



# Annual Report 2011



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## Statement by the Management

We like to speak with pride about SPP - distribúcia as being much more than a mere distributor of gas or the Distribution Network Operator. The uniqueness of our operation model rests in the additional obligations to the classic ones of a Distribution Network Operator. SPP - distribúcia caters for the strategic obligation of the security of supply for all Slovak households and has many obligations usually given to gas transmission companies with responsibility for large high-pressure networks, national dispatching and the gas balancing process. Following a model unique in Europe, SPP - distribúcia is therefore a key actor, playing a real strategic and central role in the Slovak gas market.

The ownership and operation of nearly 33,000 km of distribution network place a lot of quality requirements on the management, inspection, maintenance and reconstruction of the network. To achieve these objectives, SPP - distribúcia applies its operational excellence, sophisticated procedures and instruments in order to maintain the current high standard of safety of the gas distribution network. We are making active investments, especially in the reconstruction of gas pipelines nearing the end of their lifespan. We also intensify measures to eliminate damage to gas facilities by third parties, with a strong safety imperative in mind. We regard damages to the network caused by third parties as an acute issue at present, as more than 90% of accidents and incidents on the distribution network are caused only by third parties. Safety is really our first priority and day in day out we do our best to build our operational excellence on this pillar.

The Slovak gas industry was and still is affected also by the prevailing impacts of the global economic crisis, aggravated by the Eurozone crisis and the declining financial stability of companies. Beside these economic aspects, we must take into account the character of the industry in which SPP - distribúcia is active. Our economic results are also influenced by climatic conditions, which influence the volumes of distributed gas. Under these conditions we concentrated in the past year on establishing financial stability and the continuity and safety of distribution network operation. In the effort to maintain financial stability and the competitiveness of our distribution services, the company continues with the optimization of its operation and maintenance processes. In SPP - distribúcia we launched an ambitious Performance Programme aimed at continuous enhancement of operational efficiency, the optimization of investment costs and improvement of the customer-oriented approach. In spite of the recession we can state that SPP - distribúcia achieved stable economic results in 2011. We achieved this by increasing the performance and effectiveness of internal processes in a way that allows us constantly to meet our strategic commitment to distribution safety and the competitiveness of our services for all customers connected to our distribution network.

The approval of the new regulation period for a period of 5 years (2012-2016) instead of 3 is definitely a positive foundation to increase the stability and visibility we need because of our long term investment process: more than 50 years for a new pipeline or for the reconstruction of an existing one. By constant and proactive discussion and cooperation with the regulatory stakeholders, we will continue to search for and promote win-win solutions to bring more competitive services to end customers and to ensure financial stability for our gas distribution company.

For SPP - distribúcia as the Distribution Network Operator, the increased competition on the gas market produces the need to keep flexibly adapting our procedures and processes to the increasing number of shippers by sustaining a high level of service quality. With 14 shippers active in our network at the end of 2011, liberalization of the market has now become a reality for us. Our company treats all customers in a responsive, transparent and non-discriminatory manner in an effort to contribute efficiently to competitiveness of the energy sector in the Slovak Republic. For illustration, we are proud to say that for the time being, we have never received any complaints from the side of shippers. In this respect we adapt our internal structures and processes to the needs of our partners, not losing sight of our main priority - safety. With the aim of contributing to liberalization of the gas market, we are also preparing appropriate technical conditions to facilitate tomorrow the direct connection of new biomethane producers to our network.

In 2011, SPP - distribúcia continued successfully with activities focused on strengthening our customer orientation. We achieved a special milestone when we connected our 1.5 millionth end customer to the distribution network. From 1<sup>st</sup> July 2011 we approached the complete liberalization of the process of connecting future end customers to the gas distribution network in Slovakia, by a change of our policy of constructing gas connections in the category of Households. Since then new end customers willing to connect their off-take facilities to our distribution network can coordinate the whole process of their construction of the connection pipeline and so attune its time schedule to their particular needs. The whole process has thus become more flexible with the possibility of choosing the most advantageous offer of a contractor at their discretion. SPP - distribúcia thus integrated into the group of European gas companies, which created space for the end customer to coordinate the whole process of connection independently and plially.



## Statement by the Management

In the past year, SPP - distribúcia made a strategic step in line with asset management principles and improved its organization by merging the Slovak gas dispatching and asset management sections and so put responsibility for strategic management and network operation efficiently under one roof. We welcomed the specific logistics and legal department, which increases a tailor-made system of services for the company in both fields. SPP - distribúcia managed with successful results to outsource completely the activity of meter readings by means of a supplier.

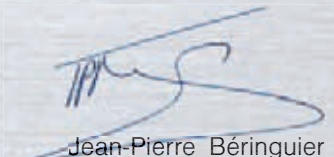
The safety issue in SPP - distribúcia is inflected in all grammatical cases, safety at work included. Throughout the past year, we again devoted increased attention to prevention of personal accidents, checks on usage of protective work aids and communication of work-related risks of our employees in administration, but especially in the field. The fruitfulness of our effort is confirmed by the positive trend in reducing the number of reported injuries, which we would like to promote in the upcoming period to a no-injuries level.

In the past year we proved we were on the right direction when we acquired the prestigious award in the competition National Quality Award of the Slovak Republic 2011, which is declared and organized by the Office of standardization, metrology and testing of SR. Examination of the activity of our company, the efforts made and results achieved in terms of the strategy set by the management was carried out by an independent committee pursuant to the principles of the European excellence model EFQM.

In the upcoming period our company will endeavor further to increase the efficiency of activities in all key spheres. The main challenges for 2012 will be a further increase in operational efficiency in maintenance by implementing new work concepts like one-man units, start from home, mobile workplaces and outsourcing of summer maintenance at regulation stations, without any negative impact on the safety and quality of work. In the sphere of natural gas losses the company will focus on prevention of distribution network damage by third parties, as well as loss detection from illegal off-takes. We will continue the implementation of our core project "Performance Programme", which we consider the best means to ensure the further development and growth of our company. We believe that all these processes that it covers will result in strengthening the status of SPP - distribúcia as one of the leading Distribution Network Operators on a European scale. This is our clear objective, to be recognized over the short term as one of the most efficient and high-performance Distribution Network Operators in Central Europe. We are convinced that the company will cope successfully with all future challenges to come.

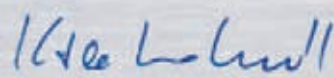
Here at SPP - distribúcia we aim not to vindicate company positions, as we aspire to far more than that. The design for the future is to grow in those spheres that we set as priority and strategic for our business. For SPP - distribúcia, safety, operational performance, customer orientation and financial stability, added value for our partners, customers and employees, are not mere concepts, they are an inseparable part of our mission and daily effort.

"Our cooperation in SPP - distribúcia in the past year was characterized by professionalism, commitment and team spirit. If we build on these pillars in future as well, I believe that SPP - distribúcia will face all upcoming challenges successfully."



Jean-Pierre Béringuier  
Chairman of the Board of Directors

"It is possible to perceive the results of the past year in a very positive way, but we cannot rest on our laurels. Challenges aimed at further improvement of the company SPP - distribúcia still lie ahead of us."



Bohumil Kratochvíl  
General Director



## Company Profile

SPP - distribúcia is a leading provider of professional services in the field of natural gas distribution on the Slovak market. The company entered the business as a 100% subsidiary of SPP on 1<sup>st</sup> July 2006 following the legal unbundling of activities associated with natural gas distribution and distribution assets. With the varying conditions on the gas market, SPP - distribúcia is a reliable and trustworthy partner, able to react flexibly to the needs of business partners and customers, introducing comprehensive solutions with added value, building on transparent open communication and providing services of a high quality thanks to many years of experience and know-how in the sphere of natural gas distribution.

The mission of our company, as a distribution network owner and operator, is the safe and reliable distribution of natural gas. Among other things, the exclusive position of our company in the Slovak energy market brings with it increased responsibility. Our priority is to guarantee the safe and reliable natural gas distribution to customers, the safety of operating activities and the occupational safety of our employees.

Our company sells distribution capacities, pursues development activities, operates and performs maintenance on the distribution network and, last but not least, covers dispatching activities and network balancing through Slovak Gas Dispatching. With all the activities performed by SPP - distribúcia as a Distribution Network Operator, we enforce a transparent and non-discriminatory approach both to gas suppliers and gas consumers alike.

Implementation of the NET project in 2009 and 2010, built on the principles of asset management, was followed in the past year with the launch of "Performance Programme" which, similarly to its predecessor, covers centrally coordinated project initiatives. We develop these initiatives with the aim of optimizing processes, streamlining activities, improving the quality of provided services, increasing operational efficiency and broadening contacts with customers and our business partners. The decision by the Office for Regulation of Network Industries brought an extension of the regulatory period from 3 to 5 years, which we consider a step towards improving the stability and visibility of the energy sector.

More than 94% of the Slovak population has access to natural gas. Today, SPP - distribúcia secures natural gas distribution to approximately 1.5 million consumers in Slovakia. Last year, SPP - distribúcia connected to the distribution network its jubilee 1.5-millionth customer, which is proof of the popularity and extensive use of natural gas as a competitive fuel and, at the same time, a requisite for the future development of distribution capacities.



