



SPP - preprava a. s.





Christophe Poillion
Chairman of the Board of Directors

STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SPP - preprava a. s.

Ladies and Gentlemen,

The year 2006 must definitely be considered as one of the most important milestones for the gas industry in Slovakia, thanks to the completion of legal unbundling and transfer of transmission activities on 1st July 2006 to our newly established company SPP - preprava a. s.

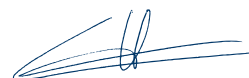
The foundation of the company was a response to the legislative requirements associated with the creation of an independent transmission network operator. In this way we have now formed an additional tool for ensuring a transparent and non discriminatory access to the transmission network. We have thus also acquired an opportunity to focus our attention and efforts on a single core business activity, which is a further guarantee of offering reliable and high quality services to all shippers.

SPP - preprava a. s. has inherited a substantial know-how, which represents a strong basis for efficient transmission of gas. From that perspective I do not want to narrow the foundation of the company just to the creation of EU's internal gas market. We are also one of the key players in terms of security of gas supplies in Europe and we definitely have the opportunity to improve the protection of our environment, thanks to the design and operation of our new facilities.

Slovakia has a long tradition of third party access to its transmission networks through transit contracts that were concluded in the past. International gas transmission and long term contracts are key issues for our business and we will go on developing interconnection capacities in order to match our customers' expectations. Legal unbundling and the transfer of transmission activities to SPP - preprava a. s. bring in fresh incentives for the development of business activities. At SPP - preprava a. s. we can still rely on the financial structure of the SPP Group for investing in new transmission facilities, which are needed in the long run.

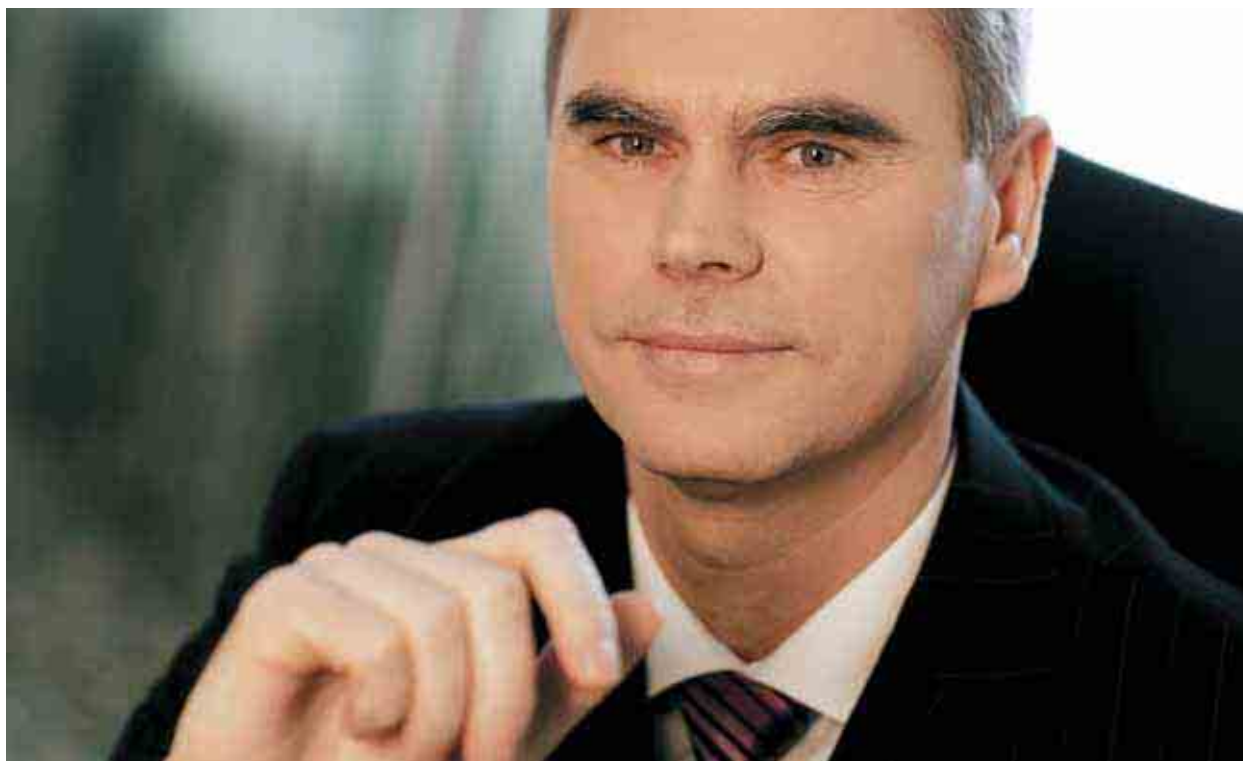
The main and most difficult challenge in 2006 was to ensure a smooth and transparent transfer of activities, without disturbing the gas transmission through Slovakia. This was the key factor in guaranteeing the security of supplies for the European gas market. Annual transmission capacity through Slovakia exceeds 90 bcm, which represents around 1/6th of the total EU's annual gas consumption: the experience and the expertise that we have gathered over the past decades are – from that point of view - of great value in the operation of our pipelines and compressor stations, in technical and maintenance support, in system management at our gas dispatching centre as well as in the commercial management of transmission services.

I have no doubt that 2007 will again be a very challenging year, especially with regard to the development of our customer portfolio, the fulfilment of the long term expectations of our shippers and the corresponding design of our network. Business activities of SPP - preprava a. s. reach far beyond the borders of Slovakia. We have to ensure, through our relations with adjacent operators in neighbouring countries, a customer-oriented access to our interconnected systems. As one of the major transmission network operators, we will actively contribute to the development of the European gas market. We will continue supporting new investments, and thus fulfilling long term commitments which are improving security of supply and the protection of the environment.



Christophe Poillion

Chairman of the Board of Directors



Pavol Janočko
General Director

STATEMENT BY THE GENERAL DIRECTOR OF SPP - preprava a. s.

Distinguished ladies and gentlemen,

The year 2006 was rich in challenges and opportunities.

In each period of our corporate existence changes were made that had significant impact on the direction of gas business in Slovakia. For the Slovak gas industry the previous year was one of the most important milestones in its history. Two new companies were established and it was the first year of the existence of the new company named SPP – preprava a. s.

This statement sounds simply, but ...What is all behind?

Three years ago we did not understand what “legal unbundling” meant. Today it is a reality that shows all effort, energy and ideals invested by the people. The process has been accomplished successfully and we can say that SPP - preprava a. s. works and operates without difficulties. The more employees have been involved in this process the more they have learned and gained. The results confirm that the human capital in our company is built on a solid base. Highly educated and qualified staff was ready to grow and develop. Definitely, it will take some time to adjust to the new situation and to create new relationships with external and internal customers and service providers.

Without setting a goal it is difficult to score and we want to follow our vision to be one of the best TSO (Transmission System Operator) in the European Union.

The main objective of 2006 was to meet the expectations of our business partners. Discussions with adjacent transmission system operators and shippers have been an issue of high importance. To meet the needs of our customers we transported safely and reliably the required volumes of gas without interruptions.

The continuous increase in effectiveness and decrease of CO₂ emissions in operation of the transmission system, respecting safety and reliability is a long term task. We have been preparing projects that will help us to fulfil these goals. Our effort was focused on optimization of preventive maintenance, using the RCM method (Reliability Centred Maintenance) in order to maintain, moreover to increase the high standard of safety and reliability. We have always paid great attention to work conditions, environment, health and safety matters, therefore we established and implemented the Safety and Health at Work Management System and the Environmental Management System with a consequential certification.

At the beginning of 2007 we can state that the main objectives of the new company for 2006 have been fulfilled. Clear identification of key tasks and goals enabled us to define priorities while respecting fundamental corporate values: respect people and our resources, ensure integrity and promote initiative.

Our vision where we want to go and who we want to become is our biggest asset, and we will make all possible efforts to have it turned into reality.



Pavol Janočko
General Director

ESTABLISHMENT OF THE COMPANY

SPP - preprava a. s.



ESTABLISHMENT OF THE COMPANY

SPP - preprava a. s.

On 1 July 2006 legal unbundling was implemented at SPP a. s. and SPP - preprava a. s. started operations as an independent transmission system operator. The obligation for legal unbundling arises from Act No. 656/2004 Coll. on Energy by which the European Directive 2003/55/EC was transposed into Slovak legislation. As a consequence, all activities related to gas transmission were transferred to SPP - preprava a. s.

Through this step, SPP - preprava a. s. has assumed full responsibility for the operation and maintenance of the transmission system, gas dispatching for transmission purposes and all commercial activities related to gas transmission.

As a legally unbundled Transmission System Operator, SPP - preprava a. s.:

- is independent from the management of SPP a. s.
- has effective decision-making rights as regards the operation, maintenance and development of the transmission system
- ensures transparent and non-discriminatory access to the transmission system at regulated conditions
- preserves the confidentiality of commercially sensitive information especially in the context of third party access to the transmission system
- ensures interoperability and interconnectivity with adjacent system operators

On the other hand, SPP - preprava a. s. is still a member of the SPP Group and as such can rely on the financial backing and optimised financial structure of a big energy concern. This enables the company to make major infrastructure investments in a timely manner in order to enhance its transmission capacities according to market needs. Through this, SPP - preprava a. s. is able to contribute in a significant way to the security of gas supply in Central and Western Europe.

