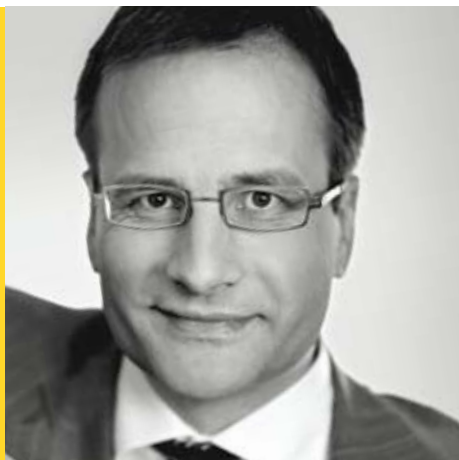


ANNUAL REPORT 2008



Statement by the Chairman of the Board of Directors	6
Statement by the General Director	8
Board of Directors	10
Top Management	12
Supervisory Board	14
Company Profile	18
Organisational Chart	19
Economic and Financial Performance	20
Capital Structure	22
Natural Gas Distribution	26
Human Resources	32
Safety, Health Protection at Work and Environmental Protection	36
Summary Results	40
Independent Auditor's Report	46
Statement of Adherence of the Distribution Network Operator in 2008 to the Compliance Programme	50
Contacts	51

Statement by the Chairman of the Board of Directors



"Implementing efficient asset management through project NET"

Ladies and Gentlemen,

2008 was the second full year of the existence of SPP - distribúcia, a.s. During this period a young company, searching for its identity, profiled itself as an independent subject, whose activity is motivated primarily by the provision of consistent quality service to all gas market participants. As a SPP Core Group member, in 2008 SPP - distribúcia, a.s. continued to prepare and develop initiatives based on specific distribution priorities.

The most significant example of such approach was the initiation of the NET - Project aiming at organizing the management of our most important asset - the distribution network. The first step in this project, which is aimed at modern and efficient management of assets, was the integration of team members from the Assets Division of SPP responsible for the management of the realization of investments for SPP - distribúcia, a.s. This step got effective from 1st January 2009.

Further elements of this new structure will be gradually implemented during the period of 2009. A part of the project is the clear allocation of responsibilities between Asset Owner, Asset Manager and Service Provider. The Asset Owner task, based on the decisions of the Board of Directors and proposals of the Asset Manager, will be to define overall financial objectives and policy for the respective assets. The Asset Manager will transform the decisions taken into a specific asset management approach and will secure orders of respective services from the service providers. Outside this structure there will be a section responsible for the sale of distribution capacities, whose competence will be extended to other customer-related activities, mainly administration of new customer connections. The Board of Directors, together with the General Director is fully prepared to support this project and to lead this to a successful end.

One of the main reasons to initiate the NET - Project was the increasing need to invest into the reconstruction of the network, which will ensure that the good level of safety we have today is maintained in the future. In 2008 the total investment in this area reached up to SKK 3 billion, which, compared to the previous year, represents an increase by 29 %. Alongside reconstruction, the company also focuses on measures aimed at protecting our pipes against corrosion, which increases the tightness of the network and thus increasing its reliability and safety.

While analyzing the overall financial results for 2008 it is necessary to mention the fact that despite our efforts for efficient cost management we also faced the need to compensate for various negative factors. The results of our activities were negatively influenced mainly by the lower volume of distributed gas in comparison to the expectations. This is an indicator that we as a company cannot exert influence on. Relevant factors are such as weather and temperature fluctuations or the business behaviour of our big corporate customers and the behaviour of the consumers. In addition, we experienced a sharp increase in storage fees for storing gas in the Dolní Bojanovice storage in the Czech Republic initiated by the storage operator. After unsuccessful mutual negotiations the fees were decided in the Arbitration Court settling a reduction of 50 % on the originally requested amount. In order to work on reduction of costs the company's Board of Directors took the decision to implement the POD Project (Permanent Optimization of Distribution) targeting reduction of company costs for a wide range of areas.

Statement by the Chairman of the Board of Directors

SPP - distribúcia, a.s. is exercising its business in a fully regulated sector. Therefore we see the legal framework defining relations and responsibilities as very important with regards to our future. What we would need is stability and reliability of the relevant rules, enabling us to plan on a long term basis. The legal framework in 2008 was extended by amendments to the Act on Energy and the Regulation Act, the Decree for Unbundling of Accounts and others.

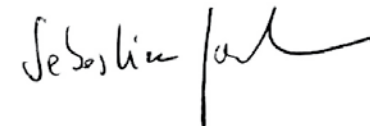
Common tendency of these legislative activities is to bind SPP - distribúcia, a.s. and other companies to further obligations - for instance with regard to the Quality Standards or the State of Emergency regime and the Supplier of Last Resort. The biggest change in this respect was the change of the regulatory methods. The Regulatory Office for Network Industries announced its first regulatory policy in April 2008 and detailed it in the Decree for Price regulations 4/2008 defining the scope of price regulations in the gas industry.

Compared to the previous approach which enabled "allowed revenue", the new one introduced the so-called "price cap" methodology that does not reflect eligible costs and unavoidable investments. It is simply a continuation of the nominal average distribution tariff from the year before, corrected only by the changes in natural gas purchase costs. In this way SPP - distribúcia, a.s. has to compensate inflation and its impact on costs for services, materials and personnel etc. by realizing savings up to the amount of 5 % of its revenue. Upon approval in 2008 this strategy was applied with the establishment of the Distribution Tariff 2009. From 1st January 2009 it is effective in all areas of the company for the duration of the current regulatory period for the upcoming three years.

Our Marketing Section concluded several distribution contracts with new shippers, valid as of 1st January 2009. We believe that this gives proof of the quality of our business conditions and the professional treatment of third parties through SPP - distribúcia, a.s.

Dear Colleagues, let me thank you for your effort and your contribution to the success of SPP - distribúcia, a.s. in 2008.

At the same time, I would like to use this opportunity to thank you, our business partners and customers, for your trust and on behalf of our company to express our ambition to continue to be a safe and efficient operator of the distribution network. I am convinced that we have all the skills and capacities to cope with the upcoming challenges.



Sebastian Jochem

Chairman of the Board of Directors

Statement by the General Director



"Two-and a half years after the implementing of legal unbundling we stand on the threshold of change, which is in the best interest of our employees and customers.

We are planning to approach progressive changes planned to be launched in 2009 gradually, step by step, solving individual issues in a pragmatic and concrete manner."

Ladies and Gentlemen,

I have the pleasure to address you for the first time from the position of General Director of the company SPP – distribúcia, a.s. Kazimír Kmeť, the former General Director, ended his work with SPP – distribúcia, a.s. as of 30th June 2008.

