SPP Infrastructure, a. s.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED IN THE EUROPEAN UNION) AS AT 30 SEPTEMBER 2021

AND

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

Consolidated Annual Report for the Reporting Period as at 30 September 2021

SPP Infrastructure, a. s.

This is an English language translation of the original Slovak language document.

1. Company Profile

SPP Infrastructure, a. s. (hereinafter the "Company") was established by a Deed of Incorporation on the establishment of a private joint-stock company without a call for the subscription of shares on 22 May 2013 by the founder, Slovenský plynárenský priemysel, a.s. The Company was registered in the Business Register on 3 July 2013 (the Business Register of the Bratislava I District Court in Bratislava, Section: s.r.o., File No. 5791/B).

The Company was established as a 100% subsidiary of Slovenský plynárenský priemysel, a.s. (SPP) to reorganise the SPP Group pursuant to the Agreement on the Reorganisation of the SPP Group concluded between the National Property Fund of the Slovak Republic (NPF SR), the Ministry of Economy of the Slovak Republic (ME SR) and Energetický a průmyslový holding, a.s. (EPH) on 14 December 2012.

As part of the reorganisation process of the SPP Group, SPP contributed its shares and ownership interests to the Company in the following subsidiaries on 14 May 2014 in the form of an in-kind contribution:

- SPP – distribúcia, a.s.;
- eustream, a.s.;
- NAFTA a.s.;
- SPP Infrastructure Financing B.V.;
- SPP Bohemia a.s.;
- SPP Storage, a.s.;
- POZAGAS a.s.;
- GEOTERM KOŠICE, a.s.;
- PROBUGAS a.s.;
- SLOVGEOTERM a.s.;
- GALANTATERM spol. s r.o.

On 4 June 2014, the reorganisation of the SPP Group was completed by SPP purchasing 49% of its own (SPP) shares from the shareholder, Slovak Gas Holding B.V. (SGH), and selling 49% of shares in the Company to SGH. After the completion of the transaction, the Slovak Republic, via the NPF SR and ME SR, became the sole (controlling) shareholder of SPP, which is the energy (gas and electricity) trader and a 51% non-controlling shareholder of the Company, which is a holding company and manages all significant group subsidiaries. SGH, a Dutch company owned by EPH, became the Company's shareholder with a 49% controlling ownership interest.

In March 2017, the Company acquired a 100% ownership interest in Plynárenská metrológia, s.r.o. from a subsidiary, SPP - distribúcia, a.s., for EUR 345 thousand. In December 2017, NAFTA, a.s. increased its existing ownership interest (35%) in POZAGAS a.s. to a 65% interest. POZAGAS a.s. is controlled by SPP Infrastructure, a. s.; therefore, SPP Infrastructure, a. s. reports its ownership interest in POZAGAS a.s. as an investment in subsidiary from 1 January 2018.

The following companies were members of the SPP Infrastructure, a. s. Group as at 30 September 2021:

Company	Ownership Interest of SPP Infrastructure, a. s. in the Company
SPP – distribúcia, a.s.	100.00%
eustream, a.s.	100.00%
NAFTA a.s.	56.15%
SPP Infrastructure Financing B.V.	100.00%
SPP Storage, a.s.	100.00%
POZAGAS a.s.	35.00%
GEOTERM KOŠICE, a.s.	95.82%
SLOVGEOTERM a.s.	50.00%
GALANTATERM spol. s r.o.	17.50%
Plynárenská metrológia, s.r.o.	100.00%

The Company has no organisational units abroad.

1.1. Core Business Activities of the Company

During the reporting period ended 30 September 2021, the Company's activities were (a) receiving and granting loans within the current structure of the Company's group, and (b) receiving dividends from subsidiaries (since the in-kind contribution date).

1.2. Company's Bodies as at 30 September 2021

Statutory Body: Board of Directors

Chairman:	Ing. František Čupr, MBA (since 30 September 2020) JUDr. Daniel Křetínský (until 29 September 2020)
Vice-Chairman:	Ing. Ľuboš Lopatka, PhD (since 30 September 2020) JUDr. Alexander Sako (until 29 September 2020)
Members:	Ing. Milan Urban (since 30 September 2020) JUDr. Marián Valko (until 29 September 2020) Ing. Miroslav Haško Mgr. Jan Stříteský

Supervisory Board

Chairman:	Ing. Ingrid Šabíková, PhD (since 27 March 2021) Ing. Adriana Bujdáková (until 26 March 2021)
Vice-Chairman:	Mgr. Pavel Horský
Members:	Ing. Michal Sklienka (since 30 September 2020) Mgr. Ladislav Nagy (until 29 September 2020) Ing. Dušan Halgaš (since 30 September 2020) Ing. Tomáš Richter (until 29 September 2020) Jiří Zrůst MUDr. Dalibor Gergeľ, PhD (since 30 September 2020) Ing. Peter Novák (until 29 September 2020)

An Audit Committee was established at the Company with effect from 20 December 2016 in accordance with Act No. 423/2015 Coll. on Statutory Audit. The members of the Audit Committee as at 30 September 2021 are as follows:

Chairman:	Ing. Jakub Šteinfeld
Members:	Ing. Libor Briška Ing. Václav Paleček (since 1 October 2020) Ing. Filip Bělák (until 30 September 2020)

1.3. Shareholder Structure of the Reporting Entity

Shareholder	Share in Registered Capital	
	Absolute in EUR	%
Slovenský plynárenský priemysel, a.s.	1 868 317 262	51%
Slovak Gas Holding, B.V.	1 795 049 674	49%
Total	3 663 366 936	100%

2. R&D

The Company does not carry out R&D activities. These activities are carried out by subsidiaries.

3. Risks and Uncertainties

The Company monitors, evaluates and manages primarily regulation, market, financial, operational, environmental, personnel and media risks and their impact on the financial statements. Thanks to the adopted measures, it constantly reduces the negative impacts of risks to the Company's operations.

Companies of the SPP Infrastructure, a. s. Group create environmental provisions for the dismantling and restoration of production, storage wells and centres and restoring such sites to their original condition based on the previous experience and estimated costs.

4. Selected Financial Information

The Company's reporting period was the period from 1 October 2020 to 30 September 2021.

4.1. Selected Financial Indicators of SPP Infrastructure, a. s. – Consolidated IFRS (in EUR mil.)

Item	Current Reporting Period	Immediately-Preceding Reporting Period
Assets	**9 269**	**9 705**
Non-current assets:	*8 463*	*8 683*
Property, plant and equipment	8 392	8 600
Right-of-use assets	32	26
Loan receivable	-	12
Financial assets held at fair value	4	3
Other non-current assets	35	42
Current assets	*806*	*1 022*
Inventories	163	154
Tax assets	-	-
Receivables and prepayments	68	142
Current contract assets	12	12
Current income tax	14	-
Other current assets	243	339
Cash and cash equivalents	306	375

Item	Current Reporting Period	Immediately-Preceding Reporting Period
EQUITY AND LIABILITIES	**9 269**	**9 705**
Equity:	*4 950*	*5 358*
Registered capital	3 663	3 663
Legal and other funds	395	698
Revaluation reserve	2 820	2 914
Retained earnings and other paid-in capital	(2 049)	(2 027)
Minority interests	121	110
Non-current liabilities	*2 049*	*3 455*
Deferred income	60	61
Provisions	201	181
Long-term loans	1 697	1 369
Non-current contract liabilities	17	41
Retirement and other long-term employee benefits	28	27
Deferred tax liability	1 560	1 698
Finance lease liability	27	22
Financial liabilities held at fair value	158	52
Other non-current liabilities	2	4
Current liabilities	569	892
Trade and other payables	121	145
Financial liabilities held at fair value	325	15
Current contract liabilities	48	35
Current portion of long-term loans	62	588
Current income tax	-	99
Provisions	4	5
Finance lease liability	6	5
Other current liabilities	3	-

Income Statement – Consolidated IFRS (in EUR mil.)

Item	Current Reporting Period	Immediately-Preceding Reporting Period
Revenues from the sale of products and services:	**1 193**	**1 464**
Operating expenses	(536)	(513)
Operating profit/(loss)	**657**	**951**
Profit/(loss) from financial investments	-	-
Financing costs (net)	(36)	(60)
Profit/(loss) before tax	**621**	**891**
Income tax	(165)	(229)
Net profit/(loss) for the period	**456**	**662**
Net profit attributable to:		
Shareholders of SPP Infrastructure, a. s.	410	620
Non-controlling interests of other owners of subsidiaries	46	42

Statement of Comprehensive Income – Consolidated IFRS (in EUR mil.)

Item	Current Reporting Period	Immediately-Preceding Reporting Period
Net profit/(loss) for the period:	**456**	**662**
Other comprehensive income for the period	(303)	2 991
Items reclassifiable to profit or loss:		
Hedging derivatives (cash flow hedging)	(384)	(12)
Change in the foreign currency translation reserve	-	-
Deferred tax attributable to items of other comprehensive income	81	2
Items that may not be reclassified subsequently to profit or loss		
Increase in asset revaluation reserve	-	4 015
Deferred tax and deferred special levy related to items of other comprehensive income	-	(1 014)
Net comprehensive income/(loss) for the period	**153**	**3 653**
Net comprehensive income attributable to:		
Shareholders of SPP Infrastructure, a. s.	107	3 612
Non-controlling interests of other owners of subsidiaries	46	41

5. Proposal for the Profit Distribution

The profit for the year ended 30 September 2020 amounting to EUR 584 413 510.02 was approved by the Company's General Meeting on 21 December 2020 and used to pay dividends to the shareholders in the amount of EUR 526 308 231.00; the amount of EUR 58 105 279.02 was transferred to retained earnings.

6. Significant Events That Occurred After the Reporting Date

At the end of 2019, information on the coronavirus in China was published for the first time. In early 2020, the virus spread globally and may also affect the Slovak economy. Governments in various countries introduced restrictions on the movement and gathering of people, ordered the closure of certain facilities, such as cinemas, theatres, restaurants, schools and sports facilities. In addition, there were short-term closures in the manufacturing sector due to forced or voluntary manufacturing restrictions. Company management considers this event to be an event that does not affect, and requires no adjustment to, the 2021 financial statements. Despite the constantly-changing situation, as at the date of publication of the financial statements, Company management did not register a significant impact on the Company's operations.

Company management continues to closely monitor the ongoing pandemic and its potential impacts, while taking measures to ensure the safety and reliability of the operation of critical infrastructure for natural gas transport, distribution and storage, and, if necessary, it will take all possible steps to avert negative impacts of this situation on the Group.

In October 2021, NAFTA a.s. repaid early the balance of an undrawn credit facility in the total amount of EUR 55 million.

In October 2021, SPP-distribúcia, a.s. partially repaid a loan in the amount of EUR 50 million.

In December 2021, NAFTA a.s. drew a bank loan in the amount of EUR 43.5 million falling due in 2024. The interest rate of the loan consists of a variable component (3M EURIBOR) and a fixed margin (% p.a.).

In December 2021, NAFTA a.s. drew a short-term revolving loan in the amount of EUR 6.5 million of the total credit facility of EUR 15 million, the maturity of which is renewed every three months and its final maturity is 2024. The interest rate of the loan consists of a variable component (3M EURIBOR) and a fixed margin (% p.a.).

On 17 December 2021, the Company's General Meeting approved the payment of dividends to the shareholders totalling EUR 431 million.

In relation to the ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation, the Group has identified risks and adopted appropriate measures to mitigate the impact on its business. Based on available information and current developments, the Group is continuously analysing the situation and assessing its direct impact on the Company as well as on its subsidiaries. The Company's management has considered the potential impacts of this situation on its operations and business and has concluded that currently, they do not have a material impact on the consolidated financial statements for the year ended 31 September 2021 or on the going concern assumption in 2022. However, it cannot be ruled out that further negative developments might occur in this situation, which may subsequently have an adverse material impact on the Group, its business, financial condition, results, cash flows and prospects in general.

After the reporting date, there were no events other than those stated above that would have a significant impact on the true and fair presentation of the matters disclosed in these financial statements.

7. Expected Future Development of the Company's Activities

The Company will continue to receive dividends from its subsidiaries, provide loans/deposits to the Company's shareholders, optimise its portfolio of financial investments and analyse potential energy sector investments, which would meet the internal ROI criteria.

The Company's full-time equivalent for the year ended 30 September 2021 was 4, of which 1 was an executive manager (30 September 2020: 4 employees, of which 1 executive manager).

The Company's activities have no environmental impact.

8. Contact Details

SPP Infrastructure, a. s.
Mlynské nivy 44/a
825 11 Bratislava

Deloitte.

Deloitte Audit s.r.o.
Digital Park II, Einsteinova 23
851 01 Bratislava
Slovak Republic

Tel: +421 2 582 49 111
deloitteSK@deloitteCE.com
www.deloitte.sk

Registered in the Business
Register of the District Court Bratislava I
Section Sro, File 4444/B
Company ID: 31 343 414
VAT ID: SK2020325516

SPP Infrastructure, a. s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of SPP Infrastructure, a. s.:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of SPP Infrastructure, a. s. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 September 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2021, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Emphasis of Matter

We draw attention to Note 33 to the consolidated financial statements which describes uncertainty resulting from subsequent event – military conflict of Russian Federation in Ukraine and related sanctions, which might have a material impact on valuation of gas assets of the entity and its future cash flows. Our opinion is not modified in respect of this matter.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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.

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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Consolidated Annual Report

The statutory body is responsible for information disclosed in the consolidated 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 consolidated financial statements stated above does not apply to other information in the consolidated annual report.

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

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

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

- Information disclosed in the consolidated annual report prepared for the year ended 30 September 2021 is consistent with the consolidated financial statements for the relevant year; and
- The consolidated annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Group and its position, obtained in the audit of the consolidated financial statements, we are required to disclose whether material misstatements were identified in the consolidated 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.

