

2018

ANNUAL REPORT





## Table of Contents

Foreword by the Chairman of the Board of Directors .....	2
Company Profile .....	4
Company Vision .....	5
Board of Directors, Executive Management .....	6
Supervisory Board .....	7
Economic and Financial Performance .....	8
Capital Structure .....	10
Equity Holdings .....	13
Natural Gas & Electricity Trading .....	14
Human Resources .....	20
Social Responsibility .....	22
Events of Special Significance .....	29
Individual Financial Statements of SPP .....	30
Consolidated Financial Statements of the SPP Group .....	31
Independent Auditor's Report .....	32
Contacts .....	36

## Foreword by the Chairman of the Board of Directors



**Dear Ladies and Gentlemen,**

The period of 2018 was an extraordinarily challenging year for the energy sector, both in Slovakia and across Europe. All suppliers were affected by a sharp rise in energy prices. Gas and electricity prices rose on exchanges by roughly a third against a year earlier. The pressure on gas prices was caused mainly by growing prices of other commodities, as well as by a significant price rise in CO<sub>2</sub> allowances. Other factors contributing to this trend included unscheduled shutdowns at Norwegian production fields, the continued safety investigations at nuclear reactors in France and Belgium, as well as low water levels on European rivers preventing coal transport.

In 2018, our company pursued continuous optimisation of its processes and efficient setting of its organisational structure. In a strongly competitive environment, SPP needs better performing business, cost-effective operating management and higher employee productivity. This will contribute to higher satisfaction among our customers and improve SPP's financial performance. Moreover, a common goal

with our shareholder – the Ministry of Economy of the Slovak Republic – remains that of creating a platform covering the state's activities in the energy sector and managing its shares in a number of applicable companies. SPP is set to become the basis for this platform. This will further strengthen our position of key player in the energy market.

Last year, SPP supplied its customers with almost 31.5 TWh of energy. The company concurrently stabilised its customer portfolio, with the number of points of supply of gas or electricity reaching a total of 1.33 million. For the second year in a row, we increased our overall market share in gas supplies on a year-on-year basis. In 2018, as in previous years, SPP remained the first choice for customers who decided to switch to a different electricity supplier. This means that customers who changed their electricity supplier in 2018 most often opted for SPP. SPP's share in the households segment of the electricity market reached more than 8.5% in 2018, ranking the company fourth among electricity suppliers to households. In terms of customer numbers, SPP is also the largest new electricity supplier in Slovakia. At the end of 2018, we supplied electricity to nearly 190 000 points of supply.

Last year, SPP guaranteed security of gas supplies for the whole of Slovakia, in accordance with the government's energy policy. The company accumulated significantly higher natural gas reserves than the law requires of suppliers in Slovakia. Although, as a gas supplier, we would need only about half of our gas inventories, this higher volume serves as a strategic reserve for handling any potential crisis situation in gas supplies. On the other hand, this comes with significant financial costs that are borne by SPP alone, with no other energy supplier participating.

The year 2018 saw the implementation and launch of a new customer service information system. The new information system unifies customer service processes, including product creation, billing and receivables management. The new system, which comes as one of several steps to improve the quality of our services, brings SPP customers a shorter time period for handling their requests and a more modern sales, service and customer care process. Another important milestone was the initiation of the implementation of the fuelCNG project supported by the European Union, which acts not only as one of the tools for utilising gas as an

environmentally friendly alternative in transport, but also contributes to overall air protection.

Reliability, security and a fair approach remained the fundamental pillars of our operation in the energy market in 2018. In addition to supplying gas and electricity, we provided other products and complementary innovative energy services. With SMARTHOME technologies from SPP, our customers used energy more efficiently, securely and conveniently.

Last year, we were once again a proud partner of the Slovak Paralympic Team that represented Slovakia at the XII Winter Paralympic Games in PyeongChang, South Korea. The talent, determination, energy and often relentless efforts of our country's representatives translated into an extraordinary result, with our team winning a record number of 11 medals. The excellent results of our Paralympic athletes generated huge interest, raising awareness among the general public of obstacles faced by disadvantaged people in Slovakia in their daily life. The WE ARE EQUAL motto thus took on a whole new dimension. In 2018, SPP supported, through Nadácia SPP and EkoFond, hundreds of community and philanthropic projects and

activities in various fields, from education, through health protection, to regional and community development.

On behalf of the company's management, I would like to thank all our customers and business partners for their trust over the past year. As a leader in the energy market, we strive to do everything we can to meet expectations and deliver the best products, services and customer service in the coming period. I would also like to thank our employees for the commitment, professionalism and dedication they showed in 2018.

**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 1.33 million points of supply. In addition to supplying energy, SPP focuses on providing energy-related services, smart power solutions and development of alternative fuels such as CNG, LNG or biomethane.

SPP realises activities in the field of social responsibility through EkoFond, n.f., and Nadácia SPP. Since 2014, the owner of 100% of the company's shares has been the Slovak Republic, which exercises its shareholder rights through the Ministry of Economy of the Slovak Republic.

## Company Vision

SPP's vision 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

### VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

Ing. Rudolf Slezák

### MEMBERS

Ing. Ivan Gránsky, since 20 June 2018

Ing. Milan Hargaš

Pierre Poncik, M.Sc., until 19 June 2018

Ing. Ján Szalay

## Executive Management

### CHIEF EXECUTIVE OFFICER

Ing. Štefan Šabík



# Supervisory Board

## CHAIRMAN OF THE SUPERVISORY BOARD

Mgr. Maroš Čislák

## MEMBERS

JUDr. Matúš Bušniak

Ing. Miloš Dančo, since 19 September 2018

JUDr. Peter Dráč

Ing. Michal Ďurkovič

Ing. Valéria Janočková

Ing. Dionýz Kaszonyi, since 1 December 2018

Ing. Zoltán Kovács, until 30 November 2018

Ing. Robert Maguth

Viera Uhrová

Ing. Peter Vašík, until 18 September 2018

## Economic and Financial Performance

In 2018, SPP presented itself not just as a reliable and innovative energy supplier but also as an ambitious energy commodity trader active on international European exchanges. Over the past year, SPP strengthened its position as a key gas supplier in the Slovak market and, at the same time, grew its share in the Slovak electricity market.

In 2018, SPP's **revenues from the sale of products and services** totalled EUR 1 540 million, an increase of EUR 31 million against a year earlier. Revenues were particularly influenced by higher electricity sales. The volume of gas sold in the domestic market rose moderately, mainly thanks to higher sales in the Large Businesses segment. Despite the fact that in 2018 average temperatures in the winter heating season were higher than in the previous year, the extraordinary temperature drops during a short period at the end of winter caused a significant increase in gas prices on international markets. Thanks to strength-

ening its customer orientation in the domestic market, the company succeeded in acquiring new large gas customers. Over the course of 2018, 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 meant that the revenues achieved last year were negatively impacted by rising gas prices on international markets. The effects of local crises within the eurozone contributed to the unpredictability and instability of the situation on the foreign exchange market.

