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

**INDEPENDENT AUDITOR'S REPORT AND SEPARATE FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU) FOR THE YEAR ENDED 31 DECEMBER 2019**

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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.

*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.

***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

## CONTENTS

**Slovenský plynárenský priemysel, a.s.**
**BALANCE SHEET**
**as at 31 December 2019 and 31 December 2018**
**(EUR '000)**

| | Note | 31 December 2019 | 31 December 2018 |
|---|---|---|---|
| **ASSETS:** | | | |
| NON-CURRENT ASSETS | | | |
| Investment property | 8 | 24 262 | 25 064 |
| Land, property, plant and equipment | 7 | 67 770 | 68 874 |
| Investments in subsidiaries and associated companies | 6 | 2 026 562 | 2 026 562 |
| Non-current intangible assets | 9 | 11 267 | 12 168 |
| Other non-current assets | | 5 612 | 5 635 |
| Total non-current assets | | 2 135 473 | 2 138 303 |
| CURRENT ASSETS | | | |
| Inventories | 10 | 199 862 | 156 344 |
| Receivables and prepayments | 11 | 354 263 | 392 559 |
| Income tax assets | 25.1 | 5 391 | 2 789 |
| Cash and cash equivalents | | 172 996 | 348 056 |
| Total current assets | | 732 512 | 899 748 |
| Assets held for sale | | 4 378 | 3 314 |
| **TOTAL ASSETS** | | **2 872 363** | **3 041 365** |
| **EQUITY AND LIABILITIES:** | | | |
| CAPITAL AND RESERVES | | | |
| Registered capital | 18 | 885 062 | 885 062 |
| Legal and other reserves | 19 | 1 197 522 | 1 197 557 |
| Hedging reserve | 19 | (50 514) | (24 867) |
| Retained earnings | 19 | 390 917 | 546 982 |
| Total equity | | 2 422 987 | 2 604 734 |
| NON-CURRENT LIABILITIES | | | |
| Non-current interest-bearing borrowings | 14 | - | 84 731 |
| Deferred income | 15 | 23 | 930 |
| Provisions | 13 | 37 387 | 40 934 |
| Retirement and other long-term employee benefits | 12 | 1 070 | 993 |
| Other non-current liabilities | 16 | 8 898 | 10 083 |
| Total non-current liabilities | | 47 378 | 137 671 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17,16 | 296 285 | 266 913 |
| Short-term loans | 14 | 84 909 | - |
| Provisions and other current liabilities | 13 | 20 804 | 32 047 |
| Total current liabilities | | 401 998 | 298 960 |
| Total liabilities | | 449 376 | 436 631 |
| **TOTAL EQUITY AND LIABILITIES** | | **2 872 363** | **3 041 365** |

The financial statements on pages 4 to 48 were signed on 18 February 2020 on behalf of the Board of Directors:

Ing. Ján Valko
Chairman of the Board of Directors

Ing. Rudolf Slezák
Vice-Chairman of the Board of Directors

The accompanying notes form an integral part of the separate financial statements.
This is an English language translation of the original Slovak language document.

**Slovenský plynárenský priemysel, a.s.**
**INCOME STATEMENT**
**Years ended 31 December 2019 and 31 December 2018**
**(EUR '000)**

| | Note | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|---|
| Revenue from contracts with customers | 20 | 1 119 118 | 1 539 737 |
| Other gains and losses | | 12 594 | (11 295) |
| Own work capitalised | | 1 794 | 17 |
| Purchases of natural gas, electricity, consumables and services | | (1 082 349) | (1 483 915) |
| Depreciation and amortisation | 7, 8, 9 | (7 918) | (6 566) |
| Storage of natural gas and other services | | (103 830) | (102 570) |
| Personnel expenses | 21 | (28 427) | (26 922) |
| Provisions for bad and doubtful debts, net | 11 | (12 161) | 5 000 |
| Provisions and impairment losses, net | 13 | (2 962) | (16 940) |
| Investment income | 22 | 340 927 | 444 178 |
| Finance costs | 23 | (3 689) | (4 169) |
| Profit before income taxes | | 233 097 | 336 555 |
| INCOME TAX | 25 | (12 162) | (22 989) |
| **NET PROFIT FOR THE PERIOD** | | **220 935** | **313 566** |

Slovenský plynárenský priemysel, a.s.
STATEMENT OF COMPREHENSIVE INCOME
Years ended 31 December 2019 and 31 December 2018
(EUR '000)

| | Note | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|---|
| NET PROFIT FOR THE PERIOD | | 220 935 | 313 566 |
| OTHER COMPREHENSIVE INCOME (may be reclassified to profit or loss in the future): | 26 | | |
| Cash flow hedging | | (25 647) | (24 867) |
| Deferred tax related to items of other comprehensive income for the period | | - | - |
| OTHER COMPREHENSIVE INCOME (not reclassified to profit or loss in the future): | 26 | | |
| Change in the liability for employee benefits | | (35) | 54 |
| Deferred tax related to items of other comprehensive income for the period | | - | - |
| OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD | | (25 682) | (24 813) |
| **TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD** | | **195 253** | **288 753** |

**Slovenský plynárenský priemysel, a.s.**
**STATEMENT OF CHANGES IN EQUITY**
**Years ended 31 December 2019 and 31 December 2018**
**(EUR '000)**

| | *Registered capital* | *Legal and other funds* | *Hedging reserve* | *(Accumulated loss)/ Retained earnings* | *Total* |
|---|---|---|---|---|---|
| **At 31 December 2017** | 885 062 | 1 197 503 | - | 539 474 | 2 622 039 |
| Impact of new accounting standards (see Note 2) | | | | (1 058) | (1 058) |
| **At 1 January 2018 (adjusted)** | 885 062 | 1 197 503 | - | 538 416 | 2 620 981 |
| Net profit for the period | - | - | - | 313 566 | 313 566 |
| Other comprehensive income for the period | - | 54 | (24 867) | - | (24 813) |
| **Total comprehensive income** | 885 062 | 1 197 557 | (24 867) | 851 982 | 2 909 734 |
| Dividends paid | - | - | - | (305 000) | (305 000) |
| Transfer to retained earnings | - | - | - | - | - |
| **At 31 December 2018** | 885 062 | 1 197 557 | (24 867) | 546 982 | 2 604 734 |
| Impact of new accounting standards | - | - | - | - | - |
| Net profit for the period | - | - | - | 220 935 | 220 935 |
| Other comprehensive income for the period | - | (35) | (25 647) | - | (25 682) |
| **Total comprehensive income** | 885 062 | 1 197 522 | (50 514) | 767 917 | 2 799 987 |
| Dividends paid | - | - | - | (377 000) | (377 000) |
| Transfer to retained earnings | - | - | - | - | - |
| **At 31 December 2019** | 885 062 | 1 197 522 | (50 514) | 390 917 | 2 422 987 |

**(EUR '000)**

| | *Note* | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Cash flows from operating activities | 27 | (148 584) | (88 819) |
| Interest paid | | (3 571) | (3 545) |
| Interest received | | 565 | 1 077 |
| (Income tax paid)/refund of tax overpayments | | (14 764) | (24 699) |
| Net cash flows from operating activities | | (166 354) | (115 986) |
| INVESTING ACTIVITIES | | | |
| Proceeds from provided borrowings | | - | - |
| Expenditure on financial investments | | - | (1) |
| Purchase of property, plant and equipment | | (2 507) | (9 443) |
| Proceeds from the sale of land, property, plant and equipment and intangible assets | | 8 | 349 |
| Dividends received | | 29 906 | 51 000 |
| Net cash inflow/(outflow) from investing activities | | 27 407 | 41 905 |
| FINANCING ACTIVITIES | | | |
| Proceeds from interest-bearing borrowings | | 340 386 | 317 730 |
| Expenditures for the repayment of interest-bearing borrowings | | - | - |
| Dividends paid | 19 | (376 000) | (300 000) |
| Payment of principal portion of lease liabilities | 16 | (458) | |
| Other proceeds and expenditures from financial activities, net | | (49) | 616 |
| Net cash flows from financing activities | | (36 121) | 18 346 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (175 068) | (55 735) |
| EFFECTS OF FOREIGN EXCHANGE FLUCTUATIONS | | 8 | 17 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | 348 056 | 403 774 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **172 996** | **348 056** |

| | *31 December 2018* | *Cash flow* | *Non-cash change – proceeds* | *Non-cash change – offset* | *31 December 2019* |
|---|---|---|---|---|---|
| Dividends received | (29 906) | 29 906 | (340 386) | 340 386 | - |
| Short-term loan | - | 340 386 | - | (340 386) | - |
| **Total liabilities from financing activities** | **(29 906)** | **370 292** | **(340 386)** | **-** | **-** |

| | *31 December 2017* | *Cash flow* | *Non-cash change – proceeds* | *Non-cash change – offset* | *31 December 2018* |
|---|---|---|---|---|---|
| Dividends received | (220 841) | 51 000 | (448 243) | 588 178 | (29 906) |
| Short-term loan | 270 448 | 317 730 | - | (588 178) | - |
| **Total liabilities from financing activities** | 49 607 | 368 730 | (448 243) | - | (29 906) |

**(EUR '000)**

## 1. GENERAL

### 1.1. General Information

Slovenský plynárenský priemysel, a.s. ("SPP") was founded on 21 December 1988 by a Memorandum of Association as a 100% state-owned enterprise in the Slovak Republic. On 1 July 2001, SPP was transformed into a joint-stock company (akciová spoločnosť) that was 100% owned by the National Property Fund of the Slovak Republic.

A consortium of strategic investors acquired a 49% share in SPP with management control with effect from 11 July 2002. As at 31 December 2012, SPP's shares are held by the National Property Fund of the Slovak Republic (51%) and Slovak Gas Holding, B. V., the Netherlands (49%) (jointly held indirectly by GDF SUEZ SA and E.ON Ruhrgas). On 15 January 2013, GDF International SAS, E.ON Ruhrgas International GmbH and E.ON SE signed an agreement with Energetický a Průmyslový Holding, a.s. ("EPH"), a leading player on the heat, coal and electricity market in Central Europe, on the sale of their ownership interests in Slovak Gas Holding, B.V. ("SGH"), which owned a 49% share in SPP and exercised operating and management control. The transaction was completed on 23 January 2013.

In 2014, the SPP Group underwent a reorganisation that also included the contribution of the SPP's ownership interests in the entities: SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. into a newly-established 100% subsidiary, SPP Infrastructure, a.s. On 4 June 2014, SPP subsequently sold its almost 49% ownership interest including management control in SPP Infrastructure, a.s. to SGH, and acquired treasury shares from SGH. As a result, the Government of the Slovak Republic has become the 100% owner of SPP.

These financial statements represent the separate financial statements of SPP. They were prepared for the reporting period from 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU.

| | |
|---|---|
| **Identification number (IČO)** | 35 815 256 |
| **Tax identification number (DIČ)** | 2020259802 |

On 12 June 2019, the Annual General Meeting approved the 2018 financial statements of SPP.

### 1.2. Principal Activities

Since 1 July 2006, after the legal unbundling process SPP has sold natural gas and electricity.

### 1.3. Employees

The average number of SPP employees for the year ended 31 December 2019 was 683, of which 2 was executive management (for the year ended 31 December 2018: 705, of which 2 was executive management).

The actual number of full-time employees as at 31 December 2019 was 679 (as at 31 December 2018: 681).

### 1.4. Registered Address

Mlynské nivy 44/a
825 11 Bratislava
Slovak Republic

## 2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

### Application of New and Revised International Financial Reporting Standards

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the European Union (hereinafter the "EU"), and that are relevant to its operations and effective for annual periods beginning on 1 January 2019.

***Initial application of new standards and amendments to the existing standards and new interpretations effective for the current reporting period***

The following standards and amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);

  **IFRS 16 "Leases"** was issued by the IASB on 13 January 2016. Under IFRS 16, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if such can be readily determined. If such a rate cannot be readily determined, the lessee must use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors must classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, otherwise a lease is classified as an operating lease. For finance leases, a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

  The Company analysed the impact of the application of IFRS 16 "Leases" on the financial statements. The Company recognised the right-of-use assets and the lease liability in the amount of EUR 2 712 thousand as at 1 January 2019 and the insignificant impact on the income statement and the statement of cash flows for 2019. For discounting, the Company used the incremental borrowing rate. Leased assets where the Company acts as a lessee primarily include the car fleet and non-residential premises. The Company apply the standard with effect from 1 January 2019 using a simplified approach (without the restatement of previous periods). The Company also decided to only apply the standard to contracts that meet the definition of a lease under the previous standards, IAS 17 and IFRIC 4, at the transition date. The recognition of the right-of-use asset and the lease liability has no significant impact on the Company's financial indicators.

  The amendments to IFRS 16 have been applied in selected notes to the financial statements only for the current period. The published data of the comparable period remained unchanged from the previous period.

