Independent Auditor's Report and Separate Financial Statement (Prepared in Accordance with International Financial Reporting Standards as Adopted by the EU)

For the year ended 31 December 2008

Distribúcia SPP

SPP - distribúcia, a.s.

INDEPENDENT AUDITOR’S REPORT AND SEPARATE FINANCIAL STATEMENT
(PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS, AS ADOPTED BY THE EU)

For the year ended 31 December 2008

Independent Auditor's Report

Ernst & Young Slovakia, spol. s r.o.
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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 at 31 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 31 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.

17 February 2009
Bratislava, Slovak Republic

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

Ing. Peter Matejička
SKAU Licence No. 909

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Separate Financial Statements
(presented in accordance with IFRS as adopted by the EU):

SPP - distribúcia, a.s.
SEPARATE BALANCE SHEETS
As at 31 December 2008 and 31 December 2007
(SKK '000)

	Note	*31 December 2008*	*31 December 2007*
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	6	83,108,667	82,622,603
Non-current intangible assets and other assets	7	48,636	100,487
Total non-current assets		**83,157,303**	**82,723,090**
CURRENT ASSETS			
Inventories	8	3,862,186	2,171,172
Receivables and prepayments	9	1,897,538	2,642,604
Income tax asset		48,006	,-
Cash and cash equivalents		2,948	3,199
Total current assets		**5,810,678**	**4,816,975**
Assets classified as held for sale		**2,246**	**2,013**
TOTAL ASSETS		**88,970,227**	**87,542,078**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Registered capital	14	58,969,163	58,969,163
Legal reserve fund	15	11,793,833	11,793,833
Retained earnings	15	3,127,038	3,253,416
Total equity		**73,890,034**	**74,016,412**
NON-CURRENT LIABILITIES			
Deferred income	10	4,902	3,720
Retirement and other long-term employee benefits	11	84,796	80,197
Deferred tax liability	20.2	11,072,331	11,218,516
Total non-current liabilities		**11,162,029**	**11,302,433**
CURRENT LIABILITIES			
Trade and other payables	13	3,918,163	1,291,137
Income tax payable		-	732,095
Provisions and other current liabilities	12	1	200,001
Total current liabilities		**3,918,164**	**2,223,233**
Total liabilities		**15,080,193**	**13,525,666**
TOTAL EQUITY AND LIABILITIES		**88,970,227**	**87,542,078**

The financial statements on pages 3 to 25 were signed on 17 February 2009 on behalf of the Board of Directors:

Assessor jur. Sebastian Jochem
Chairman of the Board of Directors

Ing. Peter Hlaváč
Vice-Chairman of the Board of Directors

(SKK '000)

	Note	*Year ended 31 December 2008*	*Year ended 31 December 2007*
Revenues from sale of services			
Natural gas distribution		10,681,070	10,333,960
Other revenues		124,208	107,695
Total revenues		**10,805,278**	**10,441,655**
Operating expenses			
Own work capitalized		41,273	59,511
Purchases of natural gas and raw material and energy consumption		(81,973)	(131,035)
Depreciation and amortization	6, 7	(2,304,574)	(2,232,136)
Storage of natural gas and other services		(3,258,325)	(2,817,230)
Staff costs	16	(1,181,123)	(1,101,252)
Provision for bad and doubtful debts, obsolete and slow-moving inventory, net	8,9	(15,697)	(9,179)
Provisions and impairment losses, net	6,7,12	(4,678)	(145,575)
Other, net		(41,583)	42,701
Total operating expenses		**(6,846,680)**	**(6,334,195)**
Operating profit		**3,958,598**	**4,107,460**
Financial revenues		18,702	7,982
Financial costs	18	(47,657)	(36,829)
Profit before income taxes		**3,929,643**	**4,078,613**
Income tax	20.1	(766,679)	(831,382)
NET PROFIT FOR THE PERIOD		**3,162,964**	**3,247,231**

SEPARATE STATEMENTS OF CHANGES IN EQUITY
Years ended 31 December 2008 and 31 December 2007
(SKK '000)

	Registered capital	***Legal reserve fund***	***Retained earnings***	***Total***
At 31 December 2006	**58,969,163**	**11,793,733**	**2,445,041**	**73,207,937**
Income and expense for the year recognized direct in equity	-	-	-	-
Total income and expense for the year recognized directly in equity	**-**	**-**	**-**	**-**
Net profit for the year	-	-	3,247,231	3,247,231
Total income and expense for the year	**-**	**-**	**5,692,272**	**76,455,168**
Allocation of profit	-	100,	(100)	-
Dividends paid	-	-	(2,438,756)	(2,438,756)
At 31 December 2007	**58,969,163**	**11,793,833**	**3,253,416**	**74,016,412**
Income and expense for the year recognized direct in equity	-	-	-	-
Total income and expense for the year recognized directly in equity	**-**	**-**	-	-
Net profit for the year	-	-	3,162,964	3,162,964
Total income and expense for the year	**-**	**-**	**-**	**-**
Allocation of profit	-	-	-	-
Dividends paid	-	-	(3,289,342)	(3,289,342)
At 31 December 2008	**58,969,163**	**11,793,833**	**3,127,038**	**73,890,034**

(SKK '000)

	Note	*Year ended 31 December 2008*	*Year ended 31 December 2007*
Operating activities			
Cash generated from operations	21	8,172,852	3,041,736
Interest paid		(44,585)	(38,913)
Interest received		18,702	9,164
Income tax paid		(1,692,966)	(91,191)
Net cash inflow from operating activities		6,454,003	2,920,796
Investing activities			
Proceeds/(acquisitions) from investments in securities, net			
Purchase of property, plant and equipment		(3,175,897)	(2,388,801)
Proceeds from sale of property, plant and equipment and intangibles		10,632	3,110
Net cash inflow/(outflow) from investing activities		(3,165,265)	(2,385,691)
Financing activities			
Dividends paid		(3,289,341)	(2,438,756)
Other proceeds and payments from financial activities, net		388	(2,829)
Net cash outflow from financing activities		(3,288,953)	(2,441,585)
Net increase/(decrease) in cash and cash equivalents		**(215)**	**(1,906,480)**
Net foreign exchange difference		**(36)**	**(25)**
Cash and cash equivalents at the beginning of the period		**3,199**	**1,909,704**
Cash and cash equivalents at the end of the period		**2,948**	**3,199**

(SKK '000)

1. GENERAL

1.1. General Information

In accordance with Act No. 431/2002 Coll. on Accounting as amended, SPP - distribúcia, a.s. ("the Company") is required to prepare separate financial statements as at 1 January 2008 in accordance with the International Financial Reporting standards ("IFRS"), as adopted by the European Union ("EU"). The transition to IFRS was realized in accordance with IFRS 1 *First Time Adoption of IFRS* as at 1 January 2007 (transition date to IFRS). The impact of the transition on the Company's equity, profit and cash flows from the accounting procedures previously effective in the Slovak Republic to IFRS is explained in Note 24.

