

Annual Report 2009



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Stéphane Grit



6 /	Statement by the Chairman of the Board of Directors
8 /	Statement by the General Director
10 /	Company Profile
11 /	Strategy and Goals of the Company
12 /	Board of Directors
14 /	Supervisory Board
16 /	Top Management
18 /	Organisational Chart
21 /	Economic and Financial Performance
24 /	Capital Structure
26 /	Natural Gas Distribution
30 /	Human Resources
34 /	Environmental Protection and Safety at Work
36 /	Outlook and Goals for 2010
38 /	Summary Results
42 /	Independent Auditor's Report
44 /	Report on Compliance Programme of the Distribution Network Operator in the year 2009
47 /	Contacts

Statement by the Chairman of the Board of Directors



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What is the Big Issue for our company?

I think it is important that we at SPP - distribúcia routinely ask ourselves this question because the company operates in a fast moving environment, which is as diverse as it is complex, even if regulated.

In operating our pipelines in a safe manner, in satisfying our customers by answering their present requests, as well as anticipating their future needs, in optimizing our functioning and controlling our costs, there is so much to do that our company is leading numerous initiatives in its so-called NET project, which could be taken to mean the "Nearly Everything Tackling" project.

I truly see this project as inspirational and as promoting initiative. However, thinking about the big issues is what drives us to concentrate our attention, efforts and resources.

For sure, the "Big Issue" is not this annual report itself. On the contrary, we have kept this report slim. More information is placed on our website, currently being revamped, in an effort to increase transparency while saving paper.

Without any doubt, the biggest issue we had to deal with in 2009 was the management of the January gas supply crisis. I would dare to say that this was the biggest event of recent years in the European gas industry. Our procedures and our assets proved to be efficient; employees showed great flexibility and performed innovative approaches to find solutions to mitigate the effects of this crisis on gas shippers and on gas end-consumers. The efforts developed afterwards, which combined all the forces of the SPP Core Group, have even improved our preparation

for this kind of event should it happen again in the future, demonstrating that our company is an important contributor to Slovak energy supply security.

The Big Issue for 2010 will be the focus on our customers.

In this matter, the end of 2009 already saw the publication of the first version of our catalogue of services, clearly identifying the scope of services covered by the distribution tariff, but also the technical and business conditions of optional services like specific actions at the end-customer place, like specific meter-readings, relocation of gas equipment, gas meter testing

2010 will also see the installation of a new way of managing the connection process for mass market customers. A Call Centre, progressive operation of which will start in March 2010, will centralise the various stages of the connection to our network: access to information, management of connection requests, collection of data and further follow-up. We are sure that this movement will make the process easier to understand, more comfortable and quick for the customer. In addition, 4 Customers Offices will still be open for personal visits in the cities of Bratislava, Žilina, Nitra and Košice.

Furthermore, our company is currently renewing its process for connecting its bigger customers and clarifying related technical and business conditions, in order to accompany their industrial project in the best possible way.

The reader will probably remember the words of my predecessor at a similar place last year, indeed the **initiation of the NET – Project aiming to organize the management of our most important asset – the distribution network.**

Accordingly, a new organization was set up on 1st July 2009 and each section of the company brought its contribution to the foundations of asset management principles in our company. With a clear definition of responsibilities and processes, and better standardization and control over these, we now have a stronger basis for making soundly based technical and financial decisions to ensure the safety of the network and to focus on priorities of investment and maintenance.

Preparing for the future, in my view, is more than doing our daily job as network operator or any single particular thing that we do, instead it is being able to facilitate continuous dialogue with the Regulator, and explain and justify how we do and see things: what we deem necessary in terms of volume of activity and fair remuneration for these volumes. Certainly as the negative effects of the absence of preparation are not immediately apparent, it is tempting to put the issue on a back burner. Yet if we do not act, we might leave a poor legacy as well as a major financial burden for future generations.

This asset management topic is essentially the biggest of all our challenges.

There is clearly much for our company to do in the years ahead. I believe we have a top performing organization. In addition, SPP - distribúcia benefits enormously from the strong commitment of its teams. I thank them for their unfailing efforts in 2009 during a period of quite extraordinary and challenging events. In spite of the many distractions, the management and employees have remained focused on safety, maintaining quality of service to customers and on conducting our business in a socially responsible way. The Board is highly appreciative of these efforts.

Let me finish with some words about the Board and governance of our company. Good governance is the foundation of an ethical approach to business. In this respect, the Board continued focusing on promoting the high standards of conduct we expect from our employees, recognizing that actions speak louder than words. After installing an Ethical Officer and Ethical line in 2008, offering the possibility for employees to signal undesired behaviour, as well as to promote open dialogue, in 2009 the SPP Core Group conducted a global employee survey to give our people the opportunity to have their say about working for SPP and especially SPP - distribúcia. It gave us clear insights into what we need to do to enhance business performance and motivate employees.

The Board was also pleased to welcome two new members in 2009, Miroslav Greš and Jost Ahrens. Their appointment brings additional expertise to the Board and a different experience, which we were already able to welcome in the first months of their mandate. They replaced Peter Hlaváč and Sebastian Jochem, who I would like to thank for the strong contribution they made to SPP - distribúcia. We are still walking in their footsteps.

Stéphane Grit
Chairman of the Board of Directors





“ SPP – distribúcia moved from an operation-oriented company to a management system focusing on systematic care, improvement of operational safety, and efficient management of the distribution network, which is our main asset. ”

Dear Ladies and Gentlemen,

The year 2009 was a year of changes and a new experience for SPP – distribúcia. Just as we committed ourselves before the start of the year, alongside the fulfilment of operating duties, our task was to make organisational changes, for which we had been preparing ourselves since 2008. The past year was the third year of existence of an unbundled SPP – distribúcia and the time has come to revise the current organisational structure and adapt it to the new conditions and trends in the operation of distribution networks. Under the organisational changes, which we implemented as of 1st July 2009, the organisational structure of the company was streamlined on all management levels and a new structure was created in accordance with modern asset management rules.

SPP – distribúcia thus moved from an operation-oriented company to a management system focusing on systematic care, improvement of operational safety, and efficient management of the distribution network, which is our main asset. Today we may state that we coped with this challenging task of entering the new organisational structure in a short period of time and without any negative impacts on the safety or reliability of the distribution network.

Similarly to the whole gas industry, also for our company the complete interruption of supplies of Russian gas through Ukraine to Slovakia and beyond to Western Europe represented an extraordinary situation. The January gas crisis put us before the task of minimising, together with

other partners in the gas sector, the impact of interrupted supplies on natural gas consumers, and of securing enough gas for basic infrastructure and consumers in the households category. Moreover, all this at the start of the year in a situation where no one could responsibly predict how long the interruption was going to last. I am strongly convinced that we were able to successfully handle the role of the distribution network operator that fulfils the tasks of Slovak Gas Dispatching and, at the same time, to be responsible for declaring states of emergency. Thanks to the efficient cooperation of all involved parties, we also limited the negative impacts of interrupted supplies to a minimum. From our viewpoint of our management, we appreciate in particular the fact that during this critical period there were no technology failures or even any major problem throughout the whole distribution network.

The January crisis gave us a new experience as well, and so we have been actively participating in the preparation and development of operating, technical and organisational measures, as well as legislative standards, which substantially enhance the Security of Supply standards and improve options for resolving similar situations. Under legislative changes, SPP – distribúcia assumed responsibility for ensuring the Security of Supply standard for households. Our company had to react flexibly to stricter requirements laid down in the Regulation of the Slovak Ministry of Economy on states of emergency and on amendments to other legal regulations.