  The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

**(EUR '000)**

In the following table shown the reconciliation of lease liabilities as at 1 January 2019 with operating lease commitments as at 31 December 2018:

| | ***31 December 2019*** |
|---|---|
| Operating lease commitments as at 31 December 2018 | 529 |
| Incremental borrowing rate as at 1 January 2019 | - |
| Discounted operating lease commitments as at 1 January 2019 | 529 |
| Less: | |
| Commitments related to short-term leases | - |
| Commitments related to leases of low-value assets | - |
| Add: | |
| Liabilities related to leases previously classified as finance leases | - |
| Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018 | 2 183 |
| **Lease liabilities as at 1 January 2019** | **2 712** |

- **Amendments to IFRS 9 "Financial Instruments"** – Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to IAS 19 "Employee Benefits"** – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 – 2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

The adoption of these standards and amendments to the existing standards and new interpretations has not led to any material changes in the Company's financial statements.

***Standards and amendments to the existing standards and interpretations issued by IASB and adopted by the EU, but not yet effective***

At the date of authorisation of these financial statements, the following new standards and amendments to existing standards and interpretations issued by IASB and adopted by the EU are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of term "Significant" – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020 or later),

- **Amendments to References to the IFRS Conceptual Framework** – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** – Reference interest rate reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020 or later).

The Company has elected not to adopt these new standards and amendments to the existing standards and new interpretations in advance of their effective dates. The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements in the period of initial application.

***New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU***

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretations, which were not endorsed for use in the EU as at the reporting date (effective dates stated below are for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021);

- **Amendments to IFRS 3 "Business Combinations"** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);

The Company anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the Company's financial statements in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unchanged.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at the balance sheet date.

## 3. SUMMARY OF ACCOUNTING POLICIES

### a) Basis of Accounting

The separate financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS relevant for SPP as adopted by the EU currently do not significantly differ from IFRS as issued by the IASB.

The financial statements are prepared under the historical cost convention, except for the certain financial instruments. The principal accounting policies adopted are detailed below. The reporting and functional currency of SPP is the euro (EUR). The separate financial statements were prepared under the going-concern assumption.

SPP will prepare and issue consolidated financial statements for the year ended 31 December 2019 that comply with IFRS as adopted by the EU. The consolidated financial statements are issued separately and do not accompany these separate financial statements. For a better understanding of the Company's consolidated financial position and results of operations, reference should be made to the consolidated financial statements for the year ended 31 December 2019.

### b) Subsidiaries and Associated Companies

Investments in subsidiaries and associated companies are recognised at acquisition cost. The cost of the investment in a subsidiary is based on the costs attributed to the acquisition of the investment, which represents the fair value of the consideration given and directly attributable transaction costs.

Subsequently, investments in subsidiaries and associated companies are measured at cost less impairment. In accordance with IAS 36, the Company assesses at each reporting date whether there is evidence that such investments may be impaired.

Impairment of non-monetary assets

Assets with indefinite useful lives are not depreciated; however, they are tested for impairment each year. Depreciated assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be realisable. As regards the impairment of financial investments in subsidiaries or associated companies, the Company assesses whether the carrying amount of an investment in the separate financial statements exceeds the carrying amount of the net assets of an investee recognised in the consolidated financial statements including the corresponding goodwill, or whether the dividends received exceed the total aggregate profit of the subsidiary or associated company in the period the dividends are awarded. An impairment loss is recognised in the amount by which the carrying amount of an asset exceeds its realisable value. The realisable value is the higher of the fair value of an asset less costs of sale, or the value in use. To assess impairment of assets, assets are classified into groups at the lowest levels for which separately identifiable cash flows (cash-generating units) exist. Impaired non-monetary assets, except for goodwill, are assessed at each reporting date to determine whether the impairment can be derecognised or not.

### c) Financial Assets

The Company recognised and classified financial assets in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" that was superseded by the new standard, IFRS 9 "Financial Instrument" with effect from 1 January 2018.

Financial assets are classified in the following categories: Financial assets subsequently measured at amortised cost, financial assets subsequently measured at fair value through other comprehensive income (FVOCI) and financial assets at fair value through profit or loss (FVTPL).

Although the permitted measurement of financial assets at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss is similar to the IAS 39 measurement, the criteria for classification to the corresponding categories are different.

The Company recognises financial assets subsequently measured at amortised cost and financial assets at fair value through profit or loss.

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following conditions are met:

i) The assets are held in a business model whose objective is to hold assets in order to collect contractual cash flows; and

ii) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Financial assets classified as at FVTPL mainly include agreements on the purchase or sale of commodities not meeting the measurement exception under IFRS 9 and financial derivatives concluded to ensure economic hedging to which the hedge accounting was not applied.

Interest income is recognised by applying the effective interest rate, except for current receivables when the recognition of interest would be immaterial.

Impairment of financial assets

For the impairment of loan receivables, the Company applies a three-stage model of excepted credit losses (ECL). Under this model, an immediate impairment loss in an amount equal to a 12-month expected credit loss is recognised upon the initial recognition of the financial assets. If there is a significant increase of the credit risk, a provision is estimated based on expected credit losses for the full lifetime of financial assets, not only based on the 12-month expected credit loss.

As at 31 December 2018 the Company assessed the impairment of receivables from unpaid dividends from SPP - Infrastructure, a.s. (see Note 11) and concluded that the 12-month expected credit loss approximates zero given the low risk of default and expected loss, and given the method of borrowing recognition.

For trade receivables and current receivables, the Company applies a simplified model for the assessment and recognition of impairment losses on financial assets under which a provision is recognised of expected credit losses over the full lifetime of trade receivables at the moment of their initial recognition. Such estimates are revised as at the reporting date.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

### d) Financial Liabilities

Financial liabilities are classified as either financial liabilities at "fair value through profit or loss" (FVTPL) or as "other financial liabilities".

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability held for trading is either a derivative instrument or it is designated as at FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Finance costs' line in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method. Interest gains and losses on the translation of foreign currencies are recognised in the income statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities only when the Company's obligations are met, cancelled or expired. The difference between the carrying amount of the financial liability and the consideration paid and the amount payable is recognised in the income statement.

**e) Derivative Financial Instruments**

The Company enters into a number of derivative contracts in order to manage the risk of changes in commodity prices, interest rates and the foreign exchange risk, including forward currency contracts and interest rate and commodity swaps and other derivative contracts, eg futures.

Derivative financial instruments are contracts: (i) whose value changes in response to a change in one or more identifiable variables; (ii) that require no significant net initial investment; and (iii) that are settled at a certain future date. Derivative financial instruments, therefore, include swaps, futures, and firm commitments to buy or sell non-financial assets that include the physical delivery of the underlying assets, except for contracts intended for their own use (the so-called own use exemption).

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Company designates hedging instruments that include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair-value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

**(EUR '000)**

In the event that a financial derivate does not meet or no longer meets the requirements for hedge accounting, changes in the fair value are directly recognised in the income statement as "Mark-to-market" or as "Mark-to-market on commodity contracts other than trading instruments" in ordinary operating income from derivative financial instruments with non-financial assets as the underlying assets, and in financial revenues or expenses in the case of currency, interest rate or equity derivatives. Derivative financial instruments used by the Company for trading activities with own energy and energy on behalf of customers, and other derivative financial instruments that are due in less than 12 months are recognised in the statement of financial position as current assets or current liabilities, while derivative financial instruments due after this period are classified as non-current items.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are recognised as follows:

- If an expected hedged transaction subsequently leads to the recognition of a non-financial asset or a non-financial liability, or if a forecast hedged transaction with a non-financial asset or a non-financial liability becomes a firm commitment, the amounts accumulated in other comprehensive income are derecognised and directly included in the initial measurement of such an asset or a liability.

- For other instances, amounts accumulated in other comprehensive income are reclassified from the hedging reserve to profit or loss in the periods when the hedged item is recognised in profit or loss in the same income statement line as the recognised hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

### f) Land, Property, Plant and Equipment, and Intangible Assets

Property, plant and equipment ("non-current assets") and intangible assets were recognised at cost net of accumulated depreciation as at 31 December 2019 and 31 December 2018. Cost includes all costs attributable to placing the non-current asset into service for its intended use.

Items of non-current assets that are retired or disposed of for another reason are derecognised from the balance sheet at the net book value. Any gain or loss resulting from such retirement or disposal is included in the income statement.

Other items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. Depreciation is charged to the income statement computed so as to amortise the cost of the non-current assets to their estimated residual values over their residual useful lives.

The useful lives of non-current assets used are as follows:

| | ***2019*** | ***2018*** |
|---|---|---|
| Buildings | 30 – 40 | 30 – 40 |
| Right of use of leased premises | 5 – 10 | – |
| Plant and machinery | 3 – 15 | 3 – 15 |
| Right of use of vehicles | 5 | – |
| Inventory | 8 – 15 | 8 – 15 |
| Software – tangible | 3 – 4 | 3 – 4 |
| Other non-current tangible assets | 8 | 8 |

Land is not depreciated as it is deemed to have an indefinite useful life.

Intangible assets with limited useful lives that are acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses. Estimated useful lives are re-assessed at the end of each reporting period.

The useful lives of intangible assets can be summarised as follows:

| | *2019* | *2018* |
|---|---|---|
| Software | 4 – 10 | 4 – 10 |
| Other non-current intangible assets | 4 – 10 | 4 – 10 |

At each reporting date, an assessment is made as to whether there is any indication that the realisable value of the Company's non-current assets is less than the carrying amount. When such an indication occurs, the realisable value of the asset, being the higher of the asset's fair value less costs of disposal and the present value of future cash flows ("value-in-use"), is estimated. The resulting impairment loss provision is recognised in full in the income statement in the year in which the impairment occurs. The discount rates used to calculate the present value of the future cash flows reflect the current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or significantly to postpone its planned completion date, the carrying amount of the asset is reviewed for potential impairment and a provision recorded, if appropriate.

Expenditures relating to an item of non-current assets after being placed into service are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the enterprise. All other expenditures are treated as repairs and maintenance and are expensed in the period in which they are incurred.

### g) Investment Property

Investment property that is held to generate income from a lease is initially recognised at cost inclusive of costs related to acquisition. They are subsequently recognised at historical cost. The Company does not apply any revaluation model for such assets.

### h) Research and Development

Costs of research and development are charged to expenses except for expenses incurred for development projects that are recognised as non-current intangible assets of an expected economic benefit. Development costs that were expensed in the year in which they were incurred are not subsequently capitalised in the following reporting periods.

### i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of natural gas stored in underground storage facilities and raw materials is calculated using the weighted arithmetic average method. The cost of natural gas and raw materials includes the cost of acquisition and related costs, and the cost of inventories developed internally includes materials, other direct costs, and production overheads. Other costs related to the acquisition of natural gas also include the effect of hedging. The positive impact of hedging, i.e. profit from the settlement of derivative operations, reduces the valuation of natural gas in the underground storage facilities and vice versa, the negative impact of hedging, i.e. loss from the settlement of derivative operations increases the valuation of natural gas in the underground storage facilities.

A provision in the required amount is recorded for inventories if there is an indication of their impairment.

The Company separately recognises natural gas held for trading, which is remeasured to fair value as at the reporting date. Changes in the fair value of natural gas held for trading are recognised directly in profit or loss.

### j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and cash in bank, and highly liquid securities with insignificant risk of changes in value and original maturities of three months or less from the date of issue.

### k) Dividends

Dividends are recognised in equity in the period in which they were approved. The payment of dividends to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends were approved by the Company's shareholder.
Dividend income is recognised when the right of payment has been established and the economic benefits are expected to be received.

### l) Accounting for Government Grants

Received government grants are recognised when there is reasonable assurance that the grant will be received and that any conditions attached to the grant will be met. If the government grant relates to the settlement of costs, it is recognised as income over the period required for a systematic compensation of the grant with related costs for the settlement of which the grant is intended. If the government grant relates to the acquisition of non-current assets, it is recognised as deferred income and recognised in the income statement on a straight-line basis over the estimated useful life of the relevant asset.

Government grants are recognised in the balance sheet using a deferred income method.

### m) Provisions for Liabilities

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation. The applied discounted rate reflects the current market expectations regarding the time value of money and risks specific to the relevant liability. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

### n) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they were incurred, except for borrowing costs directly attributable to acquisition, construction or production of the relevant non-current assets. Such borrowing costs are recognised as part of the cost of such assets until they are placed into service.

### o) Recognition of Revenue from Contracts with Customers

Revenue from contracts with customers is recognised upon the delivery of goods or services net of value added tax and discounts at a point in time or over a certain time period in accordance with IFRS 15 in order to disclose the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for such goods or services.

Revenues from the sale of natural gas and revenues from the sale of electricity are recognised at the moment the commodity is supplied to the customer based on the actually measured or estimated energy consumption at the agreed price.

### p) Other Gains and Losses

The Company recognises other gains that do not meet the requirements of the standard, IFRS 15 "Revenue from Contracts with Customers" and the corresponding losses in profit or loss on a net basis. Other gains and losses include the result of trading activities and the sale of a commodity with physical delivery falls under the scope of IFRS 9, gains and losses on the sale of assets and raw materials, other taxes and charges, FX differences from operating activities and other operating profits and losses. The Company recognises the result of trading activities on a net basis after the recognition of purchases or sales and the remeasurement of open positions.

### q) Social Security and Pension Schemes

The Company is required to make contributions to various mandatory government insurance schemes, together with contributions by employees. The cost of social security payments is charged to the income statement in the same period as the related salary cost.

