

A stylized illustration of a green landscape. It features rolling hills in various shades of green, a large tree on the left, and a city skyline with several skyscrapers and two wind turbines on the right. The entire scene is framed by a thick, wavy green border that resembles a leaf or a ribbon.

# INDIVIDUAL ANNUAL REPORT 2019





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# FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



## DEAR LADIES AND GENTLEMEN,

In many respects, the year 2019 marked the beginning of fundamental changes in the European energy sector. At its end, the Member States of the European Union (EU) reached an agreement, with the exception of Poland, on achieving carbon neutrality by 2050. The new European Commission introduced the so-called Green Agreement, a package of measures expected to intensify efforts by individual EU Member States in the field of climate change and environmental protection. The European Investment Bank announced its decision to stop funding any fossil fuel projects after 2021. The planned changes and accelerating developments in the field of the EU's energy and climate policy

will bring challenges for the Slovak gas industry. As a leader in the Slovak energy market, SPP embraced these new challenges in 2019. Today, we are ready to keep developing further the ongoing, as well as wholly new projects focused on green energy, energy efficient services and eco-mobility. Our new vision and strategy, which we have adopted, fully accept the global trends and expectations associated with the development in the energy market, while respecting the real needs of SPP customers with the clear goal of ensuring their satisfaction with our services.

It is undoubtedly the replacement of coal with gas that may contrib-

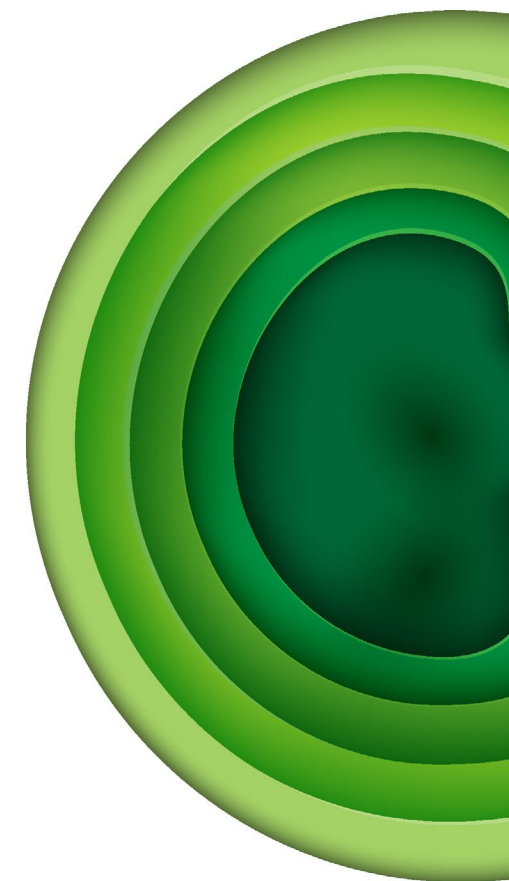
ute in the coming years to air protection and reduction of greenhouse gas emissions in Slovakia. Whether in electricity and heat production or with respect to more active use of compressed (CNG) and liquefied (LNG) natural gas in transport. However, in the long term we consider it necessary to speed up both the institutional and legislative support for the development of the so-called green gases, i.e. biogas or biomethane, the utilisation of waste for power generation purposes and, last but not least, the use of hydrogen. The ability of the existing gas infrastructure to provide transmission of these new gases to customers is likewise considered significant. The issue of closer cooperation and interconnection of gas and electricity markets remains open today.

Last year, SPP confirmed its position of an energy market leader in Slovakia with more than 1.3 million points of supply. The number of customers purchasing gas and electricity from the company continued growing. Moreover, SPP remained the first choice for customers who decided to switch to a new electricity supplier. We are pleased with this success, especially given the fact that we operate on this market in a competitive environment with naturally dominant players whose customer portfolio size

stems from the fact that they "inherited" this portfolio from the past as former exclusive providers of services in the electricity sales market. The share of SPP in the households segment of the electricity market reached nearly 9% in 2019, ranking the company fourth among electricity suppliers to households. At the end of 2019, we supplied electricity to approximately 200 000 points of supply. We value the trust our customers have shown us and I would like to thank them for using SPP's services.

We at SPP are well aware of our responsibility as a market leader. This status, though, also allows us the opportunity to address the latest topics that are, in the long run, of a strategic nature not just for the company, but also for society. As a reliable supplier of gas and electricity, SPP wishes to develop and build up the company as a major player in the field of renewable energy sources, which we consider a means for improving the quality of the environment. As I have already outlined, the new strategic vision is closely associated with the promotion of green, energy-efficient solutions. Not just on paper, but by implementing specific practical steps and measures.

We are well aware of the fact that our customers are changing and ex-



pect us to introduce new services and other innovations. We are ready to convince in particular our younger customers that buying energy from SPP is the right choice for them, not only in terms of reliability but also as regards environmental protection.

Our new activities in acquiring the status of a buyer of electricity produced by renewable energy sources (RES) or highly efficient combined heat and power (CHP) sources are in line with the vision of gradually turning SPP into a major player in the field of renewable energy. Our success in the auction for the buyer of electricity coming from RES and CHP sources in the autumn of 2019 made SPP an important player not just in the field of gas and electricity trading, but also in the field of green energy trading. This will allow us to fulfil our visions in the future by gradually expanding the offered comprehensive energy services.

Last year, our company expanded further its range of services and products guaranteeing SPP customers not just reliable and secure energy supplies, but also bringing real savings of time, energy and money while enhancing their personal safety, as well as the safety of their homes. We are delighted to see positive customer feedback to our fair product No-Ties Electricity for Loyal Customers. The portfolio of

SPP services includes, among others, the inspection of buildings, energy audits, advice on applying for RES subsidies and SPP SMARTHOME – an offer for comprehensive implementation of smart home projects.

The end of 2019 saw uncertainty in the energy sector associated with unpredictable development in the relationship between Russia and Ukraine. With the active participation of the European Commission, the open issue of future gas supplies was resolved by agreement between both countries, resulting in new stability. Under this agreement, the transit of natural gas to the European Union through the territory of Ukraine will continue in 2020. Moreover, this 5-year contract includes a clause on the option to extend the contract for an additional ten years. In connection with this agreement, other related trade disputes between Gazprom and Naftogaz have also been settled. Regardless of these negotiations, SPP over the summer was already responsibly preparing for the winter season. As the only guarantor of reliable and secure gas supplies, not only for our own customers, at the start of the heating season we were able to confirm that our storage capacity in underground gas storage facilities was filled to the maximum usable capacity. In addition to the storage capacity

in the underground storage facilities for our own customers, SPP also had available storage capacity in the form of the so-called strategic reserve to cover any potential emergencies in case of any threat to Slovakia's energy security. On the other hand, though, this comes with significant financial expenses. It is important to note that these are the expenses that are borne by SPP alone, with no other energy supplier participating in covering them.

In addition to its strategic and business roles, SPP also fulfilled a leading role in the field of philanthropic projects. We supported activities in this area by establishing the new non-profit organisation – Nezisková organizácia EF. Thanks to Nadácia SPP and EkoFond, hundreds of various projects were implemented over the past twelve months and many positive creative ideas were turned into reality throughout Slovakia. In 2019, Nadácia SPP was awarded the Transparent Corporate Foundation Certificate for the third time. The award is given by the Association of Corporate Foundations in cooperation with KPMG. The status of Nadácia SPP in this field confirmed the active fulfilment of the Criteria of the Transparent Corporate Foundation Code and the Code of Ethics, to which we subscribe. However, I consider the con-

tinuous support and our partnership with the Slovak Paralympic Committee as equally important. We also became a proud partner of the Slovak Olympic and Sports Committee. I believe that we will contribute to making both our sports teams successful at the coming 2020 Summer Olympic and Paralympic Games, which will be held in Tokyo, Japan.

