SPP - distribúcia, a.s.

CONDENSED INTERIM FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL ACCOUNTING STANDARD 34, AS ADOPTED BY THE EU (UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED 31 JANUARY 2021

Deloitte.

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SPP – distribúcia, a.s.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders, Supervisory Board and Board of Directors, and Audit Committee of SPP – distribúcia, a.s.:

Introduction

We have reviewed the accompanying condensed balance sheet of SPP – distribúcia, a.s. (the "Company") as at 31 January 2021 and the related condensed income statement, the condensed statement of comprehensive income , the condensed statement of changes in equity and the condensed statement of cash flows, and the summary of significant accounting policies and other explanatory statements for the six-months period then ended. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with theInternational Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not give a true and fair view of the financial position of SPP- distribúcia, a.s. as of 31 January 2021, and of its performance and its cash flows for the six-month period then ended in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union.

Bratislava, 28 April 2021

Ing. Ján Bobocký, FCCA
Responsible Auditor
Licence UDVA No. 1043

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

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SPP - distribúcia, a.s.
CONDENSED BALANCE SHEET
As at 31 January 2021 and 31 July 2010
(EUR '000)

	Note	*31 January 2021*	*31 July 2020*
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	8	3 845 061	3 907 195
Non-current intangible assets and other assets		11 037	11 236
Right-of-use assets	9	29 533	20 839
Investments in subsidiaries	10	1 000	1 000
Other non-current assets	11	96 713	91 395
Total non-current assets		3 983 344	4 031 665
CURRENT ASSETS			
Inventories	12	129 401	134 553
Cash and cash equivalents		149 332	54 746
Receivables and prepayments	13	227 247	334 485
Contract receivables, current	14	21 546	12 044
Other current assets		67	75
Total current assets		527 593	535 903
Assets classified as held for sale		86	-
TOTAL ASSETS		**4 511 023**	**4 567 568**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Registered capital	17	1 200 000	1 200 000
Legal reserve fund and other funds	18	287 598	287 109
Revaluation reserve	18	1 334 946	1 360 241
Retained earnings	18	139 418	164 419
Total equity		2 961 962	3 011 769
NON-CURRENT LIABILITIES			
Loans and bonds	15	136 650	136 650
Contract liabilities, non-current	14	13 292	13 394
Deferred tax liability and deferred special levy	4	776 706	787 675
Deferred income		70	74
Lease liabilities	9	24 845	16 648
Retirement and other long-term employee benefits		5 528	5 489
Total non-current liabilities		957 091	959 930
CURRENT LIABILITIES			
Trade and other payables	16	56 013	51 016
Contract liabilities, current	14	19 621	35 510
Loans and bonds	15	507 474	500 481
Lease liabilities	9	5 340	5 027
Income tax liabilities		3 166	3 486
Retirement and other short-term employee benefits		356	349
Total current liabilities		591 970	595 869
Total liabilities		1 549 061	1 555 799
TOTAL EQUITY AND LIABILITIES		**4 511 023**	**4 567 568**

The condensed interim financial statements on pages 6 to 26 were signed on 27 April 2021 on behalf of the Board of Directors:

Ing. František Čupr, MBA
Chairman of the Board of Directors

Ing. Pavol Mertus
Member of the Board of Directors

(EUR '000)

	Note	*6-months period ended 31 January 2021*	*6-months period ended 31 January 2020*
REVENUES FROM SALE OF SERVICES:			
Natural gas distribution		217 938	212 131
Other revenues		10 434	10 359
Total revenues		**228 372**	**222 490**
OPERATING EXPENSES:			
Depreciation, amortisation and impairment losses on assets, net	8	(83 189)	(80 082)
Storage of natural gas and other services		(24 395)	(25 579)
Staff costs		(25 185)	(23 883)
Purchases of natural gas and consumables and services		(6 706)	(5 341)
Own work capitalised		5 393	4 844
Provisions and impairment losses, net		(250)	(127)
Provisions for receivables and inventories, net		(1)	(7)
Other, net		1 012	1 281
Total operating expenses		**(133 321)**	**(128 894)**
OPERATING PROFIT		**95 051**	**93 596**
Financial revenues		513	122
Financial costs	19	(8 020)	(9 060)
PROFIT BEFORE INCOME TAXES		**87 544**	**84 658**
INCOME TAX	20	(22 560)	(21 915)
NET PROFIT FOR THE PERIOD		**64 984**	**62 743**

(EUR '000)

	6-months period ended 31 January 2021	***6-months period ended 31 January 2020***
NET PROFIT FOR THE PERIOD	64 984	62 743
OTHER COMPREHENSIVE INCOME/(LOSS) (may be reclassified to profit or loss in the future):		
Hedging derivatives (cash flow hedging)	687	1 840
Other	(54)	(97)
Deferred tax related to items of other comprehensive income for the period	(144)	(386)
OTHER COMPREHENSIVE INCOME/(LOSS) (cannot be reclassified to profit or loss in the future):		
Increase in asset revaluation reserve	-	-
Deferred tax and deferred special levy related to other comprehensive income/(loss) for the period	-	-
OTHER NET COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	489	1 357
TOTAL NET COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**65 473**	**64 100**

SPP - distribúcia, a.s.
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 31 January 2021 and 31 January 2020
(EUR '000)

