



2020
ANNUAL
REPORT





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Foreword by the Chairman of the Board of Directors

Dear Ladies and Gentlemen,

The year 2020 was, without exaggeration, one full of challenges that tested the resilience of us all. SPP demonstrated that it is a stable company responsibly fulfilling its obligations even in difficult conditions. We stand on solid foundations, gradually built over the 165-year history of the gas industry in Slovakia. It is the awareness of this meaningful history that empowered us over the past year in our determination to see the crisis as a challenge and as an impulse to accelerate our efforts in the field of digitalisation and to continue in implementing projects stretching into the coming years in the interest of safeguarding the company's stable financial performance in the future.

Although 2020 was a demanding year, it was also one of success for SPP. The company reported the best financial operating result in its history. The income amounted to 6.6 million euros, with net profit reaching 259 million euros. In 2020 we also confirmed our leading position in the Slovak energy market, with more than 1.3 million points of supply and we stabilised our market share in gas supply at 58%. I, nevertheless, consider it extremely important that the people of Slovakia – our customers – trust SPP. This trust was reaffirmed in 2020 as SPP was once again the first choice for customers who decided to change their electricity supplier. The results we achieved confirm that everything we do, we do by taking into account a sense

of responsibility towards our customers, business partners, both present and future. This was approached was reflected in our everyday behaviour throughout 2020 – a period otherwise characterised by crisis. In addition to our efforts to remain a reliable partner for our customers, our other priority was to protect the health of our customers and employees.

The year 2020 was also a period in which we focused not just on projects already underway, but also on new projects essential for maintaining our position of an important pillar of the Slovak energy sector going into the future. SPP ended the past year as a reliable supplier of gas and electricity and as a strong and experienced purchaser of





electricity produced by renewable sources and high-efficiency co-generation. The past months confirmed that our decision in 2019 to participate in an auction for selecting the official purchaser was a correct one, both from the financial aspect and from the viewpoint of developing our business activities. As a purchaser, we provide services and buy electricity from more than 2 880 mostly small electricity producers. This allows us to clearly demonstrate where energy is born from the sun or water, which is then supplied to the households or companies of our customers. The importance of renewable resources for the sustainability of our entire planet has become the main communication attribute of our new interactive green customer centre, which we opened last year in Aupark, Bratislava. We are interested in continuing in the trend of modernising our communication tools.

We consider support for the use of energy from renewable sources to be crucial in the future. The goals of the European Union and Slovakia's commitments in the field of climate and environmental protec-

tion along with our experience and strong background give our company a unique opportunity to participate in the coming transformation of the Slovak energy sector with an emphasis on more environmentally friendly and more energy efficient solutions and development of new services. We seek to support innovation, implement progressive solutions and create strong partnerships with business partners who think along the same lines. We are looking forward to cooperating with our business partner – ČEZ Group, with which we have established the joint venture ESCO Slovensko, a.s., through which SPP is actively entering the energy services and energy efficiency market. We are interested in supplementing our reliable electricity and gas supply portfolio with other services that will benefit our customers and also contribute to fulfilling goals in the field of climate and environmental protection.

SPP likewise continued in supporting the expansion of infrastructure and utilisation of compressed (CNG) and liquefied (LNG) natural gas. It is particularly in the field of

transport – a significant contributor to greenhouse gas emissions and air pollution – that CNG and LNG can help towards improving the environment. At least four new CNG filling stations will be added in Slovakia in 2021. I firmly believe that they will be followed in the coming years by new filling stations for liquefied natural gas (LNG).

In addition to developing alternative transport fuels, we see great potential in the use of biomethane. In this field, SPP is preparing modern development projects that are likely to be implemented over the medium term. In terms of gas infrastructure, Slovakia has an excellent starting position, since existing gas infrastructure can be utilised in the case of biogas production and gradual development of hydrogen use. The modernised gas infrastructure, closely interconnected with the electricity and heating sectors, may become an important tool for effective decarbonisation of the economy. The partnership between gas and renewable energy sources may emerge, in particular in the coming years, as an important tool in fulfilling our common

goals on the path to carbon neutrality by 2050. However, we must also add that the implementation of these changes is only possible within the framework of clear coordination, cooperation and institutional support by all stakeholders in the field of energy, environment, transport and regulation. SPP wishes to support the state in its irreplaceable role of creating the preconditions for accelerating socially important processes and achieving goals set out in its energy and environmental policy.

The principles of responsible business, environmental protection and sustainability are issues that are also reflected in our social responsibility and philanthropy activities. Through SPP Foundation and EkoFond, we shall continue to support future activities throughout Slovakia drawing the attention of the general public to environmental protection, protection of cultural heritage, education and development of civil society. With our special grant programme Helping Together With SPP (Pomáhame SPPolu) run by SPP Foundation, we have given our helping hand to el-

derly citizens during the difficult times of 2020.

I would like to thank all our customers and business partners for the trust they placed in us in 2020. At the same time, I would like to take this opportunity to express my gratitude to our employees with whom we jointly coped with the demanding challenges faced in 2020. We wish to continue devoting our resources and energy towards meaningful projects delivering a positive future impact and supporting those who truly need our help. We are proud of what we have already achieved but, at the same time, we want to remain bold in our visions. I am convinced that SPP will be able to gradually turn these visions into visible successes.



Milan Urban

Chairman of the Board of Directors

Company Profile

Slovenský plynárenský priemysel, a.s. (SPP), company is the largest and the most important energy supplier in Slovakia. In the field of gas supplies, it builds directly on 165 years of tradition in the Slovak gas industry. The company has been successfully operating in the electricity supply market since 2012. SPP guarantees reliable, secure and competitive supplies of gas and electricity, including associated services across all market segments and regions of Slovakia. It supplies gas and electricity to more than 1.3 million points of supply. In addition to supplying energy, SPP focuses on providing energy services and other complementary services. Since 2020, SPP has been a purchaser of electricity produced by renewable energy sources and high-efficiency cogeneration.

SPP (formerly Slovenský plynárenský priemysel, š.p.) was originally established on 21 December 1988 by a Deed of Foundation as a state-owned enterprise in the Slovak Republic. On 1 July 2001, SPP transformed into a joint-stock company, with the National Property Fund of the Slovak Republic holding 100% of the shares.

The Government of the Slovak Republic became the 100% owner of SPP in 2014.

The key activities of SPP comprise the supply of gas and electricity, including related services. SPP is the sole shareholder of SPP CZ, a.s., which operates as a gas and electricity supplier in the Czech Republic, and the sole shareholder of SPP CNG s. r. o., which focuses on selling and developing the use of CNG and LNG.

SPP owns 51% of shares in SPP Infrastructure, a. s. while the owner of the remaining 49% is Energetický a průmyslový holding, a.s., through Slovak Gas Holding, B.V., which also exercises managerial control over this company.

SPP implements activities in the field of social responsibility and philanthropy through Nadácia SPP (SPP Foundation), EkoFond, n. f. and Nezisková organizácia EF.

The sole shareholder of SPP, the Ministry of Economy of the Slovak Republic, exercising the powers of the General Meeting, elects the members of the Board of Directors and the Supervisory Board (except for Supervisory Board members elected by employees). The CVs of the members

of the Board of Directors, the Chairman of the Supervisory Board and the CEO of the company are published on the SPP website.

The Board of Directors of SPP manages the company's activities and makes decisions on all matters, unless they are reserved by legal regulations or the Articles of Association for decision-making to the General Meeting or the Supervisory Board.