The accounting procedures detailed in Note 3 were used in preparing these separate financial statements, the comparatives in these separate financial statements and the opening balance sheet as at 1 January 2007 (transition date to IFRS).

The Company was founded on 26 November 2004 and incorporated in the Commercial Register on 10 December 2004. Slovenský plynárenský priemysel, a.s., is 100% owner of the Company.

On 1 July 2006, Slovenský plynárenský priemysel, a.s., ("SPP") contributed to the Company part of business including assets and liabilities of the original Distribution Division.

Since 1 July 2006, the Company has assumed the performance of activities related to natural gas distribution and assets and liabilities related to the gas distribution business.

These financial statements represent the separate financial statements of the Company. They were prepared for the reporting period from 1 January to 31 December 2008 in accordance with IFRS, as adopted by the EU.

On 29 April 2008, the General Meeting approved the Company's 2007 financial statements.

Company Identification No. (IČO)	35 910 739
Tax Registration No. (DIČ)	2021931109

1.2. Principal Activities

Since 1 July 2006, following the legal unbundling process, the Company has been responsible for natural gas distribution in the Slovak Republic.

The Company is required by law to provide non-discriminatory access to the distribution network. Proposed prices are subject to control and approval of the Slovak Regulatory Office for Network Industries (RONI).

1.3. Employees

The average number of employees of SPP – distribúcia, a.s., for the year ended 31 December 2008 was 1,701, of which executive management: 1 (for the year ended 31 December 2007: 1,704, of which executive management: 1).
As at 31 December 2008, the actual headcount was 1,699 (2007: 1,702).

1.4. Registered Address

Mlynské nivy 44/b
825 11 Bratislava
Slovak Republic

(SKK '000)

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

2.1. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and have been endorsed by the EU and are effective for the accounting periods commencing 1 January 2008.

As at the date of authorization of these financial statements, the following standards and interpretations or amendments to the existing standards and interpretations were issued and effective (from 1 January 2009):

- IFRS 8 Operating Segments
- IFRS 3 Business Combinations (revised)
- IAS 1 Presentation of Financial Statements (revised)
- IAS 23 Borrowing Costs (revised)
- IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 32 Financial Instruments: Presentation
- Amendment to IFRS 2 Share-Based Payments – Vesting Conditions and Their Cancellations
- IFRIC 15 Agreements for the Construction of Real Estate

The Company anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the separate financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The separate financial statements have been prepared in accordance with IFRS, as adopted by the EU. IFRS, as adopted by the EU, do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB).
The financial statements are prepared under the historical cost convention, with the exceptions detailed below. The principal accounting policies adopted are detailed below. The reporting currency and functional currency of the Company is the Slovak Crown (SKK). These separate financial statements were prepared on the assumption that the Company is a going concern.

b) Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets are stated in the balance sheet at historical cost less accumulated depreciation and impairment losses. In the event of assets deposited in form of contribution in kind as at 1 July 2006 historical cost was determined by an independent expert as at this date. This amount was used as at 1 January 2007 (transition date to IFRS).

Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Items of property, plant and equipment and intangible assets that are retired or otherwise disposed of are eliminated from the balance sheet, along with any corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the statement of profit and loss.

Other items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation is recorded by a charge to income computed so as to amortize the cost of the assets to their estimated residual values over their residual useful lives. The useful lives of property, plant and equipment and intangible assets are as follows:

Type of assets	Useful life
Regulation stations	15 - 50 years
Gas pipelines	40 - 60 years
Structures	15 - 60 years
Machinery and equipment	4 - 40 years
Other tangible assets	3 - 8 years

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

At each balance sheet date an assessment is made as to whether there is any indication that the recoverable amount of the Company's property, plant and equipment and intangible assets is less than the carrying amount. Where there is such an indication, the recoverable amount of the asset, being whichever is the higher of the asset's net selling price and the present value of its net cash flows, is estimated. The resulting impairment loss is recognized in full in the statement of profit and loss in the year in which the impairment occurs. The discount rates used to calculate the net present value of the cash flows reflect current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or to significantly postpone its planned completion date, the carrying amount of the asset is reviewed for potential impairment and a provision recorded, if appropriate.

Subsequent expenditure relating to an item of property, plant and equipment and intangible assets is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is treated as repairs and maintenance and is expensed in the period in which it is incurred.

c) Inventories

Inventories are stated at whichever is the lower of cost and net realizable value. The cost of natural gas stored underground and materials and supplies is calculated using the weighted average method. Cost of materials and other inventory includes cost of acquisition and other costs related to acquisition and for own products materials, other direct costs and production overheads. Appropriate provision is made for obsolete and slow-moving inventories. Natural gas in acquisition is valued at cost. There are no other costs related to acquisition of natural gas.

d) Trade Receivables

Trade receivables are stated at expected realizable value, net of provisions for debtors under bankruptcy or restructuring proceedings and net of provisions for overdue bad and doubtful receivables at risk of full or partial non-settlement.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks with insignificant risk of changes in value.

f) Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate as discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

g) Revenue Recognition

Sales are recorded upon the delivery of products or performance of services, net of value added tax and discounts. The Company records revenue from distribution and from other activities on the accrual basis. Revenues are accounted for on the fulfillment of delivery terms, since at that moment the significant risks and rights of ownership are transferred to the customer. The date of delivery fulfillment is the last day of the respective calendar month.