The implementation of legal unbundling is the final step of the restructuring process which was started immediately after the privatisation of SPP in 2002. One of the cornerstones in this process was the introduction of a divisional structure for the core business activities of SPP at the beginning of 2004. The project of legal unbundling was then officially launched mid 2004, and the final unbundling concept was approved by shareholders at the end of 2005.

Legal unbundling has been one of the most complex projects in the history of SPP. Over a period of more than two years specialised teams including external advisers have dealt with a vast amount of organisational, legal, financial, technical and IT-related questions. And even after legal unbundling was successfully implemented we continue resolving further important issues associated with fine-tuning of internal processes within the SPP Core Group.

SPP – preprava a. s.

BOARD OF DIRECTORS AS AT 31. 12. 2006



Ing. Christophe Poillion
Chairman of the Board of Directors



Ing. Peter Danovič
Vice-chairman of the Board of Directors



Ing. Andreas Rau
Member of the Board of Directors

GENERAL DIRECTOR OF SPP – preprava a. s.



Ing. Pavol Janočko
General Director

SPP – preprava a. s. SUPERVISORY BOARD AS AT 31. 12. 2006

RNDr. Pavol Lazar

Chairman of the Supervisory Board

Mgr. Louis de Fouchécour

Vice-chairman of the Supervisory Board

Members:

Prof. Ing. Michal Varchola, CSc.

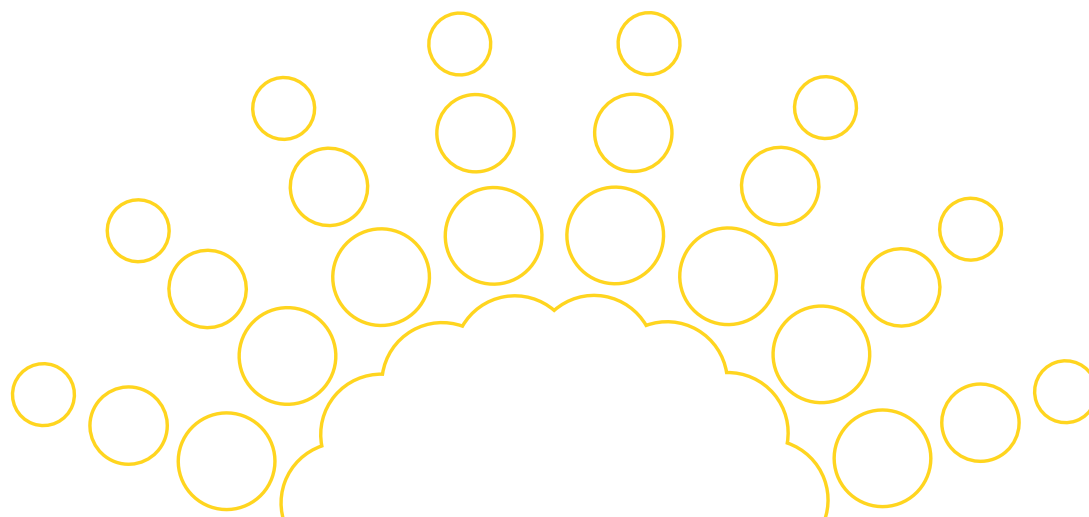
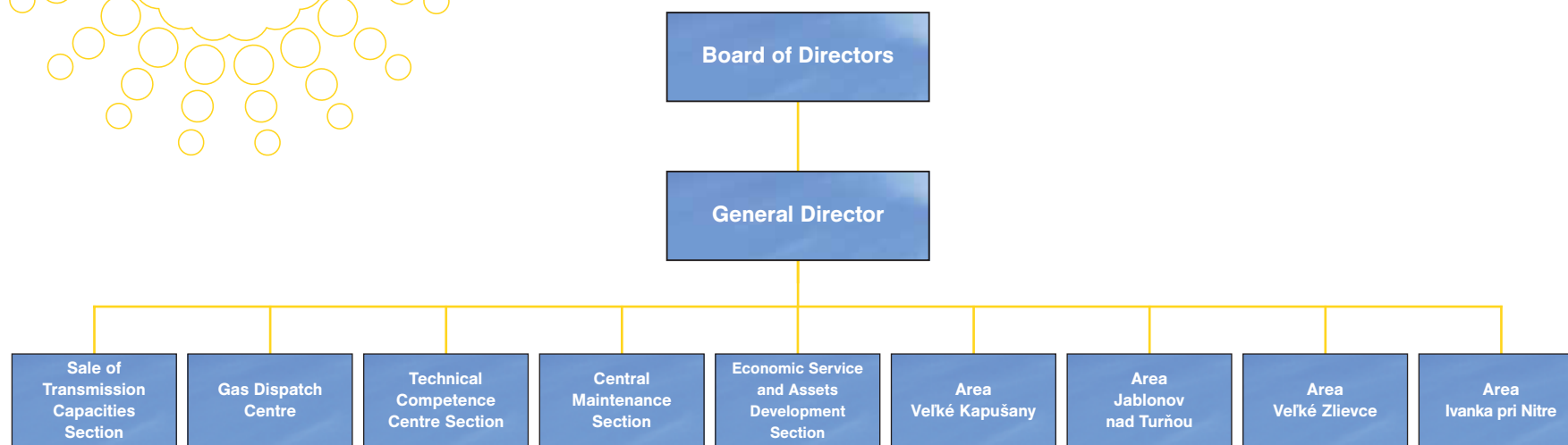
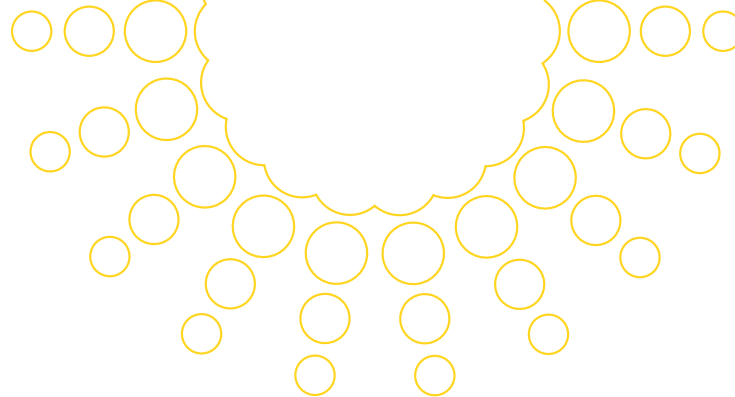
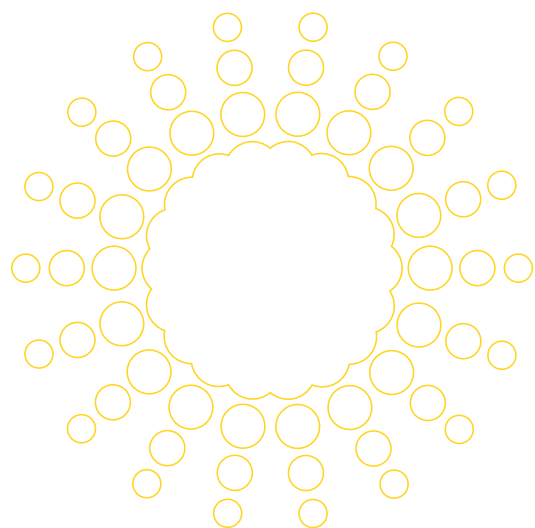
Doc. Ing. Nikolaj Ponevský, PhD.

Andrej Lendvay

Ing. Rudolf Rigáň

ORGANISATIONAL CHART OF SPP – preprava a. s. APPLICABLE AS OF 31ST DECEMBER 2006





NATURAL GAS TRANSMISSION



NATURAL GAS TRANSMISSION

The company SPP – preprava a. s. provides reliable and safe transmission of natural gas, originating from the territory of the Russian Federation, to the European market.

The transmission network has not recorded any limitations affecting the transport ordered by the customers, and the natural gas volumes transmitted fully matched the demand on the market. The volume physically transmitted in 2006 amounted to 73.8 billion m³, with an average daily transmission volume of 202.2 million m³.

In 2006, side-by-side with the traditional transmission services, especially rendered to companies from the Russian Federation, Germany, the Czech Republic, Croatia and Slovenia, new types of services were developed for example short-term and interruptible capacity contracts. In the second half of the year, as a result of legal unbundling, our company also concluded a transmission contract with the company SPP – distribúcia a. s. that uses the transmission network for natural gas deliveries to the Slovak consumers. Broadening the portfolio of offered activities is in line with the provisions of the Slovak and European legislation, especially the Law No. 276/2001 Coll. on the Regulation in Network Industries, Law No. 656/2004 Coll. on Energy Sector and the Regulation of the European Parliament and of the Council No. 1775/2005/EC on conditions for access to the natural gas transmission networks. Its purpose is to simplify access to the transmission system and to better reflect the needs of customers.

