



2017

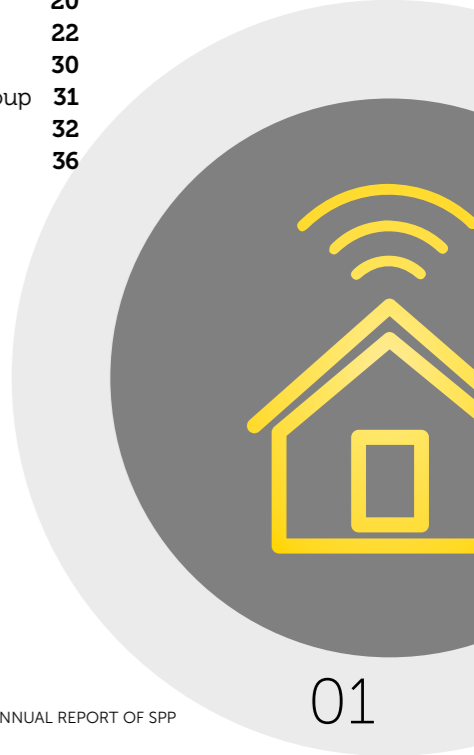
Annual Report





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Foreword by the Chairman of the Board of Directors

Dear Ladies and Gentlemen,

Looking back at the year behind us, we can say that our joint efforts certainly brought us some remarkable results. With 1.32 million points of supply we have confirmed our position of a leader in the energy market in Slovakia and continued to grow our overall customer portfolio. In addition, for the first time since the gas market opening our total gas market share grew in 2017 on a year-on-year basis. For several consecutive years now, we have been fulfilling our ambitious plan to increase the number of customers purchasing both natural gas and electricity from us. The total volume of energy supplied to our customers in the past year reached 31 TWh.

Our share in the households segment, in terms of electricity supply, came to nearly 7.5% at the end of 2017, placing us 4th among electricity suppliers to households. In terms of customer numbers, SPP is also the largest new electricity supplier in Slovakia. At the end of 2017, we supplied electricity to nearly

170,000 points of supply. Moreover, in 2017 we remained the first choice for customers who decided to switch to a new electricity supplier. This means that customers who changed their electricity supplier in 2017 most often opted for SPP.

As regards gas supplies, we remain a guarantor of their security for the whole of Slovakia, not just for our own customers. While, as a gas supplier, we would need only about half of our gas inventory, the higher volume nevertheless serves as a strategic reserve for coping with any potential crisis situation in Slovakia.

In 2017, SPP launched a project aimed at utilisation of natural gas in transport – **fuelCNG**. The project aims to build a basic network of CNG filling stations on the D1 and D2 highways and to create a national LNG infrastructure. The project is to be supported by European Union grant totalling almost €15.7 million. By 2020, 14 new CNG filling

stations and 3 new LNG filling stations, serving heavy freight transport in particular, are to be built on D1 and D2 highways. Furthermore, the project includes the construction of the first natural gas liquefaction facility in Slovakia. This will create the prerequisites for supplying LNG to all transport segments, including river transport. This one-time construction of at least seventeen natural gas filling stations by 2020 will strengthen confidence among users and suppliers of CNG vehicles and jumpstart the take-up of natural gas in Slovak transport.

Last year, we again prepared modern products and innovative services for our customers, along with reliable electricity and gas supply. By means of these products and services, customers have been able to consume energy more efficiently, bringing more comfort and safety to their homes. A highlight of 2017 in this regard was the supplementing of our **SPP SMARTHOME** concept with the sale of unique **SMARTHOME**

technologies by SPP. These technologies transform the standard home into an intelligent household that can be controlled by a smartphone. Customers are able to control the camera system, thermoregulation and lighting from anywhere.

The close partnership between SPP and the Paralympic movement in Slovakia continued in 2017. We watched with admiration the athletes getting ready for the 12th Winter Paralympic Games 2018 to be held in Pyongyang, Korea. We are convinced that their hard work and efforts will materialise into success for the Slovak team. Naturally, we at SPP will be keeping our fingers crossed. We supported the public beneficial activities through the SPP Foundation and EkoFond. Assistance is a part of our corporate culture. Last year, dozens of projects and good ideas received the possibility of realisation.

I would like to thank our customers for their trust over the past year and I would

like to reassure them that SPP will keep preparing quality products and services for them in the coming period. At the same time, I would like to thank our employees and suppliers for their co-operation. Your energy and good ideas have moved our company to become a true leader in the energy market.

Ing. Ján Valko
Chairman of the Board of Directors



Company Profile

Slovenský plynárenský priemysel, a.s. (SPP) is the largest and the most important Slovak energy supplier. In the field of gas supplies, it builds directly on 160 years of tradition in the Slovak gas industry. Since 2012, the company has been successfully operating also in the electricity supply market. SPP guarantees reliable, secure and competitive supplies of gas and electricity including complementary services in all regions of Slovakia. It successfully supplies natural gas or electricity to 1.32 million points of supply. Through its subsidiary SPP CNG s. r. o., which presently operates 9 public filling stations in Slovakia, our company supports further development in the utilisation of compressed natural gas (CNG) in transport, as an environmentally-friendly alternative to traditional fuels. The activities in the field of social responsibility are implemented through EkoFond, n.f., and Nadácia SPP. Since 2014, the owner of 100% company shares has been the Slovak Republic, which exercises its shareholder rights through the Ministry of Economy of the Slovak Republic.



Company Vision

The vision of SPP is to be a strong, reliable, innovative and socially-responsible leader in supplying energy and services.

CUSTOMER

SPP focuses on building its relations with customers based on their needs.

COMMODITY SALES

SPP wants to be a leader among gas and electricity suppliers in Slovakia, with a presence in other countries.

SUPPLIER OF SERVICES

SPP aims to provide comprehensive and innovative energy-related services to all its customers.

INVESTMENTS

SPP intends to build a strong energy group in the region by implementing its investment strategy.

STABILITY

SPP aims to establish balanced financial management supported by increasing sales in new segments.





Board of Directors

CHAIRMAN OF THE BOARD OF DIRECTORS

Ing. Ján Valko, since 27 April 2017
Ing. Štefan Šabík, until 26 April 2017

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

Ing. Rudolf Slezák, since 27 April 2017
Pierre Poncik, M.Sc., until 26 April 2017

MEMBERS:

Ing. Milan Hargaš
Ing. Ján Szalay
Pierre Poncik, M.Sc., since 27 April 2017
Mgr. Ivana Zelizňáková, until 26 April 2017

Top Management

Ing. Štefan Šabík, Chief Executive Officer

Supervisory Board

CHAIRMAN OF THE SUPERVISORY BOARD

Mgr. Maroš Čislák

MEMBERS:

JUDr. Matúš Bušniak
JUDr. Peter Dráč
Ing. Michal Ďurkovič
Ing. Valéria Janočková
Ing. Zoltán Kovács
Ing. Robert Maguth
Viera Uhrová
Ing. Peter Vašítk



Economic and Financial Performance

In 2017, SPP presented itself not only as a reliable and innovative energy supplier but also as an ambitious energy commodity trader active on international European exchanges. In the past year, SPP strengthened its position of key gas supplier in the Slovak market, expanded its offer for customers to include more demanding energy-related services and, at the same time, increased its share in the Slovak electricity market.