Bratislava, 2 March 2022

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

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

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SPP Infrastructure, a. s.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the Reporting Period Ended 30 September 2021 and 30 September 2020
(in million EUR)

	Note	*30 September 2021*	*30 September 2020*
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	10	8 392	8 600
Right-of-use assets	11	32	26
Investments recognised using the equity method	6	-	-
Loan receivable	7	-	12
Financial assets measured at fair value	14	4	3
Other non-current assets	8	35	42
Total non-current assets		**8 463**	**8 683**
CURRENT ASSETS			
Inventories	12	163	154
Receivables and prepayments	13	68	117
Financial assets measured at fair value	14	-	15
Current contract assets	21	12	12
Current income tax		14	-
Other current assets	9	243	339
Cash and cash equivalents	15	306	375
Total current assets		**806**	**1 022**
TOTAL ASSETS		**9 269**	**9 705**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Share capital		3 663	3 663
Legal and other reserves		395	698
Revaluation reserve		2 820	2 914
Retained earnings and other paid-in capital		(2 049)	(2 027)
Share in equity attributable to SPP Infrastructure's shareholders		4 829	5 248
Non-controlling interests		121	110
Total equity	22	**4 950**	**5 358**
NON-CURRENT LIABILITIES			
Non-current interest-bearing borrowings	19	1 697	1 369
Deferred tax liability	28.2	1 560	1 698
Provisions for liabilities	18	201	181
Financial liabilities from derivatives at fair value	5	158	52
Deferred income	16	60	61
Non-current contract liabilities	21	17	41
Retirement and other long-term employee benefits	17	28	27
Finance lease liability	11	27	22
Other non-current liabilities		2	4
Total non-current liabilities		**3 750**	**3 455**
CURRENT LIABILITIES			
Trade and other payables	20	121	145
Financial liabilities from derivatives at fair value	5	325	15
Current contract liabilities	21	48	35
Current interest-bearing borrowings	19	62	588
Current income tax		-	99
Provisions for liabilities	17,18	4	5
Finance lease liability	11	6	5
Other current liabilities		3	-
Total current liabilities		**569**	**892**
Total liabilities		**4 319**	**4 347**
TOTAL EQUITY AND LIABILITIES		**9 269**	**9 705**

The financial statements on pages 4 to 49 were signed on 2 March 2022 on behalf of the Board of Directors:

Ing. František Čupr
Chairman
of the Board of Directors

Ing. Ľuboš Lopatka, PhD
Vice-chairman of the Board of Directors

(in million EUR)

	Note	*Year ended 30 September 2021*	*Year ended 30 September 2020*
Revenues from sales of products and services:			
Transmission of natural gas		493	702
Distribution of natural gas		416	403
Natural gas storage, exploration and other revenues		284	359
Total revenues	23	**1 193**	**1 464**
Operating expenses:			
Depreciation, amortisation and impairment of assets	10	(317)	(307)
Staff costs	25	(113)	(111)
Services	24	(57)	(66)
Purchases of natural gas, electricity and consumables		(44)	(41)
Own work capitalised		14	15
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net		(10)	6
Other, net		(9)	(9)
Total operating expenses		**(536)**	**(513)**
Operating profit		**657**	**951**
Finance income	26	12	3
Share in profit of associated undertakings and joint ventures	6	-	-
Finance costs	27	(47)	(60)
Other, net		(1)	(3)
Gain/loss from business combinations		-	-
Profit before income taxes		**621**	**891**
Income tax	28.1	(165)	(229)
NET PROFIT FOR THE PERIOD		**456**	**662**
Net profit attributable to:			
SPP Infrastructure's shareholders		410	620
Non-controlling interests of other owners of subsidiaries		46	42
Total		**456**	**662**

SPP Infrastructure, a. s.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Reporting Period Ended 30 September 2021 and 30 September 2020
(in million EUR)

	Note	Year ended 30 September 2021	Year ended 30 September 2020
Net profit for the period		**456**	**662**
OTHER COMPREHENSIVE INCOME AND LOSSES (may be reclassified subsequently to profit or loss)			
Hedging derivatives (Cash flow hedging):	22	(384)	(12)
Deferred tax attributable to items of other comprehensive income/loss	29	81	2
OTHER COMPREHENSIVE INCOME AND LOSSES (may not be reclassified subsequently to profit or loss):			
Increase in asset revaluation reserve	10	-	4 015
Deferred tax and deferred special levy related to items of other comprehensive income/loss for the period	28.2	-	(1 014)
Other net comprehensive income/(loss) for the period		**(303)**	**2 991**
Total net comprehensive income for the period		**153**	**3 653**
Net comprehensive income attributable to:			
SPP Infrastructure's shareholders		107	3 612
Non-controlling interests of other owners of subsidiaries		46	41
Total		**153**	**3 653**

(in million EUR)

	Share capital	*Legal reserve fund and other funds*	*Revaluation reserve*	*Foreign currency translation reserve*	*Hedging reserves*	*Retained earnings*	*Equity attributable to SPP Infrastructure's shareholders*	*Non-controlling interests of other owners of subsidiaries*	*Total*
At 30 September 2019	**3 663**	**732**	**-**	**7**	**(31)**	**(2 192)**	**2 179**	**97**	**2 276**
Revaluation of assets (Note 2f and Note 10)	-	-	3 001	-	-	-	3 001	-	3 001
Net profit for the period	-	-	-	-	-	620	620	42	662
Other comprehensive (loss)/income for the period	-	-	-	(5)	(5)	-	(10)	-	(10)
Changes arising from foreign currency translation	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(542)	(542)	(29)	(571)
Transfer to retained earnings	-	-	(87)	-	-	87	-	-	-
At 30 September 2020	**3 663**	**732**	**2 914**	**2**	**(36)**	**(2 027)**	**5 248**	**110**	**5 358**
Net profit for the period	-	-	-	-	-	410	410	46	456
Other comprehensive (loss)/income for the period	-	-	-	13	(316)	-	(303)	-	(303)
Changes arising from foreign currency translation	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(526)	(526)	(35)	(561)
Transfer to retained earnings	-	-	(94)	-	-	94	-	-	-
At 30 September 2021	**3 663**	**732**	**2 820**	**15**	**(352)**	**(2 049)**	**4 829**	**121**	**4 950**

(in million EUR)

	Note	***Year ended 30 September 2021***	***Year ended 30 September 2020***
Operating activities			
Cash flows from operating activities	30	996	1 228
Interest paid		(64)	(57)
Interest received		-	-
Income tax paid		(320)	(268)
Net cash flows from operating activities		**612**	**903**
Investing activities			
Acquisition of subsidiaries	2c	-	-
Purchase of non-current assets		(59)	(83)
Provided short-term deposits		(430)	(763)
Dividends received		2	-
Purchase of emission allowances		(1)	(1)
Income from the sale of non-current assets		1	1
Net cash inflow/(outflow) from investing activities		**(487)**	**(846)**
Financing activities			
Proceeds from interest-bearing borrowings	19	526	548
Repayment of interest-bearing borrowings		(725)	(855)
Dividends paid*		(1)	(2)
Settlement of finance lease liabilities		(5)	(6)
Received subsidies		12	4
Other proceeds from financing activities		(1)	(2)
Net cash flows from financing activities		**(194)**	**(313)**
Net increase/(decrease) in cash and cash equivalents		**(69)**	**(256)**
Cash and cash equivalents at the beginning of the period		**375**	**631**
Effects of foreign exchange fluctuations			
Cash and cash equivalents at the end of the period		**306**	**375**

*- A portion of dividends was settled through offsetting.

1. GENERAL

1.1. Purpose of Presentation and Description of the Consolidated Entities

These consolidated financial statements have been prepared in accordance with Article 22 of Act No. 431/2002 on Accounting (as amended) for the reporting period ended 30 September 2021. The comparative period is from 1 October 2019 to 30 September 2020, ie consistent with the reporting periods of SPP Infrastructure, a.s., (hereinafter the "Company" or "SPPI").

The consolidated financial statements of SPP Infrastructure, a. s., comprise the consolidated assets, liabilities and results of operations of the following entities: SPP Infrastructure a. s., SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s. (the consolidated financial statements comprise the consolidated assets, liabilities and results of operations of the following entities: NAFTA Services, s.r.o., NAFTA International B.V., NAFTA RV, NAFTA Germany GmbH, NAFTA Bavaria GmbH, NAFTA Speicher Management GmbH, NAFTA Speicher GmbH & Co. KG, NAFTA Speicher Inzenham GmbH), SPP Infrastructure Financing B.V., SPP Storage, s.r.o., GEOTERM Košice, a.s. and POZAGAS, a.s. (jointly the "Group", see Note 2b)) and shares in other equity interests in companies (see Notes 6 and 9). POZAGAS a.s., SLOVGEOTERM a.s., and GALANTATERM, spol. s r.o. were members of the Slovenský plynárenský priemysel, a.s. Group (the "SPP Group") in the past and were acquired by the Company on 15 May 2014 upon the reorganisation of the SPP Group. Slovenský plynárenský priemysel, a.s. is not a part of the SPPI Group and is treated as a related party for the purposes of the consolidated financial statements.

Since privatisation in 2002, SPP Group has been owned by the National Property Fund of the Slovak Republic (51%) and Slovak Gas Holding, B. V., the Netherlands (49%) ("SGH") (jointly held indirectly by GDF SUEZ SA and E.ON Ruhrgas). On 15 January 2013, GDF International SAS, E.ON Ruhrgas International GmbH and E.ON SE signed an agreement with Energetický a průmyslový holding ("EPH"), a leading player on the heat, coal and electricity market in Central Europe, on the sale of their shares in SGH, which owned a 49% share in Slovenský plynárenský priemysel, a.s. ("SPP") and exercised operating and management control. The transaction was completed on 23 January 2013.

On 19 December 2013, the National Property Fund of the Slovak Republic, the Ministry of Economy of the SR and Energetický a průmyslový holding, a.s. signed a framework agreement on the sale and purchase of shares regulating the method of reorganisation of the SPP Group, which was completed on 4 June 2014.

As part of the transaction, SPP contributed ownership interests in these entities: SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. into a newly-established 100% subsidiary, SPP Infrastructure, a. s.

On 4 June 2014, SPP sold its 49% stake including management control in SPP Infrastructure, a. s. to SGH, and at the same time acquired own shares from SGH, to become 100% owned by the Slovak Government.

On 12 November 2015, the National Property Fund of the Slovak Republic (hereinafter the "NPF SR") was dissolved under Act No. 375/2015 with effect as at 15 December 2015. On 22 December 2015, the Ministry of Economy of the Slovak Republic (hereinafter the "ME SR"), under the provisions of Article 2 (2) and (3) of Act No. 375/2015 Coll. issued resolution No. 49/2015 on the appointment of a legal successor of the NPF SR, ie MH Manažment, a. s. as at 1 January 2016.

During 2016, the EPH Group of companies was reorganised when the EP Infrastructure, a. s. Group (hereinafter "EPIF") was established; EPIF manages the groups of infrastructure assets which are mostly subject to regulation and/or long-term contracts. On 23 March 2016, EPIF, a subsidiary of EPH, acquired a 100% share in EPH Gas Holding B. V., which is a 100% owner of Slovak Gas Holding B. V (through its 100% share in Seattle Holding B. V).

On 30 March 2016, EPIF acquired a 100% share in Czech Gas Holding Investment B.V.

On 24 February 2017, an agreement on the sale of a 31% share in EPIF previously concluded between EPH and the consortium of global institutional investors led and represented by Macquarie Infrastructure and Real Assets (MIRA) was settled. The remaining 69% share is owned by EPH, which retains management control over EPIF.

In December 2017, NAFTA a.s. increased its existing share in POZAGAS a.s. to 65%. POZAGAS a.s. is controlled by SPP Infrastructure, a.s.; therefore, SPP Infrastructure, a.s. recognises its share in POZAGAS a.s. as investments in subsidiaries as of 1 January 2018.

As at 31 December 2018, NAFTA a.s., via its subsidiary NAFTA Bavaria GmbH, acquired underground natural gas storage facilities in Bavaria in Germany from DEA Deutsche Erdoel AG and Storengy Deutschland GmbH. This transaction made NAFTA a.s. the 100% owner of Inzenham - West, Wolfersberg and Breitbrunn/Eggstätt underground storage facilities, with a total storage capacity of 1.8 billion m^3.

As at the preparation date of these financial statements, SPP Infrastructure, a. s. was owned by the SPP (51%) and by Slovak Gas Holding B.V. (49%), which also exercises management control over the Company. The ultimate parent company of SPP Infrastructure, a. s. is EP Investment S.à r. l., with its registered office at 39. Avenue John F. Kennedy, L-1855 Luxembourg.

Identification number	47 228 709
Tax identification number	2023820183

The consolidated financial statements of the Company for the period ended 30 September 2020 were approved by the General Meeting held on 5 May 2021.

1.2. Principal Activities

The consolidated financial statements of the Company as at 30 September 2021 and for the reporting period then ended comprise the Company and its subsidiaries (referred to jointly as the "Group" and individually as "Group Entities") and the Group's interest in associates and jointly controlled entities.

The main activities of the consolidated entities are organised in the following operating segments: natural gas distribution, gas transmission, gas storage, exploration and production of hydrocarbons, and other.

The distribution segment includes the distribution of natural gas to all of Slovakia. Proposed prices are subject to review and approval by the Regulatory Office for Network Industries ("RONI").

The transit segment is responsible for the transmission of natural gas from the Ukrainian border to the western borders of Slovakia and to a virtual domestic point in Slovakia.

The storage segment includes storage in underground storage facilities located in Slovakia, the Czech Republic and Germany.

The hydrocarbon exploration and production segment relates to activities in West and East Slovakia and is combined with the storage segment for reporting purposes in these consolidated financial statements.