**Dear Ladies and Gentlemen,** I would like to conclude my foreword by once again thanking our customers for their trust and cooperation over the past year. In the coming months, we stand ready to perform all our tasks and business activities responsibly, professionally and by taking into account the needs of all of our clients, whether they are companies employing thousands of people, small businesses, or households. We wish to create for you all a cosy home and pleasant working conditions by offering quality, innovative services and products. Our goal is to get even closer to you, and this not just by focusing on meeting your individual energy needs, but also personally by modernising our contact centres. Equally, I would like to thank our employees for their cooperation in 2019. Every company is only as strong as are its wise, teachable and motivated employees. Last but not least, a big thank-you goes to our business

partners who identified with us in our common goal – a strong and stable company with satisfied customers.

Thanks to all of you – employees, customers and business partners, SPP improved its forecast financial results for 2019 period in the field of operations by almost 25%.

At the same time, as part of its long-term transformation process the company was able to move towards a

positive financial result in 2020, i.e. to a green bottom line for the first time in history. The adopted systematic changes will allow SPP in the coming years to maintain this trend of improved financial results, thereby ensuring higher value of the managed assets for the 100% shareholder of SPP, which is the Slovak Ministry of Economy.

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 more than 1.3 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., Nezisková organizácia EF 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.

The sole shareholder of SPP, exercising the powers of the General Meeting, elects the members of the Board of Directors and the Supervisory Board. The CVs of the members of the Board of Directors, Chairman of the Supervisory Board and CEO of the company are published on the SPP website.

The Board of Directors of SPP manages the company's activities and makes

decisions on all matters, unless they are reserved by legal regulations or the Articles of Association for decision-making to the General Meeting or the Supervisory Board.

The Supervisory Board is the supreme control body of SPP. It supervises the exercise of powers by the Board of Directors and the conduct of business activities by the Company. One third of the Supervisory Board is elected by SPP employees, i.e. three members.

The calculation of the remuneration paid to the members of the Board of Directors and the Supervisory Board of SPP is governed by the Remuneration Rules for the Members of the Board of Directors and Supervisory Board of



SPP approved by the General Meeting. These rules are based on the Slovak Government Resolution no. 159 of 2 March 2011 – Rules Governing the Selection, Management and Remuneration of State Representatives in the Bodies of State-Owned Companies.

At the same time, the members of the Board of Directors are all assigned a benefit car with respect to the performance of their duties of a BoD member, and this in accordance with the Discharge of Office Agreement approved by the decision of the sole shareholder of SPP.

## IMPLEMENTATION OF THE CODE OF CORPORATE GOVERNANCE

In 2019, SPP made significant progress in the field of setting corporate governance rules for the management of state-owned companies, by which the company aims to promote transparency and responsibility in corporate governance in line with OECD recommendations. In cooperation with an external consultancy, an analysis of the corporate governance structure, procedures and management systems in SPP and the company's 100% subsidiaries was prepared and subsequently compared with OECD requirements. Despite the findings confirming that SPP has long met the set criteria in many areas, there were 23 areas identified with potential for improvement. In this respect, the Board of Directors approved the immediate implementation of specific action steps, with the implementation of a significant share of these steps having already begun by the end of 2019. The fulfilment of the remaining tasks is defined by precisely established deadlines and implementation methods. SPP's overall compliance is regularly monitored and published on the company's website. SPP fully identifies and proceeds in accordance with the proposed Code of Corporate Governance for State-Owned Companies in Slovakia.

# 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**

Ing. **Milan Hargaš**

Ing. **Ján Szalay**

# EXECUTIVE MANAGEMENT

Chief Executive Officer

Ing. **Štefan Šabík**

Chief Sales Officer

Ing. **Richard Prokypčák**

# SUPERVISORY BOARD

## CHAIRMAN OF THE SUPERVISORY BOARD

Dr.h.c. Ing. **Tibor Mikuš**, PhD., since 3 May 2019

Mgr. **Maroš Čislák**, until 2 May 2019

## MEMBERS

JUDr. **Matúš Bušniak**

Ing. **Miloš Dančo**

JUDr. **Peter Dráč**

Ing. **Michal Ďurkovič**

Ing. **Valéria Janočková**

Ing. **Dionýz Kaszonyi**

Ing. **Robert Maguth**

**Viera Uhrová**



# COMPANY VISION AND GOALS

The vision of SPP is built on five pillars: customer, sale of commodities, service provider, investments and stability. In 2019, the company introduced its **new long-term 2030 vision**, the main goal of which is to turn the company into a leader in providing comprehensive utility solutions for industry, the public sector and households, with an emphasis on the environment.

## THE CUSTOMER

SPP's goals are determined by customers. That is why SPP focuses on building relations with customers based on their real needs.

## COMMODITY SALES

SPP is a strong multi-commodity company. The company is a long-term lead-

er among gas suppliers in Slovakia and it has been successfully developing its potential in the field of electricity supply. Moreover, in 2019 SPP remained the first choice for customers who decided to switch to a new electricity supplier. In 2019, SPP successfully bid in the auction to acquire the status of a buyer of energy from renewable sources (RES) and from highly-efficient combined heat and power (CHP) sources. The success in this auction made SPP an important player not just in the field of gas and electricity trading, but also in the field of green energy trading. In the past years, the company has established a stable position of an energy supplier in the Czech Republic.

In connection with global trends associated with greener and sustainable

development, SPP has begun directing its activities towards centralised and distributed energy production from renewable energy sources. Natural gas has long been one of the most environmentally-friendly sources of energy. It is thanks to the use of natural gas that it is possible to achieve a significant reduction in greenhouse gas emissions and improvement in air quality. Therefore, as a major energy company SPP supports investments in the development of know-how and research in biomethane and conversion of waste into carbon-neutral technologies.

## SUPPLIER OF SERVICES

SPP provides comprehensive energy services to all customers, working constantly on diversifying its portfolio and on developing innovative services.

## INVESTMENTS

SPP has been boosting its position of a strong energy group in the region by implementing its investment strategy.

## STABILITY

SPP aims to create conditions for balanced financial management of the company supported by growing sales in new segments.

## ENVIRONMENTAL RESPONSIBILITY

The new, long-term strategic vision defines SPP as a provider of "green energy", being closely associated with the promotion of energy-efficient solutions and provision of services with a positive impact on the environment and sustainable development.



# ECONOMIC AND FINANCIAL PERFORMANCE

In 2019, SPP acted as a reliable and innovative energy supplier, energy commodity trader on international European exchanges and a multi-commodity leader providing solutions for comprehensive utility needs for the industry, public sector and households. In the past year, the company 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 2019, SPP's **revenues from the sale of products and services** totalled EUR 1 119 million, down by EUR 421 million against a year earlier. The revenues were negatively influenced by the lower volume of natural gas sold on European exchanges. The average temperatures during the winter heating season were higher in 2019 than in the previous year, which im-

pacted the sales of natural gas on the domestic market. From a statistical point of view, the last two months of 2019 were in fact among the warmest ones in the last few decades. Revenues were positively influenced by higher electricity sales.

The commodity market in oil and petroleum products was on a relatively stable level in the course of 2019. The winter period was warmer and the European market was affected by supply exceeding demand, which was the reason why the commodity price went down on the exchange. The effects of local crises within the eurozone contributed to the unpredictability and instability of the situation on the foreign exchange market. Moreover, the exchange rate of the euro against the dollar weakened, which was caused by the events surrounding Brexit.