In the field of operations, development and maintenance of the transmission network that consists of approximately 2270 km of high pressure pipelines and four compressor stations, the company has continued with some important projects, such as automation aimed at centralised remote control of the compressor stations from the Dispatch Centre at Nitra, increase in the compression ratio at the compressor station Veľké Kapušany, or Reliability Centred Maintenance. Other important tasks included the strengthening of interoperability with adjacent network operators and establishing commercial functionalities at the Dispatch Centre.

In 2007, when we remind ourselves of the 35th anniversary of gas transit through Slovakia, in addition to such traditional priorities as safety and reliability of gas transmission, SPP – preprava a. s. will also focus on flexibility with respect to the customer needs, comfortable and fast communication with the network users and an overall customer - friendly environment.

The development of the transmission of natural gas (in billion m³)

Year	2002	2003*	2004	2005	2006
Transmission	70.4	72.7	82.7	81.3	73.8

*Until 2003 the figures indicate the volumes transported through the transit system.

SLOVAK GAS NETWORK INTEGRATED IN THE EUROPEAN GAS SYSTEM



SLOVAK TRANSMISSION SYSTEM



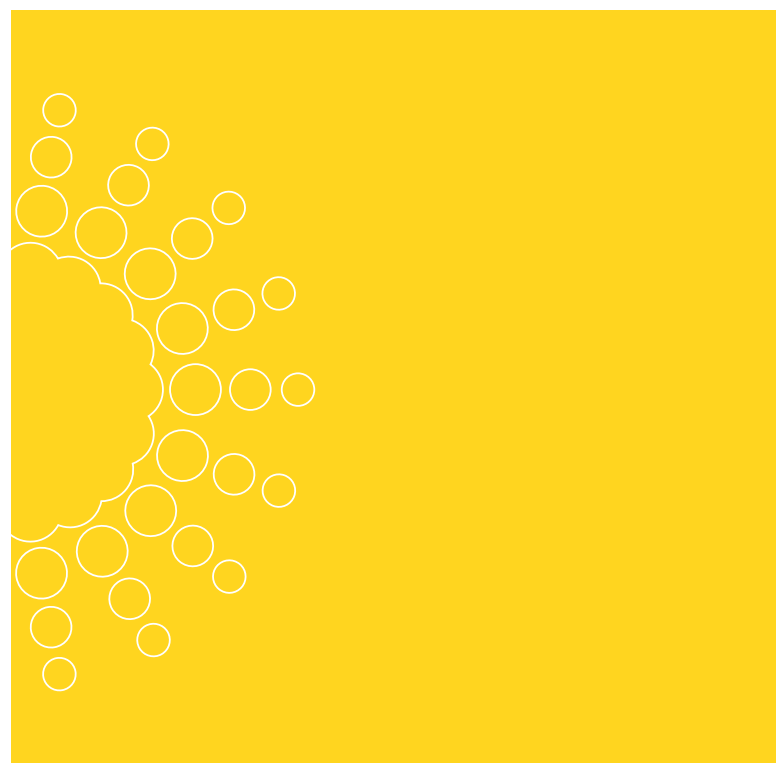
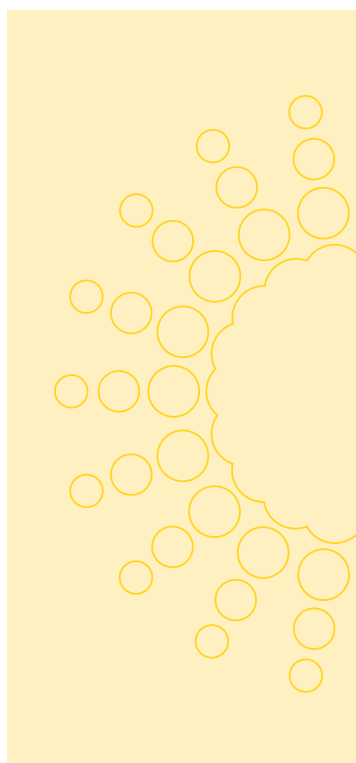
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SLOVENSKÝ
PLYNÁRENSKÝ
PRIEMYSEL **SPP**

VISION, MISSION



VISION, MISSION

SPP Core Group includes SPP a. s., SPP - distribúcia a. s. and SPP - preprava a. s.

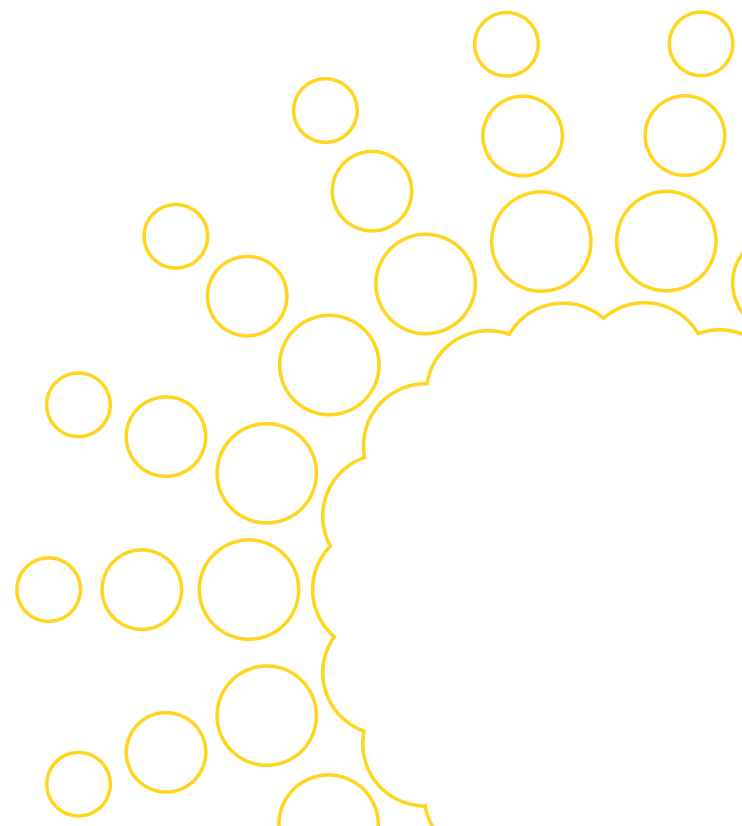
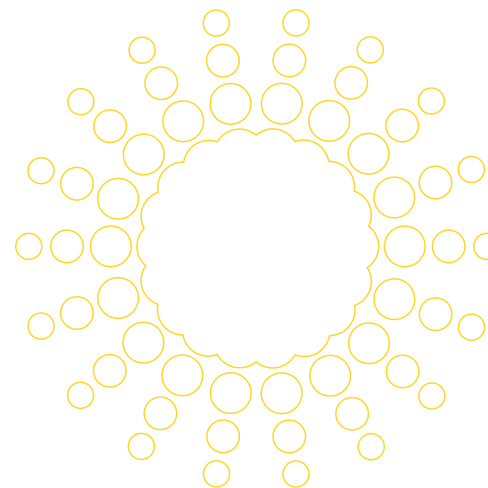
Vision

SPP Core Group's vision is to become a state-of-art dynamic company, which is a Central European leader striving for better customer orientation and excellence in meeting the needs of our clients.

Mission

It is our mission to be a business partner that is respected and reliable, ensuring the smooth, safe distribution and supplies of natural gas for domestic consumers and at the same time smooth and safe transmission of natural gas from the Russian Federation to the European market.

We are committed to secure the growth and stability in line with the interests and satisfaction of our customers. Each of our customers has to feel that we are a reliable and honest partner, and that each customer is important to us. We do our best to offer our customer multifaceted services in order to establish with each of them a long-term and mutually beneficial business relation.