The Annual Report is always the right opportunity for a recap of company activities performed in 2008 as well as for pointing out some plans, expectations and staking out possible challenges for the upcoming period.

From an economic point of view, our company in 2008 achieved positive results despite a recorded increase in costs related mainly to repairs and maintenance of gas facilities. On the other hand, we increased the volume of investments to distribution networks and we see the overall structure of financial resources as stable. Based upon recent and also current trends, the company continues to be strong in the areas of liquidity, low debt and the profitability of its revenues.

With regard to the main activity of our company as a distribution network operator, it was one of our foremost tasks to continuously strengthen our activities in influencing safety and reliability of natural gas supplies for our customers. Thanks to our experience we also managed to solve some unfavourable circumstances in this area. Based on this, we can state that it is a continuous role of our company to guarantee safe supplies and to be a supporter of a healthy environment.

Also in 2008 we managed to promptly react to legislative changes relating to our activities: to a new regulatory method of price limits in the area of price regulation for the access to the distribution network and the distribution of gas; newly-established responsibilities of the distribution network operator - the fulfilment of tasks such as gas dispatching and the responsibility for states of emergency; the formulation of quality standards for supplied gas and provided services in the gas industry which, thanks to all-year-round efforts for providing quality services, did not bring us surprise.

We are proud to say that in 2008 our company fulfilled its plans, obligations and contractually agreed commitments and, at the same time, fully respected the conditions of the environment and safety. Long-term success is, however, based upon continuous improvement. Two and a half years after the implementation of legal unbundling we stand on the threshold of change, which is in the best interest of our employees and customers. We are planning to approach progressive changes planned to be launched in 2009 gradually, step by step, solving individual issues in a pragmatic and concrete manner.

Statement by the General Director

Of course, the pre-condition of our success must be a strongly motivated management team together with highly-qualified employees who will be able to approach the potential development of the company and to create its future in a constructive and participating way. We are convinced that we are well ready to make the leading line of the management more effective, to increase the transparency of the decision-making processes, to improve asset management, to make development of the company more intensive by clear allocation and effective monitoring of our costs within the clear organisational structure of the company. From a long-term point of view, this will help us in fulfilling our other strategic aim, which is the strengthening of our image as a customer-focused company.

Finally, I would like to thank all our employees, customers and business partners for the trust and support during last year. I believe in the promising future of our company, its sustainable success and profitability and to all of you I wish a successful year 2009 with our company.



Bohumil Kratochvíl
General Director

Board of Directors as of 31st December 2008



Assessor jur. Sebastian Jochem
Chairman



Ing. Peter Hlaváč
Vice-Chairman



Ing. Stéphane Grit
Member

Stéphane Grit
was the Chairman of the Board
of Directors until 30th June 2008.



Top Management as of 31st December 2008



Ing. Bohumil Kratochvíl
General Director



Ing. Rastislav Lauko
Economic Service
and Regulation Section Director



Ing. Marek Paál
Distribution Capacities Sale
Section Director



Ing. Milan Mindek
Slovak Gas Dispatching
Director



Ing. Miloš Hrabě
Measuring and Metrology
Section Director

Top Management as of 31st December 2008



Ing. Ladislav Ondrejčka
Development of Networks
Section Director



Ing. Miroslav Horváth
Operation and Maintenance
Regional Centre East Director



Ing. Gabriel Pintér
Operation and Maintenance
Regional Centre West Director



Ing. Marián Sanitra
Operation and Maintenance
Regional Centre North Director



Ing. Vladimír Mataj
Operation and Maintenance
Regional Centre South Director

Kazimír Kmet'
was the General Director
until 30th June 2008.

Dušan Terem
was the Director of the Policy
Section until 31st October 2008.

Supervisory Board as of 31st December 2008



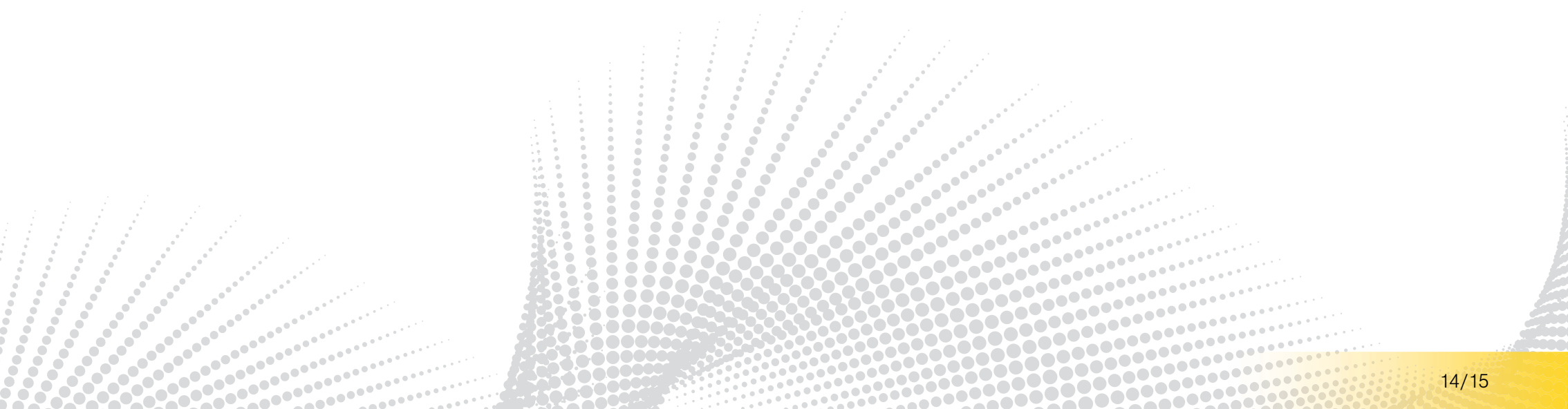
Doc. Ing. Nikolaj Ponevský, PhD.
Chairman

Dr. Ing. Michael Fipper
Vice-Chairman

Members:

Pavol Korienek
Ing. Gustáv Laca
Daniel Nechaia
Vladislav Petráš

Antoine Jourdain
was the Vice-Chairman of the Supervisory
Board until 30th June 2008.





Company Profile

SPP – distribúcia, a.s. is a distribution network operator and a regulated entity responsible for the safe, reliable and efficient distribution of natural gas to approximately 1.5 million customers in Slovakia.

As a service provider the company manages the access to the distribution network for its customers in a transparent and non-discriminative way, should they be suppliers of natural gas or end-customers.