h) Research and Development

Research and development expenditure are recognized as an expense except for costs incurred on development projects, which are recognized as development assets (intangible assets) to the extent that the expenditure is expected to have future economic benefits. However, development costs initially recognized as an expense are not recognized as an asset in a subsequent period.

i) Social Security and Pension Schemes

The Company is required to make contributions to various obligatory Government insurance schemes, together with contributions by employees. The cost of social security payments is charged to the statement of profit and loss in the same period as the related salary cost.

j) Retirement and Other Long-Term Employee Benefits

The Company operates un-funded defined long-term benefit programs comprising lump-sum post-employment, disability and jubilee benefits. In accordance with IAS 19, the employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of profit and loss so as to spread the regular cost over the service lives of employees. The benefit obligation is measured as the present value of the estimated future cash outflows discounted by market yields on Slovak government bonds, which have terms to maturity approximating to the terms of the related liability. All actuarial gains and losses are recognized immediately in the statement of profit and loss. Past service cost is recognized immediately to the extent that the benefits are already vested, and the remaining portion is expensed.

k) Government Grants

Transfers of gas equipment by municipalities to the Company's assets are deemed to be non-monetary grants and are recorded at fair value of assets received, which is also included in non-current liabilities as deferred income. This deferred income is credited to the statement of profit and loss on a straight-line basis over the useful lives of the assets transferred.

l) Taxation

Income taxes currently payable are provided on accounting profit as determined under Slovak accounting principles after adjustments for certain items for taxation purposes at a rate of 19%.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited to the statement of profit and loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity. The valid income tax rate valid from 1 January 2004 is 19%.

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

m) Foreign Currencies

Transactions in foreign currencies are initially recorded at the rates of exchange of the National Bank of Slovakia (NBS) pertaining on the dates of the transactions. Monetary assets, receivables and liabilities denominated in foreign currencies are retranslated at the NBS exchange rates pertaining on the balance sheet date. Profits and losses arising on exchange are included in the statement of profit and loss for the period.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of Property, Plant and Equipment

The Company re-assessed the provision for impairment of property, plant and equipment on the basis of an evaluation of their planned liquidation or sale. Refer to Note 6 for details on impairment of property, plant and equipment.

5. FINANCIAL INSTRUMENTS

a) Financial risk management

The Company is not exposed to severe financial risks that would include the effects of changes in foreign currency exchange rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

(1) Foreign currency risk

The Company is not exposed to significant foreign currency risk arising from foreign currency transactions.

Analysis of financial assets and financial liabilities in foreign currency:

	Assets		***Liabilities***	
in SKK thousands	***As at 31 December 2008***	***As at 31 December 2007***	***As at 31 December 2008***	***As at 31 December 2007***
EUR	87	-	15,329	2,046

Sensitivity to foreign currency changes

The following table displays the sensitivity of the Company to a 3 % strengthening or weakening of the Slovak Crown to respective foreign currencies. The sensitivity analysis only includes outstanding monetary items denominated in foreign currency and adjusts their translation at the end of the reporting period by the 3 % FX change. A negative value indicates a decrease in the profit and loss statement provided that there is a weakening of the Slovak Crown with regard to a respective currency. In the event of the strengthening of the Slovak Crown to a respective currency, there would be a converse effect on profits and the data below would be positive.

	Impact of EUR rate	
in SKK thousands	***As at 31 December 2008***	***As at 31 December 2007***
Effect on profit/loss before tax	-	(61)

The effects mainly relate to risks relating to outstanding receivables and payables in EUR at the year-end of 2007.

(2) Commodity price risk

The Company does not use any financial instruments sensitive to risks resulting from changes in commodity prices.

(SKK '000)

(3) Interest rate risk

The Company has no significant concentrations of interest rate risk. As at 31 December 2008 and 31 December 2007, the Company had no outstanding long-term loans and granted no long-term loans with a fixed interest rate.

(4) Credit risk

The Company sells its products and provides its services to customers, SPP being the major customer, which means that the credit risk is considerably eliminated.

(5) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash with adequate due date and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. The Company, as a member of the main SPP Group, is part of the cash-pooling system. In the system flexibility is maintained by keeping committed credit lines available and synchronizing the maturity of financial assets with financial needs.

The table below summarizes the maturity profile of the financial liabilities at 31 December 2008 and 31 December 2007 based on contractual undiscounted payments:

At 31 December 2008	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Other liabilities	-	2,731,360	-	-	-	- 2,731,360
Trade and other payables	-	1,186,803	-	-	-	1,186,803

At 31 December 2007	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Other liabilities	-	340,762	-	-	-	340,762
Trade and other payables	1	950,374	-	-	-	950,375

b) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.
The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, legal reserve fund and retained earnings as disclosed in Notes 14 and 15, respectively. The gearing ratio at the year end 2008 and similarly at the end of year 2007 was 0%.

c) Categories of financial instruments

	31 December 2008	***31 December 2007***
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,900,486	2,645,803
Financial liabilities		
Financial liabilities carried at amortized costs	3,918,164	1,291,138

(SKK '000)