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

RESPONSIBLE BUSINESS AND SOCIAL RESPONSIBILITY

SPP views the application of the principles of responsible business and social responsibility as an integral part of its activities. In 2020, SPP achieved further progress in implementing international standards and recommendations in the field of corporate governance, by means of which it seeks to improve the transparency of

its business activities and contribute to the overall enhancement of standards in this field in Slovakia, stemming in particular from recommendations of the Organisation for Economic Co-operation and Development (OECD). SPP fully identifies and proceeds in accordance with the proposed Code of Corporate Governance for State-Owned Companies in Slovakia. SPP publishes a statement of compliance with the principles of the proposed Code of Corporate Governance for State-Owned Companies in Slovakia and on the progress achieved in this field on its website.

In corporate social responsibility, SPP has mainly focused on issues relating to environmental protection, enhancing energy efficiency, protecting cultural heritage, education, as well as supporting and developing sports and providing social assistance, all through Nadácia SPP, EkoFond, n. f. and Nezisková organizácia EF.



Board of Directors

CHAIRMAN OF THE BOARD OF DIRECTORS

Ing. Milan Urban, since 24 June 2020

Ing. Ján Valko, until 23 June 2020

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

Ing. Richard Prokypčák, since 24 June 2020

Ing. Rudolf Slezák, until 23 June 2020

MEMBERS

Mgr. Henrich Krejčí, since 24 June 2020

Ing. Daniel Šulík, CSc., since 24 June 2020

Ing. Ivan Gránsky

Ing. Milan Hargaš, until 23 June 2020

Ing. Ján Szalay, until 23 June 2020

Executive Management

Ing. Richard Prokypčák,

Chief Executive Officer, since 10 August 2020
authorised to exercise the function of the CEO
between 30 June and 9 August 2020

Ing. Štefan Šabík,

Adviser to the Board of Directors, since 30 June 2020
Chief Executive Officer, until 29 June 2020

Supervisory Board

CHAIRMAN OF THE SUPERVISORY BOARD

Dr.h.c. Ing. Tibor Mikuš, PhD.

MEMBERS

Mgr. Iveta Barancová, since 11 September 2020
JUDr. Martin Javorček, MBA, since 11 September 2020
Norbert Lojko, MBA, since 11 September 2020
Mgr. Peter Rakovský, since 11 September 2020
PhDr. Zuzana Ružeková, since 18 June 2020
Ing. Miloš Dančo

Ing. Michal Ďurkovič
Viera Uhrová
Ing. Robert Maguth, until 17 June 2020
JUDr. Matúš Bušniak, until 10 September 2020
JUDr. Peter Dráč, until 10 September 2020
Ing. Dionýz Kaszonyi, until 10 September 2020

Company Vision and Goals

The global trends in the energy sector, as well as goals in the field of climate change, environmental protection and decarbonisation of the economy, which are defined, among others, in the Paris Agreement – the United Nations Framework Convention on Climate Change or in the European Green Agreement and related legislation, represent challenges for the Slovak energy sector as well.

In 2020, SPP adopted a new vision and strategy for 2030, the key objective of which is to improve SPP's economic performance, to ensure its transformation and long-term competitiveness, to define key development areas of the company's business activities and, last but not least, to strengthen environmental and social responsibility while reflecting,

among others, global trends in the energy sector and goals of the European Union and the Slovak Republic in the field of climate change and environmental protection.

In 2020, SPP confirmed its leading position in energy supply. SPP's total gas sales to end consumers in Slovakia rose to 30.93 TWh in 2020. The supply of electricity reached 1.14 TWh in the past year.

In 2020, SPP became an official purchaser of electricity produced from renewable sources (RES) and high-efficiency combined heat and power (CHP) sources, making the company an active player in the RES market. The establishment of a joint venture between SPP and ČEZ ESCO, a.s. was an important impulse in the field of fur-

ther development of energy services. The new company – ESCO Slovensko, a.s. will contribute to enhancing energy efficiency, overall modernisation of the energy sector and to the fulfilling goals in the field of climate and environmental protection.

With regard to the adopted vision and strategy, as well as the interest in developing company's business activities and seizing opportunities in new fields, SPP took up the challenge for innovative use and storage of hydrogen as an environmentally friendly alternative fuel of the future. Along with its partners, SPP has successfully participated in the European Commission's project (IPCEI) aimed at the use and storage of hydrogen as an accumulator of energy produced by renewable energy sources – wind and solar.

The main goal of SPP in the coming period is to create added value for its customers, employees and shareholder through quality and innovative services, development of new opportunities, use of new technologies and by applying the principles of responsible business and sustainability.



Economic and Financial Performance

In 2020, SPP's **revenues from the sale of products and services** totalled EUR 1 207 million, up EUR 88 million against a year earlier. Revenues were positively influenced particularly by higher electricity sales and by a slight increase in the volume of natural gas sold to large customers. The decision of the Ministry of Economy of the Slovak Republic, as the sole shareholder of SPP, based on which SPP applied, until the end of 2020, the gas supply prices for households at the level of 2019 period, had a negative impact on revenues from the sale of gas to households.

The commodity market in oil and petroleum products was at a relatively stable level over the course of 2020. The winter period was warmer than average and the European market was therefore affected by supply exceeding demand, which resulted in falling prices on the commodity markets.

Key items in operating expenses comprised gas and electricity purchase costs and gas storage costs. SPP's lower costs in 2020 related to lower prices of energy resources and lower gas storage costs. The main reason was the slowdown of the global economy due to the spread of the COVID-19 pandemic and the measures progressively adopted by individual countries.

The **operating result** reported for 2020 period was the best result in the history of SPP, totalling EUR 6.6 million.

Profit from financial operations before tax reached EUR 267 million in 2020. It essentially consisted of dividends received from SPP Infrastructure, a.s.

Comparison of financial results (in EUR million)

	2020	2019
Revenues from customer contracts	1 207	1 119
Operating profit	6.6	(104)
Profit before tax	273	233
Income tax	(14)	(12)
Profit after tax	259	221





Capital Structure

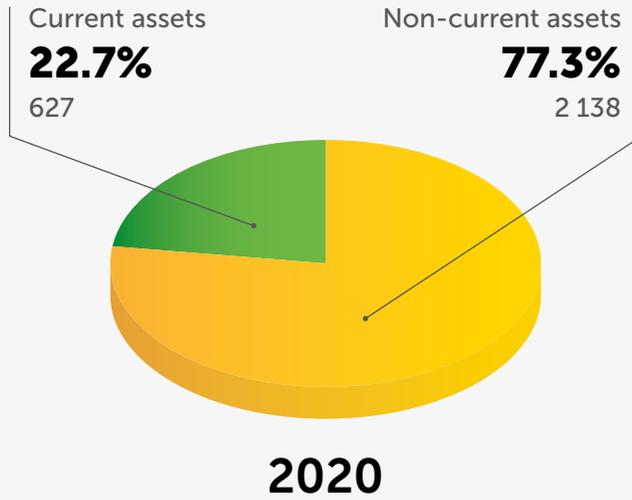
Total assets of SPP fell to EUR 2 765 million as at the balance sheet date. They were down EUR 107 million against the previous period (index of 0.96). Among the key items in non-current assets were longterm financial investments and real-estate investments, followed by buildings and plants (including unfinished capital construction).

Non-current assets comprised 77.3% of total assets. Compared with the balance as at 31 December 2019, the item 'Buildings, plant, machinery and equipment' fell by EUR 1 million (index of 0.98) at net book value.