Last but not least, preparations were initiated for implementation of the so-called third energy package, which will set the direction of the European gas industry in the years to come. The high degree of meeting the quality standards and the results of regular inspections performed by regulatory and supervisory institutions confirm the diligent and systematic approach of the company to the observance of legal obligations and to the creation of a transparent and non-discriminatory business environment.

In addition to adopting all changes and solutions for unexpected situations, SPP – distribúcia continued to fulfil

its core tasks as a distribution network operator, such as fulfilment of the maintenance plan, reconstruction, modernisation, and continuous improvement of the safety of the distribution network. These tasks will be our priorities in 2010 and also in the years to come. We approach significant changes gradually and we will pragmatically address future challenges as well. In 2010 we will once again focus on the fulfilment of our plans and duties and on contractually agreed obligations. We will also continue to pay attention to making processes in the field of investments better and more efficient, and to optimising the operation and maintenance of gas facilities with the goal of reducing costs and strengthening the safety and reliability of distribution networks. We will work vigorously not only on optimising our internal activities, but our ambition is also to improve our position towards our external partners, especially customers, and this through a new customer contact concept in the process of connecting to the distribution network.

We realise that high-quality performances in the company and services for our customers may only be provided by motivated employees, who are our most valuable asset. Therefore, our priorities definitely include employee care, ensuring favourable conditions for their personal development and continuous improvement of their professional potential.

I am convinced that the success, growth and reputation of our company depend primarily on the trust of our partners and customers, as well as on the efforts and creativity of our highly skilled and loyal employees. I would therefore like to thank you all for the effective and inspiring cooperation in the past year. I hope that we may continue in our joint efforts to contribute to the stable development of our company.

Bohumil Kratochvíl
General Director



SPP – distribúcia is the owner and operator of a gas distribution network, which accounts for approximately 98 % of the volumes distributed in the territory of the Slovak Republic. The company is responsible for the reliable, safe and efficient distribution of natural gas from transmission networks through gas distribution systems to end customers, and also for securing connection to the distribution network and for meter-readings of consumed natural gas.

The scope of activities of SPP – distribúcia also includes the sale of distribution capacities, development, operation and maintenance of gas networks, as well as gas balancing and dispatching. The dispatching control of the distribution network and measurement of gas flow at the input and output points of the distribution network are among the key tasks of SPP – distribúcia. By withdrawing or injecting natural gas from/to underground storages, the company ensures the balancing of daily differences between the volume of natural gas entering the distribution system and the volume consumed by end-customers.

Finally, SPP – distribúcia plays an important role in ensuring the energy security of Slovakia by fulfilling its responsibility for securing uninterrupted supplies to households in the event of emergency situations, such as restricted gas supplies or an exceptionally cold winter.

The total length of pipelines on all pressure levels operated by SPP – distribúcia is now more than 32.000 km. The company distributes natural gas to approximately 1.5 million customers, while more than 94 % of all inhabitants of the Slovak Republic have access to natural gas. In 2009, the company distributed 4.97 billion m³ of natural gas to its customers.

SPP – distribúcia is a regulated legal entity. As a distribution network operator, it guarantees all entities transparent and non-discriminatory access to this network, while respecting the confidentiality of sensitive business information. In its activities the company pays systematic attention to improving the quality of services for its customers and to meeting the market requirements.

The technical safety and reliability of supplies and, at the same time, cost-efficient distribution of natural gas, represent the pillar of the core business activities of SPP – distribúcia. Therefore, in 2009 the company focused on optimising its internal processes and individual activities with emphasis put on maintaining the safety of the gas distribution network.

In 2009, SPP – distribúcia successfully implemented the new asset management system – the NET project, by which it reacted in particular to the growing need to boost investments into reconstructing the distribution network, but also to the requirement for its optimal and efficient management, operation, maintenance and development in terms of environmental protection.

The mission of our company is to secure the reliable, safe and cost-efficient distribution of natural gas to our customers in the territory of the Slovak Republic, whether they are shippers of gas on our network or end customers, through our connection and meter-reading missions. The vision of SPP – distribúcia is to be a stable, trustworthy and efficient provider of services in the field of natural gas distribution and to create values for our customers, shareholder and employees.

To fulfil this mission, in 2009 we started implementing the asset management concept based on optimisation of the life cycle of our assets. The goal of the project is to operate and develop the distribution network while integrating efficient approaches to ensure, on one hand, a balance between the expectations of customers, the Regulator and the shareholder of the company, and on the other hand, the precondition of safe and reliable operation of the distribution network. This goal can be met only through continuous improvement of the company's key processes – from the investment process up to operation and maintenance of the distribution network process.

The first such optimisation step in 2009 was to set a new organisational structure that is in accordance with the modern principles of the asset management method. Several optimisation measures were subsequently introduced, the implementation of which will continue in 2010 and in the years to come.

In 2009 we saw major progress in the opening of the gas market in the Slovak Republic. Six new distribution network users joined the original single supplier of natural gas. By the renewal of our rules of operation or technical and business conditions, submitted in more general form to the legislator and the authorities – Ministry of Economy and the Regulator, we endeavoured in 2009 to contribute to the creation of a transparent and non-discriminatory environment for gas market participants.



Pipeline closing on medium-pressure pipeline during reconstruction works



Board of Directors as of 31st December 2009



Ing. Stéphane Grit
Chairman of the Board of Directors

He graduated from École Polytechnique and Ecole Nationale Supérieure de l'aéronautique et de l'espace in Toulouse (France) specialising in aeronautics and space. After graduation, in 1993 – 1998 he worked as a Head of the Flight Testing Programme at the ground rocket firing range of the French Defence and Intermediary Agency Direction générale de l'énergie et des matières premières. Later he moved to the position of a Head of Nuclear Industry Division at the Directorate General for Energy Industry of the French Ministry of Economy, Finance and Industry. Between 1998 and 2004 he was responsible for preparation and implementation of the government policy in the field of nuclear power industry, particularly from the viewpoint of international relations. In 2004 he started working for Gaz de France as a Member of the Distribution Network Operator for Brittany Area, where he was responsible for operation and maintenance. He has been a Member of the Board of Directors of SPP – distribúcia, a.s. since 16th May 2007. He served as the Chairman of the Board of Directors of SPP – distribúcia, a.s. for the first time from 1st July 2007 to 30th June 2008 and returned to this position on 1st July 2009.



Ing. Miroslav Greš
Vice-Chairman of the Board of Directors

He graduated from the Faculty of Mechanical Engineering of the Technical University in Košice and later continued in postgraduate studies at the Faculty of Natural Sciences of P. J. Šafárik University in Košice in Mathematical Optimisation in Technical & Economic Practice. After completing his studies in 1986, he worked as a Mathematician - Analyst in the data centre of Pozemné stavby, state enterprise, and Agrostav SP. In 1991 he worked as the Head of Automated Data Processing in Pozemné stavby, state enterprise. Between 1993 and 1994 he worked for Aton Multimedia, s.r.o. at the position of the Head of Multimedia Application Development for the Ministry of Economy of the Slovak Republic. Between 1994 and 2001 he worked as a Database Application Analyst for TIC information offices in Mr. SOFT in Spišská Nová Ves. Since 2001 he has been working for IS KROS, a company specialising in selling economic and construction software, at the position of the Director and Head of Branch of KROS, a.s. in Spišská Nová Ves. He has been serving as the Vice-Chairman of the Board of Directors of SPP – distribúcia, a.s. since 24th June 2009.