6. PROPERTY, PLANT AND EQUIPMENT

	Regulation stations	*Gas pipelines*	*Land, buildings and structures*	*Plant, machinery and equipment*	*Other non-current tangible assets*	*Capital work in progress*	*Total*
Year ended 31 December 2007							
Opening net book value	4,217,015	75,956,013	11,736	430,888	41,048	2,094,647	82,751,347
Additions	29,822	3,549	-	-	-	2,253,999	2,287,370
Put into use	226,586	1,689,951	-	57,651	4,877	(1,979,065)	-
Reclassifications	6,977	(36,708)	-	(17,955)	(35)	(37,536)	(85,257)
Disposals	(2,451)	(200)	(3,409)	(450)	(23)	(715)	(7,248)
Depreciation charge	(231,225)	(1,934,886)	(111)	(70,942)	(11,624)	-	(2,248,788)
Change in provisions	(10,556)	(53,936)	(14)	(3,678)	(635)	(6,002)	(74,821)
Closing net book value	**4,236,168**	**75,623,783**	**8,202**	**395,514**	**33,608**	**2,325,328**	**82,622,603**
At 31 December 2007							
Cost	4,585,695	78,483,137	8,381	481,216	50,665	2,334,613	85,943,707
Provision and accumulated depreciation	(349,527)	(2,859,354)	(179)	(85,702)	(17,057)	(9,285)	(3,321,104)
Net book value	**4,236,168**	**75,623,783**	**8,202**	**395,426**	**33,696**	**2,325,328**	**82,622,603**
Year ended 31 December 2008							
Opening net book value	4,236,168	75,623,783	8,202	395,426	33,696	2,325,328	82,622,603
Additions	6,353	1,866	176	-	-	2,895,994	2,904,389
Put into use	167,123	2,156,562	-	67,124	510	(2,391,319)	-
Reclassifications	(37,860)	10,277	-	5,261	(7,127)	(4,025)	(33,474)
Disposals	(18,274)	(695)	(2,796)	(1,547)	70	(1)	(23,243)
Depreciation charge	(251,989)	(2,072,108)	(140)	(69,498)	(7,126)	-	(2,400,861)
Change in provisions	1,960	39,877	14	1,452	488	(4,538)	39,253
Closing net book value	**4,103,481**	**75,759,562**	**5,456**	**398,218**	**20,511**	**2,821,439**	**83,108,667**
At 31 December 2008							
Cost	4,679,410	80,501,035	7,412	545,706	39,381	2,835,261	88,608,205
Provision and accumulated depreciation	(575,929)	(4,741,473)	(1,956)	(147,488)	(18,870)	(13,822)	(5,499,538)
Net book value	**4,103,481**	**75,759,562**	**5,456**	**398,218**	**20,511**	**2,821,439**	**83,108,667**

(SKK '000)

Type and amount of insurance for property, plant and equipment and intangible assets:

Insured object	*Type of insurance*	*Costs of insured assets 2008*	*Costs of insured assets 2007*	*Name and seat of the insurance company*
Buildings, halls, structures (with the exception of gas pipelines), machinery, equipment, fixtures & fittings, low-value TFA, other TFA, works of art, inventories (except gas pipelines)	Insurance of assets	6,045,056	4,974,856	Allianz-Slovenská poisťovňa, a.s. Kooperativa, a.s., ČSOB Poisťovňa, a.s.
Motor vehicles	Motor vehicle insurance against damage, destruction, theft	15,135	11,815	Allianz-Slovenská poisťovňa, a.s.

The cost of fully depreciated non-current assets (includes also non-current intangible assets), which as at 31 December 2008 were still in use, amounts to SKK 82,595 thousand (31 December 2007: SKK 21,260 thousand).

7. NON-CURRENT INTANGIBLE ASSETS AND OTHER ASSETS

	Software	*Other non-current intangible assets*	*Assets in the course of construction*	*Total*
Cost				
At 1 January 2007	768	44,191	45,271	90,230
Additions	-	-	23,885	23,885
Taken into use	467	359	(826)	-
Reclassifications	-	-	-	-
At 31 December 2007	**1,235**	**44,550**	**68,330**	**114,115**
Amortization				
At 1 January 2007	(151)	(4,401)	-	(4,552)
Amortization	(214)	(8,862)	-	(9,076)
Provision and impairment loss	-	-	-	-
Reclassifications	-	-	-	-
At 31 December 2007	**(365)**	**(13,263)**	**-**	**(13,628)**
Net book value				
At 1 January 2007	617	39,790	45,271	85,678
At 31 December 2007	**870**	**31,287**	**68,330**	**100,487**

	Software	*Other non-current intangible assets*	*Assets in the course of construction*	*Total*
Cost				
At 1 January 2008	1,235	44,550	68,330	114,115
Additions	-	-	18,702	18,702
Taken into use	51	13,241	(13,292)	-
Disposals	(5)	-	(41,777)	(41,782)
Reclassifications	(33)	(26)		(59)
At 31 December 2008	**1,248**	**57,765**	**31,963**	**90,976**
Amortization				
At 1 January 2008	(365)	(13,263)	-	(13,628)
Amortization	(312)	(10,576)		(10,888)
Provision and impairment loss			(17,887)	(17,887)
Disposals	5	-		5
Reclassifications	55	3		58
At 31 December 2008	**(617)**	**(23,836)**	**(17,887)**	**(42,340)**
Net book value				
At 1 January 2008	870	31,287	68,330	100,487
At 31 December 2008	**631**	**33,929**	**14,076**	**48,636**

(SKK '000)

8. INVENTORIES

	31 December 2008	***31 December 2007***
Natural gas	3,809,125	2,138,236
Raw materials and other inventories	54,149	33,291
Provision	(1,088)	(355)
Total	**3,862,186**	**2,171,172**

Natural gas inventories represent natural gas used to balance the distribution network and natural gas for own consumption and losses in the distribution network.

As at 31 December 2008 and 31 December 2007, no provision was necessary, or recorded in respect of an adjustment to reduce the cost of natural gas to its net realizable value.

The Company created provisions for slow-moving inventories to raw materials totalling SKK 1,088 thousand (31 December 2007: SKK 355 thousand).

9. RECEIVABLES AND PREPAYMENTS

	31 December 2008	***31 December 2007***
Trade receivables from distribution activity	1,508,235	1,773,492
Prepayments and other receivables	239,452	768,382
Other tax assets	149,851	100,730
Total	**1,897,538**	**2,642,604**

As at 31 December 2008, the Company recorded receivables within maturity and after maturity of SKK 1,855,868 thousand and SKK 41,670 thousand without provision for impairment of receivables, respectively. As at 31 December 2007, the Company recorded receivables within maturity and after maturity of SKK 2,611,268 thousand and SKK 31,336 thousand without provision for impairment of receivables, respectively.

Trade receivables and prepayments are shown subsequent to provisions for bad and doubtful accounts of SKK 30,528 thousand (31 December 2007: SKK 15,707 thousand).

Prepayments and other receivables include receivables from eustream, a.s., of SKK 25,563 thousand (31 December 2007: SKK 28,023 thousand) and from SPP of SKK 1,629,214 thousand (31 December 2007: SKK 2,478,590 thousand).

