



SPRÁVA



**STREDOSLOVENSKÁ  
ENERGETIKA**

VÝROČNÁ



V Ý R O Č N Á   S P R Á V A

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## 1. SPEECH OF THE CHIEF EXECUTIVE OFFICER

### DEAR CUSTOMERS, BUSINESS PARTNERS, SHAREHOLDERS AND COLLEAGUES,

In SSE, we can give the past year 2017 a few attributes: turbulent, demanding and full of changes. It is to our satisfaction that we can also add the label successful to it. I am all the more pleased that I note this fact in the current occasion of the 95th anniversary of our company.

The ratings confirm that the effort we put into the last year's work had reflected in our results. In the liberalized electricity and gas market competition, we have managed to withstand the difficult conditions due to the fact that we have paid due attention to the main pillars of our activities – purchase of energy commodities and sales of electricity and gas to customers, and we have been looking for optimal strategies and have taken responsible decisions.

In the Sales segment for B2B customers we have succeeded in implementing the contracted supplies of electricity and gas in the expected volumes, and thus we have met the business target set for the year 2017 and achieved a positive balance also in securing the sales of electricity for the years 2018 and 2020. Regarding the sales of gas, we have increased the number of customers and the volume of contracted supplies year on year. However, the acquisitions in the B2B segment did not increase at the rate we expected, we have created good conditions so that we can continue to optimize pricing and conditions for the purchase of gas in the following period.

The energy market in B2C segment for customers was significantly marked by repeated price decisions last year and the fact that, after several years of decrease, the wholesale electricity prices began to increase. The situation has placed much greater demands on the communication with customers. Therefore, most of our activities were mainly focused on retention of existing customers and expansion of relationships with them also through gas supply, bringing solutions improving energy efficiency and achieving savings for our customers.

Apart from the successfully continuing projects of modernization and reconstruction of public lighting, we have provided municipalities and cities with support in the development of energy audits and energy assessments of buildings last year. The projects for supplying transformer stations, compensating capacitors or making the production of compressed air more efficient are increasingly popular with our industrial customers. We have been providing an innovative service for heat distribution audits for housing co-operatives and owners' associations last year and we have, for example, enlarged our LED light sources offer and continued to provide active support for installation of renewable sources (photovoltaic systems, solar panels and heat pumps).



**JUDr. Zdeněk Schraml**  
Chief Executive Officer



I consider energy efficiency projects to be extremely important, because all our customers can fully understand our strengths through them, such as market knowledge, technological advancement, innovation of energy solutions, but also tradition, strength and responsible customer orientation of the SSE.

In order to be as accessible as possible to our clients, we have made another shift in the area of improving communication last year. We focused on the development of sales channels, opened a new customer centre in Prievidza, and reorganized the management and operation of other customer centres. We have also greatly simplified the reception and processing of customer requests by using different forms of electronic communication.

I am convinced that our high-quality customer service contributes significantly not only to maintain our position on the market but also to constantly strengthen it.

Dear customers, business partners and shareholders,  
allow me to express my sincere thanks to all of you for the cooperation and trust you put into the SSE. It is thanks to all the employees of Stredoslovenská energetika, who give the best of their professional self to their work.

I believe that thanks to such a common approach, SSE will continue to be a progressive, dynamically developing and successful energy company.





## 2. ABOUT THE COMPANY

### 2.1 BASIC INFORMATION ON THE COMPANY

Stredoslovenská energetika, a. s., (SSE) is a power supply company. The company provides comprehensive services related to the supply and use of electricity and gas to its customers. The SSE was founded on 1 January 2002.

At present, the shareholders of the Company are the Slovak Republic, on behalf of which acts the Ministry of the Economy of the Slovak Republic, and the company EP Energy, a. s. with its registered seat in Prague.

### 2.2 THE BUSINESS ACTIVITIES

SSE is doing its business on the basis of licenses issued under the specific laws of the Slovak Republic in the following main activities:

- electricity supply
- power generation
- gas supply

In addition to the specified activities, SSE is also doing its business on the basis of the issued trade and other licenses in other activities:

- the provision of energy services with a guarantee of energy savings
- the provision of energy support services
- performance of the activity of energy auditor
- financial intermediation - performance of the activity of bound financial agent in the insurance and reinsurance sector.

### 2.3 SHAREHOLDER STRUCTURE

The Slovak Republic, on behalf of which acts the Ministry of the Economy of the Slovak Republic, having its registered seat on Mierová 19 street 827 15 Bratislava, registration number: 00683832, a majority shareholder owning 1,793,508 shares in a company with a nominal value of € 59,544,465.60 and the number of votes in the General Assembly 1,793,508 (51%).

The company EP Energy, a. s. having its registered seat in Prague, Pařížská 130/26, Jozefov, Prague 1, Czech Republic, Identification number: 29 259 428, registered in the Commercial Register of the Municipal Court in Prague, Section: B, Insert no. 21733, a minority shareholder owning 1,723,174 shares in the company with a nominal value of € 57,209,376.80 EUR and the number of votes in the General Assembly of 1,723,174 (49%).



## 2.4 IDENTIFICATION DATA

SSE, a. s.  
Pri Rajčianke 8591/4B  
010 47 Žilina  
Company ID No.: 36 403 008  
VAT ID No.: SK 202 010 6682  
Bank connection  
VÚB, a. s. Žilina, account no.: 702 432 / 0200  
IBAN: SK91 0200 0000 0000 0070 2432  
Public limited liability company is registered in Commercial register of the District Court Žilina, Section: Sa, Insert No.: 10328/L, date of registration 1 January 2002.