As a leader in the Slovak energy market, SPP provided uninterrupted supply of energy to its customers. Furthermore, acting as a supplier of last resort, the company guaranteed the security of gas supplies not just to the company's own customers but to the whole of Slovakia.

In 2018, SPP once again increased its revenues from electricity sales. Compared to the previous period, sales rose by EUR 35 million, exceeding the target set for electricity supplies. Presently, SPP is the largest new supplier of electricity in Slovakia in terms of customer numbers. SPP's aim is to maintain this trend of sales growth in the electricity mar-

ket over the coming period by offering a 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. Higher gas purchase costs were associated with the development of external factors affecting purchase prices.

**Profit from financial operations** before tax reached EUR 440 million in 2018. This consisted mostly of dividends. For the financial year 2018, SPP posted a pre-tax profit of EUR 337 million. Total income tax liability stood at EUR 23 million. Almost the entire volume of income tax consists of a special levy that is down by EUR 1 million on the previous year. Profit after tax reached EUR 314 million.

**Comparison of financial results**

(in EUR million)

	2018	2017
Revenues from customer contracts	1540	1509
Profit before tax	337	343
Income tax	(23)	(24)
Profit after tax	314	319

## Capital Structure

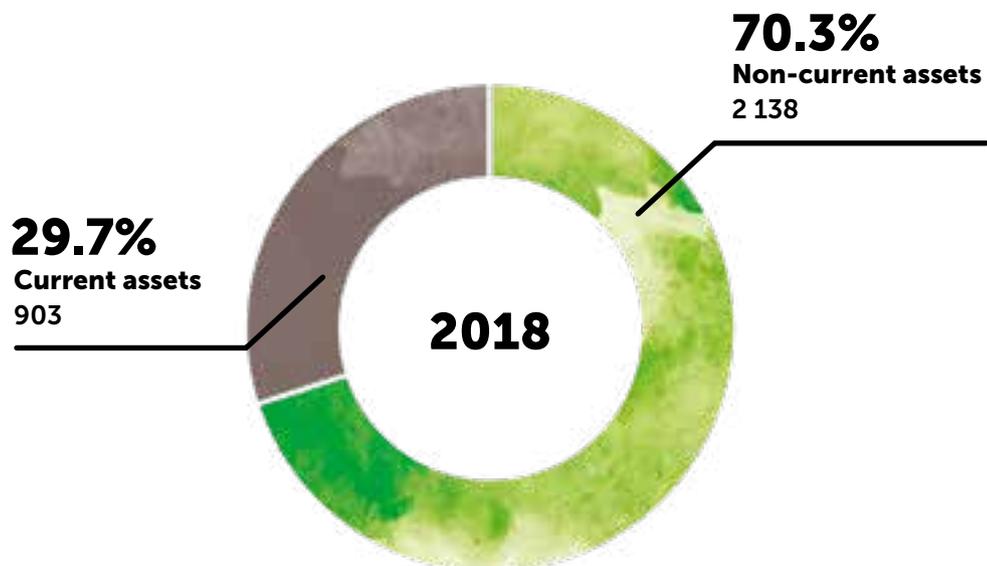
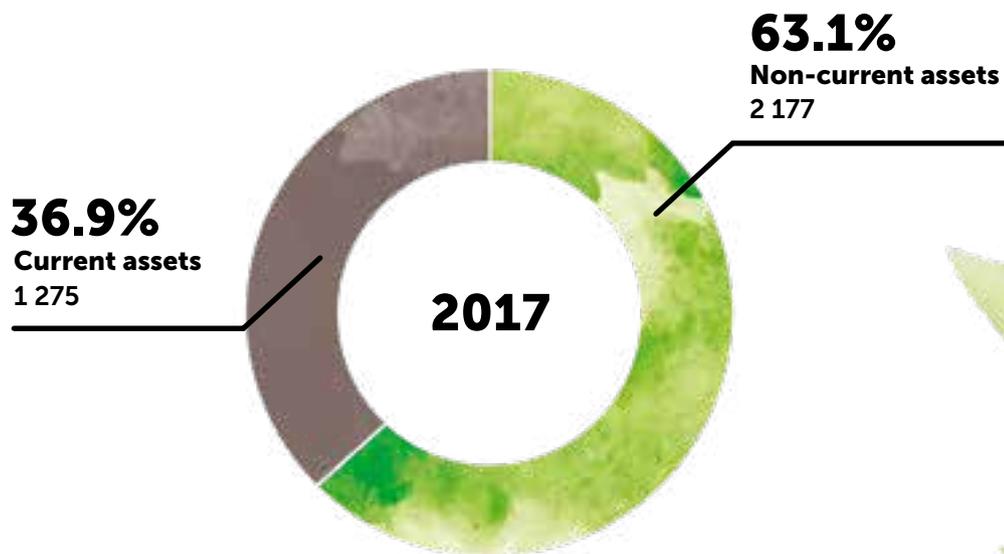
**Total assets** of SPP fell to EUR 3 041 million as at the balance sheet date, down EUR 411 million against the previous period (index of 0.88). Non-current assets amounted to EUR 2 138 million. Among the key items in non-current assets were long-term financial investments and real-estate investments, followed by buildings and plant (including unfinished capital construction).

**Non-current assets** comprised 70.3% of total assets. Compared with the balance as at 31 December 2017, the item 'Buildings, plant, machinery and equipment' fell by EUR 6.4 million (index of 0.91) at net book value. Other non-current assets declined by EUR 32.4 million against the previous period.