### r) Retirement and Other Long-Term Employee Benefits

The Company has a long-term employee benefit program comprising a lump-sum retirement benefit, and work jubilee benefits, for which no separate financial funds were earmarked. In accordance with IAS 19, the employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service period of employees. The benefit obligation is measured at the present value of the estimated future cash flows discounted by market yields on Slovak government bonds, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognised in the statement of other comprehensive income. Past service costs are recognised when incurred as expenses.

### s) Leases

The assessment of whether or not a contract contains or represents a lease depends on the substance of the contract and requires an assessment of whether the performance of the contract depends on the use of a specific, clearly identifiable asset or whether the contract grants the right to use the asset for a period of time for equivalent. The lessee has the right to control the use of the asset and obtain significant economic benefits from its use.

The Company does not apply IFRS 16 to leases of intangible assets, short-term lease contracts (less than one year) and to leases where the underlying asset has a low value.

At the date of the lease, as a lessee, the Company recognises an asset with the right of use and recognise lease liability. An asset with the right of use is initially measured at cost and recognised in the separate balance sheet line "Land, property, plant and equipment". An asset with the right of use is subsequently measured using the cost model. The amortization period is equal to the estimated useful life of the underlying asset or the lease term. Depreciated assets with the right of use are tested for impairment whenever the events or changes in conditions occur that could mean the carrying amount may not be recoverable, but at least as of balance sheet date.

The lease liability is initially recognised at the present value of future lease payments and is presented in the separate balance sheet line "Trade and other payables", or "Other non-current liabilities". Subsequently, the lease liability is increased by the relevant interest calculated on the basis of the incremental borrowing rate and reduced by the lease payments. Interest is reported in the individual statement of profit or loss and other comprehensive income in the line "Cost of financing".

Leases for an indefinite period of time are limited to the earliest date on which the lease can be terminated by the lessee or the lessor (taking into account previous customs and economic reasons for those practices). The useful life of fixed-term leasing contracts corresponds to the contractual period.

Total lease payments under exceptions (leases of intangible assets, short-term lease contracts and leases where the underlying asset is of low value) are recognised as an expense on a straight-line basis over the lease term in the individual income statement and other comprehensive income.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Property lease classification – Company as a lessor

The Company has entered into commercial property leases, which are recognised on the balance sheet line "Investment property". The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

### t) Income Tax

Income tax is calculated from the profit/loss before tax recognised under International Financial Reporting Standards adjusted pursuant to the relevant Decree of the Ministry of Finance of the Slovak Republic after adjustments for individual items increasing and decreasing the tax base in line with Act No. 595/2003 Coll. on Income Tax, as amended, using the applicable income tax rate.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited to the statement of profit and loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity. The income tax rate for 2019 and 2018 was 21%.

The principal temporary differences arise from depreciations on property, plant, and equipment and various provisions and reserves. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

**Current and deferred tax for the year**
Current and deferred tax are recognised through profit or loss statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. A special levy is recognised as part of income taxes.

**Special Levy on Business in Regulated Industries**
Pursuant to the requirements of the IFRS, the income tax also includes a special levy as per Act No. 235/2013 Coll. on a Special Levy on Business in Regulated Industries and on Amendment to and Supplementation of Certain Acts. It is recognised through profit or loss statement.

The Company is a regulated entity and has been obliged to pay special levies since September 2012. The levy period is a calendar month and the levy rate effective for 2019 is 0.00545 (the levy rate effective for 2018 is 0.00726). The base for the Company's levy is the profit/loss before tax recognised in accordance with IFRS and adjusted to the profit/loss recognised pursuant to the relevant Decree of the Ministry of Finance of the Slovak Republic and further adjusted pursuant to the Special Levy Act.

### u) Foreign Currencies

Transactions in foreign currencies are initially recorded at the exchange rates of the European Central Bank (ECB) valid on the transaction dates. Monetary assets, receivables, and payables denominated in foreign currencies are retranslated at the ECB exchange rates valid on the reporting date. Foreign exchange gains and losses are included in the income statement.

### v) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount can be recovered through a sale transaction rather than through continuing use. This condition is considered fulfilled only when the sale is highly probable, and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. This classification was also applied to subsidiaries, joint ventures and associated companies which were partially disposed of during the reorganisation of the SPP Group (refer to Note 1.1).

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and the fair value less costs to sell.

## 4. ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, as described in Note 3, SPP has made the following decisions concerning uncertainties and estimates that have a significant impact on the amounts recognised in the financial statements. There is a significant risk of material adjustments in future periods relating to such matters, including the following:

Litigation

SPP is involved in various legal proceedings for which management has assessed the probability of loss that may result in cash outflow. In making this assessment, SPP has relied on the advice of external legal counsel, the latest available information on the status of the court proceedings, and an internal evaluation of the likely outcome. The final amount of any potential losses in relation to the legal proceedings is not known and may result in a material adjustment to the previous estimates. Details of the legal cases are included in Note 28.

Provision for Litigation and Potential Disputes

The financial statements include a provision for litigation and potential disputes which were estimated using available information and an assessment of the achievable outcome of the individual disputes. The provision is not recognised unless a reasonable estimate can be made.

Impairment of Property, Plant and Equipment

The Company calculated and recorded amounts for the impairment of property, plant and equipment on the basis of an evaluation of their future use, on planned liquidation or sale, and based on information received from real estate agencies. For some of these items, no final decision has yet been made and thus the assumptions on the use, liquidation, or sale of assets may change. Refer to Note 7 for details on the impairment of property, plant and equipment.

Impairment of Investments in Subsidiaries and Associated Company

Financial investments in subsidiaries and in an associated company were initially measured at cost. The realisable value of SPP CZ, a.s. depends on the sale of natural gas to customers in the Czech Republic. The realisable value of SPP CNG s.r.o. depends on CNG sales in Slovakia. The realisable value of SPP Infrastructure, a.s. depends on the financial results of its subsidiaries and joint ventures; as regards eustream, a.s., NAFTA, a.s., SPP Storage, s.r.o. and Pozagas, a.s., the realisable value depends on the overall demand for gas transmission and gas storage services and on the performance of long-term contracts which generate a significant portion of income for these companies; as regards SPP - distribúcia, a.s., the realisable value depends on the development of regulatory environment and gas consumption in Slovakia, as almost all income is regulated by a distribution tariff consisting of fixed and variable portions depending on the actual volume of distributed gas. SPP monitors the financial results of its subsidiaries and associated company.

SPP identified impairment of the investment in SPP CZ, a.s. (subsidiary) for the first time in 2013.
SPP identified impairment of the investment in SPP Infrastructure, a.s. (associated company) in 2014 due to a decrease in the share capital and in 2015 due to a decrease in the legal reserve fund of SPP Infrastructure, a.s. SPP identified impairment of the investment in SPP CNG s.r.o. (subsidiary) for the first time in 2018.

Unbilled revenues from gas and electricity sales

SPP records significant amounts as revenues from gas and electricity sales on the basis of estimated gas and electricity consumption by small industrial customers and residential customers. Actual consumption of such customers is determined based on an annual meter reading performed after the reporting date. SPP makes an estimate of these revenues by allocating actual measured gas and electricity consumption to the individual categories of customers on the basis of past consumption trends and applying the valid natural gas and electricity prices. Actual consumption by customers in the different categories may vary and so the amounts recorded as revenues may change, given the price differences between categories of customers.

The Company uses a model that makes it possible to estimate these revenues with sufficient accuracy and ensures that the risk of a significant difference between the quantity sold and the resulting estimated revenue is not material.

Allowances for bad debts

The Company applies a simplified approach under IFRS 9 for trade and short-term receivables, i.e. measures expected credit losses (ECL) using lifetime expected losses. Impairment losses on trade and other receivables are recognised in income statement. An impairment loss is reversed if the reversal can be objectively attributed to an event that occurs after the recognition of an impairment loss.

Situation in Ukraine

The Company is monitoring the development of the situation in Ukraine and its potential impact on the Company's business. The Company's management believes that a significant negative impact on the Company's financial performance is unlikely. The Company seeks to diversify its natural gas resources by purchasing and using reverse flows from Western Europe, and also by maintaining maximum natural gas reserves in storage facilities which are able to cover short-term deficits in Russian natural gas supplies. In the event of a long-term non-performance of liabilities by the Russian supplier of natural gas there may be potential adverse impacts, which, however, cannot be reasonably estimated.

Provision for Onerous Contracts

As at 31 December 2019, the separate financial statements include significant amounts recognised as provisions for onerous contracts with respect to non-cancellable contractual commitments to supply natural gas to customers based on sales contracts. These provisions are based on current market information on the future development of natural gas prices in spot markets, which are volatile. For more information, see Note 13.

Decisions In Application of Accounting Policies

In addition to key sources of uncertainty listed above, the Company used judgment when applying accounting policies and assessing the requirements of the standards as described in Note 3, which have a significant impact on the recognition of items in the separate financial statements. These requirements mainly include:

- Evaluation of requirements under IFRS 13 for the measurement of non-financial assets at fair value (see Notes 3e, 3i and 3p); and
- Assessment of the IFRS 9 rules for the application of an exemption allowing one not to account for certain commodity buy and sell contracts as financial derivatives (see Note 3e).

(EUR '000)

## 5. FINANCIAL INSTRUMENTS

### a) Financial Risk Management

The Company is exposed to various financial risks, including the effects of changes in gas purchase and selling prices. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. In 2019 and 2018, the Company entered into derivative transactions, for example, forward currency contracts and commodity swaps, in order to manage certain risks. The purpose of forward currency contracts is to eliminate the effects of changes in the CZK/EUR exchange rates owing to future payments and revenues denominated in a foreign currency. The purpose of commodity swaps is to limit the price risks of sale contracts with customers and purchase contracts with suppliers.

The main risks arising from the Company's financial instruments are commodity price risk, interest rate risk, credit risk and liquidity risk. Risk management is performed by the Audit and Risk Management Department in accordance with the procedures approved by the Board of Directors.

(1) Commodity Price Risk

The Company is a party to framework agreements for the purchase of natural gas and other services and materials. In addition, the Company enters into contracts for natural gas sales and natural gas storage. Contracts for natural gas storage are at fixed prices, which are escalated every year based on price indices.

As at 31 December 2019 the Company used commodity swap contracts to manage the risk of commodity price fluctuations. As at 31 December 2018, the Company also used hedging derivative contracts to hedge sale transactions.

The following table details the open commodity swap contracts at the reporting date:

| ***Open commodity swap contracts*** | ***31 December 2019*** | | ***31 December 2019*** | |
|---|---|---|---|---|
| | ***Nominal amount*** | | ***Change in fair value*** | |
| | ***Hedging*** | ***Held for trading*** | ***Hedging*** | ***Held for trading*** |
| Purchase/sell gas | | | | |
| Less than 3 months | 125 823 | - | (40 663) | - |
| 3 to 12 months | 250 060 | - | (68 955) | - |
| Over 12 months | 76 321 | 238 | (5 598) | (6) |

| ***Open commodity swap contracts*** | ***31 December 2018*** | | ***31 December 2018*** | |
|---|---|---|---|---|
| | ***Nominal amount*** | | ***Change in fair value*** | |
| | ***Hedging*** | ***Held for trading*** | ***Hedging*** | ***Held for trading*** |
| Purchase/sell gas | | | | |
| Less than 3 months | 145 921 | - | (3 898) | - |
| 3 to 12 months | 278 513 | - | (23 937) | - |
| Over 12 months | 78 583 | - | (1 680) | - |

The Company uses hedging instruments to secure cash flow hedging and fair value of sales contracts.

Cash flow hedging

The main risk affecting the price of natural gas is defined as commodity risk caused by price movements. The aim of cash flow hedging is therefore to ensure a fixed cost of sourcing the sales contracts, which are sold at fixed price. The risk of a change in the values of the input parameter affecting the price of natural gas is thus fully eliminated based on an agreement with the counterparty to compensate their development.

The Company recognises the following commodity contracts:

| | ***At 31 December 2019*** | ***At 31 December 2018*** |
|---|---|---|
| Commodity swaps | | |
| Nominal amount in MWh | 10 203 440 | 8 943 279 |
| Nominal amount in EUR ths. | 174 757 | 208 576 |

(EUR '000)

The effect of hedging instruments in the balance sheet is as follows:

| | At 31 December 2019 | At 31 December 2018 |
|---|---|---|
| Line in the balance sheet | | |
| Other non-current assets | - | - |
| Receivables and prepayments | 1 253 | 291 |
| Other non-current liabilities | (1 817) | (3 491) |
| Trade and other payables | (49 949) | (21 667) |
| Nominal value recorded in contingent assets and liabilities | 174 757 | 208 576 |

The effect of hedging instruments in the income statement and in the statement of other comprehensive income is as follows:

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Line in the income statement | | |
| Purchase of natural gas, electricity and material and energy consumption | (59 986) | 3 357 |
| Revenue from contracts with customers | - | 861 |
| Line in the statement of other comprehensive income | | |
| Hedging derivatives (cash flow hedging) | (50 514) | (24 867) |

Fair value hedging

To eliminate the commodity risk, the Company decided to manage the risks by offering a fixed price to the customer through "back to back" hedging in the form of commodity swaps of the sales formula. The objective of the hedging instrument is to hedge the fair value of the yield contract. The risks of changes in the values of the input parameters affecting the selling price of natural gas are thus fully eliminated based on an agreement with the counterparty to compensate their development.