In 2017, SPP's revenues from the sale of products and services totalled EUR 1,509 million, an increase of EUR 207 million against a year earlier. The revenues were mostly influenced by higher gas sales, which grew year-on-year mainly in foreign markets. The volume of gas sold in the domestic market increased moderately, too. The reason was the gas market's sensitivity to the development of climatic conditions. In 2017, the average temperatures during the winter heating season were lower than in the previous years, the month of January was particularly cold. Thanks to strengthening its customer

orientation in the domestic market, SPP succeeded in acquiring new large gas customers. In the course of 2017, the commodity market in oil and petroleum products recorded significant price growth. This increase was gradually reflected in the level of gas purchase prices. This means that the revenues achieved last year were negatively impacted by rising gas prices on international markets. The impacts of local crises within the eurozone contributed to the unpredictability and instability of the situation in the foreign exchange market. Among other factors, revenues were influenced by lower average sale prices of natural gas on the domestic market in the large customers segment, caused by market liberalisation combined with intensifying competition.

In spite of these facts, SPP maintained its leading position in the Slovak energy market in 2017 and provided uninterrupted supply of energy to its customers in all situations. Moreover, as a last resort supplier, the company guaranteed the security of gas supplies not just to the company's own custom-

ers but to the whole of Slovakia. Of all energy suppliers in Slovakia, SPP had at its disposal the largest volume of physical gas reserves in underground storage facilities. At the start of the heating season, SPP filled the capacity reserved in the underground storage facilities to almost maximum. These physical reserves of natural gas serve as an important tool for maintaining secure and uninterrupted supplies in the Slovak market at a time of unforeseen crisis situations. SPP performs this role not just for its own customers; the strategic and security reserves protect the energy security of Slovakia as a whole. As a gas supplier, SPP would need less than half of the stored gas. The strategic and security reserves thus entail significant costs for the company.

In 2017, SPP once again increased its revenues from electricity sales. Compared to the previous period, sales rose by EUR 24 million, exceeding the target set for electricity supply. Presently, SPP is the largest new supplier of electricity in Slovakia in terms of customer numbers. SPP's aim is to maintain this grow-

Comparison of Financial Results (in EUR million)

	2017	2016
Revenues from sale of products and services	1,509	1,302
Profit from financial operations before tax	390	495
Profit before tax	343	483
Income tax	(24)	(20)
Profit after tax	319	463

ing sales trend in the electricity market over the coming period by offering the cost-saving dual energy product and by broadening the portfolio of services provided to customers.

Key items in operating expenses comprised gas purchase costs, gas storage costs and electricity purchase costs. The higher gas purchase costs were associated with the development of external factors affecting purchase prices.

Profit from financial operations before tax reached EUR 390 million in 2017. This consisted mostly of dividends.

For the financial year 2017, SPP posted a pre-tax profit of EUR 343 million. Total income tax liability came to EUR 24 million. Almost the entire income tax consists of a special levy, up by EUR 4 million on the previous year. Profit after tax reached EUR 319 million.

Capital Structure

Total assets of SPP rose to EUR 3,452 million as at the balance sheet date, up EUR 187 million against the previous period (index of 1.06). Non-current assets totalled EUR 2,177 million. Among the key items in non-current assets were long-term financial investments and real-estate investments, followed by buildings and plants (including unfinished capital construction).

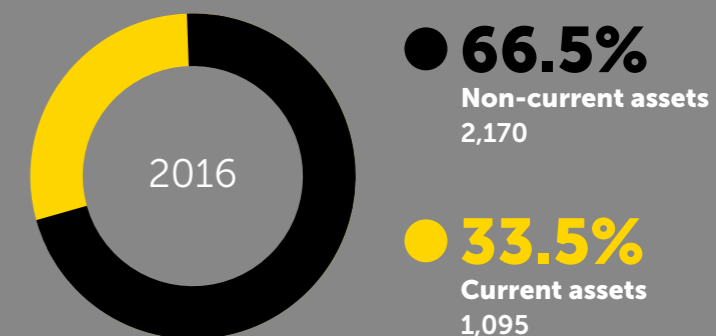
Non-current assets comprised 63.1% of total assets. Compared with the balance as at 31 December 2016, the item 'Buildings, plants, machinery and equipment' fell by EUR 10.6 million (index of 0.88) at net book value. Other non-current assets rose by EUR 10.9 million against the previous period (index of 1.38).

Capital expenditures in 2017 represented EUR 3.9 million. The company invested mostly in technical, commercial and IT communication systems, and in the reconstruction of SPP's office buildings and facilities.

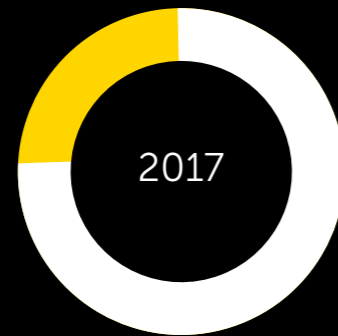
As at the balance sheet date, current assets consisted of receivables, inventories and cash. Their total volume came to EUR 1,275 million, accounting for 36.9% of total assets.



Assets Structure Comparison (in EUR million)

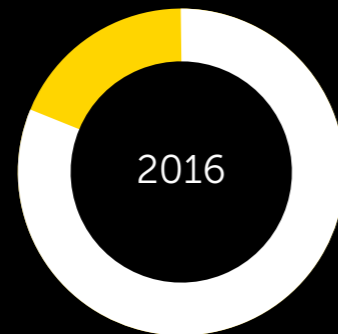


Comparison of Total Capital Structure (in EUR million)



● **75.9%**
Equity
2,622

● **24.1%**
Liabilities
830



● **83.9%**
Equity
2,739

● **16.1%**
Liabilities
526

Shareholders' equity amounted to EUR 2,622 million in 2017, representing 75.9% of the company's total capital. In addition to share capital, the equity included the statutory reserve fund, other funds, retained earnings, income of the current period. Shareholders' equity of SPP fell by EUR 117 million against a year earlier.

The company's share capital consisted of the capital registered in the Commercial Register, comprising EUR 885 million. It consists of 26,666,536 ordinary shares with a par value of EUR 33.19.

SPP Shareholder Structure as of 31 December 2017: Ministry of Economy of the Slovak Republic 26,666,536 shares (100%).

