURRENT LIABILITIES		
Borrowings	46,432	48,992
Obligations under finance lease	1,447	1,032
Deferred tax liability	501	739
Deferred income	4,272	4,080
Other liabilities	342	1,060
TOTAL non–current liabilities	**52,994**	**55,903**
CURRENT LIABILITIES		
Trade and other payables	23,838	22,405
Borrowings	15,380	19,033
Obligations under finance lease	585	444
Current tax liabilities	656	421
Deferred income	560	483
Other liabilities	701	403
TOTAL current liabilities	**41,720**	**43,189**
TOTAL EQUITY AND LIABILITIES	**120,370**	**120,929**

Source: Issuer

TABLE 71: The Issuer's interim condensed consolidated statement of comprehensive income

in thousands of EUR	Six Months Ended 30 June 2013	Six Months Ended 30 June 2012
Revenue	88,380	57,009
Energy consumption	(67,658)	(39,760)
Material consumption and services purchased	(6,970)	(6,228)
Labor and related expenses	(2,779)	(2,510)
Depreciation and amortization	(3,840)	(3,831)
Negative goodwill	–	906
Other gains and losses	(604)	972
Other expenses	(95)	(106)
Interest income	76	85
Interest expense	(1,313)	(1,475)
Profit before tax	5,197	5,062
Income tax expense	(1,035)	(848)
Profit for the period	**4,162**	**4,214**
Attributable to:		
Shareholders of the Issuer	*4,134*	*4,174*
Non–controlling interests	*28*	*40*
Earnings per share	20.67	20.87
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(93)	72
Cash flow hedges	139	65
Income tax relating to items that may be reclassified subsequently	(32)	(1)
Other comprehensive income for the period, net of income tax	14	136
TOTAL comprehensive income for the period	**4,176**	**4,350**
Attributable to:		
Shareholders of the Issuer	*4,164*	*4,342*
Non–controlling interests	*12*	*8*

Source: Issuer

TABLE 72: The Issuer's interim condensed consolidated statement of changes in equity

in thousands of EUR	Share Capital	Other Capital Funds	Legal Reserve Fund	Cash Flow Hedging Reserve	Retained Earnings	Foreign Translation of a Foreign Subsidiary	Equity Attributable to Shareholders of the Issuer	Non–Controlling Interest	TOTAL
As at 1 January 2013	664	8,778	612	(392)	11,518	(100)	21,080	757	21,837
Profit for the period	–	–	–	–	4,134	–	4,134	28	4,162
Other comprehensive income for the period, net of income tax	–	–	(2)	95	–	(91)	2	12	14
TOTAL comprehensive income for the period	**–**	**–**	**(2)**	**95**	**–**	**(91)**	**2**	**12**	**14**
Profit distribution to the Supervisory Body members	–	–	–	–	(375)	–	(375)	–	(375)
Appropriation of retained earnings	–	–	52	–	(52)	–	–	–	–
Additional non–controlling interest arising from the acquisition of GGE d.o.o. BEOGRAD	–	–	–	–	–	–	–	18	18
As at 30 June 2013	**664**	**8,778**	**662**	**(297)**	**15,225**	**(191)**	**24,841**	**815**	**25,656**
As at 1 January 2012	664	8,778	205	(317)	7,680	(93)	16,917	720	17,637
Profit for the period	–	–	–	–	4,174	–	4,174	40	4,214
Other comprehensive income for the period, net of income tax	–	–	–	58	–	72	130	8	138
TOTAL comprehensive income for the period	**–**	**–**	**–**	**58**	**=**	**72**	**130**	**8**	**138**
Profit distribution to the Supervisory Body members	–	–	–	–	(1,150)	–	(1,150)	–	(1,150)
Appropriation of retained earnings	–	–	186	–	(186)	–	–	–	–
As at 30 June 2012	**664**	**8,778**	**391**	**(259)**	**10,518**	**(21)**	**20,071**	**768**	**20,839**

Source: Issuer

TABLE 73: The Issuer's interim condensed consolidated statement of cash flow

in thousands of EUR	Six Months Ended 30 June 2013	Six Months Ended 30 June 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income taxes	5,197	5,062
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation	3,840	3,831
Interest expense, net	1,219	1,378
Provision for receivables	(337)	–
Provision for inventory	–	–
Receivables write offs	–	–
Loss/(gain) on sale of fixed assets	(12)	(178)
Negative goodwill	–	(906)
Unrealized exchange rate differences, net	(8)	347
Changes in assets and liabilities:		
Trade and other receivables	1,248	4,262
Inventories	(537)	(107)
Trade and other payables	2,379	(6,379)
Other assets and liabilities	(500)	2,196
Net cash provided by operations:	12,489	9,506
Interest received	76	85
Interest paid	(1,497)	(1,463)
Income tax paid	(503)	(860)
Net cash provided by operating activities	**10,565**	**7,268**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to tangible and intangible non–current assets	(4,100)	(6,159)
Proceeds from sale of tangible non–current assets	12	178
Disposal/(acquisition) of non–current FI	161	59
Net cash outflow from acquisition of Subsidiaries	–	(2,460)
Net cash used in investing activities	**(3,927)**	**(8,382)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made of interest–bearing borrowings	(8,689)	(4,286)
Payments received of interest–bearing borrowings	2,475	2,269
Net payments of finance lease obligations	(235)	(75)
Profit distribution	(375)	(1,150)
Net cash used in financing activities	**(6,824)**	**(3,242)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(186)	(4,356)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,884	14,741
UNREALIZED FX DIFF – CASH	(85)	(275)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**6,613**	**10,110**

Source: Issuer

3.20.7 Dividend policy

Decision on distribution of dividends to shareholders is adopted by the General Meeting according to the Commercial Code.

As from 2010 the Issuer has paid to its shareholders the following amounts of dividends.

TABLE 74: Distributed amounts of dividends

Dividend for Year	Distributed Dividends in Total (EUR)	Distributed Dividends per Share (EUR)
2010	0	0
2011	0	0
2012	0	0

Source: Issuer

Given the relatively short period in which the Issuer is in the market and given ambitious expansion strategy, for the period covered by historical financial information, the Issuer did not distribute any dividends as the operational profit was used for further investments of the Group.

However, in accordance with the policies of the Management Board on the payment of dividends in the next five financial years (starting with dividends arising from the financial year 2014), the intention of the Management Board is to recommend to the General Meeting a distribution of dividend of approximately 60 – 70% of the net profit of the Issuer, with the possibility of extending that period for the next years. The payout of dividend for the financial year 2013 will be conditional upon development stage of planned investments and results of the envisaged to this initial public offering. Where all planned investments will start shortly, the Management Board would recommend seizing the opportunity of sharp increase of company development and postponing dividend payouts to start from dividends arising from the financial year 2014. The final proposal of the draft decision as to declaration and payment of dividends to shareholders will be at the discretion of the Management Board and will depend on the Issuer's financial condition, capital requirements and other factors the Management Board deems relevant. Below are general rules which apply with respect to any dividends declared by the Issuer.

Shares give right to dividend declared by the General Meeting. The relevant day for determining the persons entitled to exercise the right to dividend is determined by the General Meeting which decided on the distribution of the dividends ("Relevant Day"). The Relevant Day shall not be determined to be earlier than the 5th day following the day the General Meeting was held, or a day later than the 30th day after the General Meeting was held. If the Relevant Day is not determined by the General Meeting, it shall be deemed the 30th day after the General Meeting by which distribution of dividends was decided, was held. The same rules for paying dividends are applied both to residents and non–residents of Poland with the exception of taxation requirements (*please see Section 4.4.19 of this Prospectus*). Dividends are paid to the shareholders in proportion to the aggregate sum of the nominal value of the shares held by the shareholders. Dividends can be paid only in cash. The dividends attributable to the shares are non–cumulative. The Commercial Code prohibits from distributing dividends in a financial year from which the dividends stem.

The Issuer may only distribute annual dividends out of its distributable profits that consist of net profit for each financial year, as increased or reduced by any profit or loss carried forward from the previous year and/or profit or loss of the current financial year in the profit and loss account, plus any amounts held in its reserves that the shareholders decide to make available for distribution (other than those reserves that are specifically required by Slovak laws) and shareholders' contributions to cover loss, less any distributions for any other purposes decided by the General Meeting.

3.20.8 Legal and arbitration proceedings

The Issuer is not aware of any governmental, legal or arbitration proceedings which may have, or have had in the last 12 months significant effects on the Issuer and/or the Group's financial position or profitability.

3.20.9 Significant change in the Issuer's financial or trading position

In July 2013, the Group acquired the shares of a minority shareholder in the subsidiary SOUTHERM, s.r.o. After this transaction, the Group is 100% owner of SOUTHERM, s.r.o. The Group also bought boilers and part of heating system from the municipality of Dunajská Streda in July 2013, for the price of 1,920,000 EUR. The project was carried out by SOUTHERM, s.r.o.

In August 2013 the Group established new subsidiary GGE UA TOV in Ukraine. The share capital of established company is 1,000,000 UAH (approximately 10,000 EUR). The company was registered in the commercial register on 20 August 2013. In addition, the following Subsidiaries of GGE UA TOV were established – GGE UA Odesa TOV with 95% ownership interest, GGE UA Pivden TOV with 80% ownership interest and GGE UA Zahid TOV with 80% ownership interest. Each of these Subsidiaries was registered in the commercial register on 1 October 2013 with share capital of 1,000 EUR. The investments in the business operations in Ukraine have been approved in the amount of 500,000 EUR.

On 26 September 2013, the Issuer entered into a Guarantee Agreement as a guarantor where jointly, severally and unconditionally guarantees together with several other companies the full payment of all amounts payable resulting from the syndicated agreements for the purchase of property. As of the date of this Prospectus, the amount drawn in relation to the guaranteed loan is 35,028,418.30 EUR. The guarantee is provided to the guarantee lender (Bayerische Landesbank), the facility agent (ING Capital LLC), the security trustee (Wilmington Trust Company) and Export–Import Bank of the United States of America.

The Management Board is currently working on cancelling this guarantee. The guarantee should be cancelled by the Listing Date.

On 9 October 2013, the General Meeting of the Issuer decided on the distribution of capital funds in the amount of 2,778,000 EUR to the Major Shareholder. The reasoning of this distribution was as follows: in 2008 the Major Sharehorder issued a loan for approximately 10,100,000 EUR. In 2009, approximately 8,800,000 EUR was capitalized and the approximately 1,300,000 EUR was paid back to the Major Shareholder. Part of the capitalized 8,800,000 EUR, approximately 2,800,000 EUR, was paid back in 2013. The remaining 6,000,000 EUR was used for capital increase later in 2013.

On 24 October 2013, the extraordinary General Meeting approved the increase in share capital up to 10,000,000 EUR issuing additional 9,336,112 shares with nominal value of 1 EUR each. The contribution to share capital was as follows:

- from other capital funds (by 6,000,000 EUR)
- from retained earnings (by 3,336,000 EUR).

On 4 November 2013, the Group acquired 100% shares in ENET Energy Polska Sp. z o. o. (seated in Warsaw) for the price of 630,000 PLN (approximately 150,000 EUR). The company is engaged in selling of electricity and gas in Poland. The acquired subsidiary changed its business name to ELGAS Energy, sp. z o.o.

From 30 June 2013 up to the date of this Prospectus, there were no other events that would have a significant impact on the Group's financial or trading positions, except for those described above.

3.21 Additional information

3.21.1 Share capital

Based on the resolution of the extraordinary General Meeting of the Issuer from 24 October 2013, there are currently 10,000,000 authorized bearer shares already fully paid, each of them in the nominal value of 1 EUR in a book–entry form (the Existing Shares). All Existing Shares are ordinary shares. The Issuer has therefore no preference Existing Shares. The nominal value of all Existing Shares is 10,000,000 EUR. Since the registration of the Issuer in the commercial register in 2007 until 20 June 2008, only 30% of the share capital of the Issuer was paid; since that date the share capital of the Issuer has been fully paid.

The history of share capital of the Issuer:

- from 2 March 2007 to 20 June 2008: 20,000,000 SKK (of which 6,000,000 SKK was paid as mentioned above) consisting of 200 shares, each of them in the nominal value of 100,000 SKK, on the basis of the Memorandum of Association on the basis of which the Issuer was established

- from 21 June 2008 to 4 August 2010: 20,000,000 SKK consisting of 200 shares, each of them in the nominal value of 100,000 SKK, on the basis of declaration of the Management Board of the Issuer on paid up of the entire registered capital from 28 May 2008

- from 5 August 2010 to 6 November 2013: 663,878 EUR consisting of 200 shares, each of them in the nominal value of 3,319.39 EUR, on the basis of resolution of the General Meeting of the Issuer from 21 December 2009 due to conversion from SKK to EUR

- from 7 November 2013: 10,000,000 EUR consisting of 10,000,000 shares, each of them in the nominal value of 1 EUR, on the basis of resolution of the extraordinary General Meeting from 24 October 2013 due to increase of share capital from the own assets of the Issuer.The contribution to share capital was as follows:

  – from other capital funds (by 6,000,000 EUR)

  – from retained earnings (by 3,336,000 EUR).

The Issuer has not issued shares, not representing its capital.

The Issuer has no shares of its own, held by it or which are held on the Issuer's behalf or which are held by the Subsidiaries.

The Issuer has not issued any convertible securities, exchangeable securities or securities with warrants.

The Issuer has not issued any acquisition rights and has no obligation over issued capital or an undertaking to increase the capital.

The Issuer is not aware of any information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option.

3.21.2 Memorandum of Association and Articles of Association

(a) The Issuer's objects

In accordance with paragraph 2.1 of the Articles of Association of the Issuer, the object of the Issuer's activities is the following:

- purchase of goods for the purposes of their sale to the end consumer (retail) within the scope of free trades

- mediation activities within the scope of free trades

- business consulting within the scope of free trades

- market and public opinion surveys

- leasing of real estate and residential and non–residential premises, including the provision of other than basic lease–related services

- economic, organizational and financial consulting

- factoring and forfeiting within the scope of free trades

- advertising and promotional activities within the scope of free trades

- leasing activities within the scope of free trades
- book–keeping
- computer services.

The Issuer may engage in any lawful activity that is not in conflict with legal acts of the Slovak Republic.

(b) Bodies of the Issuer

Pursuant to Section III. of the Articles of Association of the Issuer, the bodies of the Issuer are the following:

- the General Meeting
- the Supervisory Body
- the Management Board.

(i) General Meeting

According to the Articles of Association of the Issuer in connection with the Commercial Code, the General Meeting has the exclusive right to:

- change the Articles of Association
- decide on the increase or reduction of registered capital, on the authorization of the Management Board to increase the registered capital under Section 210 of the Commercial Code and on the issuance of priority bonds or exchangeable bonds
- elect and remove members of the Supervisory Body with the exception of members of the Supervisory Body elected and removed by the employees of the Issuer under Section 200 of the Commercial Code
- elect or remove members of the Management Board, including the appointment of the chairman of the Management Board, unless the Supervisory Body has decided to elect or remove members of the Management Board or appoint the chairman of the Management Board
- approve individual annual financial statements and individual extraordinary financial statements, deciding on distribution of profit or payment of losses and determining the royalties
- decide on the transformation of shares issued as paper securities to book–entered securities and vice versa, if generally applicable legislation so allows
- decide on winding up the Issuer and on changes of its legal form or co–operative and on acquisition, merger or division of the Issuer
- decide on termination of trading of the Issuer’s shares on an exchange and decide on the Issuer ceasing to be public joint stock company
- approve the rules of remuneration of the members of the Issuer’s bodies and approve the remuneration of the members of the Supervisory Body of the Issuer
- decide on the approval of a contract on the transfer of an enterprise or a contract on the transfer of a part of an enterprise

- decide on the conversion of the Issuer's shares issued as registered shares into bearer shares and vice–versa

- decide on the conversion of the Issuer's shares issued as ordinary shares into priority shares and vice–versa

- decide on the division (split–off) of the Issuer's shares into shares with a lower nominal value

- decide on the issue of ordinary shares of the Issuer

- decide on other issues falling within the scope of the powers of the General Meeting of the Issuer under law or Articles of Association, or reserved by the General Meeting of the Issuer through a resolution.

According to the Articles of Association of the Issuer in connection with the Commercial Code, the General Meeting takes the following decisions by a qualified majority vote that must be not less than $^{2}/_{3}$ of all the votes carried by the shares held by the shareholders attending the meeting:

- decision on changing the Articles of Association

- decision on increasing or reducing the registered capital

- authorizing the Management Board to increase the registered capital under Section 210 of the Commercial Code

- issuing priority bonds or exchangeable bonds

- winding up the Issuer or changing its legal form

- decision on termination of trading of the Issuer's shares on an exchange

- decision that the Issuer ceases to be a public joint stock company and becomes a private joint stock company.

The decision to withdraw for all shareholders the pre–emptive right in acquiring the Issuer's newly issued New Shares requires a qualified majority vote that must be not less than $^{2}/_{3}$ of all the votes conferred by the Existing Shares of the shareholders present at the General Meeting and entitled to decide on the issue.

All other decisions of the General Meeting require a simple majority vote, i.e. not less than ½ of all the votes conferred by the shares of the shareholders present at the General Meeting.

(ii) Supervisory Body

The Supervisory Body of the Issuer is a collegial body supervising the activities of the Issuer. In addition to the competence conferred on the Supervisory Body by the Commercial Code, the Supervisory Body of the Issuer shall have the following powers under the Articles of Association:

- approval of the granting of procuration by the Issuer's Management Board

- approval of taking or providing loans and credits by the Issuer, the value of which exceeds the value of the registered capital, in a single transaction or a series of linked transactions, or the corresponding value in other currencies which were not envisaged in the Issuer's financial budget or approved through a resolution of the General Meeting or the Supervisory Body

- approval of the sale and purchase of real estate by the Issuer, including co–ownership interests in real estate, regardless of the value of the title to the real estate to be thus acquired or transferred which were not envisaged in the Issuer's financial budget

- approval of the allocation of costs, including capital costs of the Issuer, in an amount exceeding ten times the registered capital, in a single transaction or a series of linked transactions or the corresponding value in other currencies which were not envisaged in the Issuer's financial budget

- provision of any guarantees, indemnities or any off–balance–sheet commitments and acceptance of liability for damage which were not envisaged in the Issuer's financial budget

- approval of the creation or imposition of an encumbrance upon any part of the Issuer's real estate which was not included in the Issuer's financial budget

- approval of the purchase or any other acquisition of ownership interests or shares in other companies, the acquisition of holdings by the Issuer in other companies or becoming of member of associations of legal entities, foundations or other investment funds

- approval of the sale of assets of the Issuer, the value of which exceeds 10% (ten percent) of the book value of the Issuer's assets according to the most recent financial statements verified by an independent auditor, the sale of which was not envisaged in the Issuer's financial budget

- approval of the entry into agreements between the Issuer and members of the Issuer's Management Board, Supervisory Body, shareholders or dependent parties or parties holding capital or personal ties with members of the Management Board, members of the Supervisory Body or shareholders. This shall also apply to entering into major contracts and transactions with parties related to the Issuer (dominant company, subsidiary company or associated company), with the exception of entering into those contracts and transactions that are performed by the Issuer under customary market conditions and a subsidiary in which the Issuer has a majority interest

- decision–making on the creation of its advisory bodies, namely the audit committee, nomination committee and the remuneration committee.

In addition to the abovementioned, Articles of Association of the Issuer confers on the Supervisory Body the following obligations:

- the obligation to review individual annual financial statements and individual extraordinary financial statements and consolidated financial statements of the Issuer, the proposal for the distribution of profit and, if applicable, proposal for the distribution of payment of losses and the obligation to present its opinion to the General Meeting

- the obligation to review and evaluate the reports of the Management Board on the activities and position of the Issuer and companies controlled by it, as well as proposals of the Management Board for the distribution of profit or payment of losses

- the obligation to approve the Issuer's annual financial budget

- the obligation to present, once per year, to the General Meeting a written report on the position of the Issuer and the results of the above reviews, including the assessment of the systems of internal control and risk management

- the obligation to approve the remuneration of the members of the Management Board of the Issuer

- the obligation to convene General Meeting of the Issuer under conditions set forth in the Commercial Code and the Articles of Association

- the obligation to elect and recall members of the Management Board, including the appointment of the chairman of the Management Board

- other obligations conferred on the Supervisory Body by regulations or other provisions of the Articles of Association.

(iii) Management Board

The Management Board is a management body of the Issuer. In particular, the Management Board is the statutory body of the Issuer which manages the Issuer's activities and acts in its name. The Management Board decides on all the Issuer's matters, provided that these matters are not reserved by the Commercial Code or the Articles of Association to the powers of the General Meeting or the Supervisory Body. The Management Board shall, in particular:

- ensure proper book–keeping of the Issuer and maintenance of other records, trading books and other documents of the Issuer and present to the General Meeting for approval the Issuer‘s individual annual financial statements or individual extraordinary financial statements and proposals for the distribution of profit or payment of losses

- convene annual and extraordinary General Meeting and implement the resolutions thereof

- present to the General Meeting, once a year, together with the individual annual financial statements, a report on the business activities of the Issuer and statement of assets and liabilities; this report shall always be part of the annual report prepared according to a special regulation

- perform the business management of the Issuer and, once a year, present to the Supervisory Body information on the key business management objectives of the Issuer for the forthcoming period and the expected developments in the Issuer's assets and liabilities, finances and earnings

- at the request of and within the time fixed by the Supervisory Body, present to the Supervisory Body a written report on the status of business activities and assets and liabilities of the Issuer compared to the expected development

- inform the Supervisory Body without undue delay about any facts that may substantially influence the development of the business activities and assets and liabilities of the Issuer, in particular its liquidity

- at the request of the Supervisory Body, take part in the meetings of the Supervisory Body and report, within the requested scope, to the members thereof additional information relating to the written reports presented

- convene an extraordinary General Meeting without undue delay after it finds out that the Issuer's loss has exceeded or can be expected to exceed one third of its registered capital and present to the General Meeting proposals for measures; it shall also inform, without undue delay, the Supervisory Body about these facts

- exercise its powers with due professional care and in accordance with the interests of the Issuer and all of its shareholders. In particular, it shall obtain and, when making decisions, take into account all available information relating to the subject matter of the decision, maintain trade secrets and maintain in confidence confidential information and facts the disclosure of which to third parties could cause damage to, or threaten the interests of, the Issuer or its shareholders. The confidentiality obligation shall continue to apply after conclusion of the term of office of a member of the Management Board, until such information becomes public domain

- ensure publication of data from financial statements verified by an auditor in accordance with the accounting principles at the Issuer's expense by publishing them in the commercial bulletin

- submit all documents prescribed by law to the collection of deeds maintained by the relevant commercial register and submit proposals for entry or modification of entry of all information to be entered in the commercial register within thirty days of their occurrence or approval

- with prior consent of the Supervisory Body, approve the principles for establishing a new company in which the Issuer will have an acquiring interest and for establishing an organizational unit in the Slovak Republic or abroad
- monitor adherence to the provisions of the relevant generally applicable law, the Issuer's Articles of Association and decisions of the Issuer's bodies
- prepare the Issuer's financial budget, submit it for approval to the Supervisory Body and, after approval, hold responsibility for the implementation thereof
- issue statutes of the Issuer's governing, above all, the details of the scope and details of information on the Issuer to be published, the rules of organization and conduct of General Meeting, or rules governing other matters in compliance with the corporate governance.

(c) Rights conferred by the shares of the Issuer

Pursuant to the Commercial Code and Section II. of the Articles of Association, rights conferred by the shares of the Issuer are as follows:

- a shareholder is entitled to dividend which the General Meeting has determined for distribution according to the operating results
- a shareholder is not obligated to return any dividend accepted bona fide to the Issuer
- after the winding–up of the Issuer with liquidation, a shareholder is entitled to a share in the liquidation balance
- a shareholder is entitled to participate in the General Meeting. At the General Meeting, shareholder may vote, request information and explanations related to the Issuer's matters or matters concerning persons controlled by the Issuer that relate to the subject of discussion and submit proposals
- a shareholder is entitled upon request to receive from the Management Board complete and true information as well as explanations relating to the subject of discussion
- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital of the Issuer, may under certain conditions, make a written request stating the reasons for convening an extraordinary General Meeting in order to discuss the proposed matters
- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital of the Issuer, may request the Management Board to include a matter designated by them into the agenda of the General Meeting
- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital of the Issuer, may request the Management Board to exercise claims in the name of the Issuer for payment of the Issue Price of shares against shareholders that have defaulted in payment of the price, or exercise the Issuer's claims for the return of any benefit paid by the Issuer to the shareholders contrary to the Commercial Code
- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital of the Issuer, may request the Supervisory Body to review the performance by the Management Board and its powers in the designated matters
- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital of the Issuer, may request the Supervisory Body to exercise

in the name of the Issuer claims for damages any other claims, if applicable, that the Issuer has towards members of the Management Board

- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital of the Issuer, may request the Supervisory Body to exercise in the name of the Issuer claims for payment of the Issue Price of shares if the Issuer subscribed shares which make up its registered capital contrary to the Commercial Code

- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital of the Issuer, may request the Supervisory Body to exercise in the name of the Issuer claims the Issuer has towards members of the Management Board

- a shareholder has the right to inspect, at the Issuer's registered office, documents that are filed in the Slovak collection of deeds at their own expense and risk, to demand copies of such documents or have them forwarded to the address they indicate.

(d) A description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law.

There are no specific provisions in the Articles of Association of the Issuer.

(e) The manner in which annual General Meeting and extraordinary General Meeting are called including the conditions for Admission

The General Meeting shall be held at least once a year and shall be generally convened by the Management Board by publishing a notice of holding of the General Meeting in nationally circulated periodicals publishing stock exchange news not less than thirty days prior to the date of the General Meeting.

An extraordinary General Meeting shall be convened by the Management Board, if the preceding General Meeting decided so, or on the request of the Supervisory Body in cases established by law or by the Articles of Associations, or if the number of members of the Management Board or Supervisory Body elected by the General Meeting is lower than ½ of such members, or if it ascertains or if it may be assumed that the Issuer's loss has exceeded the value of one third of its registered capital.

An extraordinary General Meeting session may be also requested by the shareholders holding shares with a nominal value attaining at least 5% of the registered capital if the Issuer. Such request shall be in written form and shall also contain reasons for convening the extraordinary General Meeting. The Management Board is obligated to convene the extraordinary General Meeting to be held at the latest within forty days from the day the request for its convening was delivered to the Management Board. Such request may be accepted only if the relevant shareholders prove that they are owners of the relevant shares for at least three months before expiry of the forty–day period for convening the extraordinary General Meeting by the Management Board.

The Articles of Association of the Issuer do not state any conditions for Admission. However, the right of a shareholder to attend a General Meeting shall be verified on the basis of an extract from the account of a holder of securities maintained by a member of the CDSR or a member of a foreign central depository who has a holder's account maintained in the CDSR, made out on the Relevant Day.

(f) A description of any provision of the Articles of Association, statutes, charter or bylaw that would have an effect of delaying, deferring or preventing a change in control of the Issuer

There are no such provisions.

(g) An indication of the Articles of Association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed

There are no such provisions.

(h) A description of the conditions imposed by the Memorandum of Association and Articles of Association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law

There are no more stringent provisions.

3.22 Material contracts

The Issuer is a holding company and therefore we refer to the Group in this Section.

The members of the Group have concluded numerous material agreements (loan agreements and other agreements of similar nature with various financial institutions) which were; however, not concluded in the course of ordinary business.

TABLE 75: List of material agreements concluded by the members of the Group and financial institutions which were not concluded in the course of ordinary business as of December 2012

Company	Financial Institution	Amount (EUR)	Outstanding (EUR)	Due	Yearly Installment (EUR)
Issuer	Tatra banka	5,974,905	2,157,599	31 March 2016	663,878
Issuer	Slovenská sporiteľňa	5,000,000	4,062,500	30 September 2018	625,000
Issuer	Tatra banka	1,200,000	1,010,460	31 December 2016	252,720
TEPLÁREŇ, a.s., Považská Bystrica	ING	1,300,000	overdraft facility		–
TEPLÁREŇ, a.s., Považská Bystrica	Česká exportní banka	25,313,350	23,203,848	28 April 2018	4,218,892
TEPLÁREŇ, a.s., Považská Bystrica	PEFCO, US Exim	19,963,236 USD	14,259,454 USD	25 July 2017	2,851,891
TEPLÁREŇ, a.s., Považská Bystrica	Tatra banka	3,100,000	2,555,540	31 December 2014 + balloon	459,280
TEPLÁREŇ, a.s., Považská Bystrica	ČSOB	500,000	overdraft facility		–
SOUTHERM, s.r.o.	Tatra banka	3,075,000	2,745,000	30 September 2015 + balloon	264,000
SOUTHERM, s.r.o.	Tatra banka	250,000	overdraft facility		–
Teplo GGE s.r.o.	UniCredit Bank	5,700,000	4,580,000	30 December 2015 + balloon	720,000
Teplo GGE s.r.o.	UniCredit Bank	1,396,000	overdraft facility		–
Teplo GGE s.r.o.	Tatra banka	700,000	632,260	31 December 2014 + balloon	90,320
Teplo GGE s.r.o.	Prima banka	1,362,909	194,434	30 June 2014	150,123
Teplo GGE s.r.o.	Prima banka	2,323,574	550,954	25 June 2015	237,551
Teplo GGE s.r.o.	Prima banka	531,103	178,266	21 December 2016	44,569
Teplo GGE s.r.o.	Prima banka	730,266	438,160	27 December 2019	73,027
Teplo GGE s.r.o.	Prima banka	300,000	155,280	15 July 2015	64,320
Energy Snina, a.s	Tatra banka	1,958,441	398,327	31 December 2014	165,970
ELGAS, s.r.o.	Tatra banka	1,000,000	overdraft facility		–

Source: Issuer

As the Issuer has the function of holding company, it usually does not conclude agreements related to the ordinary business. Such agreements are concluded by other companies of the Group. Herein below please find a list of material agreements relating to the ordinary course of business of the Group.

TABLE 76: List of material contracts of the Group on the side of supplier concluded in the course of ordinary business

Party 1	Party 2	Subject Matter	Annual Revenues (EUR)	Portion of the Revenues of the Relevant Company
ELGAS Energy Trading, d.o.o.	Panonske Te–To	supply of gas	approximately 18,000,000 – 20,000,000	95%
TEPLÁREŇ, a.s., Považská Bystrica	Stredoslovenská energetika, a.s.	production of power	approximately 17,000,000 – 18,000,000	50%
ELGAS, s.r.o.	Západoslovenská energetika, a.s.	production of power	approximately 7,000,000 – 8,000,000	5%
ELGAS, s.r.o.	Východoslovenská energetika, a.s.	production of power	approximately 15,000,000	9%
ELGAS, s.r.o.	Nitrianska teplárenská spoločnosť, a.s.	supply of gas	approximately 5,000,000	4%
ELGAS, s.r.o.	Bytkomfort, s.r.o.	supply of gas	approximately 5,000,000	4%
ELGAS, s.r.o.	SPRAVBYTKOMFORT – Správa bytov, s.r.o.	supply of gas	approximately 7,000,000	6%
ELGAS, s.r.o.	The group STEFE consisting of various companies such as STEFE Banská Bystrica, a.s., STEFE ECB, s.r.o., etc.	supply of gas	approximately 15,000,000	13%

Source: Issuer

TABLE 77: List of material contracts of the Group on the side of consumer concluded in the course of ordinary business

Party 1	Party 2	Subject Matter	Annual Expenses (EUR)
NIS j.s.c Novi Sad	ELGAS Energy Trading, d.o.o.	supply of gas	approximately 17,000,000
RWE Gas Slovensko, s.r.o.	ELGAS, s.r.o.	supply of gas	approximately 80,000,000

Source: Issuer

The suppliers of gas mentioned above are currently the biggest companies providing gas for the Group. Nevertheless, it does not constitute a material risk for the Group as there is a competition in the market and even if any of the contracts above terminates, the relevant company of the Group may conclude a similar agreement with any of the competitors of current suppliers. Moreover on this note, the gas is not provided to the Slovak Republic from Russia through Ukraine only but also from Norway. This has an effect that the Slovak Republic does not completely depend on Russian gas.