In this respect, one of the main areas of activity is connecting new customers to the natural gas distribution network and developing infrastructure in a way that it ensures timely distribution of the requested volume of natural gas in the network on particular pressure levels to new private and business customers.

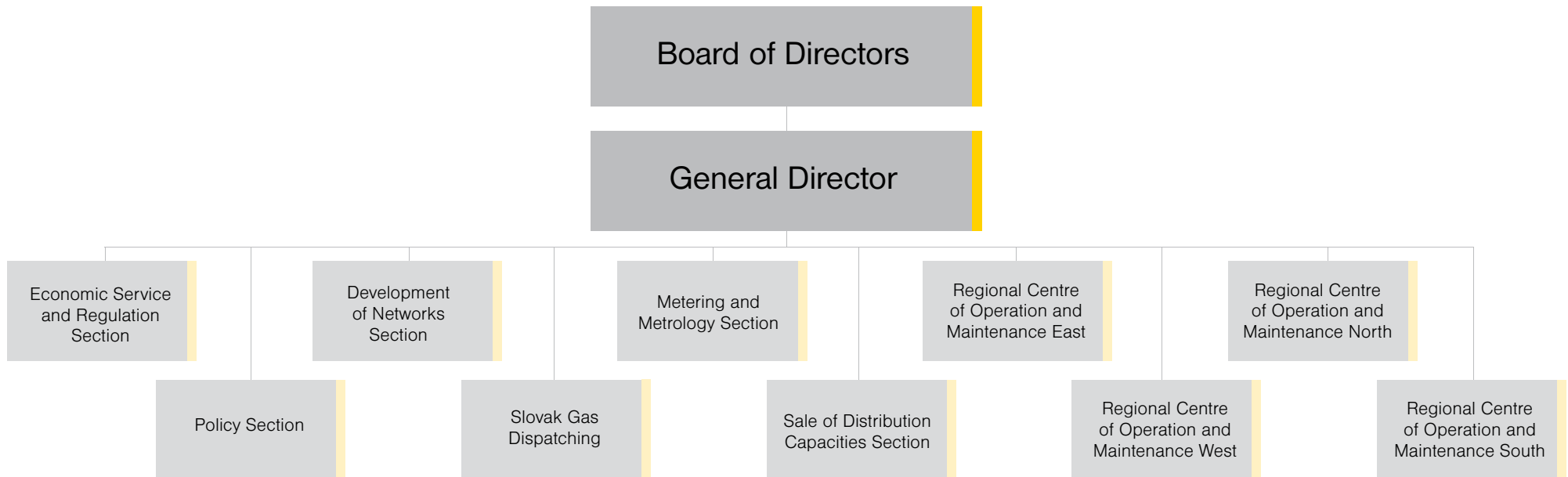
Within the operating activity of infrastructure, the company manages the operation of the distribution network and provides regular maintenance and repairs of pipelines on all pressure levels, regulation stations and odorization stations.

Being responsible for the operation and maintenance of the distribution network technically and economically, the company also faces the quite demanding task of investing at the right time and the right amount into the renewal of the network and other gas equipment. Investments in reconstruction are primarily aimed at maintaining a high level of reliability and security of the operation.

One of the most important tasks of SPP – distribúcia, a.s. is the dispatch control of the distribution network within which the company's employees perform measuring of the natural gas flow at its entry and exit points. As a consequence on a daily basis the company is responsible for compensating the differences between natural gas volumes at the points of entry and exit of the network. The balancing of these differences is done by withdrawing natural gas or injecting it into an underground storage.

In view of its activity, SPP – distribúcia, a.s. is an important entity which has an influence on the development of the Slovak economy. At the same time it plays an important role in ensuring energy security of Slovakia. It is also a responsibility of SPP – distribúcia, a.s. to secure continuous supply to households including times of emergency such as shortage of gas supply or a very cold winter period.

Organisational Chart as of 31st December 2008



Economic and Financial Performance

Changes adopted in 2008 in energy legislation and regulatory policy did not, in objective terms, represent a move towards stabilizing the business environment in the energy sector. Certain specific measures may be noted in this regard, especially the reduction in the regulatory period by one year (from 2006 - 2010 to 2009 - 2011) as well as the introduction of a price cap for the setting of distribution tariffs regardless of actual costs except for the costs related to natural gas (as they may appear due to market prices) and without establishing transition rules. A further cause for concern is the continuing global financial crisis, the impacts of which are gradually being felt in the Slovak economy and will very probably result in a reduction in the amounts of gas distributed to existing customers.

In order to achieve sound results amid circumstances of growing uncertainty and instability, SPP – distribúcia, a.s. focused its efforts primarily on increasing its efficiency and on ensuring that connection to the distribution network remains attractive for new gas consumers. In addition to programmes aimed at optimizing overheads management, SPP – distribúcia, a.s. also took measures to reduce natural gas losses in the distribution network and related costs.

Development of the Business Environment

The business environment in 2008 was marked by dramatic fluctuations in energy prices and instability on the foreign exchange market.

The foreign exchange market saw several significant fluctuations in 2008. Continuing as it had ended the previous year, the Slovak crown strengthened over the first months of 2008, but this situation gradually changed as the year wore on. Although the development of the euro exchange rate remained relatively stable after the conversion rate with the Slovak crown was set, the exchange rate between the US dollar and the Slovak crown recorded a rising trend in the second half of the year with extreme volatility at the year-end.

The **commodity markets** represented by crude oil and oil products recorded counter-development trends in 2008. In the first half of the year, oil prices rose steadily and kept setting new all-time highs. In the second half of the year, however, the sharp rise in oil prices was replaced by a striking decline in prices in response to the deepening crisis.

The company's financial results were significantly influenced also by the effect of **climatic conditions** on the sale and distribution of gas. With average temperatures significantly exceeding the long-term average, the effect on gas distribution was less than favourable. At the beginning of the year, by contrast, temperatures were lower year-on-year with a positive impact on gas distribution volumes.

Results of SPP – distribúcia, a.s.