Phone: 041/519 1111  
E - mail: sse@sse.sk  
Fax number: 041/519 2575  
Internet: www.sse.sk

## 2.5 COMPANIES WITH SHARES IN SSE

**SSE HAS A 100 % SHAREHOLDING IN THE FOLLOWING COMPANIES:**

### Stredoslovenská distribučná, a. s.

- Electricity distribution in Žilina, Banská Bystrica and Trenčín region with more than 700,000 customers with summary network length over 33,000 km

### Elektroenergetické montáže, s. r. o.

- Assembly, maintenance and repair of electrical network and equipment – 110 kV, 22 kV and 0.4 kV
- Carrying out of line relocations

### Stredoslovenská energetika - Project Development, s. r. o.

- Generation and supply of electricity.
- Assembly and operation of the Panické Dravce power plant with a capacity of 50 MW

### SSE-Solar, s. r. o.

- Generation and supply of electricity.
- Assembly and operation of photovoltaic power plant in Southern Slovakia with a capacity up to 10 MW.

### SSE CZ, s. r. o.

- Trade of electricity and gas to final customers on the Czech market

### SPV100, s. r. o.

- Electricity distribution

**SSE HOLDS SHARES IN THE FOLLOWING COMPANIES:**

### Energotel, a. s.

(20% share)  
• Provision of data and telecommunication services.  
The other shareholders of the company are ZSE, VSE, SE and Transpetrol.

### SPX, s. r. o.

(33,33% share)  
• Exchange of information in the electricity trading through an internet portal SPX.

## 2.6 MANAGEMENT OF THE COMPANY

### Board of Directors:



**Mgr. Petr Sekanina**  
Chairman



**Mgr. Ing. Máriaus Hričovský, Dr. oec.**  
Vice-Chairman



**Mgr. Ing. Pavol Kolenčík, PhD.**  
Member



**Ing. Jiří Feist**  
Member



**Ing. Petr Tomášek**  
Member

### Supervisory board:

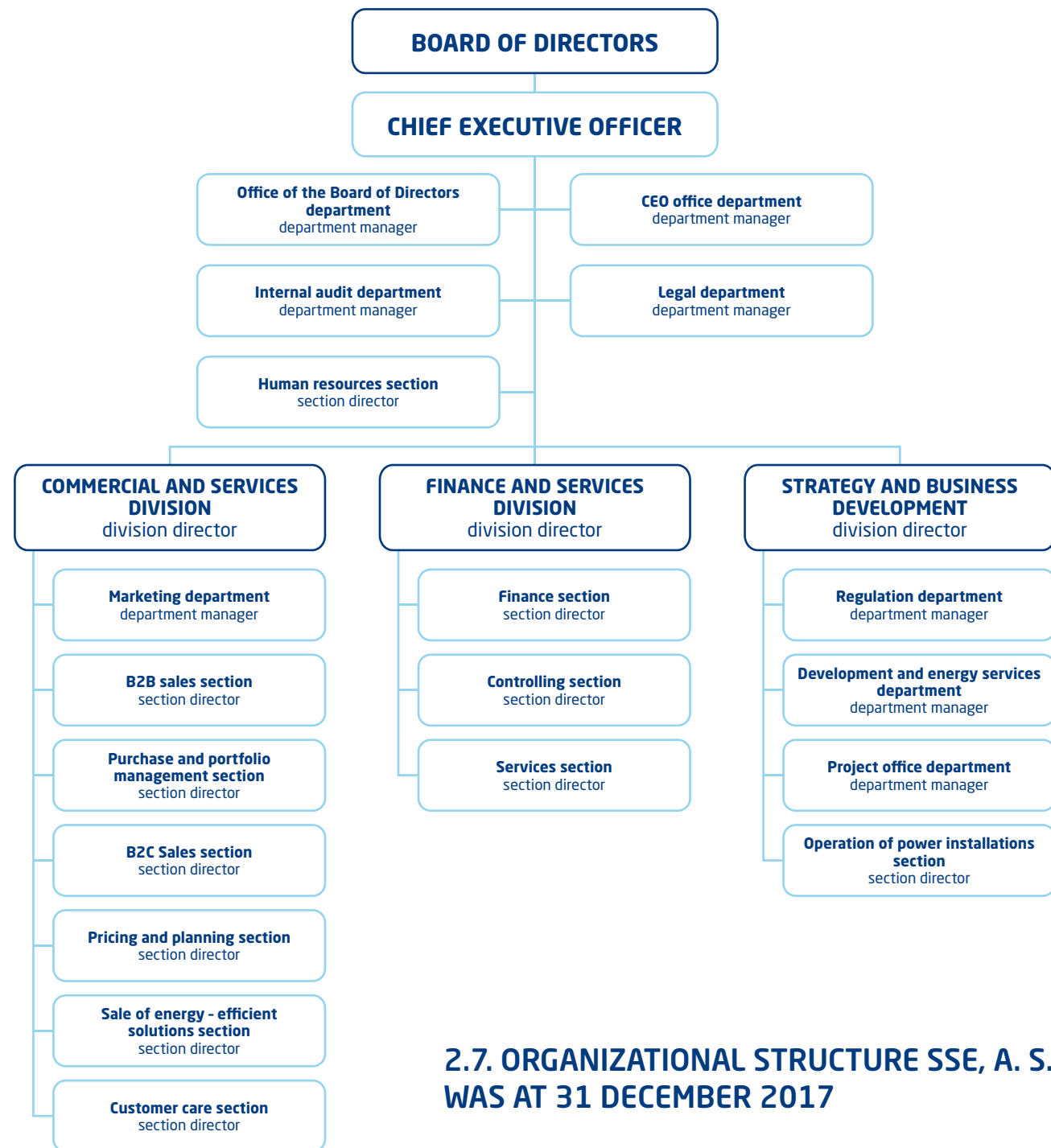
**Mgr. Karol Haťapka**  
**Ing. Jozef Antošík**  
**Ing. Ján Voštenák**  
**Ing. Branislav Sidor**  
**Ing. Ivan Ivanič**  
**Ing. Miroslav Martoník**  
**Ing. Igor Pištík**  
**Mgr. Juraj Kadaši**