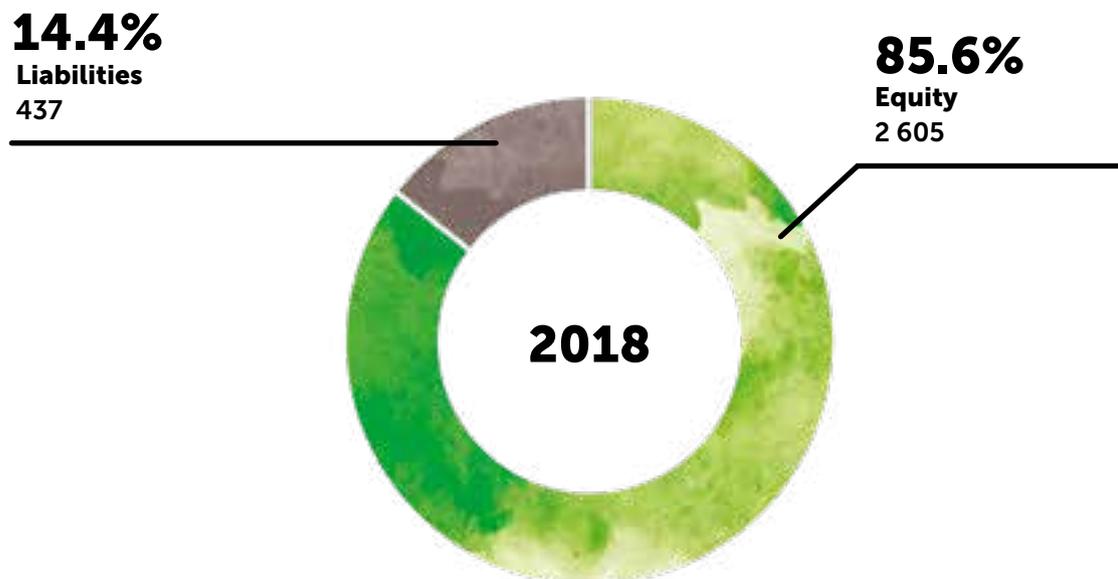
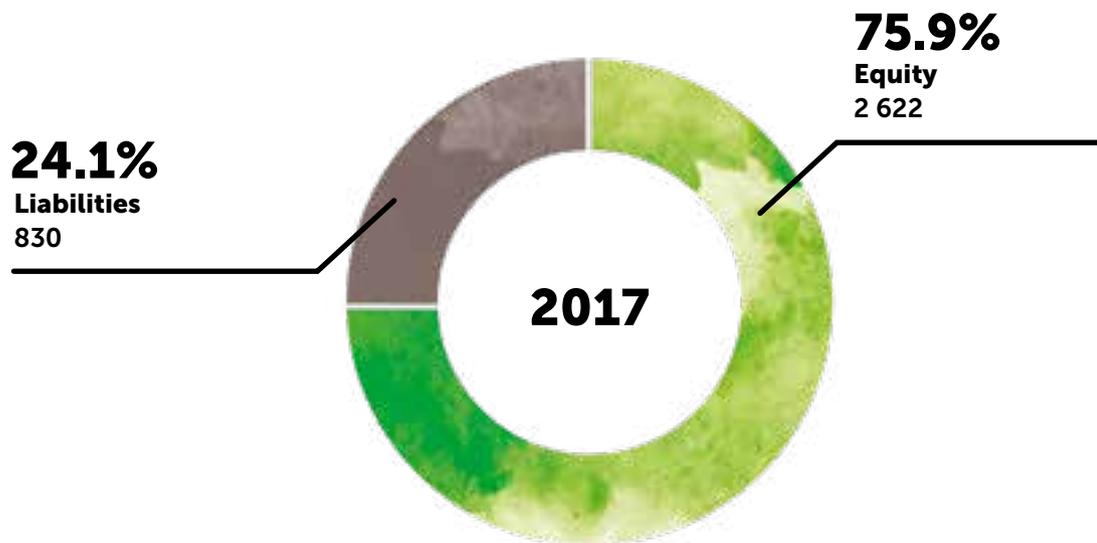
**Capital expenditures** represented EUR 9.4 million in 2018. The company invested mostly in technical, commercial and IT communication systems, and in the reconstruction of SPP's office buildings and facilities.

As at the balance sheet date, **current assets** consisted of receivables, inventories and cash. Their total volume came to EUR 903 million, representing 29.7% of total assets.

**Assets Structure Comparison**  
(in EUR million)



**Comparison of Total Capital Structure**  
(in EUR million)



**Shareholders' equity** amounted to EUR 2 605 million in 2018, representing 85.6% 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 17 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 2018**

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 2018.

In 2018, **liabilities** totalled EUR 437 million, falling by EUR 393 million compared with the initial balance. Total liabilities comprised long-term liabilities of EUR 138 million and short-term liabilities of EUR 299 million.

## Equity Holdings

### **Subsidiaries, joint ventures and affiliated companies**

- |  |                  |
|--|------------------|
| 1. SPP Infrastructure, 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%) |
| 3. Nezisková organizácia EF   | (SPP share 100%) |

The company operates an organisational unit in the Czech Republic.

## Natural Gas & Electricity Trading

### DEVELOPMENTS IN THE NATURAL GAS MARKET

In 2018, total consumption of natural gas in Slovakia fell by about 2% compared to 2017. Among the main factors influencing this result was the weather with temperatures slightly below average for the past decade. Nonetheless, long-term structural decline in gas consumption persists, caused by falling gas-based electricity production. On the other hand, Slovakia's strong economic growth has been positively influencing the trends in gas consumption.

### 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 2018, SPP confirmed its position of energy market leader in Slovakia. In the past year, the company supplied gas and/or electricity to 1.33 million points of supply. The com-

pany's customer portfolio has stabilised. For several years in a row SPP has fulfilled its ambitious plan to increase the number of customers purchasing both natural gas and electricity from the company. Furthermore, in 2018 the company once again succeeded in increasing its total gas market share on a year-on-year basis, to 59%. SPP's total gas sales to end consumers in Slovakia amounted to 30.5 TWh (2.8 billion m<sup>3</sup>) in 2018. The company was once again successful in selling electricity. Since the market was opened up, customers have chosen SPP most as their new electricity supplier. At the end of the year, the company supplied electricity to nearly 190 000 points of supply. SPP's share in the retail electricity supply segment reached more than 8.5% in 2018, ranking the company fourth, right behind traditional electricity suppliers. In terms of customer numbers, SPP is also the largest new electricity supplier in Slovakia. The company once again recorded high year-on-year growth

in the volume of supplied electricity across all market segments in 2018. In total, the supply of electricity in the past year exceeded 1 TWh.

### SPP – GUARANTOR OF RELIABLE AND SECURE GAS SUPPLIES

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 this on multiple pillars. Besides direct contracts for gas purchase, 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 previous years. The com-

pany had once again accumulated significantly higher gas reserves than the law requires of suppliers in Slovakia. For its business needs, or from the viewpoint of a gas supplier operating in a highly competitive market, SPP needs less than half of the gas reserves it stores in underground storage facilities each winter. The second, larger portion, is a strategic reserve serving to cover the needs in the event of any crisis situation in Slovakia. The costs of storing these strategic and security reserves reached EUR 45 million in 2018 period. This financial burden

is borne solely by SPP, without any other energy supplier participating in it.