SPP - distribúcia deals with Slovak Gas Dispatching tasks within the delineated area of the Slovak Republic.





## Strategy and Goals of the Company

The mission of SPP - distribúcia is to ensure the reliable, safe and efficient distribution of natural gas from the supplier to the customer. Our vision is to be a stable, trustworthy and efficient provider of quality services in the field of natural gas distribution, to anticipate the future needs of customers and development on the energy market, and to create in this way value for our business partners, shareholder and employees.

The past year saw a significant increase in the number of gas shippers in Slovakia, to which SPP - distribúcia reacted flexibly by adapting its internal procedures and processes. With the aim of contributing to liberalization of the gas market, we are preparing appropriate technical conditions to allow direct connection of new biomethane producers to the distribution network. The company's priority is to fulfill the expectations and requirements of our customers while preserving the network operating safety and reliability of natural gas distribution.

In 2011, the Regulatory Office for Network Industries approved the regulatory method for the upcoming period of 5 years. At SPP - distribúcia we expect that the length of the upcoming 5-year period instead of 3 years will contribute in the sphere of energetics to an increase of stability.

### Company Goals for 2012

The most important goals of SPP - distribúcia spring from the responsibility for safe and reliable distribution of natural gas to all our customers.

#### Guaranteed High Level of Safety of Operating Activities

SPP - distribúcia ensures the good technical condition of the distribution network by adopting systemic measures and procedures by which it is able to guarantee the long-term safe and reliable distribution of gas to its customers. In the interest of safety and fluency of gas distribution and with emphasis on fulfilling the obligation to further streamline the activities at gas facilities, on 23<sup>rd</sup> December 2011 we updated the "Rules of Operation and Maintenance of Gas Facilities". In 2012, we will focus further on improving the construction quality of new distribution networks, which we plan to achieve through the updated control system for observing technology procedures in constructing gas facilities by third parties.

#### Constant Improvement of Operating Efficiency

In the course of 2011, we launched a 3-year "Performance Programme of SPP - distribúcia", for the period from 2011 and 2013, representing a smooth continuation of the optimization project implemented between 2008 and 2010. The company set 5 priorities under "Performance Programme":

- optimization of maintenance activities,
- improvement of the planning and implementation of investment projects,
- improvement of customer relations,
- improvement of control over gas losses in the network,
- continuous optimization of key distribution processes, as well as organisational structure.

#### Optimization of Capital Expenditures

In 2011, we at SPP - distribúcia concentrated on improving the efficiency of investment process management and on reducing the unit costs in investments, foremost by looking for optimum technical solutions and efficient procurement. At the same time, with the investment process the company thoroughly respects all affected entities and takes care of protecting the environment and the safety of its employees and consumers. In 2011, we focused on optimizing the planning of capital expenditures through the prioritization of individual projects from the viewpoint of network safety, which resulted in a more realistic projection of funds for network reconstruction in 2012.

We plan to continue with further optimization of the investment process in 2012 by creating a new system for evaluating the technical condition of our facilities, which is to reflect more precisely the company's needs in terms of safe renovation of the distribution network.

## Strategy and Goals of the Company

### Improving Customer Approach

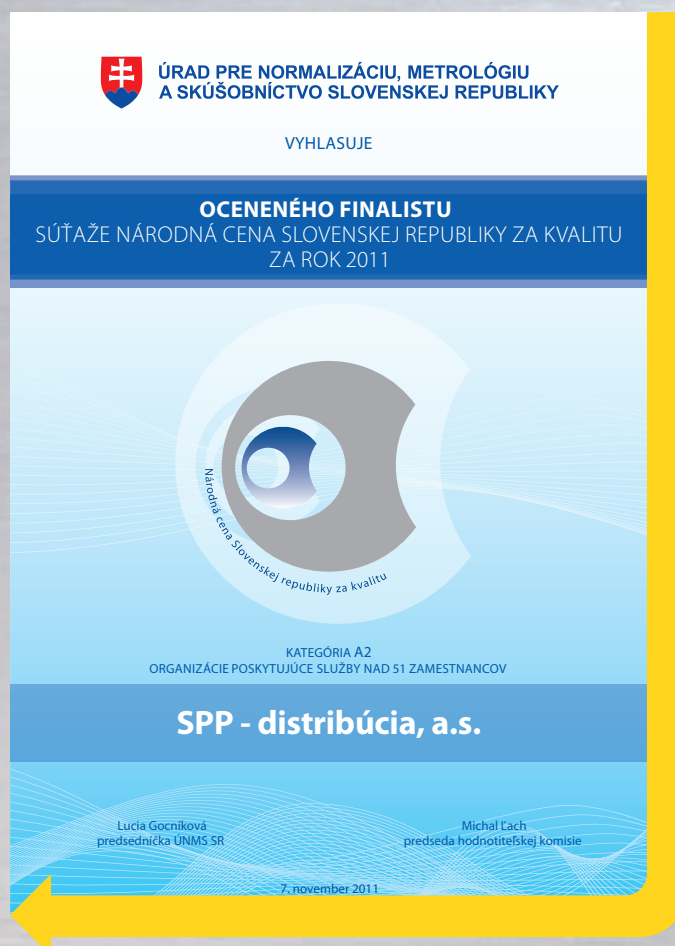
SPP - distribúcia committed itself in 2012 to continue securing the high quality of services provided to current customers and, at the same time, to develop actively the portfolio of new customers. We intend to permanently improve the provision of information to, and contact with, our customers. The new approach to the connection of end customers in the Households and Small Businesses categories is yet another result of the company's endeavor to constantly improve the quality of services for customers, securing maximum transparency of conditions for connection to the distribution network while preserving the return on investment both for the customer and SPP - distribúcia.

### Motivating Qualified Employees and Job Applicants

For any company, a cornerstone in the process of achieving goals and successes is, without question, having qualified and motivated employees. As an employer, we therefore attempt to create favorable work conditions for employees and provide them with motivating and stabilizing financial remuneration, together with various employee benefit programmes and career growth opportunities. SPP - distribúcia also offers an opportunity to young talented people who can prove themselves in our company and fully develop their knowledge and skills.

### Financial Stability and Profitability of the Company

In addition to the long-term goal of improving the management and ensuring stable company profit, in 2012 we will concentrate also on streamlining all key processes. We expect the new regulatory method set in 2011 for the period of 5 years to contribute to greater stability across the industry.





## Board of Directors as of 31<sup>st</sup> December 2011

### Ing. Jean -Pierre Béringuier, Chairman of the Board of Directors



He studied engineering at the University École Nationale Supérieure d'Arts et Métiers in Paris. In 1987 he started his professional career as Operations Manager in the Transmission Division – Ile de France Operations Center in Gaz de France SA. He held various positions in the Transmission Division – in 1990 – 1996 he worked as head of gas compressors & gas turbines Repair and Technical Support Department. In 1996 – 2000 he worked as the head of the transmission networks Expertise & Support Department and in 2000 – 2003 he led the Technical Operations Department in the Ile de France Operations Center. In 2003 – 2006 he was the Gas Infrastructures R&D Program Director in the Research & Development Division and at the same time was the Chairman of MARCOGAS Infrastructures Committee in Brussels, Belgium. On September 2006 he became Deputy CEO of Italcogim Reti (4<sup>th</sup> gas distribution operator in Italy) in GDF SUEZ Energy Europe & International, Milan, Italy. He became a Member of the Board of Directors of SPP - distribúcia, a.s. on 15<sup>th</sup> September 2010. He has been the Chairman of the Board of Directors of SPP - distribúcia, a.s. since 6<sup>th</sup> May 2011.

### Ing. Peter Kamenický, Vice-Chairman of Board of Directors



"For SPP - distribúcia the year 2011 was not easy. I am very pleased that we managed to fulfill the ambitions that we set out for ourselves at the beginning of the year, despite difficult circumstances. An essential and crucial part of this is the determination and professionalism of our people."

Born in Hlohovec in 1963, he studied at the Faculty of Commerce of the University of Economics in Bratislava, specializing in Economics of Foreign Trade. After completing his study, he began to work in the foreign trade organization IMEX Bratislava as an export officer. In the years 1987 – 1990 he worked in the Czechoslovak Chamber of Commerce and Industry as secretary of the Foreign Relations Department. Afterwards, he worked in the company Datavico, a.s., Alcatel Business Systems, as manager of the sales department until 1995. He worked at the Embassy of Great Britain and Northern Ireland until 1997. From 1997 to 2003 he worked for the British/Dutch company Unilever as manager of external

relations and later as executive head of the company. From 2003 he worked in the company Slovenský plynárenský priemysel, a.s. as the Public Relations Section Director and Manager of the SPP Foundation. Since 13<sup>th</sup> January 2011 he has been at the position of the Deputy Chairman of the Board of Directors of SPP - distribúcia, a.s.