3.23 Third party information and statement by experts and declarations of any interest

The Issuer confirms that information sourced from a third party has been accurately reproduced and that as far as the Issuer is aware and is capable to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Information used in the Prospectus was prepared based on information published by URSO (*please see Section 3.6.1 and 3.6.3 of this Prospectus*), the European Commission (*please see Section 3.8 of this Prospectus*), the NBS (*please see Section 3.9.4 of this Prospectus*), National Bank of Serbia (*please see Section 3.9.4 of this Prospectus*), SIEA, Statistical Office of the Slovak Republic (*please see Section 3.6.3 of this Prospectus*) and Czech Statistical Office (*please see Section 3.9.4 of this Prospectus).*

Additionally, the Issuer used reports listed below:

- ENERGETICKÝ TRH SR (Energetic Market of the Slovak Republic) prepared by energy analytics, s.r.o. in April 2013 *(please see Section 3.6.3 of this Prospectus)*

- Energetická politika Slovenskej republiky (Energetic Policy of the Slovak Republic) prepared by the Ministry of Economy of the Slovak Republic in April 2013 *(please see Section 3.6.3 of this Prospectus)*

- SLOVAKIA POWER REPORT Q2 2012, published by Business Monitor International in March 2012 *(please see Section 3.6.3 of this Prospectus)*

- Country Report on Energy Business in Serbia published by Balkan Energy NEWS in June 2013 *(please see Section 3.6.3 of this Prospectus)*

- Hospodárske noviny (Slovak daily newspaper) on 23 October 2013 *(please see Section 3.6.3 of this Prospectus)*

- several reports from the publicly traded companies (*please see Section 3.6.3 of this Prospectus).*

The Prospectus does not include a statement or report attributed to a person as an expert.

3.24 Documents display

Throughout the lifetime of this Prospectus following documents may be inspected at the head offices of the Issuer located at Pekná cesta 6, 834 03 Bratislava, Slovak Republic:

a) the Memorandum of Association and Articles of Association of the Issuer may be inspected at the head offices of the Issuer located at Pekná cesta 6, 834 03 Bratislava, Slovak Republic

b) all reports, letters and other documents, historical financial information, valuations and statements prepared by any expert on the Issuer’s request any part of which is included or referred to in the registration document may be inspected at the head offices of the Issuer located at Pekná cesta 6, 834 03 Bratislava, Slovak Republic

c) the historical financial information for the Issuer including the Consolidated Companies for each of the two financial years preceding the publication of the Prospectus may be inspected at the head offices of the Consolidated Companies.

Any interested party may obtain a copy of these documents from the Issuer free of any charge. To the extent that documents other than mentioned above (i.e. reports, letters, valuations, statements) are not reflected in this Prospectus with reasonable fullness and do not at the sole discretion of the Issuer constitute business secrets of the Issuer, physical inspection of such documents will be arranged at the offices of the Issuer or via electronic mail on the request of any interested party and subject to an agreement between the Issuer and such interested party regarding the means of inspection of the relevant documents.

The Issuer will update the information contained in this Prospectus only to such extent, at such intervals and by such means as required by applicable law or considered necessary and appropriate by the Issuer, unless required by law. The Issuer is under no obligation to update or modify forward–looking statements included in this Prospectus.

3.25 Information on holdings

The Issuer has currently 13 Subsidiaries and 12 Subsidiaries of Subsidiaries as indicated in the organizational structure of the Group together with the Shareholders of the Issuer (*please see Section 3.7 of this Prospectus*). There are only three companies of the Group (ELGAS, s.r.o., Teplo GGE s.r.o. and TEPLÁREŇ, a.s., Považská Bystrica) which have significant effect on the assessment of the assets and liabilities, financial position or profits and losses of the Issuer itself.

4. INFORMATION CONCERNING SECURITIES

4.1 Persons responsible

The person responsible for the information provided in this Prospectus is the Issuer. The Issuer represented by Mr. Roland Tóth and Mr. Pavel Komorník accepts the responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer and members of its Management Board – Mr. Roland Tóth and Mr. Pavel Komorník having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Mr. Roland Tóth chairman of the Management Board	Mr. Pavel Komorník member of the Management Board

4.2 Risk factors

Please see Section 2 of this Prospectus.

4.3 Essential information

4.3.1 Working capital statement

As the Issuer is only a holding company, we refer to the working capital of the Group in this Section. In the opinion of the Issuer, the working capital available to the Groupis sufficient to meet the Group's needs for at least next 12 months from the date of the Prospectus.

4.3.2 Capitalization and indebtedness

The tables below present the information on indebtedness of the Group as at 31 October 2013. The tables below should be read in conjunction with the IFRS Financial Statements and consolidated interim financial information and other financial data and information (*please see Section 3.3 and 3.9 of this Prospectus*).

TABLE 78: Capitalization and indebtedness

Item in thousands of EUR	as at 31 October 2013
TOTAL current debt	**12,115**
Guaranteed	0
Secured	5,126
Guaranteed and secured	6,833
Unguaranteed/unsecured	156
TOTAL non–current debt (excluding current portion of long–term debt)	**46,924**
Guaranteed	25,144
Secured	13,698
Unguaranteed/unsecured	8,082
Shareholder's equity	**25,935**
Share capital	10,000
Merger reserve	365

Cumulative translation reserve	–194
Retained earnings	15,764
TOTAL capitalization and indebtedness	**84,974**

Source: Issuer, unaudited

TABLE 79: Net indebtedness

Item	as at 31 October 2013
in thousands of EUR	
A. Cash and cash equivalents	7,425
B. Short–term bank deposits	398
C. Liquidity (A + B)	**7,823**
D. Current financial receivables	**2,285**
E. Current portion of security deposit with lessor–net	**242**
F. Current bank loans	1,685
G. Current portion of non–current debt	9,723
H. Other current financial debt	707
I. Current financial debt (F + G + H)	**12,115**
J. Net current financial indebtedness (I – E – D – C)	**1,765**
K. Non–current portion of security deposit with lessor–net	**0**
L. Non–current bank loans and borrowings	44,749
M. Lease agreements	2,175
N. Net non–current financial indebtedness (L + M – K)	**46,924**
O. Net financial indebtedness (J + N)	**48,689**

Source: Issuer, unaudited

There was no indirect or conditional indebtedness as at 31 October 2013.

4.3.3 Interest of natural and legal persons involved in the issue/offer

There is no interest that is material to the Issuer or to the Offering.

4.3.4 Reasons for the offer and use of proceeds

Historically the Group has financed its development through cash flows from business, bank borrowings (including finance lease liabilities) and capital contributions. The purpose of the Offering is to attract additional capital and ensure the successful implementation of development strategies of the Group.

The amount of the net proceeds raised from the issue of the New Shares depends on the number of the New Shares actually placed and determined Issue Price. The Issuer expects the net proceeds from the issue of the New Shares, provided that all of the New Shares are subscribed at the Maximum Price, paid and allotted, to be approximately 181,500,000 PLN (please bear in mind that some costs are incurred in EUR, for the purposes of presentation in the Prospectus these were converted to Polish Zloty with exchange rate of 4.20 EUR/PLN). The net proceeds depend on final costs and expenses associated with the issuance of the New Shares. The Issuer will receive the net proceeds from the issuance of the New Shares.

The Issuer intends to use the net proceeds from the issuance of the new Shares in order to acquire and finance new projects in accordance with the Groups development strategy. The acquisition of these projects will enable further growth of the Group. The projects were grouped according to the geographical location:

- investments in the Slovak Republic: the Issuer intends to proceed with 4 new projects (2 groups of smaller projects counted as two stand–alone projects respectively), with a total equity investment by the Issuer estimated at 10,000,000 EUR (42,000,000 PLN – exchange rate of 4.20 EUR/PLN)

- investments in the Czech Republic: the Issuer intends to proceed with 3 new projects (including expansion of ELGAS operations), with a total equity investment by the Issuer estimated at 12,500,000 EUR (52,500,000 PLN – exchange rate of 4.20 EUR/PLN)

- investments on other markets in Central Eastern Europe, Serbia, Poland, Ukraine and Hungary: the Issuer intends to proceed with 9 new projects (including expansion of ELGAS operations in Poland and Hungary), with a total equity investment by the Issuer estimated at 21,000,000 EUR (88,200,000 PLN – exchange rate of 4.20 EUR/PLN)

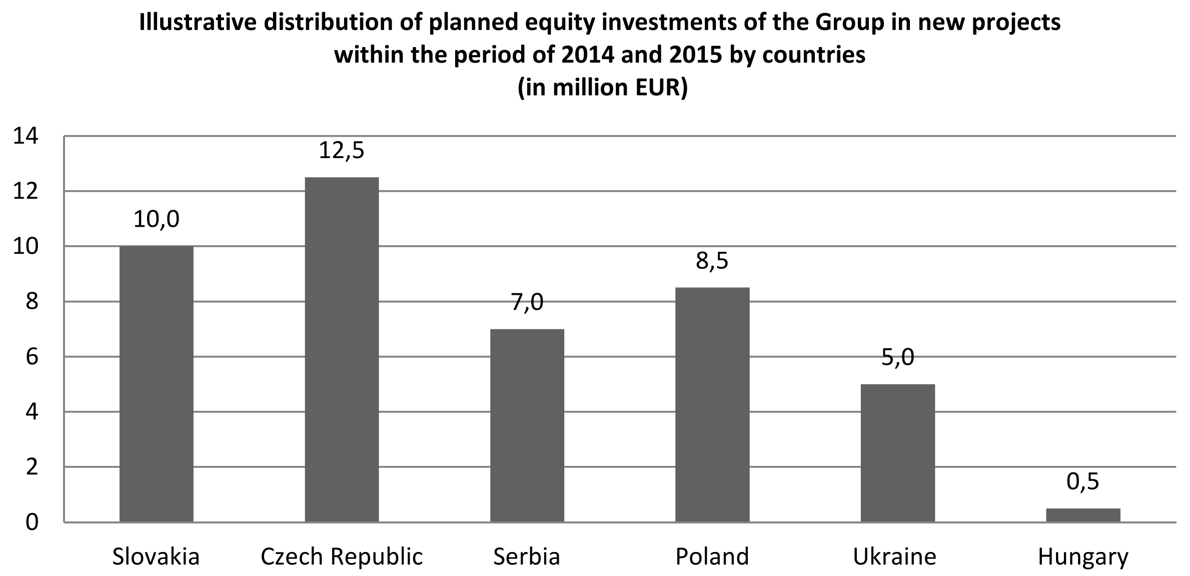
- alternative investments on other markets: in Serbia and Hungary.

Projects were sorted according to their priority and progress made in realization of respective projects. The Issuer intends primarily to carry on projects in the Slovak and Czech Republic, the markets which are best known and developed by the Group. The component on investment in new markets, particularly in less developed markets like Serbia and Ukraine, is an important element of the Issuer's strategy to be active on the less developed markets which are less competitive. These markets allow for better margins and enable to develop solid market position and to leverage from the know how acquired in developing business and production in the Slovak Republic. The alternative investments are the projects which are most uncertain, both given the pace of negotiations as well as the characteristics of the projects.

Sufficiency of proceeds from the new issue

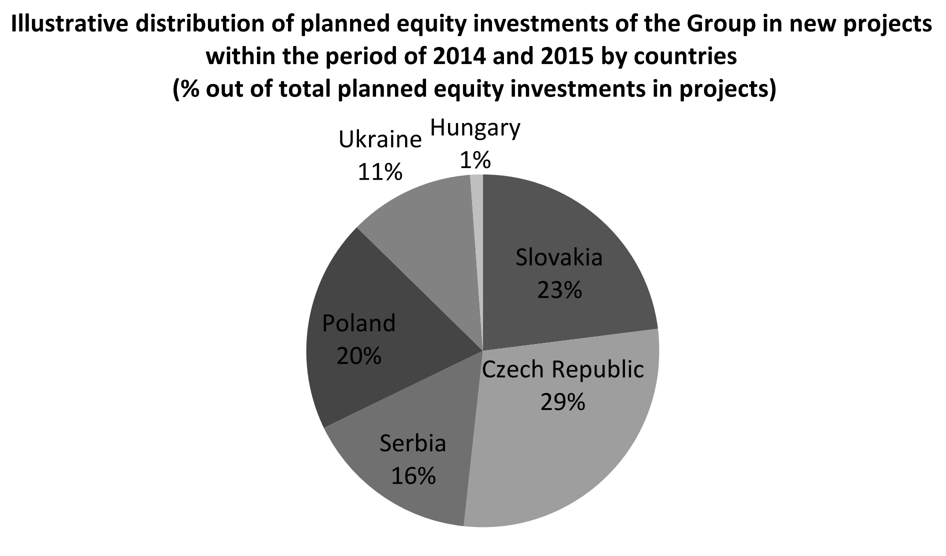
At the date of this Prospectus, the Issuer cannot precisely determine the size of proceeds from the issue. However, it is expected that the proceeds from the issue will be sufficient for the implementation of the development strategy and will cover almost all necessary capital (excluding alternative investments on other markets: in Serbia and Hungary). The rest of necessary capital will be covered by own sources. If the capital earned from the issue is lower than expected, in the first place the Issuer will increase share of cash from ongoing business operations. Notwithstanding, in case that the proceeds from the issue are not sufficient to achieve the intended objectives of the issue, the Issuer may also consider resignation from given projects (projects were sorted according to their priority) or dividing projects on stages and spreading planned investments over time. In case that the implementation of those objectives would not be possible or would be ineffective, the Issuer could change the issue objectives. The decision to change issue objectives will be based on changing market conditions and the Group's development strategy and would be solely at the discretion of the Management Board. The Group does not–disclose expected individual investment figures as some of the acquisitions are subject to non disclosure agreements. Moreover, since this Prospectus is a public information, disclosing expected individual investments in acquiring new assets from their current owners could also have negative impact on the Group's negotiating position.

DIAGRAM 5: Planned equity investments of the Group within the period of 2014 and 2015 (plus percentage)



Source: Issuer

DIAGRAM 6: Illustrative diagram of planned equity investments of the Group within the period of 2014 and 2015



Source: Issuer

(a) Investments in the Slovak Republic

(i) Increasing the efficiency of existing infrastructure

The Group envisages realizing investments allowing increasing the efficiency of energy infrastructure on its existing sites. In this respect, in 2014, the Group plans to invest mainly in Snina, Považská Bystrica and Dunajská Streda.

Snina

The Group will invest in new boiler room with heat capacity of 15 MWt, new pumping station, connecting pipes, measurement and regulation infrastructure (devices, dispatching center etc.). These investments will enable it to replace the old inefficient source and to optimize number of employees at Snina location.

The payback period is expected to be three – four years.

Považská Bystrica

The Group will invest in refurbishment of approximately 2.6 km of pipes in Považská Bystrica in order to reduce energy losses. The payback period is expected to take five years.

The Group will also invest in its CCGT plant in Považská Bystrica with the objective of reducing own electricity consumption of the plant while keeping the output at stable/increasing level. The payback period is expected to take two years.

Dunajská Streda

The Group will invest in refurbishment of approximately 2.3 km of pipes in Dunajská Streda in order to reduce energy losses. The payback period is expected to take five years.

(ii) Small Cogeneration units and boiler rooms

The Group also envisages further investments into small Cogenerations (up to 2 MW) and boiler rooms (up to 2 MW). Payback period of these investments is expected to be three – four years.

Selected projects include (location, customer/partner):

- Bratislava, National Football Stadium
- Skalica, Grafobal
- Bratislava, Slovenska Grafia
- Bratislava, municipality (district)
- Snina, municipality (hospital).

The Group intends to earmark 3,000,000 EUR of equity sources for the period of next two years for the projects mentioned *in points (i) and (ii) of this Section*.

(iii) Acquisition of a company producing and distributing heat and hot water in the municipality of Prievidza

The Group is willing to acquire 100% stake in the company producing and distributing heat and hot water in the municipality of Prievidza in two steps. The Group is willing to acquire the 49% stake from VNG in 2014 and intends to buy out the outstanding 51% stake from the municipality (municipality of Prievidza) in 2015. Even though the company produces some heat itself, most of the heat is bought from nearby power plant ENO (owned by Slovenské Elektrárne, a.s.).

After the acquisition, the Group will operate 29 km of primary and 5 km of secondary networks. The company supplies 15,000 households and 100 non–households entities. The Group will also acquire via this transaction 10 gas fired boiler stations supplying over 600 households and 7 non–households entities.

Status as of the date of the Prospectus: The tender by VNG is in advanced stage and the Group submitted binding bid on 25 November 2013. It is expected that detailed discussions with the seller will continue starting by mid-January 2014.

Financing: Transaction will be fully equity funded. The equity will be financed from the proceeds from the issue and from cash flow from business operations.

(iv) Acquisition of the company producing and distributing heat and hot water in the municipality of Nitra

The Group is willing to acquire 100% stake in the key producer and distributor of heat and hot water in the municipality of Nitra in two steps. The Group is willing to acquire the 49% stake from VNG in 2014 and intends to buy out the outstanding 51% stake from the municipality (municipality of Nitra) in 2015.

The company has over 160 MWt of installed thermal capacity and supplies over 160,000 MWh of heat per year in three biggest central district heating locations in Nitra.

Status as of the date of the Prospectus: The tender is expected to be launched in the second quarter of 2014.

Financing: Transaction is expected to be financed by equity and bank financing. The equity will be financed from the proceeds from the issue and from cash flow from business operations.

The Group intends to earmark 7,000,000 EUR of equity sources for the period of next two years for acquisitions in the Slovak Republic.

(b) Investments in the Czech Republic

(i) Acquisition of existing Cogeneration unit and distribution network in Kutná Hora

The target of the acquisition is a newly developed power plant (in operation since 2012) in Kutná Hora. The facility works within the industrial park and produces heat and electricity primarily to supply the facilities in the industrial zone. There is a development project in place to connect the heat distribution network within the industrial zone to the network of the municipality of Kutná Hora. This will significantly enlarge the customer base.

The power plant has a capacity of 23 MWt (heat) and 7.5 MWe (electricity) which will increase the total capacity of the Group's plants: in case of electricity by 8% and in case of heat by 9%. Existing distribution system within the industrial zone utilizes 10 MWt of heat capacity; the remaining part would be used for supplying the municipality of Kutná Hora. The power plant uses biomass (straw) as a fuel for the production of heat. Electricity is produced in condensing steam turbine which uses steam – a co–product of heat generation process. Over 80% of expected straw supply needs are secured by long term contracts (five – ten years).

Electricity off–take is guaranteed by a Green bonus scheme of the Czech Republic ('feed–in tariff' and off–take of the entire electricity production guaranteed by the Czech Republic). Heat is sold directly via own distribution network to end consumers in the industrial zone. From the beginning of June 2014, heat will also be sold to the municipality of Kutná Hora (contract with the municipality was signed in May 2013, valid for twelve years) thanks to the development project mentioned above.

Status as of the date of the Prospectus: Agreement on the purchase price for 100% stake subject to satisfactory due diligence reached in October 2013. The Group is currently performing due diligence, expected to be finished in February 2014. The Issuer expects to finalize the acquisition in 2Q of 2014.

Financing: The equity portion will be financed from the proceeds from the new issue and from cash flow from business operations and would be supplemented by commercial loan.

(ii) Acquisition of up to 100% shares in a company producing and distributing heat and electricity in the Czech Republic

The Group is willing to acquire 100% stake in the company producing and distributing heat and electricity in the Czech Republic. The target has over 360 MWt of heat and over 70 MWe of electricity installed capacity respectively. Most of the heat and electricity is sold to customers within an industrial park with some part supplied to municipality. The target is also active in operating a local distribution network of utilities including natural gas, electricity, water, etc.

Status as of the date of the Prospectus: The Issuer is expected to place a bid mid–February 2014 with the aim to proceed with due diligence and conclude negotiations in the first half of 2014.

Financing: The Group plans for 25% share of equity financing. Equity will be financed from the proceeds from the new issue and from cash flow from business operations.

(iii) Development of ELGAS operations

In 2013, the Group expanded its presence into the Czech Republic by establishing its ELGAS subsidiary. On the Czech market, the Group will follow an organic growth path and will develop its business by focusing on industrial customers and households (municipalities).

Financing: The expansion will be funded by equity from the proceeds from the issue and from cash flow from business operations.

(c) Investments in other markets – Serbia

(i) Construction of new Cogeneration plant in Novi Sad in Serbia to supply heat to refinery owned by NIS Gazpromneft (50/50 JV with NIS Gazpromneft)

The project is a result of a joint initiative by the Group and NIS Gazpromneft formalized in the Memorandum of Understanding signed in May 2012 on cooperation in preparing and developing together new energy projects in Serbia. This new Cogeneration plant will supply heat to the refinery in Novi Sad owned by NIS Gazpromneft and electricity will be sold to the grid (guaranteed off–take and 'feed–in tariffs').

The Cogeneration unit will be fueled by natural gas. New power plant will have a capacity of 16 MWt (heat) and 8 MWe (electricity) which will increase the total capacity of the Group's plants: in case of electricity by 8% and in case of heat by 6%.

Status as of the date of the Prospectus: the Group and NIS Gazpromneft have created a working group including representatives of both parties. Feasibility study for the project is done. Currently, works related to obtaining construction permits and tendering the EPC supplier are pending, negotiations about Joint Venture with NIS are ongoing. Construction works are expected to start in May 2014.

Financing: It is expected that the project will be financed $^{1}/_{3}$ – $^{2}/_{3}$ by equity to commercial loan. The Group's part of the equity will be financed from the proceeds from the issue and from cash flow from business operations. It is also envisaged that the project will enjoy state export support through the Slovak export bank in form of insurance and co–financing. Discussions with the Slovak export bank are pending.

(ii) Construction of a Cogeneration plant in Kursumlija in Serbia to supply Simpo Sik production plant with heat and electricity

The Group is in talks to build a Cogeneration plant in Kursumlija, next to the existing factory Simpo Sik to supply it with heat and electricity out of biomass. The power plant will have production capacity of 5 MWe (electricity) and 20 MWt (heat). Realization of this project will increase the total capacity of the Group's plants: in case of electricity by 5% and in case of heat by 8%.

Simpo Sik is a wood processing company with yearly turnover of 9,000,000 EUR, being the biggest and the only hardboard factory in the region. The main customer for the hardboard is its mother company Simpo (the biggest furniture producer in the region). The wood processing plant consists of 6 production facilities: sawmill, parquet, plywood, solid wood elements, hardboards and painted hardboards). The business model assumes that the power plant will be dedicated to supply Simpo Sik with heat and electricity, while the Simpo Sik will supply fuel – woodchips. The remaining part of electricity will be sold to the grid.

Status as of the date of the Prospectus: The Group is currently negotiating business terms of the project with its business partner – Simpo Sik. The parties have signed a preliminary memorandum and are currently negotiating the pricing mechanism for heat, electricity and biomass. Once the agreement is signed, the Group will be capable to begin construction works. The construction is expected to take around two years.

Financing: The expected equity portion of the investment is $^{1}/_{4}$. Equity will be financed from the proceeds from the new issue and from cash flow from business operations. It is also envisaged that the project will enjoy state export support through the Slovak export bank in form of insurance and co–financing. Discussions with the Slovak export bank are pending.

(d) Investments in other markets – Poland

(i) Acquisition of 100% shares in the company producing and distributing heat

The Group is willing to acquire 100% stake in the company producing and distributing heat and also a limited volume of electricity.

The company producing and distributing heat has 17.3 MWt of installed thermal and 0.17 MWe of installed electric capacity respectively. The company has 54 boiler rooms and 2 small Cogeneration units in 15 locations throughout Poland. In 2013, the company plans to sell 85,000 GJ of heat and 970 MWh of electricity. The business model of the company producing and distributing heat is built on concluded long term (ten – fifteen years) off take contracts for heat/electricity.

Status as of the date of the Prospectus: The Group has submitted a non–binding bid on 22 November 2013. Short listed bidders are expected to start due diligence at the end of 2013 or at the beginning of 2014.

Financing: The management of the Group expects to finance this acquisition with 50% equity share. Equity will be financed from the proceeds from the issue and from cash flow from business operations.

(ii) Construction and installation of a Cogeneration plant

The Group is in talks with a Polish municipality* of around 80,000 inhabitants to build a Cogeneration plant that would replace the existing coal fired unit. Municipality would keep a small minority stake in the Joint Venture company. The plant will have 29 MWt of installed thermal and 27 MWe of installed electric capacity respectively.

Gas will be supplied out of nearby existing local gas reservoir. The investment includes also building a 4 km pipe connection between the plant and the reservoir. Heat will be supplied to the municipality while the electricity will be supplied to the grid and big industrial customers.

Status as of the date of the Prospectus: Negotiations between the Group and the municipality are pending. Negotiations between the Issuer and the municipality are pending and it is envisaged that a letter of intent will be signed in the first quarter of 2014.

Financing: The management is counting on 25% equity and 75% commercial loan financing. Equity will be financed from the proceeds from the issue and from cash flow from business operations.

(iii) Acquisition of up to 100% shares in a company producing and distributing heat and electricity in Poland

The Group is willing to acquire 100% stake in the company producing and distributing heat and electricity in Poland. The target has over 690 MWt of installed heat capacity. The company also runs high–efficiency cogeneration units of over 40MWt of heat and 10MWe of electric capacity. The target is also involved in supporting activities, such as fuel supply, repairs and maintenance of heating facilities etc.

Status as of the date of the Prospectus: The Issuer is expected to place a bid mid–January 2014 with the aim to proceed with due diligence and conclude the transaction in the third – fourth quarter of

2014.

Financing: The Group plans for 25% share of equity financing. Equity will be financed from the proceeds from the new issue and from cash flow from business operations.

<u>Note:</u> Name of the municipality is not disclosed because of pending negotiations with the municipality that bind the Group to keep confidentiality.

(iv) Development of ELGAS operations

In 2014, the Group is planning to expand its offices and be present in five locations in Poland including – Warsaw, Bielsko, Wroclaw, Poznan and Gdansk. Polish operations will focus on industrial customers and municipalities and will source gas supplies from partners like PGNiG and Shell.

Financing: Total necessary funds to finance the expansion of ELGAS will be provided by equity from the proceeds from the Issue and from cash flow from business operations.

(e) <u>Investments in other markets – Ukraine</u>

(i) Replacement of primary heat distribution infrastructure in Odessa in Ukraine

The Group is going to renew primary heat distribution infrastructure in one of major municiplities in Ukraine – Odessa. The project assumes enhancing the efficiency of Suvorovskyi district heating infrastructure which is in a very poor condition. Current losses of energy are reaching level of 30%.

The main aim of the project is to replace primary heat distribution infrastructure by substitution of old centralized boilers with several highly efficient smaller units placed on different locations, shortening effectively the distances between the source of heat and end consumers. In order to further increase efficiency, the Group would also reconstruct the pipe system.

Status as of the date of the Prospectus: The Group has signed the memorandum of understanding with the municipality of Odessa in summer 2013. The Group has already founded an SPV for the purpose of the project in Ukraine (GGE UA Odesa TOV) which will be responsible for carrying out the project.

Financing: Within next two years the Group will finance this project with 25% of equity and 75% of commercial loan. Equity will be financed from the proceeds from the Issue and from cash flow from business operations. It is also envisaged that the project will enjoy state export support through the Slovak export bank in form of insurance and co–financing. Discussions with the Slovak export bank are pending.

(ii) Refurbishment of the heating infrastructure of the Ukrainian state jail system

The Group will invest into and operate heat infrastructure of selected jails in Ukraine increasing the efficiency and reliability of heat supplies. The Group estimates that the number of potential projects is around 50 (corresponding to approximately 200 jails).

Status as of the date of the Prospectus: the Group is already engaged in two pilot projects with expected installation of new boilers in Lvov district (3.1 MWt) and Charkov district (2.8 MWt) jails in December 2013 and March 2014 respectively.

Financing: Within next two years the Group will finance this project with 25% of equity and 75% of commercial loan. Equity will be financed from the proceeds from the Issue and from cash flow from business operations. It is also envisaged that the project will enjoy state export support through the Slovak export bank in form of insurance and co–financing. Discussions with the Slovak export bank are pending.

(f) Investments in other markets – Hungary

Development of ELGAS operations

In 2013, the Group expanded its presence into Hungary by establishing its Elgas subsidiary. On the Hungarian market, the Group will follow an organic growth path and will develop its business by focusing on industrial customers and households (municipalities).

Financing: Total necessary funds to finance the expansion of ELGAS into Hungary will be provided by equity from the proceeds from the Issue and from cash flow from business operations.

(g) Alternative investments on other markets – Serbia and Hungary

(i) Construction of new Cogeneration plant in Novi Sad in Serbia (JV with EPS)

The Group won a tender for construction of a new Cogeneration power plant in Novi Sad in Serbia. Project will be developed in a Joint Venture model with the municipality of Novi Sad and Electric Power Industry of Serbia. The aim of the project is to replace the outdated facility operated by the municipality of Novi Sad. The new power plant will have a capacity of 160 MWt (heat) and 80 MWe (electricity). The new facility will supply approximately 75% of households in Novi Sad with heat.

Status as of the date of the Prospectus: The Group is currently negotiating final conditions of the project with Serbian Ministry of Energy. The Group expects that the negotiations will be terminated by the end of 2013 and that the project can start at the beginning of the next year. The construction is expected to last around two years.

Financing: Within the next three years the Group will finance this project with 25% of equity and 75% of commercial loan. Equity will be financed from the proceeds from the Issue and from cash flow from business operations. It is also envisaged that the project will enjoy state export support through the Slovak export bank in form of insurance and co–financing. Discussions with the Slovak export bank are pending.

(ii) Acquisition of one of the biggest Cogeneration firm in Hungary

The acquisition target is one of the biggest Cogeneration producers in Hungary, covering over 50% of district heating energy production and over 10% of electricity production in one of major cities in Hungary.

Altogether, the target controls over 1,000 MWt of heat capacity and over 400 MWe of electricity capacity.

Status as of the date of the Prospectus: The Issuer is finalizing negotiations on exclusivity with the owner of the target and is preparing for due diligence that is expected to start early 2014.

Financing: the Group plans for 20% share of equity financing. Equity will be financed from the proceeds from the issue and from cash flow from business operations.

Use of proceeds from the issue to the date of realization of issue objectives

The funds raised from the issue to the date of realization of issue objectives will temporarily increase the working capital of the Group and may be invested in financial instruments with limited risk (bank deposits, government bonds) and can be also used to reduce financial costs of revolving loans.

4.4 Information concerning the securities to be offered/admitted to trading

The information set out below describes several aspects of the Slovak commercial law regarding rights and obligations attached to the shares of a Slovak joint–stock company and also certain aspects of the Slovak and Polish securities market regulations regarding mandatory takeover bids, squeeze–out and sell–out rules that may be applied to the Shares once the Shares are admitted to trading on the WSE. This summary does not purport to be a comprehensive description of all Slovak commercial law considerations and of all Slovak and Polish securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares. Moreover, conclusions derived from the description below may not fully reflect a proper interpretation of Slovak and Polish laws. Each prospective Investor should consult a professional legal adviser regarding the legal consequences of acquiring, holding and disposing of the Shares under the laws of their country and/or state of citizenship, domicile or residence.

This summary is based on legislation, published case law, treaties, rules, regulations and similar documentation in force as at the date of the Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

4.4.1 Type, form and the class of the securities being offered (New Shares) and admitted to trading (Existing Shares and New Shares), including the ISIN

Type of Shares:	ordinary shares
Form of Shares:	bearer shares in book-entry form
ISIN:	SK1120010865
Series:	01

4.4.2 Legislation under which the securities have been created

Legislation, under which the Existing Shares were created and the New Shares will be created, includes the Slovak Act No. 40/1964 Coll., Civil Code, as amended, Securities Act, Commercial Code and other related legal acts.

4.4.3 Form of the Shares

The Existing Shares are in a book–entry form. They are kept by the CDSR, located at Ul. 29. augusta 1/A, 814 80 Bratislava, Slovak Republic. The New Shares will be in a book–entry form and will be registered by the CDSR and further with the Existing Shares transferred to the NDS.