### **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 attained the position of a major supplier in the Czech market. The volume of gas supplied in 2018 totalled approximately 2.806 TWh. SPP CZ supplies gas to customers in all segments, including gas traders, large

industrial companies, customers in small businesses and organisations segment, as well as households. In 2018, SPP CZ started successfully offering electricity to customers in the households and small customers segment.

### **SPP BUILDS ITS SUCCESS ON CUSTOMER CARE**

SPP once again in 2018 maintained its position as a leader in reliability, availability and high-standard customer service. The company's presence throughout Slovakia is secured by 19 SPP Customer Centres,



the SPP Customer Hotline, SPP Web Chat and SPP Business Line. The company handled a total of 914 000 customer requests via its customer service channels while maintaining a high quality of overall service parameters. In 2018, SPP implemented a new information system aimed at improving the quality of customer services. Presently, the company is preparing a new customer portal to handle requirements from customers of all segments.

#### HOUSEHOLDS

The customers in the Households segment appreciate the security and reliability of SPP as an energy supplier, which was evidenced by their continuing interest in buying gas and electricity from SPP in 2018. Throughout the contractual relationship, the **Two Energies** and **One Energy** products guaranteed to customers the continuously lower energy price levels compared to traditional suppliers.

#### SMALL BUSINESSES & ORGANISATIONS

The company prepared its offering for this consumer segment based on the knowledge resulting from good long-term relationships, regular communication, as well as flexibility in preparing offers for its customers. The provision of unin-

terrupted supply of energy has been and remains a common standard of SPP services. In 2018, 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.

The customers remained interested in the advantageous electricity offer from SPP. The number of the points of supply in the Small and Medium Businesses segment reached 10 000.

SPP likewise offered comprehensive solutions and services in natural gas and electricity supply to cities and municipalities.

#### SPP SERVICES FOR HOUSEHOLDS, SMALL BUSINESSES AND ORGANISATIONS

In 2018, the company continued to offer the **SPP SMARTHOME** product line to its customers. The certified SMARTHOME technologies by SPP make life more convenient, protect against unexpected events and

reduce a household's energy footprint. There was continuing interest in **LED bulbs** from the e-shop run by our partner. An education campaign run by the company under the auspices of the Fire and Rescue Corps and the Slovak Association of Fire Brigade Officers focused primarily on prevention and offered gas leak detectors and smoke detectors to its customers. In 2018, the customers expressed interest in the **Customised Smart Offer** that was tailored to their actual needs, along with personalised energy advice. Thanks to expert data mining, SPP is able to provide energy and advice that is truly tailored to their needs.

In 2018, SPP continued to offer assistance in receiving state subsidy for renewable energy sources (RES) and, in addition to that, it provided extra discounts on unique technologies such as heat pumps, solar panels or a photovoltaic water heating system. The **special-purpose Energoloan** product was available to support the funding of these environmentally friendly technologies. Both the customers and other interested parties could make use of its benefits. We also continued to offer the **general-purpose Energoloan** serving to fund the needs and plans of the company's customers on preferential terms.

Thanks to the **Inspection of Buildings** and **Energy Certification** services, customers were able to ascertain the real condition of properties in technical terms, as well as energy consumption requirements of these buildings. It is possible to check the energy demands of buildings by using the **Thermovision Measurement** service.

SPP provided discounts through the **Advantages Programme**, which offered savings of up to 55% on selected goods and services by renowned brands or the reduction of energy and environmental footprint. At the end of 2018, SPP updated the offer of **Preventive Inspections** of gas boilers. The **Energy Advice** provided by our qualified advisors and their advice in the field of selecting suitable heating systems and possible savings in heating and hot water preparation have already saved our customers considerable funds.

With its partners, the company launched the **Ventilation Shafts and Pipes Cleaning** product for apartment buildings utilising the patented PanelAir technology.

## LARGE BUSINESSES

The success of the company's offering for large businesses was built on expertise, long-term good relations,

continuous communication, and on the guaranteed secure and uninterrupted supply of energy. Thanks to favourable deals and flexibility in setting up individual solutions for consumers, a number of key customers returned to SPP's customer portfolio in 2018. SPP's major competitive advantages include, among others, the volume of gas reserves in storage facilities and the signed contracts for gas supply to Slovakia. Alongside this, the company has long been providing energy consulting to large industrial clients. SPP assisted entities that are required to prepare an energy audit under the Energy Efficiency Act by continuing to offer them this service in 2018.

## PRICES AND REGULATION

In 2018, 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 (RONI). From 1 January 2018, prices for customers in this segment remained unchanged against 2017. The price changes occurred only based on the RONI decision of 1 December 2018, when the average end price of gas rose by 6.0%. In 2018, the prices of gas supplied to Small Businesses were likewise subject to price regulation. A small business was defined in 2018 as an end gas customer in

the Small Businesses and Organisations category with consumption not exceeding 100 000 kWh in 2016.

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 2018 to be subject to price regulation by the Regulatory Office for Network Industries.

## PURCHASE AND STORAGE OF NATURAL GAS

In 2018, the continuing purpose of purchasing natural gas was to supply the domestic market. SPP made purchases based mostly on the long-term contract signed with Gazprom export. The gas reserves were stored in underground storage facilities, leased by SPP from NAFTA a.s. The storage capacity exceeded the volume needed to meet the needs of SPP customers, while ensuring continuous supply to the domestic market, particularly during the winter season, and serving as a reserve in the event of emergency.

### COMPRESSED NATURAL GAS (CNG) SALES

In 2018, SPP CNG s.r.o., a 100% subsidiary of SPP, continued to develop and support CNG activities in Slovakia, providing continuous and reliable operation of its network of CNG filling stations.

CNG sales totalled 3.21 million kg in 2018. The lower sales compared to 2017 were due mainly to lower CNG consumption correlating to the life cycle in the project for CNG deployment and operation in public transport companies.

Conversely, the company saw a significant rise in CNG sales in 'other than public transport companies' customer segment of almost 20%.

In 2019, the company expects the initiation of the construction of an CNG filling station in Trnava while new projects are planned in the vicinity of Bratislava.

