

SPP – distribúcia, a.s.

**INDEPENDENT AUDITOR'S REPORT AND
SEPARATE FINANCIAL STATEMENTS
(PREPARED IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING
STANDARDS, AS ENDORSED FOR USE IN
THE EU)**

**FOR THE FINANCIAL YEAR ENDED
31 JULY 2024**

AND

**REPORT ON OTHER LEGAL AND
REGULATORY REQUIREMENTS**

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STATEMENT BY THE COMPANY MANAGEMENT

Dear Shareholders,

The annual report of our company, which we present to you, covers the achievement of our objectives and the resulting economic results for the period from August 2023 to the end of July 2024. The main challenges affecting our operations were the energy crisis related to the military conflict in Ukraine, the situation in the Middle East, as well as issues related to decarbonisation in the EU.

Despite the challenging situation and uncertainty, we managed to achieve good economic results and maintain the stable position of natural gas in Slovakia's energy mix, despite significant subsidies for renewable energy. The position of natural gas as a reliable, secure and affordable low-carbon energy source has been supported by the continued diversification of gas supply and transport routes to our country, state regulation of gas prices for households, as well as the smooth continuation of gas supplies from the Russian Federation through Ukraine. We have filled our storage facilities, which has enabled us to meet the standard of security of supply for Slovak households.

The implementation of the maintenance plan has strengthened our network, which has had a positive impact not only on maintaining a high level of reliability, but also from an environmental perspective on reducing the duration of leaks and thus reducing methane emissions. The safety and reliability of our facilities, in addition to their professional maintenance, are ensured thanks to investments in network recovery, which have increased by more than 23 percent year-on-year.

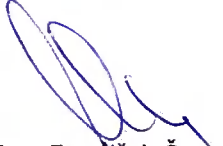
The flexibility and reliability of our network not only guarantees the warmth of homes in Slovak households and the functioning of industries for which gas is an indispensable resource, but also in the electricity sector, where natural gas has an indispensable role in balancing the electricity grid and storing energy in case of immediate need. These properties of natural gas, as well as the good state of the gas infrastructure in Slovakia, suggest that natural gas will be indispensable for Slovakia for many decades to come.

We are continuously raising the level of customer service to our customers and we have intensified our activities to introduce natural gas as a traditionally reliable energy source that is affordable with increasing potential for sustainability. In this context, last year we launched two projects, first one being My New Boiler aiming to help households address the energy crisis while contributing to decarbonisation. By replacing an older atmospheric boiler with a new condensing boiler with a discount from SPP-D and its partners of up to €600, the customer immediately saves up to 23% of gas costs and achieves a reduction in emissions in the same proportion. We are pleased that our solutions for the Slovak population are also considered suitable by the Association of Towns and Communities of Slovakia, which has become a communication partner of our project. We are convinced that natural gas is a suitable primary heat source for heating and hot water production also in new A0 energy class buildings. This is mainly due to the unprecedented cost-effectiveness of the gas condensing boiler, its high efficiency, low operating costs, simple installation, real user comfort and availability, not to mention the almost negligible impact on the environment. The solar panel as an additional renewable source of heat energy to the gas boiler further increases the efficiency of the entire heating system with an emphasis on cost savings. In addition to this, we have prepared a second project consisting in providing the project of a family house free of charge to interested parties who want to use natural gas as the main heating source in their A0 standard property.

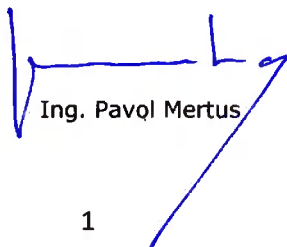
Contribution of SPP – distribúcia to green solutions for Slovakia also consists in supporting the production of biomethane. This renewable gas is in growing demand and new investors are interested in its production. Currently, five new entities have concluded contracts to connect biomethane stations to our distribution network. At the same time, eight stations have signed up to the Recovery Plan call for upgrading biogas stations to biomethane. The current year was also the first year of operation of the Renewable Gas Registry. We believe that we have thus created the necessary preconditions for the development of biomethane market and made an important step towards "green future" of the gas industry in Slovakia. We are convinced that the future of gas industry lies not only in the use of biomethane but also in the increased use of green hydrogen. Based on successful testing of its distribution in the mixture with natural gas, this year we were able to certify our network to distribute a natural gas mixture with a 10% share of hydrogen in the local network and a 5% share of hydrogen in the high-pressure pipelines of our network.

Efficient procurement, including the purchase of natural gas, increased productivity in maintenance, as well as faster removal of leaks, also contributed to the good financial results, which are on a par with previous years. By timely and high-quality preparation of investment actions, we were able to procure the reconstructions of local networks alternatively, either through external contractors or directly through our own construction and assembly activities, in order to select the most cost-effective solution.

All our actions and activities have led to the confirmation of SPP – distribúcia's position as a reliable natural gas distributor, a stable investor and an attractive employer. We are optimistic about the future, aware of our professionalism, quality and ability to create effective solutions for our customers, employees and the society. We will continue to strengthen our indispensable position in the Slovak energy industry in the future.



Ing. František Čupr, MBA



Ing. Pavol Mertus



Ing. Martin Holý

COMPANY

COMPANY PROFILE

The company SPP - distribúcia, a. s., as the owner and operator of a gas distribution network of more than 33,400 km, provides natural gas distribution in the territory of the Slovak Republic to more than 1.5 million points of delivery. The volume of such distributed gas accounts for about 98% of the total natural gas volume distributed in the Slovak Republic for more than 94% of the Slovak population with access to natural gas.

The reliability of operation of such an extensive gas distribution network requires a high level of professionalism, continuous development and consistent monitoring of the condition of pipelines and gas facilities in order to ensure the technically safe, user reliable and economically efficient distribution of natural gas.

SPP – distribúcia considers a continuous natural gas supply as one of the strategic pillars for maintaining the energy security of the Slovak Republic; therefore, increased attention is paid to it by the company. Furthermore, the company concentrates on the consistent implementation of quality standards and a number of other legislative requirements. SPP – distribúcia is a responsible guarantor of a strategic gas supply for household customers. The company also performs dispatching control and monitoring of the gas distribution system, including its physical balancing.

SPP – distribúcia actively supports the development of an open gas environment through its activities. The company aspires to be a stable and efficient provider of professional services for 25 distribution network users as well as natural gas customers of all categories. It places emphasis on transparent and non-discriminatory business activities. It strives to continuously improve the provided services, which is reflected in the growing options for electronic access to key services.

Priority business areas for SPP – distribúcia include the sale of distribution capacity, connections to the gas distribution network, active promotion of the use of natural gas as a comfortable, economical and environmentally friendly fuel, development activities, and the operation and maintenance of gas facilities.

The provision of safety for the extensive gas distribution network and its operation is preceded by safety of people in their own workplaces, which remains the company's priority. SPP – distribúcia strives to set up its processes optimally and to increase the efficiency of the operating activities resulting from its position as an independent operator on the Slovak gas market.

SPP – distribúcia perceives the environmental dimension of its activities in relation to climate change and the resulting global efforts to reduce greenhouse gas emissions. The long-term goal of the company is to create the most favourable regulatory, legislative, technical environment supporting the largest possible implementation of emission-free or low-emission gases (biomethane, hydrogen) into the gas infrastructure of the Slovak Republic, including setting up adequate support from public funds. The biomethane station in Jelšava was the first in Slovakia to start the production of biomethane and its injection into the distribution network. In the last period, we have registered an increased interest of applicants for connection of future biomethane stations to the distribution network. On 1 June 2023, SPP – distribúcia launched the operation of the Renewable Gas Registry, whose task is to issue, transfer and apply guarantees of origin for renewable and low-carbon gases. It is a key instrument to enable trade flows of renewable gases through Europe's gas infrastructure. The launch of the registry will contribute to the decarbonisation of the gas sector and guarantees of origin will find application in a variety of industries.

In an effort to contribute to tackling climate change, the company, following the example of developed countries, plans to use the pipeline network in the near future to distribute mixtures of emission-free gases together with natural gas. The experience in practical mixing of hydrogen into distributed natural gas abroad and successful laboratory tests at home have created the preconditions for the launch of hydrogen mixing into the distribution network in Slovakia as well. As part of the H2PILOT pilot project, SPP – distribúcia has started a practical test of natural gas distribution with 10% of hydrogen in the municipality of Blatná na Ostrove. Based on successful testing, in 2024, SPP – distribúcia was able to certify the network to distribute a natural gas mixture with a 10% share of hydrogen in the local network and a 5% share of hydrogen in the high-pressure pipelines.

BOARD OF DIRECTORS AS AT 31 July 2024



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

František Čupr graduated from the Faculty of Business and Economy of Mendel Agricultural and Forestry University Brno with a Master of Business Administration (MBA) in 2006. After graduating, he worked for seven years with Jihomoravská energetika, a. s., in Brno, in various managerial positions, including Deputy Director of the Sales Division and Strategy Director. In 2005, he started to work for the J&T Investment Group, dealing with energy projects. In the same year, he founded a company trading in electricity and natural gas, EP Energy Trading, a. s. (former United Energy Trading, a. s.), where he executed the function of Chairman of the Board of Directors and CEO until 2012. In the period of 2006-2010, he was a member of the Supervisory Board of Pražská energetika, a. s. From 2009 to 2013, he operated as a member of the Supervisory Board of Pražská teplárenská, a. s. In 2013, he became Chairman of the Board of Directors of Stredoslovenská energetika - distribúcia, a. s. Since 24 January 2013, he has held the position of Chairman of the Board of Directors of SPP - distribúcia, a. s. Since 24 January 2013, he has been Chairman of the Board of Directors of SPP - distribúcia, a.s.



JUDr. Adrián Kucek
Vice-Chairman of the Board of Directors

Adrián Kucek graduated from the Faculty of Law of the Comenius University in Bratislava, where in 2005 he obtained the degree of JUDr. After graduation he passed the bar exam in the Slovak Bar Association. Since 2009, he has been acting as Executive Director and Attorney at Kucek & Partners, s.r.o. In 2021 he became Chairman of Disciplinary Board of the Slovak Bar Association. Since January 2023 he has held the position of Legal Adviser at the Public Procurement Office. Since 20 December 2023, he has been Vice-Chairman of the Board of Directors of SPP - distribúcia, a.s.



Ing. František Urbaník
Member of the Board of Directors

František Urbaník graduated from the Faculty of Electrical Engineering of the Brno University of Technology. He obtained his PhD at the VŠB - Technical University of Ostrava, Faculty of Mining and Geology. He started his professional career at Vlářské strojírny, s. p. in 1991 as Chief Power-Supply Director. In the period from 1993 to 1995, he was employed with IMC, s. r. o. as system engineer. In 1995 he co-founded AISE, s. r. o., where he worked as a system engineer and marketer. He executed projects of measurement and control implementation, reduction in energy intensity of industrial enterprises and applied development of data collection and distribution methods. In 1997, he became the Executive Officer and Director of this company, where he still works. In the period from 1997 to 2008 he was also a manager of ENBI, s. r. o., where, in addition to energy studies and audits, he participated in the projects of EPC, M&C of Johnson Controls, AISYS, ERIS, and SIEMENS systems, and in the application of TEDOM and Caterpillar cogeneration units; till 1999, he also held the position of Executive Officer of the company. In January 2017, he became a member of the Board of Directors of SES BOHEMIA ENGINEERING, a. s. Since 26 May 2017, he has been a member of the Board of Directors of SPP - distribúcia, a. s.



Mgr. Ing. Marek Štrpka
Member of the Board of Directors

Marek Štrpka graduated from the Faculty of Commerce of the University of Economics in Bratislava and the Faculty of Law of Comenius University in Bratislava. He started his professional career in 1996 in the St. Nicolaus Group, holding various managerial positions for eight years. In 2003 he started to work for the AGROFERT Group, first holding the position of financial director and member of the Board of Directors of Duslo, a. s., and from 2008 as the CEO and Vice-Chairman of the Board of Directors of this company. At the same time, he operated as Chairman of the Supervisory Board of the Association of Chemical and Pharmaceutical Industry SR, Member of the Board of Directors of the Slovak Agriculture and Food Chamber, member of Klub 500. Since 2013, he has been the CEO of Stredoslovenská energetika - distribúcia, a. s. Since 11 November 2015, he has been a member of the Board of Directors of SPP - distribúcia, a. s.



Ing. Pavol Mertus

Member of the Board of Directors

In 1987, Pavol Mertus graduated from the Faculty of Mining of the Technical University in Košice and subsequently, he completed his postgraduate studies in economics and management of mining industry. Until 1991, he worked as mine inspector at the Mining Office in Bratislava. In the period from 1992 to 1994, he acted as an adviser to the Prime Minister of the Slovak Republic. From 1994 to 1999 he held the position of General Director of the State Environmental Fund of the Slovak Republic and was a member of the Supervisory Board of Všeobecná úverová banka. In the period from 1999 to 2003, he held the position of Business and Economic Director of Pozagas, a. s., where he was responsible for economic management and business matters of the company. From 2003 to 2005, he acted as an adviser to the Board of Directors and a member of the Supervisory Board of FIN-energy, a. s., Bratislava, where he was in charge of energy and gas projects. In the period from 2008 to 2016, he acted as General Director and Executive Officer of ČKD – Slovensko, a member of the ČKD Group Praha, in charge of the complete operation of the company acting in the energy and gas industries, in the area of technology. Since 2007, he has been a member of statutory and supervisory bodies of companies within the SSE Holding, a.s., Žilina. He currently holds the position of Chairman of the Supervisory Board of SSE Holding, a.s. Since 2 January 2017, he has been a member of the Board of Directors of SPP - distribúcia, a. s.

TOP MANAGEMENT AS AT 31 July 2024



Ing. Martin Hollý

General Director

Martin Hollý graduated from the Faculty of Commerce at the University of Economics in Bratislava with a specialization in foreign trade. He also studied at the Universidad de Granada in Spain. After graduating, he first worked for several years as Senior Auditor and Consultant at Arthur Andersen. In 2003 he took up the position of Director of the Economic Department in NAFTA a.s., where he significantly contributed to the restructuring of the company. From July 2008 to September 2012, he was General Director of NAFTA, a. s., as well as a member of statutory bodies in POZAGAS a. s. In October 2012 he moved to SPP – distribúcia, a. s., within the SPP Group, where he has held the position of General Director since 1 December 2012.



Ing. Roman Filipoiu, MBA

Head of the Economics and Regulatory Division

Roman Filipoiu completed his Financial Management studies at the Faculty of Business Management at the University of Economics in Bratislava. Later on, he obtained his MBA at Oxford University in Great Britain. After graduating, he started working as an Auditor and Consultant in Deloitte, where he participated in audits of several major banks, financial institutions, and media companies in Slovakia. He started working in the energy sector after joining NAFTA a. s. in 2007. He was responsible for controlling, price regulation, and later also for accounting, procurement, and finance. In the same period he also worked as Chairman of the Supervisory Board in Karotáž a cementace s. r. o. and Naftárska leasingová spoločnosť a. s. Since April 2009, he has been Head of the Economics and Regulatory Division for SPP – distribúcia, a. s. At the same time, he acts as Chairman of the Supervisory Board in SPP – distribúcia Servis, s. r. o., and a member of the Supervisory Board in Plynárenská metrológia, s. r. o.



Ing. Rastislav Prelec

Head of the Network Operation and Asset Management Division

Rastislav Prelec graduated from the Faculty of Electrical Engineering at the Slovak University of Technology in Bratislava in 1985 and completed his Masters in Industrial Engineering at Fachhochschule Ulm in Germany in 2005. After completing his studies, he worked in the Chemical Technology Research Institute as Head of the Automation Department until 1991. In the period from 1991 to 1995 he was self-employed in the field of industrial automation. In 1995 he joined Slovenský plynárenský priemysel, a. s. as Telemetric Equipment Technician. He later worked as Head of the Control Systems Department. Since 1997 he has worked as Project Manager and Co-Manager on the following projects: Reconstruction and Remote Control of Transfer Stations (SCADA SPD), Remote Monitoring of Regulation Stations (SCADA OZ), Dispatching Control Systems (SCADA), Remote Monitoring of Large Customers, Mobile Workplaces, and the Distribution Information System. In 2009 he was appointed Director of the Maintenance and Metering Division in SPP - distribúcia, a. s., where he served until 1 July 2013, when he became Head of the Network Operation and Asset Management Division in SPP – distribúcia, a. s.

**Ing. Miroslav Horváth**

Head of the Maintenance and Metering Division

Miroslav Horváth completed his studies at the Faculty of Mechanical Engineering of the University of Žilina, specializing in the gas industry. After graduating, he started working for Slovenský plynárenský priemysel, š. p., as Technician of Gasification in 1999. Subsequently he worked in several positions, among others also as Head of the Centre District Gasworks in Považská Bystrica. In July 2004 he became Head of the Local Unit in Prievidza. After the legal unbundling in 2007, he joined SPP – distribúcia, a. s., in the post of Head of the Regional Centre East in Košice. Since 2009, he has worked as Head of the maintenance department in the Maintenance and Metering Division and subsequently as Deputy to the Section Head. On 1 July 2013 he was appointed Head of the Maintenance and Metering Division for SPP – distribúcia, a. s.

**Ing. Marek Paál**

Head of the Distribution Services Division

Marek Paál, specialising in the gas industry, completed his studies at the Faculty of Mechanical Engineering of the University of Žilina in 2003. However, he started working in this field in 1996, when he joined the Slovak Gas Dispatching at Slovenský plynárenský priemysel, a. s. (SPP), holding various posts. Since 2004 he worked at SPP as Director of the Distribution Capacities Sales Division. In 2006, he participated in the legal unbundling process of SPP into three separate companies and led the project for the implementation of a distribution information system for liberalised gas trading. After the legal unbundling, he continued to work as Director of the Distribution Capacities Sales Division in the now separated company SPP – distribúcia, a. s. Since the restructuring of the company in 2009, he has held the position of Head of the Distribution Services Division.

**Ing. Irenej Denkocý**

Head of the Investment Division

Irenej Denkocý graduated from the Faculty of Business Management of the University of Economics in Bratislava with a specialization in financial management. He continued his studies by qualifying for and gaining ACCA membership. After graduating, he first worked as an assistant auditor at Ernst & Young, where he participated in the audits of several significant businesses in Slovakia. In 2009 he joined SPP – distribúcia, a.s., in the position of Senior Controller. Starting from 2011, he worked in the position of Head of Investments Controlling and Asset Registry. From July 2014 to January 2015 he was nominee Head of the Investments Division of SPP – distribúcia a. s. Since 1 February 2015, he has been Head of the Investments Division.

**Mgr. Ing. František Kajánek**

Head of the Human Resources and QHSE Division

František Kajánek graduated from the Mining-Geology Faculty at the Mining College in Ostrava with a specialization in economics and the management of mines, and later studied law at the Comenius University. He has been actively engaged in the area of human resources since 1995, working at NCHZ a. s., Nováky, for the Office for State Services, and for the Ministry of Labour, Social Affairs and Family of the Slovak Republic. Starting from 2007, he worked for NAFTA, a.s., where he held the position of Director of Human Resources from 1 January 2008. In addition to human resources, he was also responsible for corporate culture and internal communication development. Since 1 December 2013, he has been a team-member of SPP - distribúcia, a.s. as Head of the Human Resources and QHSE Division.

SUPERVISORY BOARD AS AT 31 July 2024**Ing. Peter Nosál**

Chairman of the Supervisory Board

Peter Nosál completed his Financial Management studies at the Faculty of Business Management at the University of Economics in Bratislava. During his studies, he started working in the financial sector. First as a broker at Lifo, a.s., and after graduation at Agrofin, o.c.p. From 2001 to 2005 he held the position of Sales Director at Slovak Brokerage House, o.c.p., a.s. From 2005 to 2010, he worked as General Director at Capital Invest, o.c.p., a.s., and from 2010 to 2016 at FPD CORPORATION SK, a.s., as Chief Investment Officer. Since 2019, he has worked in the financial market as an independent consultant and investor. Since 20 December 2023, he has been Chairman of the Supervisory Board of SPP – distribúcia, a.s.

Gary Mazzotti B.A.(Hons) A.C.A., Vice-Chairman of the Supervisory Board

Members:

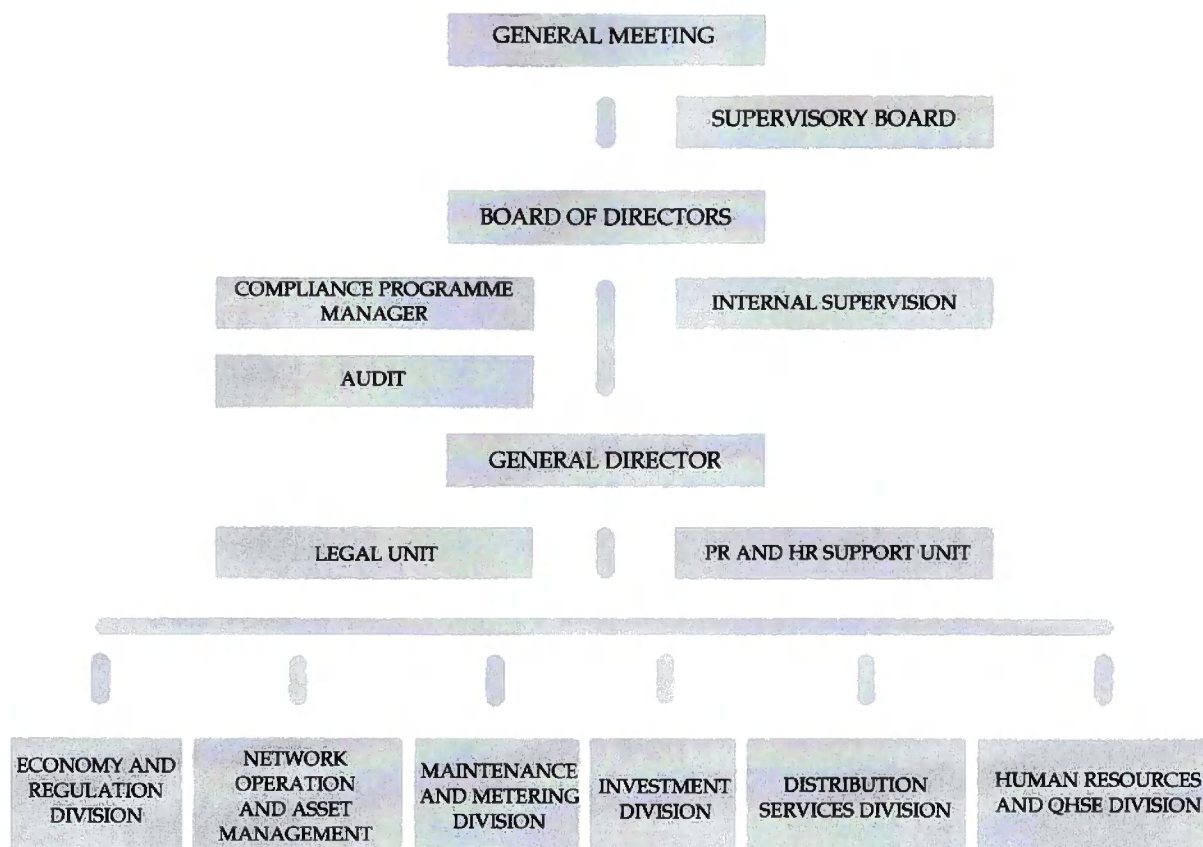
Pavol Korienek, Member of the Supervisory Board

Mgr. Zoran Kupkovič, Member of the Supervisory Board

Milan Boris, Member of the Supervisory Board

Ing. Matej Riecky, LL.M. MBA, Member of the Supervisory Board

ORGANIZATIONAL STRUCTURE



SAFE AND RELIABLE DISTRIBUTION

SAFETY OF THE NETWORK AND REDUCTION OF METHANE EMISSIONS

We are improving the safety of distribution by stepping up leak checks on steel pipelines and increasing the pace of network recovery, thus making a significant contribution to reducing methane emissions. We manage to continuously reduce these also by tightly controlling and shortening the time it takes to fix the faults and leaks that are found.