4.4.4 Currency of the New Shares issue

The currency of the issue of the New Shares is EUR.

4.4.5 Rights attached to the securities, including any limitations of those rights and procedure for the exercise of those rights

Generally, following are the rights and limitations:

- a shareholder is entitled to dividend which the General Meeting has determined for distribution according to the operating results (*please see Section 4.4.6 of the Prospectus*)
- a shareholder is not obligated to return any dividend accepted bona fide to the Issuer
- the Issuer must not payout to shareholders, in particular, interest on investment contributions to the Issuer or interim dividends
- after the winding–up of the Issuer with liquidation, a shareholder is entitled to a share in the liquidation balance
- a shareholder is entitled to participate in a General Meeting. At the General Meeting, shareholders may vote, request information and explanations related to the Issuer's matters or matters concerning persons controlled by the Issuer that relate to the subject of discussion and submit proposals. The number of votes of a shareholder is determined by the nominal value of shares held by shareholder and each share with nominal value of 1 EUR shall represent one vote. The manner of voting is determined by the Articles of Association as follows: the General Meeting shall decide by vote when called upon to do so by the chairman

of the General Meeting. If several proposals have been submitted, the order in which they will be voted on shall be subject to decision by the chairman of the General Meeting, while the proposals of the Management Board shall always be put to vote first. Unless the General Meeting has decided otherwise, the vote shall be performed by casting a ballot. The ballot shall be deemed valid, if a shareholder has indicated his vote and the vote sequence number and has signed the ballot. The results of the vote shall be announced by the scrutineers to the chairman of the General Meeting and the minutes officer

- the Articles of Association do not limit the exercise of a voting right by determining the highest number of votes per shareholder or by granting the number of votes depending on certain values of shares

- a shareholder is entitled upon request to receive from the Management Board complete and true information as well as explanations relating to the subject of discussion. The provision of information may be refused only if such provision would violate the law or if it follows from careful consideration of the content of such information that its provision could cause a harm to the Issuer or to a company it controls; the provision of information relating to the financial management and property relations of the Issuer may not be refused

- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital, may make a written request stating the reasons for convening an extraordinary General Meeting in order to discuss the proposed matters. The Management Board convenes an extraordinary general meeting to be held at the latest within forty days from the day the request for its convening was delivered to it. The Management Board is not entitled to change the proposed agenda of the General Meeting. The Management Board is entitled to supplement the proposed agenda of the General Meeting only with the consent of a shareholder or shareholders requesting for the extraordinary General Meeting

- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital, may request the Management Board to include a matter designated by them into the agenda of the general meeting

- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital may request the Management Board to exercise claims in the name of the Issuer for payment of the Issue Price of shares against shareholders that have defaulted in payment of the price, or exercise the Issuer’s claims for the return of any benefit paid by the Issuer to shareholders contrary to the Commercial Code

- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital may request the Supervisory Body to review the performance by the Management Board of its powers in the designated matters

- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital may request the Supervisory Body to exercise in the name of the Issuer claims for damages or any other claims, if applicable, that the Issuer has towards members of the Management Board

- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital may request the Supervisory Body to exercise in the name of the Issuer claims for payment of the Issue Price of shares, if the Issuer subscribed shares which make up its registered capital contrary to the Commercial Code

- a shareholder or shareholders of the Issuer holding shares with a nominal value attaining at least 5% of the registered capital may request the Supervisory Body to exercise in the name of the Issuer claims the Issuer has towards members of the Management Board as guarantors under the Commercial Code

- a shareholder has a right to inspect, at the Issuer’s registered office, documents that are filed in the Slovak collection of deeds at their own expense and risk, to demand copies of such documents or have them forwarded to the address they indicate.

4.4.6 Dividend rights

Pursuant to the Commercial Code, the Issuer may distribute its profits or assets to shareholders only: (i) by paying dividend, (ii) in case of liquidation of the Issuer, or (iii) in case of reduction of capital of the Issuer which shall not be mandatory kept by the Issuer. The Relevant Day determines the persons entitled to exercise the right to a dividend. Dividend is paid to shareholders *pro rata* to the aggregate nominal value of shares held by them. Dividend is not cumulative as the Issuer has not issued any preference shares with cumulative dividend, owners of which would be guaranteed the right to dividend in the amount indicated in such shares.

The General Meeting may not adopt a decision to allocate and pay dividend to the shareholders, if the equity ascertained from the approved annual financial statements is, or would be in consequence of the profit distribution, lower than the value of the registered capital of the Issuer increased by the mandatory amount of the reserve fund, or any other funds, if applicable, created by the Issuer which must not be, under any law or Articles of Association, used for payments to the shareholders, reduced by the value of unpaid registered capital, provided this value has not yet been included in the assets reported in the balance sheet.

Until the Issuer is wound up, the shareholders are only entitled to the distribution among/between themselves of net profit:

a) reduced by mandatory contributions to the reserve fund, or any other funds, if applicable, created by the Issuer under any law and by the accumulated loss of previous years

b) increased by the retained profit of previous years and funds created from profit utilization of which is not stipulated by law.

The General Meeting decides on the place and term within which the dividends shall be paid to the shareholders but not later than within 60 days as of the Relevant Day. The period of limitation with respect to filing a dividend payment claim with the court expires ten years after the Relevant Day.

The Commercial Code does not provide with a possibility to pay dividend to the shareholders for a period shorter than a financial year (interim dividend).

In general, the Slovak Republic does not tax dividends. However, it does levy health insurance payments on dividend income much like a withholding tax. These payments are deducted by companies having its registered seat in the Slovak Republic and distributing dividends to resident persons participating in public health insurance according to the Slovak Act No. 580/2004 Coll., on Health Insurance, as amended ("Health Insurance Act") on a mandatory basis (i.e. natural persons having their permanent residence in the Slovak Republic, subject to minor exceptions). In case of health insurance payments on dividend, the Issuer assumes responsibility for withholding at source.

Dividend payments and other payments made by the Issuer will be conducted through the CDSR acting as primary depository. The Issuer shall transfer via the CDSR system to the NDS the respecitve amount dependant on the number of the shareholders whose Shares are listed on the WSE. The NDS shall redistribute the dividend and other payments among its participants (e.g. brokerage houses) and the NDS participants shall credit the respective Investors' accounts. This mechanism may be subject to changes after the CDSR and NDS further arrangements.

For more information on dividends, *please see Section 3.20.7 of this Prospectus*.

4.4.7 Voting rights

Pursuant to the Commercial Code and the Articles of Association, each share of the Issuer of the nominal value of 1 EUR confers one vote in the General Meeting. Persons, who were shareholders of the Issuer at the relevant day of the General Meeting, are entitled to attend and vote at the General Meeting or repeated General Meeting. The relevant day in this case is the date stated in the invitation to the General Meeting or in the notification to the General Meeting. This can be a day in which the General Meeting takes place or day which precedes this day, but may not be earlier than five days before the day the General Meeting is held.

The shareholders may vote personally or through third persons who have been authorized by the respective shareholder. The shareholders may also vote in writing (by post).

4.4.8 Pre–emption rights in offers for subscription of securities of the same class

If the Issuer increases the registered capital by subscribing of new shares, the existing shareholders have a prior right to subscribe shares in order to increase the registered capital, by the proportion of the nominal value of their shares to the amount of the existing registered capital. This right may not be limited or excluded by the Articles of Association but only by a decision of the General Meeting on the increase of the registered capital, if so required by the material interest of the Issuer which shall be demonstrated in a report drawn up by the Management Board.

4.4.9 Right to share in the Issuer's profit

The shareholders are entitled to a share in the Issuer's profit which the General Meeting has determined for distribution according to the operating results. The share in profit shall be determined by the proportion of the nominal value of the shareholder's shares to the nominal value of the shares of all shareholders. For more information regarding this, *please see Section 3.20.7 of this Prospectus*.

4.4.10 Right to share in any surplus in the event of liquidation

In case of liquidation of the Issuer, the Issuer's assets remaining after settlement of accounts with creditors are distributed to the shareholders *pro rata* to the aggregate nominal value of shares held by them. If shares have not been fully paid up, the shareholders obtain the sum which they have paid, while the remaining part will be distributed among the shareholders in proportion to the amount of the nominal value of their shares. If the liquidation balance is insufficient to pay the nominal value of shares, the shareholders will share it in proportion to the paid nominal value of their shares. The right to a share in the liquidation balance may be subject of independent transfer from the day as of which the proposal for distribution of the liquidation balance was approved.

4.4.11 Redemption provisions

Pursuant to the Commercial Code, the Issuer has the right to redeem its own shares, if conditions stated below are fulfilled cumulatively:

a) the acquisition of shares is approved by the General Meeting that shall also simultaneously determine the conditions under which the Issuer may acquire its own shares, in particular, the highest number of shares the Issuer may acquire, the period during which it may acquire the shares which must not exceed 18 months and in case of the paid acquisition of shares, also the highest and the lowest price for which the Issuer may acquire such shares

b) the acquisition of shares shall not cause the Issuer's equity to fall below the value of the registered capital increased by the reserve fund and any other funds compulsorily created by the Issuer under the Slovak law, reduced by the value of unpaid registered capital, provided such value has not yet been included in the assets reported in the balance sheet

c) the Issue Price of the shares being acquired is fully paid up.

There are situations in which the Issuer does not have to meet the conditions stated above and may obtain its own shares, i.e. if:

a) the Issuer reduces its registered capital

b) the Issuer as a legal successor enters into all rights and obligations of the person that was the owner of such shares

c) such acquisition concerns shares that the Issuer has acquired based on an obligation stipulated by a law or based on a court decision to protect minority shareholders

d) such acquisition concerns shares Issue Price of which has been fully paid up and the Issuer acquires them without charge

e) such acquisition concerns shares Issue Price of which has been fully paid up and which have been acquired by the Issuer in an auction during a court execution of a decision by which the Issuer has recovered its receivables from the owner of the shares

f) such acquisition concerns shares that have been acquired by the Issuer as a result of expulsion of a shareholder from the Issuer.

The Issuer is obligated to transfer the shares acquired under the items b) to f) within three years from their acquisition. This does not apply, if the nominal value of all its own shares acquired by the Issuer, including shares acquired by a person acting in its own name but on the Issuer's account, does not exceed 10% of the Issuer's registered capital. If the Issuer does not transfer such shares within three years from their acquisition, it is obligated to reduce the registered capital by a sum equal to their nominal value and to withdraw the shares from circulation.

If, for any reason, the Issuer acts non–compliant with the conditions stated in this Section, such legal act is deemed valid. The shares such acquired shall be transferred within a period of one year from their acquisition. If the Issuer does not transfer such shares within the stipulated period, it is obligated to reduce the registered capital by a sum equal to their nominal value and to withdraw these shares from circulation. If the Issuer does not fulfill the obligation to reduce its registered capital, a court may wind up the Issuer even without a petition and order its liquidation.

4.4.12 Conversion provisions

Currently, the Issuer has not issued any convertible securities.

4.4.13 Decision by which the New Shares are issued and Shares admitted to trading on the WSE

The New Shares are issued and will be admitted to trading on the WSE by the resolution of the extraordinary General Meeting from 24 October 2013. The Existing Shares are admitted to trading on the WSE by the resolution of the Management Board from 3 December 2013.

4.4.14 The expected issue date of the New Shares

It is expected to issue the New Shares on 10 March 2014.

4.4.15 The expected listing of the Shares on the WSE

It is expected to list the Shares (Existing Shares and New Shares) on the WSE on 21 March 2014.

4.4.16 Transfer restrictions

According to the Articles of Association, the convertibility of the Shares is (in case of Existing Shares) and will not be (in case of New Shares) restricted. In addition, if shares are submitted to a stock exchange, there cannot be any restrictions on their transfer.

4.4.17 Takeover bids, squeeze–out and sell–out rules

The Issuer intends to apply for Admission to trading and to list all of its Shares on the Main Market of the WSE. As a result, the Issuer will be subject to certain Polish securities and capital market regulations. Moreover, the Issuer, being incorporated under the laws of the Slovak Republic, will be subject to certain aspects of the EU and Slovak securities regulation. The Issuer will also be subject to the supervision of relevant regulatory authorities, in particular the NBS and, to a limited extent, the PFSA.

Takeover bids regulations

Takeover Directive has been implemented into the laws of the Slovak Republic by many laws including the Securities Act and has been implemented into the laws of Poland primarily through the Public Offering Act.

Sell–out and squeeze–out rules

In this respect, Polish Public Offering Act is applicable. It should be noted that Polish law does not explicitly exclude the application of Polish regulations concerning squeeze–out and sell–out in public companies to companies listed on the WSE which are incorporated outside Poland.

4.4.18 Existence of any public takeover bids

There has not been any public takeover bid by third parties in respect of the Issuer's equity which has occurred during the last financial year and current financial year.

4.4.19 Selected tax issues

The following selected aspects of taxation are of a general nature and do not purport to be an exhaustive account of the tax considerations connected to the operations described below. The following summary is based on the tax legislation in force in the Slovak Republic and in Poland at the date of this Prospectus and is subject to any changes in Slovak or Polish law and practice occurring after that date which may have retroactive effect.

It is not possible to describe all relevant tax considerations connected to the operations described below, particularly as tax consequences largely depend on the circumstances of each shareholder. It is therefore strongly recommended that any potential Investor consults its own tax adviser in order to determine the particular consequences of operations described below.

The assumptions for this information are that: (i) the Issuer is a Slovak tax resident not having a permanent establishment, seat or effective place of management in Poland, (ii) the Issuer's shareholders are beneficial owners of the shares of the Issuer, (iii) the non–Slovak tax residents owning the shares of the Issuer do not have a permanent establishment in the Slovak Republic and (iv) the non–Polish tax residents owning the shares of the Issuer do not have a permanent establishment in Poland.

(a) The Slovak Republic

(i) General comments

Under the general rules of the Slovak income tax system, only persons (natural or legal) being Slovak tax residents are subject to Slovak taxation on all of their global incomes regardless of the country in which the income was generated. Income generated by non–Slovak tax residents is subject to Slovak taxation only if earned in the Slovak Republic.

In accordance with the Slovak Act No. 595/2003 Coll., on Income Tax, as amended ("Slovak IT Act"), individuals are Slovak tax residents, if they have their permanent residence or they reside more than 183 days in a calendar year in the Slovak Republic.

In accordance with the Slovak IT Act, legal persons are Slovak tax residents, if they have a registered office and/or a place of management in the Slovak Republic.

The Slovak tax residency of individuals or legal persons may be stipulated otherwise by a relevant double tax treaty which prevails over the Slovak IT Act.

On the other hand, non–Slovak tax residents are subject to taxation in the Slovak Republic only with regard to the Slovak source income subject to the rules provided in Double Taxation Treaties concluded between the Slovak Republic and the state of the non–Slovak tax resident.

(ii) Taxation of dividends distribution

In general, the Slovak Republic does not tax dividends. However, it does levy health insurance payments on dividend income much like a withholding tax. These payments are deducted by companies having its a registered seat in the Slovak Republic and distributing dividends to resident persons participating in public health insurance according to the Health Insurance Act on a mandatory basis (i.e. natural persons having their permanent residence in the Slovak Republic, subject to minor exceptions). In case of health insurance payments on dividend, the Issuer assumes responsibility for withholding at source.

(iii) Taxation of capital gains from the disposal of the shares

Taxation of non–Slovak tax residents

In case of shareholders being non–Slovak tax residents, the capital gains from the sale of shares listed on the Polish stock exchange are not subject to the Slovak income tax. However, certain double tax treaties concluded by the Slovak Republic provide for the so called “real estate clause”. Depending on a wording of the real estate clauses in particular double tax treaties, capital gains from the sale of shares deriving (directly or indirectly) more than 50% of their value from the real property situated in the Slovak Republic may also be taxed in the Slovak Republic – where the real property is situated. Currently, there is not such clause in the Polish–Slovak Double Taxation Treaty.

On 1 August 2013 Poland and the Slovak Republic signed a protocol to the Polish–Slovak Double Taxation Treaty (“Protocol”). The Protocol will come into force on the first day of the third month following the date of receipt of the letter of the notifications on completion of the procedures required by law of either Poland or the Slovak Republic for the bringing into force of the Protocol. The Protocol will have effect in respect of the taxes withheld at source to amounts of income derived on or after the 1 January of the calendar year following the year in which the Protocol enters into force. Such ‘real estate clause’ will be introduced by the Protocol and therefore, the capital gains from the sale of shares listed on the Polish stock exchange could be subject to the Slovak income tax.

Taxation of Slovak tax residents

Individuals

Currently, in accordance with the Polish–Slovak Double Taxation Treaty, capital gains from disposal of shares are only subject to taxation in the country where the transferor has its registered office. This means that the disposal of shares of the Issuer by a Slovak resident is taxable in the Slovak Republic. When the Protocol applies, the capital gain will be also taxed in the Slovak Republic.

Pursuant to the Slovak IT Act, capital gains are taxed as an ordinary income at the progressive rate of 19% or 25%. Taxable income is defined as the difference between the proceeds received on account of the disposal of shares and expenses on acquisition of the shares.

Legal persons

Currently, in accordance with the Polish–Slovak Double Taxation Treaty, capital gains from disposal of shares are only subject to taxation in the country where the transferor has its registered office. This means that the disposal of shares of the Issuer by a Slovak resident is taxable in the Slovak Republic. When the Protocol applies, the capital gain will be also taxed in the Slovak Republic.

Pursuant to the Slovak IT Act, capital gains are taxed as an ordinary income at the flat rate of 23%. Taxable income is defined as the difference between the proceeds received on account of the disposal of shares and expenses on acquisition of the shares.

(b) Poland

(i) General comments

Under the general rules of the Polish income tax system, only persons (natural or legal) being Polish tax residents are subject to Polish taxation on all of their global incomes regardless of the country in which the income was generated. Income generated by non–Polish tax residents is subject to Polish taxation only if earned in Poland.

On the other hand, non–Polish tax residents are subject to taxation in Poland only with regard to the Polish source income subject to the rules provided in Double Taxation Treaties concluded between Poland and the state of the non–Polish tax resident.

(ii) Taxation of dividends distributions

As an initial comment, please note that for the Polish tax purposes the taxation of dividends is also applicable to dividend–like income understood as a participation in profits of the legal persons. These include among others compulsory or automatic buyback of shares, liquidation proceeds, capitalization of reserves and undistributed profits in case of transformation of a company into partnership (details in this respect are included in the Slovak IT Act).

In view of the above, any comments relating to dividends distributions are also applicable to the above dividend–like income.

Taxation of non–Polish tax residents

The non–Polish tax residents should not be taxed in Poland on dividend distributed by the Issuer.

Taxation of Polish tax residents

Individuals

Pursuant to the Polish–Slovak Double Taxation Treaty, the dividend may be subject to the Slovak withholding tax of not more than: (i) 5% of the gross amount of the dividend, if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of capital in the Issuer which pays the dividend, or (ii) 10% of the gross amount of the dividend in other cases.

Pursuant to the Protocol, the dividend will be subject to the Slovak withholding tax of not more than: (i) 0% of the gross amount of the dividend, if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital in the Issuer which pays the dividend on the date the dividend is paid and has done so, or will have done so, for an uninterrupted 24 month period in which the date falls, or (ii) 5% of the gross amount of the dividend in other cases.

For time being, there is no taxation of dividends in the Slovak Republic. Therefore, pursuant to the Polish Corporate Income Tax Act dated 15 February 1992, as amended ("Polish PIT Act"), dividends received from the Issuer are subject to a flat tax rate of 19% and are not added to income from other sources. However, if taxation of dividends is introduced in the future in the Slovak Republic, the Polish–Slovak Double Taxation Treaty allows for reducing the 19% Polish tax on dividends by the Slovak tax withheld by the dividend payer. The deduction may not exceed the tax that would be paid in Poland on this income.

Legal persons

As indicated above, pursuant to the Polish–Slovak Double Taxation Treaty, the dividend may be subject to the Slovak withholding tax of not more than: (i) 5% of the gross amount of the dividend, if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of capital in the Issuer which pays the dividend, or (ii) 10% of the gross amount of the dividend in other cases.

Pursuant to the Protocol, the dividend will be subject to the Slovak withholding tax of not more than: (i) 0% of the gross amount of the dividend, if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital in the Issuer which pays the dividend on the date the dividend is paid and has done so, or will have done so, for an uninterrupted 24 month period in which the date falls, or (ii) 5% of the gross amount of the dividend in other cases.

For time being, there is no taxation of dividends in the Slovak Republic. Therefore, pursuant to the Polish Personal Income Tax Act dated 26 July 1991, as amended ("Polish CIT Act"), dividends received from the Issuer are also subject to a flat tax rate of 19%. However, if taxation of dividends is introduced in the future in the Slovak Republic, the Polish–Slovak Double Taxation Treaty allows for reducing the 19% Polish tax on dividends by the Slovak tax withheld by the dividend payer. The deduction may not exceed the tax that would be paid in Poland on this income.

Additionally, a special tax exemption applies to dividends received from non–Polish tax residents (including the Issuer), if the following conditions have been met:

- dividends are paid by a company subject to income tax in the EU or the European Economic Area ("EEA") Member State or in Switzerland which is subject to income tax on all of its income, regardless of where the income is generated
- dividends are obtained by the Polish tax resident owning directly no less than 10% of shares in the share capital of the Issuer which pays the dividend for an uninterrupted period of two years (for Swiss companies, the above threshold is 25%) – the two–year shareholding period may also lapse following the dividend distribution (if the tax was not paid and the two–year shareholding period was not finally met, the taxpayer is obligated to file a corrected tax return for tax years in which the taxpayer used the tax exemption and to pay tax arrears)
- the company receiving the dividend does not benefit from tax exemption in respect of all of its income, regardless of its source of origin.

The above exemption does not apply to dividends paid out in the form of liquidation proceeds.

Additionally, the Polish CIT Act provides for specific rules regarding application of the exemption to Polish permanent establishment of the EU and the EEA companies receiving dividends from non–Polish tax residents (including the Issuer).

(iii) Taxation of capital gains from the disposal of the shares

Taxation of non–Polish tax residents

In case of shareholders being non–Polish tax residents, it is a common position of the tax authorities that the capital gains from the sale of shares listed on the Polish stock exchange are, as a rule, subject to the Polish income tax as a Polish source income. This is subject to provisions of double tax treaties concluded between Poland and the state of tax residency of a seller (e.g. the Polish–Slovak Double Taxation Treaty provides that such capital gains are subject to taxation in the country where a transferor has its tax residency and pursuant to that country domestic regulations).

Additionally, certain double tax treaties concluded by Poland provide for the so called 'real estate clause'. Depending on a wording of the real estate clauses in particular double tax treaties, capital gains from the sale of shares deriving (directly or indirectly) more than 50% of their value from the real property situated in given state may also be taxed in the state where the real property is situated. Currently the Polish–Slovak Double Taxation Treaty does not provide for a 'real estate clause'. However, such clause will be introduced by the Protocol.

Taxation of Polish tax residents

Individuals

In accordance with the Polish–Slovak Double Taxation Treaty, capital gains from disposal of shares are only subject to taxation in the country where the transferor has its registered office. This means that the disposal of shares of the Issuer by a Polish resident is taxable in Poland. When the Protocol applies, the capital gain could be taxed in the Slovak Republic provided that the real estate clause could be applied.

Pursuant to the Polish PIT Act, capital gains are taxed at the flat rate of 19%. Taxable income is defined as the difference between the proceeds received on account of the disposal of shares and expenses on acquisition of the shares.

Capital gains are not added to income generated from other sources. A person who generates income from the sale of shares is obligated to calculate tax due and submit a separate tax return by 30 April of the calendar year directly following the year in which this income was generated.

This provision does not apply, if the disposal of shares is a consequence of any business activities. In such case, proceeds from the sale of shares need to be treated as generated as a result of this type of activities and be accounted for in accordance with principles applicable to income on business activities.

The Slovak tax paid on capital gain should be creditable against the Polish tax.

Legal persons

As indicated above, under the Polish–Slovak Double Taxation Treaty, capital gains from disposal of shares are only subject to taxation in the country where the transferor has its registered office. This means that the disposal of shares of the Issuer by a Polish resident is taxable in Poland. When the Protocol applies, the capital gain could be taxed in the Slovak Republic provided that the real estate clause could be applied.

In accordance with the Polish CIT Act, profits from the disposal of shares are subject to taxation under generally applicable rules. Taxable income represents the difference between proceeds from the disposal of shares and expenses on their acquisition. The capital gains are added to other income of the legal person and taxed at the rate of 19%.

The Slovak tax paid on capital gain should be creditable against the Polish tax.

(iv) Taxation of civil law transactions

As a rule, in accordance with the Polish Civil Transactions Tax Act dated 9 September 2000, an acquisition of property rights exercised outside Poland, e.g. shares of the Issuer, by way of a sale or exchange agreement by an acquirer with a registered office/place of residence in Poland is subject to tax on civil law transactions, if the agreement is executed in Poland. Acquirer of shares is obligated to pay the tax on civil law transactions and file a relevant tax return.

However, acquisition of property rights being financial instruments (e.g. shares of a listed company) by or via investment firms or within the organized trading (e.g. on the stock exchange) is exempt from the tax on civil law transactions.

(v) Inheritance and donation tax

The regulations concerning inheritance and donations tax apply only to natural persons. This tax does not apply to corporate entities and any donations and/or inheritances received by corporate entities are subject to the Polish CIT Act.

Pursuant to the Polish Inheritance and Donation Tax Act dated 28 July 1983, as amended ("Polish Inheritance and Donation Tax Act"), an acquisition of property rights exercised outside Poland, e.g. shares of the Issuer, by way of an inheritance or a donation is subject to the inheritance and donation tax, if, at the time of death of a person (in case of inheritance) or execution of the donation contract, a beneficiary is a Polish citizen or a permanent resident of Poland.

The rates of inheritance and donation tax vary, depending on the type of family relations or other types of personal relationships between a deceased person/donor and the beneficiary.

The Polish Inheritance and Donation Tax Act provides for tax exemption, if a beneficiary of a donation or inheritance is one of the relatives of a deceased person/donor the list of which is provided by the Polish Inheritance and Donation Tax Act. The beneficiary should report the acquisition of property in order to benefit from the exemption.

Depending on the circumstances, the rules of taxation of inheritance may be modified by the agreements concluded by and between Poland and selected states (e.g. with the Slovak Republic) regarding avoiding double taxation of inheritance.

4.5 Terms and conditions of the Offering

4.5.1 Conditions, Offering statistics, expected timetable and action required to apply for the Offering

General information

On the basis of this Prospectus, the Issuer is offering up to 5,000,000 newly issued New Shares of the Issuer.

The Offering consists solely of a Public Offering to Retail Investors and Institutional Investors in Poland and Private Offering. The Prospectus has been filed with the NBS which is the competent authority under the relevant implementing measures of the Prospectus Directive in the Slovak Republic. The Slovak Republic is the home Member State of the Issuer and the NBS is solely authorized to approve this Prospectus. The Issuer will carry out the Public Offering in Poland once the NBS has approved this Prospectus and provided the competent authority in Poland, the PFSA, with: (i) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive, (ii) a copy of the Prospectus in English and (iii) a Polish translation of the Summary and once the Prospectus has been made available to the public together with a translation of the Summary into the Polish language.

Only such prospective Investors will be eligible to participate in the Offering who at or by the time of placing their orders (before the end of the Subscription Period) have opened securities accounts with an entity which is licensed to provide such services within the territory of Poland or the Slovak Republic.

No Public Offering in the Slovak Republic will take place.

For further information on selling restrictions regarding the New Shares, *please see Section 4.5.7 of this Prospectus* and with respect to the rights pertaining of the New Shares, *please see Section 4.4 of this Prospectus*.

The New Shares may be acquired by the Retail Investors and the Institutional Investors. As at the date of this Prospectus, there is no restriction on the amount of the New Shares that will be allocated to each category of Investors. The Issuer intends to offer ca 15% of New Shares to Retail Investors and ca 85% of New Shares to Institutional Investors.

The New Shares are offered at the Issue Price which will be determined through a book–building process and expressed in PLN. The final number of the New Shares allotted to the Investors will be set by the Issuer in agreement with the Joint Bookrunners after the Issue Price is determined, but will not be higher than Maximum Price.

Based on this Prospectus, on 24 October 2013, the extraordinary General Meeting decided to increase the share capital by up to 5,000,000 EUR, issuing up to 5,000,000 New Shares to be offered for subscription (including revocation of the pre–emptive right of the Shareholders to acquire the New Shares) and adopted resolutions regarding the listing of up to 5,000,000 New Shares on the WSE. On 3 December 2013, the Management Board adopted a resolution regarding the listing of 10,000,000 Existing Shares on the WSE based on this Prospectus. In addition, the General Meeting approved preparation of the Prospectus for the purpose of the envisaged Offering of the New Shares and listing of the Shares.

The issuance of the New Shares is scheduled to occur upon the Management Board's execution of a resolution to that effect, registration of the increase of the share capital of the Issuer in the relevant Slovak commercial register and registration of the New Shares with the CDSR, shortly prior to registration of the New Shares in NDS delivery and listing of the Shares (Existing Shares and New Shares) on the WSE, as outlined below.

The Management Board upon agreement with the Joint Bookrunners will determine: (i) the final number of the New Shares offered to each category of Investors and (ii) the Issue Price. Upon the decision hereon, the Issuer will issue the New Shares.

Notice

The Prospectus will be published on the website of the Issuer (www.gge.sk) and on the website of the Offering Agent: (www.dmbzwbk.pl). Any notices relating to the Issue Price and final results of the Offering will be notified to the NBS and will be published on the website of the Issuer: www.gge.sk and the Offering Agent: www.dmbzwbk.pl.

Placing of subscription

Subscriptions from the Retail Investors will be accepted at points of services of the Offering Agent and selected offices of the Bank Zachodni WBK S.A. which operates as an agent of the Offering Agent. A detailed list of places where subscriptions will be accepted, will be published before the start of the subscriptions on the website of the Issuer: www.gge.sk and the Offering Agent: www.dmbzwbk.pl.

Subscriptions in institutional tranche and private placement among the Institutional Investors will be accepted at the office of the Offering Agent at Grzybowska 5A St. 00–132 Warsaw, Poland.A detailed list of places where subscriptions in each tranche will be accepted, will be published before the start of the subscriptions on the website of the Issuer: www.gge.sk and the Offering Agent: www.dmbzwbk.pl.

For information on detailed rules governing the placement of subscription orders, in particular the documents required, if an order is placed by a statutory representative, proxy or any other person acting on behalf of an Investor, the Investors should contact the entity accepting subscription.

In case of the retail tranche, the Offering Agent reserves the right to establish a distribution consortium. If such consortium is created, it will be publicly announced in compliance with applicable regulations. In such case, an updated list of points accepting subscriptions will also be made available on the aforesaid websites.

Also, subscriptions via the Internet, by phone, facsimileor other communication are allowed in accordance with the regulations of the entities accepting subscriptions, providing the protection of the text of subscriptions is guaranteed and the signature may be identified (where applicable). Based on the subscriptions via the indicated communication means, each entity accepting subscriptions shall on behalf of its customers fill and sign the subscription orders according to the relevant powers of attorney, issued by the customers.

Subscription orders from the Retail Investors will be accepted by all members of the distribution consortium only from prospective Retail Investors who at or by the time of placing their orders (before the end of the Subscription Period), will have opened securities accounts with an entity which is licensed to provide such services within the territory of Poland or the Slovak Republic. Subsription orders will be accepted in accordance with the regulations of the entities accepting subscriptions.