The balance of the statutory reserve fund of the company was EUR 1,198 million as at 31 December 2017.

In 2017, liabilities totalled EUR 830 million and, compared with the initial balance, rose by EUR 304 million. Total liabilities comprised long-term liabilities of EUR 138 million and short-term liabilities of EUR 692 million.

Equity Holdings

SUBSIDIARIES, JOINT VENTURES AND AFFILIATED COMPANIES

1. SPP Infrastruktúra, a. s., Bratislava (SPP share 51%)
2. SPP CZ, a.s., Brno, Czech Republic (SPP share 100%)
3. SPP CNG s. r. o., Bratislava (SPP share 100%)

OTHER SUBSIDIARIES

1. Nadácia SPP, Bratislava (SPP share 100%)
2. EkoFond, n. f., Bratislava (SPP share 100%)

The company operates an organisational unit in the Czech Republic.



Natural Gas and Electricity Trading

GAS MARKET CONTINUED TO GROW

In 2017, total consumption of natural gas in Slovakia rose by about 5% compared to 2016. This is the third consecutive year-on-year increase in consumption, although once again a little slower than the European trend. The main factors influencing consumption included, in particular, the weather and temperatures closely following the average of the recent decades and the continuing strong economic growth in Slovakia. Nevertheless, long-term structural decline in gas consumption and in gas-based electricity production persists.

SPP REMAINS A LEADING ENERGY SUPPLIER

The energy market in Slovakia has been liberalised for over a decade. All consumer segments, including regulated ones, are exposed to competitive environment. In 2017, SPP confirmed its position of energy market leader in Slovakia. In the past year, the company supplied gas or electricity to 1.32 million points of supply. The company thus continued in the overall growth of its customer portfolio. For several con-

secutive years SPP has been fulfilling its ambitious plan to increase the number of customers purchasing both natural gas and electricity from the company. Furthermore, in 2017 the company succeeded in increasing on a year-on-year basis its total gas market share to 57%, for the first time since the opening of the gas market. Total gas sales of SPP to end customers in Slovakia amounted to 30.3 TWh (2.8 billion m³) in 2017. The company was once again successful in selling electricity. Since the opening of the market, most customers chose SPP as their new electricity supplier. At the end of the year, the company supplied electricity to nearly 170,000 points of supply. SPP's share in the retail electricity supply segment reached almost 7.5% in 2017, which means that the company ranked fourth, right behind the traditional suppliers of electricity. In terms of customer numbers, SPP is also the largest new electricity supplier in Slovakia. SPP once again recorded high year-on-year growth in the volume of supplied electricity across all market segments in 2017. In total, the supply of electricity in the past year exceeded 833 GWh.

SPP – GUARANTOR OF RELIABLE AND SECURE GAS SUPPLIES FOR THE WHOLE OF SLOVAKIA

SPP guarantees secure and uninterrupted gas supplies to its customers under any circumstances, timely eliminating any potential risks. Even before the winter started, the company had prepared for various scenarios over the winter months, which are characterised by higher consumption. Security of gas supply is a priority for SPP. The company has long built it on multiple pillars. In addition to contracts for the purchase of gas from both the East and West, the company has been purchasing gas on international markets and also using gas that it has stored in underground storage facilities in Slovakia. At the start of the heating season, the capacity reserved by SPP in underground storage facilities was filled to almost maximum, as was the case in the previous years. The company had once again accumulated significantly higher gas reserves than the law requires of suppliers in Slovakia. Less than half of the stored gas would be sufficient for the trader's purposes. Most of the stored gas is of a strategic reserve nature, which entails significantly higher storage costs. Ultimately, the energy security of Slovakia is a top priority for SPP.

SPP SUCCESSFUL ALSO BEYOND SLOVAKIA'S BORDERS

SPP has been operating in the Czech market through its subsidiary SPP CZ since late 2008. Over that period, SPP CZ has succeeded in acquiring the po-

sition of an important supplier in the Czech market. The volume of supplied gas totalled approximately 3.45 TWh in 2017. SPP CZ supplies gas to customers in all segments, including gas traders, large industrial plants, customers in small businesses and organisations segment and households. The largest customer of SPP CZ is Teplárny Brno (Brno Heating Plant), which ranks among the biggest consumers of natural gas in the Czech Republic. At the end of 2017, SPP CZ started offering electricity to its customers in the households and small customers segment.

SPP ranks among the most active traders in the gas trading hub in Baumgarten, Austria. However, the company also trades gas on other European gas hubs. At the same time, it constantly assesses business opportunities in the neighbouring markets.

SPP BUILDS ITS SUCCESS ON CUSTOMER CARE

In 2017, SPP maintained its position as a leader in reliability, availability and in high-standard customer service. The company is present across Slovakia through 19 SPP Customer Centres, SPP Customer Hotline, SPP Web Chat, SPP Business Hotline and My SPP online portal. The company handled 1.055 million customer requests through all its service channels. This is an increase of 6,000 requests compared to 2016, while the high level of overall service parameters has been maintained. In 2017, the company in-



roduced a new service allowing customers to schedule an appointment at a specific date and time at selected customer centres.

HOUSEHOLDS

Customers in the Households segment could choose from eight tariff types based on their natural gas consumption – D1, D2, D3, D4, D5, D6, D7 or D8 – and could likewise select a suitable payment interval. In 2017, SPP offered to its customers the **Two Energies** prod-

uct, which cost-efficiently combines gas and electricity under one roof.

SPP SERVICES FOR HOUSEHOLDS AND SMALL BUSINESSES

In 2017, the company developed the **SPP SMARTHOME** product line. A broad portfolio of complementary products and services allowing customers to use the energy more efficiently and bringing more comfort and safety to their homes. Under the auspices of the Fire and Rescue Corps and the Slovak Association of

Fire Brigade Officers, SPP implemented an educational campaign aimed at enhancing home safety for its customers. In 2017, the company launched on the market the unique **Smart Offer tailored to the needs** of individual customers based on their real consumption, which was further extended with personalised energy advice. Thanks to expert data mining, SPP is able to provide energy and advice to customers that is truly tailored to their needs.

In 2017, SPP continued to offer assistance in receiving state subsidy for re-

newable energy sources (RES), in addition to providing extra discounts on unique technology and expanding the offer to include a photovoltaic system for water heating. To acquire RES technologies, the customers had available the **special-purpose SPP Energoloan** product designed to support the funding of these environmental technologies on preferential terms. The benefits of the special-purpose SPP Energoloan product were not limited to SPP customers.

The **general-purpose SPP Energoloan** serving to fund the needs and plans of company customers on preferential terms was prepared directly for SPP customers.

Thanks to **SPP Inspection of Buildings** and **SPP Energy Certification** services, customers were able to ascertain the real condition of their properties in technical terms, as well as energy consumption requirements of these buildings.