Jost Ahrens, LL.M.
Member of the Board of Directors

He studied law at the Universities of Passau and St. Petersburg, Russia (as part of the academic exchange programme). He started his professional career in the banking and financing sector of KPMG accounting in Hamburg. In the year 2003 he earned the academic degree of LL.M. (Master of Laws) from the University of Sydney, Australia. He joined E.ON Ruhrgas in 2003, where he held various positions in Gas Supply Division, most recently as the Vice-President, LNG Supply Chain Management. On 1st October 2007 he became a Member of the Board of Directors of NAFTA a.s., the Slovak gas storage operator. He has served as a Member of the Board of Directors of SPP – distribúcia, a.s. since 1st October 2009.

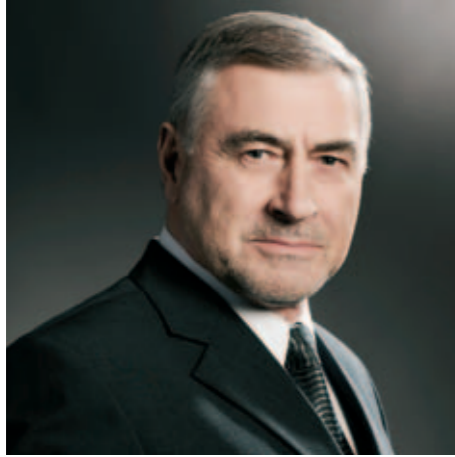
Assessor jur. Sebastian Jochem was the Chairman of the Board of Directors until June 30th 2009 and a Member of the Board of Directors until 30th September 2009.

Ing. Peter Hlaváč was the Vice-Chairman of the Board of Directors until June 24th 2009.

Ing. Miroslav Greš became the Vice-Chairman of the Board of Directors on June 25th 2009.

Jost Ahrens, LL.M. became a Member of the Board of Directors on October 1st 2009.





Doc. Ing. Nikolaj Ponevský, PhD.
Chairman of the Supervisory Board

He graduated from the Faculty of Metallurgy at the Technical University of Košice, where he later defended his candidate dissertation work (CSc.) and habilitation (Doc.). He is a founder of the gas industry as a professional specialisation in Slovakia. He founded and was Director of the Joint Thermal Technology Laboratory at the Technical University in Košice and the Application & Consulting Centre for SK VITER (state commission for scientific-technological and investment development). He became an External Advisor to the Vice-Chairman of the Federal Government for the energy industry. Later he started working in the same position for the Prime Minister of the Slovak Government. Between 1991 and 1997 he founded and worked as Director of the metallurgy trade representation for Balkan countries based in Sofia, Bulgaria. In 1998 he worked as an External Consultant and Project Manager in TELENOR Slovakia, a.s. and in 1999 - 2004 he was an External Advisor to the Slovak President for External Relations for Balkan countries. At that time he also worked as an External Consultant and Advisor to DITEC, a.s. in the field of information technology. In 2004 he was appointed a Member of the Board of Directors of BAT, a.s. and he was also the Advisor to the General Director of the same company. Between 2004 and 2005 he was a Member of the Supervisory Board of Slovenský plynárenský priemysel, a.s. and in 2006 - 2007 a Member of the Supervisory Board of SPP - preprava, a.s. On 9th February 2007 he became the Chairman of the Supervisory Board of SPP - distribúcia, a.s.

Dan Pantilie
Vice-Chairman of the Supervisory Board

Members:

Pavol Korienek

Ing. Gustáv Laca

Daniel Nechala

Vladislav Petráš

Dr. Ing. Michael Fipper was the Vice-Chairman of the Supervisory Board until 30th June 2009.



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 worked for the Czech gas companies Transgas Prague and SPP Bohemia, a.s. He came to Slovakia in 2003 when he joined NAFTA a.s., where he was appointed the General Director in January 2004. Since 1st July 2008 he has been the General Director of SPP – distribúcia, a.s.



Ing. Dušan Dobiaš
Investments 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 the Director of Technical Section. A year later he began working as a purchaser at the Investment Department of Slovtransgas Division in Slovenský plynárenský priemysel, state enterprise. Between 1994 and 2001 he worked as the Head of Procurement Department and, later, in 2001 – 2003 he managed Coordination of Investments and Procurement Section. From 2004 to September 2009 he worked in the position of the Director of Logistics Section and since October the same year he has been managing Investment Section in SPP – distribúcia, a.s.



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 position of an Auditor and Consultant in Deloitte, where he participated 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 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 the Director of 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 economic optimisation and financial management of the company.



Ing. Rastislav Lauko
Asset Management Section Director

He completed his finance studies at the Faculty of National Economy of the University of Economics in Bratislava in 2002. During his studies he completed an internship at the University of Lisbon, Portugal. He worked in the position of General Secretary of the Slovak branch of the International Youth Organisation. In 2005 he joined Slovenský plynárenský priemysel, a.s. (SPP) where he specialised in the regulation of distribution services and distribution tariffs. He participated in the process of legal unbundling of SPP into three separate companies. From 2006 he managed the finances of the company and relations with regulatory bodies in SPP – distribúcia, a.s. He led a project, which in 2009 resulted in the restructuring of the company on the basis of a modern management system of infrastructure assets. Since April 2009, he has been responsible as the Director of Asset Management Section in SPP – distribúcia, a.s. for the distribution network's development strategy, network operation, network profitability, metering strategy and management of network data.



Ing. Milan Mindek
Slovak Gas Dispatching 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 the Regional Gas Company in Žilina, where he gradually worked in various management positions. In 1994 he joined Slovenský plynárenský priemysel, a.s. as the Head of Slovak Gas Dispatching and since 1996 he has been the Director of Slovak Gas Dispatching in SPP – distribúcia, a.s. Slovak Gas Dispatching is responsible for the day-to-day management of the company's distribution network, for management of gas distribution to downstream networks, for balancing distribution networks and fulfilling important tasks in handling states of emergency in the gas industry under the competence of the Slovak Republic. Equally important is the operation of the emergency hotline, which serves customers throughout Slovakia.



Ing. Marek Paál
Distribution Services Section Director

He started his professional career in 1994 – 1996 in the trade company Interál, a.s. He completed his studies specialising in the gas industry at the Faculty of Mechanical Engineering of the University of Žilina in 2003. However, he had 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 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 liberalised gas trading. After the legal unbundling he continued to serve as the Director of 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 the Director of Distribution Services Section. He is responsible for connecting customers to the distribution network, marketing and sales of distribution capabilities to gas suppliers in Slovakia.