	Registered capital	***Legal reserve fund***	***Other reserves***	***Hedge reserve***	***Revaluation reserve***	***Retained earnings***	***Total***
Balance at 31 July 2019	**1 200 000**	**291 484**	**(203)**	**(3 429)**	**1 409 192**	**127 753**	**3 024 797**
Net profit for the period	-	-		-	-	62 743	62 743
Other comprehensive income/(loss) for the period	-	-	(96)	1 453	-	-	1 357
Transfer to retained earnings	-	-		-	(24 452)	24 452	-
Total net comprehensive income for the period	**1 200 000**	**291 484**	**(299)**	**(1 976)**	**1 384 740**	**214 948**	**3 088 897**
Transactions with shareholders:	-	-		-	-	-	-
Dividends paid	-	-		-	-	(127 753)	(127 753)
Balance at 31 January 2020	**1 200 000**	**291 484**	**(299)**	**(1 976)**	**1 384 740**	**87 195**	**2 961 144**
Balance at 31 July 2020	**1 200 000**	**291 484**	**(29)**	**(4 346)**	**1 360 241**	**164 419**	**3 011 769**
Net profit for the period	-	-		-	-	64 984	64 984
Other comprehensive income/(loss) for the period	-	-	(53)	542	-	-	489
Transfer to retained earnings	-	-		-	(25 295)	25 295	-
Total net comprehensive income for the period	**1 200 000**	**291 484**	**(82)**	**(3 804)**	**1 334 946**	**254 698**	**3 077 242**
Transactions with shareholders:	-	-		-	-	-	-
Dividends paid	-	-		-	-	(115 280)	(115 280)
Balance at 31 January 2021	**1 200 000**	**291 484**	**(82)**	**(3 804)**	**1 334 946**	**139 418**	**2 961 962**

SPP - distribúcia, a.s.
CONDENSED STATEMENT OF CASH FLOWS
For the six-month period ended 31 January 2021 and 31 January 2020
(EUR '000)

	6-month period ended 31 January 2021	***6-month period ended 31 January 2020***
Profit before tax	87 544	84 658
Adjustments:		
Depreciation, amortisation and impairment losses on assets	83 189	80 082
Interest expense, net	7 538	8 967
Provisions and other non-cash items	151	62
Loss/(profit) from the sale of non-current assets	(51)	(26)
(Increase)/decrease in receivables and prepayments	(9 544)	(9 801)
(Increase)/decrease in inventories	5 182	11 695
Increase/(decrease) in trade and other payables	(15 474)	(34 593)
Cash flows from operating activities	**158 535**	**141 044**
OPERATING ACTIVITIES		
Cash flows from operating activities	158 535	141 044
Interest paid	(68)	(198)
Interest received	296	153
Income tax paid	(34 391)	(35 990)
Net cash flows from operating activities	124 372	105 009
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(13 666)	(12 499)
Proceeds from/(repayments of) borrowings received from the Group companies – cash pooling*	(13 000)	(155 000)
Non-current borrowings provided	66	64
Proceeds from the sale of property, plant and equipment and intangible assets	116	26
Net cash inflow/(outflow) from investing activities	(26 484)	(167 409)
FINANCING ACTIVITIES:		
(Repaid)/received bank loans and borrowings	-	60 000
Proceeds from issue of bonds	-	-
(Expenditures for)/proceeds from derivative transactions	(536)	(1 178)
Expenditures for the settlement of finance lease obligations	(2 766)	(1 140)
Paid dividends*	-	-
Net cash inflow/(outflow) from financing activities	(3 302)	57 682
NET (DECREASE)/INCREASE IN CASH	94 586	(4 718)
EFFECTS OF FOREIGN EXCHANGE FLUCTUATIONS		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	54 746	111 468
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**149 332**	**106 750**

** Dividends declared for the financial year ended as at 31 July 2019 were settled with the cash pool facility provided to SPP Infrastructure, a.s. as at 10 October 2019.*
** Dividends declared for the financial year ended as at 31 July 2020 were settled with the cash pool facility provided to SPP Infrastructure, a.s. as at 15 October 2020.*

(EUR '000)

1. DESCRIPTION OF THE COMPANY

1.1. General Information

In accordance with Act No. 431/2002 Coll, on Accounting and later amendments, SPP - distribúcia, a.s. (hereinafter also "the Company") has prepared these condensed interim financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

These condensed interim financial statements for the six months period ended 31 January 2021 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the annual separate financial statements for the year ended 31 July 2020, which have been prepared in accordance with IFRS as adopted by the EU.

These condensed interim financial statements have been reviewed, not audited.

The Company was established by a Memorandum of Association on 26 November 2004 and incorporated in the Commercial Register on 10 December 2004.

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

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

SPP Infrastructure, a.s. is the 100% owner of the Company (hereinafter also "SPPI"). The shareholders of SPP Infrastructure, a.s. are Energetický a průmyslový holding, a.s. ("EPH") with a near 49% share and management control, and Slovenský plynárenský priemysel, a.s. with a 51% share.

The financial statements of SPP – distribúcia, a.s. for the reporting period ended 31 July 2020 were approved by the Extraordinary Annual General Meeting held on 29 September 2020.

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

1.2. Principal Activities

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

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

Liberalisation of the Slovak Energy Sector and Possible Regulation Risks

Regulation framework on the natural gas market in the Slovak Republic

On the basis of the current energy legislation, the natural gas market in the Slovak Republic is fully liberalised. Effective from 1 July 2007, all customers are allowed to freely select a natural gas supplier. The Company, as the gas distribution network operator, is obliged to provide all participants with non-discriminatory treatment and allow access to the distribution network on a transparent and non-discriminatory basis. Moreover, the Company is also obliged to enter into a contract for connection and gas distribution with all customers that fulfils the business and technical conditions.

Distribution of gas, as well as access and connection to the distribution network, are subject to regulation by the Regulatory Office of Network Industries (RONI).

Tariffs for regulated activities

The RONI approves tariffs for access to the distribution network and gas distribution, and for the provision of auxiliary services, as well as for connection to the distribution network. These tariffs are proposed so that the total planned revenues from the tariffs for access to the distribution network and gas distribution in the regulation year in Euros per gas volume unit do not exceed the maximum price for the year, calculated under Decree of the RONI No. 223/2016 Coll., which stipulates price regulation in the gas industry.

Maximum allowed revenues are determined based on the eligible costs, including depreciation derived from the regulated assets base as determined by RONI and a margin. The management of the Company believes that property, plant and equipment of the Company is not impaired on the basis of current indicators. There are inherent uncertainties that could impact the determination of future tariffs by RONI, and the future realisable value of property, plant and equipment.