### Ing. Martin Bartošovič, Member of Board of Directors



"It is often really hard to find the right balance in the distribution of time between work and family. In 2012 we should therefore make an effort so that the results in both spheres were worth it."

He graduated from the Faculty of Economics and Management of the Slovak University of Agriculture in Nitra in 1996. During his university studies he completed scholarship programmes at West Virginia University in Morgantown (USA) and the programme run by the A. W. Mellon and G. Soros foundations at the Institute of Economic Studies in Nitra. After graduating from university, he worked in ING Barings as a Management Trainee and later as an Account Manager. In 1998 he started working as a Consultant for A.T. Kearney in Prague. For this leading global consulting firm he participated in projects for renowned international financial institutions and companies in the field of energy and transport. He has worked in Slovenský plynárenský priemysel, a.s. since 2004, starting as Strategy,

Corporate Development and Procurement Section Director. From 2008 he was the Corporate Affairs Division Director. He has been the Chairman of the Supervisory Board in SLOVGEOTERM a.s. since 2010. In March 2011 he was appointed as a Member of the Supervisory Board of the SPP Foundation and in September 2011 he became a Member of the Board of Trustees of non-investment fund EkoFond, n.f. He has been a Member of the Board of Directors of SPP - distribúcia, a.s. from 6<sup>th</sup> May 2011.

**Jost Ahrens, LL.M.**, was the Chairman of the Board of Directors until 5<sup>th</sup> May 2011.

**Ing. Miroslav Greš** was the Vice-Chairman of the Board of Directors until 12<sup>th</sup> January 2011.

**Ing. Peter Kamenický** became the Vice-Chairman of the Board of Directors on 13<sup>th</sup> January 2011.

**Ing. Martin Bartošovič** became a Member of the Board of Directors on 6<sup>th</sup> May 2011.

**Ing. Jean-Pierre Béringuier** became the Chairman of the Board of Directors on 6<sup>th</sup> May 2011.



## Top Management as of 31<sup>st</sup> December 2011

### Ing. Bohumil Kratochvíl, General Director



He graduated from the Czech Technical University in Prague. He started his professional career in the gas industry in 1980, gradually working in the fields of transmission, trading, exploration, production, storage and finally, the distribution of natural gas. During his career he has worked for Czech gas companies Transgas Prague, Český plynárenský podnik Prague and SPP Bohemia, a.s. He came to Slovakia in 2003 when he joined NAFTA a.s., where he was appointed General Director in January 2004. At the same time, in the years 2004 – 2008 he held the post of Member and the Chairman of the Supervisory Board of the company Pozagas, a.s. Since 1<sup>st</sup> July 2008 he has been General Director of SPP - distribúcia, a.s.

### Ing. Dušan Dobiaš, Investment Section Director



After graduating from the Department of Transport and Manipulation Equipment at the Faculty of Mechanical Engineering of the Slovak University of Technology in Bratislava in 1985 he joined ČSAD Bratislava as a purchaser. Between 1988 and 1992 he worked in this company in the post of Technical Section Director. A year later he began working as a purchaser at the Investment Department of the Slovtransgas Division in Slovenský plynárenský priemysel, state enterprise. Between 1994 and 2001 he worked as head of the Procurement Department and later, in 2001 – 2003 he managed the Coordination of Investments and Procurement Section and from 2004 to September 2009 he was Director of the Logistics Section in Slovenský plynárenský priemysel, a.s. Since October of the same year he has been managing the Investment Section in SPP - distribúcia, a.s.

### Ing. Rastislav Prelec, Maintenance and Metering Section Director



In 1985 he graduated from the Faculty of Electrical Engineering at the Slovak University of Technology in Bratislava and in 2005 he completed his Masters studies in industrial engineering at Fachhochschule Ulm (Germany). After completing his studies, he worked in the Chemical Technology Research Institute as head of the Automation Department until 1991. Between 1991 and 1995 he was self-employed in the field of industrial automation. In 1995 he joined Slovenský plynárenský priemysel, a.s. as a Telemetric Equipment Technician. Later he served as head of the Control Systems Department. From 1997 he worked as Project Manager and Co-Manager in the following projects: Reconstruction and Remote Control of Transfer Stations (SCADA SPD), Remote Monitoring of Regulation Stations (SCADA OZ), Dispatching Control Systems (SCADA), Remote Monitoring of Large Customers, Mobile Workplaces and Distribution Information System. In 2009 he was appointed Director of the Maintenance and Metering Section in SPP - distribúcia, a.s.



## Top Management as of 31<sup>st</sup> December 2011

### Ing. Roman Filipoiu, Economy and Regulation Section Director



He completed his financial management studies at the Faculty of Business Management of the University of Economics in Bratislava. After graduating he started working in the post of Auditor and Consultant in Deloitte, where he took part in audits of several major banks, financial institutions and media companies in Slovakia. In 2007 he started working in the energy sector after joining NAFTA a.s. As head of the Controlling Department he was responsible for controlling, price regulation and relations with equity holdings and later as the Deputy Finance Director also for accounting, procurement and finance. In the same period he also served as the Chairman of the Supervisory Board in Karotáž a cementace s.r.o. and Naftárska leasingová spoločnosť a.s. Since April 2009 he has been Director of the Economy and Regulation Section in SPP - distribúcia, a.s. He is responsible for regulation, energy legislation, relations with state administration bodies and also for matters relating to the economic optimization and financial management of the company.

### Ing. Milan Mindek, Network Operation and Asset Management Section Director



He graduated from the Technical Operation of Telecommunications Department at the Faculty of Electrical Engineering of the University of Transport and Communications in Žilina. His professional career began in 1980 as head of the Metering Group at Stredoslovenské plynárenské závody in Žilina, where he gradually worked in various management positions. In 1994 he joined Slovenský plynárenský priemysel, a.s. as head of Slovak Gas Dispatching and in 1996 he became Director of Slovak Gas Dispatching in SPP - distribúcia, a.s. The Network Operation and Asset Management Section defines and ensures the strategy and policy of network development, operation and maintenance, business metering, management systems and data administration, secures dispatching management of gas distribution according to agreed contracts and ensures balancing of the distribution network in line with Slovak legislation. Within SPP - distribúcia, a.s., at the same time the section fulfills the tasks of Gas Dispatching in the Slovak Republic.

### Ing. Marek Paál, Distribution Services Section Director



He started his professional career in 1994 – 1996 in the trade company Interlat, a.s. He completed his studies specializing in the gas industry at the Faculty of Mechanical Engineering of the University of Žilina in 2003. However, he started working in this field even before that in 1996 when he joined Slovak Gas Dispatching of Slovenský plynárenský priemysel, a.s. (SPP), where he held various posts. From 2004 he worked in SPP as the Director of the Distribution Capacities Sales Section. In 2006 he participated in the process of legal unbundling of SPP into three separate companies and led the project for implementation of the distribution information system for liberalized gas trading. After legal unbundling, he continued to serve as Director of the Distribution Capacities Sales Section in the now separated company SPP – distribúcia, a.s. Since the restructuring of the company in 2009, he has held the position of Director of the Distribution Services Section. He is responsible for connecting customers to the distribution network, and for marketing and sales of distribution capabilities to gas suppliers in Slovakia.

Ing. Rastislav Lauko was the Asset Management Section Director until 31<sup>st</sup> July 2011.

The Asset Management Section was merged with the Slovak Gas Dispatching Section on 1<sup>st</sup> August 2011 to create the Network Operation and Asset Management Section under the leadership of **Ing. Milan Mindek**.

## Supervisory Board as of 31<sup>st</sup> December 2011

### Ing. Ján Rusnák, Chairman of the Supervisory Board



"In the past year it was an honor for me to work in such a professional team, where expertise, positive thinking and relations to the company coming naturally, and leading to positive fulfillment of tasks. In a team where safety at work and care for the customer were at the forefront."

He graduated from the Faculty of economics and management of production sectors of the University of Economics in Bratislava, which he later completed with study at the International School of Business Management in Prague, in the specialization "Euromanagement". After graduating, he started his professional career in the economic unit of Združená výroba Michalovce. In 1983 he joined the company Moravské naftové doly at the research facility in Michalovce as an independent planner and later as head of the Information System Department. In 1985 he became the deputy Director for Economics in the company Nafta, a.s., Gbely, mining plant Michalovce. From 1998 he was appointed Director of Economics for the company NAFTA VÝCHOD, a.s. Michalovce. In 2002 – 2006 he held the post of the Chairman of the Parliamentary Committee for Economy, Privatization and Business. From 2006 he has worked as Project Manager in the company NAFTA a.s. On 27<sup>th</sup> January 2011 he became the Chairman of the Supervisory Board of SPP - distribúcia, a.s.