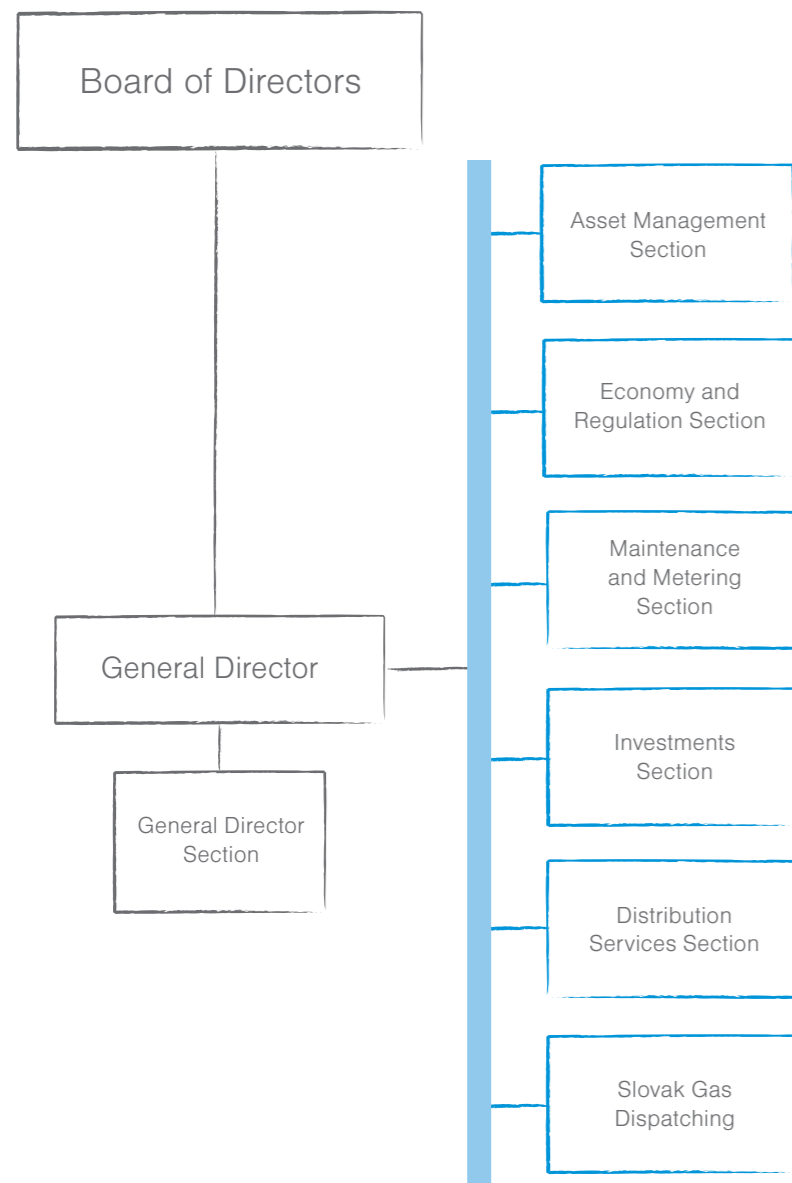


Ing. Rastislav Prelec
Maintenance and Metering Section Director

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 the Head of 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 the Head of Control Systems Department. From 1997 he worked as a 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 the Director of Maintenance and Metering Section in SPP – distribúcia, a.s.



Organisational Chart as of 31st December 2009



” With a clear definition of responsibilities and processes, and better standardization and control over these, we now have a stronger basis for making soundly based technical and financial decisions to ensure the safety of the network and to focus on priorities of investment and maintenance. ”

Stéphane Grit

The business environment was strongly influenced in 2009 by the deepening global economic crisis. Under these conditions, SPP – distribúcia, a.s. primarily concentrated on making its internal processes more efficient and transparent and also on improving the quality of services provided to customers. In order to maintain its financial stability and to eliminate the negative impacts of the external environment, the company continued to optimise its operating and maintenance processes, as well as capital costs.

Another factor having a major impact on the functioning of the company were the changes to energy legislation and regulatory policy, and this particularly as a result of the setting of price cap regulation conditions. This methodology changed the viewpoint of the Regulator to date not only concerning the company's costs, as the changes also largely affected the acceptance of capital expenditures. In order to buffer the effects of these changes, we introduced several measures in the field of investment management in 2009, such as various forms of up-front guarantee requirements for important capital expenditures or a stricter approach towards the settlement of gas facilities.

The provision of continuous supplies to customers was complicated in January 2009 by the emergency situation in gas supplies to Slovakia which, in accordance with the law, necessitated the declaration of a state of emergency in the gas industry and, after the complete interruption of gas supplies from Russia, the declaration of a restrictive off-take level, which imposed an obligation on the biggest gas consumers to reduce their consumption.

Development of the Business Environment

Alongside the deepening global economic crisis, growing energy prices and unstable developments on the foreign exchange market also had a significant impact on doing business in 2009.

The situation on the oil and oil products **commodity markets** was characterised in 2009 by a gradual increase in oil prices. However, the upward trend saw considerable volatility due to the ongoing economic crisis and alternation of growth and decline periods in price levels.

The development of prices for oil and oil products reflected itself with a certain time delay on the level of natural gas purchase and sale prices.

Climatic conditions affecting the sales and distribution of gas have a significant impact on the financial results with respect to market needs. The year 2009 was characterised by unstable weather. While the beginning of the year saw freezing temperatures, the average temperatures for the entire heating period of 2009 ranged above the long-term average.

In January 2009, an **extraordinary situation in gas supplies** occurred in Slovakia. Despite valid supply contracts, there was a restriction and, later, a complete interruption of gas supplies from Russia via Ukraine for thirteen days. It was not possible to compensate such a restriction of supplies without problems by withdrawal from underground storages, although the gas reserves were sufficient.

In accordance with the law, on **6th January 2009** a **state of emergency in the gas industry** was declared by the company through Slovak Gas Dispatching, followed by the initiation of restrictive **off-take level no. 8** on **7th January 2009**, which obligated selected industrial customers to lower their gas consumption to the level of safety minimum, to ensure the safeguarding of industrial equipment.

The priority of SPP – distribúcia became the management of supplies for households, heat producers, hospitals and essential utilities for the population throughout the territory of Slovakia. Thanks to the adopted measures - especially the reverse flow put in place by the transmission operator, and despite the continuation of the interruption in supplies from Russia, on **19th January 2009** it was possible to **cancel the gas off-take restrictions** for industrial customers and to change the off-take level from no. 8 to the basic off-take level no. 3, thus calling-off the restrictions for all customers.

Results of SPP – distribúcia, a.s.

In 2009, SPP – distribúcia, a.s. generated **revenues from the sale of services** in the amount of € 393.15 million, representing an increase of € 34.48 million over the previous period. The main source of revenue generation from the sale of products and services were sales for the provision of distribution capacity.

Operating expenses (net of income tax) amounted to € 251.61 million. The major items were the costs of services, depreciation and amortisation, personnel costs and costs for the purchase of natural gas. Compared with 2008, operating expenses increased by € 24.34 million. The significant increase in costs got reflected in depreciation and amortisation, as well as in costs for securing the stricter Security of Supply standard for households.

The company reported profit before tax of € 141.09 million for the 2009 financial year, representing an increase of € 10.65 million over the previous period. The total income tax expense amounted to € 32.58 million, of which income tax charge amounted to € 34.10 million and deferred tax credit amounted to € -1.52 million. **The profit after tax** represented € 108.51 million.

Comparison of the Structure of Profit after Tax (in € million)

	2009	2008
Revenues from sale of services	393.15	358.67
Operating expenses	-251.61	-227.27
Profit/loss from financial activities before tax	-0.45	-0.96
Profit before income tax	141.09	130.44
Income tax	-32.58	-25.45
Profit after tax	108.51	104.99

Capital Structure

Total assets of the company reached € 3,001.62 million as of the balance sheet date, which was an increase of € 48.35 million over the previous period.

Non-current assets amounted to € 2,767.07 million and their share in total assets accounted for 92.2 %. The major items represented buildings, plants, machinery and equipment of distribution networks. Compared with 2008, non-current assets rose by € 6.75 million, while the decisive growth was primarily recorded in the gas pipelines item.

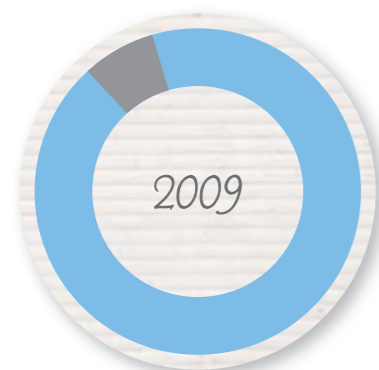
Capital expenditures reached € 78.89 million and went mainly on reconstructions and development of the distribution network, as well as on technology and equipment purchases.