The maximum price for connection to the distribution network in the relevant year of the regulation period, ie for 2020, for gas consumers was determined on the basis of the planned average costs related to the issue of technical conditions for the connection and the planned average costs related to the processing of the application for connecting the gas delivery equipment to the distribution network and installation of the meter incurred by the distribution network operator as part of the standard-scope activities necessary for connecting the gas delivery equipment. The price for connection to the distribution network is determined separately for household customers and separately for gas customers other than household customers.

In accordance with Decree of the RONI No. 223/2016 Coll., the maximum price for connection to the distribution network for the years following the relevant year of the regulation period is calculated by indexing the price for the year preceding the year for which the price proposal is submitted, taking into account the effects of inflation.

The calculation of the maximum price for access to the distribution network and for gas distribution for the years following the relevant year of the regulation period is partially based on the indexation of the basis parameters.

Since 2014, the buy-out of gas facilities being the distribution network has also been subject to price regulation in the gas industry.

Based on changes arising from issued price decisions, RONI approved in its decision the corresponding changes to the Operating Rules of SPP – distribúcia, a.s.

Changes in the regulatory laws

In March 2016, the Regulation Council issued the Regulation Policy for 2017 – 2021 which, inter alia, defines the objectives and priorities of regulation in the gas industry for the upcoming regulation period. In July 2016, Decree No. 223/2016 Coll. stipulating price regulation in the gas industry with effect from 27 July 2016 was approved. An amendment to Decree 24/2013 Coll. laying down common rules for the electricity market and common rules for the gas market was approved. The amendment introduced the option of increasing the fixed component of the total price for gas distribution up to 85%, and broadened the tariff groups.

The regulatory period was five years, starting in 2017 and ending in 2021. On 10 November 2020, the RONI published Amendment No. 1 to the Regulation Policy for the 2017 – 2021 Regulation Period, which extended the current five-year regulation period by 1 year, ie the period from 1 January 2017 until 31 December 2022.

1.3. Employees

The average headcount of SPP – distribúcia, a.s. for the six-month period ended 31 January 2021 was 1 304.5, of which executive management: 8 (for the year ended 31 July 2020: 1 293.0, of which executive management: 8).

As at 31 January 2021, the actual headcount was 1 303 (31 July 2020: 1 293).

1.4. Registered Address

Mlynské nivy 44/b
825 11 Bratislava
Slovak Republic

1.5. Information on the consolidated group

The Company and its subsidiaries (the "sub-group") are included in the SPPI Group (the "Group").

The Company applied an exemption set out in IFRS 10 'Consolidated Financial Statements' and paragraph 22.12 of the Act on Accounting as the effect of the consolidation is clearly immaterial and did not prepare consolidated financial statements as at 31 July 2020. Consolidated financial statements presented in accordance with the International Financial Reporting Standards as adopted by the EU will be prepared by SPP Infrastructure, a.s. with its seat at Mlynské nivy 44/a, 825 11 Bratislava (address of the court of record: District Court Bratislava 1, Záhradnícka 10, 812 44 Bratislava).

SPP – distribúcia, a.s. provides information disclosed in the separate financial statements for the purposes of the preparation of consolidated financial statements by SPP Infrastructure, a.s. SPP Infrastructure, a.s. prepares consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS).

In the consolidated financial statements, subsidiaries are the reporting entities including structured reporting entities which are controlled by the Group, as (i) it has power to control the relevant activities of the respective reporting entity that have a significant impact on its profitability and revenues, (ii) is exposed, or has a right, to variable returns from such reporting entity, and (iii) has the ability to use its power to affect returns for the investors in the respective reporting entity. The existence and impact of substantial rights including potential voting rights has to be considered when assessing whether the Group has power over the other reporting entity. The right will be considered substantial if its owner has the practical ability to exercise the right at the time when decisions on the reporting entity's relevant activities are made. The Group can have power over a reporting entity if it owns less than one half of the voting rights. In such case, the Group assesses the size of voting rights of other investors compared to the rights and ownership structure of such other voting rights in order to identify whether it has de-facto control over the reporting entity. Protective rights of other investors, such as those relating to substantial changes in the reporting entity's activities, or those which are applicable only in exceptional circumstances, shall not prevent the Group from controlling another entity. Subsidiaries are consolidated from the day of transfer of control to the Group and deconsolidated in the case of a loss of control.

To obtain full information about the financial position, financial performance and cash flow of the Group as a whole by the users of these separate financial statements, the separate financial statements should be read and understood in the context of the information disclosed in the consolidated financial statements presented as at 31 December 2020 by the ultimate reporting entity, EP Investment S.à r.l., with registered address 39. Avenue John F. Kennedy, L-1855 Luxembourg. The consolidated financial statements of EP Investment S.à r.l. are available at its registered office.

Separate financial statements of SPP – distribúcia, a.s. and consolidated financial statements of SPP Infrastructure, a.s. are deposited with the Commercial Register of Bratislava 1 District Court (Záhradnícka 10, 812 44 Bratislava) published in the Commercial Journal, available at the registered office of SPP distribúcia, a.s., and published at www.spp-distribucia.sk.

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

Initial application of new and amended IFRS standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 3 "Business Combinations"** – Definition of a Business – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions – adopted by the EU on 9 October 2020 (effective for annual periods beginning on or after 1 January 2020, at the latest as from 1 June 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

New and amended IFRS standards issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU and are not yet effective:

- **Amendments to IFRS 4 "Insurance Contracts" –** Extension of the Temporary Exemption from Applying IFRS 9 – adopted by the EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** – Interest Rate Benchmark Reform – Phase 2 – adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in the EU as at the reporting date (effective dates stated below are for IFRS as issued by the IASB):

- **IFRS 17 "Insurance Contracts" and Amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to various standards due to "Annual Improvements to IFRS Standards (2018 – 2020 Cycle)"** resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only relate to an illustrative example, so no effective date is stated.),

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at the reporting date.