The other segment includes financing and other activities.

1.3. Registered Address

Mlynské nivy 44/a
825 11 Bratislava
Slovakia

1.4. Employees

The average number of the Group's employees for the period ended 30 September 2021 was 2 643, of which 36 were executive management (for the year ended 30 September 2020, there were 2 629 employees, of which 33 were executive management).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). The reporting currency of the Group is the Euro (EUR). The consolidated financial statements were prepared under the going-concern assumption.

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments and gas pipelines, buildings, structures, machinery and equipment. The principal accounting policies adopted are detailed below.

The accounting policies described in the following paragraphs were consistently applied by Group companies in individual reporting periods. Some comparables in the consolidated statement of financial position were regrouped or reclassified to maintain consistency of the recognition with the current period.

b) Business Combinations

(1) Subsidiaries

Those business undertakings in which SPP Infrastructure, directly or indirectly, has an interest of usually more than one half of the voting rights or otherwise has power to exercise control over the operations are defined as subsidiary undertakings (subsidiaries) and have been fully consolidated. Due to the fact that the Group was created by a reorganisation of a business combination under common control, the subsidiaries are presented as if SPP Infrastructure had exercised control in past. No goodwill or fair value adjustment to the carrying amounts of assets and liabilities are recognised due to the reorganisation and acquisition of the subsidiaries in these consolidated financial statements.

Non-controlling interests that represent the existing equity securities and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may initially be measured either at fair value or at the non-controlling interest's proportional share in the acquiree's identifiable net assets. The selection of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in other IFRS.

All transactions, balances, and unrealised profits and losses on transactions within the Group have been eliminated upon consolidation.

(2) Investments in Associated Undertakings and Joint Ventures

Financial investments in associated undertakings and joint ventures are accounted for using the equity method.

Associated undertakings are entities in which SPP Infrastructure exercises a substantial, but not a controlling influence. Joint ventures are entities in which SPP Infrastructure exercises joint control with other owners. A provision is recorded in the event of impairment.

When applying the equity method, investments in associated undertakings and joint ventures are recognised in the balance sheet at cost adjusted for subsequent changes in the Group's share in the net assets of an associated undertaking or a joint venture. Goodwill related to associated undertakings and joint ventures is recognised in the carrying amount of an investment and is not depreciated. The income statement reflects a share in the associated undertakings' and joint ventures' operating results. If a change occurs that was recognised directly in the associated undertakings' and joint ventures' equity, the Group will recognise its share of such a change and, if necessary, recognise it in the statement of changes in equity. Profits and losses from transactions between the Group and associated undertakings and the Group and joint ventures are eliminated to the extent of the Group's investment in associated undertakings and joint ventures.

c) Basis of Consolidation

As the Group was established by a business combination under common control and was previously included in the IFRS consolidated financial statements of the SPP Group, standard IFRS 3 Business Combinations was not applied.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time decisions need to be made, including voting patterns at previous shareholders' meetings.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. The total comprehensive income of subsidiaries is attributed to the Company owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(in million EUR)

The consolidated financial statements as at 30 September 2021 include historical financial information for the following entities:

Name	***Seat***	***Ownership share %***		***Principal activity***	***Consolidation method used as at 30 Sep 2021 and 30 Sep 2020***
		30 Sep 2021	***30 Sep 2020***		
SPP Infrastructure, a. s. (1)	Mlynské nivy 44/a, Bratislava, Slovakia	100.00	100.00	Asset holding	Parent company – Fully consolidated
SPP – distribúcia, a.s.	Mlynské nivy 44/b, Bratislava, Slovakia	100.00	100.00	Distribution pipeline operation	Subsidiary – Fully consolidated
eustream, a.s.	Votrubova 11/A, Bratislava, Slovakia	100.00	100.00	Transmission pipeline operation	Subsidiary – Fully consolidated
SPP Storage, s.r.o.	Dolní Bojanovice 891, Czech Republic	100.00	100.00	Storage of natural gas	Subsidiary – Fully consolidated
NAFTA a.s. („NAFTA")	Votrubova 1, Bratislava, Slovakia	56.15	56.15	Storage of natural gas and exploration and production of hydrocarbons	Subsidiary – Fully consolidated
SPP Infrastructure Financing B.V.	Schiphol Boulevard 477, C4, 111 8BK Schiphol, Netherlands	100.00	100.00	Financing activities	Subsidiary – Fully consolidated
GEOTERM KOŠICE, a. s.	Moldavská 12, Košice, Slovakia	95.82	95.82		Subsidiary – Fully consolidated
NAFTA Services, s.r.o.	č.p. 891, 696 17 Dolní Bojanovice, Czech Republic	56.15	56.15	Operational and technical services	Subsidiary – Fully consolidated
NAFTA International B.V.	Schiphol Boulevard 403,Tower C-4, 1118 BK Schiphol, Netherlands	56.15	56.15	Holding company	Subsidiary – Fully consolidated
NAFTA RV	04116, Kyjev, ulice,Starokyivska, 10-G, Ukraine	56.15	56.15	Exploration and production	Subsidiary – Fully consolidated
POZAGAS a.s. (4)	Malé námestie 1, Malacky, Slovakia	71.50	71.50	Storage of natural gas	Subsidiary – Fully consolidated
NAFTA Germany GmbH (3)	Leopoldstraße 8-10, c/o Hengeler Mueller, 80802 München, Germany	56.15	56.15	Holding company	Subsidiary – Fully consolidated
NAFTA Bavaria GmbH (3)	Leopoldstraße 8-10, c/o Hengeler Mueller, 80802 München, Germany	56.15	56.15	Holding company	Subsidiary – Fully consolidated
NAFTA Speicher Management GmbH (3)	Moos 7, 83135 Schechen, Germany	56.15	56.15	General partner	Subsidiary – Fully consolidated
NAFTA Speicher GmbH & Co. KG (3)	Moos 7, 83135 Schechen, Germany	56.15	56.15	Storage of natural gas	Subsidiary – Fully consolidated
NAFTA Speicher Inzenham GmbH (3)	Moos 7, 83135 Schechen, Germany	56.15	56.15	Storage of natural gas	Subsidiary – Fully consolidated

(1) Established by SPP as the sole shareholder on 24 May 2013.
(2) In 2018, NAFTA, a.s. (subsidiary) acquired a 100% share in NAFTA Germany GmbH, NAFTA Bavaria GmbH, NAFTA Speicher Management GmbH, NAFTA Speicher GmbH & Co. KG, NAFTA Speicher Inzenham GmbH.
(3) In December 2017, NAFTA a.s. increased its existing share (35%) in POZAGAS a.s. to 65%. Together with the direct equity share of 35%, the SPP Infrastructure, a. s. Group thus holds a 100% share and gained control over POZAGAS a.s. As a result, SPP Infrastructure, a. s. recognises the share in POZAGAS a.s. as an investment in the subsidiary as at 31 December 2017. This date is considered to be the moment of the first consolidation. The said equity share represents a recalculated (direct and indirect) share of SPP Infrastructure, a. s.

d) Financial Assets

Financial assets are classified in the following categories: 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).

Financial assets are subsequently measured at amortised cost using the effective interest method less any impairment, and include trade receivables and loan receivables with fixed or variable payments.

Interest income is recognised by applying the effective interest rate, except for current receivables when the recognition of interest would be immaterial.

Impairment of Financial Assets

For the impairment of loan receivables and contract assets, the Company applies a three-stage model of excepted credit losses (ECL). Under this model, an immediate impairment loss in an amount equal to a 12-month expected credit loss is recognised upon the initial recognition of the financial assets. If there is a significant increase in the credit risk, a provision is estimated based on expected credit losses for the full lifetime of financial assets, not only based on the 12-month expected loss.

As at 30 September 2021 and 2020, the Company assessed the impairment of loan receivables from borrowings provided to the Group (see Note 7) and concluded that the 12-month expected credit losses approximate zero given the low risk of default and expected loss, and given the option of settling borrowings by offsetting them against the payable from dividends paid.

For trade and current receivables, the Company applies a simplified model for the assessment and recognition of impairment losses on financial assets under which a provision is recognised in the amount of expected credit losses over the full lifetime of trade receivables at the moment of their initial recognition. Such estimates are revised as at the reporting date.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of written-off receivables are credited against the provision account. Changes in the carrying amount of the provision 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 entity.

Financial Derivatives

The Company enters into derivative financial instrument contracts to manage its risk of changes in interest rates and commodity prices.

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 in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge Accounting

The Company applies hedge accounting for interest rate and commodity swaps which were entered into to hedge against the risk of changes in interest rates of received loans and the risk of changes in prices as regards the expected sales of hydrocarbons, which 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 immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified as follows:

- If a hedged forecast transaction subsequently leads to the recognition of a non-financial asset or a non-financial liability, or if a hedged forecast transaction with a non-financial asset or a non-financial liability becomes a firm commitment, the amounts accumulated in other comprehensive income are derecognised and directly included in the initial measurement of such an asset or liability.
- For other instances, amounts accumulated in other comprehensive income are reclassified from the hedge reserve to profit or loss in the periods when the hedged item is recognised in profit or loss in the same income statement line as the recognised hedged item.

Hedge accounting is discontinued when the Company revokes 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 forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

e) Financial Liabilities

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

Financial liabilities measured at amortised cost (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is used to calculate the amortised cost of a financial liability and to allocate 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) over the expected economic life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount upon initial recognition.

f) Property, Plant and Equipment and Intangible Assets

In the 2020 financial year, the Company applied the fair value measurement method under the rules of IAS 16 “Property, Plant and Equipment” for the class of gas pipelines for the first time. 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 initial remeasurement was performed as at 1 October 2019. The remeasurement was prepared by an independent appraiser. Remeasurements will be made with sufficient regularity to ensure the net book value does not significantly differ from the value that would be recognised as at the balance sheet date using fair values. The remeasurement of gas pipelines is made on a prospective basis with 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 the revaluation reserves, reflecting an amount that cancels any decrease in the revaluation surplus with respect to the same asset item previously recognised and reported in the income statement in the previous period. In such a case, the increase is credited to the income statement in the amount of the previously-recognised decrease. A decrease in the net book value arising due to the remeasurement of gas pipelines is debited to the income statement in an amount exceeding the potential balance on the account of asset revaluation reserve in connection with the previous remeasurement of such asset item. Depreciation of remeasured gas pipelines is recognised as an expense in the income statement. Revaluation reserves are gradually reversed to retained earnings over the depreciation period of the relevant remeasured asset. In such a case, the amount of the transferred surplus equals the difference between the depreciation calculated from the remeasured carrying amount of an asset and the depreciation calculated from the initial cost of an asset. On the subsequent sale or derecognition of a remeasured asset, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

(in million EUR)

Other items of assets are recognised at historical cost, net of accumulated depreciation and accumulated impairment losses. Cost includes all costs attributable to placing the asset into service for its intended use and, in respect of exploration and storage wells, the estimated cost of dismantling and removing the asset and restoring the site (capitalised decommissioning costs).

Costs related to natural hydrocarbon deposit geological surveys are accounted for in accordance with the successful efforts method. Under this method, costs of geological exploration (exploration wells) are capitalised as assets under construction when incurred and certain expenditures, such as geological and geophysical exploration costs, are expensed. A review is carried out at least annually, on a field-by-field basis, to ascertain whether proven reserves have been confirmed. When proven reserves are determined and production commenced, the relevant expenditures are transferred from assets under construction to the relevant class of property, plant, and equipment. A provision is created for exploration wells that are not expected to be successful.

Items of property, plant, and equipment and intangible assets that are retired or otherwise disposed of are removed from the balance sheet at net book value. Any gain or loss resulting from such retirement or disposal is included in the income statement.

Estimated costs of dismantling, restoration and re-cultivation related to production wells are depreciated over the term of proven extractable reserves on a unit-of-production basis. Production wells and related centres are depreciated over the life of the proven extractable reserves on a unit-of-production basis. Other items of property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives. Depreciation is charged to the income statement computed so as to amortise the cost of the assets to their estimated residual values over their residual useful lives. The useful lives used are as follows:

(Years)	***30 Sep 2021***	***30 Sep 2020***
Buildings and structures (including structures used for natural gas storage)	12 – 1 000	12 – 1 000
Gas pipelines	20 – 75	20 – 75
Plant and machinery	3 – 55	3 – 55
Other non-current assets	2 – 30	2 – 30
Intangible assets	2 – 50	2 – 50

A useful life of 1 000 years is applied to the cushion gas used in the underground gas storage facilities of the Group. Cushion gas is the gas needed to run the underground reservoirs of natural gas. Its production would affect the underground reservoirs' ability to operate. Cushion gas is disclosed as part of Land and buildings.

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

At each reporting date, an assessment is made as to whether there is any indication that the realisable value of the Group's property, plant, and equipment and intangible assets is less than the carrying amount. When such an indication occurs, the realisable value of the asset is estimated, being the higher of the asset's fair value less costs of disposal and the present value of future cash flows ("value-in-use"). The resulting impairment loss provision is recognised in full in the income statement in the year in which the impairment occurs. The discount rates used to calculate the present value of the future cash flows reflect the current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or to significantly postpone its planned completion date, the carrying amount of the asset is reviewed for potential impairment and, if appropriate, a provision is recorded.

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

g) Non-Current Tangible Assets Acquired through Free-of-Charge Transfers

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 as a contract liability under non-current liabilities. The contract liability is recognised in the income statement on a straight-line basis over the useful lives of the assets subject to the free-of-charge transfers.

Free-of-charge transfers of gas facilities from customers related to customers' access to the distribution network are posted in revenues for the relevant period and recognised at fair value of the assets received.