The effect of hedging instruments in the balance sheet is as follows:

| | At 31 December 2019 | At 31 December 2018 |
|---|---|---|
| Line in the statement of financial position | | |
| Other non-current assets | 99 | 3 555 |
| Receivables and prepayments | - | 12 440 |
| Other non-current liabilities | (3 879) | (1 743) |
| Trade and other payables | (60 922) | (18 900) |
| Nominal value recorded in contingent assets and liabilities | 277 447 | 294 441 |

The effect of hedged items in the balance sheet is as follows:

| | At 31 December 2019 | At 31 December 2018 |
|---|---|---|
| Line in the statement of financial position | | |
| Other non-current assets | 3 879 | 1 743 |
| Receivables and prepayments | 60 922 | 18 900 |
| Other non-current liabilities | (99) | (3 555) |
| Trade and other payables | - | (12 440) |

(2) Interest Rate Risk

The Company was exposed to minimum interest rate risks associated with interest rate volatility, as it drew a non-current loan with a fixed interest rate and a loan with a floating interest rate provided by an associated company.

For SPP, the volatility of interest rates for short term loans does not represent a significant risk as such loans are drawn only occasionally, and the level of interbank EURIBOR interest rates have recently been at their historical minimums (1M EURIBOR is used as a reference interest rate for short-term loans drawn by the Company and was -0.438% p.a. as at 31 December 2019, i.e. a decrease of 0.076% p.a. compared to 31 December 2018, when 1M EURIBOR was -0.362% p.a.).

Given the minimum level of short-term interest rates, sensitivity to a potential decrease of interest rates by more than 0.1-0.2% cannot be tested. On the contrary, if interest rates increase, interest expenses will increase only slightly, since these loans are drawn by the Company only several times a year.

As at 31 December 2019 and 31 December 2018, no short-term loan was drawn by the Company. During the years 2019 and 2018, short-term loans were drawn down in a minimum extent, to cover a lack of liquidity for a short period of time.

**(EUR '000)**

(3) Credit risk related to receivables

The Company sells its products and services to various customers that, neither individually nor as a whole in terms of volume and solvency, represent a significant risk that receivables will not be settled pursuant to the valid risk management policy. The Company has policies in place that ensure that products and services are sold to customers with an appropriate credit history and that an acceptable limit to credit exposure is not exceeded.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet, net of provisions.

(4) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash with an appropriate due date and marketable securities, the availability of funding through an adequate amount of committed credit lines, and the ability to close open market positions. Due to the dynamic nature of the underlying business, Treasury department aims to maintain flexibility by keeping committed credit lines available and synchronising the maturity of financial assets with financial needs. To settle outstanding liabilities, the Company has funds and undrawn credit lines at its disposal.

As at 31 December 2018, the Company only drew non-current loans amounting to EUR 84 731 thousand, which remaining value as at 31 December 2019 was recognised as short-term credit resources of EUR 84 909 thousand, as its maturity is on 2 July 2020.

Loans with maturity of less than 2 years are drawn in EUR with a variable interest rate linked to 1M EURIBOR (in some cases O/N for overdraft facilities). For non-current loans, the interest rate is set as fixed.

The bulk of short-term credit lines include an automatic loan extension clause, provided that none of the parties concerned cancels the loan within the specified period. Long- or medium-term loans have a fixed maturity date, while the loan is payable in a lump sum as at the final maturity date, i.e. July 2020.

All loans are provided without any collateral, using common market provisions (pari-passu, ban to pledge assets, substantial negative impact). With regard to the balance of the credit facilities drawn as at 31 December 2019 of EUR 84 909 thousand (whereas the funds and tradable securities amounted to EUR 172 996 thousand), the net debt totals EUR 0. If necessary, maturing credit facilities may be paid off from undrawn credit facilities, as well as from available funds and tradable securities (at 31 December 2019 of EUR 304 000 thousand from banks).

The table below summarises the maturity of financial liabilities at 31 December 2019 and 31 December 2018 based on contractual undiscounted payments:

| *31 December 2019* | *On demand* | *Less than 3 months* | *3 to 12 months* | *1 to 5 years* | *> 5 years* | *Total* |
|---|---|---|---|---|---|---|
| Loans (Note 14) | - | - | 84 909 | - | - | 84 909 |
| Other liabilities | - | 68 283 | 82 364 | 8 276 | 622 | 159 545 |
| Trade payables | - | 146 959 | - | - | - | 146 959 |

| *31 December 2018* | *On demand* | *Less than 3 months* | *3 to 12 months* | *1 to 5 years* | *> 5 years* | *Total* |
|---|---|---|---|---|---|---|
| Loans (Note 14) | - | - | - | 84 731 | - | 84 731 |
| Other liabilities | - | 65 065 | 42 491 | 10 083 | - | 117 639 |
| Trade payables | - | 163 280 | - | - | - | 163 280 |

(EUR '000)

### b) Capital Risk Management

The Company manages its capital to ensure that it continues as a going concern while maximising the return to shareholder through optimising the debt and equity ratio, as well as through ensuring a high credit rating and sound capital ratios.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to the Company's owner, which comprise the registered capital, legal and other reserves and retained earnings as disclosed in Notes 18 and 19 and loans as disclosed in Note 14.

The gearing ratio:

| | *At 31 December 2019* | *At 31 December 2018* |
|---|---|---|
| Debt (i) | 84 909 | 84 731 |
| Cash and cash equivalents | 172 996 | 348 056 |
| Net debt | - | - |
| Equity (ii) | 2 422 987 | 2 604 734 |
| **Net debt to equity ratio** | **0 %** | **0 %** |

*(i) Debt is defined as non-current and short-term borrowings*
*(ii) Page 5*

### c) Categories of Financial Instruments

| | *At 31 December 2019* | *At 31 December 2018* |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | 425 985 | 686 611 |
| Financial derivatives held for trading | 40 733 | 22 710 |
| Financial derivatives recognised as hedging | 66 153 | 36 929 |
| **Financial liabilities** | | |
| Financial liabilities carried at amortised costs | 254 460 | 284 017 |
| Financial derivatives held for trading | 18 544 | 19 837 |
| Financial derivatives recognised as hedging | 116 667 | 61 796 |

### d) Estimated Fair Value of Financial Instruments

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows using forward interest rates as at the reporting date and agreed forward rates taking into account the credit risks of various parties.

The fair value of commodity swaps is determined using forward commodity prices and forward exchange rates at the reporting date and the agreed forward rates, taking into account the credit risk of various parties.

The fair value of ordinary shares not in a book-entry form has been estimated using a valuation technique based on assumptions that they are not supported by observable market prices. The valuation requires management to make estimates of the expected future cash flows from shares that are discounted at current rates.

Estimated fair values of financial assets and liabilities that are not regularly remeasured to fair value

The estimated fair values of other instruments, mainly current financial assets and liabilities approximate their carrying amounts.

When determining the fair value of non-traded derivatives and other financial instruments, the Company uses a number of methods and market assumptions that are based on the market conditions prevailing as at the reporting date. Other methods, mainly the estimated discounted value of future cash flows, are used to determine the fair value of other financial instruments.

**(EUR '000)**

The following table provides an analysis of financial instruments that, upon initial revaluation, are subsequently recognised at fair value, in accordance with the fair value hierarchy.

Level 1 of the fair value measurement represents those fair values that are derived from the prices of similar assets or liabilities quoted on active markets.

Level 2 of the fair value measurement represents those fair values that are derived from input data other than the quoted prices included in Level 1, which are observable on the market for assets or liabilities directly (e.g. prices) or indirectly (e.g. derived from prices).

Level 3 of the fair value measurement represents those fair values that are derived from valuation models, including subjective input data for assets or liabilities not based on market data.

| *2019* | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| **Financial assets at fair value** | **2 890** | **103 996** | **-** | **106 886** |
| Financial derivatives held for trading | 2 890 | 37 843 | - | 40 733 |
| Financial derivatives recognised as hedging | - | 66 153 | - | 66 153 |
| Available-for-sale financial assets | | - | - | - |
| **Financial liabilities at fair value** | **1 261** | **133 950** | **-** | **135 211** |
| Financial derivatives held for trading | 1 261 | 17 283 | - | 18 544 |
| Financial derivatives recognised as hedging | - | 116 667 | - | 116 667 |

| *2018* | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| **Financial assets at fair value** | **5 474** | **54 165** | **-** | **59 639** |
| Financial derivatives held for trading | 5 474 | 17 236 | - | 22 710 |
| Financial derivatives recognised as hedging | - | 36 929 | - | 36 929 |
| Available-for-sale financial assets | | - | - | - |
| **Financial liabilities at fair value** | **4 704** | **76 929** | **-** | **81 633** |
| Financial derivatives held for trading | 4 704 | 15 133 | - | 19 837 |
| Financial derivatives recognised as hedging | - | 61 796 | - | 61 796 |

## Embedded Derivative Instruments

The Company signed a long-term contract for purchases of natural gas denominated in USD. Following an agreement with the Russian partner, the contract was modified by an amendment and the price was converted to EUR with a direct link to the development of the relevant spot market. Both the economic characteristics and risks of embedded forward derivative instruments (USD to EUR), and natural gas prices are generally believed to be closely related to the economic characteristics and risks of the underlying purchase agreements. Hence, in accordance with IFRS 9, SPP does not recognise embedded derivatives separately from the host contract.

The Company has assessed all other significant contracts and agreements for embedded derivatives that should be recorded. The Company concluded that there are no embedded derivatives in these contracts and agreements that are required to be measured and recognised separately as at 31 December 2019 and 31 December 2018 under the requirements of IFRS 9.

(EUR '000)

## 6. SUBSIDIARIES, ASSOCIATED COMPANIES, JOINT VENTURES AND OTHER INVESTMENTS

| *As at 31 December 2018* | *Subsidiaries* | *Joint ventures and associated companies* |
|---|---|---|
| Opening balance, net | 4 944 | 2 026 551 |
| Additions | 1 | - |
| Disposals | - | - |
| Impairment | (4 934) | - |
| **Closing balance, net** | **11** | **2 026 551** |
| Cost | 6 551 | 2 026 551 |
| Impairment | (6 540) | - |
| **Closing balance, net** | **11** | **2 026 551** |

| *As at 31 December 2019* | *Subsidiaries* | *Joint ventures and associated companies* |
|---|---|---|
| Opening balance, net | 11 | 2 026 551 |
| Additions | - | - |
| Disposals | - | - |
| Impairment | - | - |
| **Closing balance, net** | **11** | **2 026 551** |
| Cost | 6 551 | 2 026 551 |
| Impairment | (6 540) | - |
| **Closing balance, net** | **11** | **2 026 551** |

The information on subsidiaries, joint ventures and associated companies of SPP as at 31 December 2019 and 31 December 2018 can be summarised as follows:

| *Name* | *Country of incorporation* | *Ownership interest %* | *Principal activity* |
|---|---|---|---|
| SPP CZ, a.s. | Czech Republic | 100 | Purchase and sale of natural gas and electricity |
| SPP CNG s.r.o. | Slovakia | 100 | Sale of CNG |
| SPP Infrastructure, a.s. | Slovakia | 51 | Asset holding |
| Nadácia SPP | Slovakia | 100 | Foundation |
| EkoFond, n.f. | Slovakia | 100 | Non-investment fund |
| Nezisková organizácia EF | Slovakia | 100 | Non-profit organisation |

As at 31 December 2019 and 31 December 2018, the 51% non-controlling ownership interest in SPP Infrastructure, a.s. is recognised in accordance with the relevant IFRS as a financial investment in an associated company.