SPP continues in implementing the **fuelCNG** project, which is supported by the European Union's financial grant under the Connecting Europe Facility (CEF) in an amount of almost EUR 15.7 million. The implementation of the fuelCNG project will add **14 new CNG filling stations** serving passenger and freight

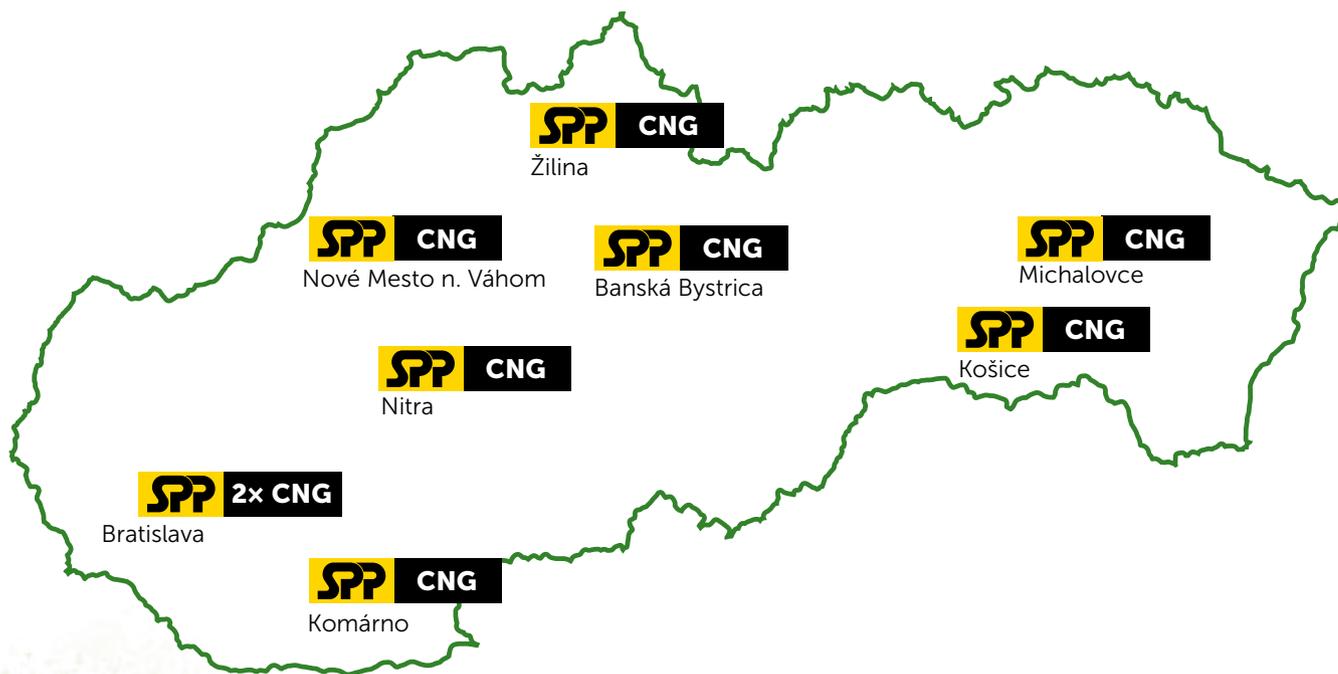
transport along the D1 and D2 highways and **3 new LNG filling stations** (Liquefied Natural Gas), used mostly in heavy freight transport. The project also includes building the first facility in Slovakia for liquefaction of natural gas, thereby creating the preconditions for supplying LNG to all transport 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.

At the end of 2018, SPP organised test runs of trucks running on liquefied natural gas (LNG) in collaboration with IVECO and SCANIA. Twelve IVECO and SCANIA customers tested LNG trucks on their transport routes, travelling 11 000 km in total. The test runs yielded valuable data on real LNG fuel consumption. The subsequent calculation and comparison of the economics of operating an LNG truck versus a diesel truck demonstrated economic benefits favouring LNG trucks.

In cooperation with the University of Žilina, SPP also performed exhaust gas emission tests. The results showed that LNG significantly reduces the environmental burden of freight transport. Unlike a comparable diesel truck, an LNG-powered truck does not produce any harmful and polluting nitrogen oxides or dust particles, while generating significantly lower CO<sub>2</sub> emissions.

**CNG FILLING STATIONS IN SLOVAKIA  
IN 2018**



## Human Resources

The mission of the Human Resources Department at SPP is to put in place the kind of tools that boost motivation and use of the potential of all employees, and thereby contribute to fulfilling the vision, mission, and strategic goals of the company.

In 2018, the company focused its human resources management mainly on activities supporting the transformation project, which aims to prepare SPP for the creation of a platform covering the government's activities in the field of the energy sector. The company underwent a major change in its organisational structure, which reflects the company's future organisation in the case that the energy platform will be implemented, while optimising the company's management levels and processes.

An important activity in 2018 was a review of the remuneration system aimed at setting up and maintaining a fair, transparent and competitive remuneration policy.

### EMPLOYEE RELATIONS

SPP provides benefits to its employees in accordance with the applicable Collective Agreement governing the entire range of benefits aimed primarily at regeneration, culture and sport. The company provides days off for regeneration and extra holidays. SPP also does not forget to support employees in difficult life situations in the form of providing them financial assistance. It also provides its employees with contributions to supplementary pension savings.

In 2018, the company continued to strengthen and deepen its relationships with employees by organising the 3<sup>rd</sup> annual SPP Corporate Games. Sports activities, combined with fun competitions, created a space for spending time together. At the end of the year SPP prepared for its employees and their families the traditional Angelic Christmas event in three regions of Slovakia (Bratislava, Zvolen, Košice). More than 1 200 people attended these events. After the return of the Slovak Paralympic athletes from the XII Winter Paralympic Games in PyeongChang, the company organised a joint meeting. SPP is keen to inspire its employees by stories of successful athletes and motivate them in overcoming their everyday obstacles. The company

has long provided artistically inclined employees, and their family members a space in a small gallery in Bratislava to present their various works of art within the framework of the Artists Among Us project.

### DEVELOPMENT AND EDUCATION

As a priority, in 2018 the company focused employee development and education on developing skills strengthening, in employee behavioural patterns, customer-oriented behaviour and supporting innovative thinking, proactivity, employee initiative, as well as coping with changes.

In September 2018, SPP once again organised the Health Days. Employees in Bratislava, Zvolen and Košice attended interesting lectures and consultations with experts, the goal of which was to test the health of employees and provide them with practical medical information and information on daily health care.

Collaboration between SPP and university and secondary-school students continued in 2018 in the form of internships and assistance in the preparation of bachelor's and master's theses. In 2018, the company again recruited university students into the Graduate Programme.

The development programme for High Potentials – employees with promising skills – continued in 2018. The training sessions focused primarily on the development of presentation skills. In 2018, the High Potentials group finished working on two projects on the topic: Improving Customer Satisfaction and SPP Brand in the Eyes of Employees.

### EMPLOYEE STRUCTURE

As at 31 December 2018, SPP had a total of 681 employees (721 employees as at 31 December 2017). Of those, 452 were women – representing 66.4% of the total workforce.