### Members:

Ing. Dalibor Černička  
Gilles Guegan  
Pavol Korienek  
Mgr. Michal Novota  
Richard Vadkerty

**Ing. Ján Rusnák** was elected the Chairman of the Supervisory Board on 27<sup>th</sup> January 2011.

**Gilles Guegan** was elected the Vice-Chairman of the Supervisory Board on 24<sup>th</sup> August 2011.

**Ing. Dalibor Černička** became a Member of the Supervisory Board on 13<sup>th</sup> January 2011.

**Mgr. Michal Novota** became a Member of the Supervisory Board on 13<sup>th</sup> January 2011.

**Richard Vadkerty** became a Member of the Supervisory Board on 25<sup>th</sup> November 2011.

**Doc. Ing. Nikolaj Ponevský, PhD.**, was the Chairman of the Supervisory Board until 12<sup>th</sup> January 2011.

**Ekkehard Ludwig** was the Vice-Chairman of the Supervisory Board until 30<sup>th</sup> June 2011.

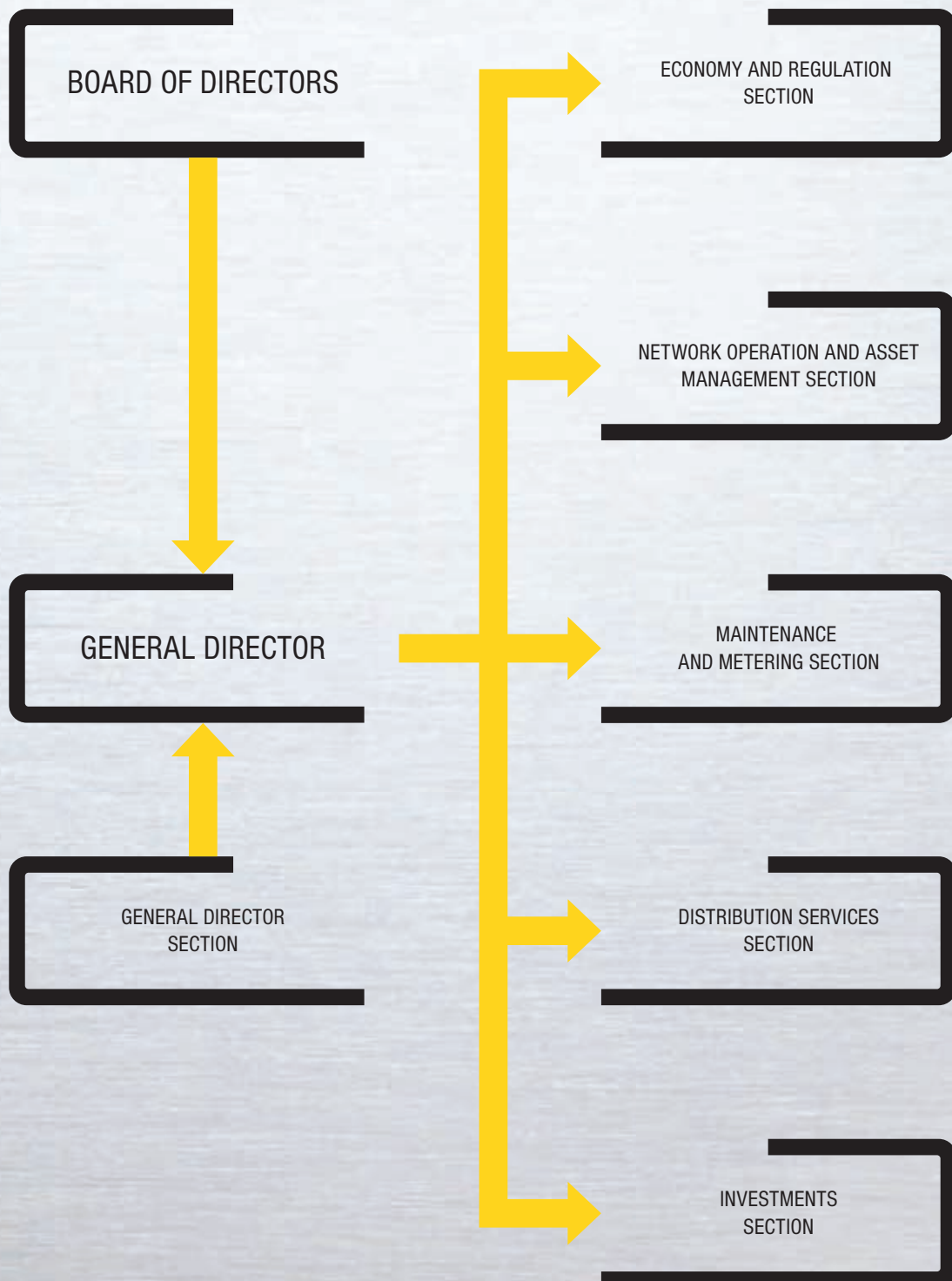
**Ing. Gustáv Laca** was a Member of the Supervisory Board until 12<sup>th</sup> January 2011.

**Ing. Vladislav Petráš** was a Member of the Supervisory Board until 12<sup>th</sup> January 2011.

**Daniel Nechala** was a Member of the Supervisory Board until 24<sup>th</sup> November 2011.



## Organisational Chart as of 31<sup>st</sup> December 2011



## Economic and Financial Performance

### Business Environment Development

The business environment of 2011 was influenced by problems in the Eurozone related to the Euro crisis, but also by the deteriorating financial stability of companies and the increasing number of non-paying customers. The gas market in Slovakia changed significantly with the entry of new gas supplies to the Households segment and by the liberalisation of the connection process of future gas consumers to the distribution network.

Unstable development on the **foreign exchange market** was another important factor. The EUR/USD exchange rate experienced turbulences throughout 2011 and fell by 3.45% over 12 months. The situation on the oil and oil products **commodity markets** was characterised in 2011 by rising oil prices on the international markets, while the price of crude oil rose in the course of the year by approximately 11%. Higher prices of oil and oil products, combined with the turbulent Euro exchange rate subsequently translated into higher levels of natural gas purchase prices.

Given the nature of the sector in which SPP - distribúcia operates, the financial results of the company are also greatly affected by **climatic conditions**, which influence the volumes of distributed gas. The average temperatures for the whole heating season of 2011 fluctuated around the long-term average, while the average annual temperature was 9.7 degrees Celsius. In the coldest heating months of January - February, the average temperature was in the range of minus 1.5 degrees Celsius. The total volume of distributed gas came to 5.33 billion m<sup>3</sup>.

### Economic Results of SPP - distribúcia

In 2011, SPP - distribúcia generated **revenues from services** totalling EUR 371.86 million, a drop of EUR 15.68 million over the previous period. The main source for the generation of these revenues was sales for the provision of distribution capacity.

**Operating expenses** came to EUR 238.40 million, with the main entries being depreciations and amortisation, natural gas storage, other services, and personnel costs. Compared with 2010, operating expenses fell by EUR 12.89 million. This decline was caused chiefly by lower expenses for ensuring gas supply security standards, other services and personnel costs.

For the 2011 fiscal year, the company reported **profit before tax** of EUR 132.79 million, a drop by EUR 2.90 million compared with the previous year. The total income tax amounting to EUR 20.37 million consisted of due tax of EUR 32.11 million and a deferred tax liability of EUR 11.74 million. **Profit after tax** came to EUR 112.43 million.

After-Tax Profit Structure Comparison (in EUR million)

	2011	2010
Revenues from services	371.86	387.54
Operating expenses	-238.40	-251.29
Profit/loss from financial operations	-0.67	-0.56
<b>Profit before tax</b>	<b>132.79</b>	<b>135.69</b>
Income tax	-20.37	-28.66
<b>Profit after tax</b>	<b>112.43</b>	<b>107.03</b>



## Capital Structure

### Assets

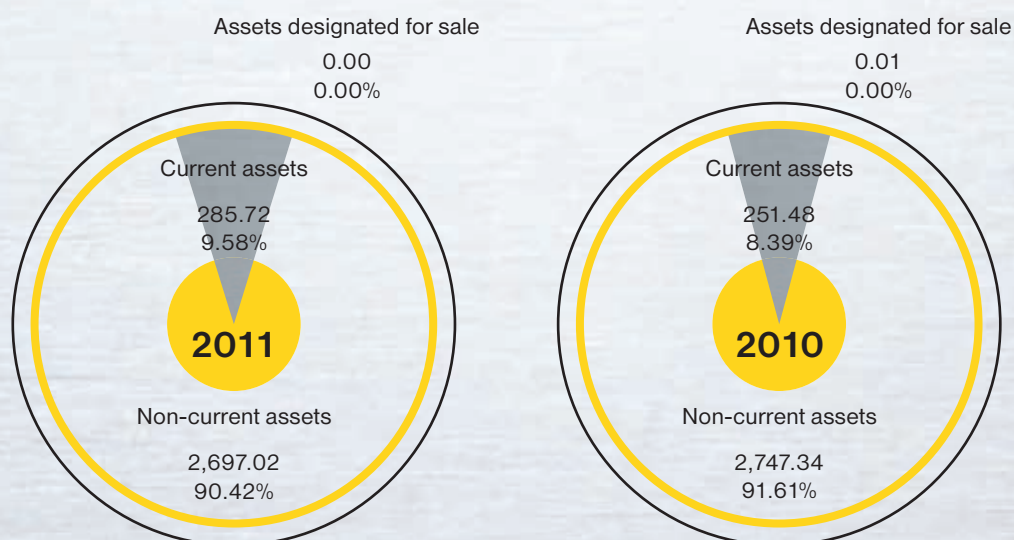
The company's **total assets** reached EUR 2,982.74 million as of the balance sheet date, declining by EUR 16.09 million compared with the previous period.