INTEGRATION OF RENEWABLE GASES INTO THE DISTRIBUTION NETWORK

The long-term vision of the Slovak gas sector is to gradually replace fossil natural gas by emission-free or low-emission gases (biomethane, hydrogen). The newly adopted European taxonomy – the provisional classification of natural gas as a sustainable investment – makes the environmental sustainability of gas conditional on a transition to renewable and low-carbon gases by 2035. Today, it is clear in professional circles that the gas infrastructure has a future with hydrogen. Naturally, this will first involve mixing hydrogen into the natural gas to create a mixture of these gases with a predetermined hydrogen volume ratio.

The company has moved forward significantly in this area in 2024, as the networks have been certified to distribute the mixture of natural gas and hydrogen up to 5% of the volume for high-pressure networks and regulation stations and 10% of the volume for medium- and low-pressure pipelines in towns and municipalities.

The company can make a significant contribution to reducing the ecological footprint of gas consumption by combining natural gas with hydrogen, biomethane or synthetic gas. Based on our own tests and a number of international studies, we believe that the gas distributed can contain up to 20% of hydrogen without major modifications to the existing gas network. Mixing 20% of hydrogen into the natural gas stream will eventually reduce the carbon footprint of consumption by 7%, due to the lower calorific value of hydrogen.

We are working with major expert institutions to investigate the impact of hydrogen on the existing gas distribution network and are monitoring progress abroad by actively participating in various initiatives. Leading the *Knowledge Sharing* working group within Ready4H2, an organisation of over 70 European gas distributors, represents one example.

FIRST STATION ALREADY SUPPLIES BIOMETHANE TO THE GAS NETWORK

There are currently several dozens of biogas plants in operation in Slovakia. The first one already has a plant to purify biogas and obtain pure biomethane. It is situated in Jelšava and after production expansion from May 2023, it can produce 180 MWh of biomethane per day, which it injects into the gas distribution network.

Current biogas plants produce electricity from biogas, which is fed into the electricity grid, while the heat is mostly used for their own consumption. In the Recovery Plan, the government is counting on financial support for the conversion of biogas plants to biomethane plants; given their capacity, it will be possible to connect up to a third of them to our high-pressure gas network.

Biomethane is carbon neutral (it has up to a negative carbon footprint in the case of waste treatment), so in the form of bioCNG and bioLNG it is a particularly suitable choice for decarbonizing transport. Its combustion produces no particulate matter, making a significant contribution to cleaner and healthier air. The basic raw material for the most advanced biomethane production is chicken and cow manure and various biodegradable wastes. The composition of biomethane is almost identical to natural gas, but unlike this fossil fuel, it is produced from local renewable raw materials or directly from waste, making its production sustainable.

In the short term, SPP – distribúcia will be able to connect approximately 34 biogas stations to its high-pressure network after their conversion to biomethane production. However, the total potential for biomethane production from biodegradable municipal waste, kitchen and restaurant waste and livestock excreta, according to the latest Integrated National Energy and Climate Plan of the Slovak Republic, can reach up to almost 400 million m³ of biomethane. More than 33 thousand kilometres of Slovak gas pipelines will thus contribute to the improvement of the environment and can therefore undoubtedly be called “the network of the green future”.

SMART METERING ROLL-OUT

As part of the pilot project, the company began installing G6-sized smart membrane home gas meters in the network in 2019. Besides the basic function of measuring the volume of gas flowing through, the gas meters have the possibility of transmitting daily measurement data and selected alarm states of the meter, such as exceeding the maximum hourly flow rate or unauthorized interference with the meter. An important function of these meters from the point of view of effective provision of the service to gas suppliers is the possibility of remote interruption of the supply of natural gas. These types of gas meters are so far installed at selected delivery points, where we register multiple requests for interruption of natural gas supply from suppliers, delivery points in the event of suspected unauthorized consumption, or with difficult access to the meter. As of 31 July 2024, 6,500 smart gas meters have been installed in the network.

From 2022 onwards, membrane industrial gas meters in sizes G10 – G40 were also installed for end customers, mainly in the category of small consumption, but for medium consumption customers. The purpose of their use is identical to that of home smart gas meters, whereby in many cases, especially in the category of medium

consumption, they replace electronic quantity calculators and additional transmission devices, streamlining the maintenance activities of metering as well as reducing the actual costs of maintenance and renewal of these devices. Currently, there are 1,074 such smart gas meters installed in the network, and their number will increase in the coming period.

THIRD-PARTY DAMAGE TO GAS FACILITIES

The company recorded an increase in cases of damage to gas facilities by third parties in the evaluated period from 1 August 2023 to 31 July 2024. Damages were recorded mainly in the performance of earthworks in the protection zones of gas facilities, where in 70% of the cases the gas installation had not been staked out.

In order to eliminate damage to gas facilities, steps were taken to improve existing procedures and implement new ones in the areas of control of work in the protection zone of gas facilities, web forms and external communication. The company continues in 2024 with free staking up to 100 m. In examining cases of damage to gas facilities, we continue to cooperate with the Slovak Trade Inspectorate and Regulatory Office for Network Industries (ÚRSO).

ENSURING A STANDARD FOR SECURITY OF SUPPLY

In order to address and prevent a potential emergency, SPP – distribúcia, as the distribution network operator, ensured the standard of security of gas supply for household customers in accordance with the applicable legislation in the period from November 2023 to March 2024. In particular, the tool was to use natural gas reserves in an underground storage facility also intended for balancing the network, while security of supply was also ensured through contractually agreed auxiliary gas supplies to cover the full needs for meeting security standards in line with economic and efficiency criteria. The fulfilment of the said measures, also during the period from November 2023 to March 2024, shows that the company was and is able to responsibly fulfil its security of gas supply obligations and ensure continuous and reliable distribution of gas for all households in the Slovak Republic even in the event of an emergency. At the same time, in 2023 we intensively prepared for the supply of gas to Slovakia during the 2023/2024 winter season due to the ongoing uncertain gas supply situation caused by the geopolitical events of February 2022, which may threaten the transport of gas from the Russian Federation to Europe.

DETECTION OF UNAUTHORIZED CONSUMPTION OF NATURAL GAS

We also continued during this period successfully to detect unauthorized consumption in order to achieve a reduction in losses from the distribution of natural gas. Company employees identified and documented almost 700 cases of unauthorized consumption amounting to more than 1.75 million m³ of gas.

In order to improve the safety of the facilities operated, we carried out dozens of blanket checks aimed at detecting and documenting unauthorized consumption. To this end, more than 65,000 delivery points were inspected in the past period, with hundreds of cases of demonstrable interference with metering instruments or even directly into the pipe were detected. Based on facts suggesting the crime of gas theft, we brought dozens of charges.

GAS ACCESS COVERAGE RATE

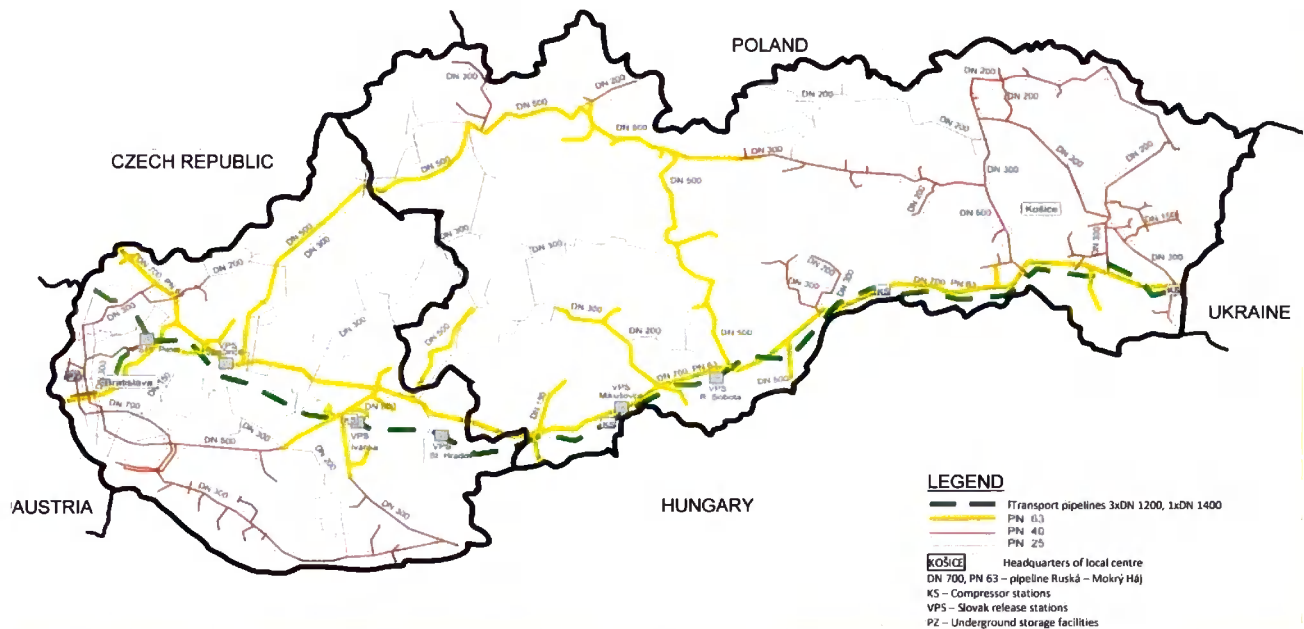
In Slovakia, gas is delivered to 77% of municipalities, where currently 94% of the population live. In view of the level of coverage achieved in municipalities, further development of the distribution network is no longer required, but due to the significant development of the construction of residential sites, the continuous connection of these sites to the distribution network has been carried out for several years. As a rule, the residential sites in question are situated in already covered municipalities, so the distribution network is becoming denser.

Distribution of natural gas via the SPP-D distribution network in the period from 1 August 2020 to 31 July 2024 (billion m ³ / 15°C)					
	2020*	2021*	2022*	2023*	2024*
Distributed volumes	4.85	5.41	5.00	4.19	4.06

*12-month period ended by 31 July

In the period from August 2023 to July 2024, the volume of gas distributed through the SPP – distribúcia network was lower compared to the period from August 2022 to July 2023, with a decrease in gas distribution mainly in the period from February to April 2024. The decrease was due to an increase in the average air temperature compared to the same period in 2023. The decrease in gas consumption in the Slovak Republic was also recommended at the EU level under Council Regulation (EU) 2022/1369 on coordinated demand-reduction measures for gas, requiring a reduction in Member States' gas consumption in the period from 1 April 2023 to 31 March 2024.

Map of the SPP – distribúcia distribution network



Length of distribution network in the period from 2020 to 31 July 2024 (in km)					
	2020*	2021*	2022*	2023*	2024*
High-pressure gas pipelines	6,285	6,274	6,273	6,273	6,271
Medium-pressure and low-pressure gas pipelines	27,069	27,062	27,077	27,080	27,074
Total	33,354	33,336	33,350	33,353	33,345
Classification of local network gas pipelines in the period from 2020 to 31 July 2024 (in km)					
	2020*	2021*	2022*	2023*	2024*
Steel	12,091	11,907	11,713	11,564	11,399
Polyethylene	14,978	15,155	15,363	15,516	15,676
Investment in the renovation/reconstruction of the network in the period from 2020 to 31 July 2024 (in € mil.)					
	2020*	2021*	2022*	2023*	2024*
Investment in renovation	32	33	37	38	47
Number of km of local network gas pipelines upgraded (low- and medium-pressure gas pipelines)	127	131	141	127	159

*12-month period ended by 31 July

CUSTOMER ORIENTATION

RELATIONS WITH GAS SUPPLIERS, LIBERALIZED GAS MARKET

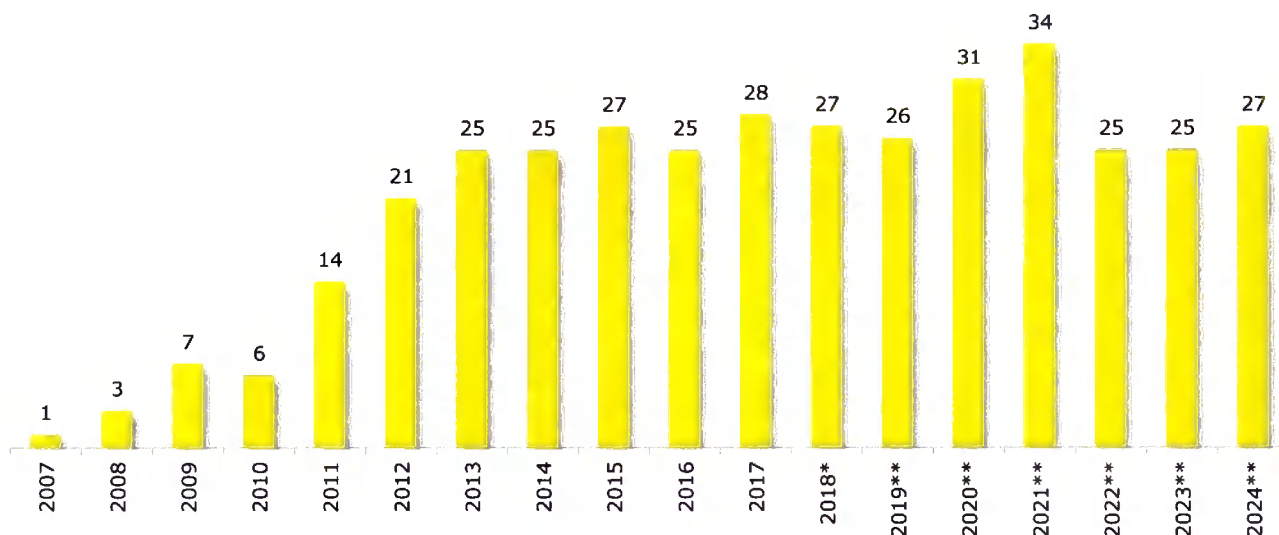
SPP – distribúcia provided access to the distribution network and gas distribution for 27 users of the distribution network (gas suppliers and large gas customers with a separate contract on access to the distribution network and gas distribution) as of 31 July 2024. The situation of suppliers on the gas market is stable and in the previous reporting period none of the gas suppliers ceased operations, on the contrary, several gas suppliers strengthened the composition of their portfolio and new suppliers were able to successfully establish themselves on the market. The market has seen a resurgence of supplier switching after the previous downturn caused by high gas prices. We see an increase in the number of supplier switches in 2024 compared to the same period in 2023. We are constantly making efforts to develop the gas market in Slovakia. We are improving and streamlining the user interface of the key IT system used by natural gas suppliers, increasing transparency and expanding access to information for users of our distribution network. We are adding functionality to the gas supplier systems to improve access to data on delivery points so that gas suppliers have all the information they need to ensure a smooth supply and a seamless customer switch to another supplier. Our company continues to provide the Ministry of Economy of the Slovak Republic with gas consumption data for individual categories of delivery points on a monthly basis for the purpose of providing energy subsidies and compensation to gas suppliers.

LEGISLATION AND REGULATION

In the reporting period, the established trend of adopting numerous changes and amendments continued, both in the Energy Act and in the Regulatory Act, as well as in the gas market rules. Among the amendments, the greatest attention was paid to strengthening consumer protection in gas supply contracts and to the regulation of physical readings for household customers with an annual consumption of up to 200 m³. In the crisis regulation, the legislation further clarified some provisions shaping the legal framework for the provision of

compensation to suppliers and subsidies to end-users. The Regulation of the Government of the Slovak Republic provides for state-subsidized gas supply prices for household and small business customers or for selected vulnerable customers by the end of 2024. With effect from 29 November, the first amendment to the Operating Regulations of SPP - distribúcia, a.s. came into force, which mainly concerned the content update of the provisions following the adoption of the new gas market rules. In November 2023, the Regulatory Office for Network Industries issued a new Price Decision No. 0029/2024/P as of 29 November 2023 with effect from 1 January 2024. Pursuant to the Regulation of the Government of the Slovak Republic No. 472/2023 Coll., part of gas distribution fees shall be compensated by the Ministry of Economy of the Slovak Republic and the price for distribution for end-users remained at the 2023 level.

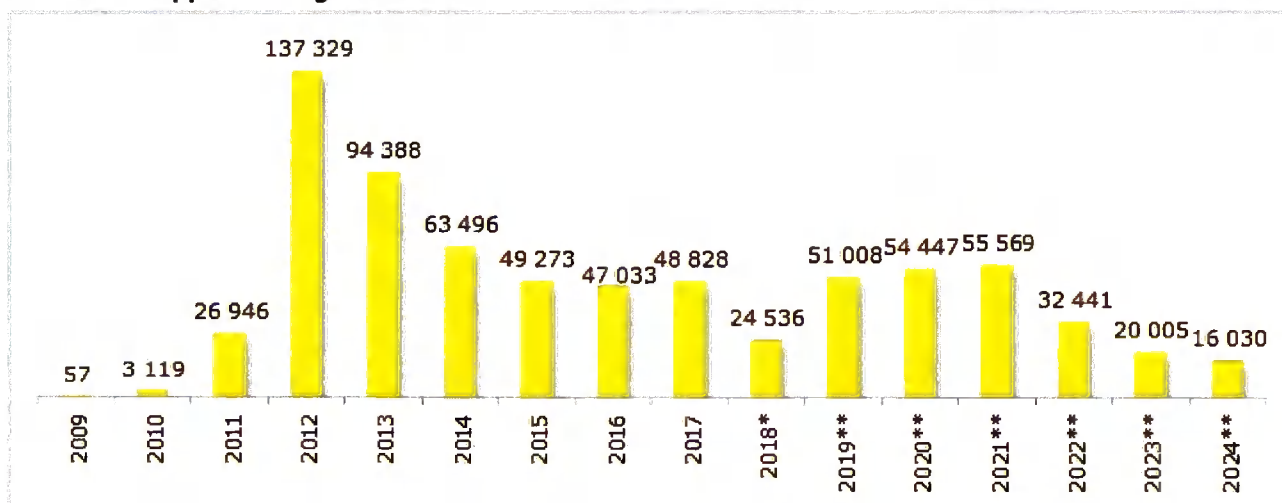
Number of users of the distribution network



*7-month period ended by 31 July 2018

**12-month period ended by 31 July 2019 or 2020-2024

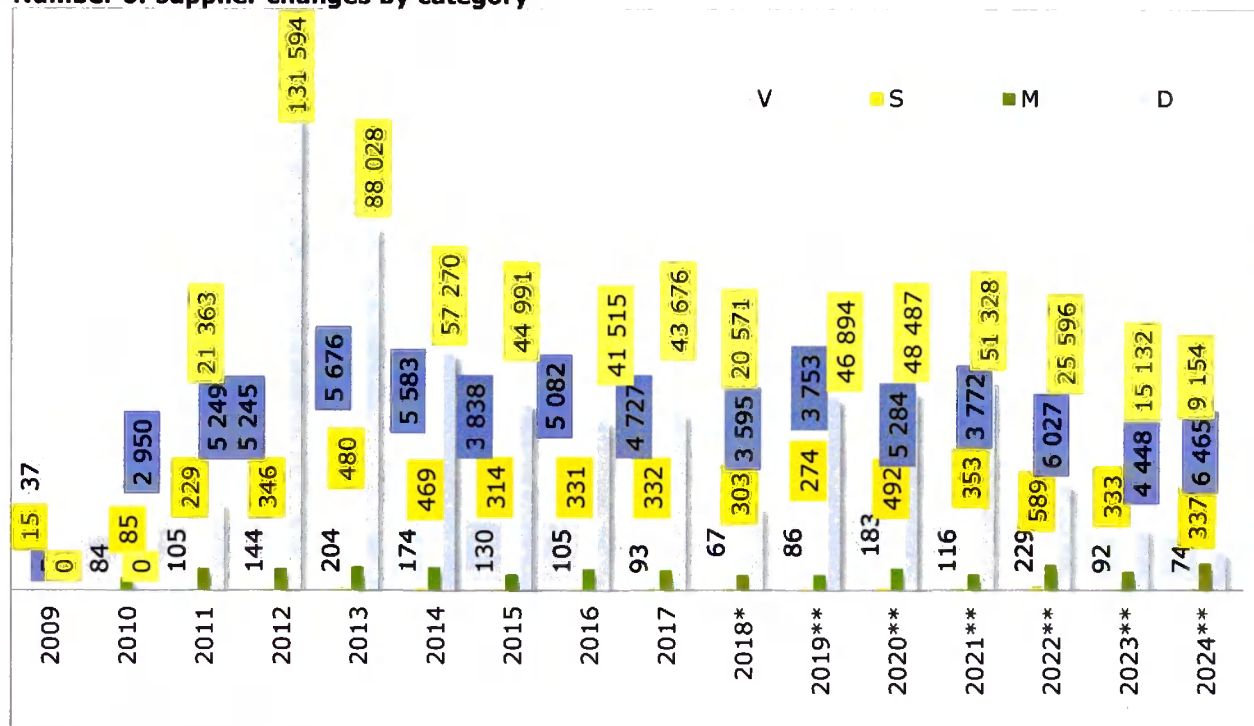
Number of supplier changes



*7-month period ended by 31 July 2018

**12-month period ended by 31 July 2019 or 2020-2024

Number of supplier changes by category



*7-month period ended by 31 July 2018

**12-month period ended by 31 July 2019 or 2020-2024

SHORTENING THE PROCESS OF CONNECTING CUSTOMERS TO THE DISTRIBUTION NETWORK

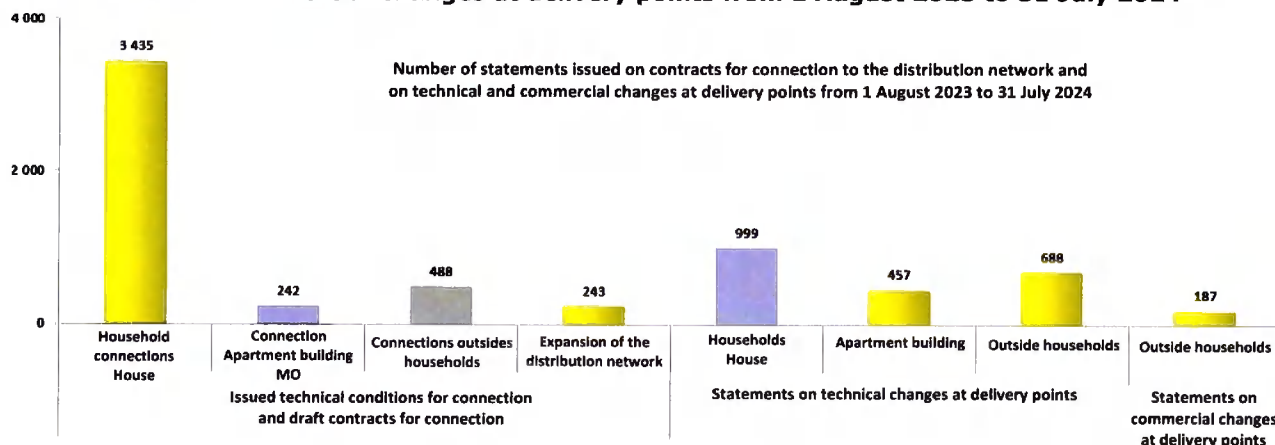
Households and Small Customers

Between 1 August 2023 and 31 July 2024, our company provided applicants for connection to the distribution network with the possibility of personal contact in two Customer Offices in Žilina, and in Košice with the possibility of making an appointment for a specific selected date via the reservation system on our website. In September 2021, our company opened a new Customer Centre in Bratislava on Plátennícka Street. We were available every day for our customers booked through the Reservation System, and we also added customer hours for unbooked customers three days a week. Applicants for connection, or for technical changes to an existing delivery point, are processed without long waiting times with the possibility of convenient free parking. Besides personal contact, applicants for connection could also use contact by mail and an on-line form on our website.