In 2017, SPP made its assistance services even more attractive by introducing the **SPP Assistance** products offering instant solutions to unexpected situations at a great price and, moreover, provided free of charge for half a year. The original assistance services were expanded to feature legal assistance, while IT assistance was also expanded and SPP Health Assistance was added.

In addition to complementary services for households, the customers had available the online portal **My SPP**,

which they could use to modify their contractual information, enter gas meter readings or make payments from the comfort of their home. The **My SPP** portal includes an e-shop that always offers the best discounts on gas and electric appliances of the given category on the Internet. This **e-shop** can be used by customers who registered at the **My SPP** portal, as well as by non-registered customers who are redirected to the e-shop from www.spp.sk website.

Customers were also able to receive discounts through the **SPP Advantages Programme**, which offered savings of up to 55% on selected goods and services of renowned brands and the reduction of their energy and environmental footprint. Last year, SPP continued to provide the **SPP Preventive Inspections** service. Using this service, the customers were able to order preventive post-warranty inspection of their gas appliances. The provision of contacts to chimney sweeps as part of the **SPP Chimney Sweeping Services** product remained popular. During the heating season, customers had the opportunity to order a new service – **SPP Infrared Measurement**.

LARGE BUSINESSES

The success of the company's offer for large businesses was built not only on expertise, long-term good relations and continuous communication with customers, but also on the guarantee of secure and uninterrupted supply of

energy. Thanks to favourable deals and flexibility in setting up individual solutions for customers, several large customers returned to the SPP customer portfolio in 2017. The major competitive advantages of SPP include, among others, the volume of gas reserves in the storage facilities and the signed gas supply contracts to Slovakia. Alongside this, the company has long been providing energy consulting to large customers. SPP assisted entities that are required to prepare an energy audit under the Energy Efficiency Act by continuing to offer them this service in 2017.

SMALL BUSINESSES & ORGANISATIONS

The company prepared the offer for this customer segment based on the knowledge resulting from good long-term relationships, regular communication with customers, as well as flexibility in preparing customer offers. The provision of uninterrupted supply of energy was and remains a common standard of SPP services. In 2017, SPP provided customers in the Small Businesses and Organisations segment with one of the best offers on the market. SPP products gave customers the opportunity to save on standard list prices. The **Fixed Price** product made it possible for customers to fix their prices for a specified period of time, thanks to which they were able to more accurately budget their gas consumption expenses for the whole supply period.

In 2017, SPP continued offering innovative solutions based on customer needs



CNG Filling Stations in Slovakia in 2017



in this segment. With its partners, the company launched the **SPP Ventilation Shafts and Pipes Cleaning** service for apartment buildings, utilising the patented PanelAir technology.

The customers remained interested in the advantageous electricity offer from SPP. The current number of the points of supply in the small and medium businesses segment reached 10,000. SPP takes care of these customers by means of the dedicated phone and e-mail service **SPP Business Hotline** and also on a personal basis with the option of preferential handling at four regional centres, as well as at 19 SPP Customer Centres. Other complementary products and services available to

small consumers include services provided by SPP Alliance Partners, the My SPP online portal, advantageous SPP Energoloans, as well as energy consulting provided by SPP technical specialists.

CITIES AND MUNICIPALITIES

SPP likewise offers comprehensive solutions and services in natural gas and electricity supply to cities and municipalities. SPP provides energy consulting through SPP technical specialists. The technical services and servicing are provided through SPP Alliance Partners.

The customers in the Cities and Municipalities segment are taken care of

by specialised sales managers at the contact points in four regions. Where required, customers can also use other SPP service channels, such as SPP Business Hotline.

PRICES AND REGULATION

In 2017, the prices for the supply of natural gas to households in the agreed tariffs of D1 to D6 remained regulated by the Regulatory Office for Network Industries. From 1 January 2017, the prices for customers in this segment fell on average by approximately 7.2% over the 2016 period. In 2017, the prices of gas supplied to small businesses were likewise subject to price regulation. A small business was defined in 2017 as an end gas customer in the Small

Businesses and Organisations category with consumption not exceeding 100,000 kWh in 2015.

In the past year, SPP once again operated as a supplier of last resort under the applicable legislation. The supply in this regime continued in 2017 to be subject to price regulation by the Regulatory Office for Network Industries.

PURCHASE AND STORAGE OF NATURAL GAS

In 2017, the continuing purpose of purchasing natural gas was to supply the domestic market. SPP made purchases mostly based on the long-term contract signed with Gazprom export. The gas reserves are stored in underground storage facilities, which SPP leases from NAFTA a.s. and POZAGAS a.s. The storage capacity exceeds the volume necessary to cover the needs of SPP customers. Moreover, this capacity secures the uninterrupted supply of gas to the domestic market during the winter period in the event of emergency.

COMPRESSED NATURAL GAS (CNG) SALES

In 2017, SPP CNG s. r. o., a 100% subsidiary of SPP, continued in the activities

aimed at developing and supporting CNG sales in Slovakia.

SPP CNG put a new filling station in Banská Bystrica into operation. It modernised payment terminals by adding contactless card readers at all filling stations enabling customers to make contactless payments and refuel at all nine filling stations 24 hours a day, 7 days a week.

CNG sales totalled 3.85 million kg in 2017. The slight decline, compared to 2016 period, was caused by lower sales to two public transport companies that continued to decommission their old CNG buses. Conversely, the company saw CNG sales rise by more than 13.5% in the 'other than public transport companies' customer segment.

The **fuelCNG** project is an important milestone in the development of the CNG sales segment, through which SPP will receive nearly €15.7 million from the European Union as part of a call under the Connecting Europe Facility (CEF). The **fuelCNG** project is aimed at promoting the use of compressed natural gas (CNG) and liquefied natural gas (LNG) in transport in Slovakia as an

alternative fuel with favourable impact on air quality. By 2020, the implementation of the **fuelCNG** project will include the construction of **14 new CNG filling stations** and **3 new LNG filling stations** (Liquefied Natural Gas – used in heavy freight transport in particular) on D1 and D2 highways. The project also includes building the first facility in Slovakia for liquefaction of natural gas, which creates preconditions for supplying LNG to all transport segments, including river transport.

The one-time construction of 17 natural gas filling stations will strengthen the confidence of CNG vehicle users and suppliers and jumpstart the take-up of natural gas in Slovak transport. The filling stations are scheduled to start operating in 2020.

The **fuelCNG** project, which received support from the European Union in July 2017, is in line with the National Policy Framework for the Development of Alternative Fuels and is supported by the Ministry of Transport and Construction of the Slovak Republic. SPP's partner in this project is the Danube LNG European Economic Interest Grouping.