CODE OF CONDUCT AND THE COMPANY'S CORE VALUES



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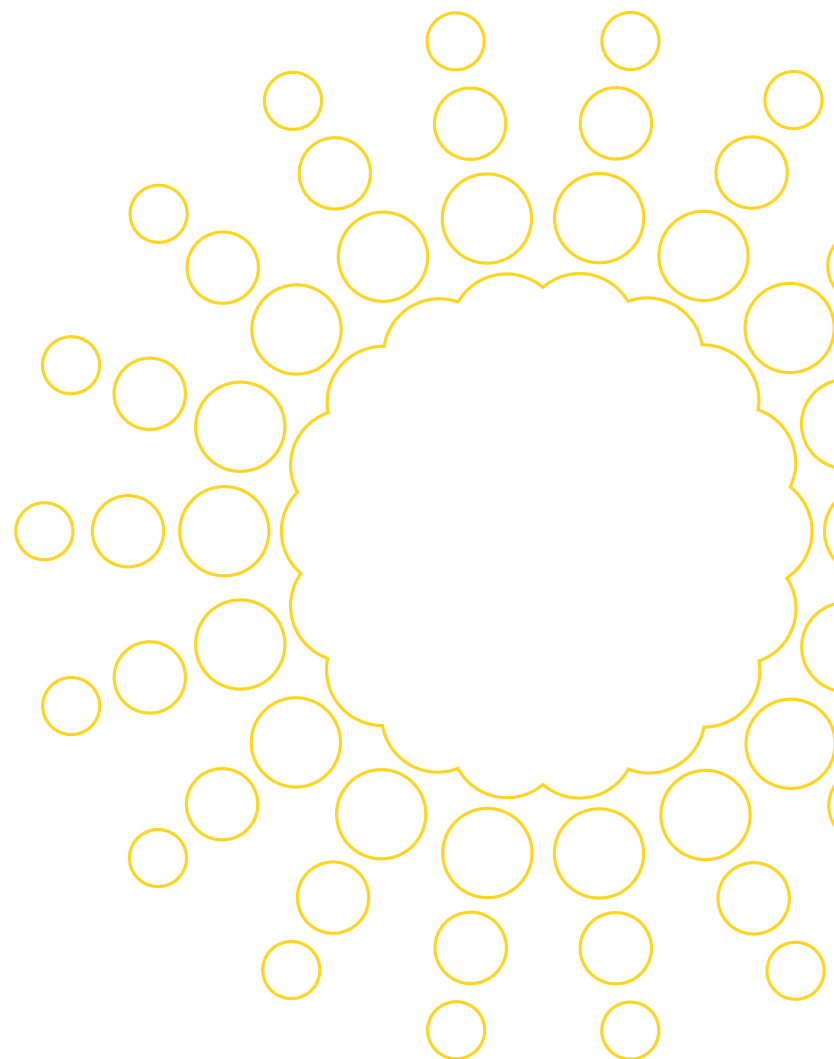
In 2006 we have formalised the core values of our company. These at the same time became the foundation for the development of a Code of Conduct, which is the essential ethical standard of our company. The Code of Conduct reflects the attitudes and behavioural patterns that have been adopted in SPP Core Group companies. Its objective is to support the establishment of a fair, transparent and competitive environment within these companies. On top of that the Code of Conduct emphasises ethical principles applicable to the conduct of each individual employee.

In the previous year our activities were focused also on the development and working on our corporate culture, in order to support the dynamics of our company, initiative and fairness of our employees, as well as high efficiency.

We expect that the conduct of each individual employee will reflect the essential values of the Core Group companies, which are as follows:

- Respect people
- Respect resources
- Initiative
- Integrity

We are aware of the fact that ethical conduct has its major importance in the long-term operation of our company and that it reflects our responsibility with respect to all our business and sales partners.



HUMAN RESOURCES



Employment Policy

For SPP Core Group companies the development of human resources is one of the priorities that contribute to the overall development of the companies and to the achievement of our goals. All activities of the Human Resources Division in 2006 had one common purpose – satisfied employees – that is competent, motivated and committed employees. Management of human resources, shaping corporate culture, definition of managers responsibilities and responsibilities of other employees, as well as their development determine the values of our company.

The crucial point is that all employees understand these values and their effects in everyday life. Their presentation and communication was an important element in the process of internal communication in 2006.

Training

In 2006 the training priorities have been affected mainly by the process of unbundling carried out in our company.

In the same year we completed the project focused on the development of managers at all management levels who had been developing their required skills and competencies through training and coaching. The special training was focused mainly on the development of staff in the companies SPP - distribúcia a. s., and SPP - preprava a. s. It covered primarily new skills focused on repairs and operation of selected gas, pressure, electric and lifting devices, carried out on the format of periodical statutory re-trainings. In 2006 we have gained a possibility to carry out the new formats of training in an environment resembling a real life situation. We at the same time managed to get a necessary authorisation to establish our own SPP a. s. Welding School. In 2006, in cooperation with the Technical University in Košice we have organised postgraduate study course „European Gas Industry Expert“, attended by the selected managers and engineers from all three companies from SPP Core Group.

Keeping in mind the importance of customer orientation of SPP a. s., one of our priorities in 2006 was also the training of Gas Trade Division staff (training of Call Centre staff, sales persons, customer care clerks, etc.).

Education profile of SPP Core Group employees as at 31. 12. 2006

Age profile of SPP Core Group employees as at 31. 12.2006

* GED – General Education Diploma.

Average age of SPP Core Group employees as at 31.12 .2006 was 43 years.

Women in top positions

By 31. 12. 2006 our companies had 4 653 employees. Of this number there were 1 207 women, which is 26 % of the total number of employees. There were 12 women in top positions, which represents 15.6 % of the total number of managers, of which there is one division director and 11 section directors.

Share of men and women

SAFETY AND ENVIRONMENTAL PROTECTION



SAFETY AND ENVIRONMENTAL PROTECTION

In 2006 the legal unbundling of subsidiaries has brought about far-reaching changes in terms of setting-up responsibilities for activities and processes, as well as powers in the field of safety at work, fire protection and care for the environment.

As major energy companies with operations in the Slovak market, and our activities have a significant impact on the environment. All the companies from SPP Core Group integrate in their policies and management of processes the principles of safety and health protection at work. In this way we positively influence all areas, such as operation activities, management of investments, but also procurement and management of contractual partners.

Waste

Within SPP Core Group companies we handle a large variety of types of waste that are generated through the routine operations, repairs, maintenance and cleaning in our technological facilities. Therefore we have developed the waste management programmes. By implementing them through specific activities we have satisfied the waste management principles, reducing or preventing generation of waste, and focusing rather on waste processing than on waste disposal. The waste is also produced in specialised projects that are focused on improving the quality of environment on our sites, in our locations or regional centres. A typical example is resolving the environmental burdens from the former gas business activities that were generated as a by-product of town gas production.

Water Protection

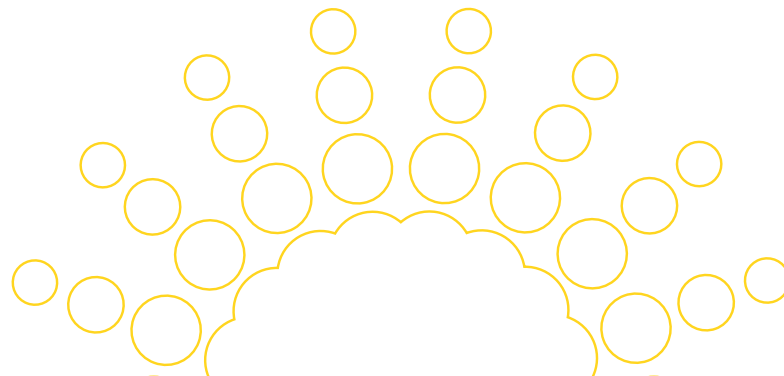
We belong to the major consumers of ground water and producers of waste water. Therefore one of the most priorities in the field of environmental protection is the water management. We are aware of the fact that the existing water sources are not unlimited, and thus all activities that have a potential impact on the water quality, such as the handling of hazardous substances, are very carefully monitored.

In accordance with the applicable water legislation, our companies, as the owner of water works are responsible for water management, especially with respect to permits for special use of water, efficient use of water, and protection of water against pollution.

In 2006 we have recorded a drop of the water off-take and lower discharge of waste water, both being the result of better efficiency of water use.

Water consumption and waste water discharge development trends (in thousand m³)

Year	Water consumption	Water consumption	Discharges
	- suppliers	- ground water	
2002	213	45.9	493.7
2003	201.1	27.4	394.5
2004	185.0	36.23	360.7
2005	137.6	48.3	368.7
2006	118.9	37.7	347.1



Air Protection

In all SPP Core Group companies we operate a large number of energy facilities. It is therefore our key priority to carry out the continuous monitoring of air quality and protection in our country. Pollution sources generate mainly such emissions as nitrogen oxides, carbon monoxide, alkenes except methane, and unburned fuel residues as such as total carbon, sulphur dioxide and solid air pollutants. The compressor station operations are obligatory participants of an emissions trade scheme. We therefore continuously check emissions of aforementioned gases we produce, and we constantly work on improving the system of their monitoring.

Due to our continuous care for operations and quality of our technical installations the volumes of emitted pollutants production have been falling down.

Emissions of basic pollutants and greenhouse gases (in tonnes)

Year	CO	NO _x	ΣC	SO ₂	CH ₄
2002	406	3464	350	1.1	14 292
2003	348	3336	356	0.8	11 958
2004	361	4738	227	1.2	7 313
2005	367	3979	249	1.04	7 657
2006	238	2846	177	0.62	14 738

Protection against Noise Pollution and Vibrations in the External Environment

In 2006, for noise emission sources produced through the gas distribution, the company has been maintaining an updated Central Inventory of Noise Pollution Sources per individual local centres. Until 31. 12. 2006, in 1359 regulation stations of a total of 1 735 natural gas regulation stations, we have carried out noise pollution measurements. As a part of the introduced system for evaluation of a technical condition of gas installations the measurements results comprise an important criterion for putting the non-compliant installations on the list of installations planned for reconstruction and repair.