Movements in the provision for impairment of receivables were as follows:

	31 December 2008	***31 December 2007***
Opening value	(15,707)	(7,006)
Charge for the year	(15,833)	(10,176)
Utilized	132	122
Unused amounts reversed	880	1,353
Closing value	**(30,528)**	**(15,707)**

Collateralisation of receivables

Certain receivables under distrainer proceedings are secured by distrainer lien.
The bank guarantee in Slovenská sporiteľňa totalling SKK 1,900,000 was created in accordance with the Contract for Access to Distribution Network to secure the Company's receivables against SPP relating to distribution of natural gas.

(SKK '000)

10. DEFERRED INCOME

	31 December 2008	*31 December 2007*
Opening balance, net	3,720	184
Assets acquired during period	887	7,269
Amortization during period	(72)	(3,733)
Other deferred income	367	-
Closing value, net	**4,902**	**3,720**

Some gas equipment was obtained "free of charge" from municipal and local authorities. This deferred income is released to the statement of profit and loss in line with the depreciation of the related non-current assets acquired free of charge.

11. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits program is a defined benefit program under which the employees are entitled to a lump-sum payment upon old age or disability retirement and, subject to vesting conditions, jubilee payments.

In 2008, a new collective agreement was signed, under which employees are entitled to a retirement benefit based upon the number of years with the Company at the date of retirement. The benefits range from one month's to six months average salary. As at 31 December 2008, the obligation for retirement and other long-term employee benefits was calculated on the basis of this collective agreement which is valid in companies of the main group of SPP. In 2007, the obligation was calculated based on the collective agreement valid for 2007.

As at 31 December 2008, there were 1,708 employees were covered by this program including 9 employees off the records (31 December 2007: 1,703 employees). Up to the present, it has been an un-funded program, with no separately allocated assets to cover the program's liabilities.

Movements in the net liability recognized in the balance sheet for the year ended 31 December 2008 are as follows:

	Long-term benefits	*Post-employment benefits*	*Total benefits at 31 December 2008*	*Total benefits at 31 December 2007*
Net liability at 1 January	16,627	68,101	84,727	83,666
Net expense for the period	7,242	298	7,540	3,980
Benefits paid	(1,894)	(1,294)	(3,188)	(2,918)
Net liability	**21,974**	**67,105**	**89,079**	**84,727**

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 31 December 2007	4,530	80,197	84,727
At 31 December 2008	4,283	84,796	89,079

Key assumptions used in actuarial valuation:

	At 31 December 2008	*At 31 December 2007*
Market yield on government bonds	5.03%	4.69%
Annual future real rate of salary increases	2.00%	2.00%
Annual employee turnover	1.44%	1.44%
Retirement ages (male and female)	62 for male and from 60 for female	62 for male and from 60 for female

(SKK '000)

12. PROVISIONS

Movements in the provisions are summarized as follows:

	Other provisions	***Total provisions at 31 December 2008***	***Total provisions at 31 December 2007***
Balance at 1 January	200,000	200,000	200,000
Creation of provision		-	200,000
Utilization of provision	(110,000)	(110,000)	-
Reversal of provision	(90,000)	(90,000)	(200,000)
Closing balance	**-**	**-**	**200,000**

Provisions are included in liabilities as follows:

	Current provisions (included in other current liabilities)	***Non-current provisions***	***Total provisions***
At 31 December 2007	200,000	-	200,000
At 31 December 2008	-	-	-

a) Other provisions

The provision of SKK 200,000 thousand created in connection with the obligation to provide the non-investment fund EkoFond with a contribution, as a result of financing projects relating to increases in energy effectiveness, was partially used as a contribution to this fund and was partially released.

13. TRADE AND OTHER PAYABLES

	At 31 December 2008	***At 31 December 2007***
Trade payables	1,019,298	792,992
Payables resulting from distribution activity	167,505	157,382
Other payables	2,533,302	151,878
Employee liabilities	135,546	124,600
Social security and other taxes	62,512	64,285
Total	**3,918,163**	**1,291,137**

As at 31 December 2008, trade and other payables include trade payables to SPP of SKK 2,559,590 thousand (31 December 2007: SKK 216,354 thousand), and eustream, a.s., of SKK 174,291 thousand (31 December 2007: SKK 157,718 thousand).

Of all the Company's other payables, the major portion is represented by the liability resulting from cash-pooling transactions against the parent company of SKK 2,516,110 thousand.

As at 31 December 2008, the Company records payables within maturity of SKK 3,918,163 thousand; no payables after maturity were registered. As at 31 December 2007, the Company recorded payables within maturity of SKK 1,290,324 thousand and payables within 360 days after maturity of SKK 813 thousand.

Social fund payable

	Amount
Opening balance as at 1 January 2008	**10,810**
Total creation:	9,558
from expenses	*9,558*
Total drawing:	(10,165)
personnel jubilee benefits	*(620)*
employment jubilee benefits	*(1,274)*
other drawing	*(4,110)*
catering allowance	*(4,161)*
Closing balance as at 31 December 2008	**10,203**

(SKK '000)

Liabilities secured by lien or other form of guarantee

The Company established a bank guarantee in Tatra banka, a.s., totalling SKK 1 000 thousand for other payables to the Customs Office.

14. REGISTERED CAPITAL

The registered capital consists of 10 ordinary certificate-form shares at face value of SKK 100,000 per share, and 1 ordinary certificate-form share at face value of SKK 58,968,162,500. The SPP is the 100% owner of the shares referred to above. The registered capital was incorporated in the Commercial Register in the full amount.

15. LEGAL RESERVE FUND AND RETAINED EARNINGS

Since 1 January 2008, SPP – distribúcia, a.s., has been required to prepare separate financial statements in accordance with IFRS as adopted by the EU. Retained earnings represent amounts based on the separate financial statements.

The legal reserve fund of SKK 11,793,833 thousand (as at 31 December 2007: SKK 11,793,833 thousand) is created in accordance with Slovak law and is not distributable to shareholders. The reserve is created from retained earnings to cover possible future losses or increases of share capital. Transfers of at least 10% of current year's profit are required to be made from retained earnings until the reserve is equal to at least 20% of share capital. The legal reserve fund in the Company has already attained 20% of share capital.