The Company anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on its financial statements in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

These condensed interim financial statements for the six months ended 31 January 2021 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the annual separate financial statements for the year ended 31 July 2020, which have been prepared in accordance with IFRS as adopted by the EU.

These separate financial statements were prepared under the going concern assumption.
Except as described below, the same accounting policies and methods of computation were followed in the preparation of these condensed interim financial statements as compared with the annual separate financial statements for the year ended 31 July 2020.

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the separate financial statements for the year ended 31 July 2020, became effective for the Company from 1 January 2021. These new or amended standards, as listed above, had no impact on presentation and disclosures.

Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the separate financial statements for the year ended 31 July 2020 and are also described below.

Impairment of property, plant and equipment

The Company reassessed the amount of an impairment provision for property, plant and equipment based on an assessment of the planned liquidation or sale. When assessing the realisable value of property, plant and equipment, certain assumptions and estimates were taken into account that may change in the future. The recoverability of property, plant and equipment for current assets used for natural gas distribution depends, inter alia, on the future development of natural gas consumption in Slovakia and future tariffs for individual distribution services that are subject to regulation.

Revaluation of property, plant and equipment

As at 1 August 2018, the Company applied the revaluation model under IAS 16 "Property, Plant and Equipment" for gas pipelines. This asset category includes gas pipelines and gas connections owned by the Company that are used for natural gas transit.

The Company chose this model as it believes that as a result, the financial statements will provide more reliable and relevant information about the Company's non-current assets used for natural gas transit.

The remeasurement of these assets was recognised without an impact on previous reporting periods. This remeasurement resulted in an increase in the amount of gas pipelines by EUR 1 954 440 thousand and an increase in the deferred tax liability by EUR 495 669 thousand, and in the creation of revaluation reserves in equity, as well as in a decrease in the amount of gas pipelines by EUR 38 959 thousand recognised in the Income Statement line Depreciation, amortisation and impairment losses on assets, net.

The net book value of assets that would have been recognized at 31 January 2021 using the cost model is EUR 2 073 995 thousand.

The remeasurement of the Company's assets was performed by an independent expert using the cost method. When determining the fair value of individual items of assets using the cost method, the physical wear and tear of the assets and their technological and economic obsolescence were taken into account.

The remeasurement of gas pipelines resulted in an increase in the amount of assets and in equity. The assumptions used in the revaluation model are based on the independent expert's reports. The resulting reported amounts of such assets and the related asset revaluation surplus do not necessarily represent amounts for which the assets could be or will be sold. Based on the independent expert's opinion, the Company also reassessed the economic useful lives of property, plant and equipment. The assessment of the economic useful lives requires a technical expert's opinion.

There are uncertainties related to future economic conditions, changes in technology and the business environment in the industry, which may lead to future adjustments of the estimated remeasured values and useful lives of assets that will significantly change the reported financial position, equity and profit.

(EUR '000)

Estimated useful lives

The estimated useful lives of non-current asset items is subject to Company management's judgment, based on its experience with similar assets. When determining the useful lives of assets, Company management takes into account their expected use based on estimates of use, estimated technical obsolescence, physical wear and tear and physical environment where the assets are operated. Changes to any of such conditions or estimates may result in the adjustments of future depreciation rates.

As of 1 August 2018, the Company reassessed the useful lives of property, plant and equipment based on an independent expert's opinion. Changes to the estimates of the remaining useful lives are reflected on a prospective basis.

The useful lives of property, plant and equipment and intangible assets are as follows:

Type of assets	***31 January 2021***	***31 January 2020***
Regulation stations	15 – 50 years	15 – 50 years
Gas pipelines	50 – 60 years	50 – 60 years
Structures	30 – 50 years	30 – 50 years
Machines, tools and equipment	4 – 40 years	4 – 40 years
Other non-current assets	4 – 15 years	4 – 15 years

Revenues from natural gas distribution

The Company recognises revenues from natural gas distribution based on regulated prices and the quantity of distributed gas to end customers. Billed revenues from natural gas distribution for customers in the household and small customer groups include an estimate of the supplied volume of natural gas from the date of the last meter reading, which is performed annually. A revenue estimate is calculated using a model based on the estimated quantity of distributed natural gas depending on measured temperatures in individual off-take categories, own consumption estimate and changes in natural gas accumulation in the distribution network.

5. FINANCIAL INSTRUMENTS

a) Financial risk

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 July 2020.

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

There have been no changes in the risk management department or in any risk management policies since the financial year end. The following is the summary of key developments in the risk management only in those areas which had significant developments since 31 July 2020.

(1) Commodity price volatility risk

The Company has entered into contracts for natural gas storage and natural gas purchases to cover losses in the distribution network. The contract for natural gas storage is concluded for 30 years and is at a fixed price. Natural gas purchase prices to cover losses are subject to tender for one year in advance. Currently, a fixed unit price for natural gas purchases is agreed for 2020; the same trend is expected also in the future. The current effective legislation of the Regulatory Office for Network Industries allows one to transfer the effect of natural gas price changes to cover losses to the price for natural gas distribution; thus, the Company does not consider the commodity price volatility risk significant.

(2) Interest rate risk

The Company is not exposed to significant concentration of interest rate risk.

The Company's management concluded loan contracts with a floating interest rate that changes based on changes in market conditions.

As at 31 January 2021, the Company recognised two loans received from banks with a face value of EUR 76.65 million and EUR 60 million; the loans bear a variable interest rate. The interest rate of these long-term loans amounts to 3M EURIBOR + a margin in % p.a. (Note 15).

(3) Credit risk and credit risk related to receivables

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company sells its services to customers; SPP, the majority shareholder of the parent company SPP Infrastructure, a.s., is the major customer, which means that the risk that receivables will remain unpaid is considerably eliminated.