Analysing the issue of noise emissions in the natural gas transmission the company developed an in-depth noise pollution study as reference material for running investment event – Construction of new turbine machinery in the Compressor Station Velké Kapušany.

Environmental Information System – EIS

In order to conduct demanding statistical and reporting tasks with respect to the public authorities we have developed an efficient system for the monitoring of environmental information – EIS. It serves for optimal management of environmentally important activities as well as efficient management of processes under the environmental influence. In 2006 the system was upgraded for the new state of affairs following an unbundling of the company SPP a. s. Added to the system was also functionality for the monitoring of carbon dioxide as an important greenhouse gas produced in our facilities.

Safety and Health Protection at Work

The right of our employees for their safety at work (life and health) is applied via organised systems in the area of safety at health protection at work (SHPW), which includes a large number and variety of subtopics, covering above all, general safety at work, safety of technical equipment, prescribed working conditions, work hygiene and fire protection.

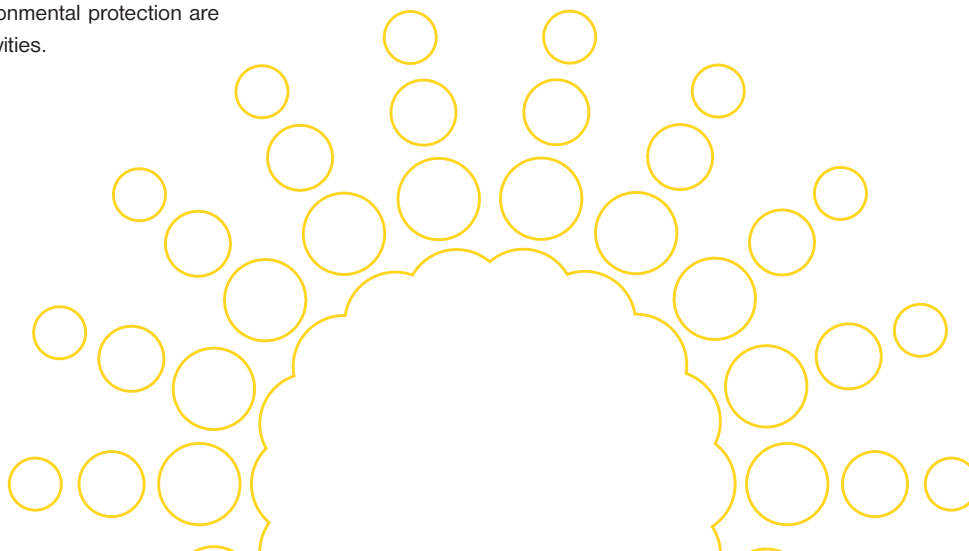
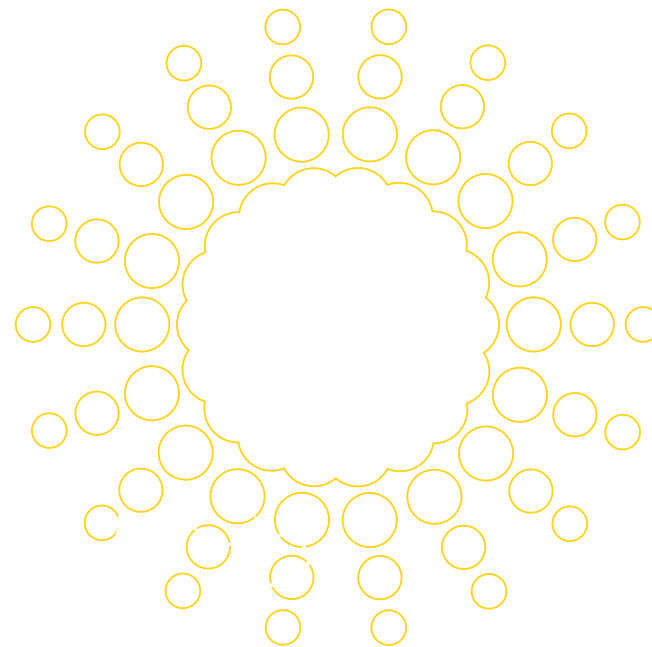
The SHPW management model in SPP Core Group companies is focused mainly on the prevention and foreseeing of negative situations, and it covers all areas of activities carried out by the companies. A qualification for its application is the compliance with regulations in the framework of the changing legal environment and multifaceted performance of controlling activities, verification of outputs, and adopting counter-measures.

In 2006 the approved concept of SHPW policy was used as a platform for the following related activities and projects:

- introducing personal protective means information system,
- introducing new approach to setting up technical requirements for these protective means,
- producing the register of hazards, threats, and risks.

In the area of safety we have achieved our goals through optimisation of working processes, strategic and programme-based approach, order and discipline on the work site, through involving staff members in resolving of safety and health protection at work issues, and through raising their motivation and responsibility for their own health.

For SPP Core Group companies the issues of safety and environmental protection are one of the key priorities in the management of our business activities.



COMMUNITY SERVICE AND SPONSORING OF SPORT



COMMUNITY SERVICE AND SPONSORING OF SPORT

In 2006 we went through multiple significant changes, though we managed to keep the long-standing tradition of encouraging the ideas of proactive and creative community service.

SPP Foundation

We are aware of our share of responsibility for the status and development of our society. Therefore, in 2002, we have founded the SPP Foundation, which receives 2 percent of the income tax paid by SPP a. s. and uses this to provide donations to charity, philanthropic and community service projects. The purpose of this is to support building of the civic society and to help people that are in a difficult life situation.

In 2006 SPP Foundation has supported a total of 464 non-profit organisations, university students, theatres, social services providing houses, schools, local governments, state organisations, museums, universities, libraries and hospitals, distributing the total of SKK more than 130 million.

SPP Foundation has been developing its activities in the following five priority areas:



- 1) Development and support of education;
- 2) Development and protection of cultural values;
- 3) Support of disadvantaged community groups
- 4) Health protection
- 5) Support of charity and philanthropy



Development and Support of Education

In the field of development and support of education the SPP Foundation has implemented the scholarship grant scheme **Hlavička**. Through this programme, during the academic year 2005/2006 the SPP Foundation has provided 10 months scholarship grants to 109 undergraduate students, who are exceptionally talented, or they are leaders in their communities, but face a difficult social situation.

SPP Foundation has supported several education-oriented activities, such as the Slovak Association of Community Foundations project, through which the Foundation helped 79 young people to enhance their capacity to proactively influence and improve their community environment in nine Slovak cities. Altogether SPP Foundation supported 34 youth projects. They were among others the project of Man In Peril Association **One world in high schools**, the workshop **Young People and Life** in Tatranská Štrba, the European Association of Law Students in Bratislava and their project **European Simulated Dispute at the Court**, or multiple projects of Bratislava Economic University and Košice Technical University.

Development and Protection of Cultural Values

In cooperation with its founder SPP a. s. and the Slovak Ministry of Culture, the SPP Foundation supports renovation of cultural monuments in Slovakia. The programme **Let Us Renovate Our House** is designed to resolve issues of systematic support of national cultural monuments. The project is used to fund protection, renovation and restoration of those monuments. Through its SKK 50 million contribution, SPP Foundation helped to renovate seven cultural monuments in Slovakia. As a part of the programme SPP Foundation has donated SKK 15 million to the castle Spišský hrad, or SKK 6 million to St. Jacob's Church on the Master Paul of Levoča square.

In addition to that, SPP Foundation has also supported the youth theatre GunaGu and its project GunaGU trilogy, or the festival Kapalest – outdoor premises in Banská Štiavnica. In 2006 we have also supported the largest classic music event in Slovakia – Bratislava Music Festival.

Support of Disadvantaged Population Groups

SPP Foundation believes in the uniqueness of each individual human being and it has therefore decided to support interesting, creative and innovative forms of care for children and young people with handicaps. It means projects and activities that can capture the interest or inspire these children and handicapped people and help them to develop their personality.



SPP Foundation has supported 37 organisations from the grant programme **Opora**. These projects provide innovative forms of care to children and young people with different degrees of handicaps.

SPP Foundation partnership organisations in this field were the Slovak Paralympics Committee, non-profit organisation Sounds Through Hands, Matej Hrebenda Slovak Library for Blind in Levoča.

Health Protection

SPP Foundation contributes to the protection of human health. It has supported the Children's Cardiology Centre through purchasing an ultrasonic device for Echocardiographic examinations for almost SKK 3 million. This examination is necessary during difficult cardiosurgery and during post-surgery period for children suffering from hereditary diseases of heart. SPP Foundation also helped to purchase a tomograph for the F.D. Roosevelt Faculty Hospital in Banská Bystrica.





Lubomir Melicher

SPP Foundation's programme for employees "The Day of Children and Football"



Association providing aid for mentally handicapped in Vranov nad Topľou

"We are here as well, we too have our own desires..."

Relief Provided During Extraordinary Crisis Situations

During the previous year SPP Foundation managed to show that it can promptly respond to extraordinary situations both in their domestic country, as well as elsewhere in the world. One of them was the support donated for relieving the consequences of the natural disaster in High Tatras, and for the reconstruction of the recreational forest park "Sibír" in Nový Smokovec.