**Non-current assets** represented EUR 2,697.02 million and their share in total assets constituted 90.42%. Key entries included, in particular, distribution networks, buildings, constructions, and machinery and equipment of distribution networks.

**Capital expenditures** reached EUR 71.36 million and went mostly to reconstruction and development of the distribution network, as well as to the purchase of technology and facilities.

**Current assets** as of the balance sheet date amounted to EUR 285.72 million, consisting of inventories, receivables and financial accounts. Compared with 2010, they rose by EUR 34.24 million with a substantial increase seen in the entry 'receivables towards the parent company'.

### Assets Structure Comparison (in EUR million)



### Equity and Liabilities

**Equity** amounted to EUR 2,461.42 million, meaning 82.52% of the value of the company assets coverage sources. In addition to share capital, equity consisted of the statutory reserve fund, retained earnings and income from the current period. Year-over-year, equity rose by EUR 5.51 million.

**Share capital** of SPP - distribúcia comprised the share capital registered in the Companies Register in the amount of EUR 1,957.42 million, consisting of 11 ordinary shares (10 shares with a par value of EUR 3,319 and one share with a par value of EUR 1,957,384,402).

## Capital Structure

Liabilities Structure Comparison (in EUR million)



Shareholder Structure as of 31<sup>st</sup> December 2011:

Slovenský plynárenský priemysel, a.s.	11 shares	100%
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The balance of the **statutory reserve fund** of the company consisting of capital deposits reached EUR 391.58 million as of the balance sheet date.

The total amount of **liabilities** constituted 17.48% of asset coverage, with liabilities as of the balance sheet date reaching EUR 521.32 million. Key liabilities entries were non-current liabilities (deferred tax liability of EUR 347.83 million, other non-current liabilities amounting to EUR 30.00 million, retained earnings worth EUR 8.19 million) and current liabilities of EUR 132.40 million. Compared with the initial balance, liabilities fell by EUR 21.60 million, which was caused in particular by a lower deferred tax liability.



## Natural Gas Distribution


In 2011, SPP - distribúcia continued to secure the safe, reliable and fluent distribution of natural gas to all customers connected to the company's distribution network. Suppliers and end customers of natural gas find a trustworthy partner in our company, which provides comprehensive solutions to meet their needs in accordance with applicable legislation, and regulatory and gas market liberalisation rules. The scope of the distribution network – nearly 33,000 km of pipelines – puts huge demands on dispatch control, operational safety, renovation and development. Key priorities of the company include increasing the overall efficiency of gas distribution, while simultaneously observing the appropriate safety level of distribution network operation.

### Distribution Network Development and Renovation Strategy

SPP - distribúcia puts great emphasis on the efficient development of the distribution network while preserving the non-discriminatory approach to all customers. The pillars of efficient network development are: monitoring potential development activities aimed at reflecting market trends and demands, updating and on-the-go recalculations of the network's hydraulic conditions, creation of outlook schemes, analysis and the refining of input data for software applications calculating network hydraulics.

In 2011, we began implementing in SPP - distribúcia a new customer approach for connection to the distribution network. This change allows customers to manage the construction of gas facilities in accordance with their needs, while our company secures preventive maintenance of those facilities in line with applicable legislation. Regarding the rental of gas facilities built by other investors, where requested our company allows tenants to change each year the rental fee and the option to purchase the gas facility, and this on the basis of the actual number of connected customers in the previous period.

This area produces stronger demands on the coordination of projects, equipment safety control methodology, reconstruction programme planning and administration associated with title settlement of facilities.



Number of connected municipalities as of 31 <sup>st</sup> December 2011	2,234
---	-------

Presently, 77% of the total number of municipalities in Slovakia is connected to the gas distribution network, covering 94% of Slovakia's population.

Maintaining a high safety standard for the entire pipeline network requires the company to pay a lot of attention each year to the network reconstruction programme. For this reason, the company has been directing a large portion of its investments to network renovation.

## Natural Gas Distribution

Distribution Network Length in 2007 – 2011 (in km)

	2007	2008	2009	2010	2011
High-pressure pipelines	6,343	6,327	6,298	6,302	6,307
Medium and low-pressure pipelines	25,194	25,667	26,208	26,446	26,653
<b>Total</b>	<b>31,537</b>	<b>31,994</b>	<b>32,506</b>	<b>32,748</b>	<b>32,960</b>

Local Pipeline Network Structure in 2007 – 2011 (in km)

	2007	2008	2009	2010	2011
Steel	12,388	12,734	12,848	12,819	12,822
Polyethylene	12,806	12,933	13,360	13,627	13,831

Investments in Network Renovation/Reconstruction in 2007 – 2011 (in EUR million)

	2007	2008	2009	2010	2011
Investments in network renovation	41	59	42	47	45

The company's ambition in the distribution network development strategy is to increase the efficiency of the distribution network consistently, while concurrently ensuring a high degree of safety and reliability on the level of prominent European leaders in the field of natural gas distribution.

### Distribution Network Safety

SPP - distribúcia ensures the regular maintenance, repair and revision of gas facilities. To invest at the right time and to the right extent when it comes to reconstruction and modernisation of the distribution network is extremely technically and economically demanding. For this purpose, SPP - distribúcia uses the technical condition assessment (TCA) methodology for gas facilities. The goal is to establish the systemic management of TCA process, meaning unified, regular, transparent, objective and efficient assessment of the technical condition of gas facilities. The application of TCA methodology is a prerequisite for the safe, reliable and efficient operation of gas facilities founded on state-of-the-art management expertise.

In 2011, we initiated the updating process of TCA methodology in order to continuously improve and increase the quality of assessment. The assessment uses technical criteria based on decisive risk, technical and economic factors affecting the serviceable life of gas facilities, with the goal of optimising costs of network renovation and operation.

Our company keeps improving the diagnostics procedures and modernising the technology in the field of network operation and maintenance. In 2011, the external inspection of pipelines took place to the scope of 195 km. The MMM (Material Magnetic Memory) diagnostic method was tested with positive results on selected risk sections of high-pressure pipelines. Based on analysis of the results, a decision was made to continue using this method in the years to come. 17 repairs were made of defects discovered during internal inspection and 19 repairs were made as a result of findings during external inspection of gas pipelines.



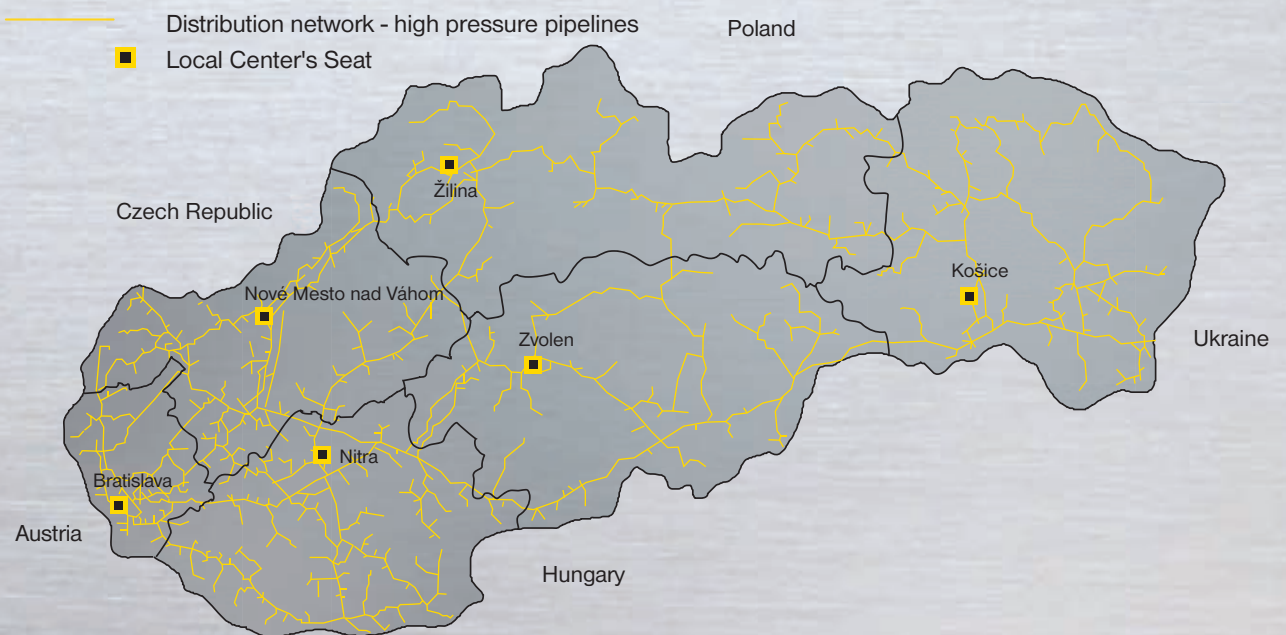
## Natural Gas Distribution



SPP - distribúcia is the owner and operator of the distribution network, by means of which it ensures the safe and reliable distribution of natural gas to end customers.