Co-financed by the Connecting Europe Facility of the European Union

Human Resources

EMPLOYEE RELATIONS

As an employer, SPP negotiated with trade unions and agreed on the new Collective Agreement, which is to remain in force until 31 December 2020. More favourable conditions were agreed in the field of increasing basic wages, providing leave of absence and a range of benefits from the social fund.

As part of building relations with its employees, the company prepared and implemented the second annual SPP Corporate Games. Sports activities, combined with fun competitions, created a space for spending time together. The seventh annual Christmas event, the Angelic Christmas, was prepared by the company for the employees and their families in three regions of Slovakia. Almost 1,100 people attended this event in Bratislava, Zvolen and Košice. In 2017, SPP arranged for its employees the opportunity to voluntarily donate blood. More than 41 litres of blood were collected for the National Transfusion Station at three separate occasions.

DEVELOPMENT AND EDUCATION

In 2017, SPP focused the development of its workforce mostly on promoting customer orientation, innovative thinking, proactivity and initiative. The company continued to develop business skills and customer orientation among its employees who come into contact with customers.

SPP organised for the first time the internal conference aimed at inspiring employees and fostering their innovative thinking by way of practical examples from the company's life and, at the same time, to learn and try a number of creative techniques. Up to 98% of responding participants evaluated the 1st annual conference positively.

SPP continued in its inSPPiro programme, a platform for submission of employee ideas to improve processes, activities and the work environment. In 2017, employees submitted 75 new ideas.

The employees had the opportunity to participate in voluntary lectures aimed

at the development of soft skills in 2017. SPP once again held the Health Days, during which the employees were able to test their health and consult their health condition with experts.

The development programme for High Potentials – employees possessing promising skills – was launched in 2017. As part of this programme, the employees developed their abilities and skills in the form of training and mentoring. At the same time, they worked on selected projects aimed at the perception of SPP brand and supporting customer satisfaction.

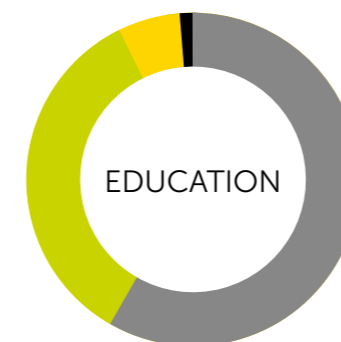
SPP also continued in cooperating with students at secondary schools and universities, in the form of internships and assistance in the elaboration of bachelor's and master's theses.

EMPLOYEE STRUCTURE

As of 31 December 2017, SPP had a total of 721 employees (715 employees as of 31 December 2016). Of those, 471 were women, representing 65.3% of the total workforce.



Employee Qualification Structure as of 31 December 2017



● **60.47%**
University degree
436 employees

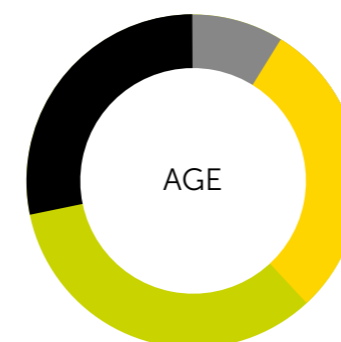
● **36.06%**
Complete secondary education with leaving exam
260 employees

● **3.19%**
Secondary vocational education
23 employees

● **0.28%**
Basic education
2 employees



Employee Age Structure as of 31 December 2017



● **5.83%**
Younger than 30
42 employees

● **28.99%**
31 – 40
209 employees

● **34.54%**
41 – 50
249 employees

● **30.65%**
Older than 50
221 employees

The average employee age as of 31 December 2017 was 44.4 years of age.

INTERNAL OMBUDSMAN INSTITUTE

With the goal of promoting social responsibility and open communication with SPP employees, the position of an ombudsman was created in 2015, who is tasked with handling two types of employee complaints:

- to receive and resolve complaints relating to antisocial activity, and this by adhering to the provisions of the law and the internal directive in handling them,
- to receive and resolve complaints involving a violation of ethical principles – SPP Code of Conduct.

A special e-mail address was created for receiving these complaints.

No case was recorded in 2017 that would involve serious antisocial activity at the workplace. In the field of ethical principles, the complaints filed by employees were resolved as they occurred.

Social Responsibility

In terms of philanthropic activities, SPP ranks among the most significant socially responsible business entities in Slovakia. The company contributes to improving the environment, in which it operates, with projects organised by Nadácia SPP (SPP Foundation) and EkoFond, a non-investment fund.

SPPOLOČNE – A BRAND WITH A SENSE OF RESPONSIBILITY

As part of the successful public-beneficial programme SPPoločne, which was announced by SPP together with Nadácia SPP for the first time in 2012, some 206 projects were implemented worth EUR 1,240,000. Both experts and the public at large appreciated the targeted assistance provided to specific communities and regions of Slovakia. This is evidenced by the high visit rate of the special website of the sppolocne.sk programme, with more than 800,000 visitors. The financial subsidies were provided in the “SPPoločne for People” category to the most beneficial projects in the field of culture and sports and in the “SPPoločne for Homeland” category we supported projects aimed at development of environmental education and enhancement of the environment. Transparency was of key importance to SPP in the SPPoločne programme, and so it was the public that decided on the

winners by voting. In total, more than 600,000 people took part in the online public vote. Those interested can find the results on the sppolocne.sk website.

SPP – A MAJOR FORCE BEHIND PROTECTING OUR CULTURAL HERITAGE

SPP has long been a partner of the **Cultural Monument of the Year** competition announced by the Slovak Ministry of Culture. It is aimed at promoting a responsible approach to protection of cultural heritage of the Slovak Republic among owners of national cultural monuments and local government representatives in cities and municipalities. The twelfth year of this competition saw 13 project applications, of which the panel of experts nominated for further evaluation 10 renovated monuments from all over Slovakia. In addition to the 2016 Cultural Monument title, the winners received a symbolic bronze statuette of the mythical bird Phoenix and a monetary gift from Nadácia SPP amounting to EUR 8,300. The Cultural Monument of 2016 and the Fénix prize winners became: **Municipality of Nitrianska Blatnica** for the comprehensive building renovation and restoration of the St. George's Rotunda Chapel near Nitrianska Blatnica, the **Evangelical Church of the Augsburg Confession in Slovakia in Roštár** for the restoration of the altar in the Evangelical Church in Roštár, the **Central Union of Jewish Religious Communities in Slovakia** for the comprehensive building renovation and restoration of the Old Synagogue

building in Bardejov and **Ing. Miroslav Trnka** for the comprehensive building reconstruction and restoration of the burgher town house at Trojičné námestie 5 in Trnava.