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 established by legislation, the company guaranteed the security of gas supplies not just for the company's own customers but for the whole of Slovakia.

In 2019, SPP once again increased its revenues from electricity sales. Compared to the previous period, sales rose by EUR 29 million, an increase in commodity sales by more than 12%. SPP is one of the largest new suppliers of electricity in Slovakia in terms of customer numbers. SPP's aim is to maintain in the coming period this growing sales trend in the electricity market 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. The expiring gas transmission agreement between Russia and Ukraine was a hot topic in the energy sector. The higher costs of SPP in 2019 were connected with the filling of underground storage facilities with gas, as the security of energy supplies is one of the company's fundamental priorities.

**Profit from financial operations** before tax reached EUR 337 million in 2019. It essentially consisted of dividends. For the financial year 2019, SPP posted a pre-tax profit of EUR 233 million. Total income tax liability stood at EUR 12 million. Almost the entire volume of income tax consists of a special levy that was down by EUR 11 million on the previous year. Profit after tax reached EUR 221 million.

## COMPARISON OF FINANCIAL RESULTS (in EUR million)

	2019	2018
Revenues from customer contracts	1 119	1 540
Profit before tax	233	337
Income tax	(12)	(23)
Profit after tax	221	314



# CAPITAL STRUCTURE

**Total assets** of SPP fell to EUR 2 872 million as at the balance sheet date. They were down EUR 169 million against the previous period (index of 0.94). Non-current assets amounted to EUR 2 135 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).

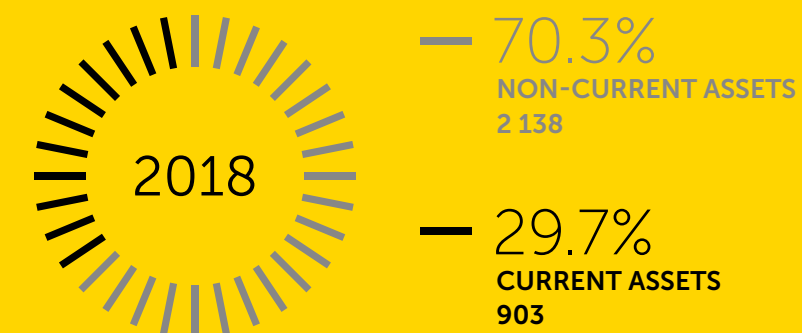
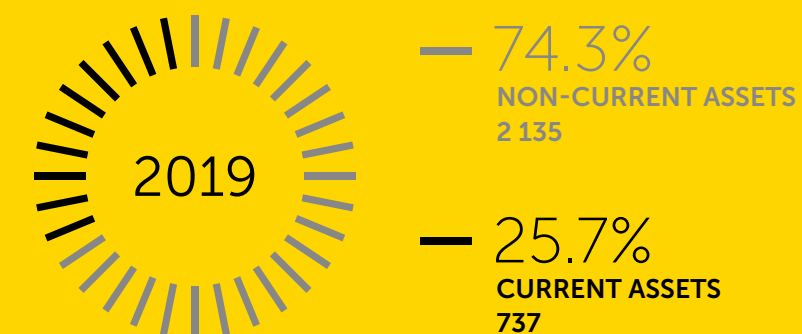
**Non-current assets** comprised 74.3% of total assets. Compared with the balance as at 31 December 2018, the item 'Buildings, plant, machinery and equipment' fell by EUR 1.1 million (index of 0.98) at net book value. Other non-current assets declined by EUR 1.7 million against the previous period.

**Capital expenditures** represented EUR 2.5 million in 2019. The company invested mostly in technical, commercial and IT communication systems, and in the reconstruction of SPP's office buildings and facilities.

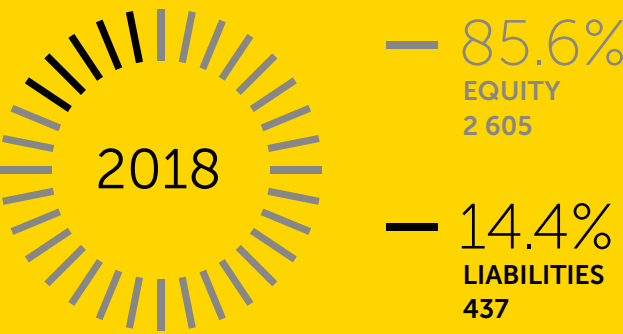
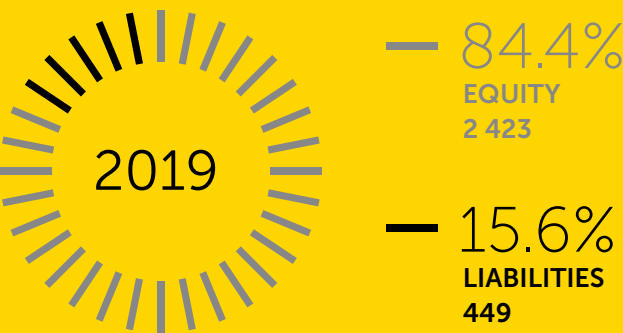
As at the balance sheet date, **current assets** consisted of receivables, inventories and cash. Their total volume came to EUR 737 million, representing 25.7% of total assets.



## ASSETS STRUCTURE COMPARISON (in EUR million)



# COMPARISON OF TOTAL CAPITAL STRUCTURE (in EUR million)



**Shareholders' equity** amounted to EUR 2 423 million in 2019, representing 84.4% 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 in SPP fell by EUR 182 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 AT 31 DECEMBER 2019

Ministry of Economy of the Slovak Republic 26 666 536 shares 100%

The **balance** of the company's **statutory reserve fund** was EUR 1 198 million as at 31 December 2019.

In 2019, **liabilities** totalled EUR 449 million, up EUR 12 million against the initial balance. Total liabilities comprised long-term liabilities of EUR 47 million and short-term liabilities of EUR 402 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.



# RISK MANAGEMENT

In conducting its business activities, SPP relies on a stable and functional risk management system. Its main mission is to ensure financial and operational stability supporting the achievement of the company's business targets and development. The risk management system incorporates a corresponding organisational structure with clearly defined lines of responsibility, as well as effective risk identification, analysis, evaluation, handling, monitoring, review, recording and reporting procedures. These procedures make it possible to limit any financial losses or other negative consequences of a potential materialisation of risks so that they do not in any significant way affect the capacity of SPP to conduct its

business activities and provide services to the public.

In 2019, the company's Board of Directors approved a new Risk Management Policy Directive governing the risk management system at SPP. This system addresses all known risks, to which the company is or may be exposed. Responsibility for the policy's implementation lies with the separate Audit and Risk Management unit, and this particularly by means of preparing and updating methodologies for managing the individual risk categories.

Over the course of 2019, the company management set up the Risk Commit-

tee. This committee is a decision-making and advisory body in risk management, contributing significantly to the effectiveness of risk management at SPP. Under the application of this policy, the company does not accept any risks having a significance rated as high or critical. Upon identifying any such risks, the respective managers are required, in cooperation with the Audit and Risk Management unit, to immediately adopt adequate mitigation measures.

The implementation of the group risk management concept began at the end of 2019, and will include subsidiaries where SPP exercises managerial control. This concept is to be fully deployed into



practice over the course of 2020, and will, in conjunction with other implemented activities, enable the company to achieve compliance with internationally recognised corporate governance standards in the field of risk management.

In 2019, SPP did not record any materialisation of risks that would have a major negative impact on the company.