Chairman  
Vice-Chairman  
Member  
Member (until 2 September 2017)  
Member  
Member elected by employees  
Member elected by employees  
Member elected by employees

### Executive management:

**JUDr. Zdeněk Schraml**  
**Mgr. Szilárd Mangult**  
**Ing. Michal Kl'učár**  
**Ing. Peter Ďurmek**  
**Ing. Pavel Bárdoš**

Chief Executive Officer  
Director of Commercial and Services division  
Director of Finance and Services division (until 15 April 2017)  
Director of Finance and Service division (since 16 April 2017)  
Director of Strategy and business development division



### 3. SIGNIFICANT EVENTS IN 2017

In 2017, Stredoslovenská energetika recorded several significant external interventions of the regulatory body, to which it had to operatively adjust the functioning of its business. At the same time, the internal environment of SSE has brought together interesting activities and initiatives by which the company has confirmed its customer orientation and strengthened the position of a socially responsible company.

The beginning of last year meant also the beginning of the new regulatory period 2017 - 2021 for SSE, in which the legally established price regulation of the electricity and gas supply continued to vulnerable customers, i.e. households and small businesses. However, at the beginning of the year, the Regulatory Office for Network Industries abolished the initial Decree approving price decisions for the year 2017, and since 10 February it has adopted a new one, by which the price decisions for the year 2017, the conditions for the application of prices and their tariff structure returned to the level of the year 2016.

Since 1 January 2017, a new legislative change has also entered into force, which tightened up and extended the rules for quality standards. Despite more stringent requirements and price turbulences at the beginning of the year, our company has reached 99.88 % level of power supply quality standards and 99.30 % of gas supply, fully confirming its reputation of a reliable energy supplier.

In the spring months, the employees of SSE again proved that it is not foreign to them to give a helping hand to those who really need it. They supported clients of the Community Centre „Na Predmestí“ and the Diocesan Charity in Žilina by collecting the clothing and school and household items.

At the beginning of the summer, a regular supervisory audit, aimed at complying with the requirements of the standard EN ISO 9001:2008, was carried out. Thanks to the efficiently set processes and cooperation of individual SSE departments, the audit has confirmed the compliance of the quality management system with the requirements of the standard for electricity and gas supply activities.

Shortly after, in July, we opened a customer centre in Prievidza, in new modern premises directly in the city center, to provide our clients easier access to our services and to give them the possibility of personal contact.

In September, as the first energy company in Slovakia, we launched a mobile application for B2B customers - Pricewatch. Through the application, the customers have an overview of prices and news in the wholesale energy market in real time directly on their phone, and they can thus operatively carry out the purchase of energy commodities.

We also updated our application Moja SSE for B2C customers. At the moment, it enables to monitor all types of energy in household (electricity, gas, water) clearly and simply in one place, in a mobile.

In October, the SSE has won the award „The company with the most efficient management of human capital in the energy sector“ for the third time in a row. The award of the consultancy company PricewaterhouseCoopers is designed for companies that manage their human capital the most efficiently and identify the best human practices in the Human resources area in the market.

In the year 2017, our employees have again the possibility to engage in the „Energy that helps“ grant program. The aim of the program was to provide SSE employees (parents of three or more children and also parents of disabled children) with support in out-of-school development and leisure activities of their offsprings and help them to pay the associated costs. Financial support in 2017 was received by four families of our employees.

As part of the commitment of Stredoslovenská energetika to be a socially responsible organization that supports the region in which it operates, we have donated the civic association Náruč in Žilina and Charity of saint Alžbeta in Zvolen at the end of last year.





## 4. COMPANY'S ACTIVITIES

### 4.1 COMMERCIAL AND SERVICES

#### Sales to B2B customers

We evaluate the past year in the Sales segment for B2B customers as very successful. For the year 2017, we have succeeded in implementing the contracted supplies of electricity and gas in the expected volumes, and thus we have met the business target set for the fiscal year 2017.

Our main activity throughout the year was securing the sale of electricity for the years 2018 to 2020. The situation was significantly affected by the market tension caused by the continuous increase of the price for electricity. However, we have succeeded to increase the volume of contracted electricity supply as well as achieve a positive win-loss balance.

Regarding the sales of gas, we have increased the number of customers and the volume of contracted supplies year on year. However, the acquisitions in the B2B segment did not increase at the rate we expected. We see space in improvement of pricing and conditions for gas purchase to the next year.

The sales of green electricity have made a significant contribution to serving the objectives. We also rely on our strengths, such as company stability, market knowledge, customer relationships, active sales, tailor-made solutions, high quality customer service and last but not least innovation. We have brought the Pricewatch mobile application to our customers through which they have an overview of prices and news in the wholesale energy market in real time directly in their phone.

#### Sales to B2C customers

The energy market, in households and small and medium-sized businesses, underwent significant changes. The beginning of the year was mainly influenced by repeated changes of price decisions, which resulted in the allocation

of our capacities to technical and communication coping with the situation. At the same time, after several years of fall in commodity price, the wholesale prices got into an upward trend, which has affected the entire market. This new trend has resulted in the continuous market consolidation, when several smaller energy suppliers left the market. The situation has placed much greater demands on the communication with customers. Therefore, most of our activities were mainly focused on retention of existing customers and expansion of relationships with them also through gas supply, bringing solutions improving energy efficiency and achieving savings for our customers.

The strategic priorities of SSE focused on improvement of communication channels and their easy accessibility to our customers. We have also focused on the development of sales channels, particularly in personal contact through our customer centres, which have undergone a significant change in organization, method of management, operational efficiency and performance in 2017. Personal contact is still one of the most preferred ways of communication of our customers; therefore we have opened a new customer centre in Prievidza, in modern premises in the city center for better accessibility. In other communication channels, we have also been working on building a positive perception of the company as well as approach towards the customer as an individual. In order to improve the quality of provided services, we have reorganized the operation itself. We have simplified the acceptance and handling of customers' requirements in order to be as accessible as possible.