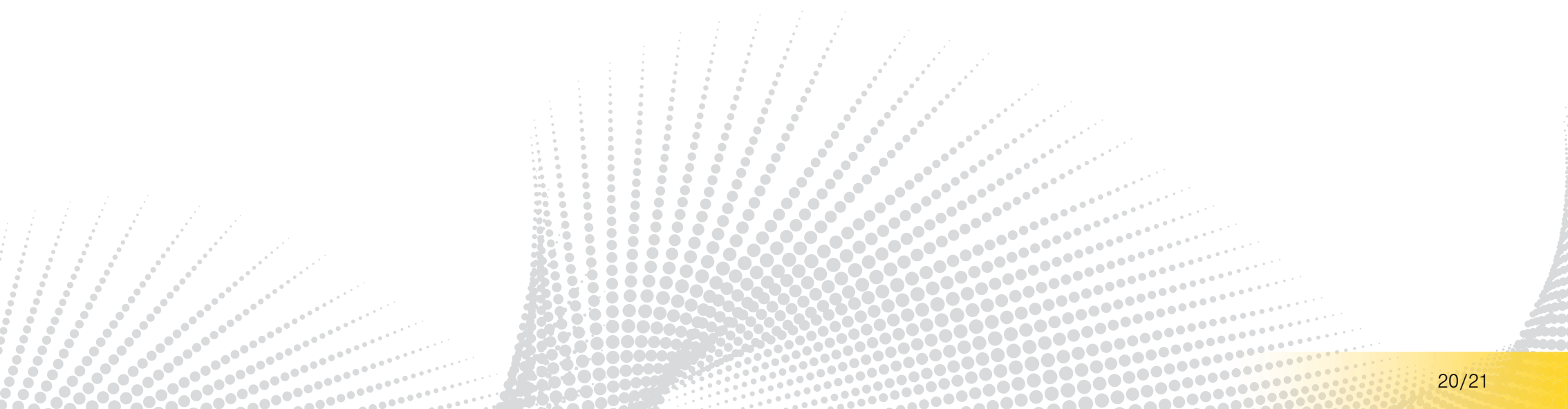
In 2008, SPP – distribúcia a.s. generated SKK 10.8 billion in **revenue from the sale of services**, representing an increase of SKK 0.4 billion on the previous year. A major component of revenue from the sale of services comprised revenue from the provision of distribution capacity and revenue from the sale of goods.

Operating expenses (net of income tax) amounted to SKK 6.8 billion. Major items included costs related to services, depreciation charges and amortisation and personnel costs. Compared to 2007, they rose by SKK 0.5 billion, largely due to natural gas storage costs, which increased by SKK 0.4 billion as a consequence of higher prices.

The company made a profit before income tax of SKK 4.0 billion for 2008, down by SKK 0.1 billion on the previous year. The total income tax liability amounted to SKK 0.8 billion, of which the tax due stood at SKK 0.9 billion and the deferred tax asset (for the current period) at SKK -0.1 billion. The **profit after tax** represented SKK 3.2 billion.

Comparison of the Structure of Profit after Tax (in SKK billion)

	2008	2007
Revenue from sale of services	10.8	10.4
Operating expenses	-6.8	-6.3
Profit from financial activities before tax	0.0	0.0
Profit before income tax	4.0	4.1
Income tax	-0.8	-0.8
Profit after tax	3.2	3.3



Capital Structure

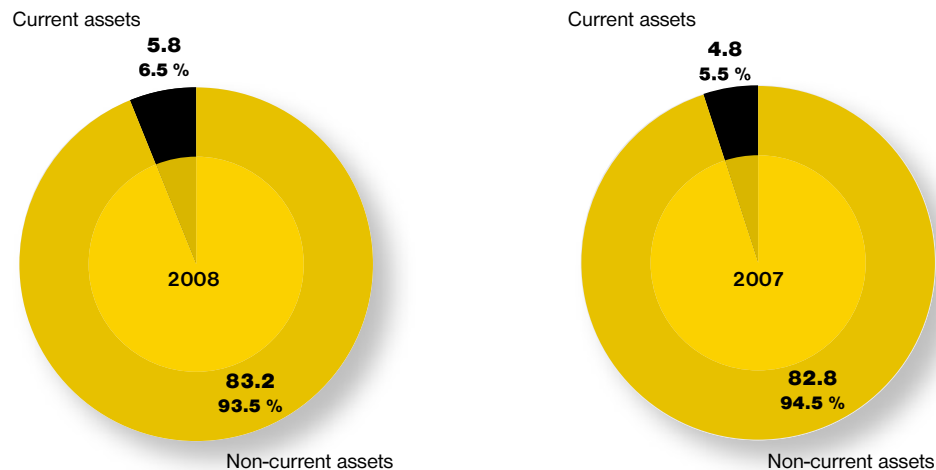
The company's **total assets** as of the balance sheet date amounted to SKK 89.0 billion, up by SKK 1.4 billion on the previous year (growth index 1.01).

Non-current assets were reported at SKK 83.2 billion, accounting for 93.5 % of total assets. Major items included property, plant and equipment as well as equipment in the distribution networks. In comparison to 2007, non-current assets rose by SKK 0.4 billion, mostly due to the increase under the item "Non-current tangible assets under construction".

Capital expenditures came to SKK 2.9 billion. They were spent mainly on reconstruction and development of the distribution network and on the purchase of technology and equipment.

Current assets amounted to SKK 5.8 billion as of the balance sheet date and comprised inventories, receivables and amounts recorded for financial accounts. Current assets accounted for 6.5 % of total assets. They rose in comparison to 2007, particularly in the amount of inventories.

Comparison of the Structure of Assets (in SKK billion)



Shareholders' equity stood at SKK 73.9 billion, i.e. 83.0 % of the company's capital. In addition to the registered capital, it comprised the statutory reserve fund, retained earnings, and the company's profit for the current period. The amount of shareholders' equity declined by SKK 0.1 billion year-on-year.

The registered capital of SPP – distribúcia, a.s. represented the amount of the share capital registered in the Commercial Register, i.e. SKK 59.0 billion. It comprises 11 common shares (10 shares with a nominal value of SKK 100 000 and one share with a nominal value of SKK 58 968 162 500).

The Structure of Shareholders as of 31st December 2008

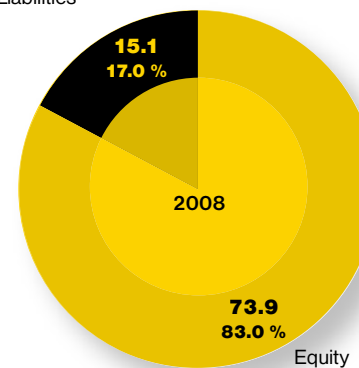
Slovenský plynárenský priemysel, a.s.	11	shares	100 %
---------------------------------------	----	--------	-------

The **statutory reserve fund** of the company created from capital contributions amounted to SKK 11.8 billion as of 31st December 2008.