(EUR '000)

(4) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash with adequate maturity, availability of funding through an adequate amount of committed credit lines and the ability to close open market positions. The Company, as a member of the SPPI core group, is part of the cash-pooling system. In the system flexibility is maintained by keeping committed credit lines available and synchronising the maturity of financial assets with financial needs.

The table below summarises the maturity of the financial liabilities as at 31 January 2021 and 31 July 2020, based on contractual undiscounted payments:

As at 31 January 2021	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
Bonds	-	-	520 591	-	-	520 591
Loans	-	23	46	77 332	60 374	137 775
Lease liabilities	-	1 325	3 974	20 159	6 222	31 680
Trade and other payables	-	58 309	-	-	-	58 309

As at 31 July 2020	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
Bonds	-	-	513 588	-	-	513 588
Loans	-	46	77	77 332	60 423	137 878
Lease liabilities	-	1 281	3 841	15 372	1 545	22 041
Trade and other payables	-	72 585	-	-	-	72 585

b) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity ratio.

The Company's capital structure consists of equity attributable to the Company's owners, comprising registered capital, the legal reserve fund and retained earnings as disclosed in Notes 17 and 18 and interest-bearing borrowings as disclosed in Note 15. The gearing ratio as at 31 January 2021 was 18% (31 July 2020: 20%).

The gearing ratio at the year-end was as follows:

	31 January 2021	*31 July 2020*
Debt (i)	674 309	658 806
Cash and cash equivalents	149 332	54 746
Net debt	524 977	604 060
Equity (ii)	2 961 962	3 011 769
Net debt to equity ratio	**18%**	**20%**

(i) Debt is defined as long- and short-term borrowings and finance lease.
(ii) Page 4

The Company's indebtedness did not exceed the threshold defined in the Company's Articles of Association.

c) Categories of financial instruments

	31 January 2021	*31 July 2020*
Financial assets		
Loans and receivables (including cash and cash equivalents)	494 838	492 670
Financial liabilities		
Financial liabilities carried at amortised costs	732 618	731 391
Financial derivatives recognised as hedges	4 461	4 860

d) Estimated fair value of financial instruments

The fair value hierarchy:

Level 1 of the fair value measurement represents those fair values that are deduced from the prices of similar assets or liabilities listed on active markets.

Level 2 of the fair value measurement represents those fair values that are deduced from input data other than listed prices included in Level 1, which are observable on the market for assets or liabilities directly (eg prices) or indirectly (eg deduced from prices).

Level 3 of the fair value measurement represents those fair values that are deduced from valuation models including subjective input data for assets or liabilities not based on market data.

The presented carrying amount of financial assets and liabilities is a reasonable approximation of their fair value.

As at 31 January 2021 and 31 July 2020, the Company has no financial instruments measured at fair value except for financial liabilities from derivative instruments (interest swaps). The fair value of such instruments is estimated based on their present value of future cash flows discounted at the market interest rate. The measurement of interest swaps represents Level 2 of the fair value measurement.

e) Embedded derivative instruments

The Company assessed all significant contracts and agreements for embedded derivatives that should be recorded and concluded that there are no embedded derivatives in these contracts and agreements that are required to be measured and separately recognised as at 31 January 2021 and 31 July 2020 under the requirements of IFRS 9.

6. SEGMENT REPORTING

The Company assesses the segment information for the current and comparative reporting periods in accordance with IFRS 8 Operating Segments. In managing the Company’s activities, allocating funds, and making strategic decisions, the Board of Directors considers all activities of the Company to be one segment given the nature of products and services. The strategic business unit offers various services aimed at natural gas distribution. The Company’s activities focus on the Slovak Republic where all of its non-current tangible assets are located. The main indicators used by the Board of Directors in its decision-making process are earnings before interest, taxes, depreciation, and amortisation (EBITDA), and the amount of capital expenditures. To make decisions, the Board of Directors uses financial information which is consistent with the information disclosed in these condensed interim financial statements. The Company’s management submits a report on the Company’s results to the Board of Directors on a monthly basis.

7. SEASONALITY OF OPERATIONS

The revenues of the Company are not subject to significant seasonal fluctuation. In the financial year ended 31 July 2020, 53 % of revenues accumulated in the first half of the year, with 47 % accumulating in the second half.

(EUR '000)

8. PROPERTY, PLANT AND EQUIPMENT

6-month period ended 31 January 2021	
Opening net book value as at 1 August 2020	**3 907 194**
Additions	18 553
Reclassifications from prepayments	-
Disposals	(69)
Transfer to Assets classified as held for sale	(86)
Depreciation charge	(80 302)
Change in impairment loss	(229)
Closing net book value as at 31 January 2021	**3 845 061**
6-month period ended 31 January 2020	
Opening net book value as at 1 August 2019	**4 027 294**
Additions	17 786
Reclassifications from prepayments	-
Disposals	-
Depreciation charge	(76 559)
Change in provisions	(127)
Closing net book value as at 31 January 2020	**3 968 394**

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company leases buildings and transportation vehicles. Lease contracts are usually concluded for a definite period of 2 to 10 years or for an indefinite period. For assets where the contract was set for an indefinite period, the useful life was determined based on the estimated lease term. Until 31 July 2019, leases of transportation means and administrative buildings were recognised as finance or operating lease. As of 1 August 2019, leases are recognised as right-of-use assets and the corresponding liabilities as of the date the assets became available for the Company's use.

	Buildings	***Transportation means***	***Total***
Balance as at 31 January 2021			
Cost	26 284	3 667	29 951
Accumulated depreciation and impairment losses	(297)	(121)	(418)
Net book value	**25 987**	**3 546**	**29 533**

	Buildings	***Transportation means***	***Total***
Balance as at 31 Jul 2020			
Cost	22 302	3 351	25 653
Accumulated depreciation and impairment losses	(3 476)	(1 338)	(4 814)
Net book value	**18 826**	**2 013**	**20 839**

Lease liabilities

	Present value of minimum lease payments	
Maturity	***31 January 2021***	***31 July 2020***
Less than 1 year	5 340	5 027
1 – 5 years	19 373	15 125
More than 5 years	5 472	1 523
Total	**30 185**	**21 675**

The difference between the present value of minimum lease payments and gross investment in a lease is not significant.