### EMPLOYEE QUALIFICATION STRUCTURE AS AT 31 DECEMBER 2018

basic education	2	0.29%
secondary vocational education	18	2.64%
complete secondary education with leaving exam	238	34.95%
university degree	423	62.12%

### EMPLOYEE AGE STRUCTURE AS AT 31 DECEMBER 2018

younger than 30	38	5.58%
31 – 40	175	25.70%
41 – 50	250	36.71%
older than 50	218	32.01%

The average employee age as at 31 December 2018 was 44.94 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, in dealing with them, to be governed by the provisions of the law and the internal directive,
- to receive and resolve complaints involving any violation of ethical principles – SPP Code of Conduct.

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

No case was recorded in 2018 that would involve serious antisocial activity at a workplace. In the field of ethical principles, the complaints filed by employees were resolved as they occurred.



## Social Responsibility

### SPP – A BRAND WITH A SENSE OF RESPONSIBILITY

In terms of philanthropic activities, SPP ranks among the most significant socially responsible businesses 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.

### PROTECTING CULTURAL HERITAGE

SPP has long been a partner of the Cultural Monument of the Year competition declared 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 thirteenth year of this competition saw 12 project applications, of which the panel of experts nominated for further evaluation 11 renovated monuments from all over Slovakia. In addition to the 2017 Cultural Monument title, the win-

ners received a symbolic bronze statuette of the mythical bird Phoenix and a financial gift from Nadácia SPP amounting to EUR 8 300. The 2017 Cultural Monument and the winners of the Phoenix Award became **OZ Katarínka for the reconstruction of the tower of the Church of St. Catherine of Alexandria near the village of Dechtice**, the **civic association Vyšehrad** for the comprehensive **renovation of the wooden bell tower** located in **Vyšehradné**, a borough of **Nitrianske Pravno** municipality. The **Jewish Religious Community of Žilina** was also awarded the Phoenix Statue for closely cooperating with the **Truc sphérique civic association** and participating in the renovation of the **Behrens Synagogue in Žilina**. Finally, an award was also given to the **Zerdahelyi family for comprehensive renovation of the mansion in Koniarovce**.

To promote the main competition under the Cultural Monument of the Year, for the fifth time the company organised on its Facebook page Your SPP the public vote on the most beautiful renovated monument. The winner received the LIKE statuette at an official award ceremony. The public chose their favourite from among ten nominated monuments. People were able

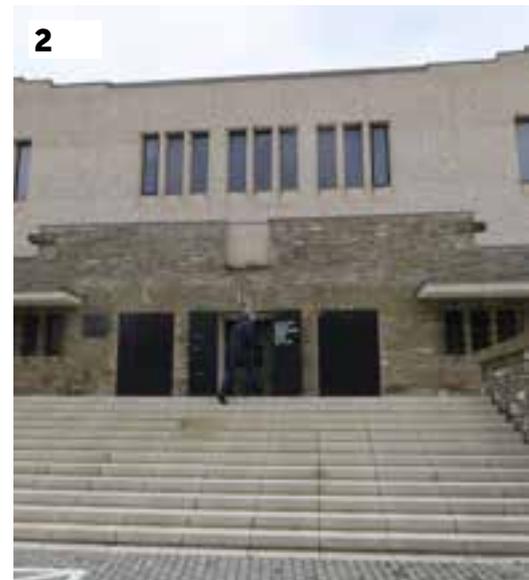
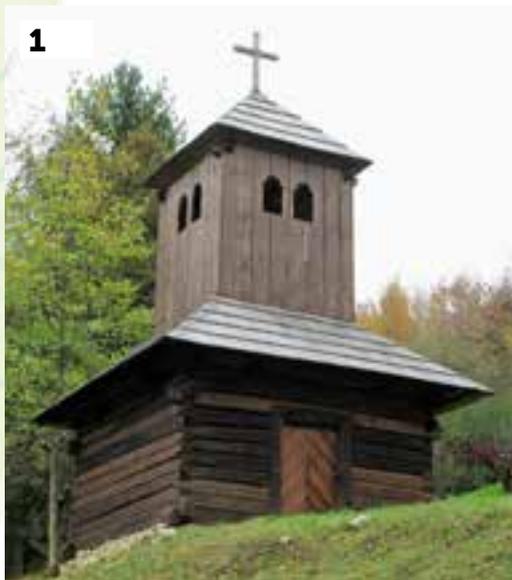
to see their stories on the SPP Monument of the Year website. Almost 9 000 people took part in the public vote. The winner was the **tower of the Church of St. Catherine of Alexandria near the village of Dechtice**, which received more than two thousand three hundred votes.

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 museum of its kind in Slovakia and with more than 400 exhibits, it has been visited by almost 48 000 visitors over that time. The tour of the museum starts with a new documentary on the history of gas industry in Slovakia – **In the Light of Gas Lamps**. 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 period atmosphere of the most important factory official in the gas plant at the beginning of the 20<sup>th</sup> 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 19<sup>th</sup> century.

**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 of art from textile and glass were displayed here. In 2018, visitors admired works by nine prominent artists, such as Pavol Bradovka, Pavel Cicka, Melita Gwerková, Pavel Hajko, Karol Ondrejčíka, Stano Trepáč, Lubo Špirko, Marian Vida, including the representative of the youngest generation of fine artists – Marek Jarotta.

- 1** Wooden bell tower in Vyšehradné, a borough of Nitrianske Pravno municipality
- 2** Behrens Synagogue in Žilina
- 3** Mansion house and garden in Koniarovce
- 4** The Franciscan Monastery – ruins of the Church of St. Catherine of Alexandria near the village of Dechtice



## NADÁCIA SPP PROJECTS BRING REAL CHANGE

SPP has been involved in philanthropic activities since 2002, mostly through Nadácia SPP (SPP Foundation). The main goals of the foundation include the protection and promotion of spiritual, cultural and moral values in Slovakia. The foundation supports active people who wish to change their environment for the better, find new solutions to problems, search tirelessly for new approaches to long-term sustainability or take care of their communities and regions.

Nadácia SPP has long provided support in the following areas:

- a) health protection and promotion; prevention, treatment, resocialisation of drug addicts in the field of healthcare and social services,
- b) promotion and development of physical culture,
- c) provision of social assistance,
- d) preservation of cultural values,
- e) promotion of education,
- f) protection of human rights,
- g) protection and creation of the environment,
- h) science and research,
- i) organisation and mediation of volunteering activities.