Proposed timetable of the Offering

The timetable below lists key dates related to the Offering. All times and dates referred to in this timetable are based on Warsaw local time and are approximately:

28 January 2014	Publication of the Prospectus
7 – 10 February 2014	Book–building (till 2 pm CET on the last day)
10 February 2014	Determination of the Issue Price and a number of the New Shares offered in each tranche
11 February 2014	Notification of the NBS of the Issue Price and a number of the New Shares and number of the New Shares offered in

	each tranche
11 February 2014 by 9,00 a.m.	Public release with the Issue Price, a number of the New Shares and a number of the New Shares offered in each tranche
11 – 13 February 2014	Subscriptions by Retail Investors
11 – 14 February 2014	Subscriptions by Institutional Investors
19 February 2014	Application for registration of increase of registered capital with Slovak commercial register
21 February 2014	Increase of share capital registered (within 2 business days)
24 February 2014	Signing an agreement with CDSR
6 March 2014	Registration of subscription with CDSR
10 March 2014	Delivery date
21 March 2014	Listing Date (listing of start of trading of the Shares on the WSE)

After consultation with the Joint Bookrunners and Advisor, the Issuer may decide to amend the above dates. Changes made to the stated dates, if any, will be made public in the form of an announcement. If in the Issuer's opinion, a change of dates for subscriptions would be a material factor affecting the evaluation of the New Shares, then such changes would be made public in the form of a supplement to this Prospectus.

Book–building

Before the start of subscriptions for Institutional Investors, the Institutional Investors will make declarations as to the acquisition of the New Shares in the book–building process through any of the Joint Bookrunners. In their declarations, the Investors will determine the total number of the New Shares they would like to buy and the price they are willing to pay for the New Shares.

Invitations can be made in any form.

In order to obtain more detailed information as to the participation in the book–building process, Investors interested should contact the Joint Bookrunners.

On the basis of declarations as to the acquisition of the New Shares, the Issuer, following the Joint–Bookrunners' recommendations, will determine the Issue Price and will preliminarily allot the New Shares.

The book–building results will not be made public.

The subscription procedure

Subscriptions for New Shares may be placed by eligible Retail Investors and Institutional Investors. Subscriptions are irrevocable subject to exemption based on the Prospectus Directive which was implemented in the Slovak Republic via Securities Act and in Poland via Public Offering Act. According to the Prospectues Directive, the Investors who have already agreed to purchase or subscribe for the New Shares based on this Prospectus before its potential supplement is published shall have the right, exercisable within two working days after the publication of the such supplement, to withdraw their acceptances to purchase or subscribe for the New Shares, provided that the significant new factor, substantial mistake or substantial inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the New Shares has arisen before the final closing of the Public Offering and the delivery of the New Shares.

The Investors placing the subscription order is responsible for any errors or missing information in the subscription form.

Any overpayments (either as a result of lack of allotment of the New Shares or as a result of any reduction of subscription) will start to be returned not later than seven business days after the date of the allotment of the New Shares ("Allotment Date") without any interest or any other compensation.

In the retail tranche, an Investor may subscribe for the minimum of 10 New Shares. The Investor may make any number of subscriptions exceeding the minimum amount of the New Shares; provided that the total number of the New Shares subscribed for by him in the retail tranche cannot exceed the total amount of offered New Shares.

In case of Institutional Investors who have been invited to subscribe, they are required to place a subscription order or orders for a number of the New Shares no less than the number of the New Shares given in the invitation which cannot be less than 10 New Shares. However, the Offering Agent acting on behalf of the Joint Bookrunners may at its own discretion deem valid also those subscriptions which do not comply with the aforementioned requirement.

Subscriptions in both tranches will be accepted on a subscription form in Polish or in English (for persons who are not Polish residents)

At the time of placing a subscription order, Investors are required to make an irrevocable instruction for depositing the New Shares in a securities account maintained in their name.

By placing a subscription order, each Investor is deemed to have read this Prospectus and the Issuer's Articles of Association and accepted their content, as well as has read the terms of the Offering, consented to being allotted a lower number of the New Shares than the number specified in such Investor's subscription orders, or to not being allotted any New Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

More detailed information concerning the identification of Investors, including requirements concerning documents submitted and the rules for acting through authorized representatives, can be obtained by Investors from the entities accepting subscription orders.

If any Institutional Investor fails to subscribe for or pay for any New Shares initially allocated to such Institutional Investor or there will be less New Shares subscribed in the Retail Investors than initially allocated to the Retail Investors, the Issuer, in agreement with the Joint Bookrunners, may invite one or more other Institutional Investors to subscribe for the New Shares not subscribed for or paid for.

Any consequences of a form of subscription for the New Shares being incorrectly filled out will be borne by the Investor.

Revocation, suspension and modification

The Issuer may cancel the Public Offering and/or modify the terms and dates of the Public Offering at any time prior to the Subscription Period, without disclosing any reason for doing so. Information on modification of the terms of the Public Offering will be made available publicly in the form of the supplement to the Prospectus to be approved by the NBS and notified to the PFSA, as well as published in the same manner as this Prospectus. Any information on cancellation of the Public Offering will be made available publicly in the form of an announcement.

The Issuer may also cancel or suspend or modify the terms or the dates of the Public Offering at any time after the opening of the Subscription Period up until the Allotment Date, if it considers there are reasons to believe that proceeding with the Public Offering is, or has become, impracticable or inadvisable. Such reasons may include, but are not limited to: (i) the suspension of, or material limitation in, trading in securities generally on the WSE, (ii) a sudden and material adverse change in the economic or political situation in Poland, the Slovak Republic and/or any other jurisdictions in which the Issuer operates worldwide, (iii) a material loss, or interference with the Issuer's business, (iv) an insufficient, in the opinion of the Issuer or the Joint Bookrunners, expected free float of the Shares (Existing Shares and New Shares) on the WSE,

(v) any change or development in, or affecting, the general affairs, management, financial position, Major Shareholder's equity or results of the Issuer's operations or the operations of its Subsidiaries in a materially adverse way, or (vi) an unsatisfactory, in the opinion of the Issuer or the Joint Bookrunners, level of demand for the New Shares in the subscription procedure. In such event, subscription orders for the New Shares that have been made will be disregarded and any subscription payments received will be returned without interest or any other compensation, net of transfer costs, no later than 7 business days after the date of the notice of cancellation of the Offering is made public. If the Offering is suspended, the Issuer together with Joint Bookrunners, may decide that orders placed and payments made will remain valid for up to 7 days. In such case, Investors may withdraw their orders by submitting a withdrawal request within two business days after the suspension or postponing is announced.

Subscription reduction

The Issuer reserves the right to allocate in total a smaller number of the New Shares than 5,000,000. This may happen, for instance, as a result of insufficient demand at a price level satisfactory to the Issuer. In such case, the number of New Shares to be allotted to the Retail Investors may be reduced proportionally.

If the total number of the New Shares subscribed for in the retail tranche exceeds the number of the New Shares offered in that tranche, then the subscriptions will be subject to proportional reduction.

If the total number of the New Shares subscribed for in the institutional tranche exceeds the number of the New Shares offered in that tranche, then the reduction of subscriptions is possible in case of:

- subscription orders placed by Institutional Investors who have been invited to subscribe, but only with respect to the number of the New Shares in the subscription which exceeds the number specified in the invitation

- subscription orders made by Institutional Investors who have not been invited to subscribe.

The return of payments in connection with the allotment of a lower number of the New Shares than subscribed for, non–allotment of any New Shares at all or any potential overpayments will start no later than within seven business days after the Allotment Date. The return of payments will be made in accordance with the subscription order.

If the Public Offering is cancelled or suspended, the Investors who have placed subscription orders and paid for the subscription will get their payments back:

- if the Public Offering is cancelled – within three business days after the public announcement by the Issuer of the Offering cancellation

- if the Public Offering is suspended – within three business days after the date on which the Investor has made a statement canceling his subscription.

The timely repayment of money paid will be without any additional compensation.

Minimum and/or maximum amount of application

The Issue Price will not be higher than the Maximum Price which will be 38.00 PLN. The Issue Price will be expressed in PLN.

During the book–building process amongst Institutional Investors invited by the Joint Bookrunners, such Institutional Investors interested in subscribing for the New Shares will indicate the number of the New Shares they will be willing to acquire and the price, not higher than the Maximum Price, they will be willing to pay. Retail Investors will not participate in the book–building process.

The Issue Price will be determined by the Issuer in agreement with the Joint Bookrunners and will not be higher than the Maximum Price. The Issue Price will be determined based on: (i) the volume and price sensitivity of the demand estimated in the book–building process, (ii) the current and forecast situation in the capital markets and (iii) development outlook, risk factors and other information concerning the Issuer's business. The Issue Price will be the same for both Retail Investors and Institutional Investors.

The Issue Price for one New Share expressed in PLN should not be less than the nominal value of the Shares, i.e. 1 EUR as on the day of settlement of the Issue Price based on the exchange rate published by the National Bank of Poland on the day of pricing.

The Issuer will announce the Issue Price prior to commencement of the Subscription Period in the institutional and retail tranche. The Issue Price will be notified to the NBS and the PFSA and published on the website of the Issuer: www.gge.sk and the Offering Agent: www.dmbzwbk.pl.

Withdrawing of application

The subscription order placed by an Investor must be given with respect to at least 10 New Shares. All Investors have the right to place multiple subscription orders. Subscription orders for a number of the New Shares greater than the total number of the New Shares shall be considered to be orders for all the New Shares.

Subscription orders will be accepted only from those prospective Investors who, at the time of placing their orders, have opened securities accounts with an entity licensed to provide such services within the territory of Poland or the Slovak Republic.

A subscription for the New Shares is irrevocable, except when after the start of the subscription procedure, a supplement is made public concerning an event or circumstances occurring before the allotment of the New Shares, of which the Issuer became aware before the allotment, then the Investors who have placed their subscription orders before publication of the supplement shall have the right to withdraw their subscriptions within 2 business days of its publication by submitting a written statement to the institution where the subscription was made and any paid–in money shall be repaid to the Investors not later than within 10 business days. In such case and if necessary, the Allotment Date will be adjusted in order to enable the Investors to withdraw their subscriptions.

The Offering Agent will not charge any fees from Investors in connection with cancellation or amendment of the subscription order.

Method and time limits for paying up the securities and for the delivery of the securities

Subscriptions for the New Shares in the institutional tranche should be fully paid for no later than on the last day of accepting subscriptions in that tranche. Subscriptions for the New Shares in the retail tranche should be fully paid for in a day when such subscription is made.

The full payment means a payment equal to the number of the New Shares indicated in the subscription order multiplied by the Issue Price – in the institutional and retail tranche.

All monetary amounts used in the Offering will be expressed in PLN. In particular, the Issue Price will be set and the book–building process will be carried out in PLN.

Payments can be made in cash or by wire transfer and should be made in PLN to the account of the entity accepting the subscription.

Payments for the New Shares are interest free.

A legal consequence of non–payment on time, or a partial payment for the New Shares, will result in invalidity of the entire subscription.

Delivery of the securities

An application will be made for the New Shares to be accepted for delivery through the book–entry facilities of the CDSR and NDS, either directly as a participant of that take or indirectly through participants of the NDS. Investors should note that in order to trade the Shares on the WSE the Shares must be in a book–entry form.

All Shares of the Issuer are and will generally be, bearer Shares. All Shares will be registered with the CDSR and NDS and will be held by shareholders in a book–entry form with a custodian bank or an investment firm as a participant of the NDS.

Delivery of the New Shares will be made in accordance with settlement instructions placed by the Investors upon subscription, through the facilities of the NDS, by registration of the New Shares on the Investors' securities accounts indicated by such Investors.

Delivery of the New Shares is expected to take place no longer than 5 weeks after the Allotment Date, barring unforeseen circumstances, by appropriate entry on the Investors' securities accounts held through members of the NDS. The exact delivery dates will depend on timing of (i) the registration of registered capital increase with the Slovak commercial register, (ii) registration of the New Shares with the CDSR and (iii) registration of the New Shares with the facilities of the NDS.

After the successful closing of the Offering, the New Shares will be held in a book–entry form in the NDS.

Bearing the above in mind, the Issuer and the Offering Agent do not envisage any delivery of documents concerning the New Shares acquired. Notices of the recording of the New Shares on the Investor's securities account will be delivered to Investors in accordance with the rules of a given investment firm and custodian bank. However, the date of the delivery of such notice to the Investors will not have any impact on the date of starting the listing of the Issuer's Shares, including the Shares, on the WSE as the notices may be delivered to the Investors after the listing commenced.

Manner and date in which the results of the Offering are to be made to the public

Information on the announcement of the Issue Price and results of the Offering will be announced within two weeks from its closing on the website of the Issuer: www.gge.sk and the Offering Agent: www.dmbzwbk.pl.

The procedure for the exercise of any right of pre–emption, the negotiability of subscription rights and the treatment of subscription rights not exercised

There are not any specific subscription rights.

4.5.2 Plan of distribution and allotment

There are several categories of potential Investors to whom the securities are offered. The Public Offering is made solely on the territory of Poland.

The Issuer is not aware of intention of the members of the Management Board, Supervisory Body, administrative bodies or Major Shareholder to subscribe in the Offering.

The Offering is divided into two tranches. The Issuer intents to split the tranches as follows: (i) for Retail Investors who are being offered of approximately 15% of New Shares and (ii) for Institutional Investors who are being offered approximately 85% of the New Shares.

The Issuer reserves the right to shift the New Shares between tranches; provided that only the New Shares which have not been duly subscribed and paid for in each of the tranches and the New Shares which have not been taken by Investors as a result of Investors avoiding the legal consequences of their subscriptions, can be transferred to another tranche. This will not have any impact on a change of the final number of the New Shares.

The information about the final number of the New Shares allocated to each tranche will be published on the website of the Issuer: www.gge.sk and the Offering Agent: www.dmbzwbk.pl, after the Subscription Period.

There is no specific treatment of subscriptions and bids based on which firm they are made through or by.

Allotment in the retail tranche

If the total number of the New Shares subscribed for in the retail tranche is equal to or less than the number of the New Shares in that tranche, the New Shares will be allotted based on subscription orders placed.

If the total number of the New Shares subscribed for in the retail tranche is more than the number of the New Shares in that tranche, even after potential shifts between the tranches, the New Shares will be allotted in accordance with the proportionate reduction principle.

The Issuer will not give preferential treatment or discriminate against and between Retail Investors.

All fractional allocation will be rounded down.

Allocation in the institutional tranche

<u>Preliminary allotment</u>

New Shares will be preliminarily allotted to selected Investors who, in declarations for the acquisition, have offered a price no less than the finally determined Issue Price. Making a declaration with a price equal to, or higher than, the finally determined Issue Price does not guarantee that the Investor will be placed on the preliminary allotment list or that the Investor will be allocated all the New Shares that the Investor declared in its declaration.

The New Shares will be preliminarily allotted in an entirely discretional manner, i.e. the allotment rate can be different for different Investors.

After the completion of the book–building, the Joint Bookrunners will notify Investors on the number of the preliminarily allotted New Shares and will request them to place a subscription order and make a payment.

<u>Final allocation in the institutional tranche</u>

If the total number of the New Shares subscribed for in the institutional tranche is equal to or less than the number of the New Shares in that tranche, the New Shares will be allotted based on subscription orders placed.

If the total number of the New Shares subscribed for in the institutional tranche is more than the number of the New Shares in that tranche, even after potential shifts between the tranches, the New Shares will be allotted in accordance with the following principles:

- first, the New Shares will be allotted to Institutional Investors, who have participated in the book–building process and who have been invited to subscribe – the number of the New Shares will be allotted based on subscription orders placed, but no more than the number of the New Shares given in the invitation to subscribe

- next, the New Shares will be allotted to Institutional Investors, referred to above, with respect to subscriptions made by them in excess of the number of the New Shares specified in the invitation – the allotment will be made at Issuer's discretion

- next, the New Shares will be allotted to the remaining Institutional Investors – the allotment will be made at Issuer's discretion.

For more information, *please see Section 4.5.1 of this Prospectus*.

4.5.3 Process for notification to applicants of the amount allotted

As at the date of the Prospectus, the Existing Shares are in a book–entry form, registered on the Issuer's securities account maintained by the CDSR. In accordance with applicable Slovak regulations, Shares of the Issuer are (and the New Shares will be) electronically registered with the CDSR which is also the clearing and settlement institution of the Slovak Republic. The Shares (Existing Shares and New Shares) of the Issuer will be assigned ISIN code SK 1120010865, series01. The NDS which is the Polish central clearinghouse and depository for securities, will act as a secondary depository for the Shares. After the Allotment Date, the Issuer shall file an application for registration of all Shares with the NDS and CDSR.

All Shares are (and the New Shares will be) in a book–entry form and, therefore, shareholders may only hold them through their respective investment accounts opened with and maintained by investment firms and custodians that are the NDS or the CDSR.

In order to deliver the Shares, the Issuer will give instruction to the CDSR to deliver a respective amount of the Shares to the NDS. The delivery of the Shares will be made in accordance with instructions made by the Investors in the subscription orders, through the facilities of the CDSR and onward through the facilities of the NDS in accordance with standard NDS procedures applicable to the settlement of the Public Offering of the New Shares. Delivery of the Shares is expected to take place on, or around, 10 March 2014, barring unforeseen circumstances. The exact delivery dates will depend on the timing of the Shares transfer from the CDSR to the NDS system.

Notices of the recording of the Shares on the Investor's securities account will be delivered to Investors in accordance with the rules of a given investment firm. However, the date of the delivery of such notice to the Investors will have no impact on the date of starting the listing of the Issuer's Shares on the WSE, as the notices may be delivered to the Investors after the listing has commenced.

No dealing may begin before notification is made.

4.5.4 Over–allotment and 'green–shoe'

The Issuer has not granted and will not grant any overallotment option or the 'green–shoe' type option and therefore no overallotment is foreseen.

4.5.5 Pricing

The New Shares are being offered at the Issue Price which shall be determined through a book–building process and after taking into account other conditions as specified below.

The Issue Price shall not exceed the Maximum Price. During a book–building process amongst Institutional Investors invited by the Offering Agent on behalf of the Joint Bookrunners, such Institutional Investors interested in subscribing for the New Shares will indicate the number of the New Shares they will be willing to acquire and the price which they will be willing to pay per one New Share.

The Issue Price will be determined by the Issuer upon agreement with the Joint Bookrunners, based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the book–building process, (ii) the current and anticipated situation on the Polish and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities.

The Issue Price will be the same for both tranches and will not exceed the Maximum Price. The price will be expressed in PLN.

The Issuer will announce the Issue Price prior to commencement of the Subscription Period in the institutional and retail tranche. The Issue Price will be notified to the NBS and published on the website of the Issuer: www.gge.sk and the Offering Agent: www.dmbzwbk.pl.

There are not any expenses or taxes specifically charged in connection with subscription.

The extraordinary General Meeting of the Issuer has decided on 24 October 2013 based on its resolution that pre–emptive purchase right is withdrawn with respect to the Issue.

There is not any material disparity between the public Issue Price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons of securities acquired by them in transactions during the past year, or which they have the right to acquire.

4.5.6 Placing and underwriting

The Issuer intends, prior to the commencement of bookbuilding of the Offering, to enter into a placement agreement in respect of the Offering, with Dom Maklerski BZ WBK S.A and Bank Zachodni WBK S.A.. and Raiffeisen Centrobank AG in which Dom Maklerski BZ WBK S.A. and Raiffeisen Centrobank AG will commit, on a best–efforts basis, to procure subscribers for the New Shares.

Dom Maklerski BZ WBK S.A., whose registered office is at Plac Wolności 15, 60–967 Poznań, Poland, acts as the Joint Global Coordinator, Joint Bookrunner and the Offering Agent in Poland for the purposes of the Offering in Poland and Admission to trading on the WSE.

Raiffeisen Centrobank AG, whose registered office is Tegetthoffstrasse 1, A–1015 Vienna, Austria, acts as the Joint Global Coordinator and Joint Bookrunner for the purposes of the Offering.

4.5.7 Selling restrictions

In connection with the Offering, the Issuer has agreed to pay a fee calculated as a percentage of the gross proceeds from the placement of the New Shares. In addition, the Issuer has agreed to indemnify Joint Bookrunners against certain liabilities and to reimburse certain expenses incurred by Joint Bookrunners, in connection with the management of the Offering. Joint Bookrunners shall be entitled, under certain circumstances, to be released and discharged from their respective obligations under the said placement agreement prior to the date of listing of the Shares on the WSE. Such circumstances include the non–satisfaction of certain conditions precedent and the occurrence of certain force majeure events.

(a) Prospectus

This Prospectus constitutes a prospectus within the meaning of the Prospectus Directive and the Securities Act (which implemented the Prospectus Directive into the Slovak law), for the purpose of providing any information with regard to the Issuer and the New Shares and the Issuer's intents of the Offering pursuant to this Prospectus which is necessary to enable prospective Investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the Group.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 5.3 of the Prospectus Directive. This Prospectus has been filed with and was approved by the NBS which is the competent authority in the Slovak Republic to approve this document as a prospectus. Under the Prospectus Directive and the Securities Act, this Prospectus, once approved by the competent authority of home Member State, may be used for making a Public Offering and admission of securities to listing on a regulated market in host Member State, provided that the competent authority of the home Member State provides the competent authority of the host Member State with a certificate of approval of the Prospectus (in accordance with Article 18 of the Prospectus Directive).

(b) No Public Offering outside of Poland

This Prospectus has been prepared on the basis that there will be no public offers of the New Shares based on this Prospectus, other than the Offering to the public in the territory of Poland in accordance with the Prospectus Directive. Accordingly, any person making or intending to make any offering, resale or other transfer within the EEA other than in Poland, of the New Shares may only do so in circumstances under which no obligation arises for the Issuer, the Major Shareholder or the Offering Agent to produce the approved Prospectus or other offering circular for such offering. Neither the

Issuer, the Major Shareholder, nor the Offering Agent have authorized, nor will any of them authorize, the making of any offer of the New Shares through any financial intermediary, other than offers made by the Offering Agent under this Prospectus.

No action has been or will be taken by the Issuer, the Major Shareholder or the Offering Agent in any jurisdiction other than Poland that would permit a public offering of the New Shares based on this Prospectus, or the possession or distribution of this Prospectus or any other offering material relating to the Issuer or the New Shares in any jurisdiction where action for that purpose is required. Accordingly, the New Shares may not be offered or sold, directly or indirectly and neither this Prospectus nor any other offering material or advertisements in connection with the New Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any of such country or jurisdiction.

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions on the distribution of this Prospectus and the Offering, including those in Sections that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any of such jurisdictions. This Prospectus does not constitute an offer to subscribe for or buy any of the New Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

(c) Notice to Investors

Because of the following restrictions, prospective Investors are advised to consult their legal counsel prior to making any offer, resale, pledge or other transfer of the New Shares offered hereby.

No actions have been taken to register or qualify the New Shares or otherwise permit a public offering of the New Shares based on this Prospectus in any jurisdiction other than in Poland. The distribution of this Prospectus and the offer of the New Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any of such restrictions, including those in Sections that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any of such jurisdictions.

(d) Notice to Investors in the EEA

Generally, in relation to each member state of the EEA which has implemented the Prospectus Directive, an offer to the public of the New Shares (including by means of a resale or other transfer) may not be made in that relevant Member State, other than the offer in Poland after the publication of the Prospectus in relation to the New Shares which has been approved by the competent authority in that relevant Member State or, where appropriate, approved in another relevant Member State and notified to the competent authority in that relevant Member State, all in accordance with the Prospectus Directive, except that it may make an offer of the New Shares to the public in that relevant Member State under the following exemptions under the Prospectus Directive, if such exemptions have been implemented in that relevant Member State:

- to legal entities which are qualified investors as defined under the Prospectus Directive

- in any other circumstances falling within Article 3(2) of the Prospectus Directive

provided that no such offer of the New Shares should result in a requirement for the Issuer and/or the Offering Agent to publish the Prospectus pursuant to Article 3 of the Prospectus Directive or supplement the Prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a relevant Member State (other than, in case of Section (a) below, persons in Poland receiving the offer in Poland contemplated in the Prospectus) who receives any communication in respect of, or who acquires any of the New Shares under, the offer contemplated in the Prospectus will be deemed to have represented, warranted and agreed to and with each of the Issuer and the Offering Agent limited that:

- it is a qualified investor as defined under Article 2(1)I of the Prospectus Directive

- in case of any of the New Shares acquired by it as a financial intermediary, as such expression is used in Article 3(2) of the Prospectus Directive, the New Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant Member State other than qualified investors, as such expression is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Offering Agent has been given to the offer or resale.

For the purposes of the provisions and representations above, the expression an “offer to the public” in relation to any of the New Shares in any relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the New Shares to be offered so as to enable an Investor to decide to purchase any of the New Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

4.6 Admission to trading and dealing arrangements

As of the date of the Prospectus there are no shares of the Issuer admitted to trading on any regulated market. The Issuer is applying for the Admission of the Shares (Existing Shares and New Shares) to trading on the WSE. The earliest dates on which the Shares will be admitted to trading on the Main Market of the WSE is about 21 March 2014.

There are not any securities of the same class subscribed for, or placed privately, or any securities of other classes created for public or private placing simultaneously or almost simultaneously with the creation of the securities for which Admission to WSE is being sought.

The Issuer has appointed the Offering Agent to act as the intermediary with respect to the New Shares for the purposes of the Offering and Admission of the Shares (Existing Shares and New Shares) to trading on the Main Market of the WSE.

The Issuer has not granted and will not grant any overallotment option and therefore no overallotment is foreseen. No stabilization takes place.

At the date of this Prospectus, there are not any entities which have a firm commitment to act as intermediaries in secondary trading providing liquidity through bid and offer rates.

4.7 Selling securities holders

At the date of this Prospectus, there are not any persons or entities acting as selling security holders offering to sell the securities.

In connection with the Offering, certain ‘lock–up’ agreements might be executed in respect of the issue and sale of the New Shares by the Issuer and the Joint Bookrunners as well as among the shareholders of the Issuer in the future.

4.8 Expense of the issue/Offering

Due to the fact that remuneration of the Joint Bookrunners and the Advisor are dependent on the gross proceeds from the Offering and that the final Issue Price is not known on the date of the Prospectus, the Issuer cannot precisely determine the costs of the Offer. Assuming that all the New Shares are subscribed for at the Maximum Price, the net proceeds from the issuance of the New Shares are expected to be approximately 181,500,000 PLN after deduction of the costs of the Offering. The costs of the Offering include approximately 4,275,000 PLN costs of placement of the offer payable to the Joint Bookrunners. The Issuer expects that other costs of the Offering will amount to approximately 4,150,000 PLN, out of which 150,000 PLN will be paid for introduction and listing of the Shares on WSE. Please bear in mind that some costs are incurred in EUR, for the purposes of their presentation in the Prospectus they were converted to Polish Zloty with exchange rate of 4.20 EUR/PLN.

4.9 Dilution

The table below illustrates dilution of the Shareholders in the Issuer after the Offering.

TABLE 80: Shareholder structure before the Offering

Shareholder	Share in Registered Capital	Share in Votes on the General Meeting
Major Shareholder	80%	80%
Roland Tóth	10%	10%
Roman Jankovič	10%	10%
TOTAL	**100%**	**100%**

Source: Issuer

TABLE 81: Shareholders structure assuming that the maximum number of the New Shares is issued and subscribed by Investors other than the Shareholders

Shareholder	Share in Registered Capital	Share in Votes on the General Meeting
Major Shareholder	53.3%	53.3%
Roland Tóth	6.7%	6.7%
Roman Jankovič	6.7%	6.7%
Others	33.3%	33.3%
TOTAL	**100%**	**100%**

Source: Issuer

4.10 Additional information

A statement of the capacity in which the advisors have acted

Advisor

CC Group sp. z o.o. acts as a financial advisor to the Issuer and is advising on the process of Admission of the Issuer's Shares to trading on a regulated market.

Legal Advisor

Dentons Europe CS LLP acts as Legal Advisor to the Issuer and is responsible for legal issues related to the preparation of the Public Offering and Admission on the WSE.

Offering Agent

Dom Maklerski BZ WBK S.A. acts as offering broker and issue agent for the purpose of registration of the Shares in the NDS.

Joint Bookrunners

Dom Maklerski BZ WBK S.A. and Raiffeisen Centrobank AG act as the Joint Global Coordinators and the Joint Bookrunners for the purposes of the Offering.

IPO Coordinator

ŠIROKÉ, s.r.o. acts as the IPO Coordinator.

An indication of other information in the securities note which has been audited or reviewed by statutory auditors and where auditors have produced a report

The securities note does not include any information which has been audited or reviewed by statutory auditors.

Statement or report attributed to a person as an expert

The securities note does not include any statement or report attributed to a person as an expert.

Information has been sourced from a third party

The securities note does not include any information that has been sourced from a third party.

4.11 Selected capital market regime issues

4.11.1 The Slovak Republic

The NBS supervises over the activities of the Issuer in respect of the Prospectus and the Public Offering. For the purpose of supervision, the NBS cooperates with the PFSA and *vice versa*. If, in the course of activities in the territory of Poland, the Issuer or a person responsible for the Public Offering breaches any legal regulations of Poland or the terms and conditions of such activities, the Issuer or a person responsible for the Public Offering shall carry out or countenance any measures adopted by PFSA in accordance with the legal regulations of this Member State.

According to the Slovak Act No. 136/2001 Coll., on Protection of Competition, as amended ("Competition Act"), any merger, amalgamation or acquisition of direct or indirect control over the Issuer ("Concentration") is subject to control of the Antimonopoly Office of the Slovak Republic, if certain conditions according to the Competition Act are fulfilled.

4.11.2 Poland

Reporting obligations

Under the Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization of transparency requirements in relation to information about the issuers whose securities are admitted to trading on a regulated market an issuer whose shares have been admitted to trading on the regulated market(s) established or operating in a Member State other than the country of its incorporation, has one home Member State and one or more host Member States (i.e. country/countries where its shares have been admitted to trading). The registered office of the Issuer is in the Slovak Republic which means that the Slovak Republic is the home Member State, whereas Poland will be the host Member State. According to the Slovak law, it is subject to decision of the Issuer whether Slovak or Polish reporting obligations should be applicable. The Issuer has decided to be subject to Polish reporting obligations. The most important national legislation applicable to the Polish securities market is as follows: (i) Public Offering Act, (ii) Financial Instruments Dealings Act, (iii) the Polish Act on Capital Market Supervision dated 29 July 2005, as amended and (iv) the Polish Act on Financial Market Supervision dated 21 July 2006, as amended. The Issuer's Shares are to be admitted or introduced to trading on the WSE and therefore, the Issuer must make public disclosure of information about specific events or circumstances defined in the Public Offering Act and subsidiary regulations.

Pursuant to the Competition and Consumer Protection Act of 16 February 2007 (Journal of Laws of 2007, No. 50, item 331, as amended) the Concentration would require a merger control notification to the Polish competition authority (i.e. the Chairperson of the Competition and Consumer Protection Office (In Polish: Urząd Ochrony Konkurencji I Konsumentów), if the thresholds stipulated under the Polish merger control law were met.