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

h) Research and Development

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

i) Lease

Accounting procedures valid from 1 October 2019:

At the inception of a contract, the Group company assesses whether the contract is, or contains, a lease. Where the Group company is a lessee, the Group recognises right-of-use assets and a lease liability in accordance with IFRS 16. 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 provisions.

A right-of-use asset is depreciated over the shorter period of the lease term 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 Group 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 concluded for an indefinite period, the useful life is determined based on the estimated lease term.

j) Inventories

Inventories are stated at the lower of cost and 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 natural gas, raw materials, and other inventories includes the cost of acquisition and related costs. The cost of inventories developed internally includes materials, other direct costs, and production overheads. For obsolete and slow-moving inventories, mainly natural gas inventories, a provision is recorded in the required amount based on the actual recoverable amount of inventories.

k) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and cash in bank, and highly-liquid securities with insignificant risk of changes in value and original maturities of three months or less from the date of issue.

l) Provisions for Liabilities

A provision is recognised when the Group 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. If discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount over time.

<u>Provision for Environmental Expenditures</u>

A provision for environmental expenditures is recognised when environmental clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with a commitment to a formal plan of action or the divestment or closure of unused assets. The provision recognised is the best estimate of the expenditure required. If the liability is not settled in the following years, the amount recognised is the present value of the estimated future expenditure.

The Group estimates the costs relating to the abandonment of its production, exploration, and storage wells (including related centres and pipelines) and any related restoration costs. Additionally, the Group estimates costs relating to the abandonment and restoration of sites related to waste dumps. Estimated abandonment and restoration costs are based on current legislation, technology, and price levels. In respect of production wells and related centres, the estimated cost is recognised over the life of the proven extractable reserves on a unit-of-production basis. A provision for abandonment and restoration is created in an amount that includes all anticipated future costs related to abandonment and restoration discounted to their present value and reflecting inflation. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

Changes in provisions for dismantling and site restoration that relate to assets, except for the unwinding of the discount, alter the cost of the related asset in the current period in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

<u>Provision for Litigation and Potential Disputes</u>

The financial statements include a provision for litigation and potential disputes which were estimated using available information and an assessment of the achievable outcome as regards the individual disputes. The provision is not recognised unless a reasonable estimate can be made.

m) Loans

Loans are initially recognised at fair value less transaction costs incurred. They are subsequently recorded at amortised cost using the effective interest method.

n) Greenhouse Gas Emissions

The Group receives free emission rights as a result of European Emission Trading Schemes. The rights are received on an annual basis and in return the Group is required to return rights equal to its actual emissions. The Group recognises a net liability resulting from the gas emissions. Therefore, a provision is only recognised when actual emissions exceed the emission rights received free of charge. When emission rights are purchased from other parties, they are measured at cost and treated as a reimbursement right. When emission rights are acquired by exchange, they are measured at fair value as at the date when they become available for use and the difference between the fair value and cost is recognised through profit or loss.

o) Revenue Recognition

Revenue from contracts with customers is recognised upon the delivery of goods or services net of value added tax and discounts at a point in time or over time in accordance with IFRS 15 in order to disclose the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for such goods or services.

The Group recognises the following main sources of revenue:

Distribution of natural gas – revenue from natural gas distribution is recognised during the period of 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 retail customer categories where the meter reading of consumption is performed on an annual basis.

Storage of natural gas – revenue from the underground storage of natural gas is recognised over an agreed period for which the storage capacity was reserved for a customer. Variable fees for additional storage-related services are recognised during the provision of the service to a customer.

Production and sale of hydrocarbons – revenue from the sale of natural hydrocarbons is recognised at the moment when the commodity is transferred to a customer at the fair value of the received consideration or receivable.

Transmission of natural gas – revenue from the natural gas transmission fees is recognised at the moment or in the period when capacity in the transit network is allocated to a customer. Revenue from the transmission of natural gas also includes revenues from natural gas received for operating purposes, and is recognised in the period when gas transmission took place.

Revenue from connection fees and other services is recognised at the moment when the given service is provided or during the provision of the service based on its nature.

p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are recognised as part of the cost of a given asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

q) Social Security and Pension Schemes

The Group 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 income statement in the same period as the related salary cost.

r) Retirement and Other Long-Term Employee Benefits

The Group has a long-term employee benefit program comprising a lump-sum retirement benefit, a loyalty benefit for years worked, and life and work jubilee benefits, for which no separate 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 income statement 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 treasury 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 up to the benefits already vested and the remaining portion is recognised directly in the income statement.

s) Taxation

Income tax is calculated from the profit/loss before tax recognised under IFRS adjusted to profit/loss recognised under the accounting procedures valid in the Slovak Republic after adjustments for individual items increasing and decreasing the tax base pursuant to Act No. 595/2003 Coll. on Income Tax, as amended, using the valid income tax rate.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. 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 income statement, except for those assets and liabilities which are charged directly with a counter entry in other comprehensive income, in which case the deferred tax is also recognised with a counter entry in other comprehensive income.

The income tax rate valid from 1 January 2017 is 21%.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated undertakings, and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current and Deferred Tax for the Year

Current and deferred tax are recognised through profit or loss, except when they relate to items that are 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, respectively. Where current tax and deferred tax arise from the initial recognition of a business combination, the tax effect is included in the recognition of the business combination.

Special Levy on Business in Regulated Industries

Pursuant to the requirements of the IFRS, the Group's income tax also includes a special levy pursuant to Act No. 235/2012 Coll. on a Special Levy on Business in Regulated Industries and on Amendment to and Supplementation of Certain Acts. It is recognised through profit or loss.

Some Group companies are regulated entities with the obligation to pay a special levy during the period of the effectiveness of the Act. According to the original wording of the Act on Special Levy on Businesses in Regulated Industries, the last levy period will be December 2016, however, after an amendment to the Act (effective from 31 December 2016), the special levy must also be applied after this deadline without a further time limitation. The levy is calculated per calendar month and the levy rate was 0.00363 until 31 December 2016. As of 1 January 2017, the levy rate was temporarily increased to 0.00726 for 2017 and 2018. In 2019, the monthly levy rate was reduced to 0.00545. This value was also valid in 2020. In 2021, the rate was changed to its original amount, ie 0.00363. The base for the levy is the profit/loss before tax recognised in accordance with International Accounting Standards and adjusted to the profit/loss recognised pursuant to the Accounting Procedures valid in the Slovak Republic, further adjusted pursuant to the Special Levy Act. The special levy is recognised as part of income taxes.

As a result of an amendment to the Act on Special Levy on Businesses in Regulated Industries that abolished the time limit of the validity of the special levy payment, companies are also obliged to account for a deferred special levy. The deferred special levy is recognised from 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 the Accounting Procedures valid in the Slovak Republic. The deferred special levy is calculated using the special levy rate that is expected to apply to the period when the temporary difference, from which the deferred special levy arises, is expected to be settled. The deferred special levy is recognised in the income statement.

t) Transactions in Foreign Currencies

Transactions in foreign currencies are initially recorded at the exchange rates of the European Central Bank (ECB) valid on the transaction dates. Monetary assets and payables denominated in foreign currencies are retranslated at the ECB exchange rates valid on the reporting date. Foreign exchange gains and losses are included in the income statement.

On consolidation, the assets and liabilities of the foreign subsidiaries are translated at the ECB exchange rates prevailing on the reporting date. Revenues and expenses are translated at the average exchange rates for the period. Foreign exchange differences, if any, are classified as equity as a foreign exchange translation reserve. Such a reserve is recognised as income or as an expense at the moment the financial investment in a subsidiary is disposed of.

u) Non-Current Assets Held for Sale

Non-current assets and the disposal groups of assets and liabilities are classified as held for sale if their carrying amount can be recovered through a sale transaction rather than through continuing use. This condition is considered fulfilled only when a sale is highly probable and the non-current asset (or the group of assets and liabilities held for sale) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and the groups of assets and liabilities held for sale) classified as held for sale are measured at the lower of their previous carrying amount and the fair value less costs to sell.

w) Government Grants and Subsidies Provided by the European Union

Grants and subsidies are not recognised unless there is reasonable assurance that (i) the company will comply with the conditions related to the receipt of grants and subsidies, and (ii) the grants and subsidies will be received.

Grants and subsidies are recognised in the income statement on a systematic basis over the periods in which the company recognises expenses that were to offset grants and subsidies. Specifically, grants and subsidies whose primary purpose is to enable the company to purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet, and are recognised in the income statement on a systematic and rational basis during the useful life of the related assets.

x) Segments

The Company ceased the application of IFRS 8 – Operating Segments in 2017, as it is no longer obliged to disclose information in the financial statements as required by the standard.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, as described in Note 2, the Group has 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 periods relating to such matters, including the following:

Impairment of Property, Plant and Equipment

The Group reassessed the amount of an impairment provision for property, plant and equipment based on an assessment of the planned liquidation or sale. When assessing the realisable value of property, plant and equipment, certain assumptions and estimates were taken into account that may change in the future. The recoverability of property, plant and equipment for non-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 Note 10.

Revaluation of Property, Plant and Equipment

As at 1 October 2019, the Group 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 Group, which are used for natural gas transmission and distribution.

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

The revaluation of these assets was recognised without an impact on previous reporting periods. This revaluation resulted in an increase in the amount of gas pipelines by EUR 4 015 million and an increase in the deferred tax liability by EUR 1 014 million, and in the creation of revaluation reserves in equity amounting to EUR 3 001 million and in an increase of depreciation for the current period by EUR 116 million.

The revaluation of the Group companies' assets was performed by an independent appraiser 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 appraiser's reports. The resulting reported amounts of such assets and the related asset revaluation surplus do not necessarily represent amounts for which the assets could be or will be sold. Based on an independent expert's opinion, the Group 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 to 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.

Environmental Provision

The consolidated financial statements include significant amounts recorded as an environmental provision. The provision is based on estimates of the future costs of dismantling, restoration and re-cultivation, and is also significantly impacted by the estimate of the timing of cash flows and the Group's estimate of the discount rate used. The provision takes into account the estimated costs of the abandonment of production and storage wells at a subsidiary, for dismantling old gas facilities and compressor stations, decontaminating the soil and restoring the sites to their original condition after dismantling old gas facilities in compressor stations on the basis of past costs for similar activities. Refer to Note 18 for further details.

4. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions – adopted by the EU on 9 October 2020 (effective for annual periods beginning on or after 1 January 2020, no later than on 1 June 2020),

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

The adoption of other standards and amendments stated above had no material impact on the Company's financial statements.

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

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

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

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

- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for annual periods starting, at the latest, on or after 1 January 2021),

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to various standards due to "Annual Improvements to IFRS Standards (2018 – 2020 Cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendments to IFRS 16 only relate to an illustrative example, so no effective date is stated.).

The Company does not expect a material impact on the financial statements as regards these amendments to the standards.

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

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

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

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

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

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

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

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

- **Amendments to IFRS 17 "Insurance Contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

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

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

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

5. FINANCIAL INSTRUMENTS

a) Financial Risk Factors

The Group is exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates of loans and gas purchase and selling prices. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. As of 30 September 2020, the Group entered into derivative transactions, swap interest contracts, and hedging commodity swaps in order to manage certain risks. The purpose of swap interest contracts is to fix interest rates on loans. The purpose of hedging commodity swaps is to limit the price risks of sales contracts made with customers and purchase contracts with suppliers.

The main risks arising from the Group's financial instruments are commodity price risk, interest rate risk, credit risk, and liquidity risk. Risk management is decentralised and performed by the risk management section, using policies approved by the Board of Directors or the management of individual group companies.

(1) Foreign Currency Risk

The Group operates internationally and is exposed to foreign currency risk from transactions in foreign currencies, primarily in US dollars (USD) and Czech crowns (CZK).

Analysis of financial assets and financial liabilities denominated in foreign currency:

	Financial assets		***Financial liabilities***	
In million EUR	***As at 30 Sep 2021***	***As at 30 Sep 2020***	***As at 30 Sep 2021***	***As at 30 Sep 2020***
USD	1	1	-	-
CZK	3	4	1	-
HRK	1	1	-	-

The Group has no open currency swaps, which are used to cover risk associated with a change in foreign currency rates.

Sensitivity to foreign currency changes

The table below shows the Group's sensitivity to a 10% increase and decrease in EUR against USD and against CZK. The sensitivity analysis includes only foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for the stated change in foreign currency rates. The positive value indicates an increase in gain in the case of the weakening of the euro against the relevant currency. In the case of the strengthening of the euro against the relevant currency, the same but opposite effect on the gain would arise, while the amounts stated below would be negative.

	30 Sep 2021			***30 Sep 2020***		
	CZK	***USD***	***HRK***	***CZK***	***USD***	***HRK***
Gain or loss in million EUR (i)	0.3	0.1	0.1	0.4	0.1	0.1

(i) Related mainly to the risk of unpaid receivables, payables and USD and CZK cash at year-end.

(2) Commodity Price Risk

The Group is a party to framework agreements for the purchase of natural gas and other services and materials in connection with facilities for natural gas underground storage and for gas and oil production. In addition, the Group enters into contracts for the sale of crude oil and natural gas and natural gas storage. The Group covers a portion of the risks related to changes in oil and natural gas prices by commodity derivative instruments.

The following table gives details of open swap commodity and forward contracts at the reporting date.