Current assets amounted to € 234.55 million as of the balance sheet date, consisting of inventories, receivables and financial accounts, while representing 7.81 % of the value of total assets.

Comparison of the Structure of Assets (in € million)

Current assets

234.55
7.8 %



2,767.07
92.2 %
Non-current assets

Current assets

192.95
6.5 %



2,760.32
93.5 %
Non-current assets

The **shareholders' equity** amounted to € 2,456.22 million, representing 81.8 % of the company's capital resources. In addition to the registered capital, this consisted of the statutory reserve fund, retained earnings and profit for the current period. The shareholders' equity grew by € 3.52 million on a year-to-year basis.

The **registered capital** of SPP – distribúcia, a.s. represented the capital registered in the Companies Register in the amount of € 1,957.42 million. It consists of 11 ordinary shares (10 shares of a par value of € 3,319 and one share with a par value of € 1,957,384,402).

The structure of shareholders as of 31st December 2009 was as follows:

Slovenský plynárenský priemysel, a.s.	11	SHARES	100 %
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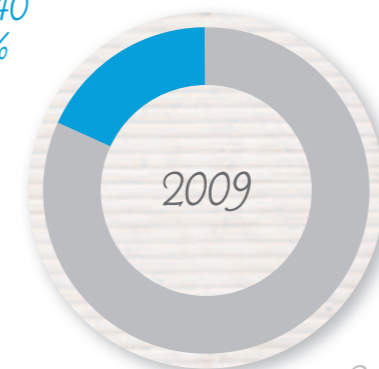
The balance of the **statutory reserve fund** of the company created from capital contributions stood at € 391.48 million as of the balance sheet date.

Total **liabilities** amounted to 18.2 % of the company's capital resources. The liabilities reached € 545.40 million as of the balance sheet date. The major entries of liabilities were non-current liabilities (deferred tax liability amounting to € 366.01 million, other non-current liabilities amounting to € 30.00 million, deferred income in the amount of € 27.88 million) and current liabilities. Compared with the initial balance, liabilities rose by € 44.83 million. The higher volume of liabilities compared with the previous period was mostly the result of growing non-current liabilities.

Comparison of the Structure of Resources (in € million)

Liabilities

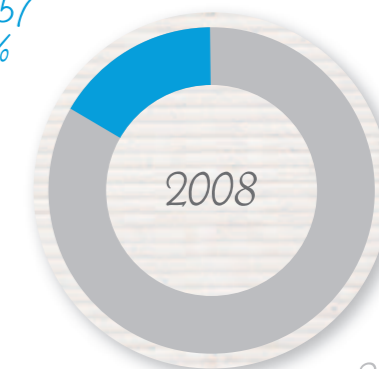
545.40
18.2 %



2,456.22
81,8 %
Equity

Liabilities

500.57
17.0 %



2,452.70
83,0 %
Equity

Natural Gas Distribution

SPP – distribúcia secures the distribution of natural gas to customers in Slovakia through pipelines operated under various pressure levels.

Connection to the Distribution Network

Improving services relating to the process of connection to the distribution network has been among the main priorities of our company during the year 2009.

SPP – distribúcia initiated the **Customer Contact** project with the aim of optimising services provided to customers under the connection process. Its main objective is to develop a communication strategy with customers, thereby simplifying their approach to the connection of their gas off-take equipment to our network or to any change to existing

equipment. Through the Customer Hotline for connection to the distribution network, the professional operators will provide all necessary contacts with SPP – distribúcia, (first information, assistance in applying for a connection, follow-up of the realization phase). This Customer Hotline has entered its pilot operation phase in March 2010.

The Customer Contact project also includes the plan to establish 4 Customer Offices in the municipalities of Bratislava, Žilina, Nitra and Košice in 2010.

Connection of Municipalities to the Distribution Network as of 31st December 2009

Of the total number of municipalities in Slovakia, 77 % are connected to the gas distribution network with 94 % of all Slovak citizens living in them.

Number of connected municipalities	2,233
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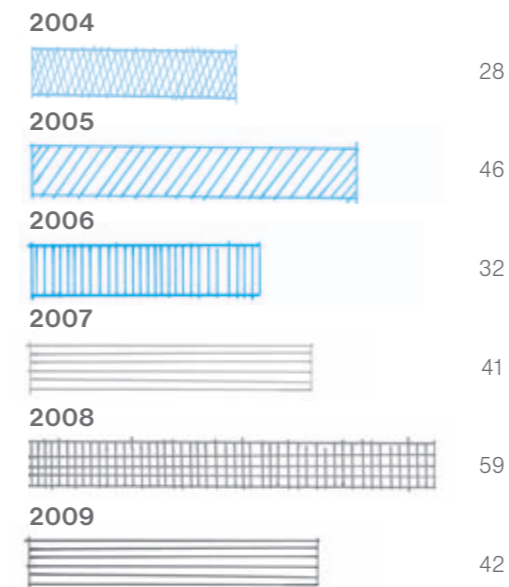
Distribution Network Length in 2005 – 2009 (in km)

	2005	2006	2007	2008	2009
High-pressure pipelines	6,304	6,307	6,343	6,327	6,298
Medium-pressure and low-pressure pipelines	24,262	24,388	25,194	25,667	26,208
Total	30,566	30,695	31,537	31,994	32,506

Length Structure of the Local Network in 2005 – 2009 (in km)

	2005	2006	2007	2008	2009
Steel	12,285	12,285	12,388	12,734	12,848
Polyethylene	11,977	12,239	12,806	12,933	13,360

Investments in Network Renovation in 2004 – 2009 (in € million)



SPP – distribúcia pays close attention to the safety of the distribution network, which is reflected in the gradually increasing need for investments in renovation of the network infrastructure. Compared with the period five years ago, the need for investments has increased by almost 50 %.



Launcher for the insertion of cleaning and monitoring device, so-called pig, to the high-pressure gas pipeline

Natural Gas Distribution

Development Strategy of the Distribution Network

SPP – distribúcia is an operator and owner of a distribution network, including technological facilities – gas regulation stations. Among the main activities of the company are the connection of new customers to the distribution network and the associated development of infrastructure in a way enabling distribution of the requested volumes of natural gas on a timely basis and under corresponding pressure conditions in the network. In all of its development activities our company must respect the legal framework laying down rights and obligations of a distribution network operator as a regulated entity. To ensure transparency and non-discriminatory access to customers, SPP – distribúcia defines its policy of investing in connection and development projects, the main goals of which are to motivate new customers to take off natural gas and, at the same time, ensure the return on investment in network development. All related documents necessary to implement the defined policy are published on the website of the company.

The considerable size of the distribution network - more than 32.000 km - requires constant management, control, maintenance, diagnostics and renovation. One of the priorities of the company is to improve the overall efficiency of gas distribution, while concurrently observing the appropriate level of safety of distribution network operation. This places a high demand on optimisation in reconstruction and development programmes, which include: updating and operative recalculation of hydraulic conditions in the network, monitoring of development activities, introduction of new materials and technologies to reconstruction and development programmes, improving the quality of the methodology for assessing the technical condition of pipelines, decommissioning of obsolete pipelines and more. The regularly updated outlook concepts for optimal development of the distribution network take into account the medium-term and also long-term market requirements. All activities regarding the distribution network development strategy ensure the high standard of the distribution network comparable with developed countries of the European Union.

Slovak Distribution Network

Legend

- Distribution Network
- Local Centres Seat



Reconstructed pipeline before completing the surface finish

Human Resources

Services in the field of human resources are provided to SPP – distribúcia by Human Resources Division of the parent company SPP based on a service level agreement between the two companies. Improving the proactive and professional approach to the provision of Human Resources Division's services and direct contact with internal customers were the main goals that led to the change in the organisational structure of this division as of 1st June 2009.