5. LIST OF DEFINITIONS AND ABBREVIATIONS

Admission	Admission of the Shares to trading on the WSE
Advisor	CC Group sp. z o.o., a company organized and existing under the laws of Poland, registered no.: 0000203153, with its registered seat at ul. Zielna 41/43, 00–108 Warszawa, Poland
AERS	Energy Agency of the Republic of Serbia
Allotment Date	The date of the allotment of the New Shares which is expected to occur on 15 February 2014
Articles of Association	The articles of association of the Issuer dated 24 October 2013
Auditor	Deloitte Audit s.r.o., a company organized and existing under the laws of the Slovak Republic, with its registered seat at Digital Park II, Einsteinova 23, 851 01 Bratislava, Slovak Republic, registered within the Commercial Register of the District Court Bratislava I, registered number: 31 343 414, Section: Sro, Insert No.: 4444/B. Deloitte Audit s.r.o., is a member of the Slovak Chamber of Auditors and is registered in the List of Audit Companies maintained by the Audit Oversight Office with audit license No. 14
BAT	The best available technology
CCGT	Combined Cycle Gas Turbine – type of Cogeneration system. Facility consists of a system with the combustion turbine, supplemented by a system of gas turbines, located after the combustion boiler.
CDSR	Central Securities Depository of the Slovak Republic
Cogeneration	Combined production of heat and electricity
Commercial Code	Slovak Act No. 513/1991 Coll., Commercial Code, as amended
Competition Act	Slovak Act No. 136/2001 Coll., on Protection of Competition, as amended
Concentration	Any merger, amalgamation or acquisition of direct or indirect control over the Issuer
Consolidated Companies	The companies: • Issuer • TEPLÁREŇ, a.s., Považská Bystrica • Teplo GGE s.r.o. • SOUTHERM, s.r.o. • Energy Snina, a.s. • ELGAS, s.r.o. • TENERGO Brno, a.s. • TENERGO Slovensko, a.s. • GGE distribúcia, a.s. • POV BYT development, s.r.o. • Snina Energy, s.r.o. (since the beginning of 2013) • GGE d.o.o. Beograd (since the beginning of 2013) • ELGAS Energy Trading, d.o.o. BEOGRAD
CPI	Consumer price index
CZK	The lawful currency of the Czech Republic

Directive on Industrial Emissions	Directive No. 2010/75/EU of the European Parliament and of the Council dated 24 November 2010 on industrial emissions, as amended
Distribution	Distribution of utilities (heat, electricity, gas and water)
EBIT	Revenues – energy consumption – material consumption and services purchased – labor and related expenses – depreciation and amortization – other gains and losses – other expenses
EBITDA	Revenues – energy consumption – material consumption and services purchased – labor and related expenses – other gains and losses – other expenses
EBITDA margin	EBITDA/Revenue. The EBITDA margin measures the relation of EBITDA to sales revenue, providing information about the Group's profitability from the operations of its business and is independent of the Issuer or the Group's financing and tax items as well as depreciation–related and aircraft revaluation–related estimates
EEA	European Economic Area
EFET	European Federation of Energy Traders
EMS	Elektromreža Srbije Javno Preduzeće
Energy Law	Serbian Act: Official Gazette of RS numbers 57/2011, 80/2011 – correction, 93/2012 and 124/2012
Engineering Services	Provision of engineering services and facility management
EPS	Power Industry of Serbia (in Serbian: *Elektroprivreda Srbije Javno Preduzeće*)
ERO	Czech Energy Regulatory Office (in Czech: *Energetický Regulační úřad*)
Equity ratio	Equity/Total assets. Equity ratio is a measure of financial leverage which highlights the ratio of shareholders' equity to total assets. The analysis of the Issuer´s or the Group's financial leverage (or capital structure) is essential to evaluate its long–term risk and return prospects
EU	European Union
EUR, €, Euro	The lawful currency of the European Union Member States that adopted the single currency
Existing Shares	Shares of the Issuer existing as of the date of this Prospectus, i.e. 10,000,000 ordinary, bearer book–entry shares with a nominal value of 1 EUR each
Financial Instruments Dealings Act	Polish Act on Trading in Financial Instruments dated 29 July 2005, as amended
Foreign Currency Act	Polish Act on Foreign Currency Exchange Rules dated 27 July 2002, as amended
GDP	Gross domestic product
General Meeting	The general meeting of the shareholders of the Issuer
GRAFOBAL GROUP's group	Major Shareholder along with its subsidiaries and subsidiaries of its subsidiaries
Group	The companies: • Issuer

	• Subsidiaries • Subsidiaries of Subsidiaries
G–tariff Decree	Slovak Decree No. 221/2013 on Price Regulation in the Power Industry, as amended
Health Insurance Act	Slovak Act No. 580/2004 Coll., on Health Insurance, as amended
HICP	Harmonized index of consumer prices
IFRS	International Financial Reporting Standards as adopted by the European Union
IFRS Financial Statements	Consolidated financial statements of the Issuer for the three financial years ended 31 December 2012
IMF	International Monetary Fund
Institutional Investor	Offering to Investors that receive an invitation from the Offering Agent or Joint Bookrunner to participate in the book–building process and subscribe for the offered New Shares, i.e.: (A) Polish Institutional Public Offering and (B) Private Offering
Investor	Institutional Investor collectively with the Retail Investor
IPO Coordinator	ŠIROKÉ, s.r.o., a company organized and existing under the laws of the Slovak Republic, with its registered seat at Kupeckého 5, 821 08 Bratislava, Slovak Republic, registered within the Commercial Register of the District Court Bratislava I, registered number: 35 887 575, Section: Sro, Insert No.: 31908/B
Issue Price	The final offer price per one New Share denominated in Polish Zloty determined by the Issuer on the basis of recommendation of the Joint Bookrunners
Issuer	GGE a.s., a company organized and existing under the laws of the Slovak Republic, with its registered seat at Pekná cesta 6, 834 03 Bratislava I, Slovak Republic, registered within the Commercial Register of the District Court Bratislava I, registered number: 36 746 941, Section: Sa, Insert No.: 4098/B
Joint Bookrunner and Joint Global Coordinator	Raiffeisen Centrobank AG, a company organized and existing under the laws of Austria, registered no.: FN 117507f, with its registered seat at Tegetthoffstrasse 1, A–1015 Vienna, Austria
Joint Bookrunners	Raiffeisen Centrobank AG, a company organized and existing under the laws of Austria, registered no.: FN 117507f, with its registered seat at Tegetthoffstrasse 1, A–1015 Vienna, Austria as Joint Bookrunner together with Dom Maklerski BZ WBK S.A. a company organized and existing under the laws of Poland, registered no.: 0000006408, with its registered seat at Plac Wolności 15, 60–967 Poznań, Poland as Joint Bookrunner
Joint Venture	A joint venture jointly controlled by two or more undertakings, if the respective joint venture performs all functions of an independent economic entity on a lasting basis
Legal Advisor	Dentons Europe CS LLP, a company organized and existing under the laws of England and Wales, registered no.: OC 340214, with its registered seat at One Fleet Place, London EC4P 4GD, United Kingdom, through its branch Dentons Europe CS LLP, organizačná zložka, with its registered seat at Námestie SNP 15, 811 06 Bratislava, Slovak Republic, registered within the Commercial Register of the District Court Bratislava I, registered number: 36 861 391, Section: Po, Insert No.: 1665/B
Listing Date	Date on which trading of the Shares on the WSE will commence

Main Market of the WSE	Giełda Papierów Wartościowych w Warszawie S.A. with its registered office in Warsaw, Poland and, unless the context provides otherwise, the regulated market (main market) operated by Giełda Papierów Wartościowych w Warszawie S.A.
Major Shareholder	GRAFOBAL GROUP akciová spoločnosť, a company organized and existing under the laws of the Slovak Republic, with its registered seat at Sasinkova 5, 811 08 Bratislava, Slovak Republic, registered within the Commercial Register of the District Court Bratislava I, registered number: 35 750 791, Section: Sa, Insert No.: 1820/B
Management	The Management Board collectively with the key executives of the Issuer, if any
Management Board	The board of directors of the Issuer
Maximum Price	The maximum price per each New Share offered established by the Management Board at 38.00 PLN
Member State	A member state of the EU
Memorandum of Association	The memorandum of association of the Issuer made in the form of notarial deed dated 15 February 2007
NBS	The National Bank of Slovakia
NDS	The National Depository for Securities – the clearing and settlement institution in Poland (in Polish: *Krajowy Depozyt Papierów Wartościowych S.A. (KDPW S.A.)*)
Network Industries Act	Slovak Act No. 250/2012 Coll., on Regulation of Network Industries, as amended
New Shares	New ordinary bearer book–entry shares of the Issuer with a nominal value of 1 EUR each to be issued based on this Prospectus that are to be admitted to WSE
N/A	Not applicable
Offering	The offering of the New Shares based on this Prospectus
Offering Agent, Joint Bookrunner and Joint Global Coordinator	Dom Maklerski BZ WBK S.A. a company organized and existing under the laws of Poland, registered no.: 0000006408, with its registered seat at Plac Wolności 15, 60–967 Poznań, Poland
Offer Price	The offer price per each New Share offered which will be determined in accordance with the terms and conditions of the Offering
PFSA	Polish Financial Supervision Authority
PLN, Polish Zloty	The lawful currency of Poland
Polish CIT Act	Polish Corporate Income Tax Act dated 15 February 1992, as amended
Polish Inheritance and Donation Tax Act	Polish Inheritance and Donation Tax Act dated 28 July 1983, as amended
Polish Institutional Public Offering	Public offering in Poland to legal persons who are institutional investors (which term includes entities managing portfolios of securities for their customers and unincorporated organizations pursuant to the Prospectus Directive which was implemented in the Slovak Republic via Securities Act and in Poland via Public Offering Act
Polish OPFS	Polish open pension funds
Polish PIT Act	Polish Personal Income Tax Act dated 26 July 1991, as amended

Polish SSI	Polish Social Security Institution (in Polish: *Zakład Ubezpieczeń Społecznych*)
Power Engineering Act	Slovak Act No. 251/2012 Coll., on Power Engineering, as amended
Power Ordinance	Slovak Government Ordinance No. 317/2007 Coll., on Power Market Rules, as amended
Private Offering	Private placement to institutional investors according to the Article 3 (2)(a) of the Prospectus Directive in certain jurisdictions outside the Canada, Japan, Australia, Poland and United States in reliance on Regulation S under the U.S. Securities Act
Production	Production of heat and electricity, including the provision of power system ancillary services
Prospectus	This document prepared for the purpose of the Offering and the Admission, its annexes and all the supplements (if any) according to the Article 5.3 of the Prospectus Directive, Article 121 and following of the Securities Act and the Prospectus Regulation
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the Prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and any relevant implementation measures, as amended
Prospectus Regulation	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in the prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended
Protocol	A protocol to the Polish–Slovak Double Taxation Treaty dated 1 August 2013
Public Offering	Retail Offering collectively with the Polish Institutional Offering
Public Offering Act	Polish Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies dated 29 July 2005, as amended
Public Supplier	An entity which performs the activity of public supply of energy, i.e. which sells energy to selected end consumers (e.g. households and small business) based on the regulated prices pursuant to the Energy Law
Relevant Day	The day which determines the persons entitled to exercise the right to dividend. This day is determined by the General Meeting
Renewable Energy Act	Slovak Act No. 309/2009 Coll., on Support of Renewable Energy Sources and Highly Effective Combined Production, as amended
Retail Investor	(i) natural person, or (ii) legal person and unit without legal personality; both residents and non–residents within the meaning of the Foreign Currency Act, holding, at the time of subscription for the Shares offered, an investment account or being a beneficiary of an omnibus account with an investment firm licensed to provide such services within the territory of Poland or the Slovak Republic
Retail Offering	Offering to the Retail Investors pursuant to the Prospectus Directive which was implemented in the Slovak Republic via Securities Act and in Poland via Public Offering Act
RSD	The lawful currency of Serbia
Section	Section of this Prospectus
Securities Act	Slovak Act No. 566/2001 Coll., on Securities and Investment Services,

	as amended
Senior Management	Mr. Pavol Bero, Mr. Juraj Králik, Mr. Rudolf Pradla and Mr. Miroslav Struž
SG	A Serbian state owned company *Srbijagas Javno Preduzeće*
Shareholder	Major Shareholder collectively with Mr. Roman Jankovič and Mr. Roland Tóth
Shares	Existing Shares and New Shares
SIEA	Slovak Innovation and Energy Agency (in Slovak: *Slovenská inovačná a energetická agentúra*)
SKK	The former lawful currency of the Slovak Republic valid until 31 December 2008
Slovak IT Act	Slovak Act No. 595/2003 Coll., on Income Tax, as amended
Subscription Period	The period during which the Investors may submit orders for the purchase of the New Shares offered in accordance with the terms and conditions of this Prospectus
Subsidiaries	The companies: • TEPLÁREŇ, a.s., Považská Bystrica • Teplo GGE s.r.o. • SOUTHERM, s.r.o. • Energy Snina, a.s. • KGJ Invest a.s. • ELGAS, s.r.o. • EnerWood, s.r.o. • TENERGO Brno, a.s. • TENERGO Slovensko, a.s. • IFM, a.s. • GGE invest, s.r.o. • GGE d.o.o. BEOGRAD • GGE UA TOV
Subsidiaries of Subsidiaries	The companies: • GGE distribúcia, a.s. • POV BYT development, s.r.o. • SOUTHERM SPRÁVA, s.r.o. • Snina Energy, s.r.o. • GGE UA Pivden TOV • GGE UA Odesa TOV • GGE UA Zahid TOV • ELGAS Sales a.s. • ELGAS Energy Trading, d.o.o. • ELGAS Energy, s.r.o. • ELGAS Energy, Kft. • ELGAS Energy, sp. z o.o
Summary	The summary of this Prospectus
Supervisory Body	The supervisory board of the Issuer
Takeover Directive	Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, as amended
Trading	Trading with fuels (mostly natural gas) and electricity

UAH	The lawful currency of Ukraine
URSO	Slovak Regulatory Office for Network Industries (in Slovak: *Úrad pre reguláciu sieťových odvetví*)
USD	The lawful currency of the United States of America
WSE	Giełda Papierów Wartościowych w Warszawie S.A. with its registered office in Warsaw, Poland
WSE Corporate Governance Code	Code of Best Practice for WSE Listed Companies, the most recent version being the Appendix to Resolution No.19/1307/2012 of the Exchange Supervisory Board dated 21 November 2012

ISSUER

GGE a.s.

JOINT BOOKRUNNERS

Dom Maklerski BZ WBK S.A.

and

Raiffeisen Centrobank AG

LEGAL COUNSEL OF THE ISSUER

Dentons Europe CS LLP

through its branch

Dentons Europe CS LLP, organizačná zložka

OFFERING AGENT

Dom Maklerski BZ WBK S.A.

ADVISOR

CC Group sp. z o.o.

IPO COORDINATOR

ŠIROKÉ, s.r.o.

3 December 2013

6. ATTACHMENTS

6.1 Attachment No. 1: GGE a.s. Independent Auditor’s report and consolidated financial statements (Presented in Accordance with International Financial Reporting Standards as Adopted by the EU) for the years ended 31 December 2012, 31 December 2011 and 31 December 2010

6.2 Attachment No. 2: GGE a.s. Independent Auditor´s review report and interim condensed consolidated financial statements (Presented in Accordance with International Accounting Standard 34 – Interim Financial Reporting as Adopted by the EU) for the six months ended 30 June 2013

Deloitte.

GGE a.s.

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS (Presented in Accordance with International Financial Reporting Standards as Adopted by the European Union)

For the Three Years Ended 31 December 2012

GGE a.s.
INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
(Presented in accordance with International Financial Reporting Standards
as adopted by the European Union)
For the Three Years ended 31 December 2012

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

GGE a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of GGE a.s.:

We have audited the accompanying consolidated financial statements of GGE, akciová spoločnosť and subsidiaries (the "Company"), which comprise the Statement of Financial Position as at 31 December 2012, 31 December 2011 and 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GGE a. s. and its subsidiaries as at 31 December 2012, 31 December 2011 and 31 December 2010 and their financial performance and their results of operations, changes in equity and their cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

As described in Note 28 to the consolidated financial statements, the Company provided a loan guarantee to support the acquisition of property by one of the subsidiaries of its parent company after the balance sheet date.

As described in Note 3.u to the consolidated financial statements, the Company restated financial statements of periods ended 31 December 2011 and 31 December 2010.

Our opinion is not modified in respect of these matters.

Bratislava, 19 November 2013

Deloitte

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

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

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GGE a. s.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Three Years ended 31 December 2012
(in thousands of EUR)

	Note	*2012*	*2011 (restated)*	*2010 (restated)*	*2009*
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	88 201	83 994	68 846	28 123
Goodwill	5	4 133	4 133	-	-
Intangible assets	8	209	302	420	126
Financial investments	7	275	319	317	776
Deferred tax asset	21.3	129	82	8	34
Total non-current assets		92 948	88 830	69 591	29 059
CURRENT ASSETS					
Inventories	9	1 147	275	316	823
Trade and other receivables	10	18 755	12 126	8 622	7 801
Current tax asset		395	30	20	58
Current financial investments		355	382	1 217	1 468
Other current assets		445	391	252	23
Cash and bank balances	11	6 884	14 741	16 819	1 153
Total current assets		27 981	27 945	27 246	11 326
TOTAL ASSETS		**120 929**	**116 775**	**96 837**	**40 385**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12	664	664	664	664
Reserves	12	8 898	8 573	8 878	8 845
Retained earnings		11 518	7 680	3 559	2 462
Equity attributable to shareholders of the parent company		21 080	16 917	13 101	11 971
Non-controlling interests		757	720	1 246	1 086
Total equity		21 837	17 637	14 347	13 057
NON-CURRENT LIABILITIES					
Borrowings	13	48 992	55 095	18 734	11
Obligations under finance lease	14	1 032	29	-	-
Deferred tax liability	21.3	739	353	431	459
Deferred income	16	4 080	289	104	(60)
Other liabilities		1 060	317	130	124
Non-current liabilities		55 903	56 083	19 399	534
CURRENT LIABILITIES					
Trade and other payables	15	22 405	19 072	13 042	5 168
Borrowings	13	19 033	21 793	48 270	20 763
Obligations under finance lease	14	444	57	3	-
Current tax liabilities		421	644	482	51
Deferred income	16	483	646	247	152
Other liabilities		403	843	1 047	660
Current liabilities		43 189	43 055	63 091	26 794
TOTAL LIABILITIES		**99 092**	**99 138**	**82 490**	**27 328**
TOTAL EQUITY AND LIABILITIES		**120 929**	**116 775**	**96 837**	**40 385**

GGE a. s.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Three Years ended 31 December 2012
(in thousands of EUR)

	Note	*2012*	*2011 (restated)*	*2010 (restated)*	*2009*
Revenues	17	109 328	63 938	28 362	18 918
Energy consumption		(78 404)	(39 454)	(15 779)	(11 161)
Consumables and services	19	(10 546)	(5 827)	(5 904)	(2 912)
Labour and related expenses	18	(5 121)	(3 742)	(2 722)	(2 341)
Depreciation and amortisation	6	(7 416)	(5 478)	(1 404)	(1 081)
Negative Goodwill		906	-	-	-
Other gains and losses	20	1 469	(964)	(63)	1 698
Other expenses		(246)	(457)	(169)	(180)
Interest income		78	108	46	3
Interest expense		(2 922)	(2 836)	(522)	(204)
Profit before tax		7 126	5 288	1 847	2 734
Income tax expense	21	(1 694)	(937)	(562)	(73)
Profit for the year		**5 432**	**4 351**	**1 285**	**2 661**
Attributable to:					
Shareholders of the Company		5 396	4 287	1 128	2 529
Non-controlling interests		36	64	157	132
Earnings per share	22	26.98	21.43	5.65	12.64
Profit for the year		**5 432**	**4 351**	**1 285**	**2 661**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(6)	(93)	-	-
Cash flow hedges		(97)	(411)	-	-
Income Tax relating to items that may be reclassified subsequently to profit or loss		22	94	-	-
Other comprehensive income for the year, net of tax		(81)	(410)	-	-
Total comprehensive income for the year		**5 351**	**3 941**	**1 285**	**2 661**
Attributable to:					
Shareholders of the Company		5 314	3 877	1 128	2 529
Non-controlling interests		37	64	157	132

GGE a. s.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Three Years ended 31 December 2012
(in thousands of EUR)

	Share Capital	*Other Capital Funds*	*Legal Reserve Fund*	*Cash Flow hedging reserve*	*Foreign Currency Translation Reserve*	*Retained Earnings*	*Equity Attributable to Shareholders of the Company*	*Non-Controlling Interest*	*Total*
As at 1 January 2009	664	-	66	-	-	(65)	665	954	1 618
Appropriation of retained earnings	-	-	1	-	-	(1)	-	-	-
Other	-	8 778	-	-	-	-	8 778	-	8 778
Profit for the year	-	-	-	-	-	2 528	2 528	132	2 661
Total as at 31 December 2009	**664**	**8 778**	**67**	**-**	**-**	**2 462**	**11 971**	**1 086**	**13 057**
As at 1 January 2010	664	8 778	67	-	-	2 462	11 971	1 086	13 057
Appropriation of retained earnings	-	-	30	-	-	(30)	-	-	-
Profit for the year	-	-	-	-	-	772	772	148	920
Total as at 31 December 2010 (previously reported)	**664**	**8 778**	**97**	**-**	**-**	**3 204**	**12 743**	**1 234**	**13 977**
Adjustments (see Note 3.v)	-	-	3	-	-	355	358	12	370
Total as at 31 December 2010 (restated)	**664**	**8 778**	**100**	**-**	**-**	**3 559**	**13 101**	**1 246**	**14 347**
As at 1 January 2011 (previously reported)	664	8 778	97	-	-	3 204	12 743	1 234	13 977
Adjustments (see Note 3.v)	-	-	3	-	-	355	358	12	370
As at 1 January 2011 (restated)	664	8 778	100	-	-	3 559	13 101	1 246	14 347
Appropriation of retained earnings	-	-	105	-	-	(105)	-	-	-
Decrease of a non-controlling interest in PovByt, s.r.o.	-	-	-	-	-	(61)	(61)	(590)	(651)
Other comprehensive income	-	-	-	(317)	(93)	-	(410)	-	(410)
Profit for the year	-	-	-	-	-	4 287	4 287	64	4 351
Total as at 31 December 2011 (restated)	**664**	**8 778**	**205**	**(317)**	**(93)**	**7 680**	**16 917**	**720**	**17 637**
As at 1 January 2012 (previously reported)	664	8 778	175	-	(95)	7 362	16 884	700	17 584
Adjustments (see Note 3.v)	-	-	30	(317)	2	318	33	20	53
As at 1 January 2012 (restated)	664	8 778	205	(317)	(93)	7 680	16 917	720	17 637
Appropriation of retained earnings	-	-	407	-	-	(407)	-	-	-
Profit distribution	-	-	-	-	-	(1 150)	(1 150)	-	(1 150)
Other comprehensive income	-	-	-	(75)	(7)	-	(82)	1	(81)
Profit for the year	-	-	-	-	-	5 396	5 396	36	5 432
Total as at 31 December 2012	**664**	**8 778**	**612**	**(392)**	**(100)**	**11 518**	**21 080**	**757**	**21 837**

GGE a.s.
CONSOLIDATED STATEMENT OF CASH FLOW
For the Three Years ended 31 December 2012
(in thousands of EUR)

	2012	*2011 (restated)*	*2010 (restated)*	*2009*
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income taxes	7 126	5 288	1 847	2 734
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation	7 416	5 478	1 404	1 081
Interest expense, net	2 798	2 574	476	207
Provision for receivables	(16)	(1)	73	2 162
Provision for inventory	-	(2)	(2)	5
Receivables write offs	44	1	11	7
Negative goodwill release	(906)	-	-	-
Loss/(gain) on sale of fixed assets	113	(5)	(26)	(24)
Financial derivative instruments	-	391	-	-
Unrealised exchange rate differences, net	(160)	(486)	(4)	-
Changes in assets and liabilities:				
Trade and other receivables	(2 723)	(1 107)	(891)	(3 254)
Inventories	(647)	114	510	(460)
Trade and other payables	(1 648)	1 782	770	391
Deferred Income	3 628	185	104	-
Other assets and liabilities	(161)	(527)	(49)	(27)
Net cash provided by operations:	14 864	13 685	4 223	2 822
Interest received	74	185	49	(3)
Interest paid	(2 568)	(2 474)	(524)	(204)
Income tax paid	(1 952)	(1 151)	(163)	5
Net cash provided by operating activities	**10 418**	**10 245**	**3 585**	**2 620**
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to tangible and intangible non-current assets	(5 061)	(12 728)	(34 998)	(6 581)
Proceeds from sale of tangible non-current assets	110	38	852	2 162
Disposal/(acquisition) of non-current Financial investments	44	(2)	328	4
Net proceeds from current Financial Investments, ie loans repaid/(provided)	27	835	(311)	-
Decrease of non-controlling interests in PovByt, s.r.o.	-	(200)	-	-
Net cash outflow from acquisition of subsidiaries	(2 460)	(5 300)	7	-
Minority interest	-	-	3	-
Net cash used in investing activities	**(7 340)**	**(17 357)**	**(34 119)**	**(4 415)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments made of borrowings	(13 764)	(19 758)	(4 862)	(1 540)
Payments received of borrowings	4 538	25 455	50 478	1 128
Net payments of finance lease obligations	(479)	22	(34)	-
Payment of dividends	(1 150)	(250)	-	-
Net cash received/(used) from financing activities	**(10 855)**	**5 469**	**45 582**	**(412)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7 777)	(1 643)	15 048	(2 207)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14 741	16 819	1 153	3 360
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(80)	(435)	618	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	**6 884**	**14 741**	**16 819**	**1 153**

(in thousands of EUR)

1. GENERAL

1.1. Description of Business

GGE a.s. (the "Company") is a joint stock company registered in the Slovak Republic, Pekná cesta 6, 834 03 Bratislava, IČO: 36 746 941, DIČ: 20 223 409 25, established on 2 March 2007.

GGE a.s. and its subsidiaries (the "Group") operate in the energy business sector, mainly in the following range of products and services:
- Production and distribution of heat;
- Production and distribution of electricity; and
- Gas and electricity trading.

1.2. Members of the Company's Bodies

Body	*Function*	*Name*
Board of Directors	Chairman	Ing. Roland Tóth
	Member	PhDr. Pavel Komorník M.B.A.
Supervisory Board	Chairman	Ing. Pavel Horváth (until 31 Oct 2012)
	Member	Roman Jankovič
	Member	Ing. Peter Gereg
	Member	Ing. Ladislav Haspel (since 1 Nov 2012)

1.3. Guarantee of the Company

The Company is a guarantor as described in the Note 28.

1.4. Basis and Method of Consolidation

The Company's consolidated financial statements for the reporting periods were prepared pursuant to Article 22 of Act 431/2002 on Accounting, as amended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU").

1.5. Shareholders' Structure and Their Shares in the Share Capital

Shareholders	*Share in Share Capital*		*Voting Rights %*
	EUR	*%*	
Grafobal Group akciová spoločnosť	531 102	80%	80%
Ing. Roland Tóth	66 388	10%	10%
Roman Jankovič	66 388	10%	10%
Total	**663 878**	**100%**	**100%**

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations, and that have been endorsed by the EU and are effective for accounting periods beginning on 1 January 2012.

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

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

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

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

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 13 "Fair Value Measurement"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 1 "Presentation of financial statements"** - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 19 "Employee Benefits"** - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 32 "Financial instruments: presentation"** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

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

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 30 September 2013:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2015),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** - Government Loans (effective for annual periods beginning on or after 1 January 2013),

- **Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"** – Mandatory Effective Date and Transition Disclosures,

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** - Transition Guidance (effective for annual periods beginning on or after 1 January 2013),

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements"** - Investment Entities (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to various standards "Improvements to IFRSs (2012)"** resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application except for Improvements to IAS 1 – "Presentation of Financial Statements" related to Clarification of Requirements for Comparative information – "A third statement of financial position provided due to a change in accounting policies or retrospective restatements or reclassifications should be presented as at the beginning of the preceding period and related notes are not required".

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Group's estimates, the application of hedge accounting for the portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"**, would not significantly impact the financial statements, if applied as at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39, which has not been approved by the EU. The Group has determined that portfolio hedge accounting under IAS 39 would not impact the consolidated financial statements had it been approved by the EU at the reporting date.

b) Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments and business combinations under IFRS 3 "Business Combinations". The consolidated financial statements include certain adjustments and reclassifications not recorded in the accounting records of the Group made in order to transform the respective statutory financial statements into financial statements in accordance with IFRS as adopted by the EU. Certain comparatives were reclassified to conform to current year presentation.

The functional and the reporting currency is the euro (EUR). The information in these consolidated financial statements is reported in whole euro, unless stated otherwise.

The consolidated financial statements have been prepared on the basis that the Company will continue as a going concern.

The Group reports negative working capital as the Group's current liabilities exceed its current assets by EUR 15.2 million as at 31 December 2012 (2011: EUR 15.1 million; 2010: EUR 35.8 million).

The Group's management believes that the going-concern assumption is appropriate, after taking into account the following facts:
- Current liabilities include the amount of EUR 0.6 million payable either to the majority owner or to other related parties and their maturity is to be extended according to the Group's financial position;
- The Group generates sufficient operating cash flow to cover its debt service;

- The profit before tax plus depreciation and amortisation for 2012 amounts to EUR 14.5 million, which, according to the management, is a sufficient amount of financial funds to continue the Group's operation and to reduce its loan debt.

The accounting policies have been consistently applied by the Group and are consistent with those of the previous year.

The preparation of the financial statements in line with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

c) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of reporting entities controlled by the Company ("subsidiaries"). The need for control arises if the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured as the aggregate of the fair values at the date of exchange, of assets given, of liabilities incurred or assumed, and of the equity instruments issued by the Group in exchange for control of the subsidiary. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", which are recognised and measured at fair value less costs to sell.

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

Goodwill is initially recognised as an asset and is subsequently measured at cost less any accumulated impairment loss. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. The impairment of goodwill is tested annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill, and then to other assets of the unit on a pro rata basis in line with the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the profit or loss on disposal.

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

Certain subsidiaries were not included in the consolidation but were recorded at cost adjusted for potential provisions, due to the fact that the consolidation of these entities would not have a significant impact on the consolidated financial statements.

All transactions, balances and unrealised surpluses and deficits on intercompany transactions have been eliminated upon consolidation.

(in thousands of EUR)

As at 31 December 2012, 2011 and 2010 the following subsidiaries were consolidated:

Name of Company	*Description of Business*	*Country of Incorporation*	*Ownership Interest*	*Ownership Status*
GGE distribúcia, s.r.o.	Operation of sewer and water systems, distribution of gas and electricity	Slovak Republic	100%	Subsidiary
Southerm, s.r.o.	Production and supply of heat and hot water	Slovak Republic	69%	Subsidiary
Tepláreň, a.s.	Production and supply of heat and electricity	Slovak Republic	100%	Subsidiary
Elgas, s.r.o.	Gas and electricity trading	Slovak Republic	100%	Subsidiary
Teplo GGE s. r. o.	Production and supply of heat	Slovak Republic	100%	Subsidiary
TENERGO Brno, a.s.	Delivery of heating technology	Czech Republic	100%	Subsidiary
Energy Snina, a.s.	Production and supply of heat	Slovak Republic	100%	Subsidiary
Povbyt Development, s.r.o.	Trading	Slovak Republic	100%	Subsidiary
TENERGO Slovensko, a.s.	Delivery of heating technology	Slovak Republic	100%	Subsidiary

The subsidiaries Southerm Energy, s. r. o., Eco Power a. s., GGE Invest, s. r. o., Helpeko s. r. o., IFM, a. s., ESO tech, a. s., GGE, d.o.o., Beograd, Snina Energy s.r.o. and Elgas Energy, Kft Hungary were not included in the consolidation as they are deemed insignificant, as the impact of their consolidation on the total consolidated assets, and revenues of the Group approximates 1%.

GRAFOBAL GROUP akciová spoločnosť is the majority shareholder of GGE a.s. and prepares the consolidated financial statements for the largest group of entities. The consolidated financial statements of GRAFOBAL GROUP akciová spoločnosť, in accordance with IFRS are available at its registered seat in Bratislava, Sasinkova 5, and are held in the Commercial Registry of Bratislava I District Court administered by the Court of Record in Bratislava, Záhradnícka 10.

GGE a.s. prepares consolidated financial statements in accordance with IFRS as adopted by the EU for a smaller group of entities within the Group. The consolidated financial statements of GGE a.s. are available at its registered seat in Bratislava, Pekná cesta 6, and are held in the Commercial Registry of Bratislava I District Court administered by the Court of Record in Bratislava, Záhradnícka 10.

As at 31 December 2012, 2011 and 2010 the Company did not have any material investments in associates or joint ventures.

d) Foreign Currency

(i) Transactions in Foreign Currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange as at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling on the reporting date. The resulting foreign exchange differences are recognised in the statement of comprehensive income for the period.