Open swap commodity and forward contracts	***30 Sep 2021***		***30 Sep 2021***	
	Nominal value		***Fair value***	
In million EUR	***Cash flow hedging***	***Held for trading***	***Cash flow hedging***	***Held for trading***
<u>Sell gas</u>				
Less than 3 months	21	-	(128)	-
3 to 12 months	78	-	(188)	-
Over 12 months	80	-	(118)	-
<u>Sell crude oil</u>				
Less than 3 months	-	-	-	-
3 to 12 months	-	-	-	-
Over 12 months	-	-	-	-

Open swap commodity and forward contracts	***30 Sep 2020***		***30 Sep 2020***	
	Nominal value		***Fair value***	
In million EUR	***Cash flow hedging***	***Held for trading***	***Cash flow hedging***	***Held for trading***
<u>Sell gas</u>				
Less than 3 months	37	-	13	-
3 to 12 months	59	-	10	-
Over 12 months	32	-	3	-
<u>Sell crude oil</u>				
Less than 3 months	-	-	-	-
3 to 12 months	-	-	-	-
Over 12 months	-	-	-	-

The Group has entered into swap and forward commodity contracts to hedge against the market risk arising from crude oil, natural gas price changes in anticipated future transactions associated with the Group’s revenues in the upcoming year.

(3) Interest Rate Risk

The Group’s exposure to interest rate risk is significant, as it has drawn long-term loans. The Group manages the risk by maintaining an appropriate mix of fixed and floating rate borrowings, and by the use of interest rate swap contracts. The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of likely changes in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant:

- The Group’s gain for the 12-month reporting period ended 30 September 2021 would decrease/increase by EUR 1 million (for the year ended 30 September 2020: EUR 1.8 million). This is mainly related to the Group’s exposure to variable interest rates on borrowings.

The table below displays the open interest swap contracts at the reporting date.

Interest swaps	***Average fixed interest rate***		***Nominal value***		***Fair value***	
In million EUR	***30 Sep 2021***	***30 Sep 2020***	***30 Sep 2021***	***30 Sep 2020***	***30 Sep 2021***	***30 Sep 2020***
Cash flow hedge						
– Less than 1 year	-	-	50	-	(9)	(8)
– 1 to 2 years	-	-	-	-	(28)	(9)
– Over 2 years	1.34%	1.34%	500	500	(6)	(40)
– Over 2 years	0.86%	0.86%	27	77	(3)	(5)

Interest swaps	***Average fixed interest rate***		***Nominal value***		***Fair value***	
In million EUR	***30 Sep 2021***	***30 Sep 2020***	***30 Sep 2021***	***30 Sep 2020***	***30 Sep 2021***	***30 Sep 2020***
Trading						
– Less than 1 year	-	-	-	-	-	-
– 1 to 2 years	-	-	-	-	(3)	-
– Over 2 years	1.34%	1.34%	500	500	(1)	(3)

(4) Credit Risk Related to Receivables

The Group sells its products and services to various customers. The most significant customers are a prominent Russian shipper of gas and SPP in respect of providing gas transmission services and SPP in respect of gas storage and distribution service. None of these customers, individually or combined in terms of volume and solvency, represent a significant risk that receivables will not be settled pursuant to the valid risk management policy. The Group has policies in place that ensure that products and services are sold to customers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet, net of provisions.

(5) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash with an appropriate due date and marketable securities, the availability of funding through an adequate amount of committed credit lines, and the ability to close open market positions. Due to the dynamic nature of the underlying business, treasury management aims to maintain flexibility by keeping committed credit lines available and synchronising the maturity of financial assets with financial needs. To settle outstanding liabilities, the Group has funds and undrawn credit lines at its disposal.

(in million EUR)

As at 30 September 2021, the Group had drawn credit facilities totalling EUR 1 759 million (as at 30 September 2020: EUR 1 957 million) of which short-term credit facilities amounted to EUR 62 million (as at 30 September 2020: EUR 588 million) and long-term credit facilities amounted to EUR 1 698 million (as at 30 September 2020: EUR 1 369 million). Credit facilities are presented in their carrying amount.

The Group's interest-bearing borrowings are drawn in EUR with a variable interest rate linked to EURIBOR (according to the interest period agreed at the drawdown, for long-term loans usually 3M, for loans with shorter maturities 1M or O/N for overdraft facilities). In the financial year 2015, the Group also issued mid-term bonds bearing a fixed rate interest (see also Note 18).

The majority of short-term credit lines include an automatic loan extension clause, provided that none of the parties concerned cancel the loan within the specified period. Long- or medium-term loans have a fixed maturity date, while in all instances the loan is payable as a lump sum as at the final maturity date, ie in 2023, 2027 and 2029.

Interest-bearing borrowings are provided without collateral, using common market provisions (pari-passu, ban on pledging assets, substantial negative impact). If necessary, maturing credit facilities may be paid off from undrawn credit facilities, and from available funds and tradable securities.

The table below summarises the maturity of non-derivative financial liabilities at 30 September 2021 and 30 September 2020 based on contractual undiscounted payments:

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
30 September 2021						
Trade payables	-	41	13	-	-	54
Other liabilities	-	27	9	23	1	60
Non-current contract liabilities	-	-	-	-	-	-
Current contract liabilities	-	35	-	-	-	35
Variable interest rate instruments	-	-	50	83	126	259
Fixed interest rate instruments	-	1	33	672	1 049	1 755
30 September 2020						
Trade payables	-	43	-	-	-	43
Other liabilities	-	57	7	30	-	94
Non-current contract liabilities	-	-	-	-	-	-
Current contract liabilities	-	35	-	-	-	35
Variable interest rate instruments	-	1	76	256	125	458
Fixed interest rate instruments	-	-	535	586	520	1 641

b) Capital Risk Management

The Group manages its capital to ensure that Group companies are able to continue as going concerns, while maximising the return to shareholders by optimising the debt and equity ratio, and by ensuring a high credit rating and sound capital ratios.

The capital structure of the Group consists of debt, ie borrowings disclosed in Note 19, cash and cash equivalents and equity attributable to the owners of the parent company, which comprise the share capital, legal and other reserves, revaluation reserves, and retained earnings as disclosed in Note 22.

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

	At 30 Sep 2021	*At 30 Sep 2020*
Debt (i)	1 759	1 957
Cash and cash equivalents	306	375
Net debt	1 453	1 582
Equity (ii)	4 950	5 358
Net debt to equity ratio	**29%**	**30%**

(i) Debt is defined as long- and short-term borrowings.
(ii) Page 7

(in million EUR)

c) Categories of Financial Instruments

	At 30 Sep 2021	*At 30 Sep 2020*
Financial assets	**660**	**917**
Financial derivatives recognised as hedging	4	28
Receivables from loans and subsidies	19	37
Current loans and receivables (including cash and cash equivalents)	386	505
Other current assets	243	339
Investments in subsidiaries and associates	8	8
Financial liabilities	**2 400**	**2 222**
Financial derivatives recognised as hedging	483	63
Financial derivatives not recognised as hedging	-	4
Financial liabilities carried at amortised costs	1 917	2 155

d) Estimated Fair Value

The fair value of investments recognised at fair value through profit or loss (FVTPL) and financial assets at fair value is calculated using the listed market prices as at the balance sheet date.

The fair value of interest swaps is calculated as the present value of estimated future cash flows. The fair value of forward currency contracts was determined using forward exchange rates at the reporting date. The fair value of interest swap contracts is determined using forward interest rates at the reporting date. The fair value of commodity swaps is determined using forward commodity prices and forward exchange rates as at the reporting date.

The fair value of ordinary shares not in book-entry form has been estimated using a valuation technique based on assumptions that they are not supported by observable market prices. The valuation requires management to make estimates of the expected future cash flows from shares that are discounted at current rates.

The estimated fair values of other instruments, mainly current financial assets and liabilities, approximate their carrying amounts.

The following table provides an analysis of financial instruments that, upon initial revaluation, are subsequently recognised at fair value, in accordance with the fair value hierarchy.

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

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

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

30 September 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets at fair value	**1**	**4**	**8**	**13**
Financial derivatives recognised as hedging	1	4	-	5
Investments in subsidiaries and associates	-	-	8	8
Financial liabilities at fair value	**-**	**483**	**-**	**483**
Financial derivatives recognised as hedging	-	483	-	483
Financial derivatives not recognised as hedging	-	-	-	-

30 September 2020	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets at fair value	**1**	**27**	**8**	**36**
Financial derivatives recognised as hedging	1	27	-	28
Financial assets at fair value	-	-	8	8
Financial liabilities at fair value	**-**	**67**	**-**	**67**
Financial derivatives recognised as hedging	-	63	-	63
Financial derivatives not recognised as hedging	-	4	-	4

(in million EUR)

Embedded Derivative Instruments

The Group entered into long-term contracts for natural gas transmission denominated in USD and EUR.

Transmission contracts denominated in euros were denominated in the currency of the primary economic environment and so these contracts were not regarded as a host contract with an embedded derivative under the requirements of IFRS 9. Hence, in accordance with IFRS 9, the Group does not recognise embedded derivatives separately from the host contract. Transmission contracts denominated in US dollars are denominated in the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment of Slovakia in respect of business relations with external parties. Hence, in accordance with IFRS 9, the Group does not recognise embedded derivatives separately from the host contract.

The Group has assessed all other significant contracts and agreements for embedded derivatives that must be recorded. The Group concluded that there are no embedded derivatives in these contracts and agreements that are required to be measured and recognised separately as at 30 September 2021 and 30 September 2020 under the requirements of IFRS 9.

Derivative Instruments Recognised as Hedges

Effective hedging includes commodity swaps, which are used to hedge against the risk of future movements in the prices of crude oil and natural gas and interest rate swaps which are used to hedge against credit risk arising from variable interest on bank loans.

6. INVESTMENTS RECOGNISED USING THE EQUITY METHOD

The Group’s investments in associates as at 30 September 2021 can be summarised as follows:

Name	*Seat*	*Ownership interest % as at 30 Sep 2021*	*Ownership interest % as at 30 Sep 2020*	*Principal activity*	*Value under equity method at 30 Sep 2021**	*Value under equity method at 30 Sep 2020**
SLOVGEOTERM, a. s.	Palisády 39, Bratislava, Slovakia	50.00	50.00	Geothermal energy	EUR 115 thousand	EUR 115 thousand

**The value under the equity method is an estimate, as the final financial statements of the subsidiary were not available to the parent company as at the reporting date.*

The Group’s joint ventures as at 30 September 2021 can be summarised as follows:

Name	*Seat*	*Ownership interest % as at 30 Sep 2021*	*Ownership interest % as at 30 Sep 2020*	*Principal activity*	*Value under equity method at Sep 2021*	*Value under equity method at Sep 2020*
CNG Holdings Netherlands B.V. (1)	Strawinskylaan 1263, 1077XX Amsterdam, Netherlands	50.00	50.00	Holding company	-	-
CNG LLC (1)	5 km, Taynya street, village of Vovkove, Uzhgorod, District, Zakarpattya Region, 89452, Ukraine	50.00	50.00	Exploration and production	-	-
SLOVAKIAN HORIZON ENERGY, S.R.O.	Mlynské Nivy 44/c, Bratislava	50.00	-	Exploration and production		

(1) *Shareholding held by NAFTA a.s. companies (50%).*

(in million EUR)

7. LOAN RECEIVABLES

The Group does not recognise a receivable from a long-term loan as at 30 September 2021. As at 30 September 2020, NAFTA, a.s. recognised a receivable from a long-term loan in the amount of EUR 12 million provided by the direct shareholder (Czech Gas Holding).

8. OTHER NON-CURRENT ASSETS

Other non-current assets comprise investments in equity and shares in unconsolidated insignificant subsidiaries:

	At 30 Sep 2021	*At 30 Sep 2020*
Cost	9	9
Impairment	-	-
Closing balance, net	**9**	**9**

Shareholdings represent equity investments in the following companies:

Name	*Seat*	*Ownership interest %*		*Principal activity*
		At 30 Sep 2021	*At 30 Sep 2020*	
AUTOKAC, s. r. o., Hodonín (1)	Velkomoravská 83, Hodonín, Czech Republic	42.00	42.00	Dormant
GALANTATERM, spol. s r. o. (4)	Vodárenská ul. č. 1608/1, Galanta, Slovakia	17.50	17.50	Geothermal energy
SPP – distribúcia Servis, s.r.o. (2)	Mlynské Nivy 44/b, Bratislava, Slovakia	100.00	100.00	Production and service of gas facilities
Plynárenská metrológia, s.r.o. (4)	Mlynské Nivy 44/b, Bratislava, Slovakia	100.00	100.00	Service of gas facilities
Central European Gas HUB AG („CEGH“)(3)	Austria	15.00	15.00	Mediation of trade in natural gas
eastring B.V. (3)	Netherlands	100.00	100.00	Holding activities
Karotáže a Cementace, s.r.o. (5)	Velkomoravská 2606/83, Hodonín, Czech Republic	51.00	51.00	Logging and cementing
Slovakian Horizon Energy, s.r.o. (6)	Mlynské Nivy 44/c, Bratislava	-	50.00	Exploration and production
EP Ukraine B.V.	Ukraine	10.00	10.00	Exploration and production

(1) *Shareholding held by NAFTA a. s.*
(2) *Shareholding held by SPP – distribúcia, a. s.*
(3) *Shareholding held by eustream, a. s., immaterial subsidiary*
(4) *Shareholding held by SPP Infrastructure, a. s., immaterial subsidiary*
(5) *Shareholding held by NAFTA a.s., immaterial subsidiary*
(6) *As at 30 September 2021, the Company was consolidated using the equity method of consolidation.*

9. OTHER CURRENT ASSETS

Deposits provided to the shareholders are recognised by the Company as other current assets. The balance of the deposits provided to the shareholders as at 30 September 2021 amounted to EUR 243 million (30 September 2020: EUR 339 million).