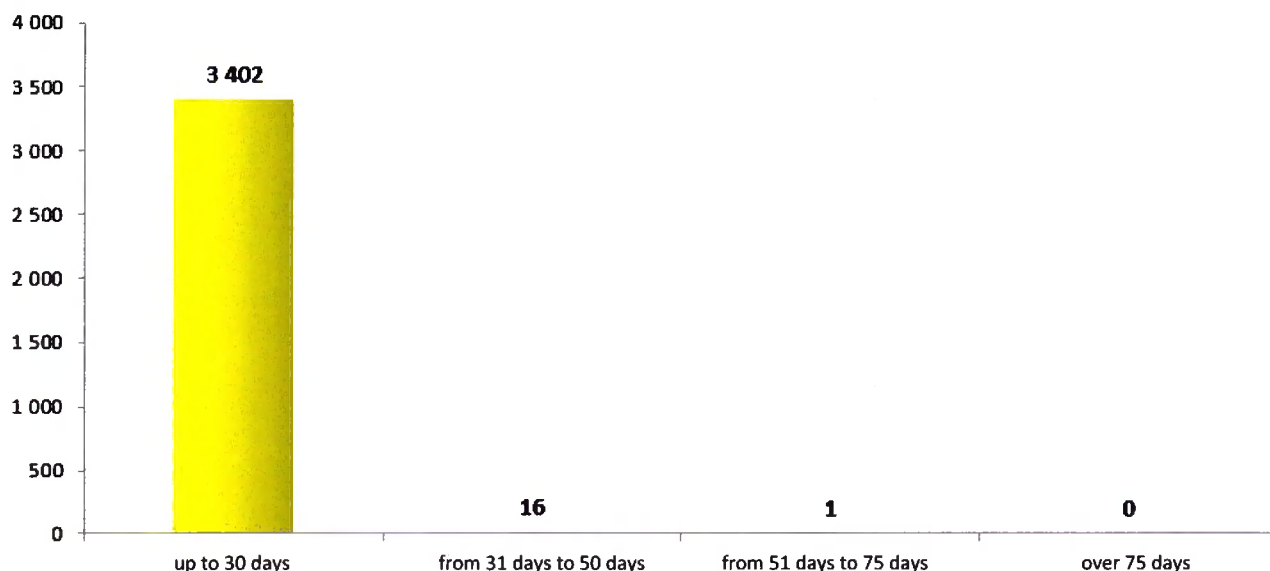
SPP – distribúcia complied with quality standards for: (i) setting business and technical conditions for connection at 100% and (ii) setting business and technical conditions for changing the delivery parameters at the delivery point (comments on technical changes at the delivery point) also at 100% (in accordance with Decree of the Regulatory Office for Network Industries No. 278/2012 Coll.).

During the period between August 2023 and July 2024, our company connected **4,052** new delivery points to the distribution network in the categories of household, small use, medium use and large-scale use. We have successfully continued to improve the connection process and have taken care to shorten the connection process overall.

Number of concluded contracts for connection to the distribution network and number of statements on technical and commercial changes at delivery points from 1 August 2023 to 31 July 2024



Conclusion of the connection process – contracts for connection to the distribution network in the HOUSEHOLD category – houses and apartment buildings. Meter installation from 1 August 2023 to 31 July 2024



Connection process – main steps of the process on the SPP – distribúcia side:

- issuing technical conditions of connection and draft contract of connection to the distribution network,
- statement on the project documentation,
- administration of the application for meter installation and the installation of the meter at the delivery point.

Medium and large customers

SPP – distribúcia, through key customer managers constantly strives to improve its personal approach to customers with annual natural gas demand exceeding 60,000 m³. Managers provide customers with expert advice and propose suitable technical and business solutions before implementing a new connection to the distribution network or before implementing a technical change at an existing delivery point, in order to provide customers with the greatest possible comfort and an individual approach to the gasification of their project. The same individual approach of the managers also applies in the case of development projects in the preparation stage or the actual implementation in the whole of Slovakia. A key activity of KAM is to directly address customers with an offer of business and technical support for the installation of cogeneration units, whereby customers can save up to 40% of primary energy compared to the separate production of electricity and heat.

DIGITALIZATION OF SERVICES – WEB APPLICATIONS FOR CUSTOMERS

Customer account / registration on the website

Registration simplifies the submission of applications and enables the progress monitoring of the application preparation process and possible complaints for the following types of applications: Request for comment on the existence and route of gas facilities and Request for comment on the implementation of activities in the protection and safety zone. This service has been running since February 2021.

Our customers currently have the opportunity to submit a connection request, a request for comment on a technical change at an existing delivery point, a request for the installation of a meter or a request for an addendum to a concluded contract fully electronically. Between 1 August 2023 and 31 July 2023, 7,655 online requests were submitted for connection and technical change at the existing delivery point, which amounts to 85% of the total number of applications submitted.

It is already our standard practice to send invoices for connection fees from connection contracts electronically to the applicant's email address.

We sent e-mail notifications to customers, drawing attention to the approaching expiry of the most important deadlines in the process of connection, which include:

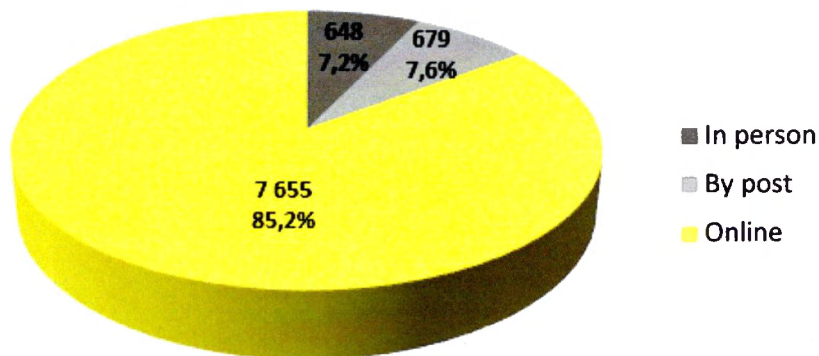
- the time limit for payment of the connection fee invoice,
- the time limit for them to send the signed connection contract,
- the expiry date of the connection contract.

We contacted customers by phone if they had not specified an e-mail address in their request. These notifications also save significant time and resources based on customer feedback, while also contributing to their comfort in the connection process.

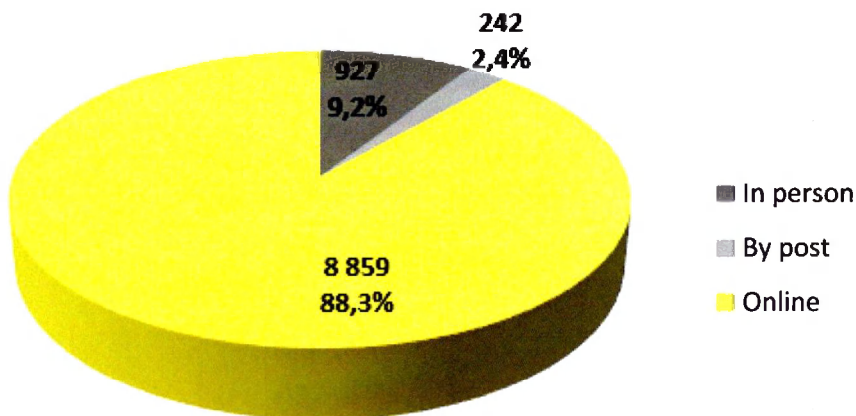
We are pleased to continue to report increased interest in our online services. From 1 August 2023 to 31 July 2024, the possibility to file an application for connection and for a technical change through an online app was

utilised by as many as 85% applicants and an application for the installation of meter (all types) by as many as 88% applicants.

Requests for connection to the distribution network and for comments on technical change in the period from 1 August 2023 to 31 July 2024



Applications for installation of meters for the period from 1 August 2023 to 31 July 2024



EMPLOYEES AND THE DEVELOPMENT OF CORPORATE CULTURE

Support of Individual Performance and Initiative

As in previous years, training is one of the main priorities of the Human Resources Department at SPP – distribúcia. We recognize the great importance of training for a number of reasons. Supporting employee training is a fundamental element of our strategy, which significantly improves professional qualifications, efficiency and the quality of work. At the same time, it strengthens employee motivation and satisfaction, which contributes to reducing turnover and optimising recruitment and training costs. Investments in professional development also lead to innovative approaches and new perspectives, which are key to the company's long-term growth and competitiveness. By providing employees with training opportunities, we foster a positive corporate culture and ensure the flexibility and sustainability of our company in a dynamically changing environment.

Compulsory and regular training in accordance with legislative requirements is the most common at SPP – distribúcia. In addition to said compulsory trainings, employees had the opportunity to participate in a wide range of training activities aimed at developing specific skills in professional areas, managerial competencies, IT skills as well as interpersonal skills. Employees also regularly participated in conferences and seminars on a variety of topical issues, many of which were published in the employee magazine DISTRO to raise awareness of the issues. This approach ensures that important information is available to the widest possible audience within the company.

In addition to the above-mentioned training concept, there are currently four specific development training programmes within our company, aimed at different target groups: "Full Gas" career programme, "Supervisor Successor Training Programme", "Graduate" and "Young Gasworker".

The aim of the "Full Gas" career programme is to develop key employees in both managerial and expert positions and to maintain valuable specific know-how within the company. The second run of the programme was completed

in the fall of 2023, and feedback from programme participants has been very positive. We plan to launch the third run of the programme in spring 2025, with the preparatory phase already underway.

The purpose of the Supervisor Successor Training Programme is to provide a group of talented employees, primarily from the Maintenance and Measurement Division, with specific activities to develop their professional and personal skills and prepare them for the role of supervisors. The reason for this is the need to ensure a smooth renewal of human resources without loss of know-how due to retirements. The first run of the programme will be launched in the fall of 2024.

The other two programmes are aimed at young people. The "Young Gasworker" programme is designed for high school students and offers the opportunity to complete an apprenticeship in our company during their final year and subsequently become part of it. The "Graduate" programme is designed for university graduates with the aim of producing professionals for various sections of the company. We have earmarked eight posts for this purpose.

We have responded to suggestions from staff for English language training opportunities and have set up internal conversation groups with a tutor. In the future, we are also considering educational activities to promote mental health.

Safety is Our Priority

An important and integral part of SPP – distribúcia's tasks is to take care of the health and safety of employees at work while respecting the individual components of the environment. The basic pillar of the health and safety management system, which is certified in the company in compliance with ISO 9001, ISO 14001 and ISO 45001, is the implementation of the Integrated Management System Policy. This policy includes a commitment to meeting legislative requirements, taking measures to ensure the prevention of environmental pollution, regular monitoring and continuous improvement of the working environment. It also includes a commitment by the company management to provide adequate financial, human and time resources based on identified hazards, threats, risks and environmental aspects in order to eliminate risks that could cause harm to health or the environment.

A safe and healthy working environment is our ongoing goal. We achieve this by introducing safe working procedures, appropriate work organisation and improving working conditions with regard to health factors in the working environment. We involve employees in the process of selecting personal protective equipment, controlling the working environment and addressing important occupational health and safety issues. We use a training system to improve knowledge and professional skills with an emphasis on risk prevention and reduction. We provide training in the form of practical training, which also develops practical skills in employees leading to safe work and environmental protection. This year, we launched a training centre (polygon) in Žilina, where our new colleagues have the opportunity to gain practical skills in the operation and maintenance of gas equipment in a simulated and controlled safe environment. We also encourage our business partners to use safe and environmentally sound working procedures.

We prioritize preventive measures and systematically improve conditions for safe work and protection of all environmental components. We effectively manage potential risks by complying with applicable legal requirements, international standards, as well as by adhering to our obligations under internal legislation. We regularly monitor the working and natural environment and carry out an assessment of the state of occupational health and safety and the environment and eliminate potential risks.

Through implementing the aforementioned activities and complying with the IMS Policy programmes, we are succeeding in ensuring adequate and healthy working conditions. The positive trend in OHS is also reflected in the favourable development of the occupational accident rate and in the fact that we have not recorded any serious, fatal or mass accidents at work. Safety is and will continue to be our priority.

Development of Corporate Culture

Since 2023, our priority is to revitalise the SPP – distribúcia's Code of Ethics. Expanding and updating the company's Code of Ethics is essential given the rapid changes in our business environment. It is a step towards adapting more flexibly and effectively to new challenges, including responding quickly to ethical dilemmas and situations. Our affiliation to the EPH Group obliges us to better reflect the Group's values, which is essential for maintaining integration and coherence across the Group. Improving our corporate culture is a prerequisite for retaining our employees, supporting the company's performance and successfully preparing for future challenges.

Compared to the previous version of the Code, we have implemented a change by adding a fifth value – "Environment" – and expanding it to include the "Community" value. This change was motivated by the growing importance of Corporate Social Responsibility (CSR), with care for the community being an important aspect. Today, the new version of the Code of Ethics reflects the 5 core values of our company: honouring people, valuing resources, initiative, integrity, environment and community. Moreover, the updated Code of Ethics includes model situations for each value and ethical dilemmas that might arise, and the proper course of action an individual should take in such situations.

To encourage active employee participation, a survey was conducted on the internal communication channel – "Intranet" – during February 2024. The questionnaire was aimed at surveying the readership of the updated Code of Ethics on the Intranet; modifying the Company's values; assessing the Company's adherence to its values; and discussing the values and the Code of Conduct. The results of the questionnaire, which involved 241 employees, provided valuable information on their perceptions of the company culture and values, identified

areas for improvement, and employee preferences regarding the implementation of the Code of Ethics. Based on these findings, an action plan has been developed and is being implemented throughout 2024.

Corporate Social Responsibility

At SPP – distribúcia, we have a common idea of how to work well and properly together. We share with the world the values that guide our daily lives. We recognise that the time we spend working together makes up a significant part of our lives. That's why we make sure that it is invested in the relationships we have with our customers and partners, as well as for the country in which we live. At SPP – distribúcia, we believe in equal opportunities for all and create a working environment of mutual respect, courtesy, trust, sense of belonging and safety. We work in a responsible, fair and reliable manner and in accordance with the rules; we avoid conflicts of interest; we build transparent relationships with the external environment. We meet our needs in a way that does not limit the possibilities of future generations; we cherish the values of social responsibility, therefore our activities, sponsorship and donations are aimed at the support and development of disadvantaged groups, health service, sports activities, as well as cultural and educational development. The projects and initiatives we support are linked to our company's goals and mission. It is our priority that all sponsorship and donation activities of the company are transparently documented and can be verified at any time.

In this regard, we would like to highlight our employees who actively participated in several charity events during the period, exemplarily demonstrating the "Community" value of helping others. In the September charity fund-raising "White Crayon" for the Union of the Blind and Partially Sighted of Slovakia, a remarkable €1,988 was raised. Our company doubled this amount, with the final contribution amounting to €3,976. Within the Plynárenská pokladňa non-investment fund, €3,420 was collected at SPP – distribúcia and €60 at Plynárenská metrológia, which was transferred to the fund's account. At the 2023 Christmas Party, "The Great Gala", a incredible amount of €6,592 was collected in the raffle. In line with the company's commitment to double this amount, the final contribution to the Plamienok Children's Hospice was €13,184. Our employees also supported the League Against Cancer on the occasion of Daffodil Day on 18 March 2024. Moreover, our company ranked 37th out of 1,299 participating companies and institutions in the "Bike to Work" campaign aiming at environmental protection. 22 teams of 77 individuals took part in the competition, completing 736 rides and saving up to 1,952.71 kg of CO₂. We would like to thank all our colleagues from the bottom of our hearts. We plan to continue to develop and support our health, environmental and community support activities.

NATURAL GAS – COST-EFFECTIVE LOW-EMISSION HEAT PRODUCTION SOLUTION

Up to 94% of households and companies in Slovakia have access to natural gas. The affordability, reliability of use, easy operations and automated operations of modern gas appliances and environmental friendliness are the main prerequisites for long-term use of natural gas in Slovakia.

NATURAL GAS AND THE ENVIRONMENT

Although natural gas is a fossil fuel, it has extremely positive ecological characteristics compared to other fuels. The combustion of natural gas produces significantly less pollutants as compared with solid fuels and only a negligible amount of dust particles (PM10 and PM2.5), which at higher concentrations seriously pose a serious health risk. Moreover, the combustion of natural gas produces negligible amounts of sulphur oxides, minimum amounts of carbon monoxide and the level of nitrogen oxides is low. When using natural gas for heat production, up to 50% of CO₂ emissions can be saved compared to coal. The European Union has approved the inclusion of gas and nuclear in the taxonomy as transitional fuels, which means that investments in the use of natural gas and nuclear can be considered sustainable if specific conditions are met. The relevant delegated act entered into force in January 2023.

More than 12% of the Slovak population is exposed to increased concentrations of PM2.5 particles in the air, which is significantly higher than the average in the OECD countries. Slovakia has the 3rd worst air quality in the whole EU in this regard. The adverse indicator values for PM2.5 particles are confirmed by several sources – EEA, EPI, Eurostat or OECD. In its latest report, the European Environment Agency states that Slovakia accounts for up to 4,900 preventable deaths per year due to poor air quality caused by fine PM2.5 particles. Even in gas-using regions where air temperatures are low in winter, customers are inclined to burn wood or waste for economic reasons. Addressing the adverse smog situation and reducing the volume of dust particles in the air is possible by responsibly selecting heating sources and a rational approach by the state to promote low-emission heating systems. It is also necessary to set up support programmes tailored to households suffering from energy poverty. According to a study by the Slovak Academy of Sciences published in July 2023, the share of Slovak households that can be classified as energy poor is 10%.

A significant milestone was the connection of the first biomethane station to the distribution network in November 2021. Since then, the station in Jelšava has been reliably supplying the distribution network with advanced biomethane. For the last 12 months to the end of July 2024, this was a considerable volume of 5.5 million cubic metres. Biomethane production is becoming a strategic activity within the energy security of the European Union and we therefore expect significant public support for it and an increase in production in the coming period. This is shown by the 10 projects for the conversion of existing biogas plants into biomethane plants across Slovakia that have succeeded in the Recovery Plan call and have the possibility of receiving investment support of up to €1.5 million per project. The production of biomethane from biodegradable waste significantly reduced methane emissions in the waste sector, which represent the largest share in the composition of methane emissions on the territory of Slovakia.

RENEWABLE GAS REGISTRY

The Renewable Gas Registry is an electronic system tasked with issuing, transferring and applying guarantees of origin for renewable gases, such as biomethane. Guarantees of origin represent one megawatt-hour of renewable gas, predominantly injected into the distribution network. Guarantees of origin are established on the basis of metering data at the entrance to the distribution network. Biomethane plant operators, renewable gas producers, gas suppliers and customers and other relevant account holders have their accounts in the registry.

In the first 12 months, the Slovak Renewable Gas Registry issued guarantees of origin for almost 50 GWh of biomethane. The registry has 15 commercial accounts since its launch. Guarantees of origin for biomethane produced in Slovakia are predominantly purchased by consumers in Germany, while guarantees are also imported from the Netherlands.

The Renewable Gas Registry also allows the cross-border transfer of guarantees of origin for biomethane, whether for sale or purchase. The transfer can be carried out manually after recognition of the guarantee of origin by the registry operator or, since 2023, also automated with the help of the ERGaR Hub (European Renewable Gas Registry) clearing centre. Currently, the registries of Germany, Austria, the Netherlands, Denmark and UK are connected to the centre.

The obligation to establish and operate the register resulted for SPP – distribúcia from the amendment to Act No. 309/2009 Coll. on the promotion of renewable energy sources and high-efficiency combined production and on the amendment to certain acts, which entered into effect on 1 December 2022.

ENERGY PERFORMANCE OF BUILDINGS

Since 1 January 2021, it is mandatory in the Slovak Republic to construct new buildings according to the “nearly zero energy buildings” standard (energy class A0). The standard represents a significant change in terms of design, construction and operation of buildings. It is not only about minimising the energy consumption of buildings, but also about sustainability in architecture and construction with the intention of creating buildings that are energy-efficient, environmentally safe and economic in the future. Natural gas appears to be a suitable fuel for heating and hot water production in A1 and A0 energy class buildings, especially in combination with a solar system. Its advantages include favourable price ratio of a condensing boiler (including installation), high efficiency, low operating costs, simplicity and comfort. Moreover, natural gas has beneficial impact on ecology in replacing solid fuels, with a plan for the gradual decarbonization using biomethane and hydrogen. From July 2024 SPP - distribúcia, a.s. has been offering the general public to obtain one of three types of family house projects for building permits in A0 energy class using economically advantageous natural gas heating free of charge.

A0 FAMILY HOUSE WITH NATURAL GAS PROJECTS

From July 2024, SPP - distribúcia, a. s. has come up with an offer of A0 energy class family house projects for its household customers free of charge. This practical initiative of the distributor is intended for all those who are planning to build a house and opt for low-emission and cost-effective natural gas heating.