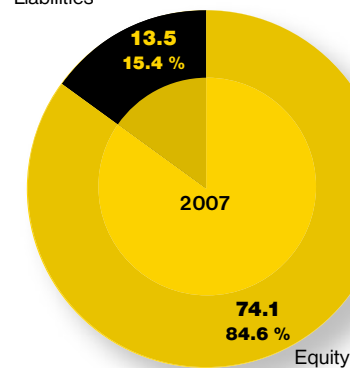
Total **liabilities** represented 17.0 % of the company's capital and amounted to SKK 15.1 billion as of the balance sheet date. Major liability items included non-current liabilities (a deferred tax liability of SKK 11.1 billion), current liabilities and reserves. In comparison to the opening balance, liabilities were higher by SKK 1.6 billion due to the increase in current trade liabilities.

Comparison of the Structure of Resources (in SKK billion)

Liabilities



Liabilities

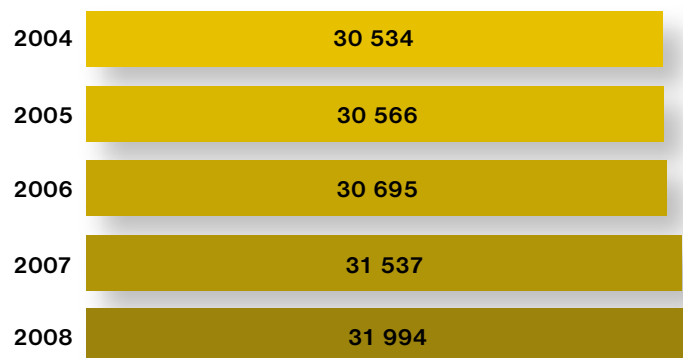




Natural Gas Distribution

SPP – distribúcia, a.s. ensures natural gas distribution for customers on the territory of the Slovak Republic. We distribute natural gas in Slovakia via a network of gas pipelines of various pressure levels, an integral part of which are delivery and regulation stations, in which pressure is adjusted to the level required by the customer.

Development of Length of Distribution Network in 2004 – 2008 (in km)



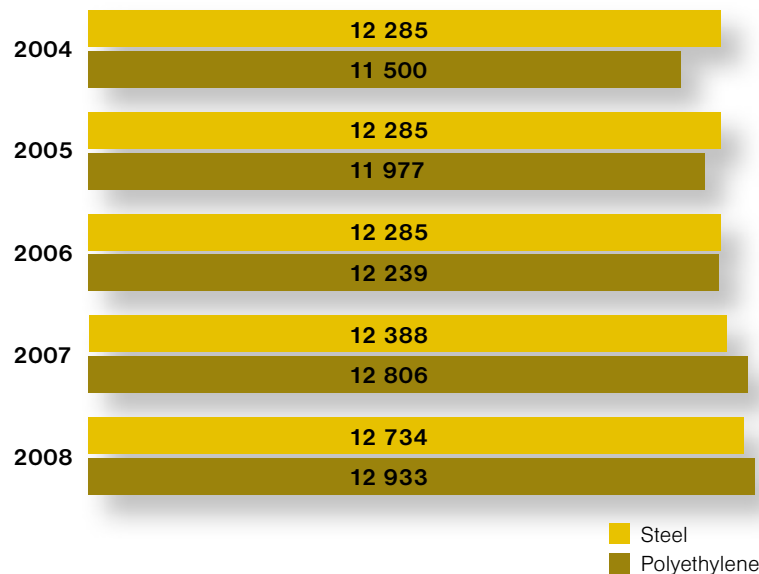
The total length of our distribution gas pipelines as of 31st December 2008 was 31 994 km. High-pressure gas pipelines form 6 327 km of this figure, while 25 667 km comprise of local networks, i.e. medium and low-pressure gas pipelines. Gas pipelines and connections made of polyethylene (PE) form a 50.4 % share of the local distribution networks.

The number of gasified municipalities Slovakia as of 31st December 2008 was 2 230, representing 77 % of the total number of 2 893 municipalities in Slovakia and covering 94 % of the Slovak population.

The Slovak Gas Dispatching controls our distribution network by means of the main dispatching centre located in Bratislava and four monitoring centres. Dispatching control is supported by the means of remote control and monitoring system allowing us to directly manage the operation of the most important gas structures.

An integral part of the dispatching control is network balancing, which we, as the distribution network operator, must carry out. This means attaining a constant balance between the quantity of gas entering the distribution network and the gas quantity being taken off from the distribution network. The dispatching control and monitoring system has a crucial role in solving extraordinary and unforeseen situations that may arise in the distribution network's operation. The activity of dispatching services plays an essential and key role in the safe and smooth running of natural gas distribution for gas customers in Slovakia.

Local Network Pipeline Lengths in 2004 – 2008 (in km)



Safety of the Slovak Distribution Network

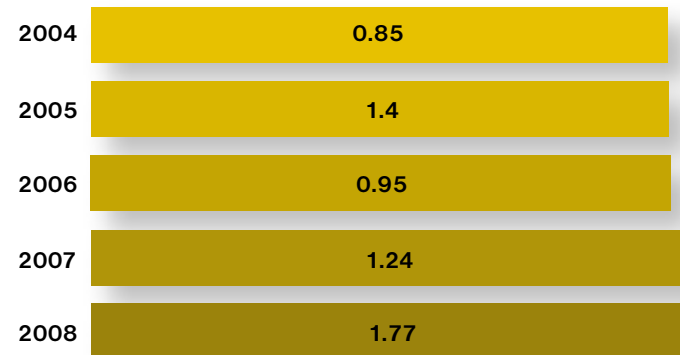
A continuing priority of SPP – distribúcia, a.s. is to ensure the safe and reliable distribution of natural gas in accordance with valid legislation. All our continuous efforts ranging from maintenance, diagnostics, repair, through to realisation of reconstructions, are directed towards this end. For this purpose, we are continuously updating and revising our internal regulations governing the working procedures in preventive and repair activities.

For objective evaluation of the technical state of our gas facilities we have implemented a methodology enabling us to plan gas facilities reconstructions or adjust preventive maintenance frequency and technical control.

Our information technologies (SAP PM) are used for planned control and evaluation activities in operation and maintenance, making a substantial contribution to the efficiency of the maintenance activities performed.

By updating the operating regulation, by implementing the Technical State Evaluation methodology for gas facilities and making full use of the SAP PM module and through optimisation, we introduced systematic monitoring of the technical state of our networks and achieved increased safety throughout the distribution network.