Distribution Network of SPP - distribúcia, a.s.

### Legend





## Communication with the Public

### High Quality and Fast Communication – the Foundation of the Company's Good Reputation in the Eyes of the Media and the Public

Openness and transparency, combined with the fastest possible access to information for the media and the public, comprised the basic principles behind the communication activities of SPP - distribúcia in 2011. This approach contributed to the efficacy, efficiency and trustworthiness of the company communication in general. In the past year, SPP - distribúcia further strengthened both external and internal communication, not only by focusing on all distribution network users, but also on entities performing excavation works.

### Excavation Works - Central Communication Topic of 2011

The main topic of communication in 2011 centred on damages to gas equipment caused by third parties. SPP - distribúcia registered an alarming trend in excavation works with both individuals and legal entities failing to demarcate gas equipment or in spite of demarcation, during excavation works they violated the internal regulations of the company, which define how to carry out excavation works in the vicinity of gas facilities. We therefore systematically attempted to highlight in the media the notification obligation of builders when performing excavation or construction work. The unexpected disruption of gas equipment increases the risk level of the operating safety and reliability of natural gas supplies to consumers.

In the past year, SPP - distribúcia carried out a communication campaign in which it informed about a welcomed step in relation to customers in the field of gas equipment demarcation. Since 1<sup>st</sup> April 2011, the company has been performing demarcation free of charge for small constructions, family houses or business premises, provided the demarcation service does not exceed 1 hour by scope or 100 meters in length.

### “Communication with Cities and Municipalities” Project

In 2011, we continued developing the “Communication with Cities and Municipalities” project. Within the framework of initiated cooperation, SPP - distribúcia notified the mayors and officials in cities and municipalities connected to the distribution network about the seriousness of the situation in issuing excavation or building permits and asked them for their cooperation in ensuring compliance to the legal procedure when working inside the protection and safety zones of gas facilities, in order to achieve optimum coordination of ground work.

For successfully handling last year's crisis situation, which involved the evacuation of nearly 600 residents in Banská Bystrica thanks to the incorrect procedure of a construction company during excavation work, we received the acknowledgement from Banská Bystrica Self-Governing Region for excellent cooperation in the field of communication and cooperation with the crisis team of Banská Bystrica Self-Governing Region.



In order to prevent damage to gas facilities, since 1<sup>st</sup> April 2011 the company SPP - distribúcia has been performing gas facility demarcation for small constructions free of charge, provided the demarcation service does not exceed 1 hour in scope or 100 meters in length.





## Communication with the Public

### External Communication

Last year, we respected the transparency and openness principle also by communicating the topic "Liberalisation of the connection process to the distribution network". The liberalisation of this process completely changed the previous approach of the company in connecting customers - the connection process was made far more flexible for the benefit of customers. Other customer-related topics resonated in the external communication of the company as well. They mostly related to preventing frauds in the field of gas meter readings (impersonation of gas meter readers), illegal offtakes and communication of the specialised Emergency line - Gas (0850 111 727) with 24/7 operation, set up for reporting any suspected gas leak, damage to gas pipelines or disruptions to gas supplies.

In the field of external communication, SPP - distribúcia puts great emphasis on the contents of the company's websites, which we regularly update. In this field, our aim is to get the website of SPP - distribúcia serving as one of the most important sources of information for the public.

### Customers at the Centre of our Attention

SPP - distribúcia communicates with the public not only through its Customer Offices for connection to the distribution network, but also directly through a communication manager, this both in electronic and telephone forms. The issues resolved in this way mostly related to operating activities implemented by the company and preventive activities that are to be performed by natural persons or legal entities in taking care of gas distribution pipes serving apartments or houses. After network safety, customers are the absolute priority of our company and always at the centre of our attention.

In an effort to continually improve contact with our customers, in 2011 SPP - distribúcia launched the initiative for optimising customer contact services. We introduced the key accounts management system aimed at both current and potential gas consumers with the goal of securing a full service in the process of getting connected to the distribution network or making changes at existing points of supply. We also focused on resolving the requirements of gas suppliers relating to distribution services. In 2011, we secured direct contact with customers through Customer Offices in Bratislava, Žilina, Nitra and Košice, as well as an office in Zvolen dedicated to managing key accounts. The Customer Hotline for connection to the distribution network (0850 269 269) ensures customers receive a quality service.

## Communication with the Public

Customer Offices for connection to the distribution network covered the following areas in 2011:

- providing information about connection to the distribution network and changes at an existing point of supply,
- providing comprehensive advice and answering individual customer questions about the connection process and changes to existing points of supply,
- receiving and handling applications for connection and changes at the point of supply,
- issuing technical and business conditions for connection and changes at points of supply,
- concluding contracts for connection to the distribution network.

Our priority in the upcoming period will be to create those conditions that will provide an answer to the rising demands of our customers in the quality of provided services. Our long-term goal is to broaden the portfolio of services, which will result in comprehensive care of end customers in individual categories. We will provide these services in accordance with the connection policy project, which is under preparation, so as to ensure maximum transparency of the issued conditions for connection to the distribution network. In the new connection policy, we will continue to liberalise the process of connecting to the distribution network with the aim of making sure the connection process corresponds as much as possible to the needs of future gas consumers.

In reaction to the amendment of the Act on renewable sources, SPP - distribúcia prepared the complete process for connecting biomethane production plants to the distribution network. The whole process is described in detail on the company website.



SPP - distribúcia connected its jubilee 1.5 millionth customer to the distribution network in 2011.

## Streamlining Communication with Gas Suppliers

In 2011, SPP - distribúcia registered a significant increase in the number of gas suppliers that have become users of our company's distribution network. Also with respect to this increase, SPP - distribúcia is developing its activities with the goal of intensifying and streamlining the mutual provision of information with all distribution network users. We support the automation and simplification of all processes relating to gas distribution in order to create the most favourable environment possible for each distribution network user, and so support gas market liberalisation. Our efforts resulted in an increasing number of gas suppliers connected to the distribution network of SPP - distribúcia.



## Quality Management

Constant improvement of the quality of services provided to our customers is among the strategic goals of SPP - distribúcia.

The high quality of project management through project initiatives and regular assessment of sensitive areas in individual procedures have contributed greatly to the permanent streamlining of all processes in the company.

In 2011, SPP - distribúcia participated in the National Quality Award of the Slovak Republic, which is based on the European Quality Award established on the principles of the European Foundation for Quality Management Excellence Model. Participation in the competition saw analysis of quality management systems used in our company and allowed us to compare our approach with approaches of other companies. It served as proof of the fact that the set processes, which are the result of many years of work by the whole team, have a clear logic, meaning and clearly demonstrable and quality outputs.

The "Awarded Finalist in the 2011 National Quality Award of the Slovak Republic" received by SPP - distribúcia in this competition, demonstrated that our company is achieving balanced results corresponding to both the short-term and long-term needs of the company, its employees, customers and business partners.



General Director of SPP - distribúcia, Bohumil Kratochvíl, took the award for its place in the competition National Quality Award of Slovak Republic 2011 from President of Slovak Republic, Ivan Gašparovič. In the photograph with Zdenka Midriaková, Head of quality, QHSE and Environment Department.

## Taking Care of Employees

In SPP - distribúcia, we consider our employees the first factor behind the success of our company as a whole. Therefore, in accordance with our strategic goal, in 2011 we concentrated on keeping and acquiring new qualified employees. The changes in the external environment and the need for permanent development of the company necessitated further streamlining and optimising of certain processes, but also changing the organisational structure of SPP - distribúcia. Nevertheless, with the aim of preserving the internal know-how and many years of experience among our experts, with each organisational change we tried foremost to utilise the potential of human resources from the internal environment. Of exceptional importance in this process was the open and on-the-go communication towards company employees and social partners, which was to a large extent the role of human resources. Our other priorities in 2011 included the development, care and motivation of employees, the provision of comprehensive and quality services to managers and employees, and support for timely and transparent communication.

### Educating and Taking Care of Key Employees

The majority of educational activities in SPP - distribúcia involve compulsory and periodical training stipulated by legislation. However, in addition to this, we also supported the development of numerous specific skills in professional fields and managerial competences for our employees.

In 2011, we prepared and began implementing the programme for individual development of the company's top management, as well as targeted managerial and professional education under the succession plans, including sharing know-how in individual expert fields of our company's activities.

Our company continued in 2011 to identify and select successors for key managerial and non-managerial positions on the mid management level, for whom we prepared a 2-year development programme focusing on enhancing their personal and professional potential through individual and group educational activities.

We also focused on preparing and developing possible candidates for the positions of foremen and operating technicians, which we consider key positions in the field of professional maintenance and the operating activities of our company. The ongoing development programme is aimed at boosting expertise, developing skills in the field of gas legislation, communication and management.