Customers who choose to connect their properties to the gas distribution network will receive a free A0 energy class house project.

Our aim is to make the process of obtaining planning permission for their new family home both financially and time-efficient for our customers. We believe that the project provided in this way will motivate many people to connect their property to natural gas, thus obtaining the cheapest low-emission heating in terms of overall costs. At the same time, we are also sending a message to the professional design community and construction authorities that designing new family houses using natural gas as the main heating source is easily possible even in A0 energy class.

Customers who are interested in a free house project and have a contract for connection to the natural gas distribution network can choose from up to three different options on the company's website www.spp-distribucia.sk. They can choose from 115 m², 160 m² and 200 m² house projects. SPP distribúcia will provide the selected project to the customer after filling in a short, simple and free order form.

Gas condensing boiler is the cheapest low-emission heating solution, especially in case of reconstruction of family houses

Specific example:

Basic parameters of the compared house:

- Size of the house: 228 m²
- Energy class: B (Decree No. 364/2012 Coll.)
- Total energy demand: ≤ 110 (kWh/(m²/year))
- Global primary energy indicator: ≤ 216 kWh/(m²/year)
- Heat demand for heating (mean value): 65 kWh/(m²/year)
- Heat demand for water heating (mean value): 16.90 kWh/(m²/year)
- Source output: 10 kW
- Total energy demand of the house: 19,150 kWh

Low-temperature floor heating – comparison

	Gas boiler – old	Gas boiler – new	Heat pump
Fuel calorific value	10.70 kWh/m ³	10.70 kWh/m ³	1
Thermal equipment	Atmospheric boiler	Condensing boiler	Heat pump – air/water
Efficiency	80%	98%	290%
Unit price 2024 (€)	€0.0571 / kWh	€0.0589 / kWh	€0.1709 / kWh
Tariff	D3 (SPP)	D3 (SPP)	DD5 (ZSE)
Heat in the fuel (kWh)	23,938 kWh	19,541 kWh	6,603 kWh
Amount of fuel	2,237 m ³	1,826 m ³	6,603 kWh
OPEX			
Annual fuel costs	€1,367 / year	€1,151 / year	€1,129 / year
Service + fuel transport	€60 / year	€80 / year	€200 / year
Total operating costs	€1,427 / year	€1,231 / year	€1,329 / year
CAPEX			
Main heat source	€1,970	€1,970	€11,150
Installation + material	€800	€800	€800
Commissioning	€170	€170	€504
Chimney (if needed)	€300	€300	
Zelená domácnostiam (Green households) subsidy			-€3,800
Sum including the subsidy for a heat source	€3,240	€3,240	€8,654
Sum excluding the subsidy for a heat source	€3,240	€3,240	€12,454
Total costs including the subsidy for a heat source (15 years)	€24,645	€21,705	€28,589
Total costs excluding the subsidy for a heat source (15 years)	€24,645	€21,705	€32,389

Radiator high-temperature heating – comparison

	Gas boiler – old	Gas boiler – new	Heat pump
Fuel calorific value	10.70 kWh/m ³	10.70 kWh/m ³	1
Thermal equipment	Atmospheric boiler	Condensing boiler	Heat pump – air/water
Efficiency	80%	97%	260%
Unit price 2024 (€)	€0.0571 / kWh	€0.0584 / kWh	€0.1673 / kWh
Tariff	D3 (SPP)	D3 (SPP)	DD5 (ZSE)
Heat in the fuel (kWh)	23,938 kWh	19,742 kWh	7,365 kWh
Amount of fuel	2,237 m ³	1,845 m ³	7,365 kWh
OPEX			
Annual fuel costs	€1,367 / year	€1,153 / year	€1,232 / year
Service + fuel transport	€60 / year	€80 / year	€200 / year
Total operating costs	€1,427 / year	€1,233 / year	€1,432 / year
CAPEX			
Main heat source	€1,970	€1,970	€13,146
Installation + material	€800	€800	€800
Commissioning	€170	€170	€504
Chimney (if needed)	€300	€300	
Zelená domácnostiam (Green households) subsidy			-€3,800
Sum including the subsidy for a heat source	€3,240	€3,240	€10,850
Sum excluding the subsidy for a heat source	€3,240	€3,240	€14,450
Total costs including the subsidy for a heat source (15 years)	€24,645	€21,735	€32,130
Total costs excluding the subsidy for a heat source (15 years)	€24,645	€21,735	€35,930

The table shows that the gas condensing boiler is the most advantageous in terms of total costs for the customer. The investment costs for a heat pump are significantly higher, even after taking the subsidy into account. However, the operating costs of a heat pump are not sufficiently favourable to compensate for the high initial investment (€10,000 or more). On the contrary, a condensing gas boiler delivers natural gas savings of around 17% compared to an older gas boiler, leading to lower total energy expenditures. Overall, a gas condensing boiler is economically advantageous for both heating systems (floor and radiator), due to the fact that the gas boiler has approximately the same efficiency at different output water temperatures. In case of gas boilers, the type of heating system does not matter, unlike in case of a heat pump, which appears to be more economically viable for floor heating than for a high temperature radiator system.

OPEX – operating costs (2024)

CAPEX – input/investment costs (2024)

Two basic parameters enter the economic evaluation of any heating system: the investment costs (CAPEX) and operating costs over the lifetime of installation or for the evaluation period (OPEX).

PRODUCTION OF ELECTRICITY AND HEAT IN A COGENERATION UNIT

A cogeneration unit is able to produce heat, electricity or even cooling in one installation, which leads to significant savings, up to 40%, of primary energy compared to separate heat and power generation. The direct consequence of saving primary fuel is the decrease in emissions from burning. A cogeneration unit is able to cover multiple energy needs of the customer with one device. Due to the availability of cogeneration in many performance classes, there are wide possibilities for use in industry, in the municipal sphere, in health or social facilities. For those interested in cogeneration, we offer free analysis of the use of cogeneration in the installation of a new heat source or modernization of their existing one. Cogeneration units can seamlessly burn biomethane, which can easily reduce CO₂ emissions. Modern cogeneration units also allow the combustion of a mixture of natural gas and hydrogen up to 20% hydrogen by volume, thus also contributing to decarbonising the air.

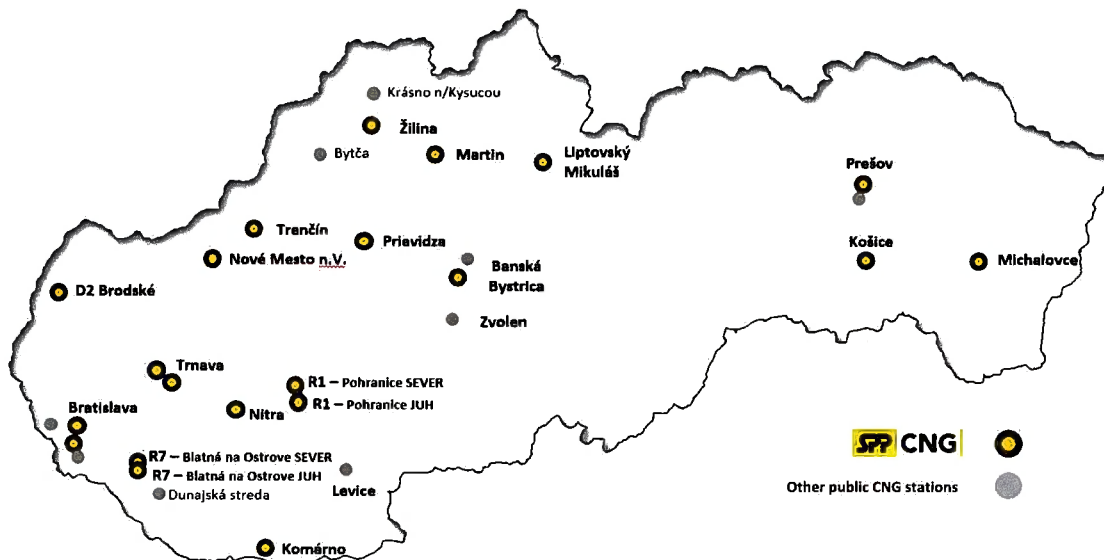
COMPRESSED NATURAL GAS (CNG) AND ITS APPLICATION IN TRANSPORT

The operation of CNG vehicles benefits users in the form of lower fuel costs and also a 50% lower motor vehicle tax compared to vehicles running on conventional fuels. Moreover, the use of CNG significantly reduces emissions of harmful substances and reduces noise, which ultimately benefits society as a whole in the form of a better environment.

The use of CNG produces almost no particulates released into the air. Therefore, no filters or additives are needed. The use of CNG brings economically advantageous, environmentally friendly and safe transport. CNG can be gradually replaced by renewable biomethane in the future.

SPP – distribúcia is supporting CNG with beneficial tariffs for CNG filling stations and through spp-distribucia.sk and oplyne.info where, in addition to general information on the benefits of natural gas, we also present CNG to the general public as an environmentally friendly fuel with the potential for greater application in transport. We also provide free business and technical advice to those interested in building CNG stations.

Map of CNG stations as at 31 July 2024



MARKETING COMMUNICATION

Most of marketing activities (about 70%) took place online through social networks and platforms, Facebook, Instagram, YouTube and the company's websites (www.oplyne.info and www.spp-distribucia.sk, www.mojnovykotol.sk) and on partner websites in the form of articles or podcasts. **The key campaign was mojnovykotol.sk with a marketing impact in the order of millions of impressions.**

GREEN FUTURE NETWORK campaign

Natural gas heating seems to be the most effective and accessible tool to solve the problem of our polluted air. Our continuous media campaign, entitled "Green Future Network", is aimed at explaining the important role of biomethane and hydrogen in decarbonising the Slovak Republic. The Green Future Network claim appears in all external, marketing and internal communication activities.

GREEN FUTURE NETWORK grant programme

The protection and preservation of the environment is one of the priorities of SPP - distribúcia, a. s. That is why in July 2024 we launched the Green Future Network grant programme, which supports projects of towns, municipalities and self-government units aimed at protecting, revitalising and increasing the functionality of natural areas and greenery, watercourses, creating ecological corridors and other environmental activities.

The main pillars of the programme are ecology and modernisation. We support the landscaping and planting of green spaces, the installation of recycling bins, eco dog walks and bike racks. The programme also includes projects to restore the functionality of public spaces, such as the installation of modern furnishings and energy-efficient lighting.

The Green Future Network is an internal subsidy scheme for municipalities, towns and local governments. A total of €100,000 will be redistributed under the project. One project can receive a maximum of €10,000. In total, we will support ten local governments each year. The aim is not only to restore these areas to their original appearance, but also to provide them with modern and functional green spaces that will serve the community and contribute to a sustainable future. We also support educational and awareness-raising activities aimed at raising awareness of environmental problems and solutions, helping to shape an environmentally conscious society.

At SPP distribúcia, we believe that investing in green projects is key to the future of our towns and municipalities. The Green Future Network is part of our broader ESG strategy, which focuses on environmental, social and governance, and contributes to the long-term sustainability and prosperity of our communities.

MY NEW BOILER campaign

Môjnovýkotol.sk (My New Boiler) initiative is a key part of our strategy to promote energy efficiency and sustainability. The project focuses on replacing old gas boilers with new condensing ones and supports households in switching to advanced gas condensing boilers, which bring significant cost-saving and environmental benefits. Together with partner boiler manufacturers, we offer a discount of up to €600 on the purchase of a new low-emission gas condensing boiler. Interested parties can choose from five renowned manufacturers of heating technology. After registering and selecting the required boiler parameters, the system will generate a voucher for them, which they can redeem in the sales network of the respective manufacturer.

"In the context of the current energy crisis, we would like to help gas consumers in replacing their old boiler with an advanced condensing boiler. By purchasing a discounted boiler, the customer will save twice – not only on the purchase price, but also on heating and hot water costs, as condensing technology can save the customer up to 23% of gas costs," points out Martin Hollý, General Director of SPP – distribúcia.

Advanced gas condensing boilers offer gas savings to households ranging from 15% to 23% compared to traditional atmospheric boilers. Moreover, these boilers are equipped with H₂ Ready technology, ensuring readiness for future hydrogen use, an important step towards a sustainable heating future and decarbonisation. In addition, advanced boilers allow for flexible modulation of heat output, meaning you can carry out home insulation later without negatively impacting boiler performance. Our company strives not only to reduce costs for our customers, but also to reduce greenhouse gas emissions, contributing to tackling climate change.

You can find more information on **My New Boiler** project at [the website](#). We are convinced that this initiative will contribute to an effective solution to the energy crisis and support our common path towards a sustainable future.

PREPARATION OF HEAT IN A HOUSE WITH HYDROGEN OR A MIXTURE OF GASES

Gas condensing boiler

For a mixture of gases, such as a mixture of natural gas and biomethane, nothing changes. An advanced gas condensing boiler can burn this mixture without any restrictions. In the case of gas mixtures with **H₂ addition up to 10%, heating and hot water production in the gas condensing boiler also appear to be unrestricted**. Advanced gcondensing boiler manufacturers declare that new boilers constructed after 2020 are H₂Ready up to 20% of hydrogen content and from 2024 onwards boilers capable of burning pure hydrogen are under preparation. Advanced gas boilers will be able to produce heat and hot water as before.

Condensing boilers for houses

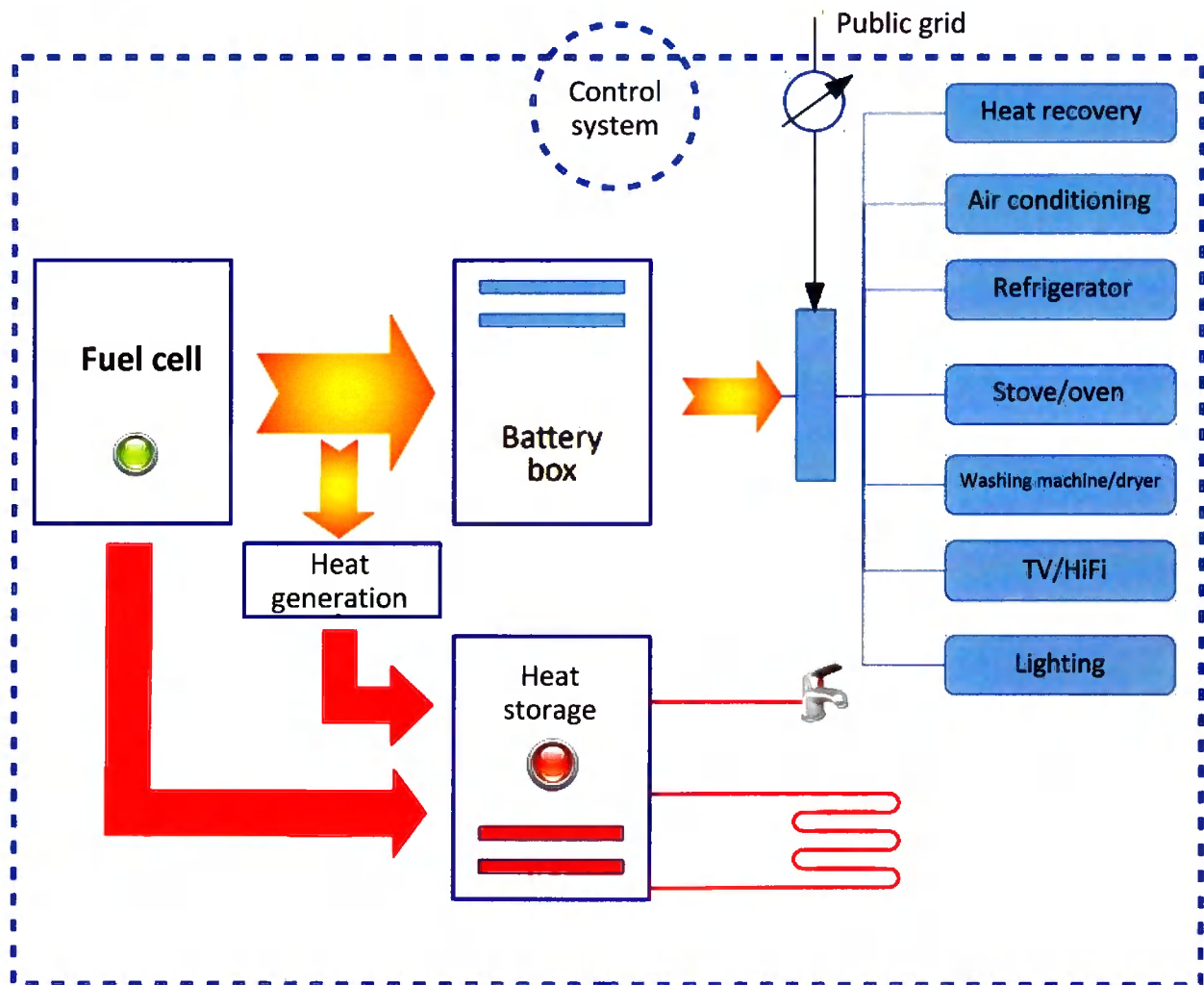
Thermal comfort, safety, user convenience and efficient use of energy contained in natural gas – all this is provided by the progressive technology of condensing boilers. Compared to previous technologies, whether conventional or low-temperature boilers, the condensing boiler can use a larger amount of the energy contained in the gas, which leads to a significant reduction in the cost of energy consumption. Just by replacing an old, non-condensing gas boiler, it is possible to reduce natural gas consumption by 15–23%. The new gas condensing boilers are now ready to burn a mixture of natural gas and hydrogen, and, in the future, also pure hydrogen.

Fuel cell – “semi-island” operation

There are already fuel cells available today that decompose natural gas into H₂ and CO₂ in a reformer. If pure H₂ or a mixture rich in pure H₂ is supplied to the fuel cell, the efficiency of power generation will be higher, at approximately 60% and 30% of heat.

A modern fuel cell system is capable of routing energy as required based on the control system, which will route heat, hot water and electricity to domestic appliances as required. The heat produced in the fuel cell will be used for hot water preparation and heating. If more heat output is needed, part of the generated electricity will be used to produce heat. The remaining electrical energy will be stored in the **battery box** and ready for immediate use. Control systems of this kind “learn” (machine learning) to predict the electricity demand of individual appliances, **controlling preferably controllable** domestic electricity appliances (air conditioning, heat recovery, water heating (pulse width modulation control), charging of electric cars and e-bikes, etc.). In the event of a power or energy shortage, the system “buys” electricity from the public grid.

The performance of the fuel cells, the size of the battery box and the heat storage (hot water + heating) need to be balanced, modelled and optimised. Summer mode is limited by the production of hot water and thus the amount of electricity produced is also determined. Winter mode, as mentioned above, allows the “overproduction” of electricity to be used for heat preparation.



COOPERATION WITH THE ASSOCIATION OF TOWNS AND COMMUNITIES OF SLOVAKIA (ZMOS)

In the past year, we have significantly deepened our cooperation with the Association of Towns and Communities of Slovakia (ZMOS), which has resulted in several key activities. The cooperation started in January 2023, when we created an online questionnaire for municipalities in cooperation with ZMOS, aimed at conducting a feasibility study on the economic viability of different heat sources in municipal and town buildings. In May 2023, we participated in the ZMOS Congress, where we presented the new oplyne.info portal and the Renewable Gas Register. In addition, we answered mayors' questions and provided them with individual consulting regarding the construction of gas facilities and the building reconstructions.

From February 2023 to June 2024, we carried out several feasibility studies for ZMOS, focusing on the profitability of different heat sources for municipal and town buildings, as well as on supporting the use of subsidies from the Renewal Plan, Eurofunds and the EnviroFund. An important milestone was the involvement of ZMOS as a communication partner in our **My New Boiler** project. As part of this cooperation, we highlighted the effectiveness of advanced gas technologies in energy saving and decarbonisation at the ZMOS press conference in March 2024. Our joint action allows municipalities to receive a voucher for a new condensing boiler of up to €600, which contributes to double savings.

In May 2024, we participated in the ZMOS Congress again, where we received valuable feedback from mayors from all over Slovakia. Many of them had already had personal experience with our My New Boiler campaign and actively promoted it in their municipalities. The partnership with ZMOS is key for us and contributes to reducing energy costs in houses and buildings across Slovakia.

REPORT ON THE COMPANY'S BUSINESS ACTIVITIES

ECONOMIC AND FINANCIAL PERFORMANCE

Development of the Business Environment

The winter (2023/2024) ended up being the 1st warmest and 93rd coldest, in temperature terms, since at least 1931. Statistically significant (seasonal) variations occurred over most of the territory and so we characterize it as an extremely above-normally warm. The winter was extremely above-normally warm only in the High Tatras and locally in the Low Tatras. Deviations of seasonal (winter) air temperatures from the 1991-2020 long-term average ranged from +1.9°C to +4.3°C. Compared to individual normals (defined as the average value of a meteorological element or characteristic over a period of 30 years), the winter of 2023/2024 was +3.6°C warmer than the 1991-2020 value, +4.2°C warmer than the 1981-2010 value, and +4.7°C warmer than the 1961-1990 value. (Source: SHMÚ)

In 2024, SPP - distribúcia, a. s. continued to streamline its internal processes. Although the level of operating costs is stable, the company continues to analyse and evaluate operating activities in an effort to optimize them.

Between 1 August 2023 and 31 July 2024, the company had to pay close attention and respond to regularly changing regulatory legislation.

On 1 January 2024, the Regulation of the Government of the Slovak Republic No. 472/2023 Coll. came into force, laying down crisis regulation for, among other things, the tariff for access to the gas distribution network, the tariff for gas distribution and the tariff for covering losses in gas distribution. In the crisis regulation, price decisions do not apply; the prices are replaced by those set by the Government in the Regulation. The difference between these prices is compensated by the Ministry of Economy.

Act No. 251/2012 Coll. on energy (hereinafter referred to as "ZoE") as well as Act No. 250/2012 Coll. on regulation in network industries (hereinafter referred to as "ZoR") were amended with effect from 8 June 2024 by Act No. 128/2024 Coll., requiring the Company to update the data in the business permit more frequently and making certain sanctions for breaches of regulatory regulations more restrictive. Later, these regulatory regulations were amended by Act No. 109/2024 Coll. with effect from 1 July 2024 which, among other things, loosen the rules for carrying out readings for household gas customers. Act No. 143/2024 Coll. was also published in the Collection of Laws, amending the ZoE and ZoR with effect from 1 August 2024. This amendment will bring changes in technical matters concerning price proposals as well as the delivery of official documents by the Regulatory Office of Network Industries (hereinafter referred to as "ÚRSO").