To support the main competition under the Cultural Monument of the Year the company, for the fourth time, organised on its Facebook page Your SPP – a public vote on the most beautiful renovated monument. The winner received the LIKE statuette at an official award ceremony. The public could choose their favourite from among ten nominated monuments. People were able to see their stories on the new SPP Monument of the Year website. Some 17,701 people took part in the public vote. The winner was the **sculpture decoration of the altar of the Coronation of Our Lady in the Roman Catholic Church of St. Urban in the village of Bystré**, which won more than two thousand votes. As long-term partners of the Let's Renovate Our House programme, SPP and Nadácia SPP contributed more than EUR 16 million to 258 projects.

The **Slovak Gas Museum** has been mapping the history and present of the gas industry in our country for over 20 years. As the only of its kind in Slovakia and with more than 400 exhibits, it has been visited by almost 46,000 visitors over that time. The museum is divided into several displays. The History Pavilion is dedicated to the history of coal gas. Visiting the director's office gives the opportunity to experience the pe-

riod atmosphere of the most important factory official in the gas plant at the beginning of the 20th century. The Laboratory exhibition provides a complete picture of the operational reliability of coal gas production. At present, the pavilion keeps expanding the collection of exhibits documenting the gas equipment used for producing, transporting, processing and using natural gas. This equipment is mostly shown as models and mock-ups. The collection of 18 historically valuable pieces of gas equipment of real dimensions is available in the Outdoor Exhibition. Street lighting is represented by two rare replicas of gas street lamps – the Prague type and the SUGG type used at the end of the 19th century.

In 2017, SPP prepared for its fans the second annual **Night at the Museum** competition. Approximately 500 people participated in this competition via sppolocne.sk/museum website, from minors to seniors. All who voted and answered 3 competition questions correctly were included in the draw. The prize was won by a family from Kalná nad Hronom. During a private tour of the museum, they discovered the magic of lighting up the gas street lamps, household gas appliances (such as an iron) and other interesting exhibits.

SPP Gallery has been opening its doors to lovers of Slovak art for almost 20 years, providing a space for more than 150 exhibitions. Various paintings, sculptures, ceramics and works



Chapel in St. George's Rotunda near Nitrianske Blatnice



Altar in the Evangelical Church in Roštár



Old Synagogue in Bardejov



Burgher Town House at Trojičné námestie 5 in Trnava

of art made of textiles and glass were displayed here. In 2017, the visitors admired the works by six prominent authors, such as Daniel Bidelnica, Ján

Koválik, Mária Bidelnicová, Katarína Alexyová-Figerová, and the representative of the youngest generation of artists – Katarína Balúnová.

FOUNDATION'S PROJECTS BRING REAL CHANGE

The assistance and provision of support to people who need it most have been taking place since 2002 through Nadácia SPP (SPP Foundation), a non-profit organisation. Its main goals include the development and protection of spiritual, cultural, and moral values of Slovakia. The foundation mainly supports active people who try to change their environment for the better, finding new solutions to problems, searching tirelessly for new approaches to long-term sustainability and taking care of their communities and regions.

The task of Nadácia SPP is to allocate the funds fairly through grant schemes with clearly defined conditions and a transparent award process. Its processes are open, transparent and guarantee equal opportunities. At the same time, the foundation cooperates with organisations promoting long-term and innovative changes in the social field, thus contributing to the development of a responsible civil society. The supported projects aim at helping people who find themselves in difficult life situations.

Nadácia SPP has long been providing support in the following areas:

- development and support of education,
- development and protection of cultural values,
- support for disadvantaged groups of the population,
- health protection,

- support for charitable and philanthropic activities,
- communal and regional development.

In 2017, Nadácia SPP financially supported a total of 286 projects with the aggregate funding worth about EUR 1.1 million. Nadácia SPP provided to partner projects as many as 69 contributions in a total amount of EUR 471,357. In 2017, the foundation provided its aggregate financial assistance of EUR 588,970 to a total of 217 grant programmes.



Nadácia SPP continued its long-term activities in 2017 by supporting projects submitted by Blue Angel, the Slovak Paralympic Committee and other entities. Also, Nadácia SPP has become a partner of the series of 2017 Bratislava Jazz Days events and theatrical performances in the GUnaGU Theatre. The foundation cooperated with SMILE, a non-profit organisation, in the 'Helping with Smile – Digitalisation of Sterile Boxes' project and with the Police Volleyball Club in the 'Olympic Games for Kindergartens' project. The foundation also broadened its partnership with the civic association Okraj (Edge), which is the founder of a protected workplace for homeless disabled people.

The most popular activities of Nadácia SPP include the One Step Ahead programme aiming to improve the quality of care for people with disabilities.

Through its programmes, Nadácia SPP aims to contribute to improving the quality of care for people finding themselves in an adverse life situation by supporting model, innovative and progressive approaches. Nadácia SPP continued in 2017 to implement the OPORA grant programme. In 2017, the program was aimed at supporting, among others, the creation and implementation of individual personality development plans for clients in social care facilities. In 2017, 72 clients in specialised facilities were supported in the total amount of EUR 43,620.

HELPING IS PART OF SPP'S CORPORATE CULTURE

In 2017, Nadácia SPP announced the 12th round of the Employee Grant Programme. The programme enables employees to mediate assistance wherever they think it is needed and will be used well thanks to their personal involvement. In this round, 13 SPP employees received financial support for various public projects totalling EUR 11,900.

EKOFOND ACTIVELY WORKING TO IMPROVE ENERGY EFFICIENCY AND THE QUALITY OF PROFESSIONAL EDUCATION

Since its creation in 2007 by SPP, EkoFond, a non-investment fund, has been providing financial support to

projects for the efficient use of energy, education, environmental protection and awareness-raising activities in these fields. The fund has already provided nearly EUR 11 million to various projects under the implemented activities, programmes and grants. As a public-beneficial and active company, SPP emphasises its CSR policy through EkoFond and, by doing so, sets an example to other businesses not just in Slovakia. In 2017, the main activities of EkoFond mostly included activities associated with vocational education, and this both via our own project EkoFond for Schools and activities implemented as part of international projects.

OUR OWN PROJECTS

The activities, aimed at students of secondary vocational schools of a technical specialisation, form a major part of the fund's own project called "EkoFond for Schools". Since 2009, the cooperation has been most extensive with three secondary vocational schools, with which we began cooperating as early as in the process of specification of our plan to create a new study course, and with which we also initiated the process involving experimental verification of the new 4-year study course with school-leaving exam – **Energy Equipment of Buildings Technician (EEBT)**. The course will provide the graduates not only with quality theoretical knowledge and practical skills associated with installing, assembling and servicing different types of power and electrical engineering equipment but also with the

implementation of basic construction activities. With these knowledge, skills and competences, they will receive their vocational and graduation certificate, after which they will get their electrical engineering qualification and complete the welding tests. Besides this, they should be able to provide adequate energy and advisory services. The development of this study course continued in 2017 and in September four more secondary schools got involved in teaching this study course. Given the interest among field experts in cooperating in this area and the need to improve their qualification, EkoFond started to work actively on creating courses as part of lifelong learning for both professional public and teachers of vocational subjects under this study course, respectively for masters of professional training.