## **In managing its financial risks, SPP focused primarily on:**

- a) market risks arising from uncertainty in relation to changes in risk factor values, which are determined by the markets and affect SPP's financial

results. This concerns in particular the prices of commodities and the volumes of them consumed by end customers;

- b) credit risks relating to potential inability or unwillingness of business partners to timely meet their obligations towards SPP.

## **In the field of management of non-financial risks, emphasis was placed on:**

- a) operating risks arising from deficiencies in the setup of internal processes, in information systems, from possible human failure or from the occurrence of undesired phenomena in the external environment affecting internal processes;

- b) legal risks arising from the possible unexpected introduction or application of a legal regulation, from the potential inability of SPP to prove contractual claims or to fulfil liabilities, or possibly the obligation to provide enforced disadvantageous contractual performance or resulting from unexpected outcome of any court, administrative or arbitration proceedings;
- c) regulatory risks arising, in particular, from possible unexpected requirements, procedures or decisions by the regulator.



# NATURAL GAS & ELECTRICITY TRADING

## DEVELOPMENTS IN THE NATURAL GAS MARKET

In 2019, the total consumption of natural gas in Slovakia rose by approximately 3% compared to 2018. The main factor was the higher electricity production by combined-cycle power plants, which outweighed the effects of weather with temperatures slightly below the average in the last decade. Nonetheless, the long-term structural decline in gas consumption persists, caused by economisation in consumption. On the other hand, Slovakia's strong economic growth positively influenced the trends in gas consumption, particularly in the first half of 2019.

In general, the Slovak energy market was strongly affected by developments on the European market, including spot markets and exchanges. In a broader context, the commodity prices were in-

fluenced by several global factors, such as prices on other energy commodities markets (e.g. oil, coal, etc.), energy policy of big European countries, as well as by emissions trading and the actual weather conditions.

## SPP – A LEADING ENERGY SUPPLIER

With more than **1.3 million points of supply**, SPP once again confirmed its position of an energy market leader in Slovakia over the previous year. SPP's total gas sales to end consumers in Slovakia amounted to 27.38 TWh (2.55 billion m<sup>3</sup>) in 2019. SPP has stabilised its customer portfolio and is succeeding in fulfilling its ambitious plan to increase the number of customers purchasing both natural gas and electricity from the company.

The energy market in Slovakia has been liberalised for over a decade. SPP operates in the electricity market in a highly competitive environment with naturally dominant suppliers. Despite this fact, since the market was opened up customers have chosen SPP most as their new electricity supplier. At the end of 2019, the company supplied electricity to nearly 200 000 points of supply. SPP's share in the retail electricity supply segment reached more than 9% in 2019, ranking the company fourth, right behind the three 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 2019. In total, the supply of electricity exceeded 1.25 TWh in the past year.

## SPP – A MULTI-COMMODITY COMPANY

The 2019 period contributed significantly to the strengthening of SPP's position on the energy market as a strong multi-commodity company. As a reliable supplier of gas and electricity, SPP began in 2019 to intensively develop and establish the company as a major player in the field of renewable energy sources, which the company considers a means to improving the quality of the environment. The company's new strategic vision stretching into the coming years is closely associated with the promotion of green, energy-efficient solutions.

The new role of the company as a provider of green energy on the market, which results from the acquired status of a buyer of energy from renewable energy sources (RES) and from combined heat and power (CHP) sources, therefore fully fits into the context of SPP's long-term vision. The company continues to seek opportunities to diversify its portfolio, with the aim of strengthening its position as a strong multi-commodity company operating across the full range of gas and electricity products. Winning the auction for a buyer of electricity from renewable energy sources and combined heat and power sources made SPP an important player not just in the field of gas and electricity trading, but also in the field of green energy trading. The company gradually implements its vi-

sions with respect to possible gradual expansion of the offered comprehensive energy services.

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

SPP guarantees secure and uninterrupted gas supplies for its customers under all circumstances, timely eliminating any potential risks throughout the year. 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 purchases gas on international markets and also uses gas it has stored in underground storage facilities in Slovakia. At the start of the 2019/2020 heating season, the capacity reserved by SPP in these storage facilities was filled to almost maximum, as was the case in previous years. The company had once again accumulated significantly higher gas reserves than the law requires of suppliers in Slovakia. More than half of gas reserves stored in underground storage facilities represents a strategic reserve serving to ensure reliable and secure gas supplies in the event of extraordinary situations.

The costs for storing these strategic and security reserves reached EUR 45 million in 2019. This financial burden is borne solely by SPP, without any other energy supplier participating in it. Thus, SPP not only secures but also fully finances the energy security of Slovakia.

## PURCHASE AND STORAGE OF NATURAL GAS

SPP is an active trader in international European markets where the company buys and sells gas as needed. In 2019, the continuing purpose of purchasing natural gas was to cover the needs and create reserves for 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 necessary to meet the needs of SPP customers, while safeguarding the continuous supply to the domestic market, particularly during winter season, and serving as a reserve in the event of emergency. In the event of restricted gas supplies through the Veľké Kapušany entry point, as part of technical measures the company has the option to use the Lanžhot entry point between Slovakia and the Czech Republic, the Baumgarten entry point between Slovakia and Austria, or the Veľké Zlievce entry point between Slovakia and Hungary.

## SPP – SUCCESS ALSO BEYOND SLOVAKIA'S BORDERS

Since the end of 2008, SPP has been operating on the Czech market through its subsidiary SPP CZ. The volume of gas supplied in 2019 amounted to 3.212 TWh, making the company a respected energy supplier in the Czech Republic.





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. The company has been successfully offering electricity to customers in the households and small customers segment for two years.

#### SPP AND CLIMATE CHALLENGES

SPP closely monitors the global trends, goals and obligations introduced by the UN and the European Union, including Slovakia's plans in the field of environmental protection, reduction of greenhouse gas emissions and achieving sustainable development. SPP's priorities, based on the company's newly adopted strategy in 2019, accept the above challenges. The company continues in

developing green products and services, including educational projects. Also in 2019, it started to prepare a portfolio of new products in the field of guaranteed energy savings designed to establish the company as a leader in comprehensive utility solutions for industry, the public sector and households.

#### SPP'S PRIORITIES ARE DETERMINED BY CUSTOMERS

SPP once again in 2019 maintained its position as a leader in reliability, availability and high-standard customer service. The company's presence throughout Slovakia is ensured by 19 SPP Customer Centres, the SPP Customer Hotline, SPP Web Chat and SPP Business Line. The company handled a total of 826 748 customer requests via its customer service channels, while

maintaining a high level of overall service parameters. In 2019, SPP continued in implementing a new information system and in preparing a new customer portal capable of handling requests from customers of all segments.

#### HOUSEHOLDS

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 2019. The offer of electricity guaranteed customers permanently lower energy prices compared to traditional suppliers throughout the duration of the contractual relationship. In the spring, the company launched the new "electric" product – **No-Ties Electricity**. As the first energy supplier, it allowed its

customers to take advantage of no-ties electricity from SPP.

#### SMALL BUSINESSES & ORGANISATIONS

The company prepared its offer for this consumer segment based on knowledge resulting from good long-term relationships, regular communication, as well as flexibility in preparing offers for its customers. Ensuring an uninterrupted supply of energy has been and remains a common standard of SPP services. In 2019, SPP provided customers in the Small Businesses and Organisations segment 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 exceeds 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

Complementary products and services offered in 2019 were focused mainly on economisation of energy consumption and safety. We are constantly improving our products, helping customers to save money and energy. The customers expressed interest in the **Customised Smart Offer**, which was tailored to their actual needs, together with personalised energy advice. Thanks to expert data mining, SPP is able to provide energy and advice that is truly tailored to needs. There was also increased interest in **gas leak detectors and smoke detectors**, as well as in **LED bulbs** offered through our partners.

