ANNUAL REPORT

1 August 2018 - 31 July 2019

eustream
SLOVAK GAS TSO

Contents

The Annual Report is published for the accounting period from 1 August 2018 to 31 July 2019.

ADDRESS FROM THE CHAIRMAN OF THE BOARD

Tomáš Mareček
Chairman of the Board of Directors

Dear business partners, colleagues and friends,

the Slovak transmission system operator, Eustream, hereby presents its ordinary financial statements and annual report documenting the condition and development of the company over its fiscal year from 1 August 2018 to 31 July 2019.

Eustream operates a transmission system in Slovakia that is integrated into one of the primary natural gas transmission corridors to European markets of strategic importance for Central, Western and Southern Europe. A total of 66.47 billion cubic metres of natural gas (701,464 GWh) were transported over this period. This gas was transported in accordance with customer requirements and without any technical delays. Revenues from the sale of services in the accounting period from 1 August 2018 to 31 July 2019 totalled €792.86 million, with earnings before interest, depreciation, taxes and amortisation (EBIDTA) totalling €704.58 million.

The previous fiscal year was positive for Eustream in terms of a further improvement in the business outlook over the long term given the overall situation in the European gas sector. As a result of the gradual slowdown in domestic European natural gas extraction and stable levels of consumption, demand for imported natural gas, and therefore the importance of the Slovak transmission system, is set to rise (also within the context of the construction of new gas pipelines). This fact was repeatedly reflected in the results of auctions and in the long-term reservation of our transmission capacity.

Eustream's priority is maintaining the ability to respond flexibly to demand for transmission services; a good example of this lies in the daily record highs made in natural gas transported from the Ukraine over the last month of the accounting period that were the highest in more than seven years.

Transmission in the direction of Ukraine also continued steadily in addition to traditional flows of natural gas. Personally, I would like to highlight the commercial success of the Hungary-Slovakia pipeline connector, for which capacity was successfully reserved as part of the annual auction for the upcoming gas year. More positive news for our clients is visible progress in investments in the development of the transmission system itself, which are intended to enhance energy security in the region and create conditions for new trading opportunities. Thanks to a new compressor station in the western part of the country and additional system modifications, we will be able to offer more than double the transmission capacity in a reverse direction from the Czech Republic from the beginning of next year, which enhances the options for transmission to other connection points. We are also making progress in the construction of our first bi-directional pipeline connector to Poland, which will connect our region to alternative natural gas sources from the north in the coming years.

We see the development of a modern transmission system within the context of our shared responsibility towards meeting European and global environmental objectives and targets. In our opinion, it is simply unrealistic to expect them to be met without the major involvement of natural gas and the utilisation of gas sector infrastructure as the optimal partner for renewable energy sources.

Please allow me in closing to thank all our business partners, foreign and domestic customers, investors and our experienced team of employees for the success we achieved over the past fiscal year.

COMPANY PROFILE

Eustream