(ii) Financial Statements of Foreign Operations

The individual financial statements of each entity within the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of individual entities are expressed in EUR, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

Foreign operations are not considered an integral part of the operation of the parent company. The assets and liabilities of foreign operations, including goodwill and fair value adjustments on consolidation, are translated into EUR using the rate of exchange as at the reporting date. The income and expenses of foreign operations are translated into EUR using the average exchange rate for the period, unless the exchange rates fluctuated significantly during the period, in which case the exchange rates as at the dates of transactions are used. Exchange rates arising are included in equity as a translation reserve. Such a translation reserve is recognised in the profit or loss in the period in which the foreign operation is disposed of.

e) Non-Current Assets

Property, plant and equipment and intangible assets are valued at acquisition cost. Acquisition cost includes the cost of the contracted work, direct labour and materials and overheads directly attributable to bringing the asset to working condition for its intended use. These assets are depreciated on a straight-line basis over their estimated useful lives or the expected life over which proceeds will be received considering existing regulations. The estimated useful lives for the major classifications of property, plant and equipment and intangible assets are as follows:

Buildings, halls and structures	20 - 40 years
Machines, equipment and vehicles	4 - 15 years
Intangible assets	2 - 5 years
Low-value non-current tangible assets	2 years

Land is not depreciated because its useful life is considered to be unlimited. Maintenance and repair costs are expensed as incurred.

Gains and losses on the disposal of property, plant, and equipment are fully recognised in the statement of comprehensive income.

At each reporting date an assessment is made as to whether there is any indication that the recoverable amount of the Group's property, plant, and equipment is less than the carrying amount. When there is such indication, the recoverable amount of the asset, being the higher of the asset's net selling price and the present value of its net cash flows, is estimated. Any resulting impairment loss is recognised in full in the statement of comprehensive income in the year in which the impairment occurs. The discount rates used to calculate the net present value of future cash flows are those considered appropriate to the Group in the economic environment of the Slovak Republic at each reporting date. In the event that a decision is made to abandon a construction project in progress, or to significantly postpone its planned completion date, the carrying value of the asset is reviewed for potential impairment, and, if appropriate, a provision recorded.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

On the basis described above, the management performed an impairment review at 31 December 2012 and no impairment loss was identified (the same applies to 2011 and 2010).

f) Financial Instruments

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group has become a party of the contractual provisions of the instrument. The Group's financial instruments include financial investments, receivables, interest-bearing borrowings and loans, liabilities and financial derivatives.

Financial investments are recognised at fair value. Current financial investments are measured at the lower of cost or estimated fair value.

As at the reporting dates, debt securities that the Group intends to hold to maturity (held-to-maturity securities) are measured at amortised cost using the effective interest rate method less any impairment.

g) Derivative Financial Instruments

Given its activities, the Group is mainly exposed to the financial risk of changes in foreign exchange rates and interest rates. The Group uses financial derivatives to hedge risk associated with interest rate fluctuations with respect to certain firm commitments and planned transactions – the Group concluded an interest rate swap contract to hedge cash flow risk associated with the variable interest rate.

Derivative financial instruments are initially measured at cost and are re-measured to their fair value as at the reporting date. Unrealised gains or losses from fixed term transactions are calculated using the anticipated forward rate based on a standard mathematical formula that takes into account the NBS spot rate and interest rates effective as at the reporting date and reported in the statement of Other comprehensive income as "Cash Flow Hedges" (classified as hedges according to IFRS).

Hedging derivatives are defined as derivatives that comply with the Group's risk management strategy; the hedging relationship is formally documented at the inception of the hedging relationship, and the hedge is effective, ie at inception and throughout the period changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within the range of 80% to 125%.

h) Trade and Other Receivables

Trade and other receivables are measured at amortised costs using the effective interest rate method less any impairment (provision for doubtful receivables).

i) Cash and Bank balances

Cash and bank balances comprise cash in hand, cash in bank accounts, placements and other highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

j) Inventories

Inventories are measured at the lower of cost, own costs, or net realisable value. Net realisable value represents the estimated selling price less the estimated costs of completion and costs of distribution.

Material is measured by the weighted average cost, which includes the cost of acquisition of the material and other costs related to acquisition that arose on bringing the assets to their current condition and location.

Appropriate provisions are recognised for obsolete and slow-moving inventories based on the management's estimates.

k) Finance Leases as Lessees

Assets held under finance leases are recognised as assets at their fair values at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as obligations under finance lease contracts. Finance costs, representing the difference between total leasing commitments and the fair value of the assets acquired, are charged to the statement of comprehensive income over the term of the relevant lease contract using the sum of digits method.

l) Accruals and Estimated Liabilities

The Group makes estimates of expenses and liabilities that have not been invoiced at the reporting date. These expenses and liabilities are accrued.

m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision is measured on the basis of the best estimate made by the management of the cost of the liability settlement as at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows by a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n) Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

o) Bank Loans

Interest-bearing borrowings and overdraft accounts are recorded at their nominal value. Borrowings maturing within one year are classified as current liabilities. Borrowings maturing in one year or more are classified as non-current liabilities.

p) Revenue Recognition

In relation to the sale of merchandise, revenues are recognised when all significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the collection of consideration, associated costs, and possible claims or return of goods. Revenues are stated net of taxes and discounts, after eliminating sales within the Group. No revenue is recognised if there are significant uncertainties regarding the settlement of the consideration due, the associated costs or the possible return of goods, or regarding the continuous involvement of the Group in the management of the goods. Revenues from the provision of services are recognised when the respective services are rendered in proportion to the stage of completion of the transaction at the reporting date. The Group records revenues from sales of heat, electricity and other activities on an accrual basis. When applicable, revenues are corrected by an estimate of the annual settlement based on actual deliveries by the end of each year.

q) Interest Expenses

Interest expenses are recognised on an accrual basis.

r) Emission Rights

In 2005, the EU-wide greenhouse gas emission rights trading scheme came into effect, together with the Act on Emission Rights Trading passed by the Slovak Parliament in order to implement the related EU Directive in Slovakia. Under this legislation, the Group is required to deliver emission rights to the Slovak Environmental Office to offset actual greenhouse gas emissions.

The Group has opted to record emission rights received using the net liability method, and does not record any liability for actual emissions on the basis that the Group has received adequate emission rights to cover its actual emissions. The Group has an obligation to deliver emission rights for actual emissions. This obligation will be satisfied by delivering emission rights by 30 April 2013 for the 2012 compliance period. The Group has received emission rights in March 2012 for the 2012 compliance period.

s) Income Taxes

Slovak income taxes are provided on accounting profit as determined under Slovak regulations at a rate of 19%, after adjustments for certain items for taxation purposes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. For the subsidiary Tenergo Brno, a.s. in the Czech Republic, the income tax rate of 19% is applicable.

The income tax rate of 23% approved for 2013 was used to calculate the deferred income tax in Slovak entities (see Note 21.3).

(in thousands of EUR)

Deferred income tax is calculated, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the income tax rates that are expected to apply to the period when the asset is to be realised or the liability settled. Deferred tax is charged or credited to the statement of comprehensive income, except for those items of receivables and payables that are credited or charged directly to equity, in which case the deferred tax is also recorded directly in equity.

Primary temporary differences arise as a result of the different treatment of expenses for tax purposes related to differences between accounting depreciation and tax allowances, finance lease adjustments, amortised losses and various provisions. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is assessed as at the reporting date.

Deferred tax is not calculated for temporary differences:

- Arising from goodwill – not deductible for tax purposes;
- Arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; or
- Arising from investments in subsidiaries, joint ventures and associates where the Group controls the settlement of temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

t) Retirement and Other Long-Term Employee Benefits

There is a Collective Agreement under which the Group is obliged to pay an amount equal to the average monthly pay upon employee retirement and jubilees. The Group has estimated that the amount of such liability is insignificant. The financial statements do not include any provision in this respect.

u) Restatement of Prior Years

The Group has restated the amounts presented for prior periods in line with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors* due to the following:

- In 2012, the Group determined that the unconsolidated subsidiaries Tenergo Slovensko, a.s. and Povbyt Development a.s. have a material impact on the consolidated financial statements and performed a retrospective correction of the years 2010 and 2011 as if Tenergo Slovensko a.s. and Povbyt Development a.s. were fully consolidated since it was established by the Group in the past.
- The Group determined that financial derivatives held as of 31 December 2011 were wrongly classified as non-qualifying for hedge accounting under IFRS as of 31 December 2011. The Statement of comprehensive Income and Equity were restated as of 31 December 2011 in this respect.

The restatement of amounts presented in the financial statements for the years ended as at 31 December 2010 and 2011 were as follows (positive figure for increase, negative figure for decrease in the balance):

Financial Statements Line	*Amount previously reported for the year ended 31 December 2011*	*Retrospective consolidation*	*Hedging Correction*	*Restated amount for the year ended 31 December 2011*
Non-current assets	90 539	(1 804)	95	88 830
Current assets	29 206	(1 261)	-	27 945
Total equity	17 584	370	(317)	17 637
Total liabilities	102 161	(3 023)	-	99 138
Profit for the year	4 352	(413)	412	4 351

(in thousands of EUR)

Financial Statements Line	*Amount previously reported for the year ended 31 December 2010*	*Retrospective consolidation*	*Restated amount for the year ended 31 December 2010*
Non-current assets	69 419	172	69 591
Current assets	27 001	245	27 246
Total equity	13 977	370	14 347
Total liabilities	82 443	48	82 491
Profit for the year	920	365	1 285

Amounts disclosed in the Statement of financial position and related notes for year 2010 represent restated amounts for opening balances of the comparative period (i.e. 1 January 2011).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 3, the Group has made the following judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, or that have the most significant effect on the amounts recognised in the financial statements:

Impairment of property, plant and equipment
The Group has assumed that there is no significant impairment of property, plant and equipment on the basis of an evaluation of the current use and expected future revenues and the regulatory environment. The management has assumed that the level of both production and sales will be maintained over the useful lives of the property, plant and equipment. Therefore, adjustments for impairment may be required in the future if actual sales are significantly reduced.

Regulated environment
Distribution of heat and electricity are subject to regulation by the Regulatory Office of Network Industries (Úrad pre reguláciu sieťových odvetví, "URSO").

Every year, the URSO approves tariffs for heat deliveries for each heating company within the GGE Group. The tariffs are determined based on the eligible costs, including depreciation derived from regulated assets base as determined by URSO and a margin. The useful lives of regulated assets as determined by URSO approximate the useful lives of the related property, plant and equipment as recorded by the Company. Therefore, the management of the Company believes that property, plant and equipment of the Company is not impaired on the basis of current indicators. There are inherent uncertainties that could impact the determination of future tariffs by URSO, and future realizable value of property, plant and equipment.

Useful life
Non-current tangible assets are depreciated based on the estimated useful life, or, in the case of regulated assets, over the period over which proceeds are expected to flow into the Group considering the regulations. Any differences between this depreciation period and their actual useful life may have a significant impact on these consolidated financial statements.

Taxation risks
The Group enters into material transactions with related parties, which may expose it to tax risks as discussed in Note 24.2. As Slovak taxation laws develop and if and when the taxation authorities perform a tax audit of any open years, there may be adjustments required in the future.

The Group performs significant transactions with related parties, which are described in various sections of these footnotes. In view of the management of the Group, the presentation of these transactions in these consolidated financial statements is the most adequate based on the current facts and circumstances. Given the fact that those facts and circumstances may change as certain decisions of the owners of the Group and of these related parties may vary, there may be adjustments or reclassifications performed in the future if and when these changes occur.

(in thousands of EUR)

5. CHANGES IN THE GROUP

In 2012, the Group acquired a 100% share in Energy Snina, a.s. for EUR 3 325 thousand.

The fair value of the acquired identifiable assets and liabilities:

	Energy Snina, a.s. 1 January 2012
Property, plant and equipment, and intangible assets	5 046
Inventories	225
Receivables	3 966
Cash and bank balances	865
Interest-bearing loans and borrowings	(597)
Payables	(5 274)
Net fair value of identifiable assets and liabilities	**4 231**
The Group's share in net assets	4 231
Negative goodwill upon acquisition	(906)
Amount paid	**(3 325)**
Cash and bank balances acquired	865
Net (decrease)/increase in cash and cash equivalents	**(2 460)**

Upon the acquisition of a 100% share in Energy Snina, a.s., negative goodwill arose in the amount of EUR 906 thousand, which was released into the Profit and Loss in 2012.

In 2011, the Group acquired a 100% share in TENERGO Brno, a.s. for the amount of EUR 6 411 thousand.

The fair value of the acquired identifiable assets and liabilities:

	TENERGO Brno a.s. 1 January 2011
Property, plant and equipment, and intangible assets	5 570
Inventories	72
Receivables	1 147
Cash and bank balances	1 111
Interest-bearing loans and borrowings	(2 601)
Payables	(3 021)
Net fair value of identifiable assets and liabilities	**2 278**
The Group's share in net assets	2 278
Goodwill upon the first acquisition	4 133
Amount paid	**(6 411)**
Cash and bank balances acquired	1 111
Net (decrease)/increase in cash and cash equivalents	**(5 300)**

Upon the acquisition of a 100% share in TENERGO Brno, a.s. goodwill in the amount of EUR 4 133 thousand was recognised, which was disclosed in the statement of financial position as at 31 December 2011 and 2012, no impairment was determined based on the goodwill impairment test.

In 2011, the Group acquired an additional 20% share in Pov Byt s.r.o. for the amount of EUR 650 thousand, thus increasing its total ownership share from 80% to 100%.

No changes in the Group were recognised in the period ended 31 December 2010.

(in thousands of EUR)

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise the following:

Year ended 31 December 2010	***Land, buildings & structures***	***Plant, machinery & equipment***	***Tangible fixed assets in acquisition***	***Advance payments for tangible fixed assets***	***Total***
Acquisition cost at 1 January 2010	15 973	6 131	4 624	10 271	36 999
1st consolidation of Elgas & GGE Distribucia	2 367	-	-	-	2 367
Additions	528	(49)	39 908	544	40 931
Transfers	10 892	21 871	(22 492)	(10 271)	-
Disposals	(899)	(684)	(931)	-	(2 513)
Exchange rate differences	-	-	-	-	-
Balance 31 December 2010 (previously reported)	28 862	27 269	21 109	544	77 784
Restatement	(401)	(113)	1 063	-	549
Balance 31 December 2010 (restated)	**28 461**	**27 156**	**22 172**	**544**	**78 333**
Accumulated depreciation 1 January 2010	4 247	4 629	-	-	8 876
1st consolidation of Elgas & GGE Distribucia	107	-	-	-	107
Depreciation charge	781	784	-	-	1 565
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	(424)	(669)	-	-	(1 093)
Exchange rate differences	-	-	-	-	-
Balance 31 December 2010 (previously reported)	**4 711**	**4 744**	**-**	**-**	**9 455**
Restatement	(2)	34	-	-	32
Balance 31 December 2010(restated)	**4 709**	**4 778**	**-**	**-**	**9 487**
Net book value as at 1 January 2010	**11 726**	**1 502**	**4 624**	**10 271**	**28 123**
Net book value as at 31 December 2010	**23 752**	**22 378**	**22 172**	**544**	**68 846**

(in thousands of EUR)

Year ended 31 December 2011	*Land, Buildings & Structures*	*Plant, Machinery & Equipment*	*Non-Current Tangible Assets in Acquisition*	*Advance Payments Made for Non-Current Tangible Assets*	*Total*
Balance 1 January 2011 (previously reported)	28 862	27 269	21 109	544	77 784
Restatement	(401)	(113)	1 063	-	549
Balance 1 January 2011 (restated)	28 461	27 156	22 172	544	78 333
1st consolidation	673	7 977	277	-	8 927
Additions	36	35	15 162	165	15 398
Transfers	8 439	21 812	(30 226)	(24)	-
Disposals	(190)	(2 496)	(47)	(681)	(3 414)
Exchange rate differences	23	609	1	-	633
Balance 31 December 2011	**37 442**	**55 093**	**7 339**	**4**	**99 878**
Accumulated depreciation 1 January 2011 (previously reported)	4 711	4 744	-	-	9 455
Restatement	(2)	34	-	-	32
Accumulated depreciation 1 January 2011 (restated)	4 709	4 778	-	-	9 487
1st consolidation	82	3 274	-	-	3 356
Depreciation charge	1 312	4 123	-	-	5 435
Additions	-	23	-	-	23
Disposals	(190)	(2 496)	-	-	(2 686)
Exchange rate differences	2	267	-	-	269
Balance 31 December 2011	**5 915**	**9 969**	**-**	**-**	**15 884**
Net book value as at 1 January 2011	**23 752**	**22 378**	**22 172**	**544**	**68 846**
Net book value as at 31 December 2011	**31 527**	**45 124**	**7 339**	**4**	**83 994**

(in thousands of EUR)

Year ended 31 December 2012	Land, Buildings & Structures	Plant, Machinery & Equipment	Non-Current Tangible Assets in Acquisition	Advance Payments Made for Non-Current Tangible Assets	Total
Balance 1 January 2012 (previously reported)	38 782	55 356	7 175	4	101 317
Restatement	(1 340)	(263)	164	-	(1 439)
Balance 1 January 2012 (restated)	37 442	55 093	7 339	4	99 878
1st consolidation of Energy Snina, a.s.	1 225	8 027	55	-	9 307
Additions	-	41	6 293	829	7 163
Transfers	4 288	6 899	(11 187)	-	-
Disposals	(713)	(1 163)	(81)	(454)	(2 411)
Balance 31 December 2012	**42 242**	**68 897**	**2 419**	**379**	**113 937**
Accumulated depreciation 1 January 2012 (previously reported)	5 941	9 941	-	-	15 882
Restatement	(25)	26	-	-	1
Accumulated depreciation 1 January 2012 (restated)	5 916	9 967	-	-	15 883
1st consolidation of Energy Snina, a.s.	310	3 455	-	-	3 765
Depreciation charge	1 530	5 674	-	-	7 204
Additions	577	183	-	-	760
Disposals	(713)	(1 163)	-	-	(1 876)
Balance 31 December 2012	**7 620**	**18 116**	**-**	**-**	**25 736**
Net book value as at 1 January 2012	**31 526**	**45 126**	**7 339**	**4**	**83 995**
Net book value as at 31 December 2012	**34 621**	**50 781**	**2 419**	**379**	**88 201**

In 2012 the Property, plant and equipment has increased substantially mainly due to the completed construction of a cogeneration unit at Tepláreň, a. s. and the first consolidation of Energy Snina a.s.

The most significant additions in Structures during the current reporting period comprise technical improvements to an office building in Považská Bystrica in the total amount of EUR 1 077 thousand and a cogeneration unit in Dunajská Streda in the total amount of EUR 1 295 thousand.

When considering separate movable assets, a significant increase also arises from significant additions connected with the construction of a cogeneration unit at Tepláreň, a. s.. Three significant items were recognised as property, plant and equipment during the current reporting period:
1. Quanto D2000 cogeneration unit in the total amount of EUR 1 930 thousand;
2. Quanto D3000 cogeneration unit in the total amount of EUR 2 530 thousand; and
3. Cogeneration unit technology in the total amount of EUR 1 875 thousand.

In 2011, the Property, plant and equipment increased mainly due to the continued construction of a combined cycle gas power plant at Tepláreň, a. s.

The most significant additions in Structures during the current reporting period represented technical improvement of a "cooling tower" in the total amount of EUR 2 207 thousand and a bypass chimney in the amount of EUR 853 thousand.

When considering separate movable assets, a significant increase also arises from significant additions connected with the construction of a combined cycle gas power plant at Tepláreň, a. s. (ie Paroplynovy cyklus PPC). Three significant items were recognised as property, plant and equipment during the current reporting period:
1. "Condensing steam turbine" in the total amount of EUR 10 248 thousand;
2. "Combustion boiler" in the total amount of EUR 7 716 thousand; and
3. "Controlling system" in the total amount of EUR 1 845 thousand.

(in thousands of EUR)

The most significant additions in structures during 2010 in the total amount of EUR 8 575 thousand are represented by the technical improvement of "Kotolna EVZ" in the total amount of EUR 7 503 thousand, by "Káblový prepoj 110kV PPC-PS20" in the amount of EUR 600 thousand, and by "Prípojka plynová VT PPC PS01" in the total amount of EUR 500 thousand.

When considering separate movable assets, a significant increase of approximately EUR 20 000 thousand (from EUR 3 900 thousand to EUR 23 730 thousand) also arises from significant additions connected with the construction of a combined cycle gas power plant at Tepláreň, a. s. PB a. s. (i.e. "Paroplynovy cyklus PPC").

6.1. Type and Amount of Insurance of Property, Plant and Equipment and Non-Current Intangible Assets

The Group has established insurance policies for personal and business liability, motor vehicles, technology, and buildings, covering theft, natural disaster and operations disruption with various insurance companies. The most significant part of property insurance relates to property in Tepláreň, a. s., Považská Bystrica. These non-current tangible assets were insured against damage or destruction caused by a natural disaster by Kooperatíva poisťovňa, a.s. The Group also insured itself against business disruption and liability for damage with Allianz – Slovenská poisťovňa, a.s. The Group is insured up to the 100% of the value of fixed assets. The insurance policies in other consolidated entities also cover personal liability insurance, business liability insurance, collision insurance, business interruption insurance, and loss liability insurance.

7. FINANCIAL INVESTMENTS

Changes in financial investments are summarised as follows:

	Unconsolidated Subsidiaries and Associated Undertakings	*Other Financial Investments*	*Provision*	*Total*
At 1 January 2012	317	2	-	319
Additions	187	1	-	188
Disposals	(232)	-	-	(232)
At 31 December 2012	**272**	**3**	**-**	**275**

The 2012 additions include new investments in GGE, d.o.o., Beograd (EUR 181 thousand) and Snina Energy s.r.o. (EUR 6 thousand). In 2012, an investment in Helpeko, s.r.o. was sold (EUR 232 thousand).

These entities were not included in the consolidation as their exclusion from the consolidation has no significant impact on the consolidated financial statements.

Unconsolidated subsidiaries and associates include:

	2012		*2011*		*2010*		*2009*	
	% Share	*Price*	*% Share*	*Price*	*% Share*	*Price*	*% Share*	*Price*
Unconsolidated subsidiaries:								
SOUTHERM energy, s.r.o.	69%	5	69%	5	69%	5	69%	-
Enerwood, s.r.o.	100%	7	100%	7	100%	7	100%	7
GGE Invest, s.r.o.	100%	7	100%	7	100%	7	100%	7
Helpeko, s.r.o.	100%	-	100%	232	100%	232	100%	-
IFM, a.s.	100%	27	99.49%	27	99.49%	27	99.49%	25
ESO Tech, a.s.	100%	29	80%	29	80%	29	80%	29
GG Therm, a.s.							99%	338
POV BYT development, s.r.o.							80%	7
Elgas, s.r.o.							-	364
Elgas Energy, Kft Hungary	100%	12	-	-	-	-	-	-
GGE, d.o.o., Beograd	100%	180	-	-	-	-	-	-
Snina Energy s.r.o.	100%	5	100%	10	100%	10	-	-
Total unconsolidated subsidiaries		**272**		**317**		**317**		**777**
Associates and joint ventures		-		-		-		-
Total associates and joint ventures		-		-		-		-
Total		**272**		**317**		**317**		**776**

(in thousands of EUR)

8. INTANGIBLE ASSETS

	2012	2011	2010	2009
Intangible assets and other non-current assets	209	302	420	126

Intangible assets comprise software in the amount of EUR 209 thousand (2011: EUR 295 thousand, 2010: EUR 420 thousand, 2009: EUR 126 thousand). The decrease in intangible assets is related to its depreciation during their useful life.

9. INVENTORIES

Net inventories comprise the following:

	2012	2011	2010	2009
Materials and supplies	857	285	301	837
Work-in-progress	290	-	26	-
Provision for obsolete items	-	(10)	(11)	(14)
Total inventories, net	**1 147**	**275**	**316**	**823**

10. TRADE AND OTHER RECEIVABLES

Receivables comprise the following:

	2012	2011	2010	2009
Trade receivables:				
Domestic customers	20 647	13 549	9 609	9 588
Foreign customers	-	-	-	-
Total trade receivables	20 647	13 549	9 609	9 588
Provision for doubtful amounts	(3 446)	(3 112)	(3 113)	(3 052)
Total trade receivables, net	17 201	10 437	6 496	6 536
Other receivables	1 554	1 689	2 126	1 265
Provision for doubtful amounts	-	-	-	-
Total other receivables, net	1 554	1 689	2 126	1 265
Receivables, net	**18 755**	**12 126**	**8 622**	**7 801**

Breakdown of trade receivables:

	2012	2011	2010	2009
Trade receivables:				
within maturity	14 203	346	4 480	4 316
overdue	6 444	13 203	5 129	5 272
Total	**20 647**	**13 549**	**9 609**	**9 588**

The ageing structure of trade receivables for which a provision was recorded:

	2012	2011	2010	2009
Trade receivables:				
within maturity	43	-	-	7
overdue by up to 180 days	1	-	22	40
overdue by 180 to 360 days	7	1	165	696
overdue by over 360 days	3 395	3 111	2 926	3 137
Total	**3 446**	**3 112**	**3 113**	**3 880**

(in thousands of EUR)

The ageing structure of trade receivables for which no provision was recorded:

	2012	*2011*	*2010*	*2009*
Trade receivables:				
within maturity	14 159	346	3 212	4 309
overdue by up to 180 days	1 210	8 359	22	1 260
overdue by 180 to 360 days	543	787	164	47
overdue by over 360 days	1 289	945	3 098	91
Total	**17 201**	**10 437**	**6 496**	**5 707**

Changes in provisions for doubtful receivables:

	2012	*2011*	*2010*	*2009*
Opening balance at the beginning of the year	(3 112)	(3 113)	(3 040)	(2 578)
Losses recognised from the impairment of receivables (additions)	(429)	(10)	(87)	(488)
Reversal of loss from impairment at the write-off of a receivable	95	11	14	14
Total	**(3 446)**	**(3 112)**	**(3 113)**	**(3 052)**

11. CASH AND BANK BALANCES

Cash and bank balances comprise the following:

	2012	*2011*	*2010*	*2009*
Cash in hand	50	72	164	29
Cash at bank	6 834	14 669	16 655	1 124
Total cash and bank balances	**6 884**	**14 741**	**16 819**	**1 153**

The balance of a bank account, ING foreign placement, in the amount of EUR 4 015 thousand as at 31 December 2012 (2011: 11 284 thousand; 2010: EUR 13 471 thousand), represents restricted financial funds as their use is limited to the repayment of a bank loan provided by ING Bank.

12. EQUITY

The share capital takes the form of ordinary certified shares. As at the end of 2012, the total number of shares was 200, with a nominal value of EUR 3 319.39 per share.

Reserves comprise principally the legal reserve fund, which amounts to EUR 612 thousand as at 31 December 2012 (31 December 2011: EUR 205 thousand, 31 December 2010: EUR 100 thousand, 2009: EUR 1 thousand), and other capital funds amounting to EUR 8 778 thousand as at 31 December 2012 (31 December 2011: EUR 8 778 thousand, 31 December 2010: EUR 8 778 thousand, 2009: EUR 8 778 thousand), cash flow hedge amounting to EUR (392) thousand as at 31 December 2012 (31 December 2011: (317) thousand) and foreign currency translation amounting to (100) thousand as at 31 December 2012 (31 December 2011: (93) thousand).

Other capital funds were raised by the shareholders and are not distributable in the form of a dividend.
A legal reserve fund was created from profits in previous period to satisfy legal obligation in Slovakia and can only be used to cover losses of the Group in the future.

Non-controlling interests represent an equity share of other minority shareholders.

One of the Group companies (Elgas) carried out a profit distribution in the form of royalties to members of the Supervisory Board in the amount of EUR 1 150 thousand in 2012. For the purposes of the IFRS consolidated financial statements, this transaction was not considered an Income Statement transaction but rather a distribution of Retained Earnings due to the fact that Supervisory Board members are shareholders of GGE Group. This transaction is presented in the schedule of movements in Equity as a distribution of profits.

(in thousands of EUR)

13. BORROWINGS

Borrowings comprise the following:

	2012	2011	2010	2009
Interest-bearing and other borrowings, non-current	61 669	64 441	41 304	17
Less reclassified to current due to loan terms incompliance	(2 481)	-	-	-
Less current portion of non-current interest-bearing borrowings	(10 196)	(9 346)	(22 570)	(6)
Total interest-bearing borrowings, non-current	48 992	55 095	18 734	11
Interest-bearing borrowings, current	5 423	11 865	14 155	8 750
Short-term financial assistance	933	582	11 545	12 007
Reclassified from non-current due to loan terms incompliance	2 481	-	-	-
Current portion of non-current interest-bearing borrowings	10 196	9 346	22 570	6
Total current interest bearing borrowings and current portion of non-current interest-bearing borrowings	19 033	21 793	48·270	20 763
Total interest-bearing borrowings	**68 025**	**76 888**	**67 004**	**20 774**

The interest rate of a significant portion of loans payable to banks is based on EURIBOR, CIRR, LIBOR plus a margin and varies from 1.87% to 4.27% p.a. in 2012. Other loans payable to banks as at 31 December 2012 bear fixed interest rates.

The management estimates that the fair value of loans approximates their carrying amount.

Interest-bearing borrowings payable to banks and other financial institutions at 31 December 2012 are mostly secured loans. These borrowings are secured by a combination of bills of exchange, pledged receivables, pledged property, plant and equipment, a bank guarantee and a guarantee provided by the ultimate parent company, Grafobal Group akciová spoločnosť, and a guarantee provided by other companies in the Group.

Based on the current loan agreements, the Group is obliged to comply with certain financial and other covenants. In 2012, the Group complied with all financial covenants concerning significant long-term loans, except for covenants in the following subsidiaries, which report non-compliance with the contractually-determined financial covenants:

- Energy Snina, a.s. – long-term loan from Tatra Banka, a.s.
- Southerm, s.r.o. - long-term loan from Tatra Banka, a.s.

The accompanying financial statements include a presentation reclassification resulting from the non-compliance with financial covenants in Energy Snina, a.s. and Southerm, s.r.o. in the total amount of EUR 2 481 thousand (see above). After the balance sheet date, the bank confirmed the acceptance of the non-compliance with financial covenants.

The Group has interest-bearing borrowings and loans outstanding as at 31 December 2012, 2011, 2010 and 2009 denominated in the following currencies:

Currency	2012	2011	2010	2009
EUR	57 217	63 663	52 064	20 774
USD	10 808	13 225	14 940	-
Total	**68 025**	**76 888**	**67 004**	**20 774**

At 31 December 2012, 2011, 2010 and 2009, the future scheduled maturities of interest-bearing borrowings are as follows:

	2012	2011	2010	2009
Due within 1 year	16 552	21 793	48 270	20 763
Due in 1 to 2 years	12 185	9 846	-	-
Due in 3 to 5 years	30 314	29 430	18 570	11
Due in over 5 years	8 974	15 819	164	-
Total	**68 025**	**76 888**	**67 004**	**20 774**

(in thousands of EUR)

14. OBLIGATIONS UNDER FINANCE LEASE

Obligations under finance leases can be analysed as follows:

	Minimum Lease Payments				*Present Value of Minimum Lease Payments*			
	2012	*2011*	*2010*	*2009*	*2012*	*2011*	*2010*	*2009*
Obligations under finance lease:								
Within one year	477	63	-	-	444	57	3	-
More than one year	1 099	32	-	-	1 032	29	-	-
Total	1 576	95	-	-	1 476	86	3	-
Less: future finance costs	(99)	(9)	-	-	-	-	-	-
Present value of lease obligations	**1 477**	**86**	**-**	**-**	**1 476**	**86**	**3**	**-**
Less: amount payable within 12 months (recognised as current liabilities)	-	-	-	-	(444)	(57)	(3)	-
Amount payable after one year	**-**	**-**	**-**	**-**	**1 032**	**29**	**-**	**-**

15. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	2012	*2011*	*2010*	*2009*
Trade payables	20 362	17 227	12 253	4 743
Payables to employees	451	329	209	134
Social security payables	174	103	77	62
Other payables	1 418	1 413	503	229
Total trade and other payables	**22 405**	**19 072**	**13 042**	**5 168**

The bulk of trade payables comprise the payables of Elgas, s.r.o. to RWE Gas Slovensko s.r.o. in the amount of EUR 6 954 thousand, which is the main gas supplier, and to ČEZ Slovensko, s.r.o. in the amount of EUR 1 228 thousand.