Additional information on subsidiaries, joint ventures and associated companies:

| | *Equity* | | *Profit/(loss)* | |
|---|---|---|---|---|
| *Name and seat of the company* | *2019* | *2018* | *2019* | *2018* |
| **SPP CZ, a.s.** Seat: Nové sady 996/25, Staré Brno, 602 00 Brno, Czech Republic | CZK 20 125 ths. | CZK 41 817 ths. | CZK (4 541) ths. | CZK (73 814) ths. |
| **SPP CNG s.r.o.** Seat: Mlynské nivy 44/a, Bratislava | 4 084 | 4 547 | (463) | (382) |
| **SPP Infrastructure, a.s.** [(1)] Seat: Mlynské nivy 44/a, Bratislava | 4 673 863 | 4 734 174 | 607 114 | 1 004 783 |
| **Nadácia SPP** Seat: Mlynské nivy 44/a, Bratislava | 299 | 299 | - | - |
| **EkoFond, n.f.** Seat: Mlynské nivy 44/a, Bratislava | 1 802 | 1 036 | - | - |
| **Nezisková organizácia EF** Seat: Mlynské nivy 4924/44/a, Bratislava | 1 | 1 | - | - |

*(1) In 2017, SPP Infrastructure, a.s. changed its reporting period to the fiscal year from 1 October to 30 September. The profit/loss for 2018 is for the period from 1 January 2018 to 31 December 2018 and the profit/(loss) for 2019 is for the period from 1 January 2019 to 31 December 2019.*

**(EUR '000)**

## 7. LAND, PROPERTY, PLANT AND EQUIPMENT

| | *Land* | *Buildings* | *Right of use of rented premises* | *Plant, machinery and equipment* | *Means of transportation* | *Right of use of means of transportation* | *Fixture & fittings* | *Software tangible* | *Other non-current tangible assets* | *Assets in course of construction* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year ended 31 December 2018 | | | | | | | | | | | |
| Opening net book value | 4 303 | 66 473 | - | 3 602 | - | - | 60 | - | 527 | 343 | 75 308 |
| Additions | - | - | - | - | - | - | - | - | 3 | 693 | 696 |
| Placed into service | - | 316 | - | 338 | - | - | - | - | 12 | (666) | - |
| Reclassifications between categories | - | (344) | - | 344 | - | - | - | - | - | - | - |
| Reclassifications – assets for sale | (150) | (2 974) | - | - | - | - | - | - | - | - | (3 124) |
| Reclassifications – IAS 40 | (400) | 256 | - | - | - | - | - | - | - | - | (144) |
| Disposals | (96) | (420) | - | (2) | - | - | - | - | - | | (518) |
| Depreciation charge | - | (3 195) | - | (1 084) | - | - | (18) | - | - | - | (4 297) |
| Change of provisions | - | 974 | - | (21) | - | - | - | - | - | - | 953 |
| **Closing net book value** | **3 657** | **61 086** | **-** | **3 177** | **-** | **-** | **42** | **-** | **542** | **370** | **68 874** |
| At 31 December 2018 | | | | | | | | | | | |
| Acquisition cost | 4 284 | 117 425 | - | 42 992 | 220 | - | 2 717 | 1 016 | 549 | 370 | 169 573 |
| Provisions and accumulated depreciation | (627) | (56 339) | - | (39 815) | (220) | - | (2 675) | (1 016) | (7) | - | (100 699) |
| **Net book value** | **3 657** | **61 086** | **-** | **3 177** | **-** | **-** | **42** | **-** | **542** | **370** | **68 874** |
| Year ended 31 December 2019 | | | | | | | | | | | |
| Impact of the new IFRS 16 | - | - | 2 002 | - | - | 710 | - | - | - | - | 2 712 |
| Opening net book value | 3 657 | 61 086 | - | 3 177 | - | - | 42 | - | 542 | 370 | 68 874 |
| Additions | - | 12 | 3 | 8 | - | 142 | - | - | 5 | 1 341 | 1 511 |
| Placed into service | - | 460 | - | 533 | - | - | 5 | - | - | (998) | - |
| Reclassifications between categories | - | - | - | - | - | - | - | - | - | - | - |
| Reclassifications – assets for sale | (16) | (1 038) | - | (10) | - | - | - | - | - | - | (1 064) |
| Reclassifications – IAS 40 | - | (242) | - | - | - | - | - | - | - | - | (242) |
| Disposals | - | - | - | (1) | - | (137) | - | - | - | | (138) |
| Depreciation charge | - | (3 111) | (241) | (952) | - | (223) | (18) | - | - | - | (4 545) |
| Change of provisions | (2) | 783 | - | (119) | - | - | - | - | - | - | 662 |
| **Closing net book value** | **3 639** | **57 950** | **1 764** | **2 636** | **-** | **492** | **29** | **-** | **547** | **713** | **67 770** |
| At 31 December 2019 | | | | | | | | | | | |
| Acquisition cost | 4 267 | 116 939 | 2 005 | 39 252 | 220 | 669 | 2 702 | 637 | 554 | 713 | 167 958 |
| Provisions and accumulated depreciation | (628) | (58 950) | (241) | (36 616) | (220) | (177) | (2 673) | (637) | (7) | - | (100 188) |
| **Net book value** | **3 639** | **57 950** | **1 764** | **2 636** | **-** | **492** | **29** | **-** | **547** | **713** | **67 770** |

(EUR '000)

Type and amount of insurance of property, plant, machinery and equipment and non-current intangible assets:

| *Insured assets* | *Type of insurance* | *Cost of insured assets 2019* | *Cost of insured assets 2018* | *Name of the insurance company* |
|---|---|---|---|---|
| Buildings, halls, structures, machinery, equipment, fittings, low-value TFA, other TFA, works of art, inventories<br>Movables, assets, inventories | Insurance of assets | 213 846 | 227 615 | Colonnade Insurance S.A., pobočka poisťovne z iného členského štátu |

Cost of fully depreciated non-current assets (includes also software classified in non-current intangible assets), which were still in use as at 31 December 2019, amounted to EUR 102 663 thousand (31 December 2018: EUR 110 847 thousand).

## 8. INVESTMENT PROPERTY

| | *2019* | *2018* |
|---|---|---|
| Opening net book value | 25 064 | 26 374 |
| Depreciation charge | (1 212) | (1 255) |
| Change in provisions | 168 | (199) |
| Additions, disposals and reclassifications to non-current tangible assets | 242 | 144 |
| **Closing net book value** | **24 262** | **25 064** |

SPP leases gas-industry not related assets mainly to SPP – distribúcia, a.s. In accordance with IAS 40, SPP selected for the recognition at historical cost. The Company estimated that the restated value of the assets according to a fair value model would be EUR 30 541 thousand if a fair value model was used (as at 31 December 2018: EUR 29 826 thousand).

## 9. NON-CURRENT INTANGIBLE ASSETS

| | *Software* | *Other non-current intangible assets* | *Assets in course of construction* | *Total* |
|---|---|---|---|---|
| Year ended 31 December 2018 | | | | |
| Opening net book value | 856 | 907 | 2 734 | 4 497 |
| Additions | - | - | 8 664 | 8 664 |
| Placed into service | 10 563 | 2 | (10 565) | - |
| Reclassifications | - | - | - | - |
| Disposals | - | - | - | - |
| Amortisation | (593) | (178) | - | (771) |
| Change of provisions | (222) | - | - | (222) |
| **Closing net book value** | **10 604** | **731** | **833** | **12 168** |
| At 31 December 2018 | | | | |
| Acquisition cost | 79 231 | 3 656 | 900 | 83 787 |
| Provisions and accumulated depreciation | (68 627) | (2 925) | (67) | (71 619) |
| **Net book value** | **10 604** | **731** | **833** | **12 168** |
| Year ended 31 December 2019 | | | | |
| Opening net book value | 10 604 | 731 | 833 | 12 168 |
| Additions | - | 2 | 1 161 | 1 163 |
| Placed into service | 1 039 | 204 | (1 243) | - |
| Reclassifications | - | - | - | - |
| Disposals | - | - | - | - |
| Amortisation | (1 967) | (190) | - | (2 157) |
| Change of provisions | 93 | - | - | 93 |
| **Closing net book value** | **9 769** | **747** | **751** | **11 267** |
| At 31 December 2019 | | | | |
| Acquisition cost | 75 063 | 3 337 | 818 | 79 218 |
| Provisions and accumulated depreciation | (65 294) | (2 590) | (67) | (67 951) |
| **Net book value** | **9 769** | **747** | **751** | **11 267** |

(EUR '000)

## 10. INVENTORIES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Natural gas | 156 372 | 115 244 |
| Natural gas held for trading | 45 653 | 43 521 |
| Raw materials | 7 | 7 |
| Provisions | (2 170) | (2 428) |
| **Total** | **199 862** | **156 344** |

As at 31 December 2019 and 31 December 2018, the Company recorded a provision for natural gas related to the adjustment of the cost of natural gas to its net realisable value.

## 11. RECEIVABLES AND PREPAYMENTS

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Trade receivables from natural gas and electricity sales | 116 462 | 149 752 |
| Contractual assets from sales to customers | 10 542 | 19 739 |
| Prepayments for natural gas distribution | 15 063 | 30 279 |
| Receivables from financial derivatives | 101 274 | 54 004 |
| Prepayments and other receivables | 110 922 | 138 785 |
| **Total** | **354 263** | **392 559** |

As at 31 December 2019, trade receivables from natural gas and electricity sales are shown net and represent receivables from billed gas and electricity supplies.

Contractual assets from sales to customers represent estimated amounts of unbilled commodity supplies to customers whose actual consumption will be determined based on a meter reading after the end of the calendar year. Such amounts are billed in the following 12 months based on the actual measured consumption and valid tariffs.

Receivables and prepayments are shown net of provisions for bad and doubtful receivables of EUR 183 858 thousand (31 December 2018: EUR 159 568 thousand).

As at 31 December 2019, receivables and prepayments also include receivables from SPP CZ, a.s. of EUR 6 249 thousand (31 December 2018: EUR 28 118 thousand), from SPP CNG s.r.o. of EUR 334 thousand (31 December 2018: EUR 148 thousand) and from SPP Infrastructure, a.s. of EUR 4 thousand (31 December 2018: EUR 29 914 thousand).

As at 31 December 2019, the Company recorded receivables within maturity of EUR 364 276 thousand and overdue receivables of EUR 173 845 thousand (excluding provisions). In the comparable period, i.e. as at 31 December 2018, the Company recorded receivables within maturity of EUR 404 098 thousand and overdue receivables of EUR 148 029 thousand (excluding provisions). As at 31 December 2019, the Company recorded receivables from customers in the large consumer and commercial market segments of EUR 37 015 thousand (31 December 2018: EUR 33 672 thousand), for which the Company concluded that a specific provision would be required due to management's doubts about the customer's ability to repay amounts due to the Company. Due to limited availability of information on the customers' ability to pay its liabilities and the related high level of uncertainty, as at 31 December 2019 the Company recorded a provision for all overdue receivables from the customers and also partially for receivables within maturity of EUR 31 195 thousand (31 December 2018: EUR 27 038 thousand).

Maturities of trade receivables used as a benchmark for the Company's internal policy of provisioning:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Within maturity | 364 276 | 404 098 |
| Less than 3 months | 10 928 | 13 567 |
| 3 to 12 months | 28 874 | 17 927 |
| More than 12 months | 134 043 | 116 535 |
| **Total** | **538 121** | **552 127** |

**(EUR '000)**

The movements in provisions for current receivables were as follows:

| | *31 December 2019* | *31 December 2018* |
|---|---|---|
| Opening balance | (159 568) | (141 172) |
| Effect of IFRS 9 as at 1 January 2018 | - | (1 058) |
| Creation | (30 706) | (13 925) |
| Use | 5 748 | 6 901 |
| Reversal | 668 | 521 |
| Reclassification between current and non-current portions | - | (10 835) |
| **Closing balance** | **(183 858)** | **(159 568)** |

## 12. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits programme at SPP was originally launched in 1995. This is a defined benefit programme, under which employees are entitled to a lump-sum payment upon old age or disability retirement and, subject to vesting conditions, work jubilee payments. On 4 December 2017, SPP signed a new collective agreement for 2018 and 2020 under which employees are entitled to retirement payments based on the number of years worked at SPP upon retirement after meeting the relevant conditions. Retirement benefits range from three to five average monthly salaries of employees with a guaranteed minimum (EUR 700) and threshold maximum amount (EUR 1 500) of the relevant multiples. As at 31 December 2019 and 31 December 2018, the obligation relating to retirement and other long-term employee benefits was calculated based on the valid collective agreement effective from 1 January 2018.

As at 31 December 2019, there were 679 (31 December 2018: 681) employees of SPP covered by this programme. As of that date, it was an un-funded programme, with no separately-allocated assets to cover the programme's liabilities.

The movements in the net liability recognised in the balance sheet for the year ended 31 December 2019 are as follows:

| | *Long-term benefits* | *Post-employment benefits* | *Total at 31 December 2019* | *Total at 31 December 2018* |
|---|---|---|---|---|
| Net liability at 1 January | 234 | 820 | 1 054 | 1 099 |
| Expenses of the past and current service, net | 16 | 63 | 79 | 71 |
| Interest expense | 3 | 12 | 15 | 15 |
| Employee benefits paid | (16) | (33) | (49) | (77) |
| *Actuarial (gains)/losses:* | | | | |
| Actuarial (gains)/losses from a change in demographic assumptions | - | - | - | - |
| Actuarial (gains)/losses from a change in financial assumptions | 13 | 69 | 82 | 6 |
| Actuarial (gains)/losses arising from experience | (4) | (42) | (46) | (60) |
| **Net liabilities** | **246** | **889** | **1 135** | **1 054** |

| | *Current liabilities (included in other current liabilities)* | *Non-current liabilities* | *Total* |
|---|---|---|---|
| At 31 December 2019 | 65 | 1 070 | 1 135 |
| At 31 December 2018 | 61 | 993 | 1 054 |

**(EUR '000)**

A breakdown of items related to the liability for employee benefits recognised in the income statement for the reporting period is stated below:

| | *Long-term benefits* | *Post-employment benefits* | *Total at 31 December 2019* | *Total at 31 December 2018* |
|---|---|---|---|---|
| Expenses of the past and current service, net | 16 | 63 | 79 | 71 |
| Interest expense | 3 | 12 | 15 | 15 |
| **Total expenses for employee benefits** | **19** | **75** | **94** | **86** |

A breakdown of items related to the liability for employee benefits recognised in the statement of other comprehensive income is stated below:

| | *Long-term benefits* | *Post-employment benefits* | *Total at 31 December 2019* | *Total at 31 December 2018* |
|---|---|---|---|---|
| Actuarial (gains)/losses from a change in demographic assumptions | - | - | - | - |
| Actuarial (gains)/losses from a change in financial assumptions | 13 | 69 | 82 | 6 |
| Actuarial (gains)/losses arising from experience | (4) | (42) | (46) | (60) |
| **Total actuarial (gains)/losses** | **9** | **27** | **36** | **54** |