SPP Foundation has bought the Stratus Oct - optical coherence tomography device for the Ophthalmology Clinics of F. D. Roosevelt Hospital in Košice



**Non-profit organisation
"Children of the Danube"**

Creative workshops for children from Children's Homes and Homes of Social Care dedicated to the topic "How an elephant got his trunk"

Support of Charity and Philanthropy

SPP Foundation supports the implementation of the matching programme **Let Us Join In**, designed to support public fundraising activities for non-governmental organisations operating in the fields of social, health and environmental sector.

We support also **activities of our employees**. In 2006 we have actively helped our employees to raise funds for any public service projects that they are involved in during their own leisure time. SPP Foundation supported 54 sporting, cultural, community and charity events with a total amount of SKK 1.9 million. The funds provided by our employees and SPP Foundation were used to renovate the gymnasium complex in Nedožery primary school, to liquidate illegal dumping ground in the Bratislava District Rača, and to hold an Art Therapy Workshop in the House of Social Services "Svetluška" in Kunov.

Sponsoring Activities

We had introduced ourselves as a strong partner in sports, mainly through supporting the national Slovak wild water canoeing team. We have been the general promotion partner of Olympics winners in wild water canoeing - the crew; Peter and Pavol Hochschorner; as well as being the main promotion partner of K4 – the four canoes. We have been also a general sponsor of the Slovak Paralympics Committee, and the main sponsor of the Slovak Ice Hockey Federation, and on the top of that a co-sponsor of the International Dog Sled Championship also, which is organised every year in Donovaly.

In 2006 too we have stuck to the motto **Ones that are stronger shall help those that are weaker**. This motto is derived from the strong tradition of openness and solidarity we follow. In this way, in the environment where it carries out its business, our company responds to the community needs.

For several years we have been acting in the field of culture, as a general sponsor of the internationally renowned event **Bratislava Music Festival**, which is annually attended by top – performing artists from numerous countries around the world.



Peter a Pavol Hochschorner
Olympic winners in C2 category wild water canoeing



Slovak paralympic sportsmen

- table tennis national team: bottom left to right: Peter Valka, Marika Pillárová, Rastislav Revúcky, Ján Riapoš, Ján Koščo
top left to right: Miroslav Mitaš, Ján Bezečný, Roman Cibulka, Attila Póda, Ján Lackovič, Richard Csejtey, Ladislav Gáspár, Oľga Barbušová



K4 – speed kayaking



Elena Kaliská

Olympic winner in the wild water canoeing – slalom race



Bratislava Music Festival



Bratislava Music Festival



Radomír Dudáš nad Maroš Hudík

Winter Paralympic Games in Torino 2006



Skier Iveta Chlebáková

bronze medallist, Winter Paralympic Games in Torino 2006



Jana Dukátová

World Champion in 2006 wild water canoeing – slalom race



Richard Csejtey

World Champion in table tennis for physically handicapped people



Slovak Ice Hockey National Team

STATEMENT OF ADHERENCE OF THE DISTRIBUTION SYSTEM OPERATOR IN 2006 TO THE COMPLIANCE PROGRAMME



STATEMENT OF ADHERENCE OF THE DISTRIBUTION SYSTEM OPERATOR IN 2006 TO THE COMPLIANCE PROGRAMME

1. In the time period from 1.1.2006 to 30.6.2006, the Distribution System Operator had been the Distribution Division, which had been a part of SPP a. s., while its organisational and account activities had been unbundled from other activities unrelated to gas distribution. In this time period the Distribution Division had been fulfilling measures adopted in Distribution Division internal by-law called "Compliance Programme of the Distribution System Operator", designated as DRA-S.D.14.03.05, which came into force in the year 2005.
2. Until 30.6.2006 the Distribution Division has been preparing for the legal unbundling of the Distribution System Operator as an independent company SPP-distribúcia a. s., which was established on 1.7.2006. On 11.1.2006 the internal methodological guide "Compliance Programme of the Distribution System Operator", designated as DD.RM.11.01.06, which came into force on 1.7.2006 was approved. This said by-law sets up measures applicable to the Distribution System Operator following the legal unbundling from the company SPP a. s.
3. The Compliance Programme of the Distribution System Operator sets forth the following provisions:
 - (a) Obligations ensuring independence of the Distribution System Operator from other activities unrelated to the gas distribution
 - (b) Obligations ensuring a non-discriminatory treatment in rendering information
 - (c) Obligations ensuring a non-discriminatory treatment concerning access and connection to the distribution network, and the distribution network operation
 - (d) Obligations ensuring the promulgation of the Programme, its monitoring, and issuing the regular compliance reports
 - (e) Current and interim arrangements
4. The unbundling of the Distribution System Operator with the follow-up incorporation of the independent company SPP – distribúcia a. s. complied with all Energy Law requirements concerning the unbundling of gas transmission and supplies of gas
5. The performance of arrangements adopted in the Compliance Programme of the Distribution System Operator for 2006 has ensured the following:
 - (a) All employees of the Distribution System Operator were trained on the Compliance Programme provisions;
 - (b) The company has adopted internal procedures facilitating the introduction of and adherence to the Compliance Programme provisions;
 - (c) The fulfilment of the Compliance Program has been regularly reviewed.
6. Compliance Officer has not found any breach of any of the measures listed in Compliance Programme during year 2006.

In Bratislava, 22. 1. 2007



Ing. Milan Kachút
Compliance Officer
of the Distribution System Operator

STATEMENT OF ADHERENCE OF THE TRANSMISSION SYSTEM OPERATOR IN 2006 TO THE COMPLIANCE PROGRAMME



STATEMENT OF ADHERENCE OF THE TRANSMISSION SYSTEM OPERATOR IN 2006 TO THE COMPLIANCE PROGRAMME

1. The Transmission System Operator has implemented a Compliance Programme as referenced to in Energy Law No. 656/2004 Coll., as amended by further regulations.

2. The Compliance Programme sets forth the following measures:

- (a) Specific obligations of employees to meet the objective of non-discrimination
- (b) Specific obligations ensuring non-discriminatory access to the transmission network of the Transmission System Operator
- (c) Arrangements aimed at enforcing the Programme
- (d) Effective monitoring and regular reporting

3. The Compliance Officer has not found any breach of the measures listed in the Compliance Programme.

4. In 2006 the Transmission System Operator has ensured the following:

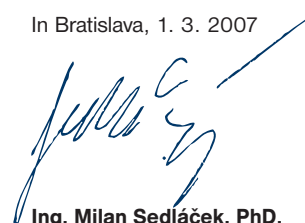
- (a) The company has adopted internal mechanisms for ensuring non-discriminatory conduct in accordance with the respective applicable legislation;
- (b) The Compliance Programme has been regularly reviewed in order to keep it up-to-date and to ensure it meets the requirements imposed by the respective applicable legislation.

5. This Statement refers to the period 1. 1. 2006 till 31. 12. 2006.

6. In the time period from 1.1.2006 to 30.6.2006, the company SPP a. s. had been acting as the Transmission System Operator, and it had pursued the Compliance Programme issued on 21.3.2005.

7. Since 1.7.2006 the Transmission System Operator has been unbundled pursuant to the Article 42 of the Energy Law, and the company SPP-preprava a. s. has been acting as the Transmission System Operator, and it has pursued the Compliance Programme issued on 1.7.2006.

In Bratislava, 1. 3. 2007



Ing. Milan Sedláček, PhD.

Compliance Officer
of the Transmission System Operator

150 YEARS OF GAS INDUSTRY



150 YEARS OF GAS INDUSTRY

In the year 2006 we have commemorated 150th anniversary of gas industry in Slovakia

Together with coal and oil natural gas belongs to a family of important fossil fuels that emerged millions years ago. The first documented use of natural gas is linked to China. Ancient Chinese already knew and used natural gas in the 10th century B.C. They used to distribute it directly from source through bamboo pipelines, and they used it for cooking, heating and drying salt.

The beginning of experiments with the production of combustible gases goes back to 16th century. The mass exploitation of town gas started in the 19th and 20th century. The town gas was mainly used for illumination and heating.

The wide use of natural gas falls within the second half of the 20th century, when natural gas fully replaced town gas. This period is generally known as a changeover to methane-based gas. Its exploitation had been mainly associated with the development of techniques and technologies used in its production, processing, transportation, storage and use. The place where natural gas is used most extensively is the energy sector, where it is used for the combined production of heat and electricity, and in transportation. It is safer than town gas and in ecological terms it is a cleaner energy source, hence it does not produce environmental burdens.

1618

Natural gas leaking from the earth in the vicinity of Grenoble inspired the Frenchman J. Tardin to extract gas from coal.

1659

The English pastor John Clayton produced a combustible gas through carbonisation of coal. He used to fill it into leather bags and utilised it for illumination of night patrols.

1784

The Swiss Aimé Argand invented a lamp with a glass cylinder, which increased the flow of air around the flame. The good access of air brought about a better combustion and a more perfect illumination.