(in million EUR)

10. PROPERTY, PLANT AND EQUIPMENT

	Gas pipelines	*Land and buildings*	*Plant and machinery*	*Other non-current tangible assets*	*Assets under construction*	*Total*
Year ended 30 September 2020						
Opening net book value	3 620	374	618	47	135	4 794
Additions	-	-	-	-	80	80
Placed into service	30	14	57	-	(101)	-
Disposals	-	-	-	(1)	-	(1)
Depreciation charge	(233)	(15)	(42)	-	-	(290)
FX gains/losses	-	(4)	(2)	-	-	(6)
Provisions and reserves	4	(1)	-	7	(2)	8
Additions from the acquisition of subsidiaries	4 015	-	-	-	-	4 015
Closing net book value	**7 436**	**368**	**631**	**53**	**112**	**8 600**
30 Sep 2020						
Cost	7 485	656	1 183	111	144	9 579
Provisions and accumulated depreciation	(49)	(288)	(552)	(58)	(32)	(979)
Net book value	**7 436**	**368**	**631**	**53**	**112**	**8 600**
Year ended 30 September 2021						
Opening net book value	7 436	368	631	53	112	8 600
Additions	2	-	-	5	69	76
Placed into service	29	3	14	1	(47)	-
Disposals	-	(2)	-	(1)	-	(3)
Depreciation charge	(239)	(16)	(47)	(8)	-	(310)
FX gains/losses	-	5	2	-	-	7
Provisions and reserves	5	5	-	13	(1)	22
Closing net book value	**7 233**	**363**	**600**	**63**	**133**	**8 392**
30 Sep 2021						
Cost	7 869	657	1 189	129	151	9 995
Provisions and accumulated depreciation	(636)	(294)	(589)	(66)	(18)	(1 603)
Net book value	**7 233**	**363**	**600**	**63**	**133**	**8 392**

(in million EUR)

Exploration wells are recognised as assets under construction and a provision is recorded when the success rate of exploration wells is uncertain or reduced otherwise.

NAFTA recorded a provision for exploration wells, the success rate of which was uncertain or which were impaired, and for the related facilities the construction of which was suspended.

In the year ended 30 September 2021, the Company did not capitalise any costs in respect of the costs of hydrocarbon reserves exploration.

As at 30 September 2021 and 30 September 2020, NAFTA has reassessed the impairment of property, plant and equipment in accordance with IAS 36 "Impairment of Assets" on the basis of an assessment of their future use, disposal, or sale. NAFTA has determined the amount of the provision on the basis of the present value of future cash flows, a liquidation plan, the estimated sale price or sale price of other assets. A discount rate of 7% was used to calculate the present value of future cash flows of the "hydrocarbon production and exploration" cash-generating unit.

The carrying amount of this cash-generating unit based on the recoverable amount as at 30 September 2021 is EUR 258 thousand (30 September 2020: EUR 1 024 thousand).

As at 30 September 2021 and 30 September 2020, the Group had no restricted right to handle non-current tangible assets.

The cost of fully depreciated non-current assets (also includes non-current intangible assets), which were in use as at 30 September 2021, amounts to EUR 209 million (30 September 2020: EUR 203 million).

Type and amount of insurance of non-current intangible and tangible assets

Insured assets	*Type of insurance*	*Cost of insured assets*		*Name and seat of the insurance company*
		30 Sep 2021	*30 Sep 2020*	
Buildings, halls, structures, machinery, equipment, fittings & fixtures (except for gas pipelines)	Insurance of assets	2 092	2 110	UNIQA poisťovňa, a.s., Allianz-Slovenská poisťovňa, a.s.,
Movables, assets, inventories	Insurance of assets	69	72	UNIQA poisťovňa, a.s
Motor vehicles	MTPL, motor vehicle insurance against damage, destruction, theft	9	9	Allianz - Slovenská poisťovňa, a.s.,

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

Group companies lease 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. Until 30 September 2019, leases of transportation means and administrative buildings were recognised as a finance or operating lease. As of 1 October 2019, leases are recognised as right-of-use assets and the corresponding liabilities are recognised as of the date the leased assets became available for the Company's use.

30 September 2021	*Buildings*	*Transportation Means*	*Land*	*Total*
Cost	32	6	5	43
Accumulated depreciation and provisions	(8)	(3)	-	(11)
Net book value	**24**	**3**	**5**	**32**

30 September 2020	*Buildings*	*Transportation Means*	*Land*	*Total*
Cost	24	4	5	33
Accumulated depreciation and provisions	(5)	(2)	-	(7)
Net book value	**19**	**2**	**5**	**26**

(in million EUR)

Non-current finance lease liability:

Maturity	***Present value of minimum lease payments*** 30 Sep 2021	30 Sep 2020
	30 Sep 2021	***30 Sep 2020***
Less than 1 year	6	5
1 – 5 years	19	17
More than 5 years	8	5
Total	**33**	**27**

The difference between the present value of minimum lease payments and gross investment in a lease is insignificant.

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

	Residual value of finance lease		***Fair value of finance lease***	
	30 Sep 2021	***30 Sep 2020***	***30 Sep 2021***	***30 Sep 2020***
Obligation under finance lease	33	27	36	29
Total	**33**	**27**	**36**	**29**

12. INVENTORIES

	At 30 Sep 2021	***At 30 Sep 2020***
Natural gas	150	142
Raw materials and other inventories	22	21
Provisions	(9)	(9)
Total	**163**	**154**

13. RECEIVABLES AND PREPAYMENTS

	At 30 Sep 2020	***At 30 Sep 2019***
Trade receivables from transmission activities	30	69
Receivables from distribution activities	-	-
Receivables from storage and other activities	9	19
Prepayments and other receivables	29	29
Total	**68**	**117**

All amounts are receivables within one year.

Receivables and prepayments are shown net of provisions for bad and doubtful receivables in the amount of EUR 9 million (30 September 2020: EUR 1 million).

As at 30 September 2021, the Group recorded due receivables in the amount of EUR 67 million and overdue receivables in the amount of EUR 10 million, excluding provisions. (As at 30 September 2020: due and overdue receivables in the amount of EUR 115 million and EUR 3 million, respectively.)

Movements in the provision for bad and doubtful receivables were as follows:

	At 30 Sep 2021	***At 30 Sep 2020***
Net opening balance	1	1
Use of provision	-	-
Release of provision	-	-
Additions to provision	9	-
Closing balance	**10**	**1**

(in million EUR)

Overdue receivables that were not provided for:

	At 30 Sep 2021	*At 30 Sep 2020*
Less than 2 months	1	2
2 to 3 months	-	-
3 to 6 months	-	-
6 to 9 months	-	-
9 to 12 months	-	-
More than 12 months	-	-
Total	**1**	**2**

Overdue receivables that were provided for:

	At 30 Sep 2021	*At 30 Sep 2020*
Less than 2 months	1	-
2 to 3 months	1	-
3 to 6 months	3	-
6 to 9 months	3	-
9 to 12 months	-	-
More than 12 months	1	1
Total	**9**	**1**

14. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	At 30 Sep 2021	*At 30 Sep 2020*
Receivables from financial derivatives – non-current	4	3
Receivables from financial derivatives – current	-	25
Financial assets measured at fair value	**4**	**28**

15. CASH AND CASH EQUIVALENTS

As at 30 September 2021, the balance of EUR 306 million comprises cash in bank accounts, which the Group can handle freely. The balance recognised as at 30 September 2020 amounted to EUR 375 million.

16. DEFERRED INCOME

	At 30 Sep 2021	*At 30 Sep 2020*
Net opening balance	61	61
Effect of the first application of IFRS 15	-	-
Assets acquired during the period	-	-
Received subsidies	-	-
Amortisation during the period (included in other operating expenses, net)	(1)	-
Unused grants	-	-
Net closing balance	**60**	**61**

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 as a contract liability under non-current liabilities. The contract liability is recognised in the income statement on a straight-line basis over the useful lives of the assets subject to the free-of-charge transfers.

Free-of-charge transfers of gas facilities from customers related to customers' access to the distribution network are posted in revenues for the relevant period and recognised at the fair value of the assets received. Non-current tangible assets received free of charge are recognised in the financial statements in accordance with IFRS 15 "Revenue from Contracts with Customers" as a contract liability as of 1 October 2018 (Note 21).

Deferred income also includes allocated subsidies from the European Commission related to projects of reverse flows of KS 4 and Plavecký Peter gas pipelines, interconnection pipelines between Hungary and Slovakia, and Poland and Slovakia, a project of investments to decrease KS 3 and KS 4 emissions (DLE) and the eastring project.

(in million EUR)

17. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits program was launched in 1995. This is a defined benefit program, under which employees are entitled to a lump-sum payment upon old age or disability retirement and, subject to vesting conditions, life and work jubilee payments. During 2014, the Group signed a new collective agreement under which employees are entitled to a retirement benefit based on the number of years with the Group at the date of retirement. The benefits range from one month to six months of the employee's average salary. As at 30 September 2021 and 30 September 2020, the obligation relating to retirement and other long-term employee benefits was calculated on the basis of valid collective agreements in the given years.

As at 30 September 2021, 2 590 (30 September 2020: 2 588) employees of the Group were covered by this program. As of that date, it was an unfunded program with no separately-allocated assets to cover the program's liabilities.

Movements in net liability recognised in the balance sheet for the year ended 30 September 2021 are as follows:

	Long-term benefits	*Post-employment benefits*	*Total benefits at 30 Sep 2021*	*Total benefits at 30 Sep 2020*
Net opening balance	1	26	27	26
Additions from acquisition of subsidiaries	-	-	-	-
Change in actuarial assumptions	-	-	-	-
Net expense recognised	-	2	2	2
Benefits paid	-	-	-	-
Net liabilities	**1**	**28**	**29**	**28**

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 30 September 2021	1	28	29
At 30 September 2020	1	27	28

Key assumptions used in the actuarial valuation:

	At 30 Sep 2021	*At 30 Sep 2020*
Market yield on government bonds	(0.14%) - 1.06%	(0.14%) - 1.06%
Annual future real rate of salary increases	1.89% - 2.35%	1.89% - 2.35%
Annual employee turnover	2.63%	2.63%
Retirement ages (male and female) [1]	-	-

[1] *For 2021, the retirement age was 63 years.*

(in million EUR)

18. PROVISIONS FOR LIABILITIES

Movements in the provisions for liabilities are summarised as follows:

	Environ-mental provisions	***Other***	***Total provisions at 30 Sep 2021***	***Total provisions at 30 Sep 2020***
Balance at 1 October	184	2	186	181
Additions	20	-	20	10
Additions from the acquisition of subsidiaries	-	-	-	-
Effect of discounting	2	-	2	2
Movement		-	-	-
Use	(2)	-	(2)	(2)
Reversal	(2)	-	(2)	(5)
Closing balance	**202**	**2**	**204**	**186**

	Current provisions (included in provisions and other current liabilities)	***Non-current provisions***	***Total provisions***
At 30 September 2021	3	201	204
At 30 September 2020	4	181	185

a) Environmental Provisions

Provisions in the amount of EUR 202 million as at 30 September 2021 are recorded in respect of the decontamination of contaminated soil, the liquidation of exploration and storage wells, and the recultivation and restoration of sites to their original condition. eustream has obligations in respect of decontaminating contaminated soil caused by compressor stations and old natural gas facilities powered by coal. NAFTA, SPP Storage and POZAGAS have obligations in respect of the liquidation of exploration and storage wells, centres and reclamation and restoration of related sites.

NAFTA's Obligations, SPP Storage and Pozagas

NAFTA a.s. and its subsidiaries currently have 119 production wells in addition to 284 storage wells, POZAGAS has 115 storage wells and SPP Storage has 41 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it is determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. The companies are obliged to dismantle production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money and risks specific to the liability; NAFTA 0.65%, NAFTA Germany 0.74%, SPP Storage 1.68% and POZAGAS 1.00%. The provision takes into account the estimated costs for the abandonment of production and storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2019 and 2093.

Obligations of eustream

In 2019, the Company updated their analyses related to environmental loads on all compressor stations ("CS") operated by eustream. Oil and condensate from gas transportation pollution was confirmed on all compressor stations. A partial decontamination in areas apart from gas facilities in operation took place on three of them (CS01, CS02, CS03). The pollution detected at all compressor stations concerns the soil underneath the 6MW turbo machinery halls. The Company estimated the provision for decontamination work based on current existing technologies and prices adjusted for expected inflation factor at amortised costs. Discount rate taken into consideration reflected the current market assessments of the time value of money and the risk specific factors.

b) Other Provisions

The Company records no other significant provisions as at 30 September 2021 and 30 September 2020. See also Note 31.

(in million EUR)

19. INTEREST-BEARING BORROWINGS

30 September 2021	*30 Sep 2021 Secured*	*30 Sep 2021 Unsecured*	*30 Sep 2021 Total*
Bank loans	-	257	257
Bonds	-	1 502	1 502
Total borrowings	**-**	**1 759**	**1 759**
Borrowings by currency			
EUR			
– with fixed interest rate	-	1 502	1 502
– with variable interest rate	-	257	257
Total borrowings	**-**	**1 759**	**1 759**
Borrowings are due as follows:			
Less than 1 year	-	62	62
1 to 2 years	-	-	-
2 to 5 years	-	579	579
More than 5 years	-	1 118	1 118
Total borrowings	**-**	**1 759**	**1 759**

30 September 2020	*30 Sep 2020 Secured*	*30 Sep 2020 Unsecured*	*30 Sep 2020 Total*
Bank loans	-	452	452
Bonds	-	1 505	1 505
Total borrowings	**-**	**1 957**	**1 957**
Borrowings by currency			
EUR			
– with fixed interest rate	-	1 505	1 505
– with variable interest rate	-	452	452
Total borrowings	**-**	**1 957**	**1 957**
Borrowings are due as follows:			
Less than 1 year	-	588	588
1 to 2 years	-	-	-
2 to 5 years	-	744	744
More than 5 years	-	625	625
Total borrowings	**-**	**1 957**	**1 957**

Summary of the Group’s bonds:
In February 2015, SPP Infrastructure Financing, B.V. (subsidiary) issued bonds of EUR 500 million bearing a fixed interest rate of 2.625% p. a. and falling due on 10 February 2025, a guarantee was provided by eustream, a.s.