With a continuous increase of our share in gas supply, we introduced several new products in 2017, focusing mainly on the segments of small and medium-sized businesses and self-government. Apart from the successfully continuing projects of modernization and reconstruction of public lighting, we have provided municipalities and cities with support in the development of energy audits and energy



assessments for granting funds resources in order to increase the energy efficiency of buildings. We have also been active in energy audits identifying the measures leading to savings for small and medium-sized businesses. For housing co-operatives and home owners, we have provided an innovative cleaning service for ventilation ducts, and in accordance with the declared grant scheme, also the audits of heat distribution system, which, after implementation, have led to a reduction in heat costs. The offer of our solutions is currently appreciated by the inhabitants of hundreds of flats all over Slovakia, who have a more energy efficient, modern and healthier environment within the residential houses.

We have expanded our offer of LED light sources with the possibility of simple and quick ordering via e-shop for both home and entrepreneurs. In 2017, we continued to give active support to our household customers in installation of renewable technologies, putting into operation several hundreds of such devices (photovoltaic systems, solar panels and heat pumps).

### Purchase and portfolio management

Stredoslovenská energetika has been a long term participant in the liberalized energy market in Slovakia as a traditional trader/supplier of energy commodities for end customers. The liberalized energy market increases competition, therefore we must flexibly respond to the changing environment, conditions and requirements of the market.

In 2017, we had to face an unexpected market trends as a result of the increase in the price for electricity on the market in general. Competition on the electricity and gas market in Slovakia required specific purchase strategies and portfolio management. Maintaining the market position and fulfilling the economic expectations of the Stredoslovenská energetika was also achieved by the activities of the Purchase and Portfolio management section, where the

basis of this activity was the ability to respond correctly and in a timely manner to the purchase of electricity and gas in connection with changing market parameters.

The development of prices on the forward markets was marked by two different half-years. In the first one, the effects of the risk associated with nuclear power plants outages in France associated with periods of extreme winter temperatures where the spot prices were regularly above the €100 /MWh threshold. Despite these events, the electricity for the year 2018 in Germany was traded in a relatively narrow range € 29.00 - 31.00. On the other hand, the second half of the year was associated with high volatility in the spot and forward market. The low water flow in the Balkans has led to an increase in demand for electricity and its transmission across the border to south-eastern Europe. The Slovak market has responded immediately by increasing the spread towards the Czech market. While in the first half of the year it was at the level of € 1.5, in the second one, its increase has just stopped at the level of € 4.80. However, the second half of 2017 on the forward markets, was primarily marked by an increase of demand for coal in China and India and retailers' concerns about the availability of production from the core in France in winter after the scandal with the quality of supplied components for the nuclear power plants. In the second half of the year, the price for electricity in Germany for 2018 attributed another nearly € 6 and reached its peak in December just below € 38/MWh limit. The Slovak price for electricity of an identical product in connection with this development reacted by an increase up to approximately € 43.50 /MWh limit.

The largest impact on the specified growth of commodity prices was mainly due to the continued strengthening of the global economy, the stabilization and growth of oil prices on world markets, the rise of coal prices and electricity production from it, and uncertain outlook regarding the development of emission permits.

As part of the increasing interest in the customer portfolio, we continued in trading with guarantees of electricity origin - certified purchase of electricity from renewable sources. In this area we have contracted partners with the contracts from the previous period. Due to the increased market interest in trading with guarantees of electricity origin, we will further actively monitor the possibilities of concluding new contracts with new partners.

### Pricing and planning

We have prepared a new price product, so called, indexed purchase for the business customers. This product brings a number of benefits to customers in the form of risk reduction, diversification of the purchase with the ability to reach an interesting purchase price.

During the first summer month, a regular supervisory audit was carried out that focused on the fulfillment of requirements of EN ISO 9001:2008. Thanks to efficiently set processes in the company and cooperation of individual organizational units of SSE, the audit confirmed the compliance of the quality management system with the requirements of the standard for electricity supply and gas supply activities.

Since 1 January 2017, a new legislation has entered into force that tightened and extended the rules for quality standards. This required a reorganization of working procedures and information systems. Despite the tightened rules and price turbulences at the beginning of the year 2017, our company has reached the level of quality standards of electricity supply up to 99.88 % and the gas supply 99.30 %. Stredoslovenská energetika has thus confirmed its reputation as a reliable energy supplier.

### Sale of energy-efficient solutions

Also in 2017, the energy efficient projects played an important role in providing complementary, non-commodity

products. The target segment, as in previous years, remains not only business customers but also the household segment.

Following the National Program „Green to households“ and the subsidy scheme from the Operational Program Quality of the Environment of the Structural Funds of the European Union presented by the Slovak Innovation and Energy Agency (SIEA), we prepared in 2017, 340 solutions for the use of renewable energy sources in family and residential houses. At the end of 2017, the „Green to households“ product was standardized and the sales had a nearly constant growing tendency. We installed 215 small devices. Households can therefore claim vouchers that they can apply to a registered contractor to purchase one of the technologies, such as photovoltaic panels, solar collectors, heat pumps and biomass boilers. Stredoslovenská energetika has become a registered contractor and offers a complete turnkey product to the clients.

An important group of customers, amongst industry, services and trading, is also formed by a community sphere. On the basis of the consultancy and cooperation provided in various towns and municipalities, several lighting reconstruction projects in public buildings have been carried out. The interest in consultancy and project solutions for building insulation and modernization of heating systems has also increased.