A new element in the field of human resources management is the creation of HR Business Partners. They provide comprehensive services for managers, allowing them to control their managerial duties. A comprehensive package of services for handling all employee-related matters is provided by Human Resources Division to all employees as well, and this through the 4 Employment Centres located all over Slovakia.

Human Resources and Internal Communication

In 2009 we supported and continued to encourage transparent and open communication within the company. Regular meetings of the Board of Directors members of the SPP Core Group companies with employees in regions, employee lunches with the Board of Directors members, but also working breakfasts of employees with the Human Resources Director, became an effective and interactive platform for open dialogue. We have also conducted an opinion survey among employees of the SPP Core Group companies designed to obtain both an overview of the current level of employee satisfaction and also to compare the results in individual areas of the survey with the evaluation done in 2005. On the basis of the results, we intend to make necessary updates to individual policies in the HR field.

Employment Relations

Our company pays great attention to the health of employees, as proven by a broad social programme arising from the Collective Agreement. Under this programme, all company employees have the opportunity to undergo a premium standard preventive medical examination. In 2009, a total of 620 employees underwent this examination. The recuperation stays provided as part of the programme of fixed benefits serve for the regeneration of employees. Employees had the option to choose from four contractual spa facilities in Slovakia. In 2009, 301 employees took part in these 7-day recuperation stays. The possibility to

enjoy a recuperation stay was also offered to self-payers and this option was mostly used by family members of our employees. Employees who prefer the alternative of flexible benefits had the option to choose under the optional benefits programme for which purpose they would use the contribution from the employer. After demonstrating the purpose of use, they could then receive a contribution for a holiday, regeneration stay, healthcare, education, support for housing (mortgage contribution) and the like.

Regarding the corporate social policy and employee care, the employer used the Social Fund to provide contributions for meal vouchers, work anniversaries, personal anniversaries, support in need, social assistance to employees and their family members in difficult life situations and to reward blood donors. In December 2009, employees received special-purpose vouchers for workforce regeneration. In 2009, the employer also supported sports activities of employees organised in 19 internal units of the SPP Sport Club of the company throughout Slovakia.

Education

While SPP – distribúcia offers to mandatory and periodic training courses that are required by legislation, our company furthermore pays particular attention to the development of managerial and specific skills of employees in individual Professional fields.

Under the long-term graduate development programme, in 2009 we once again provided several graduates with the opportunity to have their first work experience in our company and thus supported the development of their individual careers in the area of their choice. We implement targeted development activities for this group of employees.

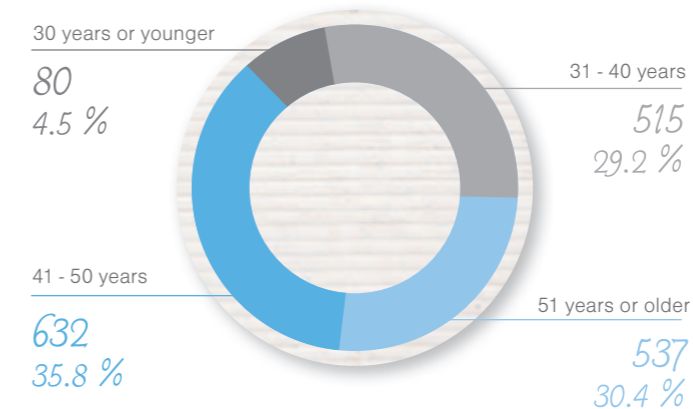
Taking Care of Key and Talented Employees

Last year again we supported further growth of employees with strong potential, our so-called talents, whom we prepare for future posts as managers and high level experts. We have been focusing mostly on developing their managerial skills and language skills and we organise regular meetings for them with members of the management. In addition to that, we have enriched their development in another way, using mentoring by top managers of the company, and engaged them in various projects, the outputs of which they presented at meetings with the management.

Remuneration and Incentives

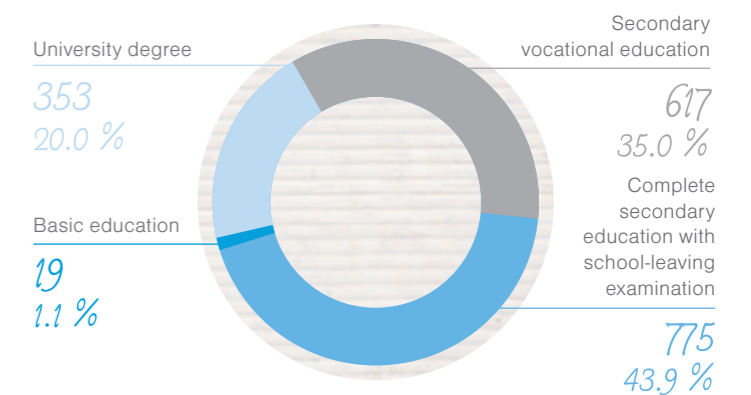
In 2009, we introduced a new remuneration system that better reflects the development of wages on the market. This remuneration system creates scope for fixing individual basic salaries based on objective and clear rules, while also allowing their differentiation with respect to work difficulty, required knowledge and skills, and as a reflection of career growth. We also introduced a completely new element to the remuneration system called professionalism, which is an essential criterion for determining an individual basic salary to each employee. In addition to that, the new remuneration system allows the rewarding of employees who are difficult to recruit on the labour market or employees with strong potential or above-standard work performance.

Age Structure of Employees as of 31st December 2009



As of 31st December 2009, the average age of SPP - distribúcia employees was 45 years.

Qualification Structure of Employees as of 31st December 2009



1 764 employees worked in SPP - distribúcia as of 31st December 2009, of whom 168 were women, representing 9.5 % of the total number of employees.



Environmental Protection and Work Safety

One of the priority goals of SPP - distribúcia is to ensure that the rules of safety and health at work are respected, and that its activities are performed with a minimal impact on the environment.

The main principles for achieving this goal are reflected in the company's Environmental and Safety Policy, based on the principles of ISO 14001 and OHSAS 18001 standards.

The Health and Safety Policy and the Environmental Policy represents the commitment of the management to create a safe working environment, to prevent accidents and to prevent adverse impacts on the environment. We are achieving these goals by systematically identifying potential hazards, threats and environmental aspects, with subsequent implementation of preventive and educational activities.

The activity with the most significant environmental aspect is the use of chemical substances (odorant) at regulation stations, which is accompanied by the risk of groundwater

contamination. This activity also generates hazardous waste materials.

Thanks to the Amendment to the Act on Waste, a significant decrease in the total quantity of waste should be seen in 2010. According to this law, our company ceased to be accounted as the originator of construction waste from reconstructions, which constituted up to 95 % of the total amount of so-called Other waste.

In the area of safety at work, fire protection and environmental protection, state expert supervision bodies conducted several inspections in SPP - distribúcia in 2009. No serious shortcomings were identified during these inspections and no fines were imposed on the company.

Waste production (in tons)

	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
2009	16	600	616

External inspections, injuries and accidents

External inspections, injuries, fires, environmental accidents and incidents	
Number of external inspections performed by state expert supervision	14
Number of fines imposed on the basis of performed state expert supervision	0
Number of registered injuries	2
Number of recorded injuries	12
Number of fires	1
Number of environmental accidents	0
Number of environmental incidents	3

The significant changes that our company went through last year led to two important documents being updated, i.e. The Health and Safety Policy and the Environmental Policy.