Within the framework of sub-legislative regulations, the company's activities are directly affected by the new Decree of ÚRSO No. 451/2022 Coll. establishing price regulation of selected regulated activities in the gas industry and certain conditions for the performance of selected regulated activities in the gas industry. This regulation has been replaced by the new Decree of ÚRSO No. 147/2024 Coll. establishing price regulation of selected regulated activities in the gas industry and certain conditions for the performance of regulated activities in the gas industry. This decree was extensively commented on by the company. With effect from 1 July 2023, the new Decree of ÚRSO No. 208/2023 Coll. laying down the rules for the functioning of the internal gas market, the content of the operating rules of the network operator and the storage facility operator, and the scope of the business terms and conditions that are part of the operating rules of the network operator (hereinafter referred to as "Market Rules"), is also in force. The Market Rules have been amended by the Decree of ÚRSO No. 491/2023 Coll. with effect from 30 December 2023 and by the Decree of ÚRSO No. 132/2024 Coll. The amendments to the Market Rules entailed, among other things, an obligation for the company to submit new data on the consumption of individual delivery points.

At the European level, the Gas Package was adopted. This consists, inter alia, of (i) Directive of the European Parliament and of the Council on common rules for the internal market in renewable gases, natural gas and hydrogen, to be transposed by 5 August 2026, and (ii) Regulation of the European Parliament and of the Council on the internal market in renewable gases, natural gas and hydrogen, to apply from 5 February 2025. These are intended to create the conditions for the decarbonization of the gas industry, inter alia through greater use of hydrogen in the gas industry.

Among non-legislative acts, Regulatory Policy for the 6th regulatory period came into force on 1 January 2023, in the drafting of which the company was actively involved.

Last but not least, SPP – distribúcia, a.s. is closely monitoring the presented intentions of the government and actively participates in various initiatives of the Ministry of Economy of the Slovak Republic or the Regulatory Office for Network Industries in order to defend the important and strategic position of natural gas in the energy mix of the Slovak Republic.

Information relating to the EU Taxonomy Regulation for all EP Infrastructure Group companies is disclosed in the Group's Consolidated Annual Report for 2023 in note 5 and in the EPIF Sustainability Report for 2023. Both documents are available on the website of EP Infrastructure, a.s.

Economic Results of SPP – distribúcia, a.s.

SPP – distribúcia a.s. achieved revenues from natural gas distribution in the financial year 2024 of €435.39 million.

The operating costs incurred by the company to secure the revenues from the sale of the services reached the amount of €299.94 million. Operating costs included mainly depreciation and amortization, natural gas storage costs and personnel costs.

During the financial year 2024, the company achieved a profit before tax of €188.78 million and a profit after tax of €146.73 million.

Comparison of profit-after-tax structure (in € mil.):

	2024	2023
Distribution of natural gas	435.39	397.10
Other revenues	41.55	72.01
Operating costs	-299.94	-296.98
Operating profit	177.00	172.13
Profit/loss on financial activity	11.78	1.83
Profit before tax	188.78	173.96
Income tax	-42.05	-40.52
Profit after tax	146.73	133.44

ASSET AND CAPITAL STRUCTURE

Assets

On the balance sheet date of the financial statements, the company's total assets were €4,881.01 million, representing a decrease of €16.71 million compared to the previous year 2023. Long-term assets with a value of €4,049.51 million accounted for 82.96% of the total assets. The most significant long-term asset item is the gas pipelines, which the company recognizes at fair value as of 31 July 2024. The last revaluation was carried out as at 31 July 2023. The revaluation of the company's assets was carried out by an independent expert who used the cost method.

In the financial year 2024, €47.79 million was spent on the acquisition of long-term assets, which was mainly directed towards the renewal of the distribution network. In the financial year 2024, the company did not incur any research and development expenses.

Current assets increased by €244.33 million compared to 2023 and amounted to €831.55 million at the balance sheet date. The growth in the value of current assets was driven by two effects: An increase in receivables and advances granted due to growth in the cash pooling receivable and growth in cash and cash equivalents.

Comparison of the structure of assets (in € mil.):

	2024	2023	2024	2023
Long-term assets	4,049.51	4,310.55	82.95%	88.01%
Current assets	831.55	587.21	17.05%	11.99%

Equity and liabilities

In the capital structure of SPP – distribúcia, a.s. there was no significant change in the share between own and outside sources of financing. Own funds continued to outweigh outside sources of financing, representing 68.80% of the total sources of asset coverage.

Equity increased by €30.86 million compared to the financial year 2023 and amounted to €3,358.94 million at the balance sheet date. Equity consisted primarily of fixed capital, the legal reserve fund, the asset revaluation fund, retained earnings and profits from the current accounting period. The registered capital of the company was one share with a nominal value of €1,200 million. As of the balance sheet date, the legal reserve fund and other funds consisting of capital contributions and the asset revaluation fund amounted to €1,895.18 million.

The profit for 2023 was a profit of €133.44 million, which was paid to the company's sole shareholder in the form of dividends in the full amount. The general meeting will decide on the distribution of profit or loss for the financial year 2024.

The company's liabilities accounted for 31.18% of the company's assets and amounted to €1,522.12 million as of the balance sheet date in the financial statements. The bulk of the total liabilities consisted of long-term liabilities totalling €1,436.79 million which decreased by €78.94 million year-on-year. The most essential items

are a *deferred tax liability and loans and bonds*. Short-term liabilities increased by €31.37 million mainly due to a decrease in short-term contractual liabilities. At the balance sheet date they amounted to €85.32 million.

Comparison of the structure of liabilities (in € mil.)

	2024	2023	2024	2023
Equity	3,358.94	3,328.08	68.80%	67.95%
Accounts payable	1,522.12	1,569.68	31.20%	32.05%

The shareholder structure as of 31 July 2024 was as follows:

SPP Infrastructure, a.s.	1 share	100%
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SUMMARY RESULTS

Development of the state of assets, capital structure and profit/loss for SPP – distribúcia, a.s., for the years ending 31 July 2024 and 31 July 2023 according to individual financial statements prepared in accordance with international financial reporting standards as approved by the EU.

Balance sheet (selected data in € thsd.)

	Year ended 31 July 2024	Year ended 31 July 2023
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ASSETS:

LONG-TERM ASSETS		
Buildings, structures, machinery and equipment	4,012,017	4,143,881
Rights of use	25,832	27,847
Investments in subsidiaries	1,000	1,000
Intangible long-term assets and other assets	10,589	10,387
Loans granted	73	127,437
Total long-term assets	4,049,511	4,310,552
CURRENT ASSETS		
Stock	194,928	205,631
Receivables and advances granted	166,635	11,191
Contractual assets	30,490	32,920
Tax receivables and income taxes	0	490
Cash and cash equivalents	439,420	336,912
Loans granted	72	70
Other current assets	0	0
Total current assets	831,545	587,214
TOTAL ASSETS	4,881,056	4,897,766

EQUITY AND LIABILITIES:

CAPITAL AND RESERVES		
Share capital	1,200,000	1,200,000
Legal reserve fund and other funds	1,895,182	1,945,752
Retained earnings	117,032	48,894
Profit or loss for the current period	146,727	133,438
Total equity	3,358,941	3,328,084
LONG-TERM LIABILITIES	1,436,794	1,515,732
SHORT-TERM LIABILITIES	85,321	53,950
Total liabilities	1,522,115	1,569,682
TOTAL EQUITY AND LIABILITIES	4,881,056	4,897,766

Profit and loss account (selected data in € thsd.)**For the years ended by 31 July 2024 and 31 July 2023**

	Year ended	Year ended
	31 July 2024	31 July 2023
Distribution of natural gas	435,387	397,097
Other revenues	41,553	72,008
Operating costs	-299,938	-296,977
Operating profit	177,002	172,128
Financial revenues	21,883	10,146
Financing costs	-10,105	-8,312
PROFIT BEFORE TAX	188,780	173,962
Income tax	-42,053	-40,524
PROFIT FOR THE PERIOD	146,727	133,438

Cash flow statement (selected data in € thsd.)

	Year ended	Year ended
	31 July 2024	31 July 2023
OPERATING ACTIVITIES		
Cash flows from operating activities	360,619	197,737
Interest paid	-8,816	-6,774
Interest received	16,092	3,472
Income tax paid	-68,619	-74,935
CASH FLOW FROM OPERATING ACTIVITIES	299,276	119,500
CASH FLOW FROM INVESTMENT ACTIVITIES	-31,408	-25,436
CASH FLOW FROM FINANCIAL ACTIVITIES	-165,360	-4,876
NET INCREASE IN CASH	102,508	89,188
CASH POSITION AT THE BEGINNING OF THE PERIOD	336,912	247,724
CASH POSITION AT THE END OF THE PERIOD	439,420	336,912

EVENTS OF PARTICULAR IMPORTANCE WHICH OCCURRED AFTER THE END OF THE ACCOUNTING YEAR FOR WHICH THE ANNUAL REPORT IS DRAWN UP

After 31 July 2024, there were no significant events requiring alterations to or disclosures in the annual report.

STATEMENT ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE IN SLOVAKIA

In administration and management, SPP – distribúcia, a.s. complies with the Code of Corporate Governance in Slovakia issued by the Central European Corporate Governance Association. The Code is publicly available at the Association's website www.cecga.org. Our aim is the implementation of and compliance with the various principles of the Code, demonstration of the process of their implementation, while issuing a statement on corporate governance. In the financial year 2024, the company applied the Code of Corporate Governance without deviations. Pursuant to Article 20 (6) of Act No. 431/2002 Coll. on accounting as amended, the company presents the following Statement:

GENERAL MEETING

The General Meeting is the supreme body of the company through which the shareholders participate in the management of the company. Each shareholder has rights through which they exert their influence in the company:

- a. The right to participate in the management of the company, to a share in the profit and liquidation balance of the company in case of its winding up with liquidation. The shareholder exercises the right to participate in the management of the company by voting at General Meeting; the shareholder must respect the organizational measures valid for the course of the General Meeting. At the General Meeting the shareholder has the right to request information, explanations relating to matters of the company or issues concerning the controlled persons, to submit proposals to the agenda of the General Meeting and to be elected to bodies of the company.
- b. A shareholder is entitled to a share in the profit of the company (a dividend) that the General Meeting has designated for distribution. A shareholder is not obliged to return a dividend received in good faith to the company.
- c. To the extent permitted by applicable legislation (including Energy Act No. 251/2012 Coll.), a shareholder is entitled to inspect the minutes of meetings of the Supervisory Board, while being obliged to maintain confidentiality of the information thus obtained;
- d. The right to vote at General Meeting – the shareholder's number of votes is determined by the ratio of the nominal value of their shares to the share capital;
- e. Any transfer of shares shall be subject to the approval of the General Meeting. The General Meeting may refuse a transfer of shares if it is in conflict with the company's Articles of Association or the shareholders agreement.

The General Meeting performs the following functions:

- a. Election and dismissal of members of the Supervisory Board;
- b. Election and dismissal of members of the Board of Directors;
- c. Changes in the Articles of Association, the statute of the Supervisory Board or the statute of the Board of Directors;
- d. Change in the share capital;
- e. Merger, fusion, split-up, change of legal form, winding up with liquidation or other significant changes in the corporate structure of the company;
- f. Decision on the appointment of a liquidator of the company and determination of remuneration of the liquidator;
- g. Decision on the distribution of any dividends by the company or distribution of other payments arising from shares;
- h. Decisions on the increase or decrease in the share capital of the company;
- i. Approval of ordinary individual, extraordinary individual, ordinary consolidated or extraordinary consolidated financial statements of the company;
- j. Decisions on the allocation of profit of the company, including the determination of the amount of dividends and any royalties, and on the method of settlement of any company's losses;
- k. Decisions on changes in the rights linked to any type of the company's shares;
- l. Decisions on the conversion of registered shares to bearer shares and vice versa;
- m. Decisions on the limitation or exclusion of the preferential right of a shareholder to subscribe newly issued shares of the company in accordance with and subject to conditions laid down by law;
- n. Approval of a contract on the transfer of the company's business and contract on the transfer of a part of the company's business;
- o. Any substantial change in the nature of the core business of the company or in the manner in which the company conducts its core business;

- p. Approval of the commencement of any legal or arbitration proceedings against persons who were direct or indirect shareholders of SPP before 23 January 2013 and ceased to be shareholders of SPP no later than on 23 January 2013;
- q. Appointment of an auditor.

BOARD OF DIRECTORS

The Board of Directors is a statutory body of the company acting on behalf of the company. The Board of Directors makes decisions on all matters related to the company. The Board of Directors has five members. Members of the Board of Directors are appointed and dismissed by the General Meeting for the period of four years. When electing or dismissing a member of the Board of Directors, the General Meeting may determine that their election to or dismissal from the office is effective at a later date than on the date when the decision of the General Meeting was taken.

The Board of Directors:

- a. Manages the business of the company and ensures all of its operational and organizational matters;
- b. Convenes the General Meeting;
- c. Exercises employer rights;
- d. Implements resolutions of the General Meeting, or written decisions of the sole partner;
- e. Ensures prescribed book-keeping and keeping of other records, books and other documents of the company;
- f. Submits reports to the General Meeting;
- g. Submits materials to the Supervisory Board for consideration;
- h. Prepares an annual budget and business plan of the company.

SUPERVISORY BOARD

The Supervisory Board is the supreme control body of the company. It supervises the activities of the Board of Directors and the performance of business activities of the company. The Supervisory Board of the company has six members. Two-thirds (2/3) of the members of the Supervisory Board are elected and dismissed by the General Meeting. One-third (1/3) of the members of the Supervisory Board are elected by employees of the company for a period of five years, if so required within that scope by the mandatory provisions of Slovak law at the time of election of the members of the Supervisory Board. Meetings of the Supervisory Board are convened by its chairman at least every three months.

The Supervisory Board reviews procedures in the matters of the company and is entitled at any time to inspect accounting documents, files, and records related to the activities of the company and to establish the standing of the company. The Supervisory Board also checks and – to the extent permitted by law (in particular by the Energy Act) – submits to the General Meeting the conclusions and recommendations resulting from its monitoring activities related to:

- a. Fulfilment of tasks assigned by the General Meeting to the Board of Directors;
- b. Compliance with the Articles of Association of the company and relevant legislation with regard to the company's activities;
- c. Economic and financial activities of the company, accounting, records, accounts, the state of the company's assets, its liabilities and receivables.

The Supervisory Board reviews and – to the extent permitted by law (in particular by the Energy Act) – may submit to the General Meeting reports related to:

- a. Proposals by the Board of Directors for the dissolution of the company;
- b. Proposals by the Board of Directors for the appointment of a liquidator of the company;
- c. Proposals by the Board of Directors regarding an individual annual budget and business plan of the company;
- d. Reports of the Board of Directors.

COMMITTEES

SPP – distribúcia, a. s. has used a legal exemption from the obligation to establish an audit committee directly at the level of SPP – distribúcia, a. s., and ensured that activities of the audit committee would be performed by a committee established at the level of the parent company SPP Infrastructure, a. s., because the parent company SPP Infrastructure, a. s. also fulfils conditions of the Act on Statutory Audit for establishment of an audit committee and therefore they have established such a committee.

The Audit Committee established at the level of the parent company SPP Infrastructure, a. s. performs its activities for SPP – distribúcia, a. s. on the basis of a business and legal contract on the provision of services.

The Audit Committee must have at least 3 members. The committee members are appointed by the General Meeting. At least one Committee member must have professional experience in the area of accounting or statutory audit and all members as a whole must have qualifications suitable for the sector in which the accounting entity operates. An absolute majority of members as well as the chairman of the Committee (elected by members of the Committee or by the Supervisory Board) must be independent. An independent member is an individual who is not connected by property or personally with the accounting entity or its subsidiary, its partners, members of statutory bodies and statutory auditor of the accounting entity, and who is not their close person and does not receive from the accounting entity or its subsidiary any other income than the remuneration for the work in the Supervisory Board or Audit Committee.

MANAGEMENT METHODS

For its management, the company mainly uses methods of direct management, methods combining direct and professional (indirect) management, and project management methods.

Direct management is generally based on setting goals, tasks and directions, and on the operational guidance of activities of the managed organizational unit or employee.

Professional (indirect) management is based on the use of internal control mechanisms, determination of the scope for self-management and organization of own work of the managed organizational unit or employee, as well as on the application of advanced economic incentives that are consistent with effective risk management.

Project management assumes temporary allocation of specific organizational units or employees and their temporary subordination to the project leader within the specified scope in order to achieve objectives of the project.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

Internal control at all levels of the organizational structure serves to reveal preventively any potential risk occurrence in the company. The internal control system includes all the forms of continuous control measures, procedures and mechanisms in individual departments.

The internal control system of SPP – distribúcia, a.s. was implemented through the adoption of internal management acts which regulate the performance of internal controls and internal audits by internal employees. The controls are performed by employees directly participating in individual processes, managers of individual units or employees authorised by them, who are responsible for controlled processes and control results, or by internal auditors.

Control results are submitted to relevant bodies of the company on a regular basis. Timely adoption of preventive measures ensures the effective adjustment of key processes.

Within risk management, SPP – distribúcia, a.s. monitors, evaluates and manages in particular the regulatory, market, financial, operating, environmental, personnel, media risks, as well as their influence on the financial statements. Thanks to the action plans adopted by the company management, the influence of risks on company operation is continuously decreased.

SHARE CAPITAL OF THE COMPANY

The share capital of the company amounts to €1,200,000,000 and is structured as follows:

Issue No. (CEM): LP0001508566

Nominal value: €1,200,000,000

Type: ordinary share

Form: certificated

Class: registered share

Percentage share in share capital: 100%

Admitted to trading: 0 pc

The share capital structure does not include shares whose owners would have special rights of inspection. The company has no knowledge of any agreements between holders of securities which may result in restrictions as to the transferability of securities and the limitation of voting rights.

The company has not entered into any agreements which take effect, alter, or terminate as a consequence of a change in the control conditions related to the takeover bid.

The company has not entered into any agreements with the members of its bodies or employees on the basis of which they shall be granted compensation, if their position or employment is terminated by resignation, notice by the employee, their dismissal, notice of dismissal by the employer without indication of the cause, or if employment is terminated as a result of the takeover bid.

REPORT ON THE IMPLEMENTATION OF THE MEASURES TAKEN IN THE DISTRIBUTION SYSTEM OPERATOR'S COMPLIANCE PROGRAMME FOR THE PERIOD FROM 1 AUGUST 2023 TO 31 JULY 2024

1. The compliance programme is an internal regulation of SPP – distribúcia, a.s., which lays down measures to ensure non-discriminatory behaviour on the part of the distribution system operator. Under Act No. 251/2012 Coll. on energy and on the amendment of certain laws, a compliance programme must be adopted by those network operators that are part of a vertically integrated undertaking. The last update of the compliance programme entered into force on 1 December 2015 and has the regulatory designation: D.RM.04.07.06.
2. SPP – distribúcia, a.s. employees under the compliance programme have:
 - (a) obligations ensuring the independence of the distribution system operator from other activities not related to gas distribution,
 - (b) obligations ensuring non-discriminatory behaviour on the part of the distribution system operator in the provision of information,
 - (c) obligations ensuring non-discriminatory conditions for the provision of distribution system operator services to gas market participants,
 - (d) conditions applicable to the compliance programme manager, including his/her appointment and dismissal,
 - (e) requirements for the operation of the compliance programme manager and for checking compliance with the compliance programme, including training of the employees of the distribution system operator on the compliance programme,
 - (f) obligations ensuring the publication of the compliance programme, checking and drawing up an annual report on the implementation of the compliance programme.
3. The fulfilment of the measures listed in the compliance programme between 1 August 2023 and 31 July 2024 was ensured mainly as follows:
 - (a) SPP – distribúcia, a.s. as the distribution system operator is established as a separate company and its organizational structure is arranged in such a way that the independence of all activities of the distribution system operator related to gas distribution from other activities of the vertically integrated enterprise unrelated to gas distribution is ensured,
 - (b) compliance with a non-discriminatory approach to the provision of information intended for gas market participants and in the provision of services of the distribution system operator,
 - (c) measures to ensure non-discriminatory behaviour in accordance with the compliance programme are implemented in the internal procedures of the distribution system operator,
 - (d) publication of the compliance programme to the employees of the distribution system operator in the electronic database of regulations and to the public on the website of the distribution system operator,
 - (e) compliance with the compliance programme. For example, between 1 August 2023 and 31 July 2024, the compliance programme manager verified compliance with the non-discriminatory approach of the distribution system operator in performing services for users of the distribution network, in providing information, in handling requests, complaints and customer complaints. Furthermore, compliance with the prohibition on the misuse of confidential information on their own behalf was checked for those employees who had access to such confidential information.
4. On 14 May 2014 SPP Infrastructure, a.s. became the sole shareholder of SPP – distribúcia, a.s. and the gas supplier, Slovenský plynárenský priemysel, a.s. is no longer part of this vertically integrated company. This has ensured the full independence of the distribution system operator from gas supply activities. In the period from 1 August 2023 to 31 July 2024, on the basis of contracts SPP – distribúcia, a.s. received from Slovenský plynárenský priemysel, a.s. services only in the form of rental of real estate.
5. Between 1 August 2023 and 31 July 2024, the compliance programme manager of the distribution system operator found no breach of the obligations set out in the compliance programme.

In Bratislava on 14 August 2024,



Ing. Milan Kachút
Compliance Programme Manager
of the distribution network operator SPP – distribúcia, a. s.

COMPANY PROSPECT

Slovakia has the second densest gas pipeline network in Europe. Our distribution network of over 33,000 kilometres provides almost a quarter of Slovakia's energy needs, which entails a huge commitment to the entire Slovak society.

We are already one of the strong operators of the distribution network, as we operate a network of high-pressure pipelines, a national dispatching centre, in addition to local networks, and we also have a significant position in ensuring the standard of security of natural gas supply. We actively seek new development impulses and continuously improve our customer service. In addition to improving our performance, we also place great emphasis on our environmental credentials. We are aware of the urgency of tackling climate change, therefore we are also proactive in offering our solutions using advanced gas condensing equipment and renewable gases. We are convinced that today, but especially in the future, the gas industry will play an important role in the decarbonisation process.

Natural gas, as the most affordable low-emission heat source, continues to maintain a decisive share of individual household heating in family houses, at more than 60%. According to estimates of manufacturers and suppliers of heating equipment, more than 31 thousand low-emission gas condensing boilers were sold in Slovakia last year, which proves that there is still a high demand for gas heating from the owners of existing houses. Natural gas maintains a high share and popularity among the population due to its balanced mix of cost-effectiveness, comfort and low-emission profile, which has a positive impact on improving air quality. In the longer term, the Slovak gas infrastructure is relatively easy to adapt to transport renewable gases such as biomethane and hydrogen.

In practice, the energy efficiency policy for buildings forces owners of new A0 category houses to install equipment that has monthly costs comparable to gas heating, but the purchase price of which is several times higher than the price of an advanced gas condensing boiler. Meanwhile, greenhouse gas emissions from individual house heating are negligible after the transition to A0 energy class, even if the use of state-of-the-art gas equipment in the form of low-emission condensing boilers continues. Moreover, these are ready to burn renewable gases in the future. Advanced condensing boilers can immediately save up to 23% of natural gas consumption when replacing an older atmospheric gas boiler.