In 2018, Nadácia SPP financially supported a total of 419 projects with the aggregate funding worth about EUR 3.6 million. Nadácia SPP continued in its long-term activities and supported projects submitted by the Slovak Paralympic Committee, the civic association To Children for Life (Deťom pre život), the non-profit organisation To Children with Cancer (Deťom s rakovinou) and others. Nadácia SPP also became a partner of the series of 2018 Bratislava Jazz Days events and theatrical performances in the GUnaGU Theatre. It cooperated with the civic association DOMOV DÚHA (HOME RAINBOW) in the project aimed to provide assistance to Bezpečný ženský dom DÚHA (Safe House for Women RAINBOW) and with the civic association Stará jedáleň (Old Dining Room) in the project called Old Dining Room – an extraordinary centre for children and youth in an ordinary Bratislava residential area. The foundation further broadened its partnership with the civic association Okraj (Edge), which is the founder of a protected workplace for homeless disabled people. It also financially supported a project of the Sisters of Mercy Hospice in Trenčín. 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 to implement the **OPORA** grant programme in 2018. In 2018, the programme was aimed at supporting, among others, the creation and implementation of individual personality development plans for clients in social care facilities. Up to 74 clients in specialised facilities were supported in 2018 with a total amount of EUR 40 000.

The new programme announced in 2018 was the SPPPravmeTo (SPP Let's Do It) grant scheme. The new SPPPravmeTo grant scheme aimed to help motivate children and young people between 6 and 19 years of age to take an active approach towards the environment in which they live, to develop social and physical skills and to support their mutual relationships. Nadácia SPP, therefore decided to support interesting public-beneficial activities for children and youth across Slovakia. Financial subsidies were awarded to the most beneficial projects in the field of culture, education and sports. Support was also given to projects aimed at developing envi-

ronmental education and improving the environment. In 2018, 45 interesting projects were supported under this new programme with a total amount of EUR 40 000.

### **NADÁCIA SPP ONCE AGAIN DEMONSTRATED ITS TRANSPARENCY**

In 2018, Nadácia SPP received for the second time a certificate for its open approach to publishing information on its activities. The certificates are awarded annually by the Association of Corporate Foundations and Endowment Funds (ACFEF) in cooperation with KPMG Slovakia. ACFEF is an informal platform established in 2013 to contribute to maximising efficiency and transparency in achieving a community-benefit purpose, cultivation of the foundation environment and to promote corporate donorship in Slovakia. With the aim of enhancing the transparency of the environment of corporate foundations and endowment funds, in 2015 the Association of Corporate Foundations created the Transparent Corporate Foundation and Endowment Fund Code, with all members of the association undertaking to observe it.

### **HELPING IS PART OF SPP'S CORPORATE CULTURE**

In 2018, Nadácia SPP announced the 13<sup>th</sup> 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. Thanks to greatly simplified conditions compared to previous rounds, 32 employees of SPP received financial support for various public beneficial projects totalling EUR 20 000. The employees expressed their solidarity by voluntarily contributing to collections such as the White Crayon for the Union of the Blind and Visually Impaired of Slovakia and the Daffodil Day organised by the League against Cancer. In the past year, employees engaged in charity sales of children's pictures included in the art competition of prof. Karol Ondreička – The Month of Children's Creation. The 19-year-old partnership with the civic association Turtles has brought fruit each year. By purchasing the works of art painted by children with troubled life stories, employees contributed to their future activities and to developing their talents. SPP is proud of the group of the company's employees who voluntarily and almost regularly participate in blood donation, helping by donating the most precious thing.

### **EKOFOND ACTIVELY WORKING TO IMPROVE ENERGY EFFICIENCY AND THE QUALITY OF PROFESSIONAL EDUCATION IN THE ENERGY SECTOR AND ENERGY SERVICES**

Since its founding in 2007 by SPP, EkoFond, a non-investment fund, has been providing financial support to projects for efficient use of energy, education, environmental protection and awareness-raising activities in these fields. The fund has already provided more than EUR 12 million to various projects under the implemented activities, programmes and grants. As a community-benefit and active company, SPP accentuates its CSR policy through EkoFond, setting an example to other businesses not just in Slovakia. In 2018, the core activities of EkoFond involved mainly activities associated with vocational training, as well as providing support for the implementation of projects aimed primarily at improving energy efficiency and supporting the development of Slovak cultural and historical traditions.

### **OUR OWN PROJECTS**

An important part of educational activities pursued by EkoFond, a non-investment fund, are activities aimed at supporting the education process at secondary technical vo-

cational 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 specifying 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 graduates not just 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 skills, knowledge and competences, they will receive their vocational and graduation certificate, after which they will get their electrical engineering qualification and take welding exams. In addition to this, they should be able to provide energy and advisory services appropriate to

their experience and expertise. The development of this study course continued in 2018. A total of seven secondary vocational schools have this study course approved for teaching and more secondary schools are showing interest in including this subject. Given the interest among experts from practice 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, and for professional training foremen. A group of first-year students of this study course at the Secondary Technical School in Prešov have been participating, along with their school, in the dual education system since September 2018. This step is a result of the long-term and successful collaboration between the school and small and medium-sized enterprises.

#### **INTERNATIONAL PROJECTS**

In 2018, the fund ended the implementation of the **EDES** international project. Its main task was to harmonise the basic and cross-sectional skills of students at secondary vocational schools specialising in electrical engineering and power industry, to contribute to the development of



the dual system for vocational education and training, while the main target audience was the segment of small and medium-sized enterprises operating in the power industry 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 of this survey and information on the conditions of cooperation between small and medium-sized enterprises and secondary schools and on the education of new experts acquired from foreign partners of the EDES project from Austria and the Czech Republic became one of the pillars for the creation of the development concept of the dual education system for small and medium-sized enterprises in the energy and electrical engineering segment and became a starting point and part of the work implemented by working groups

set up by the Ministry of Education, whose task was to work on updating legislation governing vocational education and training. The amendment to the Vocational Education and Training Act entered into force in July 2018.

Another major output from the project is the creation of 6 new textbooks that will be used not just 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 at companies or to vocational training foremen at secondary vocational schools is a substantial output of the EDES project. The financial contribution totalled almost EUR 213 000.

Another project, in whose implementation EkoFond got involved back in 2017, is the **SEER** Project (Towards Sustainable and Energy Efficient Real Estate Education and Training). 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.), with one of its aims being to map the current situation in the countries of project partners in the field of education aimed at energy efficiency and sustainable energy generation for this segment, to identify educational needs and to design new educational activities. One of the first steps in this project was to conduct a survey aimed at the selected group of persons operating in the real-estate segment, in particular from among real-estate agencies and entities active in facility management. The survey results will be used to prepare an education and training proposal for the real-estate sector. The project will be completed in 2019.

## **PARTNERSHIP PROJECTS**

Based on a decision of the fund's founder – SPP, there were in 2018 again created the conditions for supporting a number of partnership projects. Support was thus given for organising several conferences focusing on topics related to the core activities of EkoFond. In addition, projects by various cultural institutions with long-term investment debt in the field of their energy management were supported. The fund supported these projects

in an amount totalling almost EUR 200 000.