OCCUPATIONAL HEALTH & SAFETY POLICY



One of the basic tasks of SPP - distribúcia, a.s. is to secure the safe and reliable distribution of natural gas to customers in Slovakia. All employees of the company are obligated to observe the indicated principles and to respect the Occupational Health & Safety Policy to the full extent. The main principles to achieve this goal, as well as with respect to the commitment to continuously improve and

ENVIRONMENTAL POLICY



SPP - distribúcia, a.s. secures the distribution of natural gas to customers in Slovakia, while the basic criterion of the company's activity is safe and reliable distribution of natural gas with a minimum impact on individual elements of the environment. The principles of continuous improvement, prevention of environmental pollution and of observing legislative requirements are:

Commitment:

- (1) To create conditions for the observance of generally binding legal regulations and to undertake activities in accordance with environmental legislation, regulations and requirements.
- (2) To define the operating procedures, control procedures and performance indicators in relation to the specific goals for the purposes of bringing, on a step by step basis, all the activities in SPP - distribúcia, a.s. to the level of possible certification of the environmental management system in accordance with ISO 14 001 requirements.

Understanding and activities:

- (3) To prevent the occurrence of adverse impacts on the environment from the side of suppliers and contractual partners by precautionary measures - training and thorough inspection during performance of their activities, and by systematically improving environmental protection by eliminating causes directly at the source.
- (4) To influence the selection process of suppliers in the field of environment requirements by active participation in all phases of the procurement process (tender specifications, project preparation, training courses).
- (5) On the basis of a Causes analysis - to continuously seek ways of improving the environment while taking into account the necessary balance between ecological, economical and social requirements.
- (6) To conduce employees to reduce the volume of waste and to use possibilities of recycling.

Information:

- (7) To improve the level of environmental awareness of employees and suppliers by education, to deepen the awareness of all parties participating in the company's processes affecting individual elements of the environment.
- (8) To inform the public regularly about goals and activities in the field of environmental protection in accordance with applicable legislation.
- (9) To improve the environmental profile of the company by defining, publishing and controlling the completion of environmental goals.

We commit OURSELVES:

Bohumil Kratochvíl

Bohumil Kratochvíl
General Director of SPP - distribúcia, a.s

Stéphane Grit
Stéphane Grit
Chairman of the Board of Directors
of SPP - distribúcia, a.s

Miroslav Greš
Miroslav Greš
Vice-Chairman of the Board of Directors
of SPP - distribúcia, a.s

Jost Ahrens
Jost Ahrens
Member of the Board of Directors
of SPP - distribúcia, a.s

Roman Filipoiu
Roman Filipoiu
Director of Economy
and Regulation Section

Rastislav Lauko
Rastislav Lauko
Director of Asset
Management Section

Rastislav Prelec
Rastislav Prelec
Director of Maintenance
and Metering Section

Milan Mindek
Milan Mindek
Director of SGDC

Marek Paál
Marek Paál
Director of distribution
Services Section

Dušan Dobiaš
Dušan Dobiaš
Director of Investment
Section

Outlook and Goals for 2010

We are fully aware of the role of SPP - distribúcia in the gas sector. Our obligations towards customers, network users, and also the shareholder rest in the safety, continuity and optimisation of all processes and associated costs.

Helping us meet these obligations, we consider the following as the most important goals for 2010:

• Securing the continuity and safety of distribution network operation

The good technical condition of the distribution network is a prerequisite for the safe and reliable supply of natural gas. SPP - distribúcia ensures the systematic inspection and diagnostics of pipeline systems and gas facilities using various diagnostic methods, followed by performance of necessary repairs and maintenance. Our aim is to maintain the technical condition of gas networks and continually improve the processes to achieve this result.

• Improving customer approach

In 2010, our ambition is to focus on developing direct contact with customers. The launch of the Call Centre of SPP - distribúcia will be an important service that will improve the comfort of our customers in managing various stages of connection to the distribution network. New applicants for connection to the distribution network, as well as customers requesting a technical change to existing gas off-take equipment, will be able to dial **the Call Centre on 0850 269 269**. The operators will provide assistance and advice in the connection process, as well as information about the latest status of requests for a connection or change. We are also preparing programmes to promote the rational use of natural gas, the benefits of which our customers will learn from brochures, leaflets and the media.

• Financial stability and profitability of the company

SPP - distribúcia will focus on the cost-efficiency of all activities even in 2010. One of the ways to achieve this goal comes in the shape of projects aimed at improving the efficiency of business processes, resulting in higher productivity and a reduction in costs.

• Optimisation of investment costs

In reference to securing the good technical condition of the distribution network, our company is making significant investments into its renovation. In 2010, our goal is to optimise both internal and external procedures in the investment process. The aim of redesigning this process is to reduce the unit costs of investment, reduce delays in the decision-making process, and to improve our knowledge of the needs to better address the priorities that the company will face in the near future.

• Retaining qualified employees and increasing interest in working in our company

We understand that skilled and motivated employees are essential for the company's success. We therefore strive to create for them favourable working conditions, motivating and stabilising financial compensation, as well as various programmes of employee benefits and career opportunities. We also give opportunities to young talented people to develop their knowledge and skills in our company.



Welding on high-pressure pipeline during reconstruction works

Summary Results

Summary Results

(compiled according to IFRS – International Financial Reporting Standards)

Balance Sheet (Selected Data in € thousand)

	31 st December 2009	31 st December 2008
ASSETS:		
NON-CURRENT ASSETS		
Property, plant and equipment	2,765,282	2,758,702
Non-current intangible assets and other assets	1,787	1,614
Total non-current assets	2,767,069	2,760,316
CURRENT ASSETS		
Assets classified as held for sale	53	75
TOTAL ASSETS	3,001,619	2,953,270
EQUITY AND LIABILITIES:		
CAPITAL AND RESERVES		
Registered capital	1,957,418	1,957,418
Legal reserve fund	391,484	391,484
Retained earnings	107,318	103,798
Total equity	2,456,220	2,452,700
NON-CURRENT LIABILITIES		
CURRENT LIABILITIES		
Total liabilities	545,399	500,570
TOTAL EQUITY AND LIABILITIES	3,001,619	2,953,270

Profit and Loss Statement (Selected Data in € thousand)