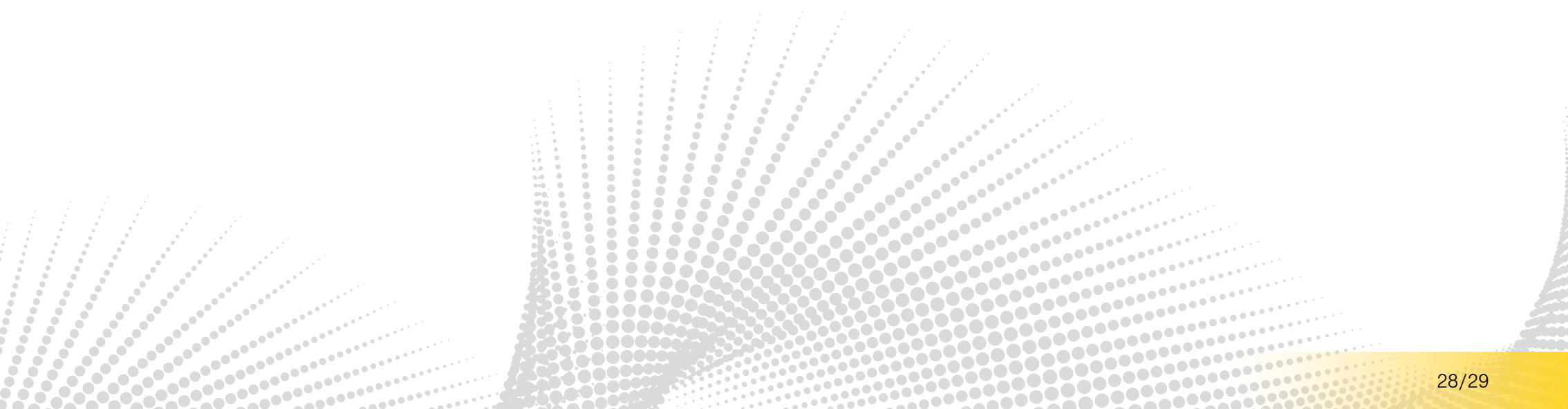
Investments in Network Renewal in 2004 – 2008 (in SKK billion)



Natural Gas Distribution

Slovak Distribution Network







Human Resources

Care for company employees, increasing their satisfaction, open communication, employees motivation to high performance and their sustainability – these were our objectives in the area of human resources management in 2008.

Employment Relations

Rich social programme and care for the health of employees have for a long time belonged to our care for employees. The new element in the social programme in 2008 was the possibility to choose from the systems of company benefits, which is part of the collective agreement of the SPP Core Group companies – so called fixed benefits or selective benefits. The fixed benefits package is focusing mainly at regeneration of manpower (e.g. providing recondition stays) and support in supplementary pension saving. The package of selective benefits enables an employee to choose the purpose for which he spends his benefit finances within the set annual limit according to his need.

In 2008 we extended the possibilities of the use of social fund. Apart from contributions to meals, work and life anniversaries already in place, we added the possibility of social aid to employees and their families in extraordinary complicated life situations. Also the resources from social fund can be used for support of employees sport activities in different whits of SPP's Sports Club.

Education

We created the opportunities for the development of young and new talents in Graduate Development Programme for university graduates. Graduates, who entered labour relations, had the possibility during the programme to participate in trainings focused on development of specialised knowledge and skills and worked on selected tasks and projects under the leadership of experienced managers. Simultaneously we realised Talent Pool Project for high-potential employees, which we prepare for their future positions as managers and experts.

A share of education in 2008 consisted also of managerial trainings according to managers' individual needs.

A significant share in the area of education, in the conditions of our company, was the one arising from legislation. Such education comprised of mainly obligatory trainings in knowledge of legislative requirements for service of selected technical facilities. The Education and Development Section in 2008 gained two new certificates for realisation of specialised education for specialised employees for selected technical gas facilities and certificate for cathodic protection training testing centre.

We significantly developed cooperation with universities including cooperation with University of Economy in the subject of Sustainable Development for which we brought expert lecturers and managers from Germany and France.

Performance and Motivation Evaluation

The year 2008 was significant to us in the area of remuneration. We implemented to the company the employees remuneration system, in which we do not put absolute stress to performance of individuals, but also to their competencies and behaviour. Such performance and competencies evaluation system creates space for employees' motivation and effective feedback. Evaluated competencies arise from the values of our company and represent their personification. Thus, from 2008 on we evaluate employees' performance and their behaviour in accordance with these values.

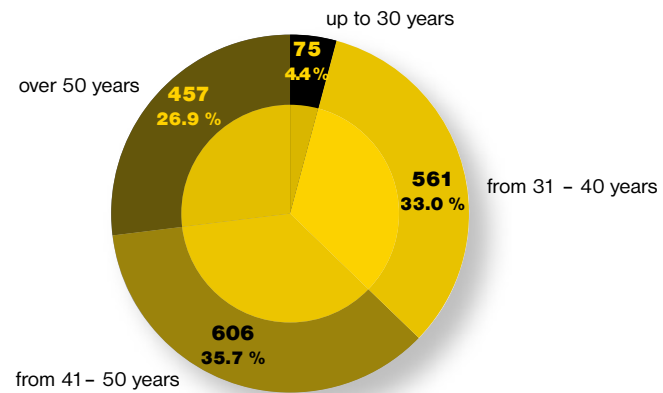
Internal Communication

Well managed communication in the company is an important tool for reaching success of the company. In 2008 we supported and developed not only existing forms of written and personal communication, but we have extended communication by interactive communication with an aim to develop exchange of information and to support dialogue of management with employees.

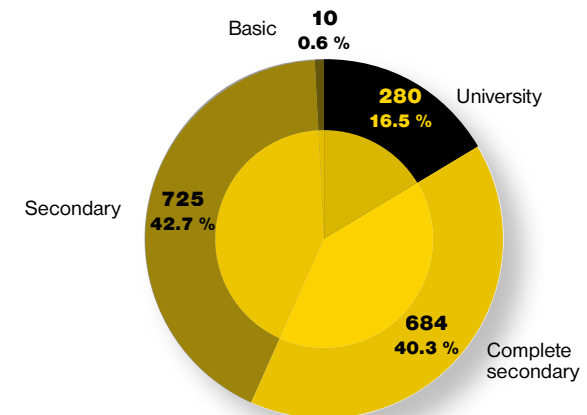
For this purpose we started to organise regular meetings of the Boards of Directors of the Core Group companies with employees in individual regions in 2008. The aim of these meetings is not only to inform employees about the tasks and activities of the SPP Core Group companies but also to create space for mutual and open communication. A space for mutual dialogue was created also with a new activity – lunches of employees with members of the Board of Directors or a working breakfast of the new employees with Human Resources Director.

As of 31st December 2008 the company SPP - distribúcia, a.s. had 1 699 employees. Out of this number there are 120 women, which is 7 % of the total number of employees. Average age of SPP - distribúcia, a.s. employees as of 31st December 2008 was 45 years.