We therefore intend to continue our My New Boiler project in the coming period by offering a discount on the purchase of a condensing boiler in the form of a voucher, which we have secured for our customers from the suppliers of these modern gas technologies. We will also make the process of obtaining planning permission for their new family house both financially and temporarily easier for our customers. SPP – distribúcia currently offers sample house projects and a manual for designers and builders on how to easily build a family house in A0 energy class using a modern gas condensing boiler as the main heat source. We believe that the project provided in this way will motivate many people to connect their property to natural gas, thus obtaining the cheapest low-emission heating in terms of overall costs. At the same time, we are also sending a message to the professional design community and construction authorities that designing new family houses using natural gas as the main heating source is easily possible even in A0 energy class.

The new EU directive on the energy performance of buildings allows the use of gas condensing boilers for heating in existing buildings. Under the directive, Member States have to prepare plans to decarbonise heating in buildings by 2040 and to make efforts to eliminate fossil fuels. The choice of specific instruments is entirely up to the decision and the individual possibilities and conditions of each country, including Slovakia. In our conditions, the instruments chosen will depend on the financial possibilities of the state and its population. We see the most effective solution to decarbonisation in the use of advanced gas technologies in the medium term, and in the integration of renewable gases into our gas system in the long term. We have been working intensively on the development of the renewable gas segment for several years. Advanced gas condensing boilers are already capable of burning biomethane and are also H2Ready – ready to co-burn a mixture of natural gas and hydrogen. We are therefore convinced that gas infrastructure will continue to be an essential part of the Slovak energy sector and a low-cost solution for decarbonising our country in the decades to come.

In the environmental area, we plan further activities aimed at reducing emissions from our operations. We will continuously reduce methane emissions by consistently implementing our maintenance plan, locating leaks in a timely manner and reducing their duration. Our goal is to reduce them by 30% by 2030.

In the coming days, we will also introduce and offer our customers a mobile app that will allow them to easily monitor their own natural gas consumption at the delivery point and thus have better control over their energy bills.

A culture of continuous improvement is a fundamental characteristic and attribute of our company. The past financial year has confirmed our indispensable position in the Slovak energy industry, which we will continue to strengthen in the future. Our efforts are directed towards continuing to be a reliable energy distributor, a stable investor, an attractive employer and thus creating value for our customers, employees and shareholders. We are improving in all areas to provide safe, reliable and cost-effective natural gas distribution, while contributing increasingly to cost-effective decarbonization and cleaner air both now and in the future.

CONTACTS

SPP – distribúcia, a. s.

Plátennícka 2
821 09 Bratislava
Slovak Republic
www.spp-distribucia.sk

Emergency line – gas:

Tel.: 0850 111 727 (charged at the price of local call)

Customer line for connection to the distribution network:

Tel.: 0850 269 269 (charged at the price of local call)

Customer line is in operation on working days from 7:00 a.m. to 8:00 p.m.

E-mail: prípajanie@distribuciaplynu.sk

On-line forms: www.spp-distribucia.sk/sk_online-aplikacie

Contract relations between SPP – distribúcia, a. s. and gas suppliers:

Tel.: +421 2 2040 2011 Secretariat of the Distribution Services

E-mail: distribucia@spp-distribucia.sk

Microsite on natural gas:

www.oplyne.info

Facebook:

www.facebook.com/SPPdistribucia

Complaints regarding services of SPP – distribúcia, a. s.:

E-mail: reklamacie@spp-distribucia.sk

Public relations:

Mgr. Milan Vanga, External Communication Manager

Tel.: +421 2 2040 2020

GSM: +421 903 510 505

E-mail: milan.vanga@spp-distribucia.sk

Final title

SPP – distribúcia, a. s.

Plátennícka 2
821 09 Bratislava
Slovak Republic
www.spp-distribucia.sk

SPP – distribúcia, a.s.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SPP – distribúcia, a.s. (the "Company"), which comprise the statement of financial position as at 31 July 2024, the income statement and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 July 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud	Summary of the auditor's response to the risks
Estimated Revenues from Gas Distribution	
The Company recognises revenues from natural gas distribution based on regulated prices and the quantity of distributed gas to end customers. A portion of revenues from natural gas distribution to retail customers and households is recognised based on estimates, as the volume of natural gas distributed to such customers is determined by a meter reading of the consumed gas after the end of the reporting period. Revenue estimates are software-based using input data from management and an external data provider. Revenue estimate calculations require Company management to apply a significant degree of judgment, especially as regards the following assumptions: a) Estimated quantity of distributed natural gas depending on measured temperatures in individual off-take categories; b) Own consumption estimate; c) Changes in natural gas accumulation in the distribution network.	Our audit procedures included, inter alia: • An assessment of the appropriateness and reliability of the procedure and method used by management to determine the estimates; • An assessment of the effectiveness of the design and operation of the controls over the estimate determination by management and controls over implementation of changes to the relevant information system; • Testing the accuracy of a sample of data based on which the estimate is made, including the reconciliation of input parameters to internal and external underlying documentation; • An assessment of IFRS requirements to recognise the accounting estimate in the financial statements.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

Assessment of Impairment

See Notes 3d, 4 and 7 to the financial statements

The Company owns property, plant and equipment, which comprises the natural gas distribution network in Slovakia in the amount of EUR 4.0 billion (after the fair value remeasurement of gas pipelines). As at each reporting date, the Company makes an assessment as to whether the distribution network is impaired, or whether there was a significant change in its fair value, by calculating the present value of future cash flows arising from the Company's operations and by estimating the effect of key fair value indicators. An impairment test or an analysis of key indicators require an estimate of the following key inputs for the calculation:

- Future fees the Company is entitled to charge for its distribution services under the price regulation regime;
- The potential impact of the military conflict in Ukraine and changes, if any, to potential demand for gas in the energy mix of the Slovak Republic;
- Natural gas volumes that will be distributed in the future;
- The discount rate specific to the assets owned by the Company;
- Associated capital and operating expenditures.

The above assumptions require management to make highly-subjective judgments regarding long-term periods.

Our audit procedures included, inter alia:

- A discussion with senior management of the assessment of the existence of impairment indicators or significant changes in fair value, management conclusion that there were no such indicators or inputs as at 31 July 2024;
- Testing of the design and implementation of the internal control system over the discounted cash flow model;
- An assessment of the assumptions and methods used by the Company when calculating the distribution network's value, mainly those relating to the discount rate and future revenue development forecast;
- An examination of the model's mathematical basis;
- A retrospective review of the assumptions used in the model in the previous year;
- An assessment as to whether available information regarding the outlook of the regulation regime to be applied in the future is adequately reflected in the model;
- An assessment of the adequacy and appropriateness of disclosures in the Company's financial statements of assumptions used as a basis for the calculation of the present value of future cash flows arising from the Company's operations.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management of the Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the financial statements stated above does not apply to other information in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We assessed whether the Company's annual report includes information whose disclosure is required by the Act on Accounting.

Based on procedures performed during the audit of the financial statements, in our opinion:

- Information disclosed in the annual report prepared for the year ended 31 July 2024 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Company and its position, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public interest entities

Appointment of the Auditor

We were appointed as the statutory auditor by the Company's General Meeting on 19 December 2023. The length of our total uninterrupted engagement including previous renewals of the engagement (extensions of the period for which we were appointed) and our reappointments as the statutory auditors is 15 years.

Consistency with the Additional Report to the Audit Committee

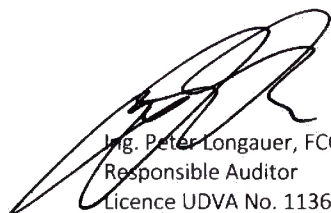
Our audit opinion expressed herein is consistent with the additional report prepared for the Company's Audit Committee, which we issued on 4 September 2024.

Non-Audit Services

We did not provide the Company with any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities and remained independent of the Company when conducting the audit.

Other than statutory audit services and services disclosed in the annual report or financial statements, we provided no other services to the Company and its controlled undertakings.

Bratislava, 10 September 2024



Ing. Peter Longauer, FCCA
Responsible Auditor
Licence UDVA No. 1136

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

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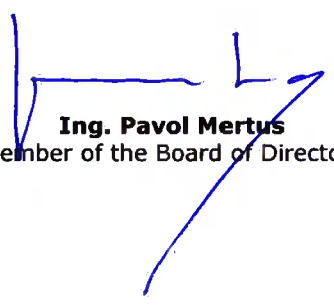
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Separate Financial Statements (presented in accordance with International Financial Reporting Standards, as adopted by the EU):	
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SPP - distribúcia, a.s.
Statement of Financial Position
As at 31 July 2024 and 31 July 2023
(EUR '000)

	Note	31 July 2024	31 July 2023
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	7	4 012 017	4 143 881
Non-current intangible assets and other assets	8	10 589	10 387
Right-of-use assets	9	25 832	27 847
Investments in subsidiaries	10	1 000	1 000
Other non-current assets	10	73	127 437
Total non-current assets		4 049 511	4 310 552
CURRENT ASSETS			
Inventories	11	194 928	205 631
Cash and cash equivalents		439 420	336 912
Receivables and prepayments	12	166 635	11 191
Contract receivables, current	13	30 490	32 920
Income tax	23	-	490
Other current assets	10	72	70
Total current assets		831 545	587 214
TOTAL ASSETS		4 881 056	4 897 766
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Share capital	17	1 200 000	1 200 000
Legal reserve fund and other funds	18	292 949	294 762
Revaluation reserve	18	1 602 233	1 650 990
Retained earnings	18	263 759	182 332
Total equity		3 358 941	3 328 084
NON-CURRENT LIABILITIES			
Loans and bonds	15	557 381	583 673
Contract liabilities, non-current	13	38 621	36 816
Deferred tax liability and deferred special levy	23	814 796	866 979
Finance lease liability	9	21 974	24 148
Retirement and other long-term employee benefits	14	4 022	4 116
Total non-current liabilities		1 436 794	1 515 732
CURRENT LIABILITIES			
Trade and other payables	16	46 274	46 840
Loans and bonds	15	27 744	1 092
Finance lease liability	9	5 641	5 608
Income tax	23	5 278	-
Retirement payments and other short-term employee benefits	14	384	410
Total current liabilities		85 321	53 950
Total liabilities		1 522 115	1 569 682
TOTAL EQUITY AND LIABILITIES		4 881 056	4 897 766

The financial statements on pages 6 to 40 were signed on 9 September 2024 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

SPP – distribúcia, a.s.
Statement of Profit or Loss
For the Reporting Periods Ended 31 July 2024 and 31 July 2023
(EUR '000)

	<i>Note</i>	<i>Year ended 31 July 2024</i>	<i>Year ended 31 July 2023</i>
REVENUES FROM SALES OF SERVICES:			
Natural gas distribution		435 387	397 097
Other revenues		41 553	72 008
Total revenues		476 940	469 105
OPERATING EXPENSES:			
Depreciation, amortisation and impairment losses on assets, net	7,8	(185 179)	(167 451)
Storage of natural gas and other services		(56 398)	(53 248)
Staff costs	19	(60 535)	(54 597)
Purchases of natural gas and consumables and services		(12 675)	(34 754)
Own work capitalised		12 665	10 922
Provisions and impairment losses, net		(378)	(194)
Loss allowances for receivables and inventories, net		123	(51)
Other, net	21	2 439	2 396
Total operating expenses		(299 938)	(296 977)
OPERATING PROFIT		177 002	172 128
Finance income		21 883	10 146
Finance costs	22	(10 105)	(8 312)
PROFIT BEFORE INCOME TAXES		188 780	173 962
INCOME TAX	23	(42 053)	(40 524)
NET PROFIT FOR THE PERIOD		146 727	133 438

SPP – distribúcia, a.s.
Statement of Comprehensive Income
For the Reporting Periods Ended 31 July 2024 and 31 July 2023
(EUR '000)

	<i>Note</i>	<i>Year ended 31 July 2024</i>	<i>Year ended 31 July 2023</i>
NET PROFIT FOR THE PERIOD		146 727	133 438
OTHER COMPREHENSIVE INCOME/(LOSS) (may be reclassified to profit or loss in the future):			
Hedging derivatives (cash flow hedging)		(2 251)	3 009
Other		(31)	236
Deferred tax related to items of other comprehensive income for the period	24	469	(703)
OTHER COMPREHENSIVE INCOME/(LOSS) (cannot be reclassified to profit or loss in the future):			
Increase in properties revaluation reserve	7	-	587 831
Deferred tax and deferred special levy related to other comprehensive income/(loss) for the period	24	19 381	(149 051)
OTHER NET COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		17 568	441 322
TOTAL NET COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		164 295	574 760

SPP – distribúcia, a.s.
Statement of Changes in Equity
For the Reporting Periods Ended 31 July 2024 and 31 July 2023
(EUR '000)

	<i>Share capital</i>	<i>Legal reserve fund</i>	<i>Other reserves</i>	<i>Hedging reserve</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 31 July 2022	1 200 000	291 484	477	259	1 261 104	283 585	3 036 909
Net profit for the period	-	-	-	-	-	133 438	133 438
Other net comprehensive income for the period	-	-	165	2 377	438 780	-	441 322
Dividends paid	-	-	-	-	-	(283 585)	(283 585)
Changes in the share capital	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	(48 894)	48 894	-
Balance at 31 July 2023	1 200 000	291 484	642	2 636	1 650 990	182 332	3 328 084
Net profit for the period	-	-	-	-	-	146 727	146 727
Other net comprehensive income for the period	-	-	(35)	(1 778)	19 381	-	17 568
Dividends paid*	-	-	-	-	-	(133 438)	(133 438)
Changes in the share capital	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	(68 138)	68 138	-
Balance at 31 July 2024	1 200 000	291 484	607	858	1 602 233	263 759	3 358 941

* Paid to the Company's sole shareholder as dividends in the amount of EUR 4 329 thousand and in the form of an offset against a loan in the amount of EUR 129 109 thousand.

SPP – distribúcia, a.s.
Statement of Cash Flows
For the Reporting Periods Ended 31 July 2024 and 31 July 2023
(EUR '000)

	<i>Note</i>	<i>Year ended 31 July 2024</i>	<i>Year ended 31 July 2023</i>
OPERATING ACTIVITIES:			
Cash flows from operating activities	25	360 619	197 737
Interest paid		(8 816)	(6 774)
Interest received		16 902	3 472
Income tax paid and special levy		(68 619)	(74 935)
Net cash flows from operating activities		299 276	119 500
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and non-current intangible assets		(32 114)	(25 912)
Non-current borrowings provided – received repayments		70	69
Proceeds from the sale of property, plant and equipment and intangible assets		226	174
Dividends received		410	233
Net cash inflow/(outflow) from investing activities		(31 408)	(25 436)
FINANCING ACTIVITIES:			
Received bank loans and borrowings		-	-
Repaid bank loans and borrowings		-	-
Bond repayment		-	-
Cash pooling flows in the Group		(157 500)	-
(Expenditures for)/proceeds from derivative transactions		2 430	510
Expenditures for the settlement of finance lease liabilities		(5 961)	(5 386)
Dividends paid		(4 329)	-
Net cash flows from financing activities		(165 360)	(4 876)
NET (DECREASE)/INCREASE IN CASH		102 508	89 188
EFFECTS OF FOREIGN EXCHANGE FLUCTUATIONS		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		336 912	247 724
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		439 420	336 912

If necessary, the Company offsets the distribution of profit for the current period against a cash pooling receivable.

1. GENERAL

1.1. General Information

In accordance with Act No. 431/2002 Coll. on Accounting as amended, SPP – distribúcia, a.s., (hereinafter also the "Company") is required to prepare separate financial statements as at 1 January 2008 in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

These financial statements were prepared for the reporting period ended 31 July 2024. The comparable period is 1 August 2022 to 31 July 2023.

The financial statements are statutory financial statements intended for general use and information; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

The Company was founded on 26 November 2004 and incorporated in the Business 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. 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. ("SPP") with a 51% share.

The financial statements of SPP – distribúcia, a.s. for the reporting period ended 31 July 2023 were approved by the decision of the sole shareholder on 29 September 2023.

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).

1.3. Employees

The full-time equivalent of the employees of SPP – distribúcia, a.s. for the year ended 31 July 2024 was 1 285, of which executive management: 8 (for the year ended 31 July 2023: 1 328, of which executive management: 8).

As at 31 July 2024, the actual headcount was 1 275 (31 July 2023: 1 311).

1.4. Registered Address

Plátennícka 19013/2
821 09 Bratislava
Slovak Republic

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatory for the reporting period beginning on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or the amounts reported in these financial statements.

- **IFRS 17 “Insurance Contracts”** issued by the IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 “Insurance Contracts” and related interpretations while applied. Amendments to IFRS 17 “Insurance Contracts” issued by the IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. The amendments issued on 25 June 2020 also introduce simplifications and clarifications of requirements in the standard and provide additional reliefs when applying IFRS 17 for the first time.
- **Amendments to IFRS 17 “Insurance Contracts” – Initial Application of IFRS 17 and IFRS 9 – Comparative Information** issued by the IASB on 9 December 2021. This is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
- **Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure of Accounting Policies** issued by the IASB on 12 February 2021. Amendments require entities to disclose their material accounting policy information rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates** issued by the IASB on 12 February 2021. These amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates.
- **Amendments to IAS 12 “Income Taxes” – Deferred Tax related to Assets and Liabilities arising from a Single Transaction** issued by the IASB on 6 May 2021. Under these amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on the initial recognition that result in the recognition of equal deferred tax assets and liabilities.
- **Amendments to IAS 12 “Income Taxes” – International Tax Reform – Pillar Two Model Rules** issued by the IASB on 23 May 2023. The amendments introduced a temporary exception to accounting for deferred taxes arising from jurisdictions implementing global tax rules and disclosure requirements regarding company exposure to income taxes arising from the reform, particularly before legislation implementing the rules comes into effect.

New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following revised IFRS Accounting Standards that have been issued by the IASB and adopted by the EU but are not yet effective:

- **Amendments to IFRS 16 “Leases” – Lease Liability in a Sale and Leaseback** issued by the IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

- **Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current** issued by the IASB on 23 January 2020 and **Amendments to IAS 1 "Presentation of Financial Statements" – Non-current Liabilities with Covenants** issued by the IASB on 31 October 2022. Amendments issued in January 2020 provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place as at the reporting date. Amendments issued in October 2022 clarify how conditions with which an entity must comply within twelve months of the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.

New and revised IFRS Accounting Standards in issue but not adopted by the EU

At present, IFRS Accounting Standards as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at the date of authorisation of these financial statements:

- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements** issued by the IASB on 25 May 2023. Amendments add disclosure requirements, and 'signposts' within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.
- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability** issued by the IASB on 15 August 2023. Amendments contain guidance specifying when a currency is exchangeable and how to determine the exchange rate when it is not.
- **IFRS 14 "Regulatory Deferral Accounts"** issued by the IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS and currently recognise regulatory deferral accounts in accordance with their previous GAAP to continue to do so upon transition to IFRS.
- **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** issued by the IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The Company does not expect that the adoption of the above standards will have a material impact on the financial statements of the Company in future periods.

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 balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

These separate financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, except for the remeasurement of gas pipelines to their fair value. Information on the applied principal accounting policies is provided below. The reporting currency and functional currency of the Company is the euro (EUR). These separate financial statements were prepared under the going concern assumption.

In relation to the ongoing war in Ukraine and the sanctions against the Russian Federation, the Company has identified risks and adopted appropriate measures to mitigate impacts on its business activities. Based on the information available and current developments, the Company continuously analyses the situation and assesses its direct impact on the Company. Company management assessed the potential impacts of this situation on its operations and business and concluded they do not currently have a material impact on the financial statements for the year ended 31 July 2024, or on the going concern assumption in 2024. However, further negative developments as regards this situation cannot be ruled out, which could subsequently have a material negative impact on the Company, its business, financial condition, results, cash flows and overall outlook.

b) Information about Operating Segments

Operating segments are recognised in accordance with the internal system of management reporting provided for the highest executive decision-making body. The highest executive decision-making body that is responsible for the allocation of resources and for evaluating the performance of these operating segments has been identified to be the Board of Directors, which makes strategic decisions.

c) Research and Development

Research and development costs are recognised as expenses except for costs incurred for development projects, which are recognised as non-current intangible assets to the extent of the expected economic benefits. However, development costs initially recognised as expenses are not recognised as assets in a subsequent period.

d) Property, Plant and Equipment and Intangible Assets

In the 2024 financial year, gas pipelines are recognised in the balance sheet at a remeasured value representing their fair value as at the remeasurement date less potential subsequent accumulated depreciation and subsequent accumulated losses from permanent impairment. The remeasurement was made as at 31 July 2023. The remeasurement was prepared by an independent expert. The first remeasurement was made as at 1 August 2018. Remeasurements will be performed on a regular basis so that the net book value does not differ significantly from the amount that would be recognised as at the balance sheet date using fair values. The remeasurement of gas pipelines is made on a prospective basis and has no impact on the previous reporting period.

An increase, if any, in the revaluation surplus arising from the remeasurement of gas pipelines is credited to revaluation reserves and reflects the amount that potentially cancels the decrease in the revaluation surplus for the same asset item originally recognised and reported in the statement of profit or loss in the preceding period; in such a case the increase is credited to profit or loss in the amount of the previously-recognised decrease. A decrease in the net book value resulting from the revaluation of gas pipelines is debited to profit and loss in an amount exceeding the balance, if any, of properties revaluation reserves related to the previous remeasurement of such an asset item. Depreciation of remeasured gas pipelines is recognised as an expense in the statement of profit or loss. The revaluation reserves are gradually dissolved in retained earnings over the depreciation period of the related remeasured assets. In such a case, the amount of the transferred surplus corresponds to the difference between the depreciation charge calculated from the remeasured carrying amount of the assets and the depreciation charge calculated from the original cost of the assets. Upon the subsequent sale or disposal of remeasured assets, the relevant revaluation difference that remains in the revaluation reserves is transferred directly to retained earnings.

Other items of property, plant and equipment are recognised at historical cost less accumulated depreciation and accumulated impairment losses.

Items of property, plant and equipment and intangible assets that are retired or otherwise disposed of are eliminated from the balance sheet at net book value. Any gain or loss resulting from such retirement or disposal is recognised through profit or loss.

SPP – distribúcia, a.s.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the Reporting Periods Ended 31 July 2024 and 31 July 2023
(EUR '000)

Other items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation charges are recognised in the statement of profit or loss so as to amortise the assets to their estimated residual value over their remaining useful lives. The useful lives of property, plant and equipment and intangible assets are as follows:

Type of assets	31 July 2024	31 July 2023
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

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

If the Company recognised non-current tangible assets used for natural gas distribution at historical cost less accumulated depreciation and accumulated impairment losses, the historical net book value of such non-current tangible assets would amount to EUR 1 858 million as at 31 July 2024 (31 July 2023: EUR 1 992 million).