Customers were also more interested in the use of renewable energy sources (RES). SPP actively assisted in obtaining a state subsidy for the purchase of equipment and, in addition to this, it provided extra discounts on unique technologies such as **heat pumps and solar panels**. The **special-purpose Energoloan** product for supporting the financing of these environmentally-friendly technologies was available to non-SPP customers as well. We also continued to offer the **general-purpose Energoloan** serving for financing 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 the energy consumption requirements of these buildings. It is also possible to check the energy demands of buildings by using the **Thermovision Measurement** service.

SPP provided discounts through the **Advantages Programme** offering savings of up to 55% on selected goods and services by renowned brands or the reduction of energy and environmental footprint. The company was once again offering the **Preventive Inspections** of gas boilers product. 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 money.

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, ongoing 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 2019. 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. At the same time, 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 2019.

#### PRICES AND REGULATION

In 2019, the prices for the supply of natural gas to households in the agreed tariffs of D1 to D6, regulated by the Regulatory Office for Network Industries (RONI), remained stable and unchanged. In 2019, the prices of gas supplied to Small Businesses were likewise subject to price regulation. A small business was defined in 2019 as an end gas customer in the Small

Businesses and Organisations category with consumption in 2017 not greater than 100 000 kWh.

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 2019 to

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



# ENERGY SERVICES

Energy efficiency is one of the five basic pillars of the Energy Union and one of the four basic pillars of the Energy Policy of the Slovak Republic. The development and provision of energy services (EPC) in Slovakia is one of the core activities of the newly approved SPP strategy aimed at gaining a significant market share by 2023.

SPP therefore actively sought opportunities for providing energy services with a view to offering solutions to both public and private sector customers, with an emphasis on new technology solutions and the efficient use of energy. A separate ESCO unit was created within the company's internal organisational structure, the ambition being to begin offering, from 2020, the comprehensive implementation of savings measures in the energy management sector, including the arrangement of fi-

nancial resources. To achieve its goals, the company is open to establishing strategic partnerships with strong external entities. In 2019, SPP continued expanding its range of products and services related to buildings inspection, energy audits, consultancy in drawing RES subsidies and in implementing comprehensive projects for smart homes – SPP SMARTHOMES, which not just guarantee reliable and secure energy supplies for SPP customers, but also bring them time savings, energy savings and, last but not least, financial savings.

## MOBILITY

In 2019, 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 3.28 million kg in 2019. Compared to 2018, we expect CNG sales to fall by about 70 000 kg mainly due to lower CNG consumption by public transport companies correlating to the life cycle in the project for CNG deployment and operation in these transport companies.

Conversely, the company expects higher CNG sales in the 'other than public transport companies' customer segment, by almost 140 000 kg of CNG.

SPP considers the so-called gas mobility to be an important environmentally-friendly alternative to traditional fuels, particularly in view of the possibility to relatively quickly reduce the transport's environmental footprint. Therefore, intensive work continued in 2019 on implementing the fuelCNG



project supported by a financial grant from the Connecting Europe Facility (CEF). In 2019, public tendering for technology suppliers was announced and seventeen motorway rest areas were contracted to house CNG and LNG filling stations. The construction of additional seventeen natural gas filling stations will strengthen confidence among CNG vehicle users and suppliers and may jumpstart the real use of natural gas in Slovak transport.

The project also includes building the first facility in Slovakia for liquefaction of natural gas, namely at Bratislava Port, thereby creating the preconditions for supplying LNG to all transport segments, including river transport. In 2020, the

company is preparing the commencement of the construction of a CNG filling station in Trnava, with new projects being planned in the vicinity of Bratislava.

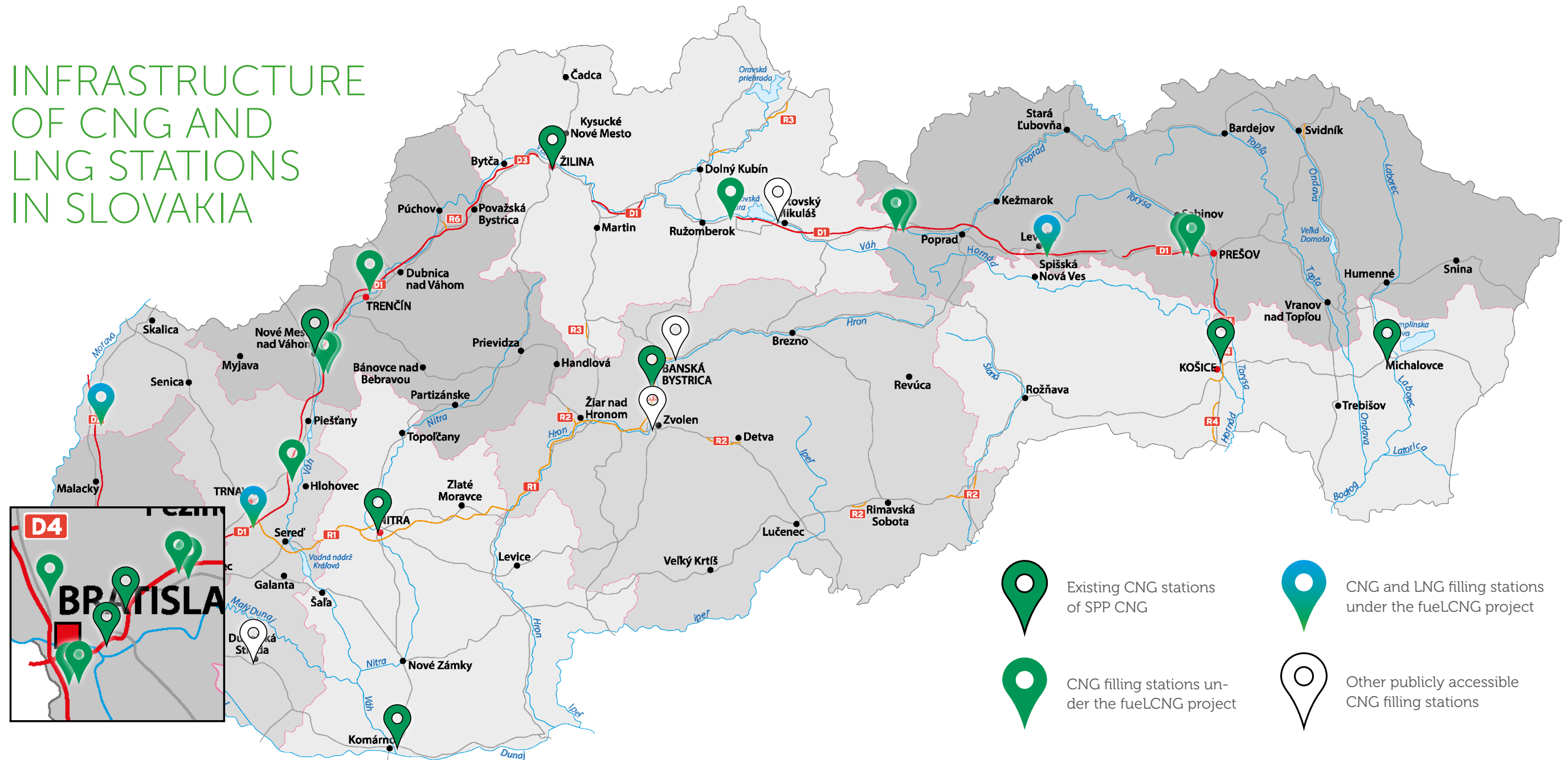
At the end of 2019, SPP adopted the new long-term CNG and LNG development strategy applying directly to the activities of the subsidiary company SPP CNG. The goal of this new strategy is not just to raise public awareness of the benefits of using CNG and LNG over conventional fuels, but also the gradual implementation of the aforementioned projects for new CNG and LNG filling stations, including support for the use of environmentally friendly CNG buses. The decision by the multi-commodity SPP to enter the market in

other alternative fuels is aimed at comprehensively covering the alternative mobility area and comes as the company's new direction of development in the field of mobility.