Age Structure of Employees as of 31st December 2008



Qualification Structure of Employees as of 31st December 2008





Safety, Health Protection at Work and Environmental Protection

Environment

SPP - distribúcia, a.s. sees safety, health and environment protection as the pillars of sustainable operation. In competition with important Slovak companies, we strive to be an example seeking a balance between the needs of natural resources and the care to preserve them. We, therefore, aim at measuring the impact of all the tasks we solve on the use of natural resources in an optimal way.

Waste

SPP - distribúcia, a.s. handles a large variety of different wastes that are generated through routine operations, repairs, maintenance and cleaning of technological facilities. The most frequent "hazardous wastes" are packages and absorbents containing leftovers from "hazardous substances" such as oil and colorants. An increasing number of "other wastes" in 2008 comprised mainly of waste soil, the leftover from ground works and construction scree. The year-on-year increase is caused by an increasing number of reconstruction works. Although all our efforts aim at decreasing waste generation and we always prefer waste recycling before disposal, it is not possible to prevent the trend of an increasing number of reconstructions, which is directly related to the increase in the amount of waste that exists.

Waste Generation Development (in tons)

Year	Hazardous waste	Other waste	TOTAL
2005	164	7 669	7 833
2006	12	3 322	3 334
2007	16	6 910	6 926
2008	19	12 379	12 398

Water Protection

Water protection is related to us mainly in connection with management of chemical substances, which are used by our company for the operation of our technological facilities. The most important aspect in the area of water protection is the manipulation of chemical substances in the field of regulation stations. Our company prevents possible risks by timely project preparation and by the participation of ecologists in the construction proceedings. The risk of water sources contamination and the prevention of possible environmental damages are significantly lowered by the regular training of employees and by organising exercises in crisis situations as well as by system of regular controls of structures located near to water flows.

Air Protection

SPP - distribúcia, a.s. operates a large number of energy facilities, which produce greenhouse gas emissions and polluting substances. These, mostly small sources of pollution, produce a relatively very low content of polluting substances as the source of combustion is only natural gas. Due to continuous care in our operations and the quality of our combustion facilities the trend in the volumes of emitted pollutants production has fallen.

Protection against Noise Pollution and Vibrations at the External Environment

During the operation of our technological facilities our company generates noise and vibrations. The occurrence of noise and vibrations is significant mainly in winter months during the full operation of our regulation and delivery stations. It is our prime interest to reduce the noise and vibrations and to keep them under the levels required by legislation. Thus, in 2008, we repeatedly executed noise measuring. Results of the executed noise measuring have had a direct impact on the overall evaluation of the technical state of our gas facilities and forms a basic tool for the planning of maintenance and reconstructions.

Safety, Health Protection at Work and Environmental Protection

Health and Safety Protection at Work - HSW

Health and safety protection at work is of great importance in creating favourable work conditions and work relations. Legal regulations on health and safety protection at work in the Slovak Republic are, as of 1st July 2006, fully harmonised with European Union legislation. The rights of company employees in the area of health and safety protection at work are fully ensured within the meaning of the Labour Code and other relevant legislation.

For fulfilment of legislation requirements we strive to use safety management systems focusing on the following areas:

- accident prevention and risk assessments
- quality and safety of technical equipment
- work hygiene and consideration of other occupational health damages

For the purpose of increasing awareness in the area of health and safety protection at work we also educate our own employees as well as our services and materials suppliers.

For the purpose of fulfilment of company tasks in announced Health and Safety at Work (HSW) Policy in 2008 the following activities were executed:

- control of HSW in cooperation with the occupational health service
- updating of risk evaluations and assessments of individual work positions
- regular training of employees from the valid generally binding HSW regulations
- audits of employees and company suppliers' workplaces

Analysis of Occurrence of Work Accidents in 2008

Number of work accidents	3
Number of work accidents resulting in sick leave, from this caused:	3
by employee	0
by employer	1
by third party	2
Number of employees as of 31 st December 2008	1 699
Number of total days lost due to sick leave as of 31 st December 2008	141



Summary Results

Individual Balance Sheet (Selected Data in SKK million)

	31 st December 2008	31 st December 2007
ASSETS:		
NON-CURRENT ASSETS		
Property, plant and equipment	83 109	82 623
Intangible non-current assets and other assets	48	100
Total non-current assets	83 157	82 723
CURRENT ASSETS	5 811	4 817
Assets to be sold	2	2
TOTAL ASSETS	88 970	87 542
EQUITY AND LIABILITIES:		
CAPITAL AND RESERVES		
Registered capital	58 969	58 969
Statutory reserve fund	11 794	11 794
Retained earnings	3 127	3 253
Total equity	73 890	74 016
NON-CURRENT LIABILITIES	11 162	11 303
CURRENT LIABILITIES	3 918	2 223
Total liabilities	15 080	13 526
TOTAL EQUITY AND LIABILITIES	88 970	87 542

Summary Results

Individual Profit and Loss Statement (Selected Data in SKK million)

	Year ended 31 st December 2008	Year ended 31 st December 2007
Revenue from sale of products and services	10 805	10 441
Operating expenses	(6 847)	(6 334)
Operating profit	3 958	4 107
Financial income	19	8
Financial costs	(47)	(37)
Profit before income tax	3 930	4 078
Income tax	(767)	(831)
PROFIT FOR THE PERIOD	3 163	3 247

Summary Results

Individual Cash Flow Statement (Selected Data in SKK million)

	Year ended 31 st December 2008	Year ended 31 st December 2007
Operating activities		
Cash flows from operations	8 173	3 042
Interest paid	(45)	(39)
Interest received	19	9
Income tax paid	(1 693)	(91)
Net cash flows from operating activities	6 454	2 921
Investing activities		
Proceeds from/(acquisition of) investments in securities, net		
Purchase of non-current assets	(3 176)	(2 389)
Proceeds from sale of property, plant and equipment and intangible assets	11	3
Net cash inflow/(outflow) from investing activities	(3 165)	(2 386)
Financing activities		
Dividends paid	(3 289)	(2 439)
Other proceeds from and costs of financial activities, net		(3)
Net cash flows from financing activities	(3 289)	(2 442)
Net increase/(decrease) in cash and cash equivalents	0	(1 907)
Impact of foreign exchange fluctuations		
Cash and cash equivalents at the beginning of the period	3	1 910
Cash and cash equivalents at the end of the period	3	3





Independent Auditor's Report

To the Shareholders of SPP – distribúcia, a.s.:

We have audited the financial statements of SPP – distribúcia, a.s. ('the company') as of 31st December 2008. We issued the following audit report dated 17th February 2009 on the financial statements:

Independent Auditor's Report

To the Shareholders 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 of 31st December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 the company as of 31st December 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

17th February 2009
Bratislava, Slovak Republic

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

Ing. Peter Matejička
SKAU Licence No. 909

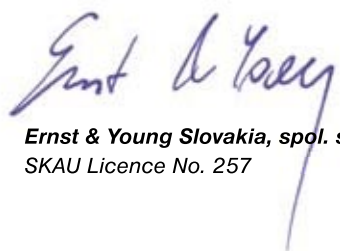
Independent Auditor's Report

We have also audited the consistency of the annual report with the above-mentioned financial statements. The management of the company is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements, based on our audit.