The volume of implemented projects of modernization of heating and air-conditioning has considerably increased. Increasingly popular among our customers are also the projects supplying the transformer stations, compensated capacitors or more efficient production of compressed air. We have also included building insulation and windows replacement in the product portfolio as it is the most common measure resulting from energy audits. We have succeeded in implementation of new projects for the supply



and installation of the photovoltaic system, and in the area of electro mobility we have supplied two fast charging stations for the customers.

The most dominant feature remains the demand for modernization of the lighting of production and operation facilities. Thanks to these proposals, the enterprises are able to save from 30% to 60% of energy costs. The average return on investment ranged around 3.2 year. We managed to implement 34 projects worth over EUR 2.06 mil. and we saved 2 346 MWh/year to our customers, which in financial terms represents the amount of EUR 250 thousand.

### Marketing

In the past year, the marketing communication of our company has started to be associated with the name, Juraj Šoko Tabaček. Šoko, as a young actor, has a public sympathy for his sincere performance, the art of improvisation and a positive attitude towards life. His immediateness and positive emotion is a common denominator of SSE's marketing visuals, too. Thanks to the connection with Šoko, we want to address a wide range of customers including the younger generation.

The popularity of our Facebook site is indicated by a large number of fans that we have managed to achieve in one year of its existence. We currently have more than 5,600 fans to whom, in addition to energy news and competitions, we try to bring also advices and tips on saving energy in households in a lightened and humorous way. A new feature on Facebook over the past year was the use of the live broadcast format, by which we managed to reach out to many of our fans. We are pleased with this especially because we have been supporting the children from the Children's Crisis Centre Náruč in Žilina via live broadcasting.

Our mobile application, Moja SSE, is also dedicated to energy consultancy. The application provides useful updates

every year. It offers many advantages from monitoring of energy - electricity, gas and even water from the previous year - through notifications up to a backup of data in your e-mail. Data monitoring on consumption of all energies is simple, clear and in one place thanks to the application for households.

## 4.2 FINANCE AND SERVICES

Financing of the company in 2017 was carried out in accordance with the agreed strategy respecting the principles of the balance between long-term assets and liabilities, the balance between short-term assets and liabilities and an acceptable debt ratio.

In the field of electricity and gas supply invoicing, the trend of increasing the share of customers with electronic invoice delivery and the use of direct debit payment method continues, which increases the comfort of communication and servicing of customers. It is also reflected in a high degree of collection.

## 4.3 STRATEGY AND BUSINESS DEVELOPMENT

We have noticed a certain consolidation between the suppliers and the stabilization of customer portfolios on the market. Our strategic priorities have focused on customer retention, the development of gas supply and the sale of non-commodity products, especially in relation to products and solutions increasing the energy efficiency and achieving savings on the customer's side.

The sales channels have become a key tool of success, where we have successfully strengthened the team of internal sales representatives and managed to extend our product portfolio for this sales channel. We have also managed to actively enter the municipal sphere segment

with the offer of reconstruction and modernization of public lighting with almost forty implemented projects. We provide support to municipalities in obtaining finances from the Funds, energy audits processing, energy assessments and project documentation.

In 2017, we focused on the development of strategic initiatives, management of projects in the field of energy efficiency and related energy services. In the field of regulation, we focused on legislation and relationship with state institutions.

In terms of this process, we have continued in preparation and implementation of projects in the following areas:

- public lighting,
- industrial lighting,
- compressed air systems,
- electric drivers and their control as well as
- air conditioning and ventilation system.

In the field of electro mobility, we have continued our cooperation with the city of Banská Bystrica, Zvolen and Žilina by renting electric cars. The key to our approach is a corporate and social responsibility and financial feasibility.

### Regulation – market situation (market rules, implementation of market rules)

From the regulatory point of view, the year 2017 has meant the beginning of the new regulatory period 2017 - 2021, in which the legally established price regulation of the electricity and gas supply further continued to vulnerable customers, i.e. electricity and gas consumers in households and small businesses. The beginning of the year 2017 was marked by changes in the price decisions of the Regulatory

Office for Network Industries for the area of electricity distribution and electricity supply to vulnerable customers. The initial Decree under which the price proposals were submitted and the price decisions for the year 2017 subsequently approved was canceled. Subsequently, a new Decree effective from 10 February 2017 was adopted, under which the Regulatory Office for Network Industries canceled the initial price decisions and issued new price decisions for the year 2017, in which the conditions for the application of prices as well as the tariff structure returned to the level of the year 2016.

Due to legislative changes effective from 1 January 2017, changes in tariff groups for access to the distribution network and gas distribution have occurred in the area of price regulation of gas supply and distribution. The change mainly affected the extension of the number of tariff groups and the adjustment of consumption limits for individual tariff groups. The possibility of taking over regulated prices is being applied also in the new regulatory period, while the SSE company continues to maintain a guaranteed discount on the application of prices towards the end customers up to 16 %.

Legislative changes have also affected the area of quality standards. With effect from 1 January 2017, a new Decree of the Regulatory Office for Network Industries has entered into force, which has tightened the conditions for compliance with the quality standards of electricity supply and has also increased the number of individual standards. Notwithstanding these legislative changes, the SSE company managed to achieve a high level of quality standards compliance in the year 2017 of 99.88% for the electricity supply area and of 99.30% for the gas supply area. The company thus confirmed the reputation of a reliable electricity and gas supplier.



## 5. SOCIAL RESPONSIBILITY

### 5.1 SOCIAL RESPONSIBILITY

Social responsibility is one of the core points that SSE is intensively involved in. If we act responsibly as a company, it means that we are acting responsibly and with respect towards our employees, business partners, the region and the environment.

Through the sponsorship, we support various organizations working in the area of cultural heritage development and the environment. In 2017, we have been financially supporting the civic association Kalvársky fond, which participates in the entire reconstruction of the Calvary in Banská Štiavnica, and, traditionally, the Rescue Station in Zázrivá. We also regularly support children in the civic association Náruč and last year we supported the charity of saint Alžbeta in Zvolen, which helps the poorest.