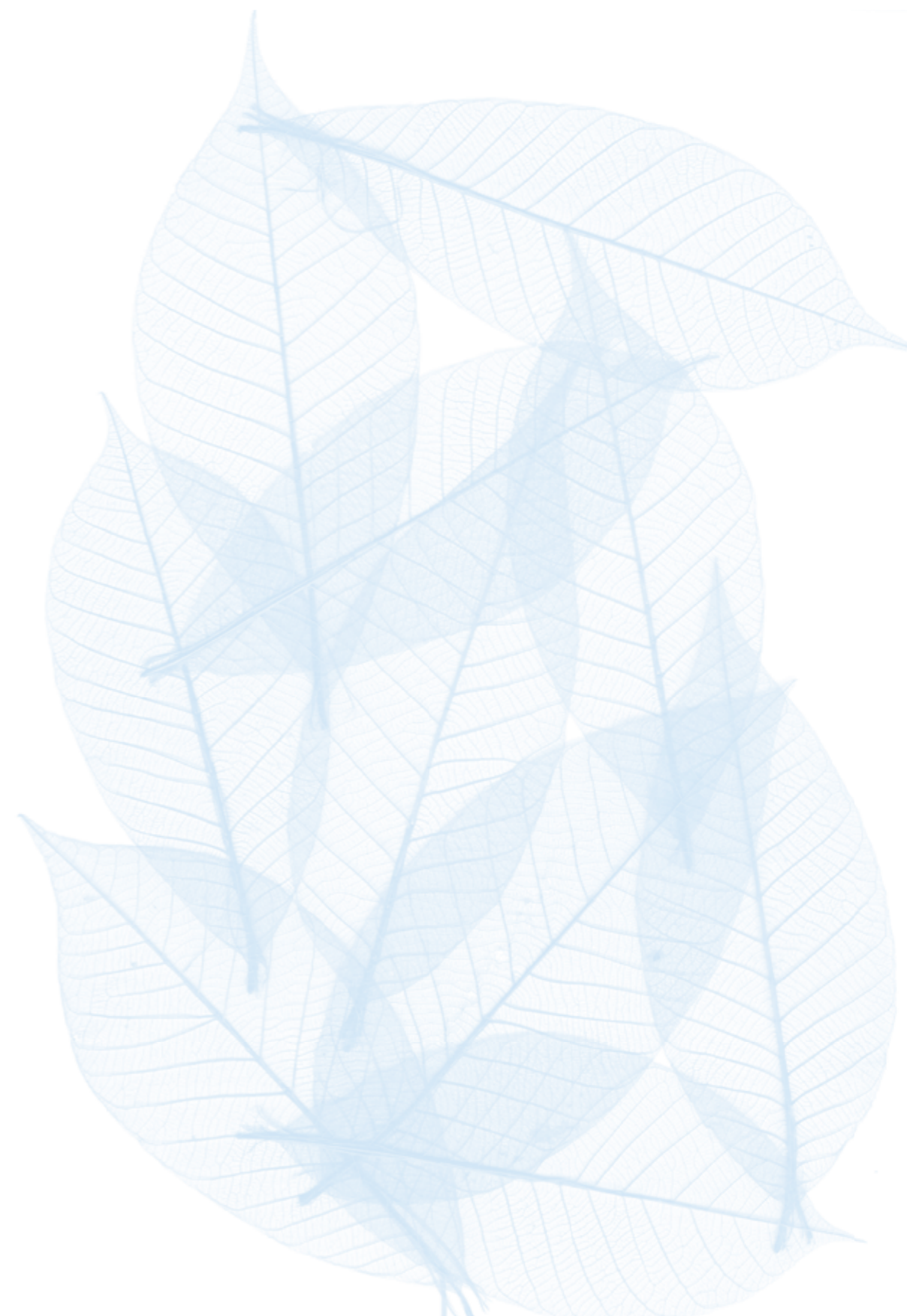
	Year ended 31 st December 2009	Year ended 31 st December 2008
Revenues from sales of products and services	393,145	358,669
Operating expenses	(251,607)	(227,268)
Operating profit	141,538	131,401
Financial revenues	75	621
Financial costs	(521)	(1,582)
Profit before income taxes	141,092	130,440
Income tax	(32,581)	(25,449)
NET PROFIT FOR THE PERIOD	108,511	104,991



Summary Results

Cash Flow Statement (Selected Data in € thousand)

	31 st December 2009	31 st December 2008
Operating activities		
Cash generated from operations	183,037	271,289
Interest paid	(588)	(1,480)
Interest received	72	621
Income tax paid	(28,623)	(56,196)
Net cash inflow from operating activities	153,898	214,234
Investing activities		
Purchase of property, plant and equipment	(78,813)	(105,421)
Proceeds from sale of property, plant and equipment and intangibles	69	353
Net cash inflow/(outflow) from investing activities	(78,744)	(105,068)
Financing activities		
Dividends paid	(104,991)	(109,186)
Proceeds and repayments related to interest-bearing borrowings	30,000	
Cash outflow from financing activities, net	(123)	13
Net cash outflow from financing activities	(75,114)	(109,173)
Net increase/(decrease) in cash and cash equivalents	40	(7)
Net foreign exchange difference	0	(1)
Cash and cash equivalents at the beginning of the period	98	106
Cash and cash equivalents at the end of the period	138	98





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Auditor's report on the consistency of annual report with audited financial statements

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

We have audited the financial statements of SPP - distribúcia, a.s. ("the Company") as at 31 December 2009 presented in the annual report. We issued the following audit report dated 17 February 2010 on the financial statements:

"To the Shareholders of SPP - distribúcia, a.s.:

We have audited the accompanying separate financial statements of SPP - distribúcia, a.s. ("the Company"), which comprise the balance sheet as at 31 December 2009 and statements of comprehensive income, changes in equity and cash flows 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 controls 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 auditors' 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 controls 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 separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, 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.

17 February 2010
Bratislava, Slovak Republic

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

Ing. Peter Uram-Hrišo
UDVA Licence No. 996

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom
registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/7b
a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.



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 is consistent with that contained in the audited financial statements as of 31 December 2009. 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 31 December 2009.

24 March 2010
Bratislava, Slovak Republic

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

Ing. Peter Uram-Hrišo
UDVA Licence No. 996

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Report on Compliance Programme of the Distribution Network Operator in the year 2009

- 1/** In accordance with the Energy Act No. 656/2004 Coll., as amended by further regulations (them „Act“) the Distribution Network Operator has implemented a Compliance Programme. „The Distribution Network Operator Compliance Programme“ became effective as of 1st July 2006 (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, which are not related to distribution;
 - (b)** obligations ensuring a non-discriminatory approach in providing information internally and externally;
 - (c)** obligations ensuring non-discriminatory conditions for access and connection to the Distribution Network as well as for the operation of the Distribution Network;
 - (d)** obligations ensuring the publication of the Compliance Programme;
 - (e)** establishing of control systems and regular reports about the fulfillment of the Compliance Programme.
- 3/** Fulfillment of measures adopted within the Compliance Programme in 2009 was mainly ensured by the following means:
- (a)** 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 with gas distribution are independent from other operations not related to gas distribution;
- (b)** by implementing measures aimed at ensuring a non-discriminatory approach to internal processes of the Distribution Network Operator in accordance with the Compliance Programme;
- (c)** by ensuring a non-discriminatory treatment of applications for access or connection to the Distribution Network;
- (d)** by publishing the Compliance Programme for Distribution Network Operator employees;
- (e)** and by execution of control with respect to the adherence to Compliance Programme.
- 4/** The Compliance Programme was updated in 2009. Every employee of the company was informed about the new provisions and trained accordingly.
- 5/** The Compliance Officer of the Distribution Network Operator in period from 1st January to 31st December 2009 has not received any information about a potential or alleged infringement of obligations imposed by the Compliance Programme.

In Bratislava, on 17th February 2010



Ing. Milan Kachút
Compliance Officer of the Distribution
Network Operator



“ I am convinced that the success, growth and reputation of our company depend primarily on the trust of our partners and customers, as well as on the efforts and creativity of our highly skilled and loyal employees. ”

Bohumil Kratochvíl

Registered office:

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

Website:

www.spp-distribucia.sk

Emergency line:

Phone: 0850 111 727 (charged by price of a local call)

Contact with media:

Ivana Zelizňáková, Communication manager
Phone: + 421 2 6262 6029
e-mail: ivana.zeliznakova@spp-distribucia.sk

Call Centre - connection to the distribution network of SPP – distribúcia, a.s.:

Phone: 0850 269 269 (charged by price of a local call)
e-mail: pripajanie@distribuciaplynu.sk

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

Phone: + 421 2 6262 5961 Secretariat of Distribution Services Section
Fax: + 421 2 6262 8548 Distribution Services Section
e-mail: distribucia@spp-distribucia.sk

Claims on services of SPP – distribúcia, a.s.:

e-mail: reklamacie@spp-distribucia.sk



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

Design: Respect APP, s. r. o.