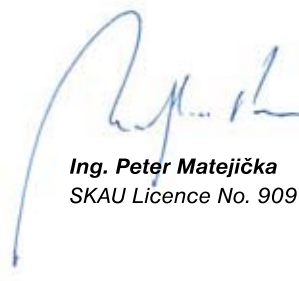
We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report is consistent, in all material respect, with the financial statements. We have checked that the information presented in the annual report on pages 40 - 42 is consistent with that contained in the audited financial statements as of 31st December 2008. We have not audited information that has not been derived from audited financial statements or Company accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the above-mentioned financial statements as of 31st December 2008.

23rd March 2009
Bratislava, Slovak Republic



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



Ing. Peter Matejička
SKAU Licence No. 909



Statement of Adherence of the Distribution Network Operator in 2008 to the Compliance Programme

1. The Distribution Network Operator has implemented a Compliance Programme as referenced to in Energy Law No. 656/2004 Coll., as amended by further regulations (the „Act“). In 2008 the Compliance Programme approved in methodology directive D.RM.04.01.06 „The Distribution Network Operator Compliance Programme“, became effective from 1st July 2006 (referred as to “Compliance Programme”).
2. The Compliance Programme sets forth the following measures:
 - (a) obligations ensuring independence of the Distribution Network Operator from other activities, which are not related to distribution
 - (b) obligations ensuring a non-discriminatory approach in providing information
 - (c) obligations ensuring non-discriminatory conditions for access and connection to the distribution network and of the Distribution Network Operation
 - (d) obligations ensuring the publishing of the Compliance Programme, control and regular reports on the fulfilment of the Compliance Programme
3. Fulfilment of measures stated in the Distribution Network Operator's Compliance Programme was ensured as follows:
 - (a) by the legal unbundling of the Distribution Network Operator to SPP – distribúcia, a.s. company from 1st July 2006, requirements of Section 44 of the Act related to the unbundling of the Distribution Network Operator from the activities of gas transmission and gas supply
 - (b) by implementing measures aimed at ensuring a non-discriminatory approach in accordance with the Compliance Programme to internal processes of the Distribution Network Operator
 - (c) by publishing the Compliance Programme for Distribution Network Operator employees and the control of the Compliance Programme adherence
4. Compliance Officer of the Distribution Network Operator in period from 1st January to 31st December 2008 found no breach of obligations imposed by Compliance Programme.

In Bratislava, on 4th February 2009



Ing. Milan Kachút

Compliance Officer of the Distribution Network Operator

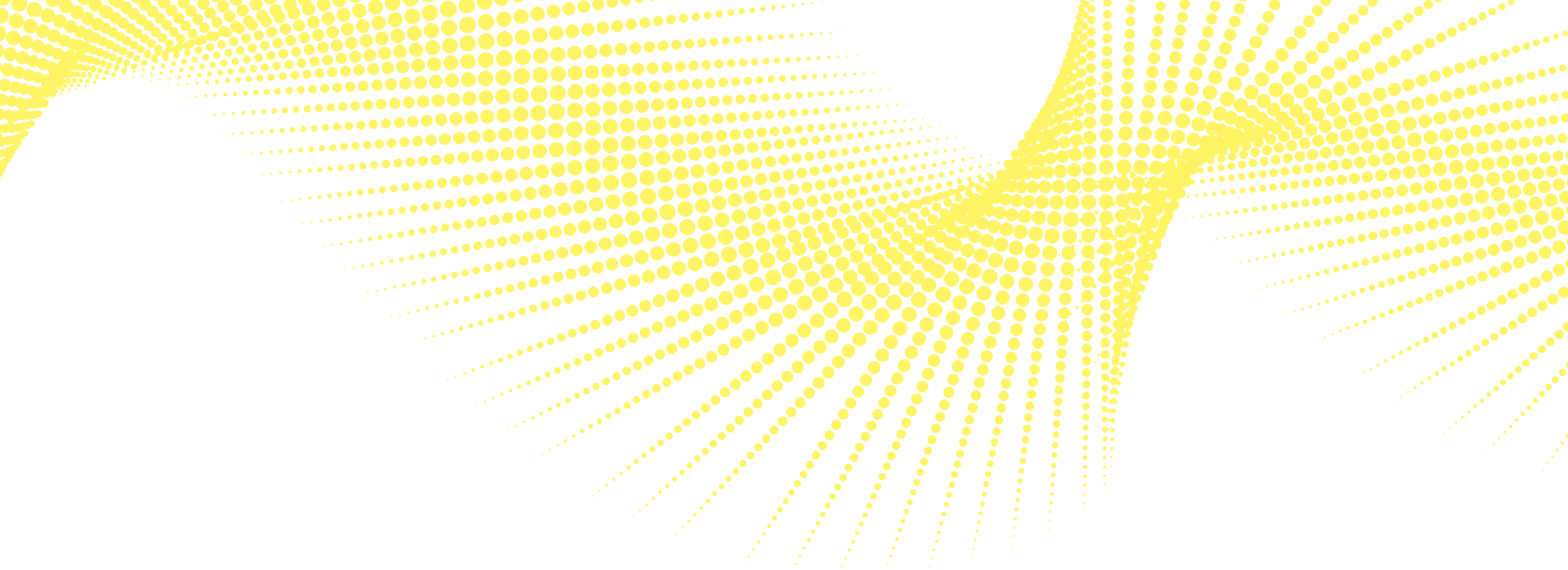
Registered Office:

SPP – distribúcia, a.s.
Mlynské nivy 44/b
825 11 Bratislava 26
Slovak Republic

Phone: + 421 2 5869 2504
Fax: + 421 2 5869 2772
E-mail: info@spp-distribucia.sk
Website: www.spp-distribucia.sk

Emergency line:

Phone: 0850 111 727



SPP – distribúcia, a.s. • Mlynské nivy 44/b • 825 11 Bratislava 26 • Slovak Republic • www.spp-distribucia.sk