Sensitivity analysis – in the event of an increase/decrease in the discount rate and/or inflation, the amount of the liability for employee benefits would change as follows:

| | *Long-term benefits* | *Post-employment benefits* | *Total at 31 December 2019* |
|---|---|---|---|
| Increase in the discount rate by 0.25% | 241 | 864 | 1 105 |
| Increase in inflation by 0.25% | 251 | 908 | 1 159 |
| Decrease in the discount rate by 0.25% | 251 | 916 | 1 167 |
| Decrease in inflation by 0.25% (at 0%) | 246 | 871 | 1 117 |

**Key assumptions used in actuarial valuation:**

| | *At 31 December 2019* | *At 31 December 2018* |
|---|---|---|
| Market yield on government bonds | 0.718 % | 1.408% |
| Annual future real rate of salary increases | 2.00 % | 2.00% |
| Annual employee turnover | Ranging from 1.9% to 20% depending on the age category, average of 6.01% | Ranging from 1.9% to 20% depending on the age category, average of 6.01% |
| Retirement ages (male and female) | In 2020, 62 years plus 8 months for men and women. The average estimated age for drawing an old age pension benefit is 63.4. | In 2019, 62 years plus 6 months for men and women. The average estimated age for drawing an old age pension benefit is 63.1. |

**(EUR '000)**

## 13. PROVISIONS

The movements in provisions for liabilities are summarised as follows:

| | *Provision for onerous contracts* | *Other provisions* | *Total at 31 December 2019* | *Total at 31 December 2018* |
|---|---|---|---|---|
| Balance at 1 January | 24 238 | 31 997 | 56 235 | 46 703 |
| Effect of discounting | (207) | - | (207) | 208 |
| Additions | 3 320 | 3 211 | 6 531 | 21 385 |
| Use | (16 070) | - | (16 070) | (8 153) |
| Reversal | (2 620) | - | (2 620) | (3 908) |
| **Closing balance** | **8 661** | **35 208** | **43 869** | **56 235** |

The provisions are included in liabilities as follows:

| | *Current provisions* | *Non-current provisions* | *Total provisions* |
|---|---|---|---|
| At 31 December 2019 | 6 482 | 37 387 | 43 869 |
| At 31 December 2018 | 15 301 | 40 934 | 56 235 |

a) Provision for Onerous Contracts

The Company identified and recorded a provision for onerous contracts in connection with non-cancellable contractual commitments to supply natural gas to customers and business partners under sales contracts in 2020 and beyond. These provisions are based on an assumption that the future costs to purchase natural gas, which are mainly influenced by the long-term purchase contract with Gazprom Export LLC, to provide natural gas to these customers, will exceed the economic benefits obtained at the sale. The calculation of the provision is subject to various assumptions of current market information relating to the future development of natural gas prices on spot markets, which are volatile. The actual losses generated with regard to these contracts may vary, and such differences may be material.

b) Other Provisions

Other provisions amounting to EUR 35 208 thousand (31 December 2018: EUR 31 997 thousand) comprise a provision for various pending court and other potential disputes. Refer also to Note 28.

## 14. LOANS

| | *31 December 2019 Secured* | *31 December 2019 Unsecured* | *31 December 2019 Total* | *31 December 2018 Secured* | *31 December 2018 Unsecured* | *31 December 2018 Total* |
|---|---|---|---|---|---|---|
| Interest-bearing borrowings | - | 84 909 | 84 909 | - | 84 731 | 84 731 |
| Bonds | - | - | - | - | - | - |
| **Total** | - | **84 909** | **84 909** | - | **84 731** | **84 731** |
| Loans by currency | | | | | | |
| EUR | | | | | | |
| - with fixed interest rate | - | 84 909 | 84 909 | - | 84 731 | 84 731 |
| - with variable interest rate | - | - | - | - | - | - |
| **Total loans** | - | **84 909** | **84 909** | - | **84 731** | **84 731** |
| Loans are due as follows: | | | | | | |
| Less than 1 year | - | 84 909 | 84 909 | - | - | - |
| 1 to 2 years | - | - | - | - | 84 731 | 84 731 |
| 2 to 5 years | - | - | - | - | - | - |
| More than 5 years | - | - | - | - | - | - |
| **Total loans** | - | **84 909** | **84 909** | - | **84 731** | **84 731** |

**(EUR '000)**

In 2019 and 2018, SPP drew loans denominated in EUR with variable and fixed interest rates. As at 31 December 2019, SPP drew a long-term bank loan of EUR 84 909 thousand with a fixed interest rate of 4.125 % p. a. and a 0.5-year maturity period (31 December 2018: EUR 84 731 thousand).

The drawn long-term loan bears interest at a fixed interest rate; short-term loans can be drawn on a revolving basis with one-month interest period or as an overdraft loan facility. The loans were not secured by any assets.

Interest rates on loans:

| | |
|---|---|
| ***Loans*** | |
| EUR | |
| – with a fixed rate | 4.125% p.a. |
| – with a variable rate | 1M EURIBOR plus margin |

The carrying amount and face value of loans and bonds:

| | *Carrying amount* | | *Face value* | |
|---|---|---|---|---|
| | ***31 December 2019*** | ***31 December 2018*** | ***31 December 2019*** | ***31 December 2018*** |
| Loans | 84 909 | 84 731 | 85 000 | 85 000 |
| Bonds | - | - | - | - |
| **Total** | **84 909** | **84 731** | **85 000** | **85 000** |

SPP has the following outstanding credit facilities:

| | ***31 December 2019*** | ***31 December 2018*** |
|---|---|---|
| Variable rate: | | |
| - due within 1 year | 304 000 | 304 000 |
| - due after more than 1 year | - | - |
| Fixed rate: | | |
| - due within 1 year | - | - |
| - due after more than 1 year | - | 500 000 |
| **Total** | **304 000** | **804 000** |

Based on certain loan agreements, SPP is required to comply with agreed financial covenants, ie on each relevant day of each calendar year over the term of the contract, the net debt of the Company on the respective relevant day of the relevant calendar year against the Company's EBITDA for the previous 12 months prior to that relevant day may be not higher than 2. As at 31 December 2019, the Company complied with this covenant.

## 15. DEFERRED INCOME

As at 31 December 2018 deferred income mainly comprises a received portion of the European Commission's grant regarding the implementation of the fueLCNG project of EUR 906 thousand.
As at 31 December 2019, the unused portion of the grant is recognized under other current liabilities.
The maximum amount of the grant is EUR 15 207 thousand.

## 16. OTHER NON-CURRENT LIABILITIES AND LEASE LIABILITIES

| | ***At 31 December 2019*** | ***At 31 December 2018*** |
|---|---|---|
| Non-current liabilities from financial derivatives | 7 156 | 10 083 |
| Non-current lease liabilities | 1 742 | - |
| **Total** | **8 898** | **10 083** |

The Company recognised lease liabilities as follows:

| | ***At 31 December 2019*** | ***At 1 January 2019*** |
|---|---|---|
| Short-term lease liabilities (Note 17) | 520 | 498 |
| Non-current lease liabilities | 1 742 | 2 214 |
| **Lease liabilities total** | **2 262** | **2 712** |

**(EUR '000)**

The reconciliation of non-cancellable lease liabilities disclosed in contingent liabilities (Note 28) with the recognised lease liabilities is as follows:

| | *At 1 January 2019* |
|---|---|
| Future minimum non-cancellable lease liabilities at 31 December 2018 | 529 |
| Modification of the contract | 2 227 |
| Impact of discounting | (44) |
| **Lease liabilities as at 1 January 2019 total** | **2 712** |

Maturity analysis of lease liabilities as at 31 December 2019:

| | *At 31 December 2019* |
|---|---|
| Within 1 year | 520 |
| 1 to 5 years | 1 120 |
| More than 5 years | 622 |
| **Total** | **2 262** |

## 17. TRADE AND OTHER PAYABLES

| | *At 31 December 2019* | *At 31 December 2018* |
|---|---|---|
| Payables from natural gas purchases and sales | 68 771 | 106 830 |
| Payables from electricity purchases and sales | 6 706 | 1 482 |
| Contractual payables from sales to customers | 37 797 | 27 535 |
| Other trade payables and other payables | 31 328 | 37 109 |
| *From which Short-term lease liabilities* | *520* | - |
| Amounts due to employees | 4 481 | 4 150 |
| Social security and other taxes | 13 001 | 12 823 |
| Payables from financial derivatives | 128 055 | 71 550 |
| Payables from distribution activities | 6 146 | 5 434 |
| **Total** | **296 285** | **266 913** |

The payables from natural gas and electricity purchases and sales of represent current liabilities resulting from the purchase of natural gas and electricity, and overpayments to customers purchasing natural gas and electricity.

Contractual payables from sales to customers represent overpayments for commodity supplies to customers, which are calculated by the Company using the model for unbilled deliveries and are accounted for with the double entry as a decrease in revenue from the sale of the commodity in the current year. The actual customer consumption will be determined by deductions after the end of the calendar year. These amounts will be recognised based on the actual consumption measured that will be determined by meter readings conducted in the 12 months following the end of the calendar year.

Maturity of contractual payables as at 31 December 2019:

| | *Current liabilities* | *Non-current liabilities* | *Total* |
|---|---|---|---|
| At 31 December 2019 | 37 797 | - | 37 797 |
| At 31 December 2018 | 27 535 | - | 27 235 |

Trade payables and other payables as at 31 December 2019 also include payables to SPP CZ, a.s. of EUR 74 thousand (31 December 2018: EUR 446 thousand) and to SPP CNG s.r.o. of EUR 3 thousand (31 December 2018: EUR 3 thousand).

As at 31 December 2019, SPP recorded payables within maturity of EUR 296 285 thousand; no overdue payables were recorded. As at 31 December 2018 (for the comparable period), SPP recorded payables within maturity of EUR 266 913 thousand and no overdue payables were recorded.

The Company has no significant payables secured by liens or another form of security.

**(EUR '000)**

Social fund payables:

| | *Amount* |
|---|---|
| Opening balance as at 1 January 2019 | 151 |
| Total additions: | 240 |
| *from expenses* | *240* |
| *non-mandatory allotment* | - |
| Total drawing: | (338) |
| *monetary bonuses and gifts* | *(19)* |
| *work jubilee benefits* | *(13)* |
| *catering allowance* | *(78)* |
| *benefit cafeteria* | *(228)* |
| *other drawing as per the collective agreement* | - |
| **Closing balance as at 31 December 2019** | **53** |

## 18. REGISTERED CAPITAL

As a result, the Company's registered capital as at 31 December 2019 and 31 December 2018 comprises 26 666 536 fully paid shares (with a face value of EUR 33.19), which are owned by the Slovak Republic represented by the Ministry of Economy of the Slovak Republic.

The registered capital was incorporated in the Commercial Register in the full amount.

Pursuant to the Company's Articles of Association, if all shares (except for treasury shares acquired by the Company pursuant to Article 161a or Article 161b of the Commercial Code) are held by one shareholder, in cases where the law requires a two-third (2/3) majority, a two-third (2/3) majority of votes of the shareholders present at a general meeting is required to adopt decisions. If the company has a sole shareholder, such a shareholder acts in the capacity of the general meeting in the form of written decisions that must be signed by the shareholder. In cases stipulated by law, such decisions must be in the form of a notarial deed.

## 19. LEGAL AND OTHER FUNDS AND RETAINED EARNINGS

Since 1 January 2006, SPP has been required to prepare financial statements in accordance with IFRS as adopted by the EU (both separate and consolidated) only. Distributable profit represents amounts only as stated in the separate financial statements.

### *Legal reserve fund*

The legal reserve fund of EUR 1 197 683 thousand (31 December 2018: EUR 1 197 683 thousand) is recorded in accordance with Slovak law and is not distributable to the shareholders. The reserve is created from retained earnings to cover possible future losses or increases in the registered capital. Transfers of at least 10% of the current year's profit are required to be made until the reserve is equal to at least 20% of the registered capital.

### *Hedging Reserve*

Hedging reserve represent gains and losses arising from cash flow hedging.

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Opening balance | (24 867) | - |
| Gain/loss from cash flow hedging | | |
| Commodity swap contracts | (50 514) | (24 867) |
| Interest rate swap contracts | - | - |
| Income tax applicable to gains/losses recognised through equity | - | - |
| Transfer to profit/loss | | |
| Commodity swap contracts | 24 867 | - |
| Interest rate swap contracts | - | - |
| Income tax applicable to gains/losses recognised through profit/loss | - | - |
| **Closing balance** | **(50 514)** | **(24 867)** |

**(EUR '000)**

A hedging reserve represents a cumulative accrued portion of gains and losses arising from a change in the fair value of hedging instruments concluded for cash flow hedging purposes. A cumulative gain or loss arising from a change in the fair value of hedging derivatives recognised and accumulated in the hedging reserve is reclassified to profit or loss provided that the hedged transaction has an effect on the income statement.