In 2019, SPP supported activities relating to positive presentation of alternative fuels to the general public in connection with its strengthened focus on environmentally friendly and energy efficient solutions. As part of the Eco-Mobility Day organised in the company grounds, SPP presented itself as a guarantor of the gas mobility section showcasing a real fleet of CNG and LNG passenger cars, commercial vehicles, trucks, as well as buses.



# INFRASTRUCTURE OF CNG AND LNG STATIONS IN SLOVAKIA





# HUMAN RESOURCES

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

In 2019, the company continued in the previously initiated changes to the organisational structure, taking into account the focus on seeking new business opportunities, enhancing pro-customer orientation, streamlining processes, improving operating activities and optimising costs.

The implementation of the corporate culture management and development project formed an important part of the transformation changes in 2019.

### EMPLOYEE RELATIONS

SPP provides benefits to its employees in accordance with the applicable Collective Agreement governing their entire range with a primary focus on the

fields of regeneration, culture and sport. Company employees have the opportunity to take days off for regeneration and extra holidays. Employee benefits also include contributions to supplementary pension savings.

Neither does SPP forget to support its employees in difficult life situations, providing them with assistance in the form of financial contributions to help them cope.

Information and discussion meetings between the employees and the company's management took place in the first and fourth quarter of 2019 in Košice, Zvolen and Bratislava.

The company organised the SPP Corporate Games for the fourth time as part of teambuilding activities. The Angelic Christmas event was held at the end of 2019 with more than 1 100 people participating in three key regions.

As part of the Artists Among Us project, SPP once again supported its employees and their family members possessing ar-

tistic skills. In 2019, the company once again provided them with space in its gallery to present their works of art.

### DEVELOPMENT AND EDUCATION

In the field of development and education of employees, in 2019 the company focused primarily on developing skills strengthening their business skills, proactive approach and know-how sharing.

The company continued in activities aimed at the acquisition of skills in the field of self-management and personal development within the framework of the High Potentials employee development programme.

The autumn of 2019 witnessed the Health Days in SPP. Company employees in Bratislava, Zvolen and Košice had once again the opportunity to attend interesting lectures focused on health, and could also have their health condition and fitness tested on the spot and consult the results with the invited medical professionals.

### EMPLOYEE STRUCTURE

As at 31 December 2019, SPP had a total of 679 employees (681 employees as of 31 December 2018). Of those, 455 were women – representing 67.01% of the total workforce.

The average employee age as at 31 December 2019 was 45.67 years of age.

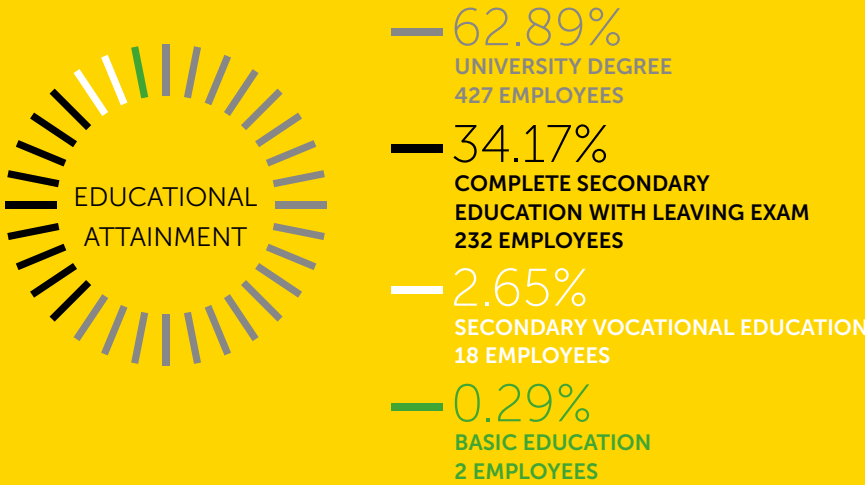
### INTERNAL OMBUDSMAN INSTITUTE

With the goal of promoting social responsibility and open communication with employees, in 2015 SPP created the position of an ombudsman tasked with handling employee complaints relating to:

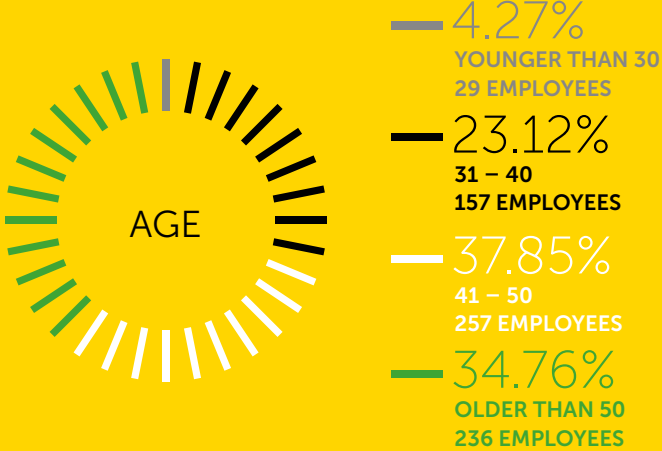
- receiving and resolving complaints relating to antisocial activity, while in dealing with them the ombudsman is governed by the provisions of the law and internal directive,
- receiving and resolving complaints leading to a notification of violation of ethical principles – SPP Code of Conduct.

A special e-mail address was created for receiving these complaints. No case was recorded in 2019 that would involve any serious antisocial activity at a workplace. In the field of ethical principles, the complaints filed by employees were resolved as they occurred.

## EMPLOYEE QUALIFICATION STRUCTURE as at 31 December 2019



## EMPLOYEE AGE STRUCTURE as at 31 December 2019



# SOCIAL RESPONSIBILITY

## SPP – A RESPONSIBLE LEADER

SPP's philanthropic activities rank the company among the most significant socially responsible businesses in Slovakia. By means of projects organised by Nadácia SPP, EkoFond, a non-investment fund, and Nezisková organizácia EF (Non-profit organisation EF), the company contributes to improving the environment and more efficient utilisation of energy, assisting people in their difficult life situations and helping to protect cultural and moral values.

## SPP PROTECTS HISTORICAL VALUES

The **Slovak Gas Museum** has been mapping the history and present of the gas industry in our country for over 20 years. The museum with more than 400 exhibits features several exhibitions, being one of a kind in Slovakia. Since it began, it has been visited by almost 50 000 visitors who are introduced to the past by the documentary film "In the Light of Gas Lamps" celebrating the history of the gas industry in Slovakia. 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. The Pavilion of the Present Day is being continually expanded with new collections of exhibits, mostly scale or schematic models documenting the gas equipment used to produce, transmit, process and use natural gas. A collection of 18 historically valuable pieces of gas equipment in 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.

## ART SUPPORT IS IN THE HEART OF SPP

The **SPP Gallery** has been opening its doors to lovers of Slovak art for almost 20 years. Its premises, forming part of the company's headquarters in Bratislava, have housed more than 150 exhibi-

tions. Various paintings, sculptures, ceramics and works of art from textile and glass have been displayed here. In 2019, visitors had the chance to admire the works of art by five prominent authors, such as Andrej Augustín – painter and graphic artist, Milan Flajžík – sculptor, Fero Lipták – stage designer, fine artist, illustrator and graphic artist, Martina Matlovičová – children's illustrator, Ján Raška – painter.