In the past year, we continued in the Graduate Development Programme, the goal of which is to seek talented university graduates. Based on the experience gained in previous years of this programme, and discussions with mentors and graduates themselves, in 2011 we changed the programme concept. Unlike the previous concept, a substantial part of which involved graduates working on various projects, the current form of the programme is based on the rotation of graduates in selected sections of the company. Thanks to this programme, graduates are able to better understand the functioning of SPP - distribúcia, its activities, organisational structure and processes, and to establish necessary contacts. At the same time, the new concept provides a greater opportunity to direct the career of graduates in line with the needs of our company, and also in line with their own interests.

### Internal Communication

In its integrated communication strategy, SPP - distribúcia supports transparent, continuous and directed communication and develops its formal and informal tools. The goal is to make the latest information on company events and activities available to employees, as well as services and benefits provided by the employer to employees, which helps employees identify better with the goals and values of the company.

In 2011, we developed open forms of personal communication, such as trips by the management to regions featuring meetings with employees. These events were often conducted in a work spirit and, in addition to precious feedback, also provided interesting stimuli. We consider regular personal communication between superiors and their subordinates in the form of discussions or work meetings to be the most efficient form of communication. In their communication, we provide support to the managers in the form of formal internal communication tools such as intranet, newsletter NET Top News, company magazine, letters and mass emails. In 2011, internal communication mostly concentrated on topics relating to ongoing projects under "Performance Programme of SPP - distribúcia", as well as support for safe conduct at the workplace as a key prerequisite for a healthy and accident-free work environment.

We also consider sharing information and knowledge as crucial. The streamlining in this area saw the introduction of the new sophisticated MS SharePoint information system. In addition to that, we launched a cycle of internal workshops for employees aimed at individual expert areas of our company's activities.

Under implementation of "The Idea Management project", in 2011 we succeeded in putting a number of improvement proposals from our employees into practice. In the field of human resources, this involved the introduction of so-called practical days, which will make the entire adaptation programme of new employees more efficient. In the course of their first year of working at our company, this model allows them to visit and maybe try out the activities at various expert departments at first hand, meaning swifter acquisition of the necessary input information and contacts for full-fledged performance of their work in SPP - distribúcia.



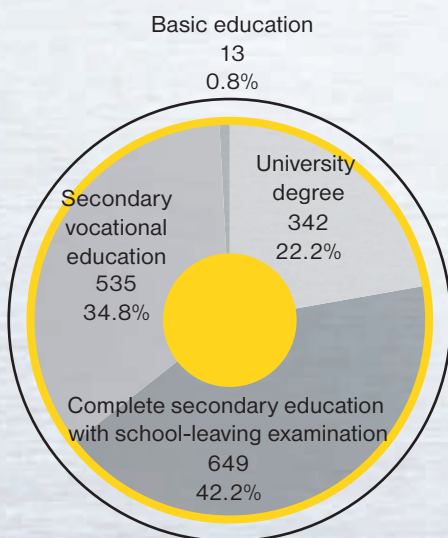
## Taking Care of Employees

### Employee Relations

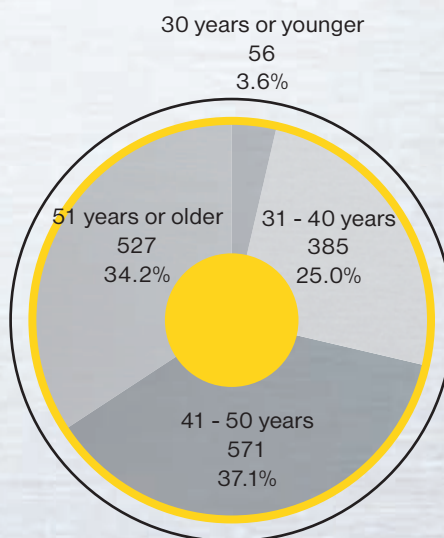
In 2011, we continued improving the quality of work conditions for company employees. The Collective Agreement for 2011 - 2013 came into force in that year, which not only preserved the high standard of the previous Collective Agreement, but further improved certain benefits in the social programme. Under the social programme, we once again provided employees with a broad scale of benefits from the social fund, such as food vouchers, work and personal anniversaries, support in need, social assistance to employees and their family members in difficult life situations, and we also awarded blood donors.

In accordance with the valid Collective Agreement, our company also arranged above-standard preventive medical examinations. A total of 528 employees participated in the examinations in 2011. We similarly support workforce recuperation. Employees have a chance to take part in 7-day recuperation stays at a number of spa facilities in Slovakia. In 2011, a total of 264 employees stayed at the spa resorts in Kúpele Trenčianske Teplice, Kúpele Číž, Kúpele Lúčky and Bardejovské kúpele.

Qualification Structure of Employees  
as of 31<sup>st</sup> December 2011



Age Structure of Employees  
as of 31<sup>st</sup> December 2011



As of 31<sup>st</sup> December 2011, the average age of employees was 45.8 years.

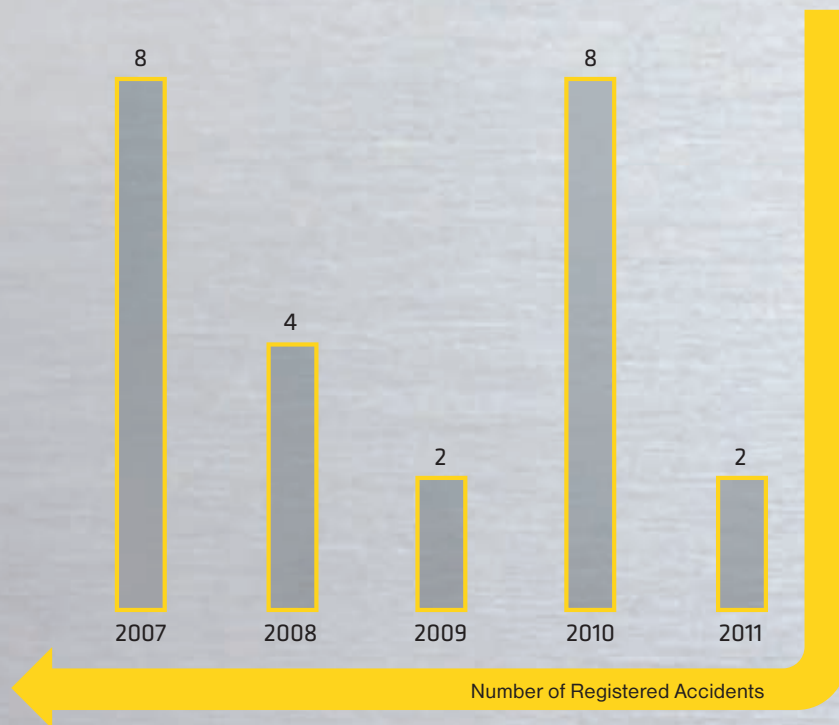
### Women in SPP - distribúcia, a.s.

1,539 employees worked in SPP - distribúcia, a.s. as of 31<sup>st</sup> December 2011, of whom 147 were women, representing 9.6% of the total number of employees.

## Environmental Protection and Occupational Safety

The safe and reliable operation of gas facilities, combined with the observance of occupational health and safety principles and the minimum impact on the environment, is the first strategic priority of SPP - distribúcia.

Thanks to the efforts of all our employees, in the past year we registered a decreasing trend in the number of work accidents.



We focused our activities through an action plan on the elimination of accidents, the prevention and active approach to identifying safety hazards, as well as on deepening the knowledge and dissemination of occupational health and safety culture.

We consider the occupational health and safety policy and the environmental policy to be our commitment to the creation of all necessary preconditions for a safe work environment, for the prevention of accidents and elimination of adverse environmental impacts. We create these conditions in the company by defining operating procedures, control mechanisms and performance indicators in reference to the specific goals in the field of occupational safety and environmental protection. We fulfil the set goals by the systematic identification of hazards, risks and environmental aspects and by introducing preventive measures and educational activities, which are implemented according to the requirements of ISO 14001 and OHSAS 18001 standards.

Taking care of safety and preserving the health of our employees, as well as protecting the environment, is covered by a qualified team of experts who perform internal audits, evaluate their results and propose measures for reducing potential risks.



## Environmental Protection and Occupational Safety

### Inspections, Injuries and Accidents

#### External inspections, injuries, fires, environmental accidents and incidents

Number of external inspections performed by state supervision	10
Number of fines imposed from performed state supervision	0
Number of registered injuries	2
Number of fires	2
Number of environmental accidents	0
Number of environmental incidents	0

Last year, we did not register any extraordinary event in environmental issues. Two fire incidents occurred in the course of the year at facilities of SPP - distribúcia, caused by third parties. The results of inspections performed by state bodies and public administration bodies confirmed that our company is reliably fulfilling its strategic goal in the field of creating safe workplaces.

In our effort to support a cautious approach by employees to factors of the working environment, as well as employees performing routine activities, we created a number of tools improving the awareness of identified risks.

As a part of the campaign launched in 2010, in 2011 we continued informing employees using posters warning them about the need to observe the safety rules when moving around the workplace or handling chemicals, and advising these employees how to prevent work accidents and how to proceed in case of occurrence of an accident.