The bulk of trade payables in 2011 comprise the payables of Tepláreň, a. s. to Istro Energo Group, which is the main supplier in the construction of a combined gas power plant in Považská Bystrica.

Other payables mainly include indirect tax liabilities in the amount of EUR 436 thousand in 2012 (2011: EUR 405 thousand, 2010: EUR 476 thousand, 2009: EUR 99 thousand).

15.1. Payables Within Due and Overdue

As at 31 December 2012, outstanding trade and other payables within the due date in the amount of EUR 20 160 thousand (2011: EUR 13 666 thousand, 2010: EUR 9 052 thousand) and overdue payables in the amount of EUR 2 245 thousand were recorded as at 31 December 2012 (2011: EUR 5 406 thousand, 2010: EUR 3 990 thousand, 2009: EUR 5 016 thousand)

15.2. Payables Secured by Pledge

The Group reported no payables secured by right of lien.

15.3. Social Fund Payables

	Amount
Opening balance at 1 January 2012	49
Creation:	
from expenses	*27*
from profit	*58*
other creation	*1*
Drawing:	
luncheon vouchers	*20*
recreational purposes	*8*
Other	*24*
Closing balance at 31 December 2012	**83**

These payables are disclosed in other non-current liabilities in the consolidated statement of financial position.

(in thousands of EUR)

16. DEFERRED INCOME

Deferred income comprises:

	2012	2011	2010	2009
Received investment subsidies	4 563	249	351	92
Total	**4 563**	**935**	**351**	**92**
Current	483	646	247	152
Non-current	4 080	289	104	(60)
Total	**4 563**	**935**	**351**	**92**

17. REVENUES

Revenues comprise the following:

	2012	2011	2010	2009
Revenues from the sale of goods	4	1 037	39	-
Revenues from the sale of heat	20 744	18 649	12 800	15 312
Revenues from the sale of water	1 082	949	822	276
Revenues from the sale of gas	26 925	7 718	1 900	454
Revenues from the sale of electricity	58 008	35 205	7 340	1 140
Revenues from contracts	141	57	-	-
Revenues from other services	2 424	323	5 461	1 736
Total	**109 328**	**63 938**	**28 362**	**18 918**

18. LABOUR AND RELATED EXPENSES

Labour and related expenses comprise the following:

	2012	2011	2010	2009
Wages and salaries	3 654	2 765	1 946	1 721
Social security costs	1 467	977	776	620
Total labour and related expenses	**5 121**	**3 742**	**2 722**	**2 341**

The average number of employees was 262 (2011: 161, 2010: 150, 2009: 158).

31 December 2012	*Administrative Staff*	*Operational Personnel*	*Total*
GGE a.s.	19	-	19
Southerm, s.r.o.	12	13	25
Tepláreň, a. s. PB, a.s.	17	24	41
Teplo GGE s.r.o.	16	30	46
Tenergo Brno, a.s.	3	2	5
GGE distribúcia, s.r.o.	13	-	13
Elgas, s.r.o.	17	-	17
Energy Snina, a.s.	14	63	77
Povbyt Development, s.r.o.	-	-	-
Tenergo Slovensko, a.s.	2	17	19
Total average number of employees	**113**	**149**	**262**

The Group is not liable for any significant post-employment benefits provided to current or former employees under Slovak labour law or other legislation.

The number of managers comprises 22 of the total administrative staff (2011: 18, 2010: 13, 2009: 23).

The Group is not liable for any significant post-employment benefits provided to current and former employees under the labour law effective in the countries where the consolidated entities are based, or under its collective agreements.

(in thousands of EUR)

19. CONSUMABLES AND SERVICES

Consumables and services comprise the following items:

	2012	2011	2010	2009
Material consumption	2 002	1 079	874	-
Repairs and maintenance	745	470	460	604
Travel expenses	110	63	13	11
Transportation	8	1	3	8
Advisory and market research	3 419	1 892	3 037	1 268
Advertising	878	507	79	25
Rent	778	446	583	359
Telecommunication services	103	77	40	41
Other	2 503	1 292	815	596
Total consumables and services	**10 546**	**5 827**	**5 904**	**2 912**

Other consumables and services mainly comprise costs such as sale commissions, entertainment expenses, postal and mailing services and other external supplies of services.

20. OTHER GAINS AND LOSSES

Other gains and losses comprise the following:

	2012	2011	2010	2009
Net Foreign Exchange gains/(losses)	158	(130)	(8)	5
Government grants	386	39	-	-
Write-off of receivables	(111)	2	(87)	(7)
Net gain/(loss) from sale of property, plant and equipment and inventory	266	(30)	29	33
Net gain/(loss) from contractual penalties	704	(580)	-	-
Write-off of goodwill and release of negative goodwill, net	-	-	-	2 150
Other gains/(losses)	66	(265)	3	(483)
Total other gain and losses	**1 469**	**(964)**	**(63)**	**1 698**

Included in the Net gain/(loss) from contractual penalties in 2012 is the amount of EUR 1 200 thousand, which occurred in the subsidiary Tepláreň a.s. and represents the penalty received from the supplier of combined cycle gas power plant in Tepláreň, a.s. The penalty income is presented in Other gains and losses as its main purpose was to reimburse Tepláreň, a.s. for additional expenses occurred during the construction of the combined cycle gas power plant in years 2009 - 2011.

21. INCOME TAXES

21.1. Reconciliation

The reconciliation between income taxes computed at the statutory rate of 19% valid for 2012 and the income tax expense provided is as follows:

	2012	2011	2010	2009
Income before income taxes	7 126	5 288	1 847	2 734
Tax calculated from profit before taxation	1 354	1 005	350	519
Tax effect of permanent differences	26	(68)	195	(446)
Effect of the change in the tax rate	220	-	-	-
Effect of the unrecognised deferred tax asset	94	-	17	-
Total income taxes	**1 694**	**937**	**562**	**73**

The overall effective tax rate differs from the statutory tax rate of 19% primarily due to differences in the classification of certain expense and revenue items for accounting and tax purposes, and tax rules for consolidated financial statements in the Slovak Republic. Deferred tax was calculated at a rate of 23% as valid from 1 January 2013. In 2012 and before the deferred tax was calculated at a rate of 19% valid from 1 January 2004. The effect of the change in the tax rate amounted to EUR 220 thousand. Currently, companies in Slovakia must submit tax returns separately and no possibility exists to prepare a consolidated tax return for a group of companies.

(in thousands of EUR)

21.2. Income Tax Expense

Income tax expense may be analysed as follows:

	2012	*2011*	*2010*	*2009*
Current tax	1 446	1 339	588	66
Deferred tax - current year	307	(402)	(26)	7
Total	**1 753**	**937**	**562**	**73**

21.3. Deferred Income Tax

The deferred tax asset/(liability) may be analysed as follows:

	2012	*2011*	*2010*	*2009*
Opening balance at 1 January, net	(271)	(423)	(425)	22
Correction of 2011 deferred tax	-	-	(15)	-
First consolidation of Tenergo, a.s.	-	(332)	-	-
First consolidation of Energy Snina, a.s.	(30)	-	-	-
First consolidation of Elgas, s.r.o.	-	-	(9)	-
First consolidation of Tepláreň	-	-	-	(440)
Effect of exchange rate changes	(63)	82	-	-
Deferred tax for the period	(246)	402	26	(7)
Closing balance at 31 December, net	**(610)**	**(271)**	**(423)**	**(425)**

The most significant part of deferred tax liabilities are attributable to the depreciation of non-current tangible assets (arising from the difference between net book value and net tax value of non-current tangible assets).

	2012	*2011*	*2010*	*2009*
Net deferred income tax liability is presented in the statement of financial position as:				
Deferred tax asset	129	82	8	34
Deferred tax liability	(739)	(352)	(431)	(459)

2011	*Opening balance at 1 January, net*	*Recognized in P&L*	*Recognized in equity*	*Closing balance at 31 December, net*
Cash flow hedges	2	-	22	24
Property plant & equipment	(527)	(129)	-	(656)
Finance leases	-	-	-	-
Tax loss	59	156	-	215
Deferred revenue	(2)	2	-	-
Provisions	(60)	107	-	47
Others	106	(7)	-	99
Deferred tax, net	**(422)**	**129**	**22**	**(271)**

2012	*Opening balance at 1 January, net*	*Recognized in P&L*	*Recognized in equity*	*Closing balance at 31 December, net*
Cash flow hedges	24	-	94	118
Property plant & equipment	(656)	(95)	-	(751)
Finance leases	-	-	-	-
Tax loss	215	(87)	-	128
Deferred revenue	-	(177)	-	(177)
Provisions	47	25	-	72
Others	99	(99)	-	-
Deferred tax, net	**(271)**	**(433)**	**94**	**(610)**

(in thousands of EUR)

22. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributable to the shareholders of the parent by the weighted average number of shares issued and paid during the year. The Group has no diluting instruments; therefore, the basic and diluted earnings per share are equal.

	2012	*2011*	*2010*	*2009*
Net profit attributable to the shareholders of the Company (in EUR)	5 395 354	4 287 401	1 128 961	2 528 724
Weighted average number of shares	200	200	200	200
Earnings per share (in EUR)	**26 977**	**21 437**	**5 645**	**12 644**

23. SIGNIFICANT THIRD PARTY RELATIONSHIPS AND RELATED PARTIES

Related parties of the Group have been identified as unconsolidated subsidiaries and associates, companies under common ownership, shareholders, directors, management of the Group and subsidiaries, and the majority owner of the parent company GGE a.s., companies under his ownership and control as well as his family members.

Related party transactions as at 31 December 2012 are summarised as follows:

Company	*Receivables*	*Payables*	*Revenues*	*Expenses*
Shareholders:				
Grafobal Group, akciová spoločnosť	*66*	*330*	-	*300*
Ing. Roland Tóth	-	-	-	-
Roman Jankovič	-	-	-	-
Mesto Dunajská Streda (minority shareholder)	*1*	*24*	-	-
Unconsolidated subsidiaries and associates	629	558	461	77
Other related parties	1 743	8 237	6 421	355
Total	**2 439**	**9 149**	**6 882**	**732**

Related party transactions as at 31 December 2011 are summarised as follows:

Company	*Receivables*	*Payables*	*Revenues*	*Expenses*
Shareholders:				
Grafobal Group, akciová spoločnosť	*12*	*566*	*47*	*300*
Ing. Roland Tóth	-	-	-	-
Roman Jankovič	-	-	-	-
Mesto Dunajská Streda (minority shareholder)	-	-	-	-
Unconsolidated subsidiaries and associates	621	156	254	86
Other related parties	598	9 759	4 516	27
Total	**1 219**	**10 481**	**4 817**	**413**

Related party transactions as at 31 December 2010 are summarised as follows:

Company	*Receivables*	*Payables*	*Revenues*	*Expenses*
Shareholders:				
Grafobal Group, akciová spoločnosť	-	-	-	-
Ing. Roland Tóth	-	-	-	-
Roman Jankovič	-	-	-	-
Mesto Považská Bystrica	-	-	-	-
Mesto Dunajská Streda (minority shareholder)	*415*	*45*	*494*	*798*
Unconsolidated subsidiaries and associates	282	54	110	34
Other related parties	162	12 295	3 661	237
Total	**859**	**12 394**	**4 265**	**1 069**

(in thousands of EUR)

Related party transactions as at 31 December 2009 are summarised as follows:

Company	*Receivables and Investments*	*Payables*	*Revenues*	*Expenses*
Shareholder:	-	-	-	-
Grafobal Group, akciová spoločnosť	-	-	-	-
Ing. Roland Tóth	-	-	-	-
Roman Jankovič	-	-	-	-
Mesto Považská Bystrica (minority shareholder)	-	-	-	-
Mesto Dunajská Streda (minority shareholder)	-	-	-	-
Unconsolidated subsidiaries and associates	809	1 675	1 595	2 580
Other related parties	61	4 043	-	-
Total	**870**	**5 718**	**1 595**	**2 580**

Receivables from unconsolidated subsidiaries are in the total amount of EUR 629 thousand (2011: EUR 621 thousand, 2010: EUR 282 thousand, 2009: EUR 809 thousand). For details on the investments in unconsolidated subsidiaries and associates, see Note 6.

Payables to unconsolidated subsidiaries comprise mainly payables to Enerwood, s.r.o. (EUR 258 thousand, 2011: EUR 0, 2010: EUR 24 thousand, 2009: EUR 30 thousand), EcoPower, a.s. (EUR 102 thousand, 2011: EUR 0, 2010: EUR 0, 2009: EUR 0) and IFM, a.s. (EUR 134 thousand, 2011: EUR 155 thousand, 2010: EUR 3 thousand, 2009: EUR 4 thousand).

The bulk of payables to other related parties comprise a payable to Mr Ivan Kmotrik (statutory representative of the ultimate parent company, Grafobal Group akciova spolocnost) and represent a long-term loan in the amount of EUR 7 983 thousand (2011: EUR 7 983 thousand, 2010: EUR 7 983 thousand, 2009: EUR 0).

Revenues with unconsolidated subsidiaries and associates are from common business transactions, mainly with GGE Invest, s.r.o. (EUR 229 thousand, 2011: EUR 0, 2010: EUR 2 thousand, 2009: 2 thousand). Revenues with other related parties represent revenues from the normal course of business and the most significant item refers to revenues with Slovenská Grafia in the total amount of EUR 3 766 thousand (2011: EUR 3 806 thousand, 2010: 3 038 thousand, 2009: EUR 0).

Remuneration paid to members of the Group's bodies and executive management was as follows:

	2012	*2011*	*2010*	*2009*
Salaries	791	656	446	138
Bonuses	19	77	77	29
Other benefits	1	1	1	27
Total	**811**	**734**	**524**	**194**

24. COMMITMENTS AND CONTINGENCIES

24.1. Commitments for expenditures

The Group has a commitments for the acquisition of property, plant and equipment in the amount of EUR 1 725 thousand as of the end of 2012 and it relates mainly to the acquisition of cogeneration units in Snina and Devinska Nova Ves.

There were no commitments as at 31 December 2011.

As at 31 December 2010 the Company's management had entered into binding contracts with respect to combined cycle gas plant project in total amount of EUR 5,6 mil.

24.2. Tax Implications

The Group has significant transactions with a number of its subsidiaries and associates, shareholders and other related parties. The tax environment under which the Group operates in the Slovak Republic is dependent on tax legislation and practice, which is relatively new with little existing precedent. As there is no official interpretation of tax legislation, there is an inherent risk that the taxation authorities may change the income tax base.

(in thousands of EUR)

The tax returns remain open and may be subject to a tax audit over a period of five years. The fact that a certain period or a tax return related to such a period has been reviewed does not preclude this period from being subject to any further investigation over the period of five years. Therefore, the tax returns of the Group companies for the years from 2008 until 2012 are open as at 31 December 2012 and may be subject to a tax audit.

The Group's management believes that all tax liabilities have been appropriately recorded in the accompanying consolidated financial statements.

24.3. Energy Regulation

Companies operating in the energy sector and, in particular, the generation of heat are subject to regulation.

The heat selling price is regulated by the Office of Regulation of Network Industries (Úrad pre reguláciu sieťových odvetví, "ÚRSO"). Pursuant to the effective legislation (Act No. 276/2001), the regulated prices must reflect eligible costs and adequate profit, which must reflect the amount of investment necessary to ensure the long-term operations of the system and network. ÚRSO determines maximum prices on an annual basis based on a request submitted by each relevant company.

24.4. Litigations

The Group is currently involved in several litigations that arose from the ordinary course of business. As a result, they are not expected to have any significant unfavourable impact on the accompanying financial statements, whether individually or in aggregate. In the accompanying consolidated financial statements, the Group did not recognise any provisions for litigation since, based on consultations with its legal counsel, the Group's management believes that the final outcome of the litigations is uncertain.

24.5. Guarantees

The Company is a guarantor as described in the Note 28.

25. FINANCIAL DERIVATIVE INSTRUMENTS

The fair value of financial derivative instruments is as follows:

	Unclassified Hedging	*Classified Hedging*	*Total*
Balance at 1 January 2009	-	-	-
Movements recognised through profit/loss	-	-	-
Movements recognised through equity	-	-	-
Balance at 31 December 2009	-	-	-
Balance at 1 January 2010	-	-	-
Movements recognised through profit/loss	-	-	-
Movements recognised through equity	-	-	-
Balance at 31 December 2010	-	-	-
Balance at 1 January 2011	-	-	-
Movements recognised through profit/loss	-	-	-
Movements recognised through equity	-	(391)	(391)
Balance at 31 December 2011	-	**(391)**	**(391)**
Movements recognised through profit/loss	-	(21)	(21)
Movements recognised through equity	-	(97)	(97)
Balance at 31 December 2012	-	**(509)**	**(509)**
Disclosed in the statement of financial position:			
Other financial assets in non-current assets	-	-	-
Trade receivables and other financial assets	-	-	-
Other financial liabilities in non-current liabilities	-	(294)	(294)
Trade and other payables	-	(215)	(215)
Balance at 31 December 2012	-	**(509)**	**(509)**

To mitigate risk resulting from interest rate fluctuations, the Group uses an interest rate swap contract.

(in thousands of EUR)

26. FINANCIAL RISK MANAGEMENT

26.1. Capital Risk Management

The Group manages its capital to ensure that the Group will be able to continue as a going concern with the aim of achieving an optimum debt-to-equity balance. The Group's overall strategy remains unchanged during 2012.

As at the year-end, the gearing ratio was as follows:

	31 December 2012	*31 December 2011*	*31 December 2010*	*31 December 2009*
Debt (i)	(68 025)	(76 888)	(67 004)	(20 774)
Cash and cash equivalents	6 884	14 741	16 819	1 153
Net debt	(61 141)	(62 147)	(50 185)	(19 621)
Equity	(21 522)	(17 637)	(14 347)	(13 058)
Net debt to equity ratio	**284%**	**352%**	**350%**	**150%**

(i) Debt is defined as long-term and short-term loans and interest-bearing borrowings.

26.2. Financial Instruments Classification

	31 December 2012	*31 December 2011*	*31 December 2010*	*31 December 2009*
Cash and bank balances	6 884	14 741	16 819	1 153
Other financial investments	1	2	-	-
Loans and receivables	19 162	12 525	8 920	7 827
Financial assets	**26 047**	**27 268**	**25 739**	**8 980**
Financial derivative instruments	511	391	-	
Bank loans carried at amortised cost	68 025	76 888	67 004	20 774
Obligations under finance lease	1 476	87	3	-
Trade payables and other financial liabilities	23 868	20 776	14 570	6 043
Financial liabilities	**93 880**	**98 142**	**81 577**	**26 817**

26.3. Financial Risk Factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates and loan interest rates. In its comprehensive risk management programme, the Group focuses on the unpredictability of financial markets and aims to minimise potential negative impacts on the Group's financial situation. The Group uses derivative financial instruments to manage certain risks.

(1) Commodity price risk

The Group does not use any hedging instruments to manage commodity price risk. Purchases of material are always based on prevailing market prices.

(2) Foreign exchange risk

Since the majority of the Group's transactions are entered into in EUR, the Group is not exposed to any significant foreign exchange risk. Therefore, the Group does not conclude forward foreign exchange or hedging contracts. Payments denominated in foreign currency are translated at the rate valid as at the date of the payment.

(in thousands of EUR)

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities				*Assets*			
	31 December 2012	**31 December 2011**	**31 December 2010**	**31 December 2009**	**31 December 2012**	**31 December 2011**	**31 December 2010**	**31 December 2009**
USD	10 808	13 225	14 940	-	4 017	11 284	13 491	-
CZK	2 440	6 222	-	-	1 258	16 212	1	1
EUR	80 053	78 695	66 638	26 818	21 722	688	3 328	8 980

The following table details the Group's sensitivity to a 10% increase and decrease in the EUR against the CZK and the USD. The sensitivity analysis includes only foreign currency-denominated monetary items, and adjusts their translation at the period end for a stated change in foreign currency rates. A positive/negative number indicates an increase/decrease in profit and other equity where the EUR weakens against the relevant currency. For a strengthening of the EUR against the relevant currency there would be an equal and opposite impact on profit and other equity.

Profit and Loss impact only (no reserves)	*2012*	*2011*	*2010*	*2009*
USD	679	194	145	-
CZK	118	(999)	-	(5)

(3) Interest rate risk

The Group's operating income and operating cash flows are independent of changes in market interest rates. The Group recorded no material interest-bearing assets, except for cash and cash equivalents. A substantial portion of loans bear market interest rates (see Note 12). The Group entered into interest rate swap contracts in 2012 for risk management purposes.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by EUR 4 318 thousand (2011: change by EUR 3 964, 2010: change by EUR 1 914 thousand, 2009: change by EUR 28 806); this is mainly attributable to the Group's exposure to variable interest rates on bank loans – mainly a loan denominated in USD drawn in 2012 at Tepláreň, a. s.

(4) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant concentration of credit risk exposure. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's cash, cash equivalents, and term deposits are placed with financial institutions in the countries of incorporation of consolidated companies. Trade receivables are presented net of the allowance for doubtful receivables.

Monetary transactions are limited to high-credit financial institutions.

(5) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit lines. The Group maintains a sufficient amount of cash in bank accounts, reports current loan agreements with various financial institutions and has no open market positions.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables were drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows during the validity of the loan contract.

(in thousands of EUR)

	Weighted average effective interest rate	*Up to 1 year*	*1 – 5 years*	*over 5 years*	*Total*
2012					
Non-interest bearing	-	23 030	1 061	-	24 091
Variable interest rate instruments	4.10%	14 480	44 128	37	58 645
Fixed interest rate instruments	-	-	-	-	-
Obligations under finance lease	6.33%	438	1 025	-	1 463
		37 948	**46 214**	**37**	**84 199**
2011					
Non-interest bearing		20 778	606	-	21 384
Variable interest rate instruments	4.23%	27 100	48 259	8 318	83 677
Fixed interest rate instruments	-	-	-	-	-
Obligations under finance lease	-	-	-	-	-
		47 878	**48 865**	**8 318**	**105 061**
2010					
Non-interest bearing	-	14 956	234	-	15 190
Variable interest rate instruments	3.45%	36 055	14 300	4 435	54 790
Fixed interest rate instruments	4.00%	400	-	-	400
Obligations under finance lease	-	-	-	-	-
		51 411	**14 534**	**4 435**	**70 380**
2009					
Non-interest bearing		5 979	64	-	6 043
Variable interest rate instruments	4.30%	1 793	793	7	2 593
Fixed interest rate instruments	8.61%	476	9	-	485
Obligations under finance lease		-	-	-	-
		8 248	**866**	**7**	**8 636**

	2012	*2011*
Unused financing facilities	-	10 759

The Group has access to financing facilities, there were no unused long term credit facilities as of 31 December 2012 (2011: EUR 10 759 thousand, 2010: EUR 14 071 thousand, 2009: EUR 0) but the Group had several active overdraft credit facilities open with various banks for operating finance needs. The Group assumes that other payables will be settled using cash flows from operating activities.

26.4. Fair Value Estimation

The management of the Group believes that the carrying values of financial assets, receivables, other current assets and current liabilities approximate their fair values due to their short-term maturity. Interest rates on the interest-bearing borrowings approximate the current market rates on the European and Slovak market. The fair value of the interest rate swap contracts is calculated as the present value of expected future cash flows as at the reporting date.

27. SEGMENT REPORTING

Management has determined the operating segments for the purposes of allocating resources and assessing performance of the Group. The management board is the group's chief operating decision-maker.

The management board considers the business from the following segment perspectives:
1. Trading
2. Production and distribution
3. Services

Trading segment is determined by the trading of electricity and raw materials necessary for heat production such as natural gas and woodchips.

Production and distribution segment covers the generation of heat and power in heating and power plants. Within the operational model of the Group, production and distribution activities are inseparable and are thus treated as one segment. Almost 100% of electricity production is conducted under high-efficiency cogeneration which means that heat is produced as a by-product in power generation.

Services segment includes mainly engineering-procurement-construction services ("EPC" services).

(in thousands of EUR)

The following is the analysis of the Group's revenue and results from continuing operations by reportable segment:

	2012	*% share*	*2011 (restated)*	*% share*	*2010 (restated)*	*% share*
Production and distribution						
Revenues	48 013	44%	43 804	69%	15 764	57%
Consumables and services	(29 785)	34%	(27 485)	61%	(11 660)	56%
Labour and related expenses	(3 269)	72%	(2 257)	72%	(2 002)	89%
Depreciation and amortization	(7 191)	98%	(5 292)	98%	(1 350)	99%
Other gains and losses	1 404	114%	(1 362)	96%	19	-9%
EBITDA	16 363	93%	12 700	89%	2 121	48%
Operating profit	9 172	89%	7 408	84%	771	26%
Trading						
Revenues	59 626	55%	19 162	30%	8 658	31%
Consumables and services	(58 114)	66%	(17 620)	39%	(7 943)	37%
Labour and related expenses	(485)	11%	(235)	7%	(110)	5%
Depreciation and amortization	(123)	2%	(84)	2%	(11)	1%
Other gains and losses	(54)	-4%	(27)	2%	(228)	101%
EBITDA	973	6%	1 280	9%	377	9%
Operating profit	850	8%	1 196	13%	366	12%
Services						
Revenues	1 689	2%	972	2%	3 940	14%
Consumables and services	(543)	1%	(4)	-	(1 914)	9%
Labour and related expenses	(772)	17%	(653)	21%	(134)	6%
Depreciation and amortization	(23)	-	(22)	-	(5)	-
Other gains and losses	(121)	-10%	(25)	2%	(17)	8%
EBITDA	253	2%	290	2%	1 875	43%
Operating profit	230	1%	268	3%	1 870	62%

The management board assesses the performance of the operating segments based on a measure of adjusted EBITDA which is non-IFRS measure. This measurement basis excludes the effects of non-recurring expenditure/gains from the operating segments such as negative goodwill release as the result of an isolated, non-recurring event.

	SEGMENT REVENUES			*SEGMENT PROFIT*		
	2012	*2011 (restated)*	*2010 (restated)*	*2012*	*2011 (restated)*	*2010 (restated)*
Production and distribution	48 013	43 804	15 764	9 172	7 408	774
Trading	59 626	19 162	8 658	850	1 196	366
Services	1 689	972	3 940	230	268	1 870
Total	**109 328**	**63 938**	**28 362**	**10 252**	**8 872**	**3 010**
Unallocated						
Negative Goodwill				906	-	-
Central administration costs				(509)	(173)	(167)
Head office and Management's salaries				(596)	(597)	(476)
Interest income				78	108	46
Interest expenses				(2 922)	(2 836)	(522)
Other				(84)	(86)	(44)
Profit before tax				**7 126**	**5 288**	**1 847**

Negative goodwill, management salaries and general administration costs are not attributable to the segments thus are presented as unallocated. Interest income and expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

(in thousands of EUR)

NON-CURRENT ASSETS	***2012***	***% share***	***2011 (restated)***	***% share***	***2010 (restated)***	***% share***
Production and distribution of heat and electrical energy	86 218	97.75%	82 592	98.33%	68 402	99.35%
Energy and gas trade	402	0.46%	303	0.36%	297	0.43%
Services and maintenance	1 323	1.50%	993	1.18%	15	0.02%
Unallocated	259	0.29%	106	0.13%	132	0.19%
Total	**88 202**	**100.00%**	**83 994**	**100.00%**	**68 846**	**100.00%**

The amounts provided to the management board with respect to total non-current assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The business activities for the year ended 31 December 2009 comprise operations related to production and distribution of heat and electricity energy and administrative overhead expenses.

28. SUBSEQUENT EVENTS

In July 2013, the Group acquired the shares of a minority shareholder in the subsidiary Southerm, s.r.o. After this transaction, the Group is 100% owner of Southerm s.r.o. The Group also bought boilers and part of heating system from the municipality of Dunajská Streda in July 2013, for the price of EUR 1 920 thousand. The project was carried out by Southerm s.r.o.

In August 2013 the Group established new subsidiary GGE UA TOV in Ukraine. The share capital of established company is UAH 1 000 thousand (approximately EUR 100 thousand). The company was registered in commercial register on 20 August 2013. In addition, the following subsidiaries of GGE UA were established - GGE Odessa TOV with 95% ownership interest, GGE UA Pivden TOV (South) with 80% ownership interest and GGE UA Zaxid TOV (West) with 80% ownership interest. Each of these subsidiaries was registered in commercial register on 1 October 2013 with share capital of EUR 1 thousand. The investments in the business operations in Ukraine have been approved in the amount of EUR 0.5 million.

On 26 September 2013, the Company entered into a Guarantee Agreement as a Guarantor where jointly, severally and unconditionally guarantee together with several other Grafobal Group companies the full payment of all amounts payable resulting from the syndicated agreements for the purchase of property by a subsidiary of Grafobal Group a.s.. As of the date of formulation of these financial statements, the amount drawn in relation to the guaranteed loan is EUR 35 million.

The guarantee is provided to the Guarantee Lender (Bayerische Landesbank), the Facility Agent (ING Capital LLC), the Security Trustee (Wilmington Trust Company) and Export-Import Bank of the United States of America.

The management of the Company is currently working towards cancelling this guarantee.

On 9 October 2013, the General Meeting of the Company decided on the distribution of capital funds in the amount of EUR 2 778 thousand to the shareholder GRAFOBAL GROUP akciová spoločnosť.

On 24 October 2013, the Extraordinary General Meeting approved the increase in share capital up to EUR 10 000 thousand issuing additional 9 336 112 shares with nominal value of 1 EUR each. The contribution to share capital is as follows:
- from other capital funds (by EUR 6 000 thousand) and
- from retained earnings (by EUR 3 336 thousand)

The increase in share capital has been approved for the purpose of the seeking for potential investors on capital markets for the Group growth.

On 4 November 2013, the Group acquired of 100% shares in ENET Energy Polska Sp z o o (seated in Warsaw) for the price of PLN 630 thousand (approximately EUR 150 thousand). The company is engaged in selling of electricity and gas in Poland. The acquired subsidiary changed its legal name to ELGAS Energy, Sp. z o.o.

From 31 December 2012 up to the issue date of the financial statements, there were no such events that would have a significant impact on the Group's assets and liabilities, except for those referred to in the accompanying financial statements and those resulting from the ordinary course of business operations.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements on pages 3 to 37 were prepared and approved for issue on 18 November 2013.

Signature of a member of the statutory body of the reporting entity:	Signature of the person responsible for the preparation of the financial statements:	Signature of the person responsible for bookkeeping:
Ing. Roland Tóth Chairman of the Board of Directors	Ing. Pavol Bero	Ing. Pavol Bero

PhDr. Pavel Komorník M.B.A.
Member of the Board of Directors

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Deloitte.

GGE a.s.

INDEPENDENT AUDITOR'S REVIEW REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

(Presented in Accordance with IAS 34 – Interim Financial Reporting as Adopted by the European Union)

Six Months Ended 30 June 2013

CONTENT

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GGE a.s.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Shareholders and the Board of Directors of GGE a.s.:

We have reviewed the accompanying interim condensed consolidated financial statements of GGE a.s. and subsidiaries (the "Company") at 30 June 2013, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 6 months then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2410 applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Other Matter

As described in Note 16 to the interim condensed consolidated financial statements, the Company provided a loan guarantee to support the acquisition of property by one of the subsidiaries of its parent company after the balance sheet date.

The interim condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the 6 months ended 30 June 2012 were not audited or reviewed in accordance with International Standards on Auditing or International Standards on Review Engagements.

Bratislava, 19 November 2013

Deloitte

Deloitte Audit s.r.o.