Gains/(losses) arising from a change in the fair value of the hedging instruments transferred during the current period from equity to profit or loss are disclosed in the following lines of the income statement:

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Sale of natural gas | 24 867 | - |
| Purchases of natural gas, consumables and energy consumption | - | - |
| Other costs, net | - | - |
| Finance (costs)/revenues | - | - |
| Income tax charged to expenses | - | - |
| **Total** | **24 867** | **-** |

***Retained Earnings and Profit Distribution***

Other funds and reserves in equity are not distributable to the Company's shareholders.

| **Type of allotment** | ***Distribution of 2018 profit*** | ***Distribution of 2017 profit*** |
|---|---|---|
| Net profit amount for dividends pay-out and other allotments | 300 000 | 300 000 |
| Transfer to retained earnings | 13 566 | 18 764 |
| **Profit for the 2018/2017 period** | **313 566** | **318 764** |

On 21 December 2018, the Company's sole shareholder decided to transfer funds from the Company to EkoFond, n.f. (a non-profit fund) of EUR 500 thousand to support projects of the non-investment fund and to Nadácia SPP (SPP Foundation) of EUR 1.5 million to support welfare activities in line with the Foundation Deed, to Nezisková organizácia EF (non-profit organisation) of EUR 500 thousand to establish this non-profit organisation and in line with the non-profit organisation's statutes and for the benefit of third parties including the above entities of EUR 2.5 million for community activities.

On 30 September 2019 the Company's sole shareholder decided to transfer funds from the Company to Nadácia SPP in amount of EUR 2 million to support sport and sport activities in Slovak Republic through the civil association "Slovenský olympijský a športový výbor".

On 30 October 2019, the Company's sole shareholder decided to transfer funds from the Company to EkoFond, n.f. (non-profit fund) of EUR 500 thousand to support projects of the non-investment fund, to Nadácia SPP (SPP Foundation) of EUR 3 million to support community activities in line with the Foundation Deed, to Nezisková organizácia EF (non-profit organisation) of EUR 500 thousand to support projects in line with the non-profit organization's statutes and for the benefit of third parties including the above entities in the maximum amount of EUR 1 million for community activities.

SPP treated these transfers as transactions with the owners exercising their ownership powers and the transfers of funds were recognised as other distributions of profit.

## 20. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Revenues from the sale of natural gas | 945 611 | 1 392 704 |
| Revenues from the sale of electricity | 162 121 | 133 303 |
| Other revenues | 11 386 | 13 730 |
| **Total revenues from contracts with customers** | **1 119 118** | **1 539 737** |

**(EUR '000)**

## 21. PERSONNEL EXPENSES

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Wages, salaries and bonuses | 19 640 | 19 199 |
| Social security costs | 8 787 | 7 723 |
| **Total staff costs** | **28 427** | **26 922** |

The Company pays a contribution of 35.2% of the relevant statutory assessment base, which is capped at EUR 6 678 (except for accident insurance). Employees contribute a further 13.4% of their assessment bases into these funds, however capped at the above limit.

## 22. INVESTMENT INCOME

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Interest income | 541 | 869 |
| Dividends from joint ventures and associated companies | 340 386 | 448 243 |
| Other income/(losses) on investments, net | - | (4 934) |
| **Total investment income** | **340 927** | **444 178** |

## 23. FINANCE COSTS

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Interest expense | (3 494) | (3 941) |
| Foreign exchange differences from financing activities - gain/(loss) | 8 | 17 |
| Other | (203) | (245) |
| **Total finance costs** | **(3 689)** | **(4 169)** |

## 24. COSTS OF AUDIT SERVICES

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Audit of financial statements | 75 | 49 |
| Other assurance services | - | - |
| Tax advisory services | - | - |
| Other related services provided by the auditor | - | 11 |
| **Total** | **75** | **60** |

## 25. TAXATION

### 25.1. Income Tax

Income tax comprises the following:

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Current income tax | 106 | 204 |
| Special levy on business in regulated industries | 12 056 | 22 785 |
| Deferred income tax (Note 25.2) | | |
| - Current year | - | - |
| - Change in the tax rate | - | - |
| **Total** | **12 162** | **22 989** |

**(EUR '000)**

The reconciliation between the reported income tax and the theoretical amount calculated using the standard tax rates is as follows:

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Profit before taxation | 233 097 | 336 555 |
| Income tax at the rate of 21% | 48 950 | 70 677 |
| Effect of income exempt from taxation and adjustments from permanent differences between net book and net tax values of assets and liabilities | (70 967) | (89 517) |
| Reversal of a deferred tax and effect of temporary differences incl. the tax loss for which no deferred tax asset was recognised | 24 535 | 24 004 |
| Effect of the change in the tax rate | - | - |
| Special levy incl. the effect of a special levy as a tax-deductible item | 9 538 | 17 621 |
| Other adjustments | 106 | 204 |
| **Income tax for the year** | **12 162** | **22 989** |

The actually-recognised tax rate differs from the tax rate of 21% stipulated by law in 2019 mainly due to the adjustments of the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to the valid tax legislation. Such adjustments mainly include dividends, tax non-deductible provisions for liabilities and provisions for assets, a difference between tax and accounting deprecation charges of non-current assets, tax deductible expenses after payment, etc. Also as at 31 December 2019 and 31 December 2018, deferred tax assets were not recognised as there are uncertainties concerning sufficient future taxable income to utilise such deferred tax assets.

Pursuant to the requirements of IFRS, the income tax also includes a special levy on business in regulated industries pursuant to a special regulation (see Note 3, part t).

As at 31 December 2019, the Company recognised on the balance sheet an estimated receivable from the special levy on business in regulated industries of EUR 5 391 thousand (31 December 2018: EUR 2 789 thousand).

## 25.2. Deferred Income Tax

For the deferred income tax calculation, the Company applied the income tax rate of 21% that has been valid in Slovakia as of 1 January 2017.

As the Company expects no taxable profits against which temporary differences could be utilised in the near future, deferred tax assets were not recognised as at 31 December 2019 and 31 December 2018.

The amount of deductible temporary differences and tax losses for which no deferred tax asset was recognised as at 31 December 2019 is EUR 359 021 thousand (31 December 2018: EUR 277 567 thousand).

The amount and due date of unutilised tax losses, for which no deferred tax asset is recognised:

| Maturity of the tax loss in: | *2020* | *2021* | *2022* | *2023* |
|---|---|---|---|---|
| **Total tax losses** | 73 501 | 66 697 | 51 553 | 29 918 |

(EUR '000)

## 26. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

Disclosure of tax effects relating to each component of other comprehensive income:

| *At 31 December 2019* | *Before tax* | *Tax* | *After tax* |
|---|---|---|---|
| Increase/(decrease) in financial investment revaluation reserve | - | - | - |
| Hedging derivatives (cash flow hedging) | (25 647) | - | (25 647) |
| Other | (35) | - | (35) |
| **Other comprehensive income for the period** | **(25 682)** | **-** | **(25 682)** |

| *At 31 December 2018* | *Before tax* | *Tax* | *After tax* |
|---|---|---|---|
| Increase/(decrease) in financial investment revaluation reserve | - | - | - |
| Hedging derivatives (cash flow hedging) | (24 867) | - | (24 867) |
| Other | 54 | - | 54 |
| **Other comprehensive income for the period** | **(24 813)** | **-** | **(24 813)** |

## 27. CASH FLOWS FROM OPERATING ACTIVITIES

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Profit before tax | 233 097 | 336 555 |
| Adjustments for: | | |
| Depreciation and amortisation | 7 777 | 6 468 |
| Interest loss/(income), net | 2 953 | 3 072 |
| Income from financial investments | (340 386) | (448 243) |
| Derivatives | (19 316) | (6 572) |
| Provisions and other non-cash items | 11 663 | 20 456 |
| Loss/(profit) from sale of non-current assets | (7) | 222 |
| (Increase)/decrease in receivables and prepayments | 30 697 | 172 986 |
| (Increase)/decrease in inventories | (43 260) | (29 234) |
| Increase/(decrease) in trade and other payables | (31 802) | (144 529) |
| **Cash flows from operating activities** | **(148 584)** | **(88 819)** |

## 28. COMMITMENTS AND CONTINGENCIES

### Capital Expenditure Commitments

As at 31 December 2019, capital expenditure of EUR 1 679 thousand (31 December 2018: EUR 1 940 thousand) had been committed under contractual arrangements for the acquisition of non-current assets but were not recognised in the financial statements.

### Operating Lease Arrangements – the company as a lessee

*Vehicles*

The Company leases means of transport under an operating lease contract. The term of the framework contract is until 31 December 2020, partial contracts have individual terms of lease and the Company has no option right to purchase the assets after the expiry of the lease term.

*Non-residential premises, land and movable assets*

The Company leases non-residential premises and plots of land.

The carrying amounts of recognised assets from the right of use and movements during the period are disclosed in Note 7.

The carrying amounts of recognised lease liabilities and movements during the period are disclosed in Note 16.

**(EUR '000)**

The amounts recognised in the income statement are as follows:

| | *Year ended 31 December 2019* |
|---|---|
| Depreciation expense of right-of-use assets | 464 |
| Interest expense on lease liabilities | 11 |
| Expense relating to short-term leases | - |
| Expense relating to leases of low-value assets | - |
| Variable lease payments | - |
| **Total amount recognised in the income statement** | **475** |

**Operating leases – the company as a lessor**

The Company leases non-residential premises (approx. 67 800 m²), land plots including external carparks and movable assets. The annual lease revenues amount to approximately EUR 4 425 thousand (2018: EUR 4 226 thousand). Leased non-residential premises, land and movable assets are recognised by the Company on the balance sheet as investment property.

As the lease contracts are mostly concluded for an indefinite period, the Company discloses the future minimum repayments of non-cancellable lease receivables only for the following period:

| *Period* | *At 31 December 2019* | *At 31 December 2018* |
|---|---|---|
| Within 1 year | 4 376 | 4 225 |

**Natural Gas Purchase**

The majority of natural gas purchases was supplied from the Russian Federation also in 2019. The natural gas supplies were performed in line with the long-term agreement with Gazprom export LLC.

The natural gas purchase price from Gazprom export LLC is determined using the agreed price formula.

**Natural Gas Storage Contracts**

The Company stores natural gas in underground storage facilities operated by NAFTA, a.s. that are used for depositing and extracting natural gas as per seasonal demand, as well as for securing the supplies' safety standard as required by law. The storage fee is set in individual storage contracts.

**Gas and Electricity Sales Contracts**

The sale of natural gas and electricity to medium- and large-sized customers is the subject matter of composite gas supply contracts or gas supply contracts, composite electricity supply contracts or electricity supply contracts with an assumed liability for a deviation. The contracts are usually agreed for one or more years.

The prices agreed in the contracts usually comprise capacity and commodity components. The price for distribution and other components is determined based on RONI's price decisions for distribution companies and the market and transmission system operator.

Composite electricity supply contracts with small businesses and households define products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity, SPP as an electricity supplier.

**Taxation**

The Company has transactions with subsidiaries and associated companies and other related parties. The tax environment in which the Company operates in the Slovak Republic is dependent on the prevailing tax legislation and practice, with relatively little existing precedent. There is an inherent risk that the tax authorities may require an adjustment to the tax base, for example due to transfer pricing, or other adjustments. The tax authorities in the Slovak Republic have broad powers of interpretation of tax laws, which, moreover, are often amended, which could result in unexpected results from tax inspections. The amount of any potential tax liabilities related to these risks cannot be estimated.

**Litigation and Potential Losses**

The Company is involved in a number of legal disputes relating to disputed bills of exchange and alleged breaches of contracts. In addition to the bills of exchange and disputes described below, the Company is also involved in other litigation arising in the normal course of business that is not expected, either individually or in the aggregate, to have a significant adverse effect on the accompanying financial statements. The final outcome of such litigation may result in liabilities higher than the provisions recognised, and such differences may be significant.

*Bills of exchange*

The management of the Company is aware of the existence of bills of exchange that were allegedly signed by the former General Director of SPP prior to 1999. SPP announced publicly that it would repudiate the validity of these bills of exchange signed by the former General Director before the court, on the basis of the suspicion that these bills are fraudulent and are in no way related to any contractual relations of SPP.

At present, five (5) bills of exchange with principal totalling EUR 14 million are at various stages of legal proceedings before courts in the Slovak Republic. In another ten (10) cases related to bills of exchange with principal totalling approximately EUR 169 million a final and binding court decision was made in favour of SPP.

The management of SPP, following the advice of its legal counsel, defends the interests of the Company in these cases by all legitimate means available. SPP recorded a provision for potential losses related to several bills of exchange. The amount of the provision has not been disclosed separately, as the management of SPP believes that any such disclosure could seriously jeopardise the position of SPP in the relevant litigation. These financial statements do not include any other provisions for potential losses related to the bills of exchange as the final outcome of the remaining cases is uncertain and cannot currently be predicted.

*Other litigations*

SPP is a defendant in other litigations.

The amounts of the provisions and other information relating to these individual litigations have not been disclosed separately as the management of SPP believes this could seriously jeopardise the position of SPP in the disputes.

**Legislative Conditions for Business Activities in the Energy Sector**

*Legal and Regulatory Framework for the Natural Gas and Electricity Supply Market in the Slovak Republic in compliance with Slovak Legislation and European Union ("EU") Legislation*

Act No. 251/2012 Coll. on Energy (the "Energy Act") and on Amendments to and Supplementation of Certain Acts and Act No. 250/2012 Coll. on Regulation in Network Industries (the "Act on Regulation") represent a basic legal framework for business in the energy sector.