(EUR '000)

10. INVESTMENTS IN SUBSIDIARIES

	Subsidiaries
Opening balance, net	1 000
Additions	-
Reclassification	-
Disposals	-
Impairment	-
Closing balance, net	**1 000**
Cost	1 000
Impairment	-
Closing balance, net	**1 000**

SPP – distribúcia Servis, s.r.o. was established on 27 August 2012 by a Memorandum of Association as a 100% subsidiary of SPP – distribúcia, a.s. which was registered in the Commercial Register of the District Court Bratislava I on 18 September 2012.

Name	*Country of Registration*	*Ownership Interest in %*	*Principal Activity*
SPP – distribúcia Servis, s.r.o.	Slovakia	100.00	Production and servicing of gas equipment

11. OTHER NON-CURRENT ASSETS

Other non-current and other current assets comprise a loan provided to Plynárenská Metrológia, a.s., (fellow subsidiary). The loan was provided on 24 August 2018 in the amount of EUR 480 thousand with an interest rate of 2.23%. The loan falls due on 24 August 2025. Other non-current and other current assets also comprise a loan provided to the parent company, SPP Infrastructure, a.s. The credit facility amounts to EUR 350 million and the first tranche was provided on 31 March 2020 in the amount of EUR 91 000 thousand with a floating interest rate of 0.80% + 3M Euribor. The tranche falls due on 31 March 2027. The second tranche was provided on 31 October 2020 in the amount of EUR 5 000 thousand a floating interest rate of 0.80% + 3M Euribor. The tranche falls due on 31 October 2027.

12. INVENTORIES

	31 January 2021	*31 July 2020*
Natural gas	128 113	133 254
Raw materials and other inventories	1 363	1 381
Provision	(75)	(82)
Total	**129 401**	**134 553**

The balance of natural gas represents natural gas used to balance the distribution network and natural gas for own consumption, as well as losses in the distribution network.

For the six months ended 31 January 2020, provisions were reversed in the amount of EUR 8 thousand (31 July 2020: EUR 9 thousand).

The Company created provisions for slow-moving inventories of raw materials amounting to EUR 1 thousand for the six-month period ended 31 January 2021 (six months ended 31 January 2020: EUR 32 thousand).

(EUR '000)

13. RECEIVABLES AND PREPAYMENTS

	31 January 2021	*31 July 2020*
Prepayments and other receivables	5 430	5 357
Provisions	(708)	(708)
Cash pooling receivables	222 525	329 836
Total	**227 247**	**334 485**

Receivables fall due as follows

	31 January 2021	*31 July 2020*
Within one year	227 247	334 485
From 1 year to 2 years	-	-
From 2 to 5 years	-	-
More than 5 years	-	-
Total receivables	**227 247**	**334 485**

	31 January 2021	*31 July 2020*
Receivables within maturity	227 051	334 363
Overdue receivables	904	830
Provisions	(708)	(708)
Total	**227 247**	**334 485**

Collateralisation of receivables

Several bank guarantees totalling EUR 39 958 thousand (31 July 2020: EUR 39 958 thousand) were established to secure the Company’s receivables from natural gas distribution. In addition, financial funds in the amount of EUR 9 660 thousand (31 July 2020: EUR 5 970 thousand) were deposited in the Company’s bank account as received collateral.

14. CONTRACT RECEIVABLES AND LIABILITIES

Contract liabilities, non-current

	31 January 2021	*31 July 2020*
Opening balance, net	13 394	13 628
Assets acquired during the reporting period	17	-
Amortisation during the reporting period	(119)	(234)
Closing balance, net	**13 292**	**13 394**

Some gas facilities were obtained “free of charge” from municipal and local authorities. A contract liability from assets acquired free of charge is recognised in the income statement on a straight-line basis in the amount of depreciation charges over the useful life of assets.

Contract liabilities, current

	31 January 2021	*31 July 2020*
Contract liabilities	19 621	35 510
Total	**19 621**	**35 510**

Contract liabilities comprise advance payments received for distribution services that will be charged against revenues from provided services over the following 12 months.

(EUR '000)

Contract receivables, current

	31 January 2021	*31 July 2020*
Contract receivables	21 546	12 044
Total	**21 546**	**12 044**

Contract receivables comprise receivables from distribution activities.

15. LOANS AND BONDS

	31 January 2021 Unsecured	*31 July 2020 Unsecured*
Loans	136 658	136 668
Bonds	507 466	500 463
Total	**644 124**	**637 131**
Loans by currency		
EUR		
– with a fixed interest rate	507 466	500 463
– with a floating interest rate	136 658	136 668
Total loans	**644 124**	**637 131**
Loans are due as follows:		
Within one year	507 474	500 481
From 1 to 2 years	-	-
From 2 to 5 years	76 650	76 650
More than 5 years	60 000	60 000
Total loans	**644 124**	**637 131**

As at 31 July 2020, the Company drew a long-term loan in the amount of EUR 76.65 million falling due in 2024 and a long-term loan in the amount of EUR 60 million. This loan was drawn in the 2020 financial year and falls due in 2029. The interest rate of both loans consists of a variable component (3M EURIBOR) and a fixed margin (% p.a.). The loans are not secured by any assets.

The average interest rate of the loans drawn as at 31 January 2021 was 0.082% (31 July 2020: 0.193%).

In 2014, the Company issued bonds in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The maturity of bonds is on 23 June 2021.

Interest rates of the loans and bonds:

Loans and bonds	
EUR	
– with a fixed interest rate	2.625% p.a.
– with a floating interest rate	3M EURIBOR + margin

The carrying amount and face value of loans and bonds:

	Carrying Amount		*Face Value*	
	31 January 2021	*31 July 2020*	*31 January 2021*	*31 July 2020*
Loans	136 658	136 668	136 650	136 650
Bonds	507 466	500 463	500 000	500 000
Total	**644 124**	**637 131**	**636 650**	**636 650**

The carrying amount of bonds comprises an accrued coupon in the amount of EUR 7 948 thousand (31 July 2020: EUR 1 385 thousand).