## NADÁCIA SPP PROJECTS BRING REAL CHANGE

SPP has been implementing its 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 2019, Nadácia SPP financially supported a total of 587 projects with the aggregate funding worth about EUR 7.5 million. At the same time, the foundation continued its long-term activities and supported projects submitted by the civic association Nádej na život (Hope for Life), civic association OKRAJ (EDGE), civic association Svetielko nádeje (Little Lights of Hope), Hospice of Merciful Sisters in Trenčín and others.

Nadácia SPP was also a partner of the series of the 2019 Bratislava Jazz Days, One Day Jazz Festival – Spring/Summer 2019 and the theatrical performances in the GUaGU Theatre.

The foundation cooperated with the Training School for Guide and As-



sistance Dogs in implementing the Healthy Dog Assistants project and with the non-profit organisation SMILE it developed activities under the HELPING WITH A SMILE project focusing on families, in which a child or children are going through, have gone through or will be going through a demanding and long-term medical procedure, such as bone marrow transplant or cancer

treatment. It likewise deepened its existing partnership with the Bátor Tábor Foundation that organises an annual international summer experience therapy camps for the Slovak and Czech children and youth suffering from cancer.

The foundation's financial support was likewise provided to the children's folklore ensemble Vienok (Flower Rim).

### ONE STEP AHEAD

The key activities of Nadácia SPP include the **One Step Ahead** programme aimed at improving the quality of care for people with disabilities. Through its programmes, the foundation aims to contribute to improving the quality of care for people finding themselves in adverse life situations by supporting model, innovative and progressive approaches. Therefore, in 2019 it continued to support the OPORA (CRUTCH) grant scheme aimed at promoting the creation and implementation of individual personality development plans for clients in social care facilities. In 2019, the foundation financially supported a total of 90 clients in specialised facilities with an aggregate amount of EUR 49 620.

### HLAVIČKA (SMART HEAD) SCHOLARSHIP PROGRAMME

The new development announced in 2019 was the re-launch of **Hlavička (Smart Head) scholarship programme**. This programme aims to support ambitious young people in acquiring high-quality education in the form of study stays abroad. Under the Hlavička (Smart Head) scholarship programme, scholarships were provided for study stays abroad, summer schools, internships, research stays abroad taking place in the course of 2019. As part of the re-launched programme, the foundation supported 12 top students with a total of EUR 21 251.26.

### SPPravmeTo (Let's do it with SPP)

The **SPPravmeTo** (Let's do it with SPP) grant scheme is aimed at helping motivating the 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. Therefore, Nadácia SPP decided to support interesting community-benefit 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 environmental education and improving the environment. In 2019, 56 interesting projects were supported under this programme with a total amount of EUR 60 000.

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

Employees expressed their solidarity throughout 2019, for instance by voluntarily contributing to collections such as the White Crayon for the Union of the Blind and Visually Impaired of Slovakia or the Daffodil Day organised by the League against Cancer. They also showed solidarity to people suffering from Down Syndrome, and this by putting on odd socks. Last year, employees equally got involved in the "Light Up The Blue" campaign by Autism Speaks organisation aimed at raising awareness of autism and integrating autistic

people into meaningful life. Some of the employees participated in the 5-day running charity event NO FINISH LINE, thereby joining their efforts and contributing to the project for a therapeutic playground for children. SPP is also proud of the group of the company's employees who help to save people's lives by voluntarily and regularly donating blood, their health condition permitting.

### EMPLOYEE GRANT PROGRAMME

In 2019, Nadácia SPP announced the 14<sup>th</sup> round of the Employee Grant Programme. The programme allows employees to mediate assistance wherever they think it is needed and where it will be used for a good purpose, and this also thanks to their personal involvement. Thanks to greatly simplified conditions compared to previous rounds, 43 SPP employees received financial support for various community-benefit projects, totalling EUR 27 000.

### NADÁCIA SPP – HOLDER OF CERTIFICATE FOR TRANSPARENCY AND OPEN APPROACH

Transparency in awarding the contributions and grants and the openness in publishing information are a priority for Nadácia SPP. In cooperation with KPMG Slovakia, the Association of Corporate Foundations and Endowment Funds (ACFEF) awarded Nadácia SPP for the third time a certificate for its open approach to publishing information about

its activities. As a holder of the Transparent Corporate Foundation/Endowment Fund Certificate, Nadácia SPP confirmed its leadership position in the field of supporting the third sector.

### EKO FOND ACTIVELY CONTRIBUTES TO IMPROVING ENERGY EFFICIENCY AND THE QUALITY OF PROFESSIONAL EDUCATION IN THE ENERGY SECTOR AND ENERGY SERVICES

Since its founding by SPP in 2007, 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 more than EUR 14 million to various projects under the implemented activities, programmes and grants. As a community-benefit and active company, SPP greatly supports its CSR policy through EkoFond, setting an example to other businesses not just in Slovakia. In 2019, EkoFond's core activities involved mainly activities associated with vocational training, as well as providing support for the implementation of projects aimed primarily at improving energy efficiency.

#### Priorities of EkoFond in 2019:

- environmental protection aimed at activities in the field of energy efficiency;
- support for applications for a financial contribution submitted to the

fund under the partnership projects and under any newly created grant schemes;

- preparation of the fund's own projects aimed at implementing solutions and raising awareness in the field of energy efficiency and associated environmental protection;
- implementation of ongoing international projects and preparation of new projects to obtain additional funds from external sources for the implementation of the fund's activities in line with the priorities defined by the decision of the fund's Board of Trustees.

### OUR OWN PROJECTS

An important part of educational activities pursued by EkoFond are activities aimed at supporting the education process at secondary technical vocational schools. Since 2009, collaboration has been most extensive with three secondary vocational schools (Secondary Vocational School of Electrical Engineering at Sibírska 1 in Trnava, Unified School at Kremnička 10 in Banská Bystrica, Secondary Technical Vocational School at Volgogradská 1 in Prešov), with which EkoFond initiated the specification process of its plan to create a new study course and began the process involving experimental verification of the new 4-year study course with school-leaving exam – **Energy Equipment of Buildings Technician** (EEBT). This course will provide graduates not just with quality the-

oretical 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. Subsequently, they will get their electrical engineering qualification and take welding exams. Moreover, their ability to provide energy and advisory services is developed in line with their current experience and knowledge. The development of this study course continued in 2019. Seven secondary vocational schools have been already approved to teach this study course and more schools are being added. A group of first-year students of this study course at the Secondary Technical Vocational 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.

### SMART ENERGY EXHIBITION

In 2019, the fund began preparing and implementing the medium-term **Smart Energy** project aimed at primary and secondary-school students. The project envisages an interactive exhibition, the goal of which is to raise interest among pupils and students in innovations in fields that are a prior-



ity focus of the fund, i.e. energy efficiency, smart technologies and smart solutions in energy utilisation. The project creates synergies by inter-connecting the activities of EkoFond, SPP (as the founder of the fund) and selected secondary schools, at which the study course Energy Equipment of Buildings Technician has been successfully launched. The basic idea is the installation of attractive exhibits in the Slovak Gas Museum, in its Pavilion of the Present Day, and in the premises of 4 secondary schools. The exhibition at the Slovak Gas Museum is interesting and over the more than twenty years since the museum opened, a large number of pupils and students have seen its historical exhibition. That is why the need to supplement the exhibition with the latest technologies and to make it more attractive for contemporary generation of primary and secondary school students was identified. It is they who make up the majority of visitors to the museum. At the same time, the exhibition update corresponds to the development of new visions and strategies of SPP in energy efficiency and utilisation of renewable energy sources. The modernisation of the Slovak Gas Museum fully reflects current social trends.