1797

The French engineer Philippe Lebon studied how to use for heating and lighting purposes the gas which was produced through the distillation of wood.

1799

On September 28, Philippe Lebon took a patent on „the new ways for using more efficiently some fuels to produce heat and light“ and on device called „thermolampe“ he invented.

1802

The Scottish man Mr. William Mudrock, close to Birmingham founded a small municipal gas work producing town gas. It supplied gas to the manufacturing plants in Amiens. Later on appliances for illumination of large workshops were added in the manufacturing plant.

1807

In England the first town gas work with capacity of 2500 candles was built in the weaving factory Phillips and Lee. The town gas was produced in horizontal retorts and it was used for illumination using argand lamps.

1813

The Westminster Bridge in London was illuminated with town gas street lamps, and then the use of town gas for illumination spread further. This date is deemed to be the date of the establishment of the gas industry as an industrial branch.

1817

In Paris town, gas was used for the first time for the illumination of the „Passage des Panorames“.

1838

The first city in Austria - Hungary to be illuminated by town gas was Vienna. The next on which followed was Prague in 1847. Brno followed in 1856, and the fourth city in the monarchy that started to use the town gas was Bratislava in 1856.

Gas Industry Development Milestones in Slovakia

1856

On March 19, 1856 the company Österreichische Gasbeleuchtung AG from Vienna commissioned the first municipal gas works producing town gas on the territory of current Slovakia, located on Price square (Kniežacie námestie) (the so-called Firnshal, today Freedom square (Námestie slobody)) in Bratislava. The city had been illuminated by 209 town gas lamps. The annual production reached 350 000 m³ of natural gas.

1869

The municipal gas work in Košice was founded, as well as other municipal gas works in Banská Štiavnica (1880), Nitra (1891), Trnava (1900), Komárno, Nové Zámky (1902), Nové Mesto nad Váhom (1909).

1906

The Governmental Decree No.176 was the first regulation governing the gas industry in Slovakia, known as the so-called „Gas Regulativ“.

1912

The Bratislava municipal gas works was operating the largest telescopic gas storage tank of 20 000 m³ storage capacity in that time on the territory of Bohemia, Moravia and Slovakia.

1935

The foundation stone of the new municipal gas works at Mlynské nivy in Bratislava was laid, the gas works was commissioned on the next year.

1938

On Kollar square in Bratislava the compressor station was built for filling compressed town gas as a fuel for cars. In 1943 the station burnt down and it has never been re-commissioned. As a replacement the station at Račianske mýto was used.

1945

Through a Presidential Decree the gas works were nationalised, with the follow-up establishment of the enterprise „Slovenské plynárne“, with seven branch plants in Bratislava, Košice, Komárno, Nitra, Trnava, Nové Zámky and in Nové Mesto nad Váhom.

1950

Large deposits of natural gas were found in Záhorie – especially in Plavecký Štvrtok and in Vysoká, which initiated a construction of a long-distance high-pressure pipeline.

1951

Commissioning of the long-distance pipeline from Plavecký Štvrtok and Vysoká to Bratislava. Simultaneously with the liquidation of facilities for the production of town gas the connection of new customers to the gas grid starts, as did the changeover from town gas to natural gas (methane-based gas).

1954

Natural gas deposits were also discovered in eastern Slovakia, namely in Trhovište, Stretava, Ptrukša and in Bánovce.

1967

Commissioning of the transit pipeline Brotherhood, transporting natural gas from USSR to Czechoslovakia and Austria.

1970

A contract signed in Moscow between Czechoslovakia and USSR on transit of natural gas through Czechoslovakia to Austria and Germany (Western and Eastern), with the gradual construction of further branches of the transit pipeline.

1976

Foundation of the concern Naftový a plynárenský priemysel Bratislava, which was established following the merger of among others three originally independent regional gas work enterprises (Bratislava, Košice, Žilina), and the oil companies Nafta Gbely, Moravské naftové doly Hodonín (Czech Republic), and Naftoprojekt Poprad.

1977

The production of town gas in Bratislava was terminated after 121 years, in Košice the production finally ended one year later.

1990

The state-owned company Naftový a plynárenský priemysel was split into two spin-off companies - Slovenský plynárenský priemysel, štátny podnik and Nafta Gbely.

1993

The Slovak Part of the transit pipeline Prague was incorporated in the state-owned company SPP.

1994

SPP connects its one-millionth customer to the grid.

2001

Transformation of the state-owned company to the joint stock company SPP a. s.

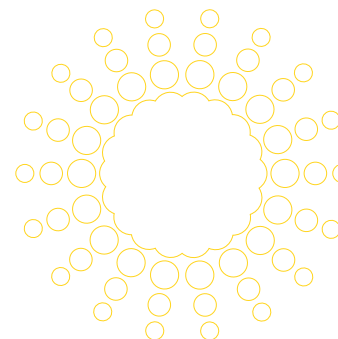
2002

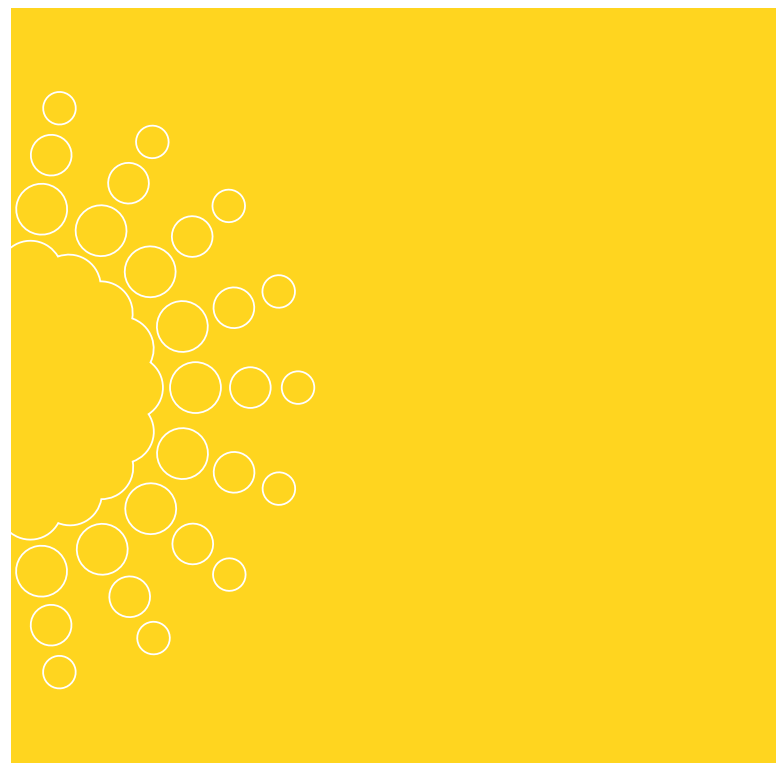
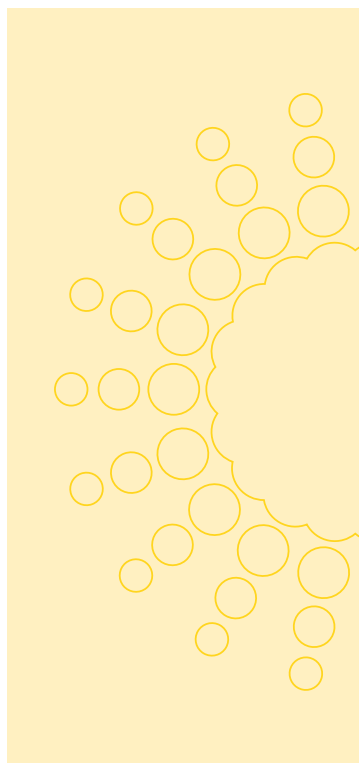
SPP is entered by foreign investors - Gaz de France and E.ON Ruhrgas (49 %), with the Slovak state keeping a 51 % stake.

2006

On March 19 the 150th anniversary of gas industry in Slovakia was commemorated.

On July 1st, SPP implemented the legal unbundling of gas activities, as a part of the liberalisation of the energy market in the European Union, with the subsequent spin off of two 100 % subsidiaries: SPP - distribúcia a. s. and SPP - preprava a. s.