## 6. EMPLOYEES

SSE is one of the major employers acting in the region of central Slovakia. It provides its employees above-standard working environment and the possibility of professional development and career growth.

The number of employees as at 31 December 2017 was 291. 71 % of women and 29 % of men work in the company. Stredoslovenská energetika is an organization with an average age of 41.42 years and 64 % share of university-educated employees. The average number of years worked per employee in the company was 12.84.

During the year 2017, SSE employed 17 new employees from the external environment, mainly for the area of business and customer services. Voluntary employee turnover in 2017 was on the level of 4.4 %.

In 2017, the area of human resources management and activities to ensure the quality of human capital were marked by sales support, new product development and solutions for our customers and associated services.

We have continued to implement the activities resulting from the concept of employee education and development also this year. Apart from the mandatory legislative trainings, we have continued with the targeted and efficient use of funds invested in the vocational education. In order to maintain and strengthen our position of a reliable and successful supplier not only of electricity and gas, but also of energy-efficient solutions, we focused the trainings of employees of sales and customer services mainly on the development of sales and communication skills. We have continued to develop project management skills that are actively used to manage internal projects.

In 2017, we have invested EUR 94,400 in education of employees, and each employee of the company spent more than 3 days on educational activities. We have also

supported 4 employees in the increase of their qualification by studying at schools and universities.

In order to support a balance between work and private life of employees, we offer many attractive benefits. The standard benefits include extended holiday entitlement, flexible working time, contribution to supplementary pension savings, and contribution for pre-school facilities for children of employees, various sports and cultural events for employees and their family members, and many others. Our employees have also the opportunity to use more favorable conditions and discounts at various shops and service providers. We continue to be very active in support of women on maternity and parental leave.

Continuation of the TRAINEE PROGRAMME in 2017 was a separate chapter. The goal is to find and select the most talented students during the studies and involve them into our teams. The current TRAINEE PROGRAMME is a two-year programme designed for the ambitious and talented daily university students. We selected seven students of fourth-year university study for the programme in 2016. In 2017, seven students of the final fifth-year have successfully continued in the programme. The trainees focus on Commercial, Controlling, Risk controlling, Regulation and Project management area. The programme offers the opportunity to acquire professional and practical skills and knowledge in the field of rules and principles of trading on the energy market as well as to understand the functioning of individual organizational units of the company as a whole, and also to apply the theoretical knowledge gained during the study in practice.

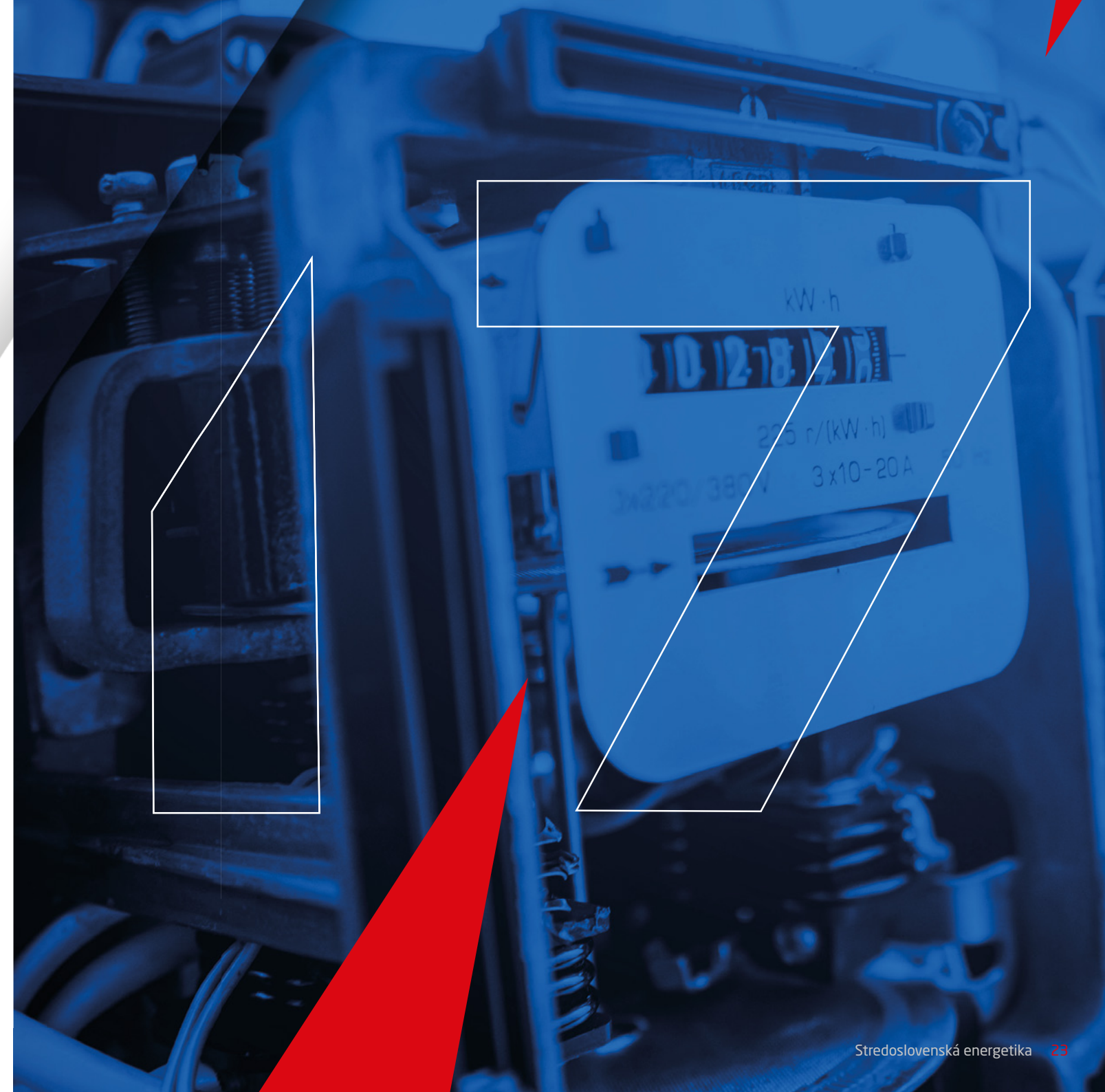
In 2017, employees had the opportunity to join the Employee Grant Program under the title „Energy that Helps“ for the second time. The aim of the employee programme was to provide the employees - parents of 3 or more children and parents of children with disabilities with a support for