In 2013, SPP Infrastructure Financing, B.V. (subsidiary) issued bonds of EUR 750 million bearing a fixed interest rate of 3.75% p. a.; a guarantee was provided by eustream, a.s. The bonds were repaid on 15 July 2020.

In June 2020, eustream, a.s. (subsidiary) issued bonds in the amount of EUR 500 million with a fixed interest rate of 1.625% p.a. and due on 25 June 2027.

On 9 June 2021, SPP - distribúcia, a.s. issued publicly-tradable unsecured bonds with a face value of EUR 500 million at a fixed coupon of 1.000% p.a. with maturity on 9 June 2031. The bonds were used to repay bonds issued in 2014.

Summary of the Group’s bank loans:

As at 30 September 2021, SPP - distribúcia, a.s. drew a loan in the amount of EUR 76.65 million originally falling due in 2024. Based on a decision of the Company’s sole shareholder dated 7 May 2021, a decision was made to repay the loan in two tranches in the amount of EUR 50 million by 31 December 2021 and EUR 26.65 million by 31 December 2023. The Company also has a long-term loan in the amount of EUR 60 million. This loan was drawn in the 2019 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 assets.

(in million EUR)

In 2019, eustream, a.s. drew a loan in the amount of EUR 65 million subject to an interest rate consisting of a variable portion (3M EURIBOR) and a fixed margin in % p.a. The loan falls due in 2027.

During the year, eustream, a.s. repaid a loan denominated in euro amounting to EUR 75 million.

In 2015, NAFTA a.s. concluded the contract for a long-term credit facility totalling EUR 250 million. The balance of the undrawn credit facility is EUR 55 million as at 30 September 2021 (30 September 2020: EUR 175 million). The long-term credit facility consists of a fixed portion in the amount of EUR 175 million, which falls due in 2024, and a variable portion (revolving loan) that is renewed every three months with final maturity in 2024. The loans are denominated in EUR with a variable interest rate. The loans are not secured by any assets.

In 2019, eustream, a.s. concluded contracts for a long-term credit facility totalling EUR 275 million (the balance of the undrawn credit facility is EUR 275 million as at 30 September 2021). The long-term credit facility comprises 7 revolving loans renewed every 3 months and their final maturity is in 2022 and 2024. The loans are denominated in EUR with a variable interest rate. The loans are not secured by assets.

The Group’s loans were not secured by any pledges over assets.

Interest rates on loans and bonds:

	30 Sep 2021	***30 Sep 2020***
EUR		
– with a fixed rate	1.00%; 1.625%; 2.625%	1.625%; 2.625%; 3.75%
– with a variable rate	3M EURIBOR plus margin	3M EURIBOR plus margin

The carrying amount and fair value of loans and bonds:

	Carrying amount		***Fair value***	
	30 Sep 2021	***30 Sep 2020***	***30 Sep 2021***	***30 Sep 2020***
Loans	257	452	258	454
Bonds	1 502	1 505	1 540	1 584
Total	**1 759**	**1 957**	**1 798**	**2 038**

20. TRADE AND OTHER PAYABLES

	30 Sep 2021	***30 Sep 2020***
Trade payables	63	53
Other liabilities	34	67
Liability from paid dividends to shareholders	1	1
Employee liabilities	17	15
Social security and other taxes	6	9
Total	**121**	**145**

As at 30 September 2021, the Group recognised payables within maturity in the amount of EUR 121 million (30 September 2020: EUR 145 million) and no overdue payables (30 September 2020: EUR 0).

The Group has no significant liability secured by a pledge or any other form of collateral.

(in million EUR)

21. CONTRACT LIABILITIES AND CONTRACT ASSETS

Non-current contract liabilities

	30 Sep 2021	***30 Sep 2020***
Donated assets	17	14
Long-term prepayments	-	27
Total	**17**	**41**

Some equipment related to gas distribution was acquired from municipalities through free-of-charge transfers. In the reporting period ended 30 September 2021, the Group acquired assets in the total amount of EUR 3 864 thousand in this manner (30 September 2020: EUR 0 thousand). The contract liability from assets acquired free-of-charge is recognised in the income statement on a straight-line basis in the amount of depreciation over the useful lives of the assets. Depreciation charges for the year ended 30 September 2021 amount to EUR 385 thousand (30 September 2020: EUR 279 thousand).

Current contract liabilities

	30 Sep 2021	***30 Sep 2020***
Short-term prepayments	48	35
Total	**48**	**35**

Contract liabilities represent prepayments received for distribution services, which will be charged to revenues from provided services in the next 12 months.

Current contract assets

	30 Sep 2021	***30 Sep 2020***
Contract assets	12	12
Total	**12**	**12**

Contract assets represent receivables from distribution activities.

22. EQUITY

Share Capital

Following the establishment of the legal group, the share capital is shown in the consolidated statement of the financial position as at 30 September 2021 and 30 September 2020. The increase in share capital was made by SPP, the former parent company by an in-kind contribution of financial investments (see Note 1) in May 2014, when the new group was formally established, with a face value of EUR 4 922 783 042. Share capital was decreased on 30 December 2014 by EUR 1 259 416 105 based on a shareholders' decision.

As at 30 September 2021, the share capital consisted of fully paid shares: two shares held by SPP, a.s. – 1 868 292 262 shares with a face value of EUR 1 and one share with a face value of EUR 25 000, and shares held by SGH – 1 795 049 674 shares with a face value of EUR 1.

Legal Reserve Fund and Other Funds

As at 30 September 2021, other reserves represent the legal reserve fund, which has been created as part of the in-kind contribution. The reserve is created from retained earnings to cover possible future losses or increases in the share capital. Transfers of at least 10% of the current year's profit (as presented in the individual financial statements) are required to be made until the reserve is equal to at least 20% of the share capital.

(in million EUR)

Revaluation Reserves

Asset revaluation reserves are not immediately available for distribution to the Company's shareholders. Portions of revaluation reserves are reclassified to retained earnings based on differences between the depreciation charges for remeasured amounts and initial cost 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 reserves in equity are not distributable to the Group's shareholders.

Non-controlling interests primarily represent an interest in NAFTA directly held by EPH.

Hedging Reserves

Hedging reserves represent gains and losses arising from cash flow hedging.

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Opening balance	**(36)**	**(31)**
Gain/loss from cash flow hedging	(498)	79
Currency forwards	-	-
Commodity swap contracts	(497)	82
Commodity forwards and actuary gains	(3)	(4)
Interest rate swap contracts	2	1
Income tax applicable to gains/losses recognised through equity	105	(17)
Transfers to profit and loss	94	(75)
Currency forwards	-	-
Commodity swap contracts	87	(81)
Commodity forwards	-	4
Interest rate swaps	7	2
Income tax related to transfers to profit and loss	(20)	16
Other	3	(8)
Closing balance	**(352)**	**(36)**

A hedging reserve represents a cumulative accrued portion of gains and losses arising from a change in the fair value of hedging instruments concluded for cash flow hedging purposes. A cumulative gain or loss arising from a change in the fair value of hedging derivatives recognised and accrued in the hedging reserve is reclassified to profit or loss provided that the hedged transaction has an effect on the income statement or is included as an adjustment of the base in the hedged non-financial item in accordance with the applicable accounting procedures.

Gains/(losses) arising from a change in the fair value of the hedging instruments transferred during the current and previous period from equity to profit or loss are disclosed in the line Transmission of natural gas of the income statement.

Distributable retained earnings

Distributable retained earnings are based on retained earnings of individual statutory financial statements of SPP Infrastructure, a. s. For profit distribution purposes, the separate financial statements of SPP – Infrastructure, a.s. prepared in accordance with IFRS as at 30 September 2021 are used. The retained earnings under the Company's separate financial statements prepared as at 30 September 2021 which are distributable to the shareholders amount to EUR 604 million.

23. REVENUES

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Core business revenues	1 145	1 351
of which:		
Natural gas transmission revenues	493	702
Distribution of natural gas	416	403
Gas storage	224	230
Sale of hydrocarbons	12	16
Other revenues	48	113
Total revenues	**1 193**	**1 464**

Core business revenues consist of distribution, transmission and storage fees and revenues from exploration and production of natural gas and the sale of hydrocarbons. These activities represent the primary activities of the Group and are therefore disclosed separately.

Other revenues consist of revenues from commodity hedging derivatives, excess capacity fees, penalties, connection fees, underground well repairs and other activities which are not core Group activities.

24. SERVICES

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Repair and maintenance	15	14
Service level agreements with SPP	1	1
Other services of production nature	-	1
Lease of transportation means	2	2
Travel expenses	1	2
Advisory	4	4
Costs of IT services and operating expenses	5	5
Insurance premium	3	4
Other	26	33
Total services	**57**	**66**

The costs of service level agreements with SPP include management services, IT services and rental payments for headquarter buildings.

Other services relate mainly to seismic activities and transportation.

The cost of audit services in thousand EUR are as follows:

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Audit of financial statements	162	228
Other assurance services	257	205
Tax advisory services	2	39
Other related services provided by the auditor	43	30
Total	**464**	**502**

25. STAFF COSTS

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Wages, salaries and bonuses	78	78
Social security costs	30	28
Other social security costs and severance pay	5	5
Total staff costs	**113**	**111**

The Group is required by law to make social security contributions amounting to 35.2% of salary bases, up to a maximum amount ranging from EUR 1–4 thousand per employee, depending on the type of insurance. Employees contribute an additional 13.4% of the relevant base up to the above limits.

26. FINANCE INCOME

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Interest income	1	2
Gain on the sale of investments	-	-
Dividend income	2	2
Change in fair value of derivatives	9	(1)
Total investment income	**12**	**3**

(in million EUR)

27. FINANCE COSTS

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Interest expense	47	60
Foreign exchange losses	-	-
Other	-	-
Total finance costs	**47**	**60**

Interest expense represents interests related to issued bonds and bank loans (Note 19).

28. TAXATION

28.1. Income Tax

Income tax comprises the following:

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Current income tax	175	207
Special levy on business in regulated industries	41	58
Deferred special levy (Note 27.2)	(6)	(2)
Deferred income tax (Note 27.2)	(51)	(42)
– current year	(51)	(42)
Other	6	8
Total	**165**	**229**

The reconciliation between the reported income tax and the theoretical amount calculated using the standard tax rates is as follows:

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Profit before taxation	**616**	**891**
Income tax at 21%	129	188
Effect of adjustments from permanent differences between carrying amount and tax value of assets and liabilities	(5)	(5)
Special levy on business in regulated industries	41	58
Deferred special levy	(6)	(2)
Other adjustments	6	(10)
Income tax for the year	**165**	**229**

The actually recognised tax rate differs from the tax rate stipulated by law of 21% due to adjustments to the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to the valid tax legislation. Such adjustments mainly include tax non-deductible provisions for liabilities and provisions for assets and a difference between tax and accounting deprecation charges of non-current assets.

Pursuant to the requirements of IFRS, the income tax also includes a special levy on business in regulated industries pursuant to a special regulation (Note 2s).

(in million EUR)

28.2. Deferred Income Tax

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

	At 1 Oct 2020	*Charge to equity for the period*	*(Charge)/credit to profit for the period*	*At 30 Sep 2021*
Diff. between tax and acc. depreciation	(1 584)	-	40	(1 544)
Derivatives	9	87	-	96
Provision for recultivation and liquidation	39	-	3	42
Impairment	9	-	1	10
Other	(11)	-	2	(9)
Special levy	(160)	-	5	(155)
Total	**(1 698)**	**87**	**51**	**(1 560)**

	At 1 Oct 2019	*Charge to equity for the period*	*(Charge)/credit to profit for the period*	*At 30 Sep 2020*
Diff. between tax and acc. depreciation	(787)	(847)	42	(1 584)
Derivatives	9	-	-	9
Provision for recultivation and liquidation	39	-	-	39
Impairment	18	-	(1)	9
Other	(11)	-	-	(11)
Special levy	4	(169)	3	(160)
Total	**(728)**	**(1 014)**	**44**	**(1 698)**

In line with the Company’s accounting policies, certain deferred tax assets and liabilities were offset. As required by International Accounting Standards, deferred tax also includes a deferred special levy on business in regulated industries under a special regulation. (See Note 2s.) The table below shows the balances (after offsetting) of deferred tax to be recognised in the balance sheet:

	30 Sep 2021	*30 Sep 2020*
Deferred tax liability	(1 405)	(1 538)
Deferred special levy	(155)	(160)
Total	**(1 560)**	**(1 698)**

29. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

Year ended 30 Sep 2021	***Before tax***	***Tax***	***After tax***
Change in foreign currency translation reserve	(16)	3	(13)
Hedging derivatives (cash flow hedging)	400	(84)	316
Other comprehensive income for the period	**384**	**(81)**	**303**

Year ended 30 Sep 2020	***Before tax***	***Tax***	***After tax***
Change in foreign currency translation reserve	7	(2)	5
Hedging derivatives (cash flow hedging)	7	(2)	5
Other comprehensive income for the period	**14**	**(4)**	**10**

(in million EUR)

30. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 30 Sep 2021	*Year ended 30 Sep 2020*
Operating profit	657	951
Adjustments for:		
Depreciation, amortisation and impairment of assets	315	307
Provisions and other non-cash items	10	(1)
Losses from impairment of inventories and assets	2	(6)
Non-cash settlement of financial derivatives	37	5
Profit (loss) from sale of non-current assets	-	(1)
(Increase)/decrease in receivables and prepayments	92	(20)
(Increase)/decrease in inventories	(10)	4
Increase/(decrease) in trade and other payables	(108)	(16)
Other assets/liabilities	-	-
Other non-cash transactions	1	5
Cash flows from operating activities	**996**	**1 228**

31. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 30 September 2021, capital expenditure of EUR 74 million (30 September 2020: EUR 97 million) was committed under contractual arrangements for the acquisition of non-current assets, but were not recognised in these consolidated financial statements.