Intangible assets with limited useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful lives are reviewed at the end of each reporting period. Costs of connection to the distribution network are capitalised and amortised over the estimated remaining useful life of the related equipment used for natural gas distribution.

At each reporting date an assessment is made as to whether there is any indication that the recoverable amount of the Company's property, plant and equipment and intangible assets is less than the carrying amount. Where there is such an indication, the recoverable amount of the asset, being whichever is the higher of the fair value less costs of sale and the present value of future cash flows, is estimated. The loss allowance for impairment of property, plant and equipment and intangible assets is recognised as described above. The discount rates used to calculate the net present value of future cash flows reflect current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or significantly to postpone the planned completion date, the carrying amount of the asset is reviewed for potential impairment and a loss allowance is recorded, if appropriate. As at 31 July 2024, the Company prepared an analysis of the expected value-in-use of assets based on which no impairment of non-current assets was identified.

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

e) Non-current Tangible Assets Acquired Through Free-of-Charge Transfer

Free-of-charge transfers of gas facilities by municipalities to the Company's assets are deemed to be non-monetary grants. They are recognised at the fair value of the assets received and also as a contract liability recognised under non-current liabilities. The contract liability is recognised through profit or loss on a straight-line basis over the useful lives of the assets transferred.

Free-of-charge transfers of gas facilities from customers relating to the connection of customers to the distribution network are charged to revenues for the relevant period and are recognised at the fair value of the received assets.

Non-current tangible assets received free of charge are recognised in the financial statements as a contract liability in accordance with IFRS 15 "Revenue from Contracts with Customers".

f) Lease

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company recognises right-of-use assets and a lease liability in accordance with IFRS 16 where the Company is a lessee. An exemption is applied to short-term leases with the lease term of 12 months or less and to leases where the underlying asset is of low value. The Company recognises lease payments as an operating expense on a straight-line basis over the lease term or another systematic basis.

At the application date of the standard, a lessee measures the lease liability at the present value of lease payments outstanding as at that date. Lease payments are discounted using the interest rate implicit in the lease if such a rate can readily be determined. If such a rate cannot readily be determined, the lessee must use the lessee's incremental borrowing rate.

A lessee must remeasure the lease liability to reflect changes in interest rates and lease payments made.

A right-of-use asset is measured in the same amount as the lease liability adjusted for the lease payments recognised before or at the date of initial application, less lease payments received and initial direct costs. Subsequently, a right-of-use asset is measured at cost less accumulated depreciation and loss allowances.

A right-of-use asset is depreciated over the shorter of the term of the lease contract and the useful life of the underlying asset. If the ownership title to the underlying asset is transferred to the lessee at the end of the lease term, or if it is probable that the lessee will exercise an option to purchase the underlying asset, the right-of-use asset is depreciated over the useful life of the underlying asset. Assets are depreciated starting on the first day of the lease contract.

The Company leases administrative buildings, technical buildings and transportation means. 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 is determined based on the estimated lease term.

g) Inventories

Inventories are stated at the lower of the cost and the net realisable value. The cost of natural gas stored in underground storage facilities and raw materials and other inventories is calculated using the weighted arithmetic average method. The cost of raw materials and other inventories includes the cost of acquisition and related costs and the cost of inventories developed internally includes materials, other direct costs and production overheads. Appropriate loss allowances are made for obsolete and slow-moving inventories. Natural gas in acquisition is valued at cost. Other costs related to the acquisition of natural gas are immaterial.

h) Financial Assets

Financial assets are classified as follows: financial assets subsequently measured at amortised cost, financial assets subsequently measured at fair value through other comprehensive income (FVOCI), and financial assets subsequently measured at fair value through profit or loss (FVTPL).

The Company only recognises financial assets subsequently measured at amortised cost. Financial assets are subsequently measured at amortised cost using the effective interest rate method, less any impairment, and include trade receivables and borrowings with fixed or variable payments.

Interest income is recognised using the effective interest rate, except for short-term receivables for which the recognition of interest is immaterial.

Impairment of Financial Assets

The Company applies a simplified model for the assessment and recognition of impairment losses on financial assets under which a loss allowance is recognised in the amount of expected credit losses over the entire useful life of trade receivables at the moment of their initial recognition. Such estimates are updated as at the balance sheet date.

The carrying amount of the financial asset is reduced for the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a loss allowance account. When a trade receivable is considered uncollectible, it is written off against the loss allowance account. Subsequent recoveries of amounts previously written off are recognised as a release of loss allowances. Changes in the carrying amount of the loss allowance account are recognised in profit or loss.

Derecognition of Financial Assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

i) Financial Liabilities

Financial liabilities are classified as financial liabilities measured at amortised cost and as financial liabilities "at fair value through profit or loss" (FVTPL).

The Company only recognises financial liabilities in the "financial liabilities measured at amortised cost" category. Financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected economic life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

j) Derivative Financial Instruments

The Company enters into financial derivative contracts to manage its exposure to interest rate fluctuation risk.

Derivative financial instruments are contracts: (i) whose value changes in response to a change in one or more identifiable variables; (ii) that require no significant net initial investment; and (iii) that are settled at a certain future date.

Derivative financial instruments are initially measured at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised directly in profit or loss unless the derivative instrument is designated or effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

Hedge accounting

The Company applies hedge accounting for interest rate swaps which were entered into to manage its exposure to movements in interest rates of received loans, and are recognised as cash flow hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised directly in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item.

Hedge accounting is discontinued when the Company terminates the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the anticipated transaction is ultimately recognised in profit or loss. When another hedge transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised directly in profit or loss.

k) Subsidiaries

Investments in subsidiaries are measured at cost. The costs of an investment in a subsidiary are based on the expenses related to the acquisition of an investment representing the fair value of the consideration, including direct incidental transaction costs.

l) Cash and Cash Equivalents

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

m) Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate as a discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

n) Loans

Loans are initially measured at cost. Other borrowing costs are recognised as an expense in the period in which they are incurred.

o) Issued Debt Securities

Issued debt securities are initially measured at fair value plus transaction costs, and then measured at amortised cost using the effective interest rate method.

p) Revenue Recognition

Sales are recorded upon the performance of services, net of value added tax and discounts. The Company records revenues from distribution and other activities on an accrual basis. Moment of revenue recognition: revenues are recognised at the moment (or when) services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services.

Revenues from core business activities include fees for natural gas distribution. From the Company's perspective, this activity represents a primary activity and, therefore, these revenues are recognised separately. Revenues from the fixed and capacity components are recognised evenly throughout the year. The variable revenue component is recognised based on the actual natural gas distribution in the relevant month. The ratio of these revenues is approximately 60:40. Additional other revenues are recognised by the Company if the ordered capacity is exceeded. Revenues from core business activities also include natural gas losses in the distribution network totalling EUR 41 525 thousand (for the period as at 31 July 2023: EUR 46 785 thousand) in connection with a valid price decision issued by the Regulatory Office for Network Industries. To calculate distribution network losses, the Company applies methodology consistent with the methodology applied in 2023. Revenues from natural gas distribution are recognised during the provision of distribution services ordered by customers according to daily nominations. The volume of distributed natural gas consumed by end customers connected to the distribution network includes estimates for customers in the household and small customer groups, where a meter reading of the consumed gas consumption is performed on an annual basis.

Other revenues mainly include fees for additional procurement of capacities, fines, connection fees, and fees for other activities which are not core Company activities. The Company recognises revenues from such activities during the provision of services to the customer, or for fines at the moment the Company is entitled to a consideration from the customer.

q) Social Security and Pension Schemes

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

r) Retirement and Other Long-Term Employee Benefits

The Company has a long-term employee benefit program comprising a lump-sum retirement benefit, social assistance benefit in material deprivation and life and work jubilee benefits, for which no individual financial funds were earmarked. In accordance with IAS 19, the employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of profit or loss so as to spread the regular cost over the service period of employees. The benefit obligation is measured at the present value of the estimated future cash flows discounted by market yields on Eurozone government bonds, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognised in the statement of comprehensive income. Past service costs are recognised when incurred and are directly expensed.

s) Taxation

Income tax is calculated from the profit/loss before tax recognised pursuant to International Accounting Standards adjusted to the profit/loss recognised pursuant to the accounting procedures valid in the Slovak Republic reflecting individual items increasing or decreasing the tax base pursuant to Act No. 595/2003 Coll. on Income Tax, as amended, using the effective income tax rate of 21%. The income tax rate is valid from 1 January 2017.

Deferred tax is provided, 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 to the period when the asset is realized or the liability is settled. Deferred tax is recognised in the statement of profit or loss, except when it relates to items directly credited or charged directly to equity, in which case the deferred tax is also recognised in equity. The income tax rate valid from 1 January 2017 is 21%.

The principal temporary differences arise from the depreciation of non-current assets and various loss allowances. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is recognised in the case of temporary differences arising from financial investments in subsidiaries, associates and joint ventures, except when the settlement of temporary differences can be controlled and temporary differences will not be realised in the foreseeable future.

Current and Deferred Tax for the Year

Current and deferred tax are recognised through profit and loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity.

Special Levy on Businesses in Regulated Industries

Pursuant to the requirements of International Accounting Standards, the Company's income tax also includes a special levy pursuant to Act No. 235/2012 Coll. on a Special Levy on Businesses in Regulated Industries and on the Amendment to and Supplementation of Certain Acts. The special levy is recognised through profit and loss.

The Company is a regulated entity and is obliged to pay a special levy during the validity of the Act. Under the original wording of the Act on a Special Levy on Businesses in Regulated Industries, the last levy period was December 2016. An amendment to the Act (effective from 1 January 2017) was adopted and the special levy will continue to be applied without time limitation. The levy period was a calendar month and as of 1 January 2017, the levy rate was 0.00726 for 2017 and 2018. The special levy has gradually been reduced, so that from 2019, the monthly levy rate was 0.00545. This financial year, it changed to 0.00363, ie to its original amount, which was valid until 31 December 2016. The levy is based on the profit/loss before tax recognised pursuant to International Accounting Standards, adjusted to the profit/loss recognised pursuant to the accounting procedures valid in the Slovak Republic, and further adjusted pursuant to the Act on a Special Levy. The special levy is recognised as part of income taxes.

Due to the amendment to the Act on Special Levy on Businesses in Regulated Industries that abolished the time limit on the validity of the special levy payment, the Company must recognise a deferred special levy. A deferred special levy is recognised on all temporary differences between the carrying amount of assets and liabilities recognised under International Accounting Standards and the carrying amount of assets and liabilities recognised in accordance with Slovak accounting procedures. The deferred special levy is calculated by applying the special levy rate expected to apply in the period in which it is expected that the temporary difference from which the deferred special levy arises will be realised. The deferred special levy is recognised in the statement of profit or loss and in the statement of changes in equity.

t) Transactions in Foreign Currencies

Transactions in foreign currencies are initially recorded at the rates of the European Central Bank (ECB) pertaining on the dates of the transactions. Monetary assets, receivables and payables denominated in foreign currencies are translated as at the reporting date at the ECB exchange rates valid on the reporting date. Gains and losses arising on exchange as at the reporting date are recognised in the statement of profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When applying the Company's accounting procedures described in Note 3, the Company made the following decisions concerning uncertainties and estimates that have a significant impact on the amounts recognised in the financial statements. There is a significant risk of material adjustments in future reporting periods related to such matters in the following areas:

Impairment of property, plant and equipment

The Company reassessed the amount of an impairment loss allowance 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. For more information on the impairment of property, plant and equipment, see Notes 7 and 26.

Revaluation of property, plant and equipment

As at 1 August 2019, 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.

Subsequent remeasurement was performed as at 31 July 2023. The subsequent 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 587 831 thousand and an increase in the deferred tax liability by EUR 149 051 thousand, and in the creation of revaluation reserves in equity, as well as in a decrease in the amount of gas pipelines by EUR 2 997 thousand recognised in the statement of profit or loss line Depreciation, amortisation and impairment losses on assets, net. As at 31 July 2024, the Company analysed possible indicators of the impairment of assets and concluded there had been no major changes to their values and no revaluation as at 31 July 2024 was necessary.

The remeasurement of Company 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 properties 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.

Estimated useful lives

The estimated useful lives of non-current asset items are 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 31 July 2023, 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.

See Note 7 for more details. The useful lives of non-current assets are based on accounting estimates, which are specified in Note 3 (d), and their carrying amounts are presented in Note 7 and Note 8. A change to the useful lives of non-current assets by 10 years would have an impact on the depreciation charge in the amount of EUR 61 million.

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 management

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

(1) Foreign currency risk

The Company is not exposed to severe foreign currency risk arising from foreign currency transactions since it does not recognise significant financial assets and liabilities denominated in a foreign currency as at 31 July 2024. The Company recognised no significant financial assets and liabilities denominated in a foreign currency as at 31 July 2023.

The impact of sensitivity to foreign exchange changes was not significant in the current or previous reporting periods.

(2) 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 2024; 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.

(3) Interest rate risk

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

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

As at 31 July 2024, the Company recognised two loans received from banks with a face value of EUR 26.65 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).

The Company applies hedge accounting for interest rate swaps entered into to manage its exposure to movements in interest rates of the received loan with a nominal value of EUR 26.65 million, which are recognised as cash flow hedges. The Company is exposed to interest rate risk to the extent of movements in the interest rate of the above loan and the open interest rate swap.

(4) 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; Slovenský plynárenský priemysel, a.s., 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.

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(5) 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 SPP Infrastructure 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 July 2024 and 31 July 2023, based on contractual undiscounted payments:

As at 31 July 2024	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bonds	-	-	5 000	20 000	510 000	535 000
Loans	-	873	28 587	7 412	60 444	97 316
Finance lease liabilities	-	1 410	4 231	16 900	2 220	24 761
Trade and other payables	-	28 311				28 311

As at 31 July 2023	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bonds	-	-	5 000	20 000	510 000	535 000
Loans	-	927	2 827	35 698	62 404	101 856
Finance lease liabilities	-	1 402	4 205	18 064	3 379	27 050
Trade and other payables	-	27 268				27 268

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 share 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 July 2024 was 5% (31 July 2023: 8%).

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

	31 July 2024	31 July 2023
Debt (i)	612 740	614 521
Cash and cash equivalents	439 420	336 912
Net debt	173 320	277 609
Equity (ii)	3 358 941	3 328 084
Net debt to equity ratio	5%	8%

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

(ii) Page 9

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

c) Categories of financial instruments

	31 July 2024	31 July 2023
Financial assets		
Loans and receivables (including cash and cash equivalents)	635 604	508 530
Financial derivatives recognised as hedging	1 086	3 337
Financial liabilities		
Financial liabilities carried at amortised costs	641 051	645 571
Financial derivatives recognised as hedges	-	-

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.

As at 31 July 2024, 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.

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 July 2024 and 31 July 2023 under the requirements of IAS 39 (as revised in 2009).

6. OPERATING SEGMENTS

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. Regulated distribution revenues are monitored for each tariff band as specified by the effective price decision issued by RONI. 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 separate financial statements. Company management submits a report on the Company's results to the Board of Directors on a monthly basis.

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7. PROPERTY, PLANT AND EQUIPMENT

	<i>Regulation stations</i>	<i>Gas pipelines</i>	<i>Other gas facilities</i>	<i>Land, buildings and structures</i>	<i>Plant, machinery and equipment</i>	<i>Other non- current tangible assets</i>	<i>Assets in the course of construction</i>	<i>Total</i>
Year ended 31 July 2023								
Opening net book value	67 452	3 512 071	55 821	1 728	2 375	903	31 090	3 671 440
Additions	6	8 760	18	-	-	-	37 898	46 682
Placed into service	1 568	31 595	2 865	361	1 795	55	(38 239)	-
Reclassifications	26	-	-	-	3	-	-	29
Disposals	(20)	(269)	-	-	(2)	-	-	(291)
Depreciation charges	(4 282)	(148 092)	(5 153)	(186)	(791)	(112)	-	(158 616)
Change in loss allowances	(16)	-	(168)	-	-	-	(11)	(195)
Revaluation of assets through revaluation reserve	-	587 831	-	-	-	-	-	587 831
Revaluation of assets through profit or loss	-	(2 999)	-	-	-	-	-	(2 999)
Closing net book value	64 734	3 988 897	53 383	1 903	3 380	846	30 738	4 143 881
Balance as at 31 July 2023								
Cost	176 006	3 988 897	159 250	2 351	29 425	1 850	31 444	4 389 223
Accumulated depreciation and loss allowances	(111 272)	-	(105 867)	(448)	(26 045)	(1 004)	(706)	(245 342)
Net book value	64 734	3 988 897	53 383	1 903	3 380	846	30 738	4 143 881
Year ended 31 July 2024								
Opening net book value	64 734	3 988 897	53 383	1 903	3 380	846	30 738	4 143 881
Additions	-	2 618	-	-	-	-	45 191	47 809
Placed into service	440	38 250	1 908	1	1 337	64	(42 000)	-
Reclassifications	-	-	-	-	-	-	-	-
Disposals	-	(109)	-	-	(73)	-	(189)	(371)
Depreciation charges	(3 864)	(169 218)	(4 676)	(187)	(1 045)	(123)	-	(179 113)
Change in loss allowances	(2)	-	(365)	-	(1)	-	179	(189)
Revaluation of assets through revaluation reserve	-	-	-	-	-	-	-	-
Revaluation of assets through profit or loss	-	-	-	-	-	-	-	-
Closing net book value	61 308	3 860 438	50 250	1 717	3 598	787	33 919	4 012 017
Balance as at 31 July 2024								
Cost	173 560	4 024 704	158 228	2 352	29 392	1 866	34 445	4 424 547
Accumulated depreciation and loss allowances	(112 252)	(164 266)	(107 978)	(635)	(25 794)	(1 079)	(526)	(412 530)
Net book value	61 308	3 860 438	50 250	1 717	3 598	787	33 919	4 012 017

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Remeasurement and assessment of possible impairment of non-current assets for natural gas distribution:

As at 31 July 2023, the remeasurement of the Company's assets was performed by an independent expert using a cost method. When determining the fair value of individual items of the assets using the cost method, the physical wear and tear of the assets and their technological and economic obsolescence were taken into account.

In relation to the ongoing military conflict in Ukraine and the related sanctions against the Russian Federation, as at the preparation date of these financial statements the Company analysed the impacts of this situation on its business. In this respect, the Company evaluated scenarios regarding future gas distribution via its distribution network and the impacts of such scenarios on its future operations and economic results.

As at 31 July 2024, the Company assessed the value of assets using the discounted cash flow method. The Company took into consideration a possible short-term decline in consumption caused by price volatility on the natural gas market; however, the Company does not expect a significant decline in demand for natural gas in the Slovak Republic given the importance of this commodity in the Slovak energy mix and the necessity of using gas in the short and long term. When calculating perpetuity, the Company uses 5-year outlook plans. Flow volumes via the Company's distribution network are based on assumptions regarding the development of demand for natural gas and the resulting gas distribution requirements in the Slovak Republic.

The assessment of the value of assets is based on regulatory rules valid for the current calendar year. The Company does not expect fundamental changes to valid legislation as a result of the draft Decree of the Regulatory Office for Network Industries Stipulating Price Regulation in the Gas Industry.

The discount rate applied by the Company is comparable with the industry discount rate and takes into consideration a risk mark-up with regard to current uncertainties affecting the future development of the energy commodity market, and long-term inflation expectations. As a result, the discount rate is higher than the WACC stipulated by the Office for the following regulatory period.

Based on this assessment, as at 31 July 2024, no impairment of non-current tangible assets was identified by the Company under IAS 36.

For more information see Note 4.

Insurance of assets:

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

Insured object	Type of insurance	Cost of insured assets		Name and seat of the insurance company
		2024	2023	
Buildings, halls, structures (except for gas pipelines), machinery, equipment, fixtures & fittings, low-value non-current TA, other non-current TA, works of art, inventories	Insurance of assets	360 889	360 889	Premium Insurance company Limited

The cost of fully depreciated non-current assets (includes also non-current intangible assets), which were in use as at 31 July 2024, amounts to EUR 95 464 thousand (31 July 2023: EUR 95 703 thousand).

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8. NON-CURRENT INTANGIBLE ASSETS

	<i>Software</i>	<i>Other non-current intangible assets</i>	<i>Assets in the course of construction</i>	<i>Total</i>
Year ended 31 July 2023				
Initial net book value	554	9 761	98	10 413
Additions	-	-	485	485
Placed into service	199	14	(213)	-
Disposals	-	-	-	-
Amortisation	(266)	(245)	-	(511)
Change in loss allowances	-	-	-	-
Closing net book value	487	9 530	370	10 387
At 31 July 2023				
Cost	12 964	14 691	370	28 025
Accumulated amortisation and loss allowances	(12 477)	(5 161)	-	(17 638)
Net book value	487	9 530	370	10 387
Year ended 31 July 2024				
Initial net book value	487	9 530	370	10 387
Additions	-	-	988	988
Placed into service	1 035	21	(1 056)	-
Disposals	-	-	-	-
Amortisation	(531)	(255)	-	(786)
Change in loss allowances	-	-	-	-
Closing net book value	991	9 296	302	10 589
At 31 July 2024				
Cost	14 000	14 712	302	29 014
Accumulated amortisation and loss allowances	(13 009)	(5 416)	-	(18 425)
Net book value	991	9 296	302	10 589

9. RIGHT-OF-USE ASSETS AND FINANCE LEASE LIABILITIES

The Company leases buildings and transportation means. 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. 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.

	<i>Buildings</i>	<i>Transportation means</i>	<i>Total</i>
Balance as at 31 Jul 2024			
Cost	39 877	11 540	51 417
Accumulated depreciation and loss allowances	(17 958)	(7 627)	(25 585)
Net book value	21 919	3 913	25 832

Non-current finance lease liability:

	<i>Present value of minimum lease payments</i>	
Maturity	<i>31 July 2024</i>	<i>31 July 2023</i>
Less than 1 year	5 641	5 607
1 – 5 years	19 945	21 062
More than 5 years	2 029	3 087
Total	27 615	29 756

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

Information on the residual value and fair value of the finance lease liability:

	<i>Residual value of finance lease</i>		<i>Fair value of finance lease</i>	
	<i>31 July 2024</i>	<i>31 July 2023</i>	<i>31 July 2024</i>	<i>31 July 2023</i>
Finance lease liability	27 615	29 756	24 761	27 050
Total	27 615	29 756	24 761	27 050

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10. INVESTMENTS IN SUBSIDIARIES AND OTHER ASSETS

At 31 July 2024

	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 Business Register of the District Court Bratislava I on 18 September 2012.