#### INTERNATIONAL PROJECTS

In 2019, the fund finished the implementation of the SEER international project (Towards Sustainable and Energy Efficient Real Estate Training and Ed-

ucation). The project partners included 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 was aimed at the real-estate segment (real-estate business, facility management, building administration etc.) and one of its goals was 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 were used to prepare an education and training proposal for the real-estate sector.

#### PARTNERSHIP PROJECTS

Based on a decision of the fund's founder – SPP, there were in 2019 again created the conditions for supporting a number of partnership projects. Support was thus given for organising several conferences focusing on topics related to EkoFond's core activities. 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 a total amount of more than EUR 225 000.

#### NEZISKOVÁ ORGANIZÁCIA EF (NON-PROFIT ORGANISATION EF)

At the end of 2018, SPP established a new non-profit organisation – Nezisková organizácia EF (NO EF), which will be used by SPP to pursue certain CSR activities.

**Vision** – to inspire towards expertise and professionalism, towards responsible and positive change.

**Mission** – to become a relevant and trustworthy partner in the field of activities pursued by the organisation and its founder.

**Basic values** – ethics and transparency, innovation, initiative, partnership.

#### NO EF's priorities for 2019:

- activities and community-benefit services aimed at education and edification, including further development of the Energy Equipment of Buildings Technician study course;
- creation of links between the educational system and the world of business with the needs of customers in the energy and energy services markets, development of associated services for small and medium enterprises;
- implementation of community-benefit services with an emphasis on environmental protection;

- supporting implementation of partner projects and projects by partner organisations and individuals, thematically coinciding with all three of the above priority activity areas.

Recently, high mortality of bees and other pollinators has been observed across the globe. While there is no definite answer to the question of why this is happening, there do exist factors causing undeniable harm to bees. In addition to diseases and climate change, it is primarily current methods of agricultural production. One of the main causes is the use of pesticides, especially those based on neonicotinoids. There is a growing trend of installing bee-hives in cities – on rooftops, on balconies, in courtyards, gardens or parks. The urban apiaries, which were established under the Urban Bees project, are located in Bratislava, Kežmarok, Lučenec, Zvolen, Žilina and Považská Bystrica.

One of the first projects by NO EF is the project called **neSPPíme, bzučíme (We do not sleep, we buzz with SPP)** focused on education in protecting the environment and supporting the development of healthy, organic beekeeping. The internal part of the project is intended for the employees of NO EF and its founder SPP and their children. The external part is primarily focused on supporting educational activities at primary and secondary schools.

#### Project goals:

- to create practical educational procedures – Practical Beekeeping for Teachers/Lecturers consisting of a set

of 20 thematic worksheets that can be used in teaching various subjects at schools, short videos about life of bees and beekeeping activities, 10 knowledge-based quizzes structured to individual themes and a board game;

- to implement the Beekeeping Studio – a series of 6 thematic lectures featuring creative studios aimed at developing the knowledge and skills, outputs of which will always be specific products. These will also include a taster of selected products;
- to organise the Life in an Apiary – 10 visits to an apiary in Devin lasting 1 – 2 hours, focusing on how individual beekeeping activities are performed.

The goal of the project is to educate the employees of NO EF and its founder, to cooperate with beekeepers and to prepare incentives for educating school children. These activities are aimed at providing real positive support to beekeeping in Slovakia.

#### OCCUPATIONAL HEALTH AND SAFETY

The 2019 goals included economisation, tightening and streamlining of processes in the field of occupational health and safety and fire protection. SPP puts emphasis on mutual relations and provision of information in the internal and external environment and raising awareness of the importance of OHS and fire protection in connection with performed activities.

The objectives established by the OSH Policy were met. No work accident was

registered in 2019 and neither was there any incident in the buildings or at the workplaces of SPP that would negatively affect the life or health of persons. SPP is actively addressing the potentially more hazardous activities in the field of OHS and fire protection by effective preventive measures in all business activities.

The company provides a safe and quality work environment not only for its employees, but also for persons performing work under a contract or agreement. Care about creating safe and healthy work conditions reflecting ergonomic principles at workplaces achieves high levels as standard. SPP sees creating good and safe conditions for its employees as an integral part of its corporate culture.

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, it was supplemented with the occupational health & safety management system certificate in accordance with the **OHSAS 18001:2007** international standard. The audit undertaken in 2019 reconfirmed the validity of the abovementioned certificates obtained by SPP for gas and electricity sales activities. The transition to the new **ISO 45001:2018** standard replacing OHSAS 18001:2007 awaits the company in 2020. This new standard sets requirements for occupational health and safety and its structure is compatible with other ISO standards.



In the future, SPP plans to remain a company that does more than just declare the fulfilment of legislative and other requirements. By setting higher safety and fire standards, it is perceived as a safe and reliable company by its business partners and the public.

ENVIRONMENTAL PROTECTION

Environmental protection formed part of the company’s priorities in 2019 and due attention was paid to it. In 2019, the implemented environmental management system underwent a control audit as per **ISO 14001:2015** standard, by which the company confirmed compliance with the 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 legislative requirements aimed at improving environmental behaviour.

Waste management at SPP is a targeted process aimed at complying with environmental protection principles with the maximum possible degree of 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. SPP regularly in-

forms its employees in an appropriate form about requirements in the field of environmental protection.

The company operates small and medium sources of air pollution. The high operational level and rigorous inspections of the operated technical facilities have, together with investments, created the prerequisites for reducing emissions of all monitored pollutants released into the atmosphere over the course of 2019.

Environmental protection, sustainable development and energy efficiency at all levels have become an integral part of SPP’s long-term development strategy as a strong multi-commodity company and a leader in the Slovak energy market.

EVENTS  
OF SPECIAL  
SIGNIFICANCE

There were no events occurring after 31 December 2019 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 2019	Year ended 31 December 2018
Revenues from customer contracts	1 119	1 540
Other gains and losses	13	(11)
Purchase of natural gas, purchase of electricity and consumption of material and energy, change in inventories, capitalisation	(1 081)	(1 484)
Depreciation and amortisation	(8)	(7)
Strategic security reserves of natural gas	(45)	(45)
Storage of natural gas for trader’s purposes and other services	(59)	(57)
Personnel costs	(28)	(27)
Adjustments to bad or doubtful receivables, net	(12)	5
Provisions and impairment losses, net	(3)	(17)
Profit/(loss) from investments	341	444
Cost of financing	(4)	(4)
Profit/(loss) before tax	233	337
Income tax	(12)	(23)
PROFIT FOR THE PERIOD	221	314



Ernst & Young Slovakia, spol. s r.o.  
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Independent Auditor's Report

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

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 as at 31 December 2019, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 of the Company give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ('IFRS EU').

Other Matter

The separate financial statements of the Company for the year ended 31 December 2018 were audited by another auditor whose report dated 15 May 2019 expressed an unmodified opinion on those statements.

Basis for Opinion

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

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

Management is responsible for the preparation of the separate financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of 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.

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited  
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.



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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the 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 presented information as well as whether the separate financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

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

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

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**Report on Other Legal and Regulatory Requirements**

*Report on Information Disclosed in the Annual Report*

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

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

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

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

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

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

19 February 2020  
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský, statutory auditor  
SKAU Licence No. 893

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

**SEAT OF SPP GALLERY**

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Entry to the gallery is free of charge.



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