Other generally binding legal regulations directly affecting the business activities of the company include Act No. 321/2014 Z.z. on Energy Efficiency and on amendments to certain acts (the "Energy Efficiency Act") and Act no. 309/2009 Z.z. on the promotion of renewable energy sources and high-efficiency production and on amendments to certain acts (the "RES Act"). The Energy Efficiency Act, among other things, establishes a framework for rational use of energy, measures to promote and improve energy efficiency, rights and obligations of persons in the field of energy efficiency and energy auditing, business in the provision of energy services and introduces some new rules in providing information to end-users and the monitoring system operator. The RES Act introduced a reform of the system of support for electricity production from renewable energy sources and high-efficiency electricity and heat production and introduced the institute of the buyer of electricity from these sources. With effect from 1 January 2020, SPP became the buyer of electricity for the entire territory of the Slovak Republic, based on the results of the auction announced by the Ministry of Economy of the Slovak Republic.

The Integrated National Energy and Climate Plan for 2021-2030 ("INECP"), which will be the main energy and climate strategy document, will have a significant impact on the Company's business in the future. Along with INECP, the Company's business activities will also be influenced by other policies and strategies at the SR level (Energy Policy of the SR, National Sustainable Development Strategy, Slovak Environmental Policy Strategy up to 2030) and the EU (new legislation in the internal gas market, European green convention), in the field of environmental protection, especially climate change and air or transport protection.

The Company is a wholesale energy market participant and is therefore obliged to comply with obligations arising from Regulation of the European Parliament and of the Council No. 1227/2011 on the Wholesale Energy Market Integrity and Transparency ("REMIT"). The obligations include compliance with the obligation to disclose confidential information, prohibition of insider trading, prohibition of market manipulation and the obligation to provide records of transactions on wholesale energy markets, including orders to trade, to the Agency for Cooperation of Energy Regulators. Details related to data reporting are regulated by Commission Implementing Regulation (EU) No. 1348/2014. The new Regulation (EU) 2017/1938 of the European Parliament and of the Council concerning measures to safeguard the security of gas supply entered into force on 1 November 2017. The major changes include a greater application of the regional principle, the extension of information obligations for utility companies regarding gas supply contracts which may have an impact on safeguarding the security of gas supply, and the introduction of a solidarity mechanism among EU Member States.

In addition to the above European and national generally binding legal regulations, the legislative conditions for businesses operating in the energy sector are also affected by legal regulations applicable to the following areas: protection of personal data [(Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("GDPR"), Act No. 18/2018 Coll. on Personal Data Protection, Act No. 351/2011 Coll. on Electronic Communications)], free access to information (Act No. 211/2000 Coll. on Free Access to Information and on Amendment to and Supplementation of Certain Acts), conclusion of contracts in the public sector (Act No. 315/2016 Coll. on Register of Public Sector Partners and on Amendment to and Supplementation of Certain Acts), consumer rights protection (Act No. 250/2007 Coll. on Consumer Protection) and trading on the financial instruments market (MiFID II Directive 2014/65/EU) or Act No. 566/2001 Coll. on Securities and Investment Services, Regulation (EU) 600/2014 on markets in financial instruments (MiFIR), Regulation (EU) 596/2014 on market abuse, Directive 2014/57/EU on criminal sanctions for market abuse (CSMAD), Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)) and also in the field of fighting against money laundering (Act No. 297/2008 Coll. on protection against terrorist financing and on amendments to certain acts), or in the field of so called "Whistleblowing" (Act No. 54/2019 Coll. on the protection of whistle-blowers of anti-social activities and on amendments to certain acts).

*Price Regulation*

The basic framework in the price regulation of gas and electricity supplies is stipulated by the Act on Regulation. 2017 was the first year of the new 2017 – 2021 regulation period. The regulation policy was published on 9 March 2016 and extended, inter alia, the scope of price regulation for household gas supply. In 2017, gas supplies to households, gas supplies to small businesses (with an annual consumption of up to 100 thousand kWh/year), gas supplies to suppliers of last resort, electricity supplies to households, electricity supplies to small businesses (with an annual consumption of up to 30 thousand kWh/year) and heat production, distribution and supply continue to be subject to price regulation.

Price regulation in the above areas is governed by implementing legal regulations, namely RONI Decree No. 223/2016 Coll. on price regulation in the gas industry, RONI Decree No. 248/2016 Coll. on price regulation in the heat-power industry, Decree No. 260/2016 Coll. on price regulation in the electricity sector and certain conditions regarding the conduct of regulated activities in the heat-power industry that were replaced by RONI Decree No. 18/2017 Coll. in connection with the large increase in electricity distribution prices for certain groups of customers.

**(EUR '000)**

## 29. RELATED PARTY TRANSACTIONS

The Slovak Republic, represented by the Ministry of Economy of the Slovak Republic, was the 100% owner of SPP's shares as at 31 December 2019 and 31 December 2018. Accordingly, the Government of the Slovak Republic and all companies are controlled or jointly controlled by the Government of the Slovak Republic are related entities of the Company ("entities of the Government of the Slovak Republic"). Except for the transactions listed below and excluding taxes and transactions related to the supply of natural gas and electricity, the Company did not have any individually significant transactions with the entities of the Government of the Slovak Republic in year 2019 and year 2018. In the case of disclosure of individually insignificant transactions with entities of the Government of the Slovak Republic, the Company used the exemption under IAS 24, section 25.

During the year, the Company entered into the following transactions with related parties:

| | *Year ended 31 December 2019* | | | | | *At 31 December 2019* | | |
|---|---|---|---|---|---|---|---|---|
| | ***Revenues*** | ***Creation/ (reversal) of provisions for receivables*** | ***Expenses*** | ***Dividends*** | ***Other*** | ***Receivables*** | ***Provisions for receivables*** | ***Payables*** |
| Ministry of Economy of the SR | 886 | - | - | 370 000 | 1 000 | 84 | - | 1 000 |
| Subsidiaries | 25 119 | - | 43 | - | 6 000 | 6 584 | - | 78 |
| Associated companies | 340 407 | - | - | - | - | 4 | - | - |
| Other related parties | 13 871 | - | 371 660 | - | - | 37 527 | 14 375 | 2 119 |

The Company's management considers the transactions with related parties to have been made on an arm's length basis.

Transactions with subsidiaries, associated companies and joint ventures, and other related parties mainly represent services related to purchases, sales and transmission of natural gas, lease of non-current assets and natural gas storage.

| | *Year ended 31 December 2018* | | | | | *At 31 December 2018* | | |
|---|---|---|---|---|---|---|---|---|
| | ***Revenues*** | ***Creation/ (reversal) of provisions for receivables*** | ***Expenses*** | ***Dividends*** | ***Other*** | ***Receivables*** | ***Provisions for receivables*** | ***Payables*** |
| Ministry of Economy of the SR | 839 | - | - | 300 000 | 2 500 | 77 | - | 2 500 |
| Subsidiaries | 14 833 | - | 1 349 | - | 2 500 | 28 465 | - | 2 950 |
| Associated companies | 448 313 | - | - | - | - | 29 914 | - | - |
| Other related parties | 19 955 | - | 398 342 | - | 7 166 | 55 682 | 14 202 | 5 705 |

(EUR '000)

The compensation of the members of the Company's bodies and executive management was as follows:

| | *Year ended 31 December 2019* | *Year ended 31 December 2018* |
|---|---|---|
| Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the Company's bodies, total | 912 | 1 047 |
| *Of which:* | | |
| *Board of Directors and executive management* | *748* | *890* |
| *Supervisory Board* | *164* | *157* |
| Benefits after the employment termination to members of the Board of Directors, Supervisory Board, executive management and to former members of the Company's bodies, total | - | - |
| *Of which:* | | |
| *Board of Directors and executive management* | - | - |
| Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and to former members of the Company's bodies, total | - | - |
| *Of which:* | | |
| *Board of Directors and executive management* | - | - |
| Benefits after the employment termination to members of the Board of Directors, Supervisory Board, executive management and to former members of the Company's bodies, total | - | - |
| *Of which:* | | |
| *Board of Directors and executive management* | - | - |
| Benefits in kind to members of the Board of Directors, Supervisory Board, executive management and to former members of the Company's bodies, total | 42 | 42 |
| *Of which:* | | |
| *Board of Directors and executive management* | *42* | *42* |
| *Supervisory Board* | - | - |

## 30. SUPPLEMENTARY INFORMATION TO COMPLY WITH OTHER STATUTORY REQUIREMENTS FOR SEPARATE FINANCIAL STATEMENTS

### a) Members of the Company's Bodies

| *Body* | *Function* | *Name* |
|---|---|---|
| ***Board of Directors*** | Chairman | Ing. Ján Valko |
| | Vice-Chairman | Ing. Rudolf Slezák |
| | Member | Ing. Milan Hargaš until 20 June 2019 and from 4 October 2019 |
| | Member | Ing. Ján Szalay |
| | Member | Ing. Ivan Gránsky |
| ***Supervisory Board*** | Chairman | Mgr. Maroš Čislák until 2 May 2019 |
| | Chairman | Dr. h. c. Ing. Tibor Mikuš, PhD. since 3 May 2019 |
| | Member | Ing. Michal Ďurkovič |
| | Member | Ing. Robert Maguth |
| | Member | Viera Uhrová |
| | Member | Ing. Valéria Janočková until 31 December 2019 |
| | Member | Ing. Miloš Dančo |
| | Member | JUDr. Matúš Bušniak |
| | Member | JUDr. Peter Dráč |
| | Member | Ing. Dionýz Kaszonyi |
| ***Executive*** | Chief Executive Officer | Ing. Štefan Šabík |
| | Director of Trade Division | Ing. Richard Prokypčák until 30 September 2019 |
| | Executive director | Ing. Richard Prokypčák since 1 October 2019 |

**(EUR '000)**

### b) Consolidated Financial Statements

As at 31 December 2019, SPP provided consolidated financial information as a consolidated reporting entity for higher consolidation to the Ministry of Economy of the Slovak Republic, with its registered seat at Mlynské nivy 44/a, 827 15 Bratislava.

The ultimate reporting entity that consolidates SPP as at 31 December 2019 is the Ministry of Finance of the Slovak Republic.

The consolidated and separate financial statements are published on the Company's website (www.spp.sk).

The consolidated and separate financial statements of SPP published in periods before 31 December 2013 were published in the Commercial Journal and filed with the Commercial Register of Bratislava 1 District Court (Záhradnícka 10, 812 44 Bratislava). The consolidated and separate financial statements of SPP and its subsidiaries and associated companies in the period after 1 January 2014 are filed and published with the Register of Financial Statements for entities based in the Slovak Republic and in the Collection of Deeds (Sbírka listin) for entities based in the Czech Republic. The consolidated and separate financial statements of subsidiaries, joint ventures and associated companies for the periods until 31 December 2013 and of companies based outside the Slovak Republic are available at the relevant Courts of Records according to their registered offices.

## 31. POST-BALANCE SHEET EVENTS

No events occurred after 31 December 2019 that would have a material impact on the Company's financial statements.

| ***Prepared on:*** | ***Signature of a member of the statutory body of the reporting entity or a natural person acting as a reporting entity:*** | ***Signature of the person responsible for the preparation of the financial statements:*** | ***Signature of the person responsible for bookkeeping:*** |
| --- | --- | --- | --- |
| 18 February 2020 | | | |
| ***Approved on:*** | Ing. Ján Valko<br>Chairman of the Board of Directors | Ing. Štefan Šabík<br>Chief executive officer | Ing. Miroslav Jankovič<br>Director of Accounting and Taxes Department |
| | Ing. Rudolf Slezák<br>Vice-Chairman of the Board of Directors | | |

**Proposal**
**for the distribution of SPP's profit for the year 2019**

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The 2019 Profit Distribution Proposal has been prepared in accordance with the Articles of Association of Slovenský plynárenský priemysel, a.s., Article XIX – PROFIT DISTRIBUTION, Article XVIII – CREATION AND USE OF THE RESERVE FUND, Article XX – CREATION OF OTHER FUNDS, and in accordance with the provisions of the Commercial Code No. 513/1991 Coll., as amended.

The 2019 Profit Distribution Proposal is based on the audited 2019 Individual Financial Statements and is consistent with the medium-term dividend pay-out plan approved by the sole shareholder.

| | | |
|---|---|---|
| **I.** | **Net profit** | **€220 934 513.64** |
| **II.** | **Replenishment of statutory reserve fund**<br>pursuant to Article XVIII of the Articles of Association, the reserve fund reached the 20% share capital limit | **€ 0.00** |
| **III.** | **Net profit**<br>**allocated for dividends** | **€220 934 513.64** |
| **IV.** | **Retained profit from**<br>**previous periods allocated for dividends** | **€29 065 486.36** |
| **V.** | **Total amount allocated for dividends** | **€250 000 000.00** |
| **VI.** | **Royalties to members of company bodies** | **€0.00** |

The dividend will be paid out to the shareholder within 300 days of the adoption of the sole shareholder's decision on the distribution of the company's profit for 2019 period.