Information on the subsidiaries of SPP – distribúcia as at 31 July 2024 can be summarised as follows:

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

Additional information on the subsidiaries:

Business name and seat of the entity	2024	Equity	2023	Profit/loss	2024	2023
SPP – distribúcia Servis, s.r.o.						
Seat: Mlynské Nivy 44/b, Bratislava	5 441		2 357		3 084	1 257

Profit/(loss) represents an estimate for the 7-month period of 2024 as the final financial statements of the subsidiary were not available to SPP – distribúcia, a.s. (parent company) as at the reporting date. The 2023 profit/(loss) represents the final information from the financial statements of the subsidiary.

Other non-current and current assets

Other non-current and 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.

The outstanding balance of the loan provided to the parent company, SPP Infrastructure, a.s., was offset against the dividend to the sole shareholder of the Company in the amount of EUR 129 109 thousand on 31 October 2023.

11. INVENTORIES

	31 July 2024	31 July 2023
Natural gas	193 195	203 875
Raw materials and other inventories	1 973	1 885
Loss allowance	(240)	(129)
Total	194 928	205 631

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.

As at 31 July 2024, loss allowances were reversed in the amount of EUR 43 thousand (31 July 2023: EUR 15 thousand). The Company created loss allowances for slow-moving inventories of raw materials amounting to EUR 154 thousand (31 July 2023: EUR 49 thousand).

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12. RECEIVABLES AND PREPAYMENTS

	31 July 2024	31 July 2023
Prepayments and other receivables	7 556	7 854
Receivables from financial derivatives	1 086	3 337
Cash pooling receivables	157 993	-
Total	166 635	11 191

Receivables fall due as follows

	31 July 2024	31 July 2023
Within one year	166 635	11 191
From 1 year to 2 years	-	-
From 2 to 5 years	-	-
More than 5 years	-	-
Total receivables	166 635	11 191

As at 31 July 2024, the Company recorded receivables within maturity and overdue receivables amounting to EUR 166 446 thousand and EUR 982 thousand, respectively. In the comparable period, ie as at 31 July 2023, the Company recorded receivables within maturity and overdue receivables amounting to EUR 11 211 thousand and EUR 774 thousand, respectively. As at 31 July 2024, receivables and prepayments are recognised net of loss allowances for bad and doubtful debts in the amount of EUR 793 thousand (31 July 2023: EUR 794 thousand).

Movements in the loss allowance for receivables were as follows:

	31 July 2024	31 July 2023
Opening value	(794)	(2 018)
Creation	(64)	(785)
Use	62	30
Reversal	3	1 979
Closing value	(793)	(794)

Collateralisation of receivables

Several bank guarantees totalling EUR 106 149 thousand (31 July 2023: EUR 108 030 thousand) were established to secure the Company's receivables from natural gas distribution. In addition, financial funds in the amount of EUR 4 048 thousand (31 July 2023: EUR 3 217 thousand) were deposited in the Company's bank account.

Ageing structure of overdue receivables:

	31 July 2024	31 July 2023
Less than 2 months	190	24
2 to 3 months	20	15
3 to 6 months	8	38
6 to 9 months	45	1
9 to 12 months	8	4
More than 12 months	711	692
Total	982	774

13. CONTRACT RECEIVABLES AND LIABILITIES

Contract liabilities, non-current

	31 July 2024	31 July 2023
Opening balance, net	36 816	28 905
Assets acquired during the reporting period	2 621	8 851
Amortisation during the reporting period	(816)	(940)
Closing balance, net	38 621	36 816

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 statement of profit or loss on a straight-line basis in the amount of depreciation charges over the useful life of assets.

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Contract receivables, current

	31 July 2024	31 July 2023
Contract receivables	30 490	32 920
Total	30 490	32 920

Contract receivables comprise receivables from distribution activities.

14. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits programme at the Company was launched in 2006. This is a defined benefit programme, under which the employees are entitled to a lump-sum payment upon old age or disability retirement and, subject to vesting conditions, life and work jubilee payments.

In November 2023, a new collective agreement was signed for 2024 to 2025, under which employees are entitled to a retirement benefit based on the number of years worked with the Company upon their retirement. Under the Collective Agreement, the retirement benefits range from two to four times the employee's average salary.

As at 31 July 2024, there were 1 267 (31 July 2023: 1 311) employees covered by this programme. As of that date, it was an un-funded programme, with no separately allocated assets to cover the programme's liabilities.

Movements in the net liability recognised in the balance sheet for the year ended 31 July 2024 are as follows:

	Post-employment benefits	Other long-term benefits	Total benefits at 31 July 2024	Total benefits at 31 July 2023
Net liabilities at 1 August	3 719	807	4 526	4 912
Net expense recognised	174	10	184	244
Change in actuarial assumptions	(20)	-	(20)	(336)
Benefits paid	(231)	(53)	(284)	(294)
Net liabilities	3 642	764	4 406	4 526

	Current liabilities (included in other current liabilities)	Non-current liabilities	Total
At 31 July 2024	384	4 022	4 406
At 31 July 2023	410	4 116	4 526

Key assumptions used in actuarial valuation:

	At 31 July 2024	At 31 July 2023
Market yield on government bonds	2.847%	2.744%
Annual future real rate of salary increases	2%	2%
Annual employee turnover	1.44%	1.44%
Retirement ages (male and female)	See below	See below

Method for Calculating the Retirement Age

The retirement age is determined in years and calendar months and is known five years in advance. The retirement age of insured persons born in the same calendar year is identical. The average retirement age is set at 63 years.

Since 2021, the retirement age is defined for all insured persons. The retirement age valid after 31 December 2020 is stated in a table which forms an annex to the Social Insurance Act.

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15. LOANS AND BONDS

	31 July 2024 Unsecured	31 July 2023 Unsecured
Loans	87 022	87 020
Bonds	498 103	497 745
Total	585 125	584 765
Loans by currency		
EUR		
– with a fixed interest rate	498 103	497 745
– with a floating interest rate	87 022	87 020
Total loans	585 125	584 765
Loans are due as follows:		
Within one year	27 744	1 092
From 1 to 2 years	-	26 650
From 2 to 5 years	-	-
More than 5 years	557 381	557 023
Total loans	585 125	584 765

As at 31 July 2024, the loan balance amounts to EUR 26.65 million with maturity by 31 December 2024. The Company also has 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 July 2024 was 4.337% (31 July 2023: 2.359%).

On 9 June 2021, the Company issued publicly-traded unsecured bonds with a face value of EUR 500 000 thousand from which it received EUR 498 065 thousand at a fixed coupon of 1.000% p.a. The bonds were used to repay bonds issued in 2014 and fall due on 9 June 2031.

Interest rates of the loans and bonds:

Loans and bonds

EUR

– with a fixed interest rate 1.000% 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 July 2024	31 July 2023	31 July 2024	31 July 2023
Loans	87 022	87 020	87 022	87 020
Bonds	498 103	497 745	500 000	500 000
Total	585 125	584 765	587 022	587 020

The carrying amount of bonds comprises an accrued coupon in the amount of EUR 722 thousand. SPP – distribúcia, a.s. has no unused credit lines, except for the above loans.

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.

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.

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On 23 December 2014, the Company drew a loan in the amount of EUR 80 000 thousand, of which an amount of EUR 26 650 thousand was outstanding as at 31 July 2024. 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 July 2024, the Company rating was A- (Fitch) or Baa2 (Moody's), ie all conditions were met.

16. TRADE AND OTHER PAYABLES

	31 July 2024	31 July 2023
Trade payables	19 846	21 554
Trade payables for gas purchases	3 808	5 714
Employee liabilities	8 350	7 322
Social security and other taxes	4 284	3 829
VAT and other taxes	5 329	4 639
Other payables	4 657	3 782
Total	46 274	46 840

As at 31 July 2024, the Company recorded payables within maturity in the amount of EUR 47 327 thousand. The Company records no overdue payables. In the comparable period, ie as at 31 July 2023, the Company recorded payables within maturity in the amount of EUR 46 840 thousand. No overdue payables were recorded.

Social fund payables:

	Amount
Opening balance as at 1 August 2023	393
Total creation:	525
<i>from expenses</i>	525
<i>non-mandatory allotment</i>	-
<i>other</i>	-
Total drawing:	(473)
<i>monetary rewards and gifts</i>	(40)
<i>benefit in material deprivation</i>	-
<i>work jubilee benefits</i>	(53)
<i>catering allowance</i>	(139)
<i>other drawing as per CA</i>	(241)
Closing balance as at 31 July 2024	445

Liabilities secured by pledge or other form of collateral

A bank guarantee was established in Tatra banka, a. s., totalling EUR 33 thousand for other payables to the Customs Office (31 July 2023: EUR 33 thousand).

17. SHARE CAPITAL

The share 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 a share. The share capital was paid up in the full amount.

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 2023: 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 share 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 share capital. The legal reserve fund in the Company has already attained 20% of the share capital.

Revaluation Reserves

Properties 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 2023	Profit allotment for 2022
To cover losses from previous years	-	-
Dividends	133 438	135 309
Total profit to be distributed	133 438	135 309

A dividend awarded to the shareholder in 2023 totalled EUR 133 438 thousand and was paid to the Company's sole shareholder in the form of an offset against the loan provided in the amount of EUR 129 109 thousand and a transfer of the amount of EUR 4 329 to the bank account.

19. STAFF COSTS

	Year ended 31 July 2024	Year ended 31 July 2023
Wages, salaries and bonuses	42 145	38 114
Social security costs	15 003	13 317
Other social security costs and severance pay	3 387	3 166
Total staff costs	60 535	54 597

The Company is required to make social security contributions, amounting to 36.2% (35.2% until 31 December 2023) of salary bases as determined by law, up to a maximum amount of EUR 9 128 (except for accident insurance). The employees contribute an additional 13.4% of the relevant base up to the above limits.

20. COSTS OF AUDIT SERVICES AND AUDIT REGULATIONS

	Year ended 31 July 2024	Year ended 31 July 2023
Audit of financial statements	43	23
Assurance audit services except for audit of financial statements	57	48
Tax advisory services	-	-
Other non-audit services	6	9
Total	105	80

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In addition to a mandatory audit of the statutory financial statements, the auditor provided the following services to the Company in the 2024 financial year:

- Audit of the financial statements as at 30 September 2023 of the relevant year to be included in the IFRS consolidated financial statements of SPP Infrastructure, a. s. prepared as at that date;
- Audit of the reporting package prepared in accordance with IFRS and the EPH Group's accounting manual and the SPP Infrastructure Group's accounting manual for the year ended 31 December 2023;
- Audit of the statement of selected data as at 31 July 2024;
- Audit of the covenants specified in the loan agreement with the European Investment Bank as at 31 July 2024;
- Review of the reporting package for the EPH Group as at 30 June 2024.

21. OTHER REVENUES AND EXPENSES

	Year ended 31 July 2024	Year ended 31 July 2023
Revenues from unauthorised natural gas consumption	1 612	1 827
Other taxes and charges	(318)	(292)
Donated assets	810	940
Profit/(loss) from the sale of raw materials	43	65
Profit/(loss) from the sale of assets	87	(117)
Other	205	(27)
Total	2 439	2 396

22. FINANCE COSTS

	Year ended 31 July 2024	Year ended 31 July 2023
Interest expense	10 384	8 718
Other	(279)	(406)
Total finance costs/(income)	10 105	8 312

Interest expense mainly includes expenses for the coupon of a bond issued by the Company in 2021 (Note 15).

23. TAXATION

23.1. Income Tax

Income tax comprises the following:

	Year ended 31 July 2024	Year ended 31 July 2023
Current tax related to the current year	62 077	55 184
Refunds and additional assessments of income tax	-	-
Special levy	12 310	10 619
Deferred special levy (Note 23.2)	(3 937)	(3 337)
Deferred income tax (Note 23.2)		
– Current year	(28 397)	(21 942)
Total	42 053	40 524

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

	Year ended 31 July 2024	Year ended 31 July 2023
Profit before tax	188 780	173 962
Income tax at 21%	39 644	36 532
Effect of adjustments from permanent differences between carrying amount and tax value of assets and liabilities	(5 964)	(3 290)
Refunds and additional assessments of income tax		
Special levy on business in regulated industries	8 373	7 282
Income tax for the current year	42 053	40 524

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The reported tax rate differs from the standard tax rate stipulated by law in the amount of 21% (2023: 21%) mainly due to adjustments of the current tax base for items increasing and decreasing the tax base pursuant to the valid tax legislation.

Pursuant to the requirements of International Accounting Standards, the income tax also includes a special levy on businesses in regulated industries pursuant to a special regulation. (Note 3, paragraph s).

23.2. Deferred Income Tax

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

	At 1 August 2023	(Charge)/Credit to other comprehensive income/loss	(Charge)/Credit to profit for the current period	At 31 July 2024
Difference in NBV of non-current assets	(312 372)	-	9 211	(303 161)
Remeasurement of non-current assets	(464 469)	-	18 982	(445 487)
Items adjusting tax base only when paid	344	-	(46)	298
Loss allowances for receivables	33	-	4	37
Impairment loss	464	-	39	503
Provision for bonuses	1 110	-	204	1 314
Provision for employee benefits	1 193	-	(21)	1 172
Hedging derivative instruments	(698)	473	(1)	(226)
Change in actuarial assumptions	(243)	(4)	-	(247)
Effect of deferred tax on special levy	(92 402)	19 381	3 937	(69 084)
Other	61	-	24	85
Total	(866 979)	19 850	32 334	(814 796)

	At 1 August 2022	(Charge)/Credit to other comprehensive income/loss	(Charge)/Credit to profit for the current period	At 31 July 2023
Difference in NBV of non-current assets	(320 635)	-	8 263	(312 372)
Remeasurement of non-current assets	(354 780)	(123 445)	13 756	(464 469)
Items adjusting tax base only when paid	253	-	91	344
Loss allowances for receivables	311	-	(278)	33
Impairment loss	379	-	85	464
Provision for bonuses	1 085	-	25	1 110
Provision for employee benefits	1 203	-	(10)	1 193
Hedging derivative instruments	(68)	(632)	2	(698)
Change in actuarial assumptions	(172)	(71)	-	(243)
Effect of deferred tax on special levy	(70 133)	(25 606)	3 337	(92 402)
Other	51	-	10	61
Total	(742 506)	(149 754)	25 281	(866 979)

In accordance with the Company's accounting policy, certain deferred tax assets and liabilities were mutually offset. As required by International Accounting Standards, deferred tax also includes a deferred special levy on business in regulated industries under a special regulation. (Note 3, paragraph t). The following table shows the balances (after offsetting) of deferred tax for the purposes of recognition in the balance sheet:

	31 July 2024	31 July 2023
Deferred tax liability	(745 712)	(774 579)
Deferred special levy	(69 084)	(92 400)
Total	(814 796)	(866 979)

The Company reassessed the calculation method of a deferred special levy in the 2024 reporting period. This change is only reflected prospectively.

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24. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

Disclosure of tax effects relating to each component of other comprehensive income:

31 July 2024	Before tax	Tax	After tax
Change in actuarial assumptions	20	(4)	16
Hedging derivatives (cash flow hedging)	(2 251)	473	(1 778)
Other	(51)	-	(51)
Change in the calculation of the deferred special levy	-	19 381	19 381
Other comprehensive loss for the period	(2 282)	19 850	17 568

31 July 2023	Before tax	Tax	After tax
Revaluation reserve	336	(71)	265
Change in actuarial assumptions	3 010	(632)	2 378
Hedging derivatives (cash flow hedging)	(100)	-	(100)
Other comprehensive loss for the period	3 246	(703)	2 543

25. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 July 2024	Year ended 31 July 2023
Profit before tax	188 780	173 962
Adjustments:		
Depreciation, amortisation and impairment losses on assets, net	185 179	167 451
Interest income, net	(11 723)	(1 740)
Provisions, loss allowances and other non-cash items	(164)	137
Loss/(profit) from the sale of non-current assets	(43)	118
(Increase)/decrease in receivables and prepayments	3 574	(15 191)
(Increase)/decrease in inventories	10 774	(75 737)
Increase/(decrease) in trade and other payables	(14 988)	(50 460)
Other items not included in non-cash transactions	(770)	(803)
Cash flows from operating activities	360 619	197 737

26. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 July 2024, capital expenditures of EUR 7 985 thousand (31 July 2023: EUR 13 170 thousand) had been committed under contractual arrangements for the acquisition of non-current assets, but were not recognised in the financial statements.

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.

Natural gas distribution, connection and access to the network are subject to regulation by the Regulatory Office for Network Industries (RONI), which is carried out based on regulatory policy.

The RONI Regulatory Board adopted a new regulatory policy for the 6th regulatory period in March 2022. The new regulatory period began on 1 January 2023 and will last for 5 calendar years.

Tariffs for regulated activities

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

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The 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 a RONI Decree which stipulates price regulation in the gas industry.

Maximum revenues allowed under the price regulation 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 2021, 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 the price regulation 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 by two years 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 1 January 2024, the tariff for access to the gas distribution network, the tariff for gas distribution and the tariff to cover gas distribution losses are subject to crisis regulation, under which new prices have been set for 2024. The difference between the prices under the crisis regulation and those under the price decision are subject to compensation by the Ministry of Economy of the SR.

As regards substantive regulation, effective from 29 November 2023, there was a change to the Rules of Operation of SPP – distribúcia, a.s. due to changes to the regulatory legislation. An additional amendment of the Rules of Operation of SPP – distribúcia, a.s. is under preparation due to the need to ensure its compliance with the new legislation.

Changes to Regulatory Legislation

Under the price regulation, RONI Decree No. 451/2022 Coll., establishing price regulation of selected regulated activities in the gas industry and certain conditions for the performance of selected regulated activities in the gas industry, has been replaced by the new RONI Decree No. 147/2024, which will apply to prices from 2025. As regards market rules, there has been an amendment to RONI Decree No. 208/2023 Coll. establishing rules for the operation of the internal gas market, under which SPP – distribúcia, a.s. assumed new obligations regarding the provision of customer information. As regards substantive regulation, SPP – distribúcia, a.s. has also been affected by three separate amendments to Act No. 250/2012 Coll. on Regulation in Network Industries and Act No. 251/2012 Coll. on Energy, as amended. These amendments have increased the regulatory burden by introducing an obligation to regularly update the business licence, while the new regulation of gas meter readings should reduce the regulatory burden in the household segment.

Taxation

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

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27. 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.

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

	Year ended 31 July 2024				31 July 2024	
	Revenues	Expenses	Dividends	Other	Receivables	Payables
Slovenský plynárenský priemysel, a.s.	315 099	18 926	-	-	20 783	1 299
SPP Infrastructure, a.s.	3 485	4	(133 438)	-	158 000	-
Other related parties	20 662	37 981	1 257	145	3 035	4 733
Total	339 246	56 911	(132 180)	145	181 818	6 032

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.

	Year ended 31 July 2023				31 July 2023	
	Revenues	Expenses	Dividends	Other	Receivables	Payables
Slovenský plynárenský priemysel, a.s.	320 911	14 091	-	6 875	24 241	3 087
SPP Infrastructure, a.s.	4 816	2	(283 585)	-	127 307	-
Other related parties	23 411	34 798	410	33 382	2 201	4 786
Total	349 138	48 891	(283 175)	40 257	153 749	7 873

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.

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

	Year ended 31 July 2024	Year ended 31 July 2023
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	2 158	1 911
Of which:		
Board of Directors and executive management	2 031	1 784
Supervisory Board	127	127
Benefits after termination of employment to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	-	-
Of which:		
Board of Directors and executive management	-	-
Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	-	-
Of which:		
Board of Directors and executive management	-	-
Benefits after termination of employment to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	-	-
In-kind benefits to members of the Board of Directors and executive management - total	75	81
Of which:		
Board of Directors and executive management	75	81
Supervisory Board	-	-
Other payments to members of the Board of Directors, Supervisory Board, executive management and former members - total	19	19
Of which:		
Board of Directors and executive management	19	19
Supervisory Board	-	-

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

a) Members of the Company's bodies

Body	Function	Name
Board of Directors	Chairman	Ing. František Čupr, MBA
	Vice-Chairman	JUDr. Adrián Kucek – since 20 December 2023
	Vice-Chairman	JUDr. Ľubomír Schweighofer – until 19 December 2023
	Member	Ing. František Urbaník, PhD.
	Member	Mgr. Ing. Marek Štrpka
	Member	Ing. Pavol Mertus
Supervisory Board	Chairman	Ing. Peter Nosál – since 20 December 2023
	Chairman	Ing. Martin Barto, CSc. – until 19 December 2023
	Vice-Chairman	Gary Mazzotti B.A.(Hons) A.C.A.
	Member	Pavol Korienek
	Member	Milan Boris
	Member	Mgr. Zoran Kunkovič – since 20 December 2023
	Member	Ing. Juraj Blusk – until 19 December 2023
	Member	Ing. Matej Riecky, LL.M., MBA – since 20 December 2023
	Member	Ing. Branislav Bosák – until 19 December 2023
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. Irenaj Denkocý
	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.

b) Consolidated financial statements

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

The Company applied an exemption set out in IFRS 10 paragraph 10.28 and did not prepare consolidated financial statements as at 31 July 2024. Consolidated financial statements presented in accordance with the International Financial Reporting Standards will be prepared by SPP Infrastructure, a.s. with its seat at Plátennícka 2, 821 09 Bratislava (address of the court of record: City Court Bratislava III, Námestie Biely kríž 7, 836 07 Bratislava III).

SPP – distribúcia, a.s. provides information disclosed in the separate financial statements for the higher consolidation by SPP Infrastructure, a.s. SPP Infrastructure, a.s. prepares consolidated financial statements in accordance with the International Financial Reporting Standards (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 2023 by the ultimate reporting entity, EP Investment S.à r. l., with its registered office at 2, Place de Paris, L - 2314 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 Business Register of City Court Bratislava III (Námestie Biely kríž 7, 836 07 Bratislava III) published in the Commercial Journal, available at the registered office of SPP – distribúcia, a.s., and published at www.spp-distribucia.sk.

29. POST-BALANCE SHEET EVENTS

After 31 July 2024, there were no significant events that would require adjustments to or disclosure in the financial statements.

Prepared on:

9 September 2024

**Signature of a member of
the statutory body of the
reporting entity or a
natural person acting as
a reporting entity:**



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

**Signature of the person
responsible for the
preparation of the
financial statements:**



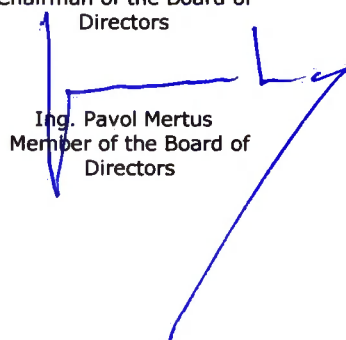
Ing. Roman Filipoiu

**Signature of the person
responsible for
bookkeeping:**



Ing. Peter Duracka

Approved on:



Ing. Pavol Mertus
Member of the Board of
Directors