Profit allotment:

Allotment	***Profit allotment for 2008***	***Profit allotment for 2007***
Allotment to legal reserve fund	-	100
To cover loss from previous years	-	46
Dividends	3,289,341	2,438,756
Total profit to be allotted	**3,289,341**	**3,772,080**

In 2007 and 2006, accounting profit was distributed in accordance with Slovak accounting standards.

16. STAFF COSTS

	Year ended 31 December 2008	***Year ended 31 December 2007***
Wages, salaries and bonuses	803,843	746,917
Social security costs	377,280	354,335
Total staff costs	**1,181,123**	**1,101,252**

The Company is required to make social security contributions, amounting to 35.2% of salary bases as determined by law, up to a maximum amount ranging from SKK 28 – 86 thousand per employee depending on the type of insurance. The employees contribute a further 13.4% of the relevant base up to the above limits.

17. COSTS OF AUDIT SERVICES

	Year ended 31 December 2008	***Year ended 31 December 2007***
Review of financial statements by the auditor	1,530	918
Other assurance services	-	-
Tax advisory	392	-
Other related services provided by the auditor	-	-
Total	**1,922**	**918**

(SKK '000)

18. FINANCE COSTS

	Year ended 31 December 2008	*Year ended 31 December 2007*
Interest expense	47,324	38,878
Foreign exchange rate differences – profit/(loss) (Note 19)	187	(2,223)
Other	146	174
Total finance costs/(income)	**47,657**	**36,829**

19. FOREIGN EXCHANGE RATE DIFFERENCES

	Year ended 31 December 2008	*Year ended 31 December 2007*
Foreign exchange rate losses (gains) arising from:		
– Operating activities	(19,770)	1,516
– Financing activities (Note 18)	187	(2,223)
Total foreign exchange rate losses (gains)	**(19,583)**	**(707)**

The FX rate gains at the translation of assets and liabilities recorded in EUR and recognized as at 31 December 2008 amounted to SKK 43 thousand (as at 31 December 2007: SKK 0 thousand). The FX rate losses at the translation of assets and liabilities recorded in EUR and recognized as at 31 December 2008 is SKK 8 thousand (as at 31 December 2007: SKK 155 thousand).

20. TAXATION

20.1. Income Tax Expense

The income tax charge comprises the following:

	Year ended 31 December 2008	*Year ended 31 December 2007*
Current tax charge	912,864	957,606
Deferred tax charge (Note 21.2)		
– current year	(146,185)	(126,224)
Total	**766,679**	**831,382**

The reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard tax rates is as follows:

	Year ended 31 December 2008	*Year ended 31 December 2007*
Profit before taxation	3,929,643	4,078,613
Income tax at 19%	746,632	774,936
Effect of permanent differences between accounting and tax value of assets and liabilities	20,409	56,446
Other adjustments	(362)	-
Income tax charge for the year	**766,679**	**831,382**

Adjustments primarily include mainly non-taxable expenses.

The financial years from 2004 to 2008 are still subject for inspection by the tax authorities.

(SKK '000)

20.2. Deferred Income Tax

The following are the major deferred tax liabilities and assets recognized by the Company and the movements therein, during the current and prior reporting periods:

	At 1 January 2007	***Debit to equity for the period***	***(Charge/ credit to profit for the period***	***At 31 December 2007***
Difference in NBV of non-current assets	(11,399,600)	-	149,675	(11,249,925)
Items adjusting tax base only when paid	6	-	(11)	(5)
Provisions	38,000	-	(38,000)	-
Provisions for receivables	141	-	(39)	102
Impairment loss	816	-	14,331	15,147
Other	15,897	-	268	16,165
Total	**(11,344,740)**	**-**	**126,224**	**(11,218,516)**

	At 1 January 2008	***Debit to equity for the period***	***Charge/ credit to profit for the period***	***At 31 December 2008***
Difference in NBV of non-current assets	(11,249,925)	-	130,434	(11,119,491)
Items adjusting tax base only when paid	(5)	-	(75)	(80)
Provisions for receivables	102	-	5,803	5,905
Impairment loss	15,147	-	(4,293)	10,854
Other	16,165	-	14,316	30,481
Total	**(11,218,516)**	-	**146,185**	**(11,072,331)**

In accordance with the Company's accounting policy, certain deferred tax assets and liabilities were mutually offset. The following table shows the balances of deferred tax recognized on the face of the balance sheet:

	31 December 2008	***31 December 2007***
Deferred tax liability	(11,072,331)	(11,218,516)
Total	**(11,072,331)**	**(11,218,516)**

21. CASH GENERATED FROM OPERATIONS

	Year ended 31 December 2008	***Year ended 31 December 2007***
Profit before tax	3,929,643	4,078,613
Adjustments for:		
Depreciation and amortization	2,411,682	2,301,378
Interest income, net	28,622	30,896
Income from financial investments	-	-
FX differences	(30)	156
Provisions and other non-cash items	(175,606)	7,434
Impairment losses	-	-
Loss from sale of property	(1,134)	(645)
(Increase)/decrease in receivables and prepayments	744,914	(807,971)
(Increase)/decrease in inventories	(1,691,014)	54,952
Increase/(decrease) in trade and other payables	2,925,775	(2,623,077)
Cash generated from operations	**8,172,852**	**3,041,736**

22. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

As at 31 December 2008, capital expenditure of SKK 1,932,702 thousand (as at 31 December 2007: SKK 1,807,535 thousand) had been committed under contractual arrangements for acquisition of non-current assets, but not recognized in the financial statements.

Liberalization of the Slovak Energy Sector and possible regulation risks

Regulation framework on the natural gas market in the Slovak Republic

On the basis of the current legislation, the natural gas market in the Slovak Republic is liberalized. Effective from 1 July 2007 legislation allows free selection of natural gas supplier for all customers. The Company SPP-distribúcia, a.s., as the operator and owner of gas distribution network, is obliged to provide free and non-discriminatory access to distribution network. Moreover, the Company is also obliged to enter into a contract for connection and gas distribution with all customers who fulfilled business and technical conditions.
Distribution of gas as well as access to distribution network are subject to regulation from the Regulatory office of network industries (RONI).