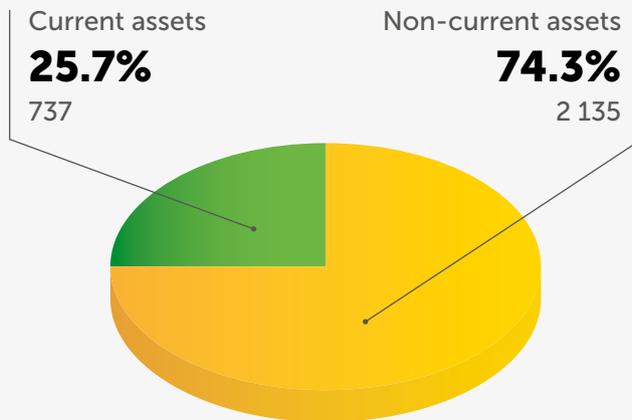
Capital expenditures represented EUR 4 million in 2020. The company invested mostly in information systems and in the reconstruction of SPP's office buildings and facilities.

As at the balance sheet date, **current assets** consisted of receivables, inventories, cash and assets held for sale, while their share in total assets came to 22.7%.

Assets Structure Comparison (in EUR million)



2020



2019

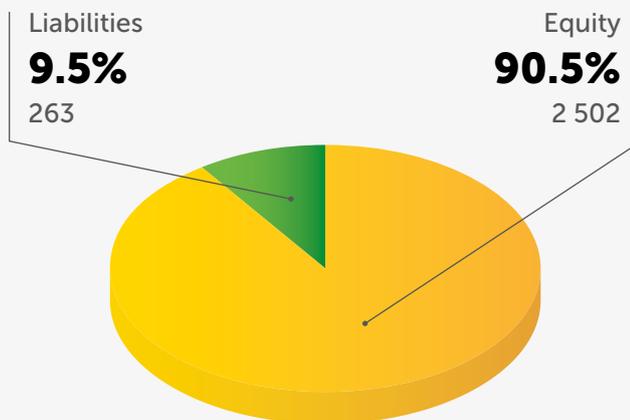


Shareholders' equity amounted to EUR 2 502 million in 2020, representing 90.5% of the company's total capital. In addition to share capital, the equity included the statutory reserve fund, other funds, retained earnings and income of the current period. Shareholders' equity grew by EUR 79 million against a year earlier.

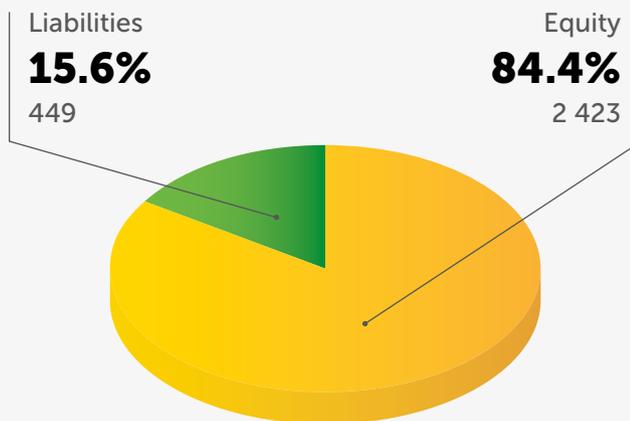
The company's **share capital** consisted of the capital registered in the Commercial Register, comprising EUR 885 million. It consists of 26 666 536 ordinary shares with a par value of EUR 33.19.

In 2020, **liabilities** totalled EUR 263 million, falling by EUR 186 million compared with the initial balance. Total liabilities comprised long-term liabilities of EUR 45 million and short-term liabilities of EUR 218 million.

Comparison of Total Capital Structure (in EUR million)



2020



2019

SPP Shareholder Structure as at 31 December 2020

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

The **balance** of the company's **statutory reserve fund** was EUR 1 198 million as at 31 December 2020.

Equity Holdings

SPP is the 100% owner of SPP CZ, a.s. company with its registered office in the Czech Republic, and which focuses mainly on the purchase and sale of natural gas and

electricity. SPP is similarly the 100% owner of SPP CNG s. r. o., which sells compressed natural gas (CNG). SPP holds a 51% non-controlling interest in SPP Infrastructure, a.s.

Subsidiaries

1. SPP CZ, a.s., Brno, Česká republika (SPP share 100%)
2. SPP CNG s. r. o., Bratislava (SPP share 100%)

Affiliated companies

1. SPP Infrastructure, a. s., Bratislava (SPP share 51%)
- The company operates an organisational unit in the Czech Republic.

Other subsidiaries

1. Nadácia SPP, Bratislava (SPP share 100%)
2. EkoFond, n. f., Bratislava (SPP share 100%)
3. Nezisková organizácia EF (SPP share 100%)



Risk Management

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

The risk management system addresses all known risks to which the company is or may be exposed. Responsibility for its implementation lies with the separate Risk Management unit, and this particularly by means of preparing and updating methodologies for managing the individual risk categories.

Under the application of the valid Risk Management Policy, the company does not take on any risks having a significance rated as high or critical. Upon identifying any such risks, the respective managers are required, in cooperation with the Risk Management unit, to immediately adopt adequate mitigation measures.

In managing its financial risks, SPP focused primarily on:

- a)** market risks arising from uncertainty in relation to changes in risk factor values that are determined on markets and that affect SPP's financial results. This concerns in particular the prices of commodities and volumes of them consumed by end customers. In 2020, SPP continued in its strategy of minimising these risks by implementing a conservative hedging policy and by limiting open positions;
- b)** credit risks relating to a potential inability or unwillingness of business partners to timely meet their contractual obligations towards SPP. SPP manages the risk by using an internal credit risk assessment process that involves,



in particular, the assignment of a credit rating, credit limit and subsequent monitoring of credit exposure and payment discipline for defined counterparties and segments. Where necessary to hedge against above-limit credit risk, the company uses third-party guarantees, bank guarantees and the mutual set-off of receivables.

In the field of managing non-financial risks, SPP put emphasis on:

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

b) legal risks arising from the possible unexpected introduction or application of a legal regulation, from the potential inability of SPP to prove contractual claims or to fulfil liabilities, or possibly the obligation to provide enforced disadvantageous contractual performance or resulting from an unexpected outcome of any court, administrative or arbitration proceedings;

c) regulatory risks arising, in particular, from possible unexpected requirements, procedures or decisions by the regulator.

In 2020, SPP did not record any materialisation of risks that would have a major negative impact on the company or its financial results.



Gas & Electricity Trading

SPP – A LEADER IN ENERGY SUPPLY

With more than **1.3 million points of supply**, SPP once again confirmed its position of an energy market leader in Slovakia over the previous year. SPP's total gas sales to end consumers in Slovakia rose to 30.93 TWh (2.87 billion m³) in 2020. After stabilising its customer portfolio, SPP has been fulfilling its ambitious plan to increase the number of customers purchasing both natural gas and electricity from the company.

The energy market in Slovakia has been liberalised for over a decade. SPP operates in the electricity supply market in a highly competitive environment. Despite this fact, since the market was opened up

customers have chosen SPP most as their new electricity supplier. At the end of 2020, SPP supplied electricity to nearly 220 000 points of supply. SPP's share in the retail segment reached nearly 9% in 2020, ranking the company fourth, right behind the three traditional electricity suppliers. In terms of customer numbers, SPP is also the largest new electricity supplier in Slovakia. Due to the crisis caused by the COVID-19 pandemic, SPP recorded a slight year-on-year decline in the volume of electricity supplied in 2020. The impact differed across segments. While households consumed more electricity, businesses purchased less. In total, the supply of electricity reached 1.14 TWh in the past year.