SLOVENSKÝ
PLYNÁRENSKÝ
PRIEMYSEL



SELECTED DATA FROM CONSOLIDATED INTERNATIONAL FINANCIAL STATEMENTS OF SPP GROUP AND INDEPENDENT AUDITOR'S REPORT



SELECTED DATA FROM CONSOLIDATED INTERNATIONAL FINANCIAL STATEMENTS OF SPP GROUP AND INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED BALANCE SHEETS (SELECTED DATA)

Status as at December 31, 2006 and December 31, 2005 (in SKK million)

	December 31, 2006	December 31, 2005
ASSETS:		
NON-CURRENT ASSETS		
Property, plant and equipment	190 416	53 056
Financial investments	8 836	6 385
Intangible and other assets	1 319	1 349
Deferred tax asset	-	682
Total non-current assets	200 571	61 472
CURRENT ASSETS	52 214	44 200
TOTAL ASSETS	252 785	105 672
EQUITY AND LIABILITIES:		
CAPITAL AND RESERVES		
Registered capital	52 287	52 287
Reserves	119 751	10 238
Retained earnings	31 230	23 403
Equity attributable to equity holders of SPP	203 268	85 928
Minority interests of other owners owners of subsidiaries	9 597	2 340
Total equity	212 865	88 268
Non-current liabilities	30 726	6 095
Current liabilities	9 194	11 309
Total liabilities	39 920	17 404
TOTAL EQUITY AND LIABILITIES	252 785	105 672

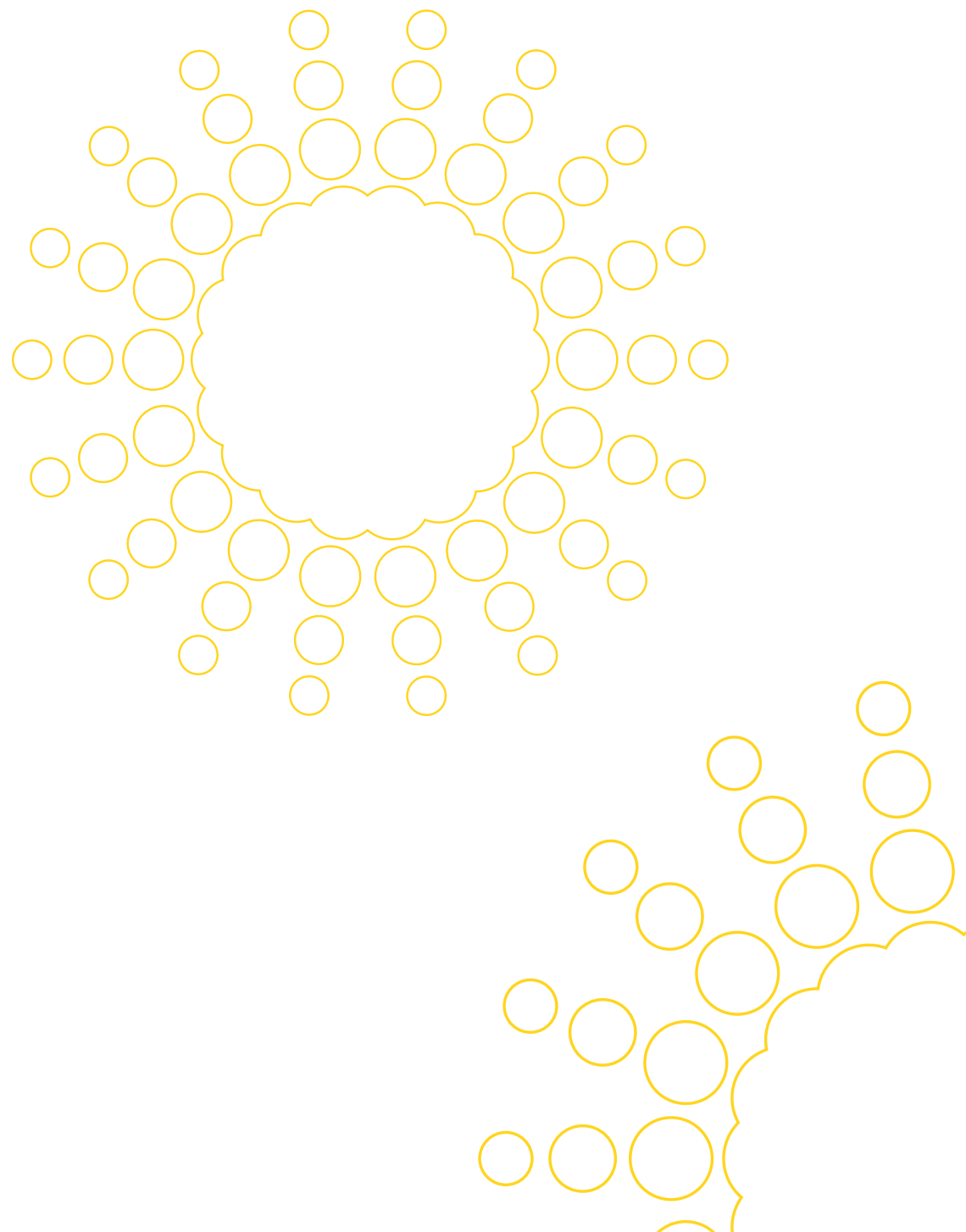
CONSOLIDATED PROFIT AND LOSS STATEMENTS (SELECTED DATA)

Years ended 31 December 2006 and 2005 (in SKK million)

	Year ended 31 december 2006	Year ended 31 december 2005
Revenues from sale of goods and services	98 828	87 029
Operating expenses	(71 133)	(60 177)
Operating profit	27 695	26 852
Income from investments	3 179	1 583
Finance costs	43	(293)
Profit before income taxes	30 917	28 142
Income tax	(5 826)	(6 263)
NET PROFIT FOR THE PERIOD	25 091	21 879
Profit attributable to:		
Shareholders of SPP	24 146	21 277
Minority interests of other owners of subsidiaries	945	602
Total	25 091	21 879
Earnings per share (in SKK)	462	407

CONSOLIDATED CASH FLOW STATEMENTS (SELECTED DATA)
Years ended 31 December 2006 and 2005 (in SKK million)

	Year ended 31 december 2006	Year ended 31 december 2005
Operating activities		
Cash generated from operations	35 673	27 203
Interest paid	-	(135)
Interest received	883	679
Income tax paid	(6 087)	(6 035)
Net cash inflow from operating activities	30 469	21 712
Investing activities		
Proceeds from investments in securities, net	321	2 545
Purchase of property, plant and equipment	(4 226)	(3 375)
Proceeds from sale of property, plant and equipment and intangibles	954	305
Proceeds from disposal of subsidiary	-	-
Dividends received	532	493
Net cash inflow/(outflow) from investing activities	(2 419)	(32)
Financing activities		
Repayment of interest-bearing borrowings	-	(2 299)
Dividends paid	(20 362)	(19 482)
Minority interest	(167)	-
Net cash outflow from financing activities	(20 529)	(21 781)
Net increase/(decrease) in cash and cash equivalents	7 521	(101)
Cash and cash equivalents at the beginning of the period	24 503	24 604
Cash and cash equivalents at the end of the period	32 024	24 503



Independent Auditor's Report

Deloitte.

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Slovenský plynárenský priemysel, a. s.

Independent Auditor's Report

To the Shareholders and Board of Directors of Slovenský plynárenský priemysel, a. s.:

We have audited the consolidated financial statements of Slovenský plynárenský priemysel, a. s. and its subsidiaries ("the Company") for the year ended 31 December 2006 prepared under International Financial Reporting Standards as adopted by the European Union ("IFRS financial statements") and issued qualified opinion thereon dated 21 March 2007. The Audit report included the limitation of scope in relation to the joint venture for which audited financial statements were not available. Without further qualifying our opinion we also drew attention to the legal unbundling, adoption of revaluation model under IAS 16 "Property, Plant and Equipment" and regulatory issues.

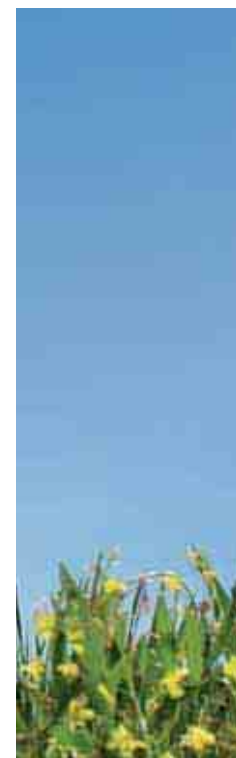
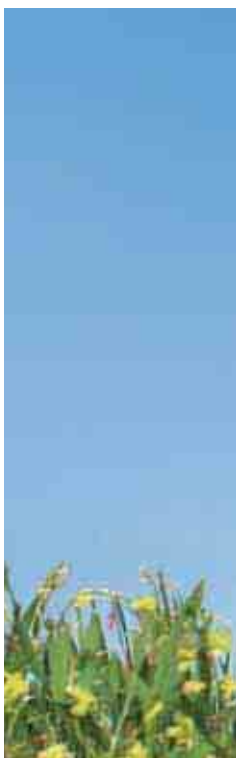
The selected data from IFRS financial statements included in this Annual Report were derived from the audited IFRS financial statements of the Company. In our opinion, the selected data from the Company's IFRS financial statements included in this Annual Report are consistent, in all material respects, with the audited IFRS financial statements referred to above, from which they were derived.

For a better understanding of the Company's financial position as of 31 December 2006, the results of its operations for the year then ended and the scope of our audit, the selected data from IFRS financial statements included in this Annual Report should be read in conjunction with the IFRS financial statements from which they were derived and our audit report thereon.

Bratislava, 9 May 2007


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


Ing. Wolda Kidan Grant, FCCA
Responsible auditor
Licence SKAU No. 921



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Photo: Martin Fridner, SPP a. s. and SPP Foundation database