SPP – distribúcia, a.s has no unused credit lines.

(EUR '000)

Based on a loan agreement signed on 12 November 2014, the Company is required to comply with the agreed financial covenants, ie - Net debt and EBITDA ratio may not be higher than 2.65:1 at the end of the reporting period. As at 31 January 2021, the Company was in compliance with this financial covenant.

If the Company's rating with at least one agency falls to or below the following levels: BBB- at Standard and Poor's, BBB- at Fitch, Baa3 at Moody's, the Company is required to provide additional collateral in the form of a guarantee, cash collateral, or other form of collateral accepted by the bank.

On 31 December 2014, the Company drew a loan in the amount of EUR 80 000 thousand, of which an amount of EUR 76 650 thousand was outstanding as at 31 January 2021. Under the loan agreement, the Company is not required to meet any financial covenants. However, the loan agreement defines the minimum rating level for the Company (Moody's: Baa2, Fitch: BBB). If the rating falls below the defined level at one of the two agencies (while remaining unchanged at the other agency), the interest margin will increase (from 0.15% to 0.22%). If the rating falls by more than one grade below the defined level, or if it falls by one grade at both agencies, the Company is required to provide additional collateral in the form of a guarantee, cash collateral, or other form of collateral accepted by the bank.

On 23 September 2019, the Company drew a loan in the amount of EUR 60 000 thousand. Under the loan agreement, the Company is not required to meet any financial covenants. However, the loan agreement defines the minimum level of the Company's rating (Moody's: Baa2, Fitch: BBB). If the rating falls below the defined level at either of the two agencies (while remaining unchanged at the other agency), the interest margin will slightly increase (from 0.15% to 0.22%). If the rating falls by more than one grade below the defined level, or if it falls by one grade at both agencies, the Company is required to provide additional collateral in the form of a guarantee, cash collateral or other form of collateral accepted by the bank.

As at 31 January 2021, the Company rating was A- (Fitch) or Baa2 (Moody's), ie all conditions were met.

16. TRADE AND OTHER PAYABLES

	31 January 2021	*31 July 2020*
Trade payables	25 155	25 812
Trade payables for gas purchases	3 578	4 477
Employee liabilities	8 805	5 926
Social security and other taxes	4 059	3 155
Payables from financial derivatives	4 461	4 860
Other payables	9 955	6 786
Total	**56 013**	**51 016**

As at 31 January 2021, the Company recorded payables within maturity in the amount of EUR 56 013 thousand; no overdue payables were recognised. As at 31 July 2020, the Company recorded payables within maturity in the amount of EUR 51 016 thousand; no overdue payables were recognised.

17. REGISTERED CAPITAL

The registered capital consists of 1 ordinary certificate-form share with the face value of EUR 1 200 000 thousand. SPP Infrastructure, a. s. is the holder of such share. The registered capital was paid up in the full amount.

(EUR '000)

18. LEGAL RESERVE FUND, OTHER FUNDS AND RETAINED EARNINGS

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

Legal Reserve Fund
The legal reserve fund in the amount of EUR 291 484 thousand (31 July 2020: EUR 291 484 thousand) is created in accordance with Slovak law and is not distributable to shareholders. The reserve is created from retained earnings to cover possible future losses or increases of the registered capital. Transfers of at least 10% of the current year's profit are required to be made until the reserve is equal to at least 20% of the registered capital. The legal reserve fund in the Company has already attained 20% of the registered capital.

Revaluation Reserves
Asset revaluation reserves are not immediately available for distribution to the Company's shareholders. Some revaluation reserves are reclassified to retained earnings based on differences between the depreciation charges for remeasured amounts and original costs of assets. Revaluation reserves are also reclassified to retained earnings upon the sale, contribution of a part of a business, or upon the disposal of assets. Such transfers to retained earnings are distributable.

Other Funds and Retained Earnings
Other funds and reserves in equity are not distributable to the Company's shareholders.

Distribution of profit:

Allotment	***Profit allotment for 2020***	***Profit allotment for 2019***
To cover losses from previous years	-	-
Dividends	115 280	77 775
Total profit to be distributed	**115 280**	**77 775**

19. FINANCIAL EXPENSE

	6-month period end 31 January 2021	***6-month period end 31 January 2020***
Interest expense	7 985	8 967
Other	35	93
Total financial expense/(income)	**8 020**	**9 060**

Interest expense mainly includes expenses for the coupon of a bond issued by the Company in 2014 (Note 15).

(EUR '000)

20. INCOME TAX

Income tax comprises the following

	6-month period ended 31 January 2021	*6-month period ended 31 January 2020*
Income taxes		
Current income tax	(26 668)	(27 123)
Special levy	(7 004)	(5 618)
Deferred income tax	11 112	10 826
Total	**(22 560)**	**(21 915)**

Current income tax is calculated from the accounting profit, as determined under Slovak legislation, and adjusted for certain items in accordance with tax legislation, at the currently valid tax rate of 21%, effective from 1 January 2017. In line with Act No. 235/2012 Coll., on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplementation of Certain Acts, the Company is obliged to pay a monthly special levy effective from September 2012.

The levy rate for the 6-months period ended 31 January 2021 is 0.00545 per month (0.00545 per month for the 6-months period ended 31 January 2020) based on the profit before tax and is presented as a part of the current income tax pursuant to the IFRS requirements.

Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

The effective tax rate differs from the tax rate stipulated by law of 21 % in the six-month period ending 31 January 2021 mainly due to the special levy.

Deferred income tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realized or the liability is settled. Deferred tax is recognized in the income statement, except for when it relates to items directly credited or directly charged to equity, in which case the deferred tax is also recognized in equity. Major temporary differences arise from revaluation of property, plant and equipment, depreciation of non-current assets, various allowances, provisions and derivative financial instruments. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the tax deductible temporary differences can be utilized.