extra-curricular development of their offsprings, leisure activities, camps, sport, education and the associated costs via the EPH Endowment Fund.

The EPH Endowment Fund and the SSE Group have allocated funds for the support of 4 families of SSE employees.

The company Stredoslovenská energetika was again awarded in the field of effectiveness of human capital management. In 2017, it was awarded the title "Company with the most effective human capital management in the energy sector" for the third time in a row. The award of PwC consulting company is designed for companies that effectively manage their human capital and determine the best practices in the human resources market.





## 7. FUTURE

For the future, we would like to be a leader in energy supply and provision of complex energy services on the Slovak market. We are a pro-customer oriented company that meets the wishes of customers related to the use of energy of any kind.

We provide our customers with more and better quality service and energy consultancy for efficient energy use. We focus on speeding up and simplifying processes, continuous improvement of availability for our customers and, in particular, the development of electronic communication channels and reduction of the paper agenda.

Innovative products for cost-effective consumption management by the customer are the way, in which we have the know-how to be a support for our existing and potential customers.





## 8. SPRÁVA O HOSPODÁRENÍ A ČINNOSTI SPOLOČNOSTI SSE ZA ROK 2017

### 8.1. FINANČNÉ VÝSLEDKY

Individual profit and loss statement of SSE, a. s.	(in thousands of EUR)	
Specification	2017	2016
Sales	611 217	646 872
Purchase of electricity, related charges and distribution fees	-585 523	-604 578
Personal expenses	-9 586	-9 232
Consumption of material and sub-deliveries	-470	-266
Other operational income	2 619	3 092
Other operational expenses	-12 680	-9 996
<b>EBITDA</b>	<b>5 577</b>	<b>25 892</b>
Depreciation and value adjustments to assets	-1 025	-1 125
<b>Prevádzkový zisk</b>	<b>4 552</b>	<b>24 767</b>
Interest income	668	879
Interest expense	-558	-726
Income from dividends	782	55 078
Other financial revenues	2 088	5 533
Net financial revenues	2 980	60 764
<b>Profit before tax</b>	<b>7 532</b>	<b>85 531</b>
Income tax	-1 121	-7 521
<b>Profit for the financial year</b>	<b>6 411</b>	<b>78 010</b>

Individual profit and loss statement of the company Stredoslovenská energetika, a. s. for the year 2017 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. Operating profit expressed as an indicator of EBITDA achieved in 2017 amounted to € 5.6 mil., which represents a decrease of € 20,3 mil. in comparison to the year 2016, of which the gross margin from electricity and gas sales decreased by € 18.8 mil., which was caused by the increase in market prices for electricity and their high volatility in 2017.

The main subject of activity of the company is the supply of electricity and gas, in particular, in the region of central Slovakia. The revenues from the sale of electricity and gas accounted for the most significant proportion of the total sales. The next part of the turnover is attributable to sales for connection and checking fees for electricity consumers, for services to the subsidiaries on the basis of SLA agreements as well as sales from energy efficiency projects.

Similarly, a major proportion of the total costs accounted for the cost of the purchase of electricity and gas.

The economic result after tax amounted to EUR 6.4 mil., and compared to the year 2016, it is lower by EUR 71.6 mil. mainly due to the decrease of dividends received from subsidiaries by EUR 54.3 million.

More detailed financial data are contained in the report of the independent auditor to the separate financial statements as at 31 December 2017.



## 9. REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF STREDOSLOVENSKÁ ENERGETIKA, A. S. FOR THE YEAR 2017

The supervisory board worked in the following composition throughout the year:

<b>Mgr. Karol Haťapka</b>	Chairman
<b>Ing. Jozef Antošík</b>	Vice-Chairman
<b>Ing. Ján Voštenák</b>	Member
<b>Ing. Branislav Sidor</b>	Member (until 3 September 2017)
<b>Ing. Ivan Ivanič</b>	Member
<b>Ing. Miroslav Martoník</b>	Member
<b>Ing. Igor Pištík</b>	Member
<b>Mgr. Juraj Kadaši</b>	Member

The Supervisory board met four times at its meetings in 2017, while it had a quorum at each meeting.