DEVELOPMENTS IN THE GAS AND ELECTRICITY MARKET

In 2020, the total consumption of natural gas in Slovakia rose compared to 2019, and this despite the grave overall impacts of the crisis caused by the COVID-19 pandemic on the global as well as Slovak economy. The main factor was the strengthening of the role of gas in the energy sector and the impact of weather with temperatures at levels approaching the last decade's averages. SPP's share in the gas market rose to 58%, thanks to company's wholesale activities. In the long term, however, we can see a structural decline of gas consumption, which is mainly due to rationalisation of consumption.



In general, the Slovak energy market was strongly affected by developments on the European market, including spot markets and exchanges. In a broader context, commodity prices were influenced by several global factors, such as prices on other energy commodities markets (e.g. oil, coal, etc.), gas volumes supplied to Europe in the context of the growing significance of LNG, gas volumes remaining in underground storage facilities, by the energy and climate policy of the European Union, as well as by emissions trading and the actual weather conditions.

GAS PURCHASE AND STORAGE

SPP actively trades gas on international markets. In 2020, the continuing purpose of purchasing gas was to cover needs and create reserves for the domestic market. SPP made purchases based mostly on its long-term contract signed with Gazprom export LLC. The gas reserves were stored in underground storage facilities leased from NAFTA a.s. The storage capacity exceeded the volume necessary to meet the needs of SPP customers, safe-

guarding the continuous supply to the domestic market, particularly during the winter season, and serving as a reserve in the event of an emergency. In the event of limited gas supplies through the Veľké Kapušany entry point, SPP is able to perform technical measures allowing the use of the Lanžhot entry point between Slovakia and the Czech Republic, the Baumgarten entry point between Slovakia and Austria, or the Veľké Zlievce entry point between Slovakia and Hungary to import gas.

SPP – SUCCESS ALSO BEYOND SLOVAKIA’S BORDERS

SPP has been operating on the Czech market through its subsidiary SPP CZ, a.s. (SPP CZ) since the end of 2008. The volume of gas supplied in 2020 amounted to about 1.670 TWh, making the company a respected energy supplier in the Czech Republic. SPP CZ supplies gas to customers in all segments, including gas traders, large industrial companies, customers in small businesses and organisations segment, as well as households. The company has been success-

fully offering electricity to customers in the households and small customers segment for two years, supplying it to almost 2 000 points of supply.

SPP’S PRIORITIES ARE DETERMINED BY CUSTOMERS

In 2020, SPP maintained its position as a leader in the field of reliability, availability and above-standard customer service. The company opened a new “green” interactive SPP Customer Centre in Aupark, Bratislava. An innovative approach introduces modern technologies to customer services. Through 20 SPP Customer Centres and the SPP Customer Care Line, the company processed a total of 891 639 customer requests in 2020 while maintaining high levels of overall service parameters. The customer service has been streamlined by the new customer information system that is ready for integration into the planned customer portal for handling customer requests in all segments.

SPP customers in the **Households** segment appreciate the safety and

reliability of SPP, as well as the “under one roof” option for the supply of two energy types, i.e. electricity and gas. The 2020 was the second year, in which SPP has been successfully selling its **Electricity To Our Loyal Customers** (Elektrina verným) product. As the first electricity supplier on the market, the company allowed customers to use this product on a no-ties basis. In the **Small Businesses and Organisations** (Small Customers) segment, SPP prepared a product offering based on knowledge gained from long-term quality relationships, regular communication, as well as needs arising from flexibility for customers. In 2020, SPP continued to provide its customers in the Small Businesses and Organisations (Small Customers) segment with one of the best offers on the market.

Based on their own preferences, customers are able to choose from products offered by SPP based on discounts on the standard price list or based on fixed prices for the contractually agreed period.

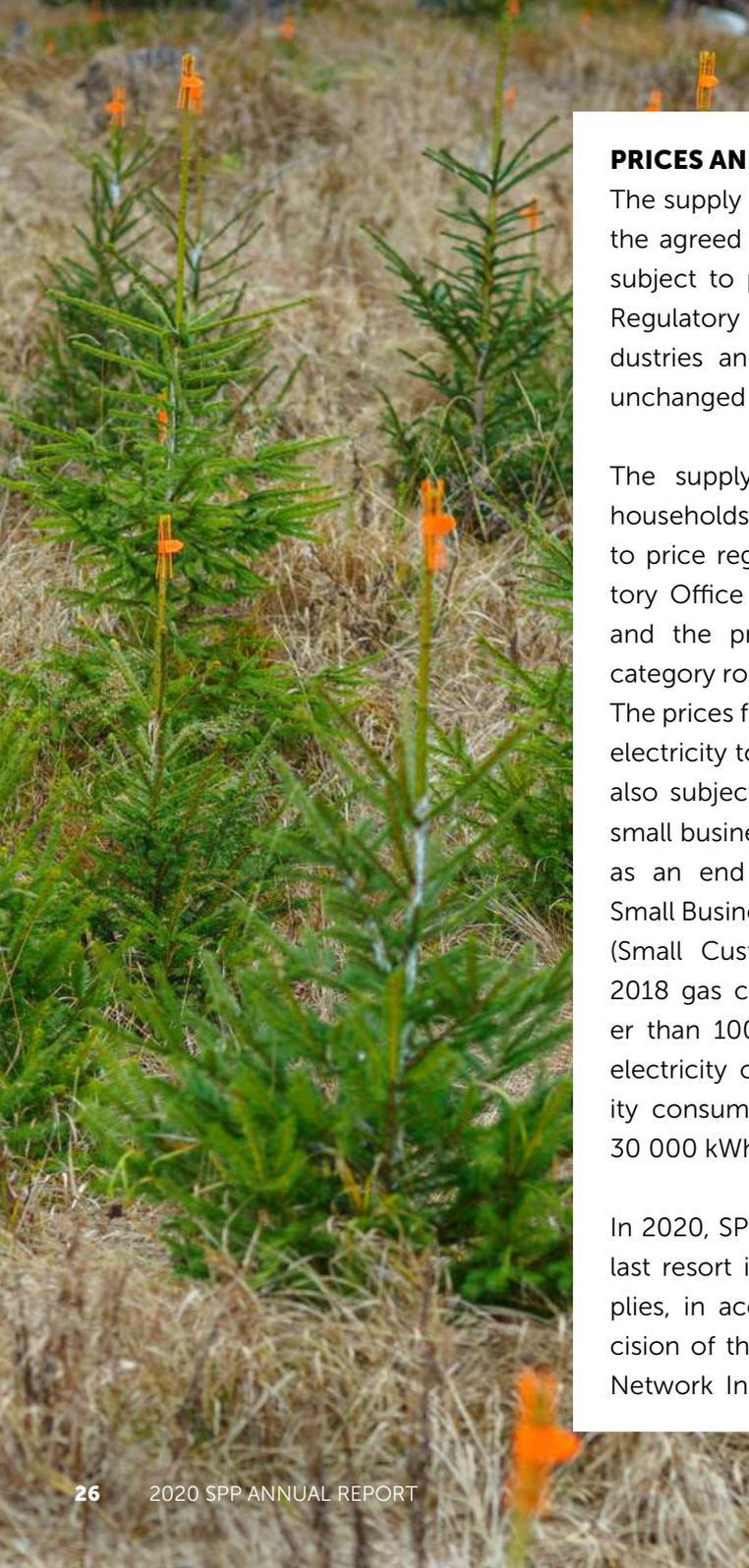


Customers remained interested in the advantageous electricity offer from SPP. The number of points of supply in the Small Businesses and Organisations segment presently reaches almost 10 000.