Tariffs for regulated activities

Every year RONI approves tariffs for access to the distribution network and gas distribution as well as connection to the distribution network and supporting services. These tariffs are proposed so that the total planned revenues from the tariffs for access to the distribution network and gas distribution in the regulation year in SKK per gas volume do not exceed the average price for the year, calculated pursuant to the revenue. By this means, the regulation of prices in the gas industry is determined and the extent and structure of eligible costs, the method of determining reasonable profit and supporting documents to propose price in gas industry are fixed. At the same time, the tariffs for access to the distribution network and gas distribution are proposed so that they do not include cross subsidies between the individual groups of consumers.

The price for connection to the distribution network for consumers shall be determined on the basis of planned average costs of connection of gas delivery equipment of a respective gas market participant to the distribution network, which are spent by the distribution network operator within activities required in the standard scope to connect the gas delivery equipment.

Changes in the regulatory laws and policy

In 2008, Act No. 656/2004 Coll. on Energy and Act No. 276/2001 Coll. on Regulation in Network Industries were amended several times. In terms of regulation, significant changes were adopted relating to maintaining the separate factual records which are subject to accounting and determining the responsibilities of a regulated entity for keeping and releasing standards of quality for goods and services supplied. In accordance with the amendments to the above Acts, RONI, by issuing Decree No. 415/2008 Coll. and Decree No. 328/2008 Coll., stipulated the details required in these Acts. Accordingly, SPP – distribúcia, a.s., was required to apply changes in maintaining separate factual records which are subject to accounting for 2009.
The intentions of RONI to effect changes in the regulatory method were presented in the material *Regulation Policy for the Coming Regulation Period of 2009 – 2011*. The regulator declared therein its intention to apply a new regulatory method – price threshold – in the area of regulating prices for gas access and distribution. This regulatory method was put in practice by means of RONI issuing Ordinance No. 1/2008 with effect from 25 June 2008 and Ordinance No. 4/2008 with effect from 31 July 2008.

Taxation

The Company has significant transactions with shareholders and other related parties. The tax environment in which the Company operates in the Slovak Republic is dependent on the prevailing tax legislation and practice, which are relatively undeveloped and with few existing precedents. As the tax authorities are reluctant to provide official interpretations in respect of the tax legislation, there is an inherent risk that the taxation authorities may require, for example, transfer pricing or other adjustments of the corporate income tax base. The tax authorities in the Slovak Republic have broad powers of interpretation of tax laws which could result in unexpected results from tax inspections. The amount of any potential tax liabilities related to these risks cannot be estimated.

(SKK '000)

23. RELATED PARTY TRANSACTIONS

The owner of 100% of shares of SPP – distribúcia, a.s., is Slovenský plynárenský priemysel, a.s.

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

	Year ended 31 December 2008					***31 December 2008***		
	Sales	***Creation/ (reversal) of provisions for receivables***	***Costs***	***Dividends***	***Other***	***Amounts owed by related parties***	***Provisions for receivables***	***Amounts owed to related parties***
SPP, a.s.	13,520,390	-	1,877,938	3,289,341	2,996,964	1,626,758	-	2,559,590
Other related parties	298,215	-	3,069,176	-	198,976	38,692	-	268,583

Management considers that the transactions with related parties have been conducted on normal commercial terms.

Transactions with related parties mainly represented services related to distribution, purchases, sales, natural gas transmission and storage as well as other services.

	Year ended 31 December 2007					***31 December 2007***		
	Sales	***Creation/ (reversal) of provisions for receivables***	***Costs***	***Dividends***	***Other (acquisition of assets)***	***Amounts owed by related parties***	***Provisions for receivables***	***Amounts owed to related parties***
SPP, a.s.	13,273,949	-	1,813,644	2,438,756	1,299,078	2,478,969	-	216,354
Other related parties	208,501	-	2,565,057	-	203,647	35,141	1	261,306

(SKK '000)

The compensation of Directors and other members of the Company's executive management during the year was as follows:

	Year ended 31 December 2008	***Year ended 31 December 2007***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	32,018	23,179
of which – Board of Directors and executive management	24,114	17,461
– Supervisory Board	7,904	5,718
Benefits after termination of employment of members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Benefits after termination of employment of members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Benefits in kind to members of the Board of Directors and executive management – total	374	269
Of which – Board of Directors and executive management	374	269
Other payments to members of the Board of Directors, Supervisory Board, executive management and former members - total	3	3
of which – Board of Directors and executive management	1	1
– Supervisory Board	2	2

24. RECONCILIATION OF THE SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE ACCOUNTING PROCEDURES PREVIOUSLY EFFECTIVE IN THE SLOVAK REPUBLIC AND SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EU

The reconciliation of net profit for the year ending 31 December 2007 is as follows:

	Year ended 31 December 2007
Net profit as per the separate financial statements prepared in accordance with the previous accounting procedures effective in the Slovak Republic	3,289,341
Unrealised FX differences	1
Adjustments to the assets	(44,338)
Deferred tax	8,424
Other	(6,197)
Net profit as per the separate financial statements prepared in accordance with IFRS	**3,247,231**

Reconciliation of equity as at 1 January 2007 and 31 December 2007 is as follows:

	31 December 2007	***1 January 2007***
Equity as per the separate financial statements prepared in accordance with the previous accounting procedures effective in the Slovak Republic	74,052,337	73,207,949
Gifts and adjustments to assets	(44,349)	(13)
Deferred tax	8,424	-
Equity as per the separate financial statements in accordance with IFRS	**74,016,412**	**73,207,936**

(SKK '000)

The reconciliation of the statement of cash flow for the year ending 31 December 2007 is as follows:

	Separate financial statements as per previous accounting procedures	***Separate financial statements as per IFRS, as adopted by the EU***	***Diffe-rence***
Net cash generated from operations	2,920,796	2,920,796	-
Net cash inflow/(outflow) from investing activities	(2,385,691)	(2,385,691)	-
Net cash flow from financing activities	(2,441,585)	(2,441,585)	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(1,906,480)	(1,906,480)	-
Net foreign exchange difference	(25)	(25)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,909,704	1,909,704	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,199**	**3,199**	**-**