The complementary activities for students of the EEBT study course and related study courses, as well as experts in the field, include another important activity of EkoFond – issuance of two publications from Austria, containing an almost encyclopaedic provision of the latest information in the field of "Heating and Ventilation Technology" and comprehensive information in the field of "Installation Basics".

INTERNATIONAL PROJECTS

Even though EkoFond successfully completed its REFUGE (Renewable Energy for Future Generations) project back in 2013, interest in its outputs still

remains. In addition to textbooks for technical study courses taught at secondary vocational schools created under this project, these outputs include, in particular, a handbook with a list of jobs in the field of energy production, distribution and utilisation, along with employee profiles for these jobs in Slovakia and the Czech Republic. The handbook is of interest not only to students at junior schools deciding which secondary school to attend, but also to students at secondary schools and, especially, to career guidance counsellors providing advice to students. The BUILD UP Skills Slovakia (BUSSK) project, the goal of which was to prepare a "roadmap" for educating workers in the construction industry as part of preparing this sector for the green economy, follows the STAVEDU project – the national qualification and lifelong education system for construction site workers. A whole series of training courses was prepared in 2016 as part of this project, in line with the created "roadmap". In 2017, EkoFond actively participated in the preparation of the educational programme called Energy Equipment of Buildings Technician. The aim of the educational programme, consisting of three courses, is to prepare skilled workers in the field of energy equipment of buildings (office buildings, schools, hospitals...).





Co-funded by the
Erasmus+ Programme
of the European Union



The target group includes workers having at least one year's experience, such as plumbers, system operators/servicing personnel, enterprise power technicians, maintenance workers. Essentially, it is an add-on to the Energy Equipment of Buildings Technician study course (formal education – under the auspices of EkoFond) adapted for workers in the field.

In 2017, the fund continued in implementing the **EDES** international project. Its main task is to harmonise the basic and cross-sectional skills of students at secondary vocational schools specialising in the electrical engineering and power industry, to contribute to the development of the dual system for vocational education and training, while the main target audience is the segment of Small and Medium Businesses operating in the power indus-

try and electrical engineering sector. The project included a questionnaire survey of all companies that joined the dual education system from 1 September 2015, as well as schools participating in this process. The subsequent evaluation became the basis for a discussion with the Ministry of Education on the issue regarding preparation of the opening of the process to amend the Vocational Education and Training Act. The fund became an active member of the working group created by the Ministry of Education to amend the Vocational Education and Training Act. The outputs from this survey became one of the pillars in the creation of the development concept of the dual education system for small and medium businesses in the power sector and electronic engineering segment, becoming a starting point and part of the work implemented by working groups

set up by the Ministry of Education, whose task is to work on updating legislation governing the vocational education and training.

Other sources include information on the conditions of cooperation between small and medium businesses and secondary schools and on the education of new professionals obtained from foreign project partners from Austria and the Czech Republic. Another major output from the project is the creation of 6 new textbooks that will be used not only in the Energy Equipment of Buildings Technician study course but also in related study and teaching courses. The set of methodological materials for teaching vocational training to instructors in companies or to masters of vocational training at secondary vocational schools is one of the major outputs of the EDES project. Our goal is to

propose legislative changes and measures in the Slovak legislation to improve the motivation of small and medium businesses active in the electrical engineering and power sector to enter the dual education system. The project will run until 2018 and the total amount of the financial contribution progressively provided is almost EUR 213,000.

Another project, in the implementation of which EkoFond got involved in 2017, is the **SEER** Project (Towards Sustainable and Energy Efficient Real Estate Training and Education). Other project partners include Kiinko – Real Estate Education sr from Finland – Project Coordinator, AFBB Akademie für berufliche Bildung GmbH from Germany, NCOI Opleidingen from the Netherlands, Tallinna Tehnikakõrgkool UAS from Estonia, Metropolia University of Applied Science from Finland.

The project focuses on the real estate segment (real estate business, facility management, building administration etc.), while one of its aims is to map the current situation in the field of education in energy efficiency and sustainable energy generation for this segment, to identify and propose new educational needs. One of the first steps in this project is to conduct a survey aimed at the selected group of persons operating in the real estate segment. The survey results will be used to develop the education and training strategy for the real estate sector. The project will be completed in 2019.

OCCUPATIONAL HEALTH AND SAFETY

In 2017, SPP continued to manage the activities in the field of occupational health and safety as an integral part of managing the company. The company

implemented activities with a view to fulfilling its basic goal, which is the occupational health and safety for every employee at the company's workplaces, combined with equally responsible application of principles towards its partners and other stakeholders.

It sets targets in the field of occupational health and safety and achieves them by rigorous identification of risks and their assessment in the context of specific conditions at the company's workplaces, with subsequent management and elimination of these risks to the maximum extent possible. By efficiently enforcing the occupational health and safety principles, SPP has improved the performance of its OH&S management system and ensured compliance with the related legal requirements.



It creates a safe working environment and working conditions for its employees. The tools are the set goals and assumed obligations in the field of OH&S, which relate to the reduction of risks in all activities at all company workplaces. By consistently and systematically applying the measures, the company likewise motivates its employees toward safe behaviour and corresponding awareness in the field of taking care of their own health. Appropriate attention is paid to the working environment factors, and thus also to measures for limiting or fully eliminating their impact on company employees.

The reduction in the number of accidents to two registered occupational accidents in the course of 2017, coupled with the fact that no case of occupational illness was recorded in 2017, nor in the previous years, are the result

of the long-term active policy of SPP, as an employer, in the field of OH&S.

No fire incident was recorded in the course of 2017, nor any other extraordinary event that would pose significant risk of damage to the health of employees, company property or the environment.

SPP has been a holder of the ISO 9001 quality management system certificate and the ISO 14001 environmental management system certificate since 2015. In 2017, the Integrated Management System was supplemented with the Occupational Health & Safety Management System set up in accordance with OHSAS 18001 international standard.

By introducing the management system according to OHSAS 18001 standard, the Quality, Environment and

Occupational Health and Safety Management System became fully implemented in the company's Integrated Management System. SPP has thus demonstrated its social responsibility and presented its impact on the social and employment relations arising from the subject of its business activities.

ENVIRONMENTAL PROTECTION

The environmental protection formed the part of the company's priorities in 2017 and due attention was paid to it. The introduced environmental management system certified according to the EN ISO 14001:2004 standard has



proven itself as an appropriate tool for achieving the environmental and economic objectives, managing significant environmental aspects and achieving compliance with legal requirements.