At the same time, the customers in the Small Businesses and Organisations segment had the opportunity to buy a product analogous to the Carbon Footprint (Uhlíková stopka) product in the Households segment and contribute in this way to planting trees in the disaster-stricken areas of Slovakia. Each customer received a certificate from SPP, as a confirmation that they care about

the environment. It was in part thanks to these customers that SPP arranged the planting of almost 18 000 trees in 2020.

The products and services offered by SPP to **corporate customers** were built on the company’s expertise, long-term good relations, ongoing communication and on the guaranteed secure and uninterrupted supply of energy. SPP received a positive response in this segment thanks to its progressive and flexible approach to creating business offers and contractual terms and conditions for customers reflecting the latest market prices.



PRICES AND REGULATION

The supply of gas to households in the agreed tariffs of D1 to D6 was subject to price regulation by the Regulatory Office for Network Industries and the prices remained unchanged in 2020.

The supply of electricity in the households segment is also subject to price regulation by the Regulatory Office for Network Industries and the prices in this customer category rose as of 1 January 2020. The prices for the supply of gas and electricity to small customers were also subject to price regulation. A small business was defined in 2020 as an end gas customer of the Small Businesses and Organisations (Small Customers) category with 2018 gas consumption not greater than 100 000 kWh, or an end electricity customer with electricity consumption not greater than 30 000 kWh.

In 2020, SPP acted as a supplier of last resort in the field of gas supplies, in accordance with the decision of the Regulatory Office for Network Industries. The supply of

gas in this regime is also subject to price regulation by the Regulatory Office for Network Industries.

SUSTAINABILITY, ENVIRONMENTAL PROTECTION AND BUSINESS DEVELOPMENT

SPP is aware of global trends in the energy sector and the goals of the European Union and the Slovak Republic in the field of climate and environmental protection. SPP seeks to provide its customers with products and services reflecting the fulfilment of these goals and, at the same time, provide them with added value in the form of improvement of their energy efficiency, digitalisation, state-of-the-art technologies, products and services supporting a more environmentally friendly approach.

In 2020, SPP adopted a new vision and strategy to 2030, the key objective of which is to ensure the long-term sustainable development and competitiveness of SPP. In connection with adopting this strategy, SPP is interested in among others focusing over the coming period on the development of the

use of renewable energy sources, waste recovery and biomethane production and, last but not least, on strengthening sustainability and environmental responsibility in pursuing its business activities.

At the end of 2020, SPP adopted the **Green DNA Change** initiative, which builds on its past “green activities”. At the same time, this initiative provides a framework for commitments to implement measures and activities to reduce the impact of the company’s own activities on the environment, and this in connection with the development of its green portfolio of products, services and activities in the field of social responsibility.

The year 2020 was the first in which SPP operated as an official purchaser of electricity produced by renewable sources (RES) and high-efficiency combined heat and power (CHP) sources. SPP bought electricity from approximately 2 800 producers throughout Slovakia, which it then supplied to its customers. The purchaser’s activities allowed SPP to become a major player in the field of trading

electricity produced from renewable sources. Following this move, SPP introduced to the market at the end of 2020 a new green product for its customers called **Clean Electricity From SPP**.

In 2020, the key product linking the SPP product portfolio to the company’s activities in the field of sustainability, environmental protection and social responsibility was the **Carbon Footprint** (Uhlíková stopka) product. The essence of the Carbon Footprint product is not just to provide customers with advice on how to save energy (and money) but all customers ordering this product also receive a specific calculation of what carbon footprint the customers generate by their own individual consumption and by how much they should be able to reduce it, if they make their energy use more efficient and adjust their habits in this field. Along with the Carbon Footprint product, SPP has made a commitment to plant, on behalf of each customer who chooses this product, trees that will compensate for the customer’s average electricity or gas consump-

tion. The goal is to help restore forests in the calamity-stricken areas of the Western and Eastern Tatras. By the end of 2020, almost 18 000 of these trees had been planted in cooperation with the experts at the Tatra National Park Administration (TANAP), Združenie vlastníkov lesov a urbáriátu, landowner association in Žiar and with the landowner association Pozemkové spoločenstvo Bývalí urbárialisti obce Východná. In the long term, this number of new trees can eliminate up to 7 120 tons of CO² emissions. SPP is planning to continue in this initiative in the future.

In 2020, SPP customers were likewise provided with complementary products and services that increase their energy efficiency, convenience, save them time and money in the field of energy advice, energy certification and inspections of buildings, including tailor-made solutions through the SPP SMARTHOME concept.





WE PLANTED
ALMOST 18,000 TREES
IN THE TATRA MOUNTAINS IN 2020.

Energy Services

The most important event of 2020 in the field of energy services was the signing of a joint venture agreement between SPP and ČEZ ESCO, a.s. (ČEZ ESCO). The newly established company **ESCO Slovensko, a.s.** (ESCO Slovensko), will contribute to modernisation of the Slovak energy sector and improvement in energy efficiency. The new company with nationwide activities is a major milestone in SPP's operation in the energy market. ESCO Slovensko combines the tradition of SPP in selling key commodities (gas, electricity) with the experience of ČEZ ESCO in the field of providing energy services. Both shareholders have parity in the company's management bodies.

Through its ESCO services unit, SPP will also provide customers in multiple segments with the company's own products and services related to energy audits, consulting in the field of applying for RES subsidies and implementation of comprehensive projects for smart homes (SPP SMARTHOME).

RENEWABLE ENERGY SOURCES

In the field of renewable energy sources, SPP continued in 2020 to search for opportunities to develop its business activities and focused mainly on the collection of biodegradable parts of municipal waste and its energy recovery in the form of biogas/biomethane production with subsequent utilisation, for example, in heat production, as well

as biological recovery in the production of digestate and compost as a substitute for artificial fertilizers. Last but not least, a benefit of the energy and biological recovery of municipal waste is the lower volume of waste ending up in landfill. SPP's intention in this field is to operate multiple energy and biological waste recovery centres (CEBZ) in several regions across Slovakia. The first of these centres is expected to start operation by the end of 2022. SPP sees future development potential in wind energy and particularly in the use of hydrogen.

MOBILITY

In 2020, SPP continued to support the use of CNG as a more environmentally friendly alternative to tra-

ditional fuels. Through its subsidiary SPP CNG s.r.o. (SPP CNG) the company provided continuous and reliable operation of the network of CNG filling stations. The CNG sales in 2020 totalled 2.93 million kg, representing almost 100% of the planned sales volume, and this despite the unexpected situation caused by the COVID-19 pandemic and the resulting reduced mobility.

One of SPP's priorities is the emphasis on the development of the existing network of SPP CNG filling stations, which was confirmed by the construction of two additional filling stations on the R7 express motorway at the Blatná na Ostrove rest stations (North and South). The core topic of the new strate-

gy of SPP CNG s. r. o. for the 2021 – 2025 period is the construction of 15 new SPP CNG filling stations throughout Slovakia.

In 2020, the project for the construction of SPP CNG filling stations at the Pohranice SEVER (NORTH) and Pohranice JUH (SOUTH) rest stations was initiated and the opening was scheduled for August 2021. A unique aspect of this project is a CNG stand installed directly in the row of other dispenser stands for conventional fuel, ensuring convenience in CNG refuelling equal to that of conventional fuels and meeting the level expected by motorists.

In 2020, SPP continued implementing activities associated, in particular, with the procurement of state-of-the-art LNG/CNG technology as part of the fuelCNG project supported by a financial grant from the European Union's Connecting Europe Facility (CEF).

SPP's activities in the field of mobility were not limited to CNG. SPP actively participated in the preparation of the National Hydrogen Strategy of the Slovak Republic, which establishes a framework for the research, creation and development of solutions utilising hydrogen. In the coming years, the use of hydrogen and bioCNG/bioLNG in transport may bring the most significant shift in making transport more environmentally friendly.