The taxation years from 2015 included are still open for inspection by the tax authorities.

21. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 January 2021, capital expenditures of EUR 6 541 thousand (31 July 2020: EUR 9 729 thousand) had been committed under contractual arrangements for the acquisition of non-current assets, but were not recognised in the financial statements.

(EUR '000)

22. RELATED PARTY TRANSACTIONS

The 100% owner of the Company’s shares is SPP Infrastructure, a.s., in which Energetický a průmyslový holding, a.s. holds a near 49% of the shares including management control and 51% of the shares by Slovenský plynárenský priemysel, a.s.

In the six-month period ended 31 January 2021, the Company entered into the following transactions with related parties:

	6-month period ended 31 January 2021				***As at 31 January 2021***	
	Revenues	***Expenses***	***Dividends***	***Other***	***Receivables***	***Payables***
SPP, a.s.	135 448	4 825	-	-	564	21 194
SPP Infrastructure, a.s.	530	1	115 280	-	319 151*	-
Other related parties	10 888	18 058	-	5 826	2 483	5 219
Total	**146 866**	**22 884**	**115 280**	**5 826**	**322 199**	**26 413**

	6-month period ended 31 January 2020				***As at 31 July 2020***	
	Revenues	***Expenses***	***Dividends***	***Other***	***Receivables***	***Payables***
SPP, a.s.	135 113	3 446	-	-	697	35 897
SPP Infrastructure, a.s.	137	4	127 753	-	421 081**	-
Other related parties	6 381	18 322	-	8 822	1 294	10 207
Total	**141 631**	**21 772**	**127 753**	**8 822**	**423 072**	**46 104**

**The balance comprises of cashpooling receivable of EUR 222 525 thousand and loan receivable of EUR 96 000 thousand.*
*** The balance comprises of cashpooling receivable of EUR 329 836 thousand and loan receivable of EUR 91 000 thousand.*

Transactions with related parties mainly represented services related to the distribution, purchases, transit and storage of natural gas, as well as other services.

The Company primarily recognises the purchase of raw materials and assets as “Other”.

Management considers that the transactions with related parties have been made on an arm’s length basis.
Other related parties mainly include the fellow subsidiaries.

Since 2013, the Company has applied an exemption from IAS 24 on the non-disclosure of information on related parties through the Ministry of Economy of the Slovak Republic.

(EUR '000)

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

	6-month period ending 31 January 2021	***6-month period ending 31 January 2020***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	705	657
Of which:		
Board of Directors and executive management	*645*	*627*
Supervisory Board	*60*	*30*
In-kind benefits to members of the Board of Directors and executive management – total	39	33
Of which:		
Board of Directors and executive management	39	33
Supervisory Board		
Other payments to members of the Board of Directors, Supervisory Board, executive management and former members - total	8	8
Of which:		
Board of Directors and executive management	*8*	*8*

23. MEMBERS OF THE COMPANY'S BODIES AS AT 31 JANUARY 2021

Body	***Function***	***Name***
Board of Directors	Chairman	Ing. František Čupr, MBA
	Vice-Chairman	JUDr. Ľubomír Schweighofer (since 23 September 2020)
	Vice-Chairman	Ing. Štefan Šebesta (until 22 September 2020)
	Member	Ing. František Urbaník, PhD.
	Member	Mgr. Ing. Marek Štrpka
	Member	Ing. Pavol Mertus
Supervisory Board	Chairman	Ing. Martin Barto, CSc. (since 23 September 2020)
	Chairman	Ing. Rastislav Chovanec, PhD. (until 22 September 2020)
	Vice-Chairman	Gary Mazzotti B.A.(Hons) A.C.A. (since 20 August 2020)
	Vice-Chairman	William Price (until 19 August 2020)
	Member	Pavol Korienek
	Member	Milan Boris
	Member	Ing. Juraj Blusk (since 23 September 2020)
	Member	JUDr. Mgr. Matej Šimášek, PhD. (until 22 September 2020)
	Member	Ing. Branislav Bosák (since 23 September 2020)
	Member	Ing. Róbert Procházka (until 22 September 2020)
Executive management	General Director	Ing. Martin Hollý
	Director of the Economy and Regulation	Ing. Roman Filipoiu
	Director of the Network Operation and Asset Management	Ing. Rastislav Prelec
	Director of Investments	Ing. Irenej Denkocy, ACCA
	Director of Maintenance and Measurement	Ing. Miroslav Horváth
	Director of Distribution Services	Ing. Marek Paál
	Director of Human Resources, Quality, Health and Safety at Work, and Environment	Mgr. Ing. František Kajánek
	Director of Internal Supervision	Mgr. Karin Jaššová, PhD.

(EUR '000)

24. POST-BALANCE SHEET EVENTS

At the end of 2019, information on the coronavirus in China was published for the first time. In early 2020, the virus spread to almost the entire world and may also affect the Slovak economy. Company management considers this event to be an event that does not affect nor requires an adjustment to the 31 January 2021 financial statements, but rather to be an event that requires disclosure in the notes to the 31 January 2021 financial statements. Despite the constantly-changing situation, as at the date of publication of the financial statements, Company management did not register a significant impact on the Company's operations. Company management continues to closely monitor the situation and, if necessary, it will take all possible steps to avert negative impacts of this situation on the Company.

After 31 January 2021, there were no other significant events that would require adjustments to or disclosure in the financial statements.

Prepared on:	***Signature of a member of the statutory body of the reporting entity or a natural person acting as a reporting entity:***	***Signature of the person responsible for the preparation of the financial statements:***	***Signature of the person responsible for bookkeeping:***
2 April 2021			
Approved on:	Ing. František Čupr, MBA Chairman of the Board of Directors	Ing. Roman Filipoiu	Ing. Peter Duračka
	Ing. Pavol Mertus Member of the Board of Directors		