We created a safety and environmental window on the intranet page of SPP - distribúcia. By monitoring and communicating the number of days without a work accident on the intranet, we support the new standards in employee awareness, which leads to the observance of safe work procedures and an accident-free work environment.

In accordance with the requirements of ISO 14001 and OHSAS 18001 standards, we also paid attention to the effects of major safety risks and environmental aspects associated with our suppliers, especially through education and by controlling activities directly at the place of work in the facilities of SPP - distribúcia.



The environmental policy of SPP - distribúcia focuses consistently on prevention from adverse impacts on the environment. The above-ground portion of waypoint cap Naháč of International gas pipeline.

## Summary Results

Balance Sheet (Selected Data in EUR thousand)

As at 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010

	31 <sup>st</sup> December 2011	31 <sup>st</sup> December 2010
<b>ASSETS:</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,688,812	2,740,217
Non-current intangible assets and other assets	8,207	1,634
Other non-current assets	0	5,483
<b>Total non-current assets</b>	<b>2,697,019</b>	<b>2,747,334</b>
<b>CURRENT ASSETS</b>	<b>285,717</b>	<b>251,479</b>
Assets classified as held for sale	1	13
<b>TOTAL ASSETS</b>	<b>2,982,737</b>	<b>2,998,826</b>
<b>EQUITY AND LIABILITIES:</b>		
<b>CAPITAL AND RESERVES</b>		
Registered capital	1,957,418	1,957,418
Legal reserve fund	391,575	391,459
Retained earnings	112,428	107,031
<b>Total equity</b>	<b>2,461,421</b>	<b>2,455,908</b>
<b>NON-CURRENT LIABILITIES</b>	<b>388,915</b>	<b>420,221</b>
<b>CURRENT LIABILITIES</b>	<b>132,401</b>	<b>122,697</b>
<b>Total liabilities</b>	<b>521,316</b>	<b>542,918</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,982,737</b>	<b>2,998,826</b>

Profit and Loss (Selected Data in EUR thousand)

Years ended 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010

	Year ended 31 <sup>st</sup> December 2011	Year ended 31 <sup>st</sup> December 2010
<b>Revenues from sales of services</b>	<b>371,858</b>	<b>387,542</b>
<b>Operating expenses</b>	<b>(238,395)</b>	<b>(251,290)</b>
<b>Operating profit</b>	<b>133,463</b>	<b>136,252</b>
Financial revenues	620	626
Financial costs	(1,290)	(1,186)
<b>Profit before income taxes</b>	<b>132,793</b>	<b>135,692</b>
Income tax	(20,365)	(28,661)
<b>NET PROFIT FOR THE PERIOD</b>	<b>112,428</b>	<b>107,031</b>



## Summary Results

Cash Flow (Selected Data in EUR thousand)

Years ended 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010

	Year ended 31 <sup>st</sup> December 2011	Year ended 31 <sup>st</sup> December 2010
<b>Operating activities</b>		
Cash flows from operating activities	210,892	225,644
Interest paid	(1,285)	(1,198)
Interest received	578	94
Income tax paid	(31,577)	(38,882)
Net cash inflow from operating activities	178,608	185,658
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(70,202)	(78,505)
Proceeds from sale of property, plant and equipment and intangible assets	11	20
Net cash inflow/(outflow) from investing activities	(70,191)	(78,485)
<b>Financing activities</b>		
Dividends paid	(107,031)	(107,318)
Proceeds and expenditures related to interest-bearing borrowings	0	0
Other proceeds and payments from financial activities, net	(554)	246
Net cash flows from financing activities	(107,585)	(107,072)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>832</b>	<b>101</b>
<b>Effects of foreign exchange fluctuations</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>239</b>	<b>138</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,071</b>	<b>239</b>



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VAT Id. Nr.: SK2020325518

### **SUPPLEMENT TO THE AUDITOR'S REPORT on the Consistency of the Annual Report with the Financial Statements Pursuant to Act No. 540/2007 Coll., Article 23 (5)**

To the Shareholders and Board of Directors of SPP-distribúcia, a.s.:

- I. We have audited the financial statements of SPP-distribúcia, a.s. (the "Company") as at 31 December 2011 presented attachment to the annual report. We issued an Auditor's Report on these financial statements dated 1 March 2012 in the wording as follows:

#### **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders and Board of Directors of SPP - distribúcia, a.s.:

We have audited the accompanying financial statements of SPP - distribúcia, a.s. (the "Company"), which comprise the balance sheet as at 31 December 2011, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Statutory Body's Responsibility for the Financial Statements**

The Company's statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of SPP - distribúcia, a.s. as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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## Independent Auditor's Report


II. We have also audited the consistency of the Annual Report with the aforementioned financial statements. The accuracy of the Annual Report's presentation is the responsibility of the Company's statutory body. Our responsibility is to issue an opinion on the consistency of the Annual Report with the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that the Auditor plan and perform the audit to obtain reasonable assurance that the information disclosed in the Annual Report and presented in the financial statements is consistent, in all material respects, with the relevant financial statements. We assessed the consistency of the information presented in the Annual Report on pages 14 - 16 and 28 - 29 with the information presented in the financial statements as at 31 December 2011. We have not audited any data or information other than the financial information obtained from the financial statements and accounting ledgers. We believe that the performed audit provides a reasonable basis for our audit opinion.

In our opinion, the financial information presented in the Annual Report is consistent, in all material respects, with the aforementioned financial statements as of 31 December 2011.

Bratislava, 23 March 2012

  
Deloitte Audit s.r.o.  
Licence SKAu No. 014

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

## Report on Compliance Programme of the Distribution Network Operator for the year 2011

1. In accordance with the Energy Act No. 656/2004 Coll., as later amended ("Act") the Distribution Network Operator has implemented a Compliance Programme. "The Distribution Network Operator Compliance Programme", with the last update marked as D.RM.04.02.06, came into effect on 1<sup>st</sup> January 2010 (referred to as "Compliance Programme").
2. The Compliance Programme sets forth the following measures:
  - (a) obligations ensuring the independence of the Distribution Network Operator from other activities not related to distribution;
  - (b) obligations ensuring a non-discriminatory approach in providing information;
  - (c) obligations ensuring non-discriminatory conditions in the provision of services of the Distribution Network Operator to gas market participants;
  - (d) activities of Compliance Programme Officer, inclusive of training employees about the Compliance Programme;
  - (e) activities of employees aimed at following the Compliance Programme;
  - (f) obligations securing the publishing of the Compliance Programme, control and elaboration of the Annual Report on the Compliance Programme fulfillment.
3. Fulfillment of measures adopted within the Compliance Programme in 2011 was mainly ensured by the following means:
  - (g) SPP - distribúcia, a.s. as the Distribution Network Operator is established as an independent company with its organizational structure arranged in such a way that all operations of the Distribution Network Operator related to gas distribution are independent from other operations not related to gas distribution;
  - (h) by implementing measures aimed at ensuring a non-discriminatory approach to internal processes of the Distribution Network Operator in accordance with the Compliance Programme;
  - (i) by following a non-discriminatory approach by providing information meant for gas market participants and by the provision of services of the Distribution Network Operator in line with the Compliance Programme;
  - (j) by publishing the Compliance Programme for employees of the Distribution Network Operator and by carrying out the training of all employees about measures of the Compliance Programme;
  - (k) by execution of control with respect to adherence to the Compliance Programme.
4. The Compliance Programme Officer of the Distribution Network Operator in the period from January 1<sup>st</sup> 2011 to December 31<sup>st</sup> 2011 has not registered any infringement of obligations imposed by the Compliance Programme.

In Bratislava, on 24<sup>th</sup> January 2012



**Ing. Milan Kachút**

Compliance Programme Officer of the Distribution Network Operator





## Contacts

### Registered Office:

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Mlynské nivy 44/b  
825 11 Bratislava 26  
Slovak Republic

### Website:

[www.spp-distribucia.sk](http://www.spp-distribucia.sk)

### Emergency line - gas:

Phone: 0850 111 727 (charged at local call rates)

### Contact with media:

Ivana Zelizňáková, Communication Manager  
Phone: +421 2 62 62 60 29  
e-mail: [ivana.zeliznakova@spp-distribucia.sk](mailto:ivana.zeliznakova@spp-distribucia.sk)

### Customer Hotline for connection to the distribution network:

Phone: 0850 269 269 (charged at local call rates)  
e-mail: [pripajanie@distripciaplynu.sk](mailto:pripajanie@distripciaplynu.sk)

### Contractual relationships between SPP - distribúcia, a.s. and gas suppliers:

Phone: +421 2 62 62 59 61 secretariat of distribution services section  
Fax: +421 2 62 62 85 48 distribution services section  
e-mail: [distribucia@spp-distribucia.sk](mailto:distribucia@spp-distribucia.sk)

### Claims on services of SPP - distribúcia, a.s.:

e-mail: [reklamacie@spp-distribucia.sk](mailto:reklamacie@spp-distribucia.sk)



SPP - distribúcia, a.s.  
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