In cooperation with its business partner, SPP in 2020 implemented a shared mobility pilot project in Bratislava, and this in the form of **electric scooters powered by electricity supplied by SPP**. By providing this service, SPP is seeking to address the younger generation of customers. The electric scooters provided by SPP travelled almost 166 000 km in 2020. Their usage compensated for up to 9 926 kg of CO² that would otherwise be released into the atmosphere by vehicles transporting the same people and using conventional fuels, such as diesel or gasoline.

Human Resources

Utilising the potential of all employees has contributed significantly to fulfilling the vision, mission, and strategic goals of SPP.

In 2020, SPP made changes to its organisational structure that take account of the focus on seeking new business opportunities, enhancing pro-customer orientation, streamlining processes, improving operating activities, optimising costs and reflecting market needs.

EMPLOYEE RELATIONS

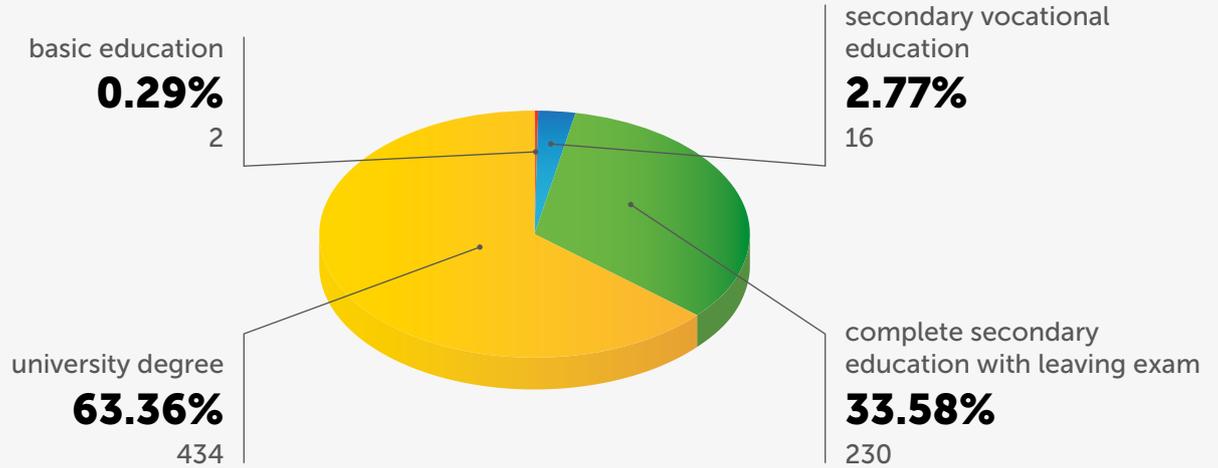
SPP allowed its employees, in 2020, to enjoy benefits in accordance with the valid Collective Agreement, with the priority focus on workforce regeneration, provision of leave and holiday beyond the scope set by the Labour Code.

Collective bargaining took place in 2020, resulting in the conclusion of a new Collective Agreement for the 2021-2022 period. The Collective Agreement includes benefits aimed at workforce regeneration, as well as a contribution for summer holidays and contribution for health, culture and sporting activities. SPP has awards bonuses to its long-term employees on the occasion of work jubilees.

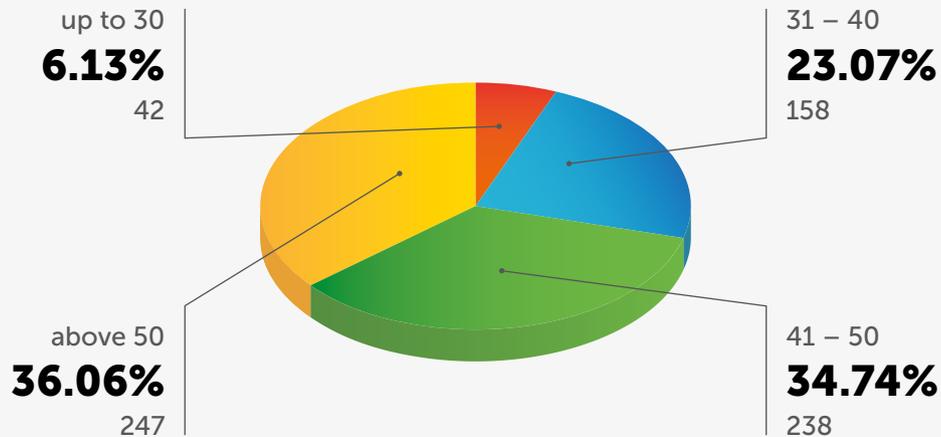
Employee benefits also include contributions to supplementary pension savings. SPP does not forget employees who find themselves in a difficult life situation. To help them cope, the company provides support in the form of financial contributions.

SPP's priority in connection with the COVID-19 pandemic was to adopt measures contributing, as much as possible, to protecting the health of employees and customers. SPP also took measures beyond its legal obligations. At the beginning of 2020, the company arranged for the smooth transition of the greatest possible number of employees to work from home, thanks to which it was possible to prevent a negative impact on business activities over the course of 2020 and, at the same time, to minimise the spread of the virus among company employees. SPP provided communication and support to employees by publishing the special **We Will Overcome This With SPP** (SPPolu to prekonáme) newsletter and by preparing multiple activities for employees as part of the **SPP**

Employee Qualification Structure as at 31 December 2020



Employee Age Structure as at 31 December 2020





Health Days, focused on physical and mental health and immunity, including offering voluntary PCR testing under favourable conditions.

As part of the corporate culture management and development project, SPP launched the **Best Team Of The Year** activity aimed not just at awarding the work of the company's best employees and raising their visibility, but also at supporting the personal initiative of individual employees and teamwork in fulfilling set goals. SPP continues to develop and support the existing **InSPPiro** platform focusing on gathering good ideas from employees, combined with support for innovation oriented on company development, improvement of work and the working environment, leading to an overall streamlining and improvement of individual processes. In connection with SPP's activities in the field of sustainability and environmental protection, a space was created in 2020 within the InSPPiro platform for gathering ideas aimed at cost reductions and improvements to the common working environment.

DEVELOPMENT AND EDUCATION

In the field of employee development and education, SPP adapted to the situation existing in 2020 and provided education and development activities in an online environment. Priority was given to activities aimed at developing soft skills facilitating coping with the existing situation, working from home, supporting motivation, strengthening skills in working with information technology, the MS Office suite, as well as business skills. In addition, SPP educated employees in the field of occupational health & safety, and cyber security. In the coming period, SPP will focus on improving the skills of its employees in the areas important for maintaining the company's competitiveness and customer trust.

EMPLOYEE STRUCTURE

As at 31 December 2020, SPP had a total of 685 employees (679 employees as of 31 December 2019). Of those, 452 were women – representing 65.99% of the total workforce.

The average employee age as at 31 December 2020 was 45.62 years of age.

OMBUDSMAN FOR SPP EMPLOYEES

In accordance with the activities in the field of responsible business and open communication with employees, SPP created an ombudsman in 2015, to whom employees are able to turn when lodging complaints relating to anti-social activities, as well as complaints concerning a violation of ethical principles defined by the SPP Code of Conduct. In handling these complaints, the ombudsman is governed by legal provisions and an internal directive.

No complaint was filed in 2020 under the Whistleblowers Protection Act. Complaints filed by employees concerning ethical principles were resolved as they occurred.