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

a) Members of the Company's bodies

Body	***Function***	***Name***
Board of Directors	Chairman	Ing. Stéphane Grit up to 30 June 2008
	Chairman	Assessor jur. Sebastian Jochem from 1 July 2008
	Vice-Chairman	Ing. Peter Hlaváč
	Member	Ing. Stéphane Grit from 1 July 2008
	Member	Assessor jur. Sebastian Jochem up to 30 June 2008
Supervisory Board	Chairman	Doc. Ing. Nikolaj Ponevský, PhD
	Vice-Chairman	Ing. Michael Fipper from 1 July 2008
	Vice-Chairman	Antoine Jourdain up to 30 June 2008
	Member	Ing. Vladislav Petráš
	Member	Ing. Gustáv Laca
	Member	Daniel Nechala
	Member	Pavol Korienek
Executive Management	General Director	Ing. Bohumil Kratochvíl from 1 July 2008
	General Director	Ing. Kazimír Kmeť, CSc. up to 30 June 2008

b) Consolidated financial statements

SPP – distribúcia, a.s., provides the data of the separate financial statements to the higher consolidation of SPP, a.s. SPP, a.s., prepares the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

The highest reporting entities that consolidate SPP – distribúcia, a.s., are GDF SUEZ SA and E.ON AG.

The separate financial statements of SPP – distribúcia, a.s., and consolidated financial statements of SPP, a.s., are deposited with the Commercial Register of Bratislava 1 District Court, Záhradnícka 10, 811 07 Bratislava, published in the Commercial Journal and released at www.spp.sk.

26. POST-BALANCE SHEET EVENTS

Conversion to Euro as Corporate Currency

On the basis of the National Plan for Euro Changeover for the Slovak Republic, the National Council of the SR approved the Umbrella Law on Euro-Adoption in Slovakia which, in terms of legislation, covered the conversion from the Slovak Crown to the Euro. The Umbrella Law became effective on 1 January

(SKK '000)

2008. It was followed by other legislative norms regulating the rules for dual display, reporting, translation and rounding of cash amounts in connection with Euro-conversion for the purposes of accounting, taxation, customs and other.

On 8 July 2008, the Council of the European Union at the level of the Finance Ministers of the EU member states set the irrevocable EUR/SKK conversion coefficient (conversion rate) at €1 = SKK 30.1260.

On 1 January 2009, the Slovak Republic joined the Eurozone, becoming the 16th EU state to use the European common currency, the Euro.
In relation to this, in 2008, the introduction of the Euro in SPP and its main subsidiaries (eustream, a.s., and SPP-distribúcia, a.s.) was resolved through a specific project.

As at the balance sheet date, Euro-conversions in all systems and sub-projects were performed successfully.

Gas Crisis

At the beginning of 2009, tension over the contractual relations between Russia and Ukraine indicated potential problems with natural gas supplies across the Ukrainian territory to Europe. Nevertheless, the actual development, duration and consequences of the crisis took the entire gas community by surprise. Although crisis scenarios in European energy strategies defined the measures necessary for potential limitation of natural gas supplies, nobody in Europe would have envisaged a total suspension of Russian gas supplies.

On 6 January 2009 (Tuesday), natural gas supplies dropped to a third of the agreed volume. In accordance with legislation, the Company was forced to announce a state of emergency, for the time being without regulation. Crisis staff, including experts from SPP, SPP – distribúcia, eustream and the Ministry of the Economy of the SR, immediately intervened to assess the severity of the situation and propose the measures necessary to cope with the period of reduced supplies.

On 7 January 2009 (Wednesday), natural gas supplies from Russia across the Ukrainian territory stopped altogether. As the duration of the period of the total suspension of gas supplies could not be known and it was essential to supply households, hospitals and schools up to the end of the winter, on 7 January 2009, SPP – distribúcia, as the operator of the distribution network, was forced to announce the 8th supply degree for industrial purchasers of natural gas, i.e. their natural gas consumption of more than 60,000 m3 per year was to be decreased to the minimum level compatible with safety.

Thanks to running a reverse course of the transit system for natural gas supplies from west to east, on 19 January 2009, despite the ongoing suspension of supplies from Russia, it was possible to ease the restrictions of natural gas take-off for industrial purchasers and adjust the supply degree from the 8th degree to the basic 3rd supply degree, i.e. without any restrictions for all customers.

After the conclusion of a contract between Russia and Ukraine and the subsequent resumption of natural gas supplies from Russia on 20 January 2009, natural gas supplies in Slovakia were normalized and no technical problems were experienced in respect of their resumption. Subsequently, on 23 January 2009, the Company ended the state of emergency in gas industry with effect for the entire Slovak Republic.

Delimitation of Employees from the Parent Company

On 1 January 2009, on the basis of a contract, 113 work positions were delimited from SPP, a. s., to SPP –distribúcia for the performance of investing activities and asset management.

Prepared on: **17 February 2009**	***Signature of a member of the statutory body of the reporting enterprise or a natural person acting as a reporting enterprise:***	***Signature of the person responsible for the preparation of the financial statements:***	***Signature of the person responsible for bookkeeping:***
Approved on: 28 April 2009	Assessor jur. Sebastian Jochem Chairman of the Board of Directors Ing. Peter Hlaváč Vice-Chairman of the Board of Directors	Ing. Bohumil Kratochvíl	Ing. Libor Briška Ing. Miroslav Jankovič

Proposal of profit distribution for the year 2008

The proposal of profit distribution for the year 2008 is prepared in line with the Articles of Association of SPP – distribúcia, a.s. Article XIX - PROFIT DISTRIBUTION, Article XVIII – GENERATION AND USE OF RESERVE FUND, and in line with the provisions of the Commercial Code No. 513/1991 Coll., as amended.

The proposal of the profit distribution for the year 2008 is based on the financial statements for the year 2008.

I.	**Profit after tax**	**104 991 171.96 €** **3 162 964 046.32 SKK**
II.	**Allocation to the statutory reserve fund** in accordance with the Article XVIII of the Articles of Association the reserve fund reached the level of 20 % of registered capital	**0.00 €** **0.00 SKK**
III.	**Level of net profit determined as dividends**	**104 991 171.96 €** **3 162 964 046.32 SKK**