Natural Gas Transmission

Access to the transmission network and transmission services are provided by eustream, a.s. under the contracts which are governed by a *ship-or-pay principle.* The major user of the network (shipper) is a prominent Russian shipper of gas, followed by other customers, usually leading European gas companies transmitting gas from Russian and Asian reservoirs to Europe. The major part of the transmission capacity is ordered on the basis of long-term contracts. In addition, eustream, a.s., within the *entry-exit* system, also concludes short-term transmission contracts.

Transmission fees are paid to eustream, a.s. accounts by the relevant shipper. Tariffs have been fully regulated since 2005. The regulator annually issues pricing decisions for the relevant regulatory period based on a proposal submitted by eustream, a.s.

On the basis of the regulated business and pricing terms, shippers also provide eustream, a.s. with a portion of the tariffs in-kind as gas for operating purposes, covering gas consumption during the operation of the transmission network. This portion of the tariff can also be provided by shippers in monetary form in compliance with the regulated business and pricing terms.

Natural Gas Storage Contracts

The Group stores natural gas at storage locations in Slovakia, Czech Republic and Germany. The gas storage facilities are operated by the subsidiary, NAFTA a.s., and the joint venture, POZAGAS a.s., in Slovakia and by the subsidiary, SPP Storage, s.r.o., in the Czech Republic, for the deposit and extraction of natural gas according to seasonal demand, and to secure the safe provision of supplies as regulated by law. The gas storage facilities in Germany are operated by the subsidiary, Nafta Bavaria GmbH. Storage fees are agreed for the term of the contracts. The storage fee is based primarily on the capacity rented per year and the annual price indices.

Taxation

The Group undertakes significant transactions with several subsidiaries and associated undertakings, the shareholders and other related parties. The tax environment in which the Group operates in Slovakia is dependent on the prevailing tax legislation and practice and has relatively little existing precedent. As the tax authorities are reluctant to provide official interpretations in respect of 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. Corporate income tax in Slovakia is levied on each individual legal entity and, as a consequence, there is no concept of Group taxation or relief. The tax authorities in Slovakia 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.

Litigation and Potential Losses

The Group is involved in a number of legal disputes relating to alleged breaches of contracts. The Group is also involved in other litigation arising in the normal course of business that is not expected, either individually or combined, to have a significant adverse effect on the accompanying financial statements. The final outcome of the litigation may result in liabilities higher than the provisions recognised, and such differences may be significant.

Legislative Conditions for Business Activities in the Energy Sector

The EU's Third Energy Package

In 2009, the European Union adopted Directive 2009/72/EC and Directive 2009/73/EC and related regulations concerning common rules for the internal market in natural gas and electricity known as the "Third Energy Package" that Member States were required to transpose into their national laws no later than 3 March 2012. One of the most important requirements of the Third Energy Package is, inter alia, to determine the regime for the unbundling of transmission networks and transmission network operators. The Slovak Republic opted to implement a regime of an independent transmission operator.

On 28 October 2013, RONI issued Decision No. 002/2013/P-CE on granting certification to eustream a.s. as the transmission system operator. Subsequently, on 22 November 2013, the Ministry of Economy of the Slovak Republic issued Decision No. 1795/2013-1000, which confirmed eustream as a transmission system operator which meets the conditions for the unbundling of an independent transmission system operator pursuant to Articles 51 to 60 of the Energy Act. eustream a.s. is obliged to consistently comply with all the conditions stipulated in the relevant legislation for an independent transmission system operator.

On 1 October 2015, under RONI decision No. 0005/2015/P, the rules of network codes on capacity allocation and balancing of the network system, namely measures of the Commission Regulations (EU) No. 984/2013 dated 14 October 2013 and No. 312/2014 dated 26 March 2014, were fully implemented in the operating code.

Regulatory Framework for the Natural Gas Market in the Slovak Republic

Under valid energy legislation the natural gas market in the Slovak Republic is fully liberalised. Since 1 July 2007, all customers have been able to freely choose a natural gas supplier. As a distribution network operator, SPP – distribúcia, a.s. is required to treat all participants in a non-discriminatory manner and provide access to the distribution network on a transparent and non-discriminatory basis. It also has the obligation to enter into a contract for gas connection and distribution with anyone who has met the business and technical conditions.

Natural gas distribution, connection and access to the network are subject to regulation by the Regulatory Office for Network Industries (RONI). As a transmission system operator, the general mission of eustream a.s. is to provide reliable, safe and efficient transmission of natural gas on the defined territory of the Slovak Republic on the basis of non-discriminatory rules in accordance with national and EU legislation and contractual obligations. eustream a.s. is obliged to provide free non-discriminatory access to the transmission system on the defined territory to any gas market player who meets the commercial and technical conditions for gas transmission. The activities of eustream, a.s. are subject to regulation by the Regulatory Office of Network Industries (RONI). RONI which, inter alia, defines the regulatory policy for the individual regulatory periods, monitors compliance of the Company's activities with applicable energy legislation, and issues decisions including price decisions, by which it approves tariffs for access to the transmission system and natural gas transmission, and the conditions for their application. The regulatory period is set for five years, ie for the 2017 – 2021 period.

Tariffs for Regulated Activities

RONI approves tariffs for access to the distribution network and gas distribution, for the provision of auxiliary services, and for connection to the distribution network. The tariffs are proposed so that the total planned revenues from 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 pursuant to RONI Decree No. 223/2016 Coll., which stipulates price regulation in the gas industry.

The maximum approved revenue is determined based on eligible costs, including depreciation charges derived from the regulated base of assets set by RONI and the profit mark-up. Company management believes that non-current tangible assets are not impaired based on present indicators. There are inherent uncertainties that could have an impact on the determination of future tariffs by RONI and the future realisable value of assets.

The maximum price for connection to the distribution network in the base year of the regulatory period, ie for 2017, for gas consumers was calculated on the basis of the planned average costs related to 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 standard-scope activities necessary for connecting the gas delivery equipment. The price for connection to the distribution network is proposed separately for households and non-household gas customers.

Under RONI Decree No. 223/2016 Coll., the maximum price for connection to the distribution network for the years following the base year of the regulatory period is calculated by the indexation of the price for the year preceding the year for which the price proposal is submitted, reflecting the effect of inflation.

The calculation of the maximum price for access to the distribution network and for gas distribution for the years following the base year of the regulatory period is also partly based on basic parameter indexation.

Based on the changes resulting from issued price decisions, the RONI, under its decision, approved the related changes in the Operating Rules of SPP – distribúcia, a.s.

For the 2017 – 2021 regulatory period, tariffs for access to the transmission system and for natural gas transmission are set at a fixed price, which is also the maximum price, based on a benchmark analysis of tariffs for access to the transmission system and for gas transmission in other EU Member States. Tariffs for access to the transmission system and for natural gas transmission were approved on 31 October 2016 by RONI Decision No. 0021/2017/P, which was amended by RONI Decision No. 0100/2017/P of 17 August 2017, Decision No. 0078/2021/P of 6 April 2021 and Decision No. 0079/2021/P of 2 July 2021. In accordance with Article 14 (12) of Act No. 250/2012 Coll. on Regulation in Network Industries as amended, eustream will act in line with the decision in the application of tariffs until 31 December 2021. On 29 May 2019, RONI issued Decision No. 0040/2019/P for the regulatory period beginning on 1 January 2022, in which it decided on the methodology for determining the reference price, the amount of applicable reference prices, the level of multipliers, discounts and other factors pursuant to Art. 26 and Art. 28 of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas.

Changes to Regulation Legislation

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

By Amendment No. 1 to the Regulatory Policy for the 2017 – 2021 Regulatory Period dated 10 November 2020, the Regulatory Board extended the regulatory period by one year until 31 December 2022.

(in million EUR)

32. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties that are not consolidated entities in these consolidated financial statements:

	Year ended 30 Sep 2021			***30 Sep 2021***			
	Revenues	***Expenses***	***Dividends***	***Property and inventory***	***Receivables***	***Short term deposits***	***Payables***
Slovak Gas Holding B.V.	-	-	258	-	-	119	-
Slovenský plynárenský priemysel, a.s.	325	9	268	2	1	124	40
Joint ventures	-	-	-	-	-	-	-
Other related parties	159	14	32	34	18	-	32

	Year ended 30 Sep 2020			***30 Sep 2020***			
	Revenues	***Expenses***	***Dividends***	***Property and inventory***	***Receivables***	***Short term deposits***	***Payables***
Slovak Gas Holding B.V.	-	-	265	-	-	166	-
Slovenský plynárenský priemysel, a.s.	345	8	276	2	2	173	41
Joint ventures	1	-	-	-	-	6	-
Other related parties	37	9	-	16	3	12	12

Management considers that the transactions with related parties have been made on an arm's length basis.

Transactions with Slovak Gas Holding represent dividend payments.

Transactions with joint ventures represent services related to natural gas.

Transactions with other companies and other related parties mainly represent services related to purchases and sales of natural gas, advisory and consulting services, and other services.

Compensation of the members of the bodies and executive management was as follows:

	Year ended 30 Sep 2021	***Year ended 30 Sep 2020***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total for combined entities	5	5
Of which – Board of Directors and executive management	*4*	*4*
– Supervisory Board	*1*	*1*

(in million EUR)

a) Members of the Company's Bodies

Body	***Function***	***Name***
Board of Directors	Chairman	Ing. František Čupr, MBA - since 30 Sep 2020
	Chairman	JUDr. Daniel Křetínský - from 3 Jul 2013 to 29 Sep 2020
	Vice-Chairman	Ing. Ľuboš Lopatka, PhD. - since 30 Sep 2020
	Vice-Chairman	JUDr. Alexander Sako – from 3 Jul 2013 to 29 Sep 2020
	Member	Ing. Milan Urban - since 30 Sep 2020
	Member	JUDr. Marián Valko - from 8 Oct 2013 to 29 Sep 2020
	Member	Ing. Miroslav Haško - since 8 Oct 2013
	Member	Mgr. Jan Stříteský - since 29 Mar 2018
Supervisory Board	Chair	Ing. Ingrid Šabíková, PhD. - since 27 Mar 2021
	Chair	Ing. Adriana Bujdáková - from 13 Jun 2019 to 26 Mar 2021
	Vice-Chairman	Mgr. Pavel Horský - since 3 Jul 2013
	Member	Ing. Michal Sklienka - since 30 Sep 2020
	Member	Mgr. Ladislav Nagy - from 29 Sep 2018 to 29 Sep 2020
	Member	Ing. Dušan Halgaš - since 30 Sep 2020
	Member	Ing. Tomáš Richter - from 1 Dec 2015 to 29 Sep 2020
	Member	Jiří Zrůst - since 21 Apr 2017
	Member	MUDr. Dalibor Gergeľ, PhD - since 30 Sep 2020
	Member	Ing. Peter Novák - from 29 Sep 2018 to 29 Sep 2020

33. POST-BALANCE SHEET EVENTS

At the end of 2019, information on the coronavirus in China was published for the first time. In early 2020, the virus spread globally and may also affect the Slovak economy. Company management considers this event to be an event that does not affect nor require an adjustment to the 2021 financial statements, but rather to be an event that requires disclosure in the notes to the 2021 financial statements. Despite the constantly-changing situation, as at the date of publication of the financial statements, there was no significant impact on the Company's operations according to Company management. Company management continues to closely monitor the situation and, if necessary, it will take all possible steps to prevent negative impacts on the Company.

Company management continues to closely monitor the continuing pandemic and its potential impacts and has also implemented measures to ensure the safety and reliability of the operation of critical infrastructure as regards transmission, distribution and storage of natural gas and, if necessary, it will take all possible steps to avert negative impacts of this situation on the Group.

In October 2021, NAFTA, a.s. repaid early the balance of an undrawn credit facility in the total amount of EUR 55 million.

In October 2021, SPP-distribúcia, a.s. partially repaid a loan in the amount of EUR 50 million.

In December 2021, NAFTA a.s. drew a bank loan in the amount of EUR 43.5 million falling due in 2024. The interest rate of the loan consists of a variable component (3M EURIBOR) and a fixed margin (% p.a.).

In December 2021, NAFTA a.s. drew a short-term revolving loan in the amount of EUR 6.5 million of the total credit facility of EUR 15 million, the maturity of which is renewed every three months and its final maturity is 2024. The interest rate of the loan consists of a variable component (3M EURIBOR) and a fixed margin (% p.a.).

On 17 December 2021, the Company's General Meeting approved the payment of dividends to the shareholders totalling EUR 431 million.

In relation to the ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation, the Group has identified risks and adopted appropriate measures to mitigate the impact on its business. Based on available information and current developments, the Group is continuously analysing the situation and assessing its direct impact on the Company as well as on its subsidiaries. The Company's management has considered the potential impacts of this situation on its operations and business and has concluded that currently, they do not have a material impact on the consolidated financial statements for the year ended 31 September 2021 or on the going concern assumption in 2022. However, it cannot be ruled out that further negative developments might occur in this situation, which may subsequently have an adverse material impact on the Group, its business, financial condition, results, cash flows and prospects in general.

After the reporting date, there were no events other than those stated above that would have a significant impact on the fair presentation of the matters disclosed in these financial statements.

Prepared on: 2 March 2022	***Signature of a member of the statutory body of the reporting entity or a natural person acting as a reporting entity:***	***Signature of the person responsible for the preparation of the financial statements:***	***Signature of the person responsible for bookkeeping:***
Approved on:	Ing. František Čupr Chairman of the Board of Directors	On behalf of SPP I Group Ing. Roman Filipoiu Chief Financial Officer	On behalf of SPP I Group Ing. Peter Duračka Head of Finance
	Ing. Ľuboš Lopatka, PhD Vice-chairman of the Board of Directors		