Social Responsibility

Activities in the field of social responsibility, philanthropy and sponsorship rank SPP among the most important business entities in this field in Slovakia. Through Nadácia SPP (SPP Foundation), EkoFond (a non-investment fund) and Nezisková organizácia EF (a non-profit organisation), the company has been contributing, among others, to environmental protection, cultural heritage, support for education and sports, protection of human rights, development of volunteering activities and more efficient utilisation of energy.

In 2020, SPP, as the main partner of the Slovak Olympic and Sports Committee and the general partner of the Slovak Paralympic Team TOKYO 2020, supported the development of talents among top athletes, suc-

cessful Paralympians, as well as programmes for young athletes associated in the Junior Olympic Team.

NADÁCIA SPP PROJECTS BRING POSITIVE CHANGE

SPP has, since 2002, implemented its philanthropic activities mostly through Nadácia SPP. In 2020, Nadácia SPP supported 610 projects with a total amount of about EUR 3.2 million. In cooperation with KPMG, the Association of Corporate Foundations and Endowment Funds (ACFEF) awarded Nadácia SPP for the fourth time the **Transparent Corporate Foundation/ Endowment Fund** certificate for its open approach to publishing information on its activities.

SPECIAL GRANT PROGRAMME – HELPING TOGETHER WITH SPP

Through the special grant programme called **Helping Together With SPP** (Pomáhame SPPolu), Nadácia SPP donated financial support to 256 providers of social services in a total amount of EUR 200 000. The grant was awarded to providers of care for the elderly who are in need of receiving assistance in social services facilities providing care to senior citizens. As part of the special grant programme of Nadácia SPP – Helping Together With SPP, social services facilities, homes for the elderly and other specialised organisations received funds for covering their costs associated with the purchase of disinfectants, hygiene products, protective equipment, special medical materials and equipment aimed at re-

ducing the risk of transmission of the COVID-19 virus. It was likewise possible to use the funds awarded under the grant scheme to provide social assistance that helped clients at these facilities to overcome and ease their life situation during the pandemic.

In 2020, Nadácia SPP initiated the Smart Head (Hlavička) scholarship programme. This programme was aimed at supporting ambitious young people in acquiring high-quality education in the form of study stays abroad. Under the Smart Head (Hlavička) scholarship programme, Nadácia SPP provided scholarships for study stays abroad, summer schools, internships, research stays abroad taking place up to the end of 2021. Nadácia SPP supported a total of 10 scholarship holders with an aggregate support amount of EUR 18 265.

EMPLOYEE GRANT PROGRAMME

At the start of 2020, Nadácia SPP announced the 15th round of the Employee Grant Programme. The programme allows SPP employees

to mediate assistance wherever they think it is needed and where it will be used for a good purpose, and this also thanks to their personal involvement. 41 employees of SPP received financial support totalling EUR 26 200.

SUPPORT FOR ART AND HISTORY IS IN THE HEART OF SPP

The **SPP Gallery** has, for 20 years now, been opening its doors to lovers of Slovak art. Its premises, forming part of the SPP's seat in Bratislava, have hosted more than 150 exhibitions. Despite the limitations experienced in 2020, SPP Gallery prepared several attractive exhibitions, including the jubilee 20th annual Professor Karol Ondreička nationwide art competition – Children's Works Month, exhibition by Lucie Horvátová, the Sakura exhibition on the occasion of the official inauguration of the issue of the Tokyo 2020 Paralympic Games postal stamp, and also the exhibition of works by Katarína Valachová Subyová.

The **Slovak Gas Museum** has been mapping the history and present of

the gas industry in our country for over 20 years. With more than 400 exhibits, the museum is one of a kind in Slovakia. Since its creation, it has received more than 50 000 visitors.

EKOFOND AND NEZISKOVÁ ORGANIZÁCIA EF CONTRIBUTE TO IMPROVING ENERGY EFFICIENCY, ENVIRONMENTAL PROTECTION AND THE QUALITY OF VOCATIONAL EDUCATION IN THE FIELD OF THE ENERGY SECTOR AND ENERGY SERVICES

Since its founding in 2007, EkoFond, a non-investment fund, has provided financial support to projects for the efficient use of energy, education, environmental protection and awareness-raising activities in these fields. The fund has already provided more than EUR 14 million to various projects under the implemented activities, programmes and grants. In 2020, EkoFond's core activities comprised mainly activities associated with vocational training, as well as the provision of support for the implementation of projects aimed primarily at improving energy efficiency and environmental protection.

SUPPORT FOR GREEN EDUCATION AT PRIMARY AND SECONDARY SCHOOLS

The **Me And My Green Self** (Ja a moje zelené ja) project organised in 2020 was a continuation of the 2019 initiative **Saving Planet Together With SPP** (Šetrimo SPPolu planétu). The project was aimed mainly at children and implemented by EkoFond in cooperation with the Slovak Olympic and Sports Committee (SOSC). The unconventional Me And My Green Self publication presented children with simple tips they can use to help protect the environment. About 400 000 children under the age of 12 and almost one and a half million parents participated in this project.

In 2020, EkoFond became the partner of the international **Green School** project that has been managed and coordinated for 16 years by CEEV Živica. It is the largest environmental educational & training programme both in Slovakia and globally. It will include the **Energy Aces pilot programme** intended for 10 schools in the 2020/2021 school year, aimed at teaching students to use energy efficiently, at teaching them how to

behave responsibly towards the environment, at supporting the introduction of energy efficiency measures and creating a healthier indoor school environment in various regions of Slovakia.

The 2020 priorities of Nezisková organizácia EF featured activities and community-benefit services were aimed at education and edification, including further development of the Energy Equipment of Buildings Technician study course, as well as environmental protection.

Despite the limitations experienced in 2020, the **We Do Not Sleep, We Buzz With SPP** (neSPPíme, bzučíme) project continued, aimed at education in the field of environmental protection and supporting the development of environmentally friendly beekeeping in Slovakia.

The project includes the creation of practical educational procedures – Beekeeping Practical Training for Teachers/Lecturers. It will consist of a set of 20 thematic educational worksheets, short videos about the life of bees and beekeepers, 10 knowl-

edge-based quizzes structured by individual themes and a board game.

OCCUPATIONAL HEALTH AND SAFETY

No work injury was recorded in 2020 at SPP. Likewise, no extraordinary event was recorded at SPP workplaces or in facilities operated by SPP that could have negatively affected the life or health of persons. SPP has been a holder of the **ISO 9001:2015** quality management system certificates and the **ISO 14001:2015** environmental management system certificate since 2015. Since 2017, SPP has been a holder of the occupational health & safety management system certifi-

cate in accordance with the OHSAS 18001:2007 international standard, which SPP replaced in 2020 with a certificate according to the requirements of the **ISO 45001:2018** international standard.

ENVIRONMENTAL PROTECTION

Environmental protection formed part of the company's top priorities for 2020 period. The implemented environmental management system received in 2020 a second control audit as per the **ISO 14001:2015** standard, by which the company confirmed its compliance with the requirements of the applied standard. The system is an appropriate tool

for achieving the environmental and economic objectives, managing significant environmental aspects and risks and achieving compliance with legislative requirements aimed at improving environmental behaviour.

The company operates small and medium sources of air pollution. The high level of operating safety and rigorous inspections at the operated technical facilities have, along with investments, created prerequisites over the course of 2020 for reducing emissions of all monitored pollutants released into the atmosphere.

Events of Special Significance

There were no events occurring after 31 December 2020 that would have a significant impact on the company's Annual Report.