SPP actively contributes to the improvement of the environment in the field of air quality by reducing petrol and diesel consumption in the operation of its vehicles in favour of more environmentally friendly compressed natural gas (CNG). The CNG vehicles emit by 99% less harmful substances into the atmosphere, 75% less nitrogen oxides, 10% – 25% less carbon oxides, by 45% less polyaromatic substances and less greenhouse gases.

The company operates small and medium sources of air pollution. The responsible approach to operation and rigorous inspections of the operated

technical facilities have created the prerequisites for reducing the emissions with all monitored pollutant substances released into the atmosphere in the course of 2017.

SPP favours waste recovery over waste disposal. In 2017, the company recorded a 3.61% increase in recovered waste compared to 2016. Conditions for collection of separated waste have been created inside the company premises. The share of separated waste components has been increasing over the long term.

SPP monitors discharged waste water by regularly collecting samples that are analysed in an accredited laboratory. The company has been paying great attention to the fault-free operation and maintenance of wastewater treatment plants, separators of oil substances, and grease and oil traps.

The observance of EN ISO 14001 standards, waste recovery and continuous monitoring and elimination of negative impacts on the environment form part of the company's responsible business aimed at contributing to sustainable development.

Individual Financial Statements of SPP

(selected data in EUR million)

	Year ended December 31, 2017	Year ended December 31, 2016
Natural gas and electricity sales	1,493	1,280
Other	16	22
Capitalisation	–	–
Purchase of natural gas and change in inventories, purchase of electricity and consumption of material and energy	(1,413)	(1,148)
Depreciation and amortisation	(7)	(7)
Strategic security reserves of natural gas	(42)	(42)
Storage of natural gas for trader's purposes and other services	(59)	(58)
Personnel costs	(27)	(28)
Adjustments to bad or doubtful receivables, net	(4)	(21)
Provisions and impairment losses, net	(6)	(13)
Other, net	2	3
Profit from financial investments	384	499
Cost of financing and other financial expenses	6	(4)
Profit before tax	343	483
INCOME TAX	(24)	(20)
NET PROFIT FOR THE PERIOD	319	463

Consolidated Financial Statements of SPP Group

(selected data in EUR million)

	Year ended December 31, 2017	Year ended December 31, 2016
Natural gas and electricity sales	1,556	1,323
Other	15	22
Capitalisation	–	–
Purchase of natural gas, electricity and consumption of material and energy	(1,472)	(1,186)
Depreciation and amortisation	(7)	(7)
Strategic security reserves of natural gas	(42)	(42)
Storage of natural gas for trader's purposes and other services	(61)	(60)
Personnel costs	(28)	(29)
Adjustments to bad or doubtful receivables, net	(4)	(21)
Provisions and impairment losses, net	(5)	(15)
Other, net	3	3
Profit/(loss) from investments	6	(15)
Share in profits of affiliated companies and joint ventures	310	295
Cost of financing	6	(4)
Profit/(loss) before tax	277	264
Income tax	(24)	(20)
PROFIT FOR THE PERIOD	253	244
Net profit belonging to:		
SPP shareholders	253	244
Minority holdings of other owners of subsidiaries	–	–
TOTAL	253	244

Independent Auditor's Report Supplement

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Slovenský plynárenský priemysel, a.s.

SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT Pursuant to Act No. 423/2015 Coll., Article 27 (6)

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

- I. We have audited the financial statements of Slovenský plynárenský priemysel, a.s. (the "Company") as at 31 December 2017 presented in appendix of the accompanying annual report of the Company. We issued an Auditor's Report on the Audit of Financial Statements dated 14 March 2018 in the wording as follows:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Slovenský plynárenský priemysel, a.s. (the "Company"), which comprise the balance sheet statement as at 31 December 2017, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

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

Responsibilities of Management

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

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

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Responsibilities of Management

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

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

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

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

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

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

III. Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report – Supplement to the Independent Auditor's Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting. Our opinion on the financial statements and consolidated financial statements stated above does not apply to other information in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- II. We have also audited the consolidated financial statements of Slovenský plynárenský priemysel, a.s. (hereinafter the "Company") as at 31 December 2017 in appendix of the accompanying annual report of the Company. We issued an auditor's report on these consolidated financial statements dated 14 March 2018 as follows:

Opinion

We have audited the consolidated financial statements of Slovenský plynárenský priemysel, a.s. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet statement as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

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

We evaluated whether the Company's annual report includes information whose disclosure is required by the Act on Accounting.


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

- Information disclosed in the annual report prepared for 2017 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Company and its position, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received after the date of issuance of the report on the audit of financial statements. There are no findings that should be reported in this regard.

Bratislava, 19 March 2018


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Ing. Ján Bobocký, FCCA
Responsible Auditor
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Contacts

SEAT OF SPP

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

Phone: +421 2 62 62 11 11

E-mail: spp@spp.sk

Website: www.spp.sk

Households

SPP Customer Hotline

Phone: 0850 111 363

(weekdays from 7 a.m. to 8 p.m.)

Fax: +421 2 58 69 90 00

E-mail: zakaznickalinka@spp.sk

For calls from abroad or from the networks of alternative operators:
+421 2 58 69 90 90

Small Businesses & Organisations

SPP Business Hotline

Tel.: 0850 111 565

(weekdays from 7 a.m. to 8 p.m.)

E-mail: biznislinka@spp.sk

Fax: +421 2 58 69 90 10

For calls from abroad or from the networks of alternative operators:
+421 2 58 69 90 92

SPP Fair Hotline

Phone: 0800 126 076

(weekdays from 7 a.m. to 8 p.m.)

SEAT OF SLOVAK GAS MUSEUM

Slovenský plynárenský priemysel, a.s.
Mlynské nivy 44/c
825 11 Bratislava

Phone: +421 2 62 62 41 64,
0911 704 489

(weekdays from 10 a.m. to 2 p.m.)

E-mail: muzeum@spp.sk

Entry to the museum is free of charge.
Visits must be arranged at least three days in advance.

SEAT OF SPP GALLERY

Slovenský plynárenský priemysel, a.s.
Mlynské nivy 44/c
825 11 Bratislava

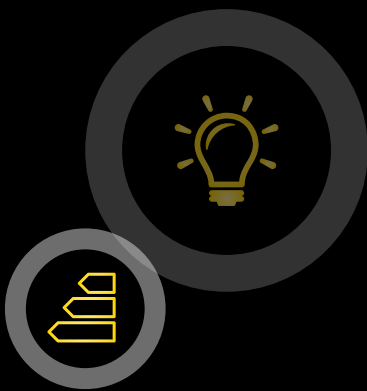
Phone: +421 2 62 62 42 42

(weekdays from 11 a.m. to 6 p.m.)

E-mail: galeria@spp.sk

Entry to the gallery is free of charge.





SPP

Mlynské nivy 44/a
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