The cooperation with Nadácia SPP was stepped up in 2018, with a focus mainly on supporting projects for the development and protection of cultural values associated with supporting the Slovak folk traditions in accordance with the applicable legislation.

### **OCCUPATIONAL HEALTH AND SAFETY**

In 2018, SPP continued to manage activities in the field of occupational health and safety under its long-term goal to achieve a high level of occupational safety and health projection for all employees at the company's workplaces with concurrent application of these principles towards its partners.

The objectives and control activities in the field of OHS, reflecting the diversity of workplaces and activities, set in the previous years, have been respected and successfully followed. More attention has been paid to specific factors of the working environment and to consistent implementation of corrective measures to address the identified shortcomings and their "return" factor. Through an active risk identification process, SPP put pressure

on managing and eliminating these risks. By consistently requiring observance of OSH principles, the effectiveness of the OSH management system has improved, while achieving compliance with legislative and internal requirements.

SPP continued in creating a safe working environment and conditions for its employees that went beyond the basic standards. Efforts toward the consistent application of adopted measures and feedback from them resulted in greater employee awareness of safe behaviour not just towards themselves but also towards their surroundings. In contrast to the two occupational injuries that occurred in 2017, no work injury was recorded in 2018. This evidences the effective approach and long-term pro-active policy of SPP towards employees in the field of OHS.

No other extraordinary event occurred in 2018 at SPP's workplaces that would pose significant potential risk to the health of employees or damages to the company's property or the environment.

SPP has been a holder of the **ISO 9001:2015** quality management system certificates and the **ISO 14001:2015** environmental management system certificate since

2015. In 2017, the management system was supplemented with the occupational health & safety management system certificate in accordance with the **OHSAS 18001:2007** international standard. In 2018, SPP achieved confirmation of these certificates applied in the company's Integrated Management System in gas and electricity sales activities. SPP, as a major player in the gas and electricity market, plans to demonstrate in the future its continued efforts to improve access to OHS and environmental protection based on the strictly set rules of how the company operates.

### **ENVIRONMENTAL PROTECTION**

Environmental protection formed the part of the company's priorities in 2018 and due attention was paid to it. The introduced environmental management system went through the recertification audit in 2018 as per **EN ISO 14001:2015** standard, by which the company confirmed compliance with requirements of the applied standard. The system has proven itself an appropriate tool for achieving the environmental and economic objectives, managing significant environmental aspects and achieving compliance with binding requirements aimed at improving environmental behaviour.

SPP actively contributes to improving 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 high operational level and rigorous inspections of the operated technical facilities, along with investments in this field, have created the prerequisites for reducing emissions in all monitored pollutant substances released into the atmosphere over the course of 2018.

Waste management at SPP is a targeted process aimed at complying with environmental protection principles with the maximum possible waste recovery. The 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 constantly applies a rigorous approach and pays 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.

## Events of Special Significance

There were no events occurring after 31 December 2018 that would have a significant impact on the company's Annual Report.

## Individual Financial Statements of SPP

(selected data in EUR million)

	Year ended 31 December 2018	Year ended 31 December 2017
Revenues from customer contracts	1 540	1 509
Other gains and losses	(11)	1
Purchase of natural gas, purchase of electricity and consumption of material and energy	(1 484)	(1 407)
Depreciation and amortisation	(7)	(7)
Strategic security reserves of natural gas	(45)	(42)
Storage of natural gas for trader's purposes and other services	(57)	(59)
Personnel costs	(27)	(27)
Adjustments to bad or doubtful receivables, net	5	(4)
Provisions and impairment losses, net	(17)	(6)
Profit/(loss) from investments	444	379
Cost of financing	(4)	6
<b>Profit/(loss) before tax</b>	<b>337</b>	<b>343</b>
Income tax	(23)	(24)
<b>PROFIT FOR THE PERIOD</b>	<b>314</b>	<b>319</b>

# Consolidated Financial Statements of SPP Group

(selected data in EUR million)

	Year ended 31 December 2018	Year ended 31 December 2017
Revenues from customer contracts	1 596	1 571
Other gains and losses	(11)	2
Purchase of natural gas, electricity and consumption of material and energy	(1 539)	(1 466)
Depreciation and amortisation	(7)	(7)
Strategic security reserves of natural gas	(45)	(42)
Storage of natural gas for trader's purposes and other services	(60)	(61)
Personnel costs	(28)	(28)
Adjustments to bad or doubtful receivables, net	4	(4)
Provisions and impairment losses, net	(16)	(5)
Profit/(loss) from investments	(4)	1
Share in profits of affiliated companies and joint ventures	318	310
Cost of financing	(4)	6
<b>Profit/(loss) before tax</b>	<b>204</b>	<b>277</b>
Income tax	(23)	(24)
<b>PROFIT FOR THE PERIOD</b>	<b>181</b>	<b>253</b>
Net profit belonging to:		
SPP shareholders	181	253
Minority holdings of other owners of subsidiaries	–	–
<b>Total</b>	<b>181</b>	<b>253</b>

# Independent Auditor's Report

## Deloitte

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

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

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

**Slovenský plynárenský priemysel, a.s.**

### 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 separate financial statements of Slovenský plynárenský priemysel, a.s. (the "Company") as at 31 December 2018 presented in appendix of the accompanying annual report of the Company. We issued an Auditor's Report on the Audit of Financial Statements dated 10 April 2019 in the wording as follows:

#### REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

##### Opinion

We have audited the separate financial statements of Slovenský plynárenský priemysel, a.s. (the "Company"), which comprise the balance sheet statement as at 31 December 2018, 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 separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 Separate 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 separate 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 separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

##### Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

This is an English language translation of the original Slovak language document.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/sk/about](http://www.deloitte.com/sk/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, transaction advisory and legal services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 245,000 professionals are committed to making an impact that matters.

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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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 2018 in appendix of the accompanying annual report of the Company. We issued an auditor's report on these consolidated financial statements dated 10 April 2019 as follows:

#### **REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

##### **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 2018, 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 2018, 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.

##### **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.

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 2018 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, 16 May 2019



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

On behalf of  
Deloitte Audit s.r.o.  
Licence SKAu No. 014

## 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 Line  
Phone: 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 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, 0911 704 489  
(weekdays from 11 a.m. to 6 p.m.)  
E-mail: galeria@spp.sk  
Entry to the gallery is free of charge.







Mlynské nivy 44/a  
825 11 Bratislava  
Slovak Republic  
[www.spp.sk](http://www.spp.sk)