Individual Financial Statements of SPP

(selected data in EUR million)

	Year ended 31 December 2020	Year ended 31 December 2019
Non-current assets	2 138	2 135
Current assets	622	733
Non-current assets held for sale or reorganisation and partial sale	5	4
Total assets	2 765	2 872
Equity	2 502	2 423
Liabilities	263	449
Total equity and liabilities	2 765	2 872

	Year ended 31 December 2020	Year ended 31 December 2019
Revenues from customer contracts	1 207	1 119
Other gains and losses	10	13
Purchase of natural gas, purchase of electricity and consumption of material and energy, change in inventories, capitalisation	(1 098)	(1 081)
Storage of natural gas and other services	(83)	(104)
Depreciation and amortisation	(7)	(8)
Personnel costs	(28)	(28)
Adjustments to bad or doubtful receivables, net	4	(12)
Provisions and impairment losses, net	1	(3)
Operating profit	6	(104)
Profit/(loss) from investments	269	341
Cost of financing	(2)	(4)
Profit/(loss) before tax	273	233
Income tax	(14)	(12)
PROFIT FOR THE PERIOD	259	221

Independent Auditor's Report

Individual Financial Statements of SPP



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Independent Auditor's Report

To the Shareholder, Supervisory Board, Board of Directors and to the Audit Committee 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 2020, 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 2020, 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').

Basis for Opinion

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

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

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

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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



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

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

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

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

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT



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 2020 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 March 2021
Bratislava, Slovak Republic

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Consolidated Financial Statements of SPP Group

(selected data in EUR million)



	Year ended 31 December 2020	Year ended 31 December 2019
Revenues from customer contracts	1 239	1 190
Other gains and losses	11	12
Purchase of natural gas, purchase of electricity and consumption of material and energy, change in inventories, capitalisation	(1 126)	(1 150)
Storage of natural gas and other services	(85)	(106)
Depreciation and amortisation	(8)	(8)
Personnel costs	(29)	(29)
Adjustments to bad or doubtful receivables, net	4	(12)
Provisions and impairment losses, net	1	(3)
Operating profit	7	(106)
Share in profits of affiliated companies and joint ventures	355	340
Cost of financing	(2)	(4)
Profit/(loss) before tax	360	230
Income tax	(14)	(12)
PROFIT FOR THE PERIOD	346	218
Net profit belonging to:		
SPP shareholders	346	218
Minority holdings of other owners of subsidiaries	–	–
Total	346	218

Independent Auditor's Report

Consolidated Financial Statements of SPP Group



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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Slovenský plynárenský priemysel, a.s. and its subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2020, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ('IFRS EU').

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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



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

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

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.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT



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 consolidated financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

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

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

- Information disclosed in the annual report prepared for 2020 is consistent with the consolidated financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Group and its situation, obtained in the audit of the consolidated 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 March 2021
Bratislava, Slovak Republic

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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Slovak Republic

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E-mail: spp@spp.sk

Internet: www.spp.sk

Households

SPP Customer Care Line

Phone: 0850 111 363

(from 1 June 2020, weekdays from 8 a.m. to 6 p.m.)

Fax: +421 2 58 69 90 00

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(from 1 June 2020, weekdays from 8 a.m. to 6 p.m.)

Please visit www.spp.sk website for the list of SPP Customer Centres

Slovak Gas Museum

Slovenský plynárenský priemysel, a.s.
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825 11 Bratislava

Phone:

+421 2 62 62 41 64, 0911 704 489
(weekdays from 10 a.m. to 2 p.m.)

E-mail: muzeum@spp.sk

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

SPP Gallery

Slovenský plynárenský priemysel, a.s.
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825 11 Bratislava

Phone:

+421 2 62 62 42 42, 0911 704 489
(weekdays from 11 a.m. to 6 p.m.)

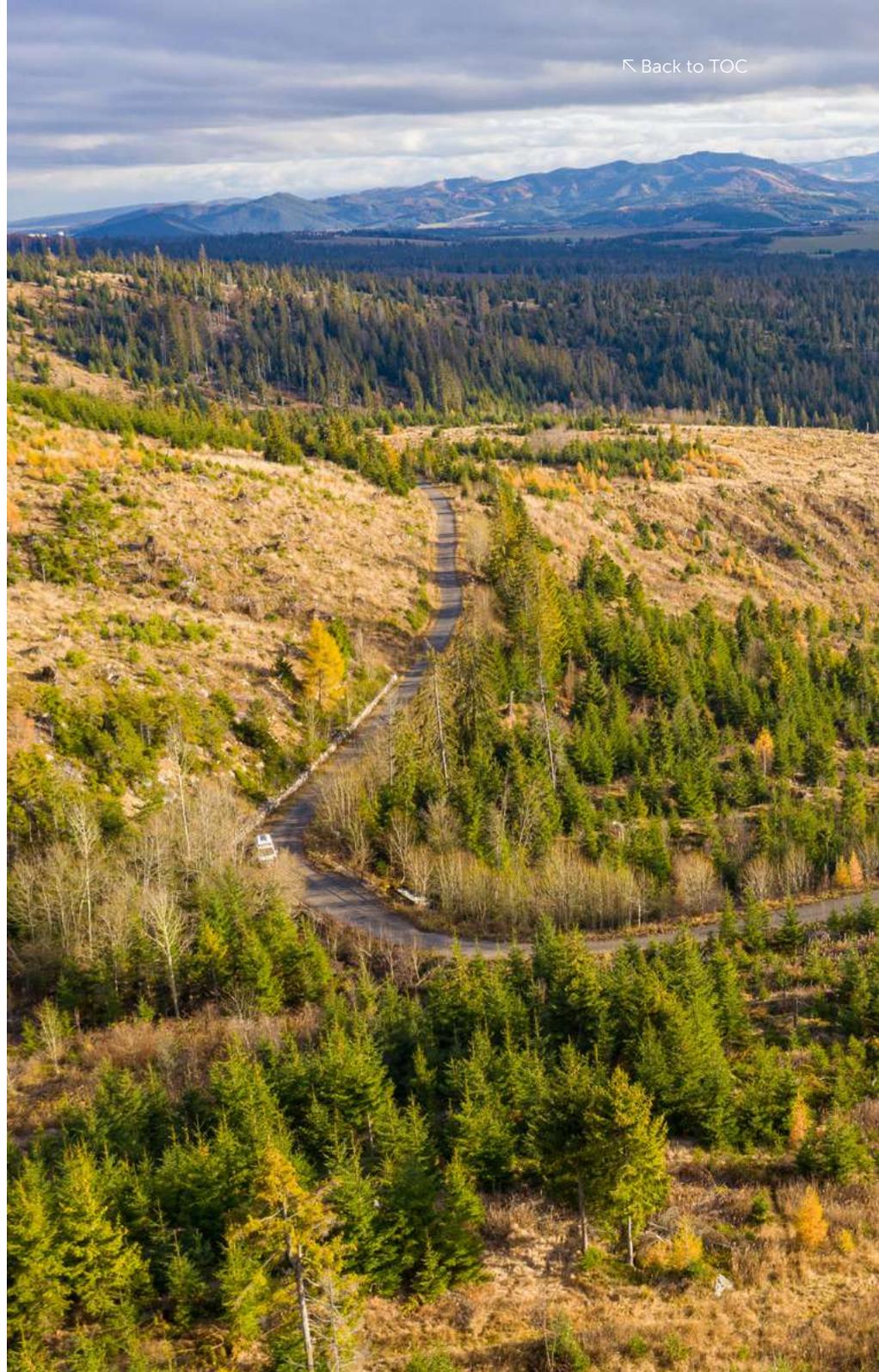
E-mail: galeria@spp.sk

Entry to the gallery is free of charge.

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Photos by:
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