Within the exercise of its competence according to the Articles of Association and the Commercial Code:

### (a) has approved:

- proposals for the variable parts of remuneration of members of the Board of Directors for each period;
- report on the activities of the Supervisory Board for 2016;
- opinion of the Supervisory Board to the audited annual individual financial statements drawn up as at 31 December 2016 according to IFRS standards and the proposal for profit distribution for the year 2016;
- opinion of the Supervisory Board to the audited consolidated financial statements prepared as at 31 December 2016 according to IFRS standards;
- a proposal for a three-year Strategic Plan for the further development of the SSE Group and the significant project of the SSE Group;
- election of Ing. Jozef Antošík as the Chairman of the Supervisory board of SSE a. s.;
- investment project „Acquisition of the household portfolio of ČEZ Slovensko, s. r. o.“;
- Opinion of the Supervisory board of SSE, a. s. on the proposal for distribution of a portion of the profit retained in equity as a result of previous years' management;

### (b) has noted:

- quarterly management reports including profit and loss account, balance sheet and cash flow statement for the periods;
- the draft of the annual budget and the business plan of SSE Group for the year 2017;
- draft of the individual annual plan and business plan of the company for 2017;
- regular individual accounts of SSE, a. s. for the year 2016 including the auditor's report and the proposal for distribution of profits of SSE, a. s. for the year 2016;



- regular consolidated financial statements drawn up as at 31 December 2016;
- information about the underlying intentions of management of SSE, a. s. as well as information on the status of the assets of the foreseeable development, finance and revenues of SSE within the meaning of section 193 of the Commercial Code for the period of 2017;
- statement of the Board of Directors for the members of the Supervisory Board within the meaning of Article XII (22) (a) (ii) of the Articles of Association concerning financial transactions carried out by the company with related parties, in which the value of any such transaction or series of related transactions individually together exceeds the amount of one hundred thousand EUR (€ 100,000), and the company's transactions concluded under other than standard commercial conditions;
- Proposal of the Board of Directors for distribution of a portion of the profit retained in equity;

The Supervisory Board did not request the Board of Directors of the company to convoke the Extraordinary General Assembly during the year 2017.

The company's share capital was not increased or decreased during 2017.

**Conclusion:**

The Supervisory Board has properly fulfilled its supervisory function within the meaning of the Articles of Association and the section 197 et seq. of the Commercial Code.

The Supervisory Board did not record any violation of the Articles of Association and laws in force on the part of the Board of Directors within the performance of the business activities of the company.

This report was approved at the meeting of the Supervisory Board of SSE, a. s., which was held on 17 May 2018.

In Bratislava on 17 May 2018



**Mgr. Karol Hat'apka**  
Chairman of the Supervisory Board  
Stredoslovenská energetika, a. s.

**10. A PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2017**

The audited net profit for the year 2017	EUR 6,411,379.31
The allocation to legal reserve fund	EUR 0.00
Contribution to social fund	EUR 0.00
Royalties for members of the Board of Directors and of the Supervisory Board	EUR 0.00
Part of the profits retained in equity as a result of management in previous years	EUR 0.00
The share of income of the current year (2017) proposed for payment	EUR 6,411,379.31
Undistributed profits from previous periods proposed for payment	EUR 0.00
The Proposed payment of dividends to shareholders	EUR 6,411,379.31
of which to the individual shareholders as follows:	
- dividends to shareholder MoE of SR 51 %	EUR 3,269,803.45
- dividends to shareholder EP Energy, a. s. 49 %	EUR 3,141,575.86

**11. SPECIAL RELEVANCE EVENTS OCCURRING AFTER THE ACCOUNTING PERIOD FOR WHICH THE ANNUAL REPORT IS PREPARED**

No special relevance events have occurred after 31 December 2017 that would require publishing in the annual report.

**12. EXPENSES RELATED TO ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT**

The company Stredoslovenská energetika, a. s. did not have any expenses related to activities in the field of research and development in 2017.



### 13. ACQUISITION OF OWN SHARES, TEMPORARY CERTIFICATES, BUSINESS SHARES AND STOCKS

In 2017, the company Stredoslovenská energetika, a. s. has acquired a 100% share in the company SPV100 s r.o., which operates the local distribution system in Liptovský Mikuláš.

### 14. ORGANISATIONAL UNITS OF THE ACCOUNTING ENTITY ABROAD

The company does not have any units abroad.

### 15. OPINION OF THE SUPERVISORY BOARD OF STREDOSLOVENSKÁ ENERGETIKA, A. S. ON REGULAR SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 AND ON THE PROPOSAL FOR DISTRIBUTION OF PROFITS FOR THE YEAR 2017

The Supervisory Board of Stredoslovenská energetika, a. s., at its meeting on 17 May 2018, reviewed the regular individual statements of the company as at 31 December 2017 including the report of an independent auditor KPMG Slovensko, spol. s r. o., SKAU license No. 96 dated 12 March 2018 and the proposal of the Board of Directors for the distribution of the profits of the company for the year 2017.

On the basis of the aforementioned, the Supervisory Board of Stredoslovenská energetika, a. s., recommends the Regular General Assembly of Stredoslovenská energetika, a. s. to:

- 1. approve the regular separate financial statements of Stredoslovenská energetika, a. s. as at 31 December 2017
- 2. approve the proposal for the distribution of profits of the company Stredoslovenská energetika, a. s. for the year 2017, as follows:

The audited net profit for the year 2017	EUR 6,411,379.31
The allocation to legal reserve fund	EUR 0.00
Contribution to social fund	EUR 0.00
Royalties for members of the Board of Directors and of the Supervisory Board	EUR 0.00
Part of the profits retained in equity as a result of management in previous years	EUR 0.00
The share of income of the current year (2017) proposed for payment	EUR 6,411,379.31
Undistributed profits from previous periods proposed for payment	EUR 0.00
The Proposed payment of dividends to shareholders	EUR 6,411,379.31
of which to the individual shareholders as follows:	
- dividends to shareholder MoE of SR 51 %	EUR 3,269,803.45
- dividends to shareholder EP Energy, a. s. 49 %	EUR 3,141,575.86

The Supervisory Board of Stredoslovenská energetika, a. s., at the same time recommends the Regular General Assembly of Stredoslovenská energetika, a. s., to approve the payment of dividends to shareholders in one payment within 30 days of the day of the General Assembly.

In Bratislava on 17 May 2018

  
**Mgr. Karol Hat'apka**  
Chairman of the Supervisory Board  
Stredoslovenská energetika, a. s.

**APPENDIX 1.**  
Report of the independent auditor on the verification of the financial statements as at 31 December 2016 and the financial statements as at 31 December 2017.