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GGE a.s.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013 and as at 31 December 2012
(in thousands of EUR)

	Note	*30 June 2013*[1]	*31 December 2012*[3]
NON-CURRENT ASSETS			
Property, plant and equipment	7	88 759	88 201
Goodwill	8	4 133	4 133
Intangible assets		166	209
Financial investments		114	275
Deferred tax asset		224	129
Total non-current assets		93 396	92 948
CURRENT ASSETS			
Inventories		1 684	1 147
Trade and other receivables	9	17 863	18 755
Current tax asset		196	395
Other financial investments		352	355
Other assets		266	445
Cash and bank balances	10	6 613	6 884
Total current assets		26 974	27 981
TOTAL ASSETS		**120 370**	**120 929**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		664	664
Reserves		8 952	8 898
Retained earnings		15 225	11 518
Equity attributable to shareholders of the Company		24 841	21 080
Non-controlling interests		815	757
Total equity		25 656	21 837
NON-CURRENT LIABILITIES			
Borrowings	12	46 432	48 992
Obligations under finance lease		1 447	1 032
Deferred tax liability		501	739
Deferred income		4 272	4 080
Other liabilities		342	1 060
Total non-current liabilities		52 994	55 903
CURRENT LIABILITIES			
Trade and other payables	11	23 838	22 405
Borrowings	12	15 380	19 033
Obligations under finance lease		585	444
Current tax liabilities		656	421
Deferred income		560	483
Other liabilities		701	403
Total current liabilities		41 720	43 189
TOTAL EQUITY AND LIABILITIES		**120 370**	**120 929**

[1] Reviewed
[2] Unaudited
[3] Audited

GGE a.s.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013
(in thousands of EUR)

	Note	*Six months ended 30 June 2013*[1]	*Six months ended 30 June 2012*[2]
Revenue	4	88 380	57 009
Energy consumption	4	(67 658)	(39 760)
Material consumption and services purchased	4	(6 970)	(6 228)
Labor and related expenses		(2 779)	(2 510)
Depreciation and amortization		(3 840)	(3 831)
Negative goodwill		-	906
Other gains and losses		(604)	972
Other expenses		(95)	(106)
Interest income		76	85
Interest expense	11	(1 313)	(1 475)
Profit before tax		**5 197**	**5 062**
Income tax expense	6	(1 035)	(848)
Profit for the period		**4 162**	**4 214**
Attributable to:			
Shareholders of the Company		*4 134*	*4 174*
Non-controlling interests		*28*	*40*
Earnings per share	13	20.67	20.87
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(93)	72
Cash flow hedges		139	65
Income tax relating to items that may be reclassified subsequently	6	(32)	(1)
Other comprehensive income for the period, net of income tax		14	136
Total comprehensive income for the period		**4 176**	**4 350**
Attributable to:			
Shareholders of the Company		*4 164*	*4 342*
Non-controlling interests		*12*	*8*

[1] Reviewed
[2] Unaudited
[3] Audited

GGE, a.s.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2013
(in thousands of EUR)

	Share Capital	*Other Capital Funds*	*Legal Reserve Fund*	*Cash flow hedging reserve*	*Retained Earnings*	*Foreign Translation of a Foreign Subsidiary*	*Equity Attributable to Shareholders of the Company*	*Non-Controlling Interest*	*Total*
As at 1 January 2013[3]	664	8 778	612	(392)	11 518	(100)	21 080	757	21 837
Profit for the period	-	-	-	-	4 134	-	4 134	28	4 162
Other comprehensive income for the period, net of income tax	-	-	(2)	95	-	(91)	2	12	14
Total comprehensive income for the period	-	-	(2)	95	-	(91)	2	12	14
Profit distribution to supervisory board members	-	-	-	-	(375)	-	(375)	-	(375)
Appropriation of retained earnings	-	-	52	-	(52)	-	-	-	-
Additional non-controlling interest arising on the acquisition of GGE d.o.o.	-	-	-	-	-	-	-	18	18
As at 30 June 2013[1]	**664**	**8 778**	**662**	**(297)**	**15 225**	**(191)**	**24 841**	**815**	**25 656**
	-								
As at 1 January 2012[3]	664	8 778	205	(317)	7 680	(93)	16 917	720	17 637
Profit for the period	-	-	-	-	4 174	-	4 174	40	4 214
Other comprehensive income for the period, net of income tax	-	-	-	58	-	72	130	8	138
Total comprehensive income for the period	-	-	-	58	=	72	130	8	138
Profit distribution to supervisory board members	-	-	-	-	(1 150)	-	(1 150)	-	(1 150)
Appropriation of retained earnings	-	-	186	-	(186)	-	-	-	-
As at 30 June 2012[1]	**664**	**8 778**	**391**	**(259)**	**10 518**	**(21)**	**20 071**	**768**	**20 839**

[1] Reviewed
[2] Unaudited
[3] Audited

GGE, a.s.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2013
(in thousands of EUR)

	2013[1]	*2012*[2]
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income taxes	5 197	5 062
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation	3 840	3 831
Interest expense, net	1 219	1 378
Provision for receivables	(337)	-
Provision for inventory	-	-
Receivables write offs	-	-
Loss/(gain) on sale of fixed assets	(12)	(178)
Negative goodwill	-	(906)
Unrealised exchange rate differences, net	(8)	347
Changes in assets and liabilities:		
Trade and other receivables	1 248	4 262
Inventories	(537)	(107)
Trade and other payables	2 379	(6 379)
Other assets and liabilities	(500)	2 196
Net cash provided by operations:	12 489	9 506
Interest received	76	85
Interest paid	(1 497)	(1 463)
Income tax paid	(503)	(860)
Net cash provided by operating activities	**10 565**	**7 268**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to tangible and intangible non-current assets	(4 100)	(6 159)
Proceeds from sale of tangible non-current assets	12	178
Disposal/(acquisition) of non-current FI	161	59
Net cash outflow from acquisition of subsidiaries	-	(2 460)
Net cash used in investing activities	**(3 927)**	**(8 382)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made of interest-bearing borrowings	(8 689)	(4 286)
Payments received of interest-bearing borrowings	2 475	2 269
Net payments of finance lease obligations	(235)	(75)
Profit distribution	(375)	(1 150)
Net cash used in financing activities	**(6 824)**	**(3 242)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(186)	(4 356)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6 884	14 741
UNREALISED FX DIFF - CASH	(85)	(275)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**6 613**	**10 110**

[1] Reviewed
[2] Unaudited
[3] Audited

(in thousands of EUR)

1. GENERAL INFORMATION

1.1. Description of Business

GGE a.s.(the 'Company') is a joint stock company registered in Slovak republic, Pekná cesta 6, 834 03 Bratislava, IČO: 36 746 941, DIČ: 20 223 409 25, established on 2 March 2007.

This condensed interim financial report ('interim financial statements') as at and for the six months ended 30 June 2013 comprises the Company and its subsidiaries (together referred to as the 'Group'). The group's core activities are related to energy business, which includes primarily production and distribution of heat, gas and electricity trading.

1.2. Members of the Company's Bodies

Body	*Function*	*Name*
Board of Directors	Chairman	Ing. Roland Tóth
	Member	PhDr. Pavel Komorník M.B.A.
Supervisory Board	Chairman	Ing. Pavel Horváth (until 31 Oct 2012)
	Member	Roman Jankovič
	Member	Ing. Peter Gereg
	Member	Ing. Ladislav Haspel (since 1 Nov 2012)

1.3. Shareholders' Structure and Their Shares in the Share capital

Shareholders	*Share in EUR*	*Share in %*	*Voting Rights %*
Grafobal Group, a.s.	531 102	80%	80%
Ing. Roland Tóth	66 388	10%	10%
Roman Jankovič	66 388	10%	10%
Total	**663 878**	**100%**	**100%**

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies applied in these interim condensed financial statements are consistent with those applied in Group's consolidated financial statements as at and for the year ended 31 December 2012.

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- **IFRS 13 "Fair Value Measurement"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 1 "Presentation of financial statements"** – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 19 "Employee Benefits"** – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);

- **Amendments to various standards "Improvements to IFRSs (2012)"** resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013);

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

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

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

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);

- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);

- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);

- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);

- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** - Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);

- **Amendments to IAS 32 "Financial instruments: presentation"** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).

The Group has elected not to adopt these standards, revisions and interpretations before their effective dates. The Group anticipates that adopting these standards and interpretations will have no material impact on its financial statements in future reporting periods.

3. BASIS OF PREPARATION

3.1. Statement of Compliance

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Interim financial statements do not include all the information and disclosures for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain significant transactions and changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2012. These interim financial statements should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

Comparative balances as at 30 June 2012 in the financial statement of comprehensive income and related explanatory notes have not been audited or reviewed and are excluded from the independent auditor's review opinion.

(in thousands of EUR)

3.2. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments and business combinations under IFRS 3 "Business Combinations". The consolidated financial statements include certain adjustments and reclassifications not recorded in the accounting records of the Group made in order to transform the respective statutory financial statements to financial statements in accordance with IFRS, as adopted by the EU. Certain comparatives were reclassified to conform to current year presentation.

The reporting currency is the euro (EUR). The information in these consolidated financial statements is reported in whole euros, unless stated otherwise.

The interim consolidated financial statements have been prepared on the basis that the Group will continue as a going concern.

3.3. Judgements and Estimates

In the process of applying the entity's accounting policies the Company has made judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the foreseeable future, or that have the most significant effect on the amounts recognised in the financial statements. These relate mainly to the impairment of non-current tangible assets, taxation risks, related parties and expected lives over which proceeds are expected to flow into the Company considering the regulations. There have been no significant changes in estimates and judgement areas in comparison to annual financial statements.

3.4. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group. The need for control arises if the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

As at 30 June 2013, the following subsidiaries were consolidated:

Name of Company	*Description of Business*	*Country of Incorporation*	*Ownership Interest*	*Ownership Status*
GGE distribúcia, s.r.o.	Operation of sewer and water systems, distribution of gas and electricity	Slovak Republic	100%	Subsidiary
Southerm, s.r.o.	Production and supply of heat and hot water	Slovak Republic	69%	Subsidiary
Tepláreň, a.s.	Production and supply of heat and electricity	Slovak Republic	100%	Subsidiary
Elgas, s.r.o.	Gas and electricity trading	Slovak Republic	100%	Subsidiary
Teplo GGE s. r. o.	Production and supply of heat	Slovak Republic	100%	Subsidiary
TENERGO Brno, a.s.	Construction of energy plants	Czech Republic	100%	Subsidiary
TENERGO Slovensko, a.s.	Construction of energy plants	Slovak Republic	99%	Subsidiary
Energy Snina, a.s.	Production and supply of heat	Slovak Republic	100%	Subsidiary
Snina Energy, s.r.o.	Production and supply of heat	Slovak Republic	100%	Subsidiary
POV BYT development, s.r.o.	Trading	Slovak Republic	100%	Subsidiary
GGE, d.o.o., Beograd	Holding company of Elgas Trading, d.o.o.	Serbia	90%	Subsidiary
Elgas Trading, d.o.o.	Energy trading	Serbia	90%	Subsidiary of subsidiary

Snina Energy, s.r.o., GGE, d.o.o. and Elgas Trading, d.o.o. were first time consolidated as at 30 June 2013. First consolidation of these entities did not give rise to goodwill or gain from a bargain purchase since all of these subsidiaries were incorporated by the Group.

All transactions, balances and unrealised surpluses and deficits on intercompany transactions have been eliminated upon consolidation.

Subsidiaries EnerWood, s.r.o., ESO tech, a. s., GGE Invest, s. r. o., IFM, a.s., SOUTHERM sprava s.r.o., and KGJ Invest a.s. were not included in the consolidation as they are deemed insignificant, as the impact of their consolidation on the total consolidated assets, equity, and revenues of the Group approximate 1%. These subsidiaries were not included in the consolidation, but were recorded at cost adjusted for potential provisions, due to the fact that the consolidation of these entities would not have a significant impact on the consolidated financial statements.

4. OPERATING SEGMENTS

Management has determined the operating segments for the purposes of allocating resources and assessing performance of the Group. The management board is the group's chief operating decision-maker.

The management board considers the business from the following segment perspectives:
1. Trading
2. Production and distribution
3. Services

Trading segment is determined by the trading of electricity and raw materials necessary for its production, i.e. natural gas and woodchips.

Production and distribution segment covers the generation of heat and power in heat and power stations. Within the operational model of the Group, production and distribution activities are inseparable and are thus treated as one segment. Almost 100% of electricity production is conducted under high-efficiency cogeneration which means that heat is produced as a by-product in power generation.

Services segment includes mainly engineering-procurement-construction services ("EPC" services).

Negative goodwill, management salaries and general administration costs are not attributable to the segments thus are presented as unallocated. Interest income and expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

(in thousands of EUR)

The following is the analysis of the Group's revenue and results from continuing operations by reportable segment:

	Six months ended June 2013[1]	*% share*	*Six month ended June 2012*[2]	*% share*
Production and distribution				
Revenues	26 362	30%	25 518	45%
Consumables and services	(15 286)	20%	(16 474)	36%
Labour and related expenses	(1 590)	57%	(1 617)	64%
Depreciation and amortization	(3 692)	96%	(3 726)	97%
Other gains and losses	(228)	42%	667	77%
EBITDA[2]	9 258	83%	8 094	80%
Operating profit	5 566	76%	4 368	69%
Trading				
Revenues	59 936	68%	30 173	53%
Consumables and services	(57 486)	77%	(28 888)	63%
Labour and related expenses	(431)	16%	(205)	8%
Depreciation and amortization	(80)	2%	(59)	2%
Other gains and losses	(301)	56%	(26)	-3%
EBITDA[2]	1 718	15%	1 054	10%
Operating profit	1 638	22%	995	16%
Services				
Revenues	2 082	2%	1 318	2%
Consumables and services	(1 595)	2%	(304)	2%
Labour and related expenses	(359)	13%	(367)	15%
Depreciation and amortization	(20)	1%	(8)	-
Other gains and losses	(13)	2%	308	36%
EBITDA[2]	115	1%	955	9%
Operating profit	95	1%	947	15%

The management board assesses the performance of the operating segments based on a measure of adjusted EBITDA which is non-IFRS measure. This measurement basis excludes the effects of non-recurring expenditure/gains from the operating segments such as negative goodwill release as the result of an isolated, non-recurring event.

	SEGMENT REVENUES		***SEGMENT PROFIT***	
	Six months ended June 2013[1]	*Six months ended June 2012*[2]	*Six months ended June 2013*[1]	*Six months ended June 2012*[2]
Production and distribution	26 362	25 518	5 566	4 368
Trading	59 936	30 173	1 638	995
Services	2 082	1 318	95	947
Total	**88 380**	**57 009**	**7 299**	**6 310**
Unallocated				
Negative Goodwill			-	906
Central administration costs			(262)	(323)
Depreciation and amortization			(49)	(38)
Head office and Management's salaries			(398)	(320)
Interest income			76	85
Interest expenses			(1 313)	(1 475)
Other			(156)	(83)
Profit before tax			**5 197**	**5 062**

[1] Reviewed
[2] Unaudited
[3] Audited

(in thousands of EUR)

NON-CURRENT ASSETS	***30 June 2013***[1]	***% share***	***31 December 2012***[3]	***% share***
Production and distribution of heat and electrical energy	86 686	92.81%	86 356	92.91%
Energy and gas trade	796	0.85%	564	0.61%
Services and maintenance	5 647	6.05%	5 711	6.14%
Unallocated	268	0.29%	316	0.34%
Total	**93 397**	**100.00%**	**92 948**	**100.00%**

The amounts provided to the management board with respect to total non-current assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

5. SEASONALITY OF OPERATIONS

The business operations of the Group are complex and affected by seasonality partially within the trading and production segment lines.

5.1 Trading Segment

Trading segment seasonality can be considered from 2 perspectives - Natural gas and Electricity trade.

Natural Gas Trade

For those natural gas customers that use natural gas for heating purposes the volume of natural gas consumption depends on the outside air temperature. In summer months, ie May to September, there is less natural gas sales representing approximately 4% per month calculated from total annual sales. Customers use natural gas for hot utility water production rather than heating. On the contrary, in the winter months, ie December to February, natural gas consumption is at its peak reaching up to 16% per month calculated from total annual revenues).

Other customers that use natural gas as technological raw materials are considered without seasonality effect and their consumption can be characterised as even throughout the year.

Electricity trade is not affected by the seasonality. Customers are supplied with electricity evenly throughout the year.

5.2 Production segment

Production considering the seasonality can be monitored separately for heat and electricity production.

Heat Production

Heat production and distribution sales are strongly affected by seasonality, i.e. weather conditions and the impact of the outside air temperature. The appropriation of heat production within the year is approximately for Q1 - 30.03%; Q2 - 21.25%; Q3 - 18.43%; Q4 - 30.29%).

From the expenses perspective the variable costs reflect the seasonality of sales. The development of fixed costs is either even throughout the year or mirror (e.g. repairs, maintenance, inspections and mandatory revisions of equipment are carried out outside of the heating season).

Electricity Production

Electricity production seasonality is dependent on the production technology and whether the electricity is a co- product with the heat production. The electricity produced by Combined Cycle Gas Power Plant reflects market needs and it is not affected by seasonality and is produced even throughout the year.

The electricity produced by Cogeneration unit produces electricity and heat simultaneously. Thus the electricity production is limited in summer period as the by- product (heat) is only used to heat domestic water.

[1] Reviewed
[2] Unaudited
[3] Audited

(in thousands of EUR)

6. INCOME TAXES

Income tax expense is recognised based on management's estimate of the average annual income tax rate expected for the full financial year. The Group's consolidated effective tax rate in respect of continuing operations for six months ended 30 June 2013 was 20.6% (six months ended June 2012 unaudited: 17.2%). The increase results from the legislation change of statutory tax rate in Slovak Republic from 19% to 23% valid from 1 January 2013.

The Group has operations is several countries and therefore is exposed to different corporate income tax rates. The corporate income tax rates are as follows:

- Slovak republic in the amount of 23%
- Czech republic in the amount of 19%
- Republic of Serbia in the amount of 15%

The Group applies hedge accounting for derivatives used for hedging of interest rate risk. The Group recognized the deferred tax related to revaluation of hedging instruments in other comprehensive income.

	Six months ended 30 June 2013[1]	*Six months ended 30 June 2012*[2]
Current income tax expense	1 323	667
Change in deferred income tax	(288)	181
Income tax expense	**1 035**	**848**
Income tax recognized in other comprehensive income	(85)	(75)
Total income taxes	**950**	**773**

7. PROPERTY PLANT AND EQUIPMENT

7.1. Acquisitions and Disposals

During the six months ended 30 June 2013, the Group's additions amounted to EUR 2 411 thousand, increase of assets in acquisition amounted to EUR 1 782 thousand and assets with a carrying amount of EUR 33 thousand were disposed of.

The main part of additions represents improvement of gas turbine in Teplaren, a.s. in the amount of EUR 534 thousand and additions related to property, plant and equipment used for production and distribution of heat and electricity.

7.2. Sale and Leaseback

During 2013 the entity entered into sale and leaseback transaction, which resulted into finance lease. The Group disposed of cogeneration unit TEDOM Quanto D1200, for which it received the sales proceeds in the amount of EUR 950 thousand. Subsequently the Group leased back the property for acquisition price of EUR 950 thousand. The interest rate on this finance lease obligation is fixed and equals to 4.6%. Excess of sales proceeds which amounted to EUR 103 thousand, was deferred and is amortized over the lease term, which is 5 years.

7.3. Property Impairment

At each reporting date an assessment is made as to whether there is any indication that the recoverable amount of the Group's property, plant, and equipment is less than the carrying amount. When there is such indication, the recoverable amount of the asset, being the higher of the asset's net selling price and the present value of its net cash flows, is estimated. Any resulting impairment loss is recognised in full in the statement of comprehensive income in the year in which the impairment occurs. There were no indications that the recoverable amount of the Group's property, plant and equipment might be impaired.

[1] Reviewed
[2] Unaudited
[3] Audited

(in thousands of EUR)

8. GOODWILL

The reported goodwill in the amount of EUR 4 133 thousand arose from acquisition of Tenergo Brno in February 2011. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The impairment test for goodwill is based on value-in-use calculations, using discounted cash-flow model. Most recent impairment test was performed as at 31 December 2012. As at 30 June 2013, there were no indications that the goodwill might be impaired.

9. TRADE AND OTHER RECEIVABLES

Trade receivables are presented net of the allowance for doubtful receivables. As at 30 June 2013 the gross trade receivables amounted to EUR 19 100 thousand (as at 31 December 2012: EUR 20 647 thousand). The Group recorded provision for doubtful receivables amounting to EUR 3 615 thousand (as at 31 December 2012: EUR 3 446 thousand).

	30 June 2013[1]	*31 December 2012*[3]
Trade receivables:		
Domestic customers	18 144	20 647
Foreign customers	156	-
Total trade receivables	18 300	20 647
Provision for doubtful amounts	(3 615)	(3 446)
Total trade receivables, net	14 685	17 201
Other receivables	3 178	1 554
Provision for doubtful amounts	-	-
Total other receivables, net	3 178	1 554
Receivables, net	**17 863**	**18 755**

Changes in provision for doubtful debts.

	30 June 2013[1]	*31 December 2012*[2]
Opening balance at the beginning of the period	3 445	3 112
Losses recognised from the impairment of receivables (additions)	184	429
Reversal of loss from impairment at the write-off of a receivable	(14)	(95)
Total	**3 615**	**3 446**

10. CASH AND BANK BALANCES

As at 30 June 2013, cash and bank balances comprise of cash in hand amounting to EUR 49 thousand (as at 31 Decembers 2012: EUR 51 thousand) and bank accounts amounting to EUR 6 640 thousand EUR (as at 31 December 2012: EUR 6 738 thousand).

The Group has no restricted financial funds as at 30 June 2013. As at 31 December 2012 the balance of a bank account, ING foreign placement, in the amount of EUR 4 015 thousand, represented restricted financial funds as their use was limited to the repayment of a short-term bank loan provided by ING Bank.

[1] Reviewed
[2] Unaudited
[3] Audited

(in thousands of EUR)

11. TRADE AND OTHER PAYABLES

Trade payables comprise of following.

	30 June 2013[1]	31 December 2012[3]
Trade payables	22 202	20 362
Payables to employees	523	451
Social security payables	143	174
Other payables	970	1 418
Total trade and other payables	**23 838**	**22 405**

The bulk of trade payables comprise the payables of Elgas, s.r.o. to RWE Gas Slovensko s.r.o. in the amount of EUR 10 312 thousand, which is the main gas supplier, and to Pow-en, a.s, s.r.o. in the amount of EUR 1 119 thousand and Slovenské Elektrárne, a.s. in the amount of EUR 675 thousand.

Other payables mainly include indirect tax liabilities in the amount of EUR 348 thousand as at 30 June 2013 (as at 31 December 2012: EUR 436 thousand). Other payables also include liabilities from derivative instruments used for hedging in the amount of EUR 193 thousand (as at 31 December 2012: EUR 234 thousand).

12. BORROWINGS

The interest rate of a significant portion of loans payable to banks is based on EURIBOR, CIRR, LIBOR plus a margin and varies from 1,87% to 4,27% p.a. in 2013. Other loans payable to banks as at 30 June 2013 bear fixed interest rates. Interest bearing borrowings payable to banks and other financial institutions as at 30 June 2013, are mostly secured loans. These borrowings are secured by a combination of bills of exchange, pledged receivables, pledged property, plant and equipment, a bank guarantee and a guarantee provided by the ultimate parent company, Grafobal Group akciová spoločnosť, and a guarantee provided by other companies in the Group. The loans are provided by Tatrabanka, a.s., Slovenská Sporiteľňa, a.s., Unicredit Bank Slovakia, a.s. and Prima banka Slovensko, a.s.

Interest expense for the six months ended 30 June 2013 were EUR 1 294 thousand (six months ended 30 June 2012: EUR 1 463 thousand (unaudited)). Based on the current loan agreements, the Group is obliged to comply with certain financial and other covenants.

The Group monitors the utilization of bank borrowings and ensures compliance with loan covenants. The loan covenants are reviewed annually.

Borrowings comprise of following:

	30 June 2013[2]	31 December 2012[3]
Secured loans at amortised cost, non-current	56 444	61 669
Less current portion of non-current secured loans at amortised cost	(10 012)	(12 677)
Total borrowings, non-current	46 432	48 992
Secured loans at amortised costs, current	4 241	5 423
Current portion of non-current secured loans at amortised cost	10 012	12 677
Short-term financial assistance	1 127	933
Total current borrowings	15 380	19 033
Total borrowings	**61 812**	**68 025**

The Group has borrowings outstanding as at 30 June 2013 and 31 December 2012 denominated in the following currencies:

	30 June 2013[1]	31 December 2012[3]
EUR	52 000	57 217
USD	9 812	10 808
Total	**61 812**	**68 025**

[1] Reviewed
[2] Unaudited
[3] Audited

(in thousands of EUR)

At 30 June 2013 and 30 December 2012, the future scheduled maturities of borrowings are as follows:

	30 June 2013[1]	31 December 2012[3]
Due within 1 year	15 380	16 552
Due in 1 to 2 years	25 978	12 185
Due in 3 to 5 years	12 423	30 314
Due in over 5 years	8 031	8 974
Total	**61 812**	**68 025**

13. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributable to the owners of the parent by the weighted average number of shares issued and paid during the year. The Group has no diluting instruments, therefore basic and diluted earnings per share are equal.

	six months ended 30 June 2013[1]	six months ended 30 June 2012[2]
Net profit attributable to the shareholders of the Company (in EUR)	4 134 230	4 173 845
Weighted average number of shares	200	200
Earnings per share (in EUR)	**20 671**	**20 869**

14. RELATED-PARTY TRANSACTIONS

Related parties of the Group have been identified as unconsolidated subsidiaries and associates, companies under common ownership, shareholders, directors, management of the Group and subsidiaries, and the majority owner of the parent company GGE a.s., companies under his ownership and control as well as his family members.

Transactions between the Group and related parties are made at arm's length basis.

Related party transactions as at 30 June 2013 and 2012 are summarised as follows:

In '000 EUR	Receivables as at 30 June 2013[1]	Payables as at 30 June 2013[1]	Revenues for the six months ended 30 June 2013[1]	Expenses for the six months ended 30 June 2013[1]
Shareholders:				
Grafobal Group, akciová spoločnosť	-	20	-	-
Ing. Roland Tóth	-	-	-	-
Roman Jankovič	-	-	-	-
Mesto Dunajská Streda (minority shareholder)	-	-	-	-
Unconsolidated subsidiaries and associates	1 065	290	129	52
Other related parties	1 848	9 059	3 272	165
Total	**2 913**	**9 369**	**3 401**	**217**

	Receivables as at 31 December 2012[3]	Payables as at 31 December 2012[3]	Revenues for the six months ended 30 June 2012[2]	Expense for the six months ended 30 June 2012[2]
Shareholders:				
Grafobal Group, akciová spoločnosť	66	330	-	-
Ing. Roland Tóth	-	-	-	-
Roman Jankovič	-	-	-	-
Mesto Dunajská Streda (minority shareholder)	1	24	-	-
Unconsolidated subsidiaries and associates	629	558	286	1 727
Other related parties	1 743	8 237	17	109
Total	**2 439**	**9 149**	**303**	**1 836**

[1] Reviewed
[2] Unaudited
[3] Audited

(in thousands of EUR)

Management remuneration

Remuneration paid to members of the Group's bodies and executive management was as follows:

In '000 EUR	*Six months ended 30 June 2013*[1]	*Six months ended 30 June 2012*[2]
Salaries	411	377
Bonuses	69	14
Other benefits	2	-
Total	**482**	**391**

15. COMMITMENTS AND CONTINGENCIES

15.1. Commitments for expenditures

The Group has purchase commitments for motorgenerators in Tenergo SK, a.s. in the amount of EUR 440 thousand as at 30 June 2013 due to supplier E.P.E., s.r.o.

15.2. Taxes

The Group has significant transactions with a number of its subsidiaries and associates, shareholders and other related parties. The tax environment under which the Group operates in the respective countries is dependent on the tax legislation and practice, which are relatively new with little existing precedent. As there is no official interpretation of tax legislation, there is an inherent risk that the taxation authorities may change the income tax base.

The Group's management believes that all tax liabilities have been appropriately recorded in the accompanying consolidated financial statements.

15.3. Energy Regulation

Companies operating in Slovak Republic in the energy sector and, in particular, in the generation of heat are subject to regulation.

The heat selling price is regulated by the Office of Regulation of Network Industries (Úrad pre reguláciu sieťových odvetví, "ÚRSO"). Pursuant to the effective legislation (Act No. 276/2001), the regulated prices must reflect eligible costs and adequate profit, which must reflect the amount of investment necessary to ensure the long-term operations of the system and network. ÚRSO determines maximum prices on an annual basis based on a request submitted by the Company.

15.4. Litigations

The Group is currently involved in several litigations that arose from the ordinary course of business. As a result, they are not expected to have any significant unfavourable impact on the accompanying financial statements, whether individually or in aggregate. In the accompanying consolidated financial statements, the Group did not recognize any provisions for litigation since, based on consultations with its legal counsel, the Group's management believes that the final outcome of the litigations is uncertain.

15.5. Guarantees

The Company is a guarantor as described in the Note 16.

16. SUBSEQUENT EVENTS

In July 2013, the Group acquired the shares of a minority shareholder in the subsidiary Southerm, s.r.o. After this transaction, the Group is 100% owner of Southerm s.r.o. The Group also bought boilers and part of heating system from the municipality of Dunajská Streda in July 2013, for the price of EUR 1 920 thousand. The project was carried out by Southerm s.r.o.

In August 2013 the Group established new subsidiary GGE UA TOV in Ukraine. The share capital of established company is UAH 1 000 thousand (approximately EUR 100 thousand). The company was registered in commercial register on 20 August 2013. In addition, the following subsidiaries of GGE UA were established - GGE Odessa TOV with 95% ownership interest, GGE UA Pivden TOV (South) with 80% ownership interest and GGE UA Zaxid TOV (West) with 80% ownership interest. Each of these subsidiaries was registered in commercial register on 1 October 2013 with share capital of EUR 1 thousand. The investments in the business operations in Ukraine have been approved in the amount of EUR 0.5 million.

(in thousands of EUR)

On 26 September 2013, the Company entered into a Guarantee Agreement as a Guarantor where jointly, severally and unconditionally guarantee together with several other Grafobal Group companies the full payment of all amounts payable resulting from the syndicated agreements for the purchase of property by a subsidiary of Grafobal Group a.s. As of the date of formulation of these financial statements, the amount drawn in relation to the guaranteed loan is EUR 35 million.

The guarantee is given with respect to the Guarantee Lender (Bayerische Landesbank), Facility Agent (ING Capital LLC), the Security Trustee (Wilmington Trust Company) and Export-Import Bank of the United States of America.

The management of the Company is currently working towards cancelling this guarantee.

On 9 October 2013, the General Meeting of the Company decided on the distribution of capital funds in the amount of EUR 2 778 thousand to the shareholder GRAFOBAL GROUP akciová spoločnosť.

On 24 October 2013, the Extraordinary General Meeting approved the increase in share capital up to EUR 10 000 thousand issuing additional 9 336 112 shares with nominal value of 1 EUR each. The contribution to share capital is as follows:

- from other capital funds (by EUR 6 000 thousand) and
- from retained earnings (by EUR 3 336 thousand)

The increase in share capital has been approved for the purpose of the seeking for potential investors on capital markets for the Group growth.

On 4 November 2013, the Group acquired of 100% shares in ENET Energy Polska Sp z o o (seated in Warsaw) for the price of PLN 630 thousand (approximately EUR 150 thousand). The company is engaged in selling of electricity and gas in Poland. The acquired subsidiary changed its legal name to ELGAS Energy, Sp. z o.o.

Except this transaction from 30 June 2013 up to the issue date of the interim condensed consolidated financial statements, there were no such events that would have a significant impact on the Company's assets and liabilities, except for those referred to in the accompanying financial statements and those resulting from the ordinary course of business operations.

17. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements on pages 3 to 18 were prepared and approved for issue on 18 November 2013.

Signature of a member of the statutory body of the reporting entity:	***Signature of the person responsible for the preparation of the financial statements:***	***Signature of the person responsible for bookkeeping:***
Ing. Roland Tóth Chairman of the Board of Directors	Ing. Pavol Bero	Ing. Pavol Bero
PhDr. Pavel Komorník M.B.A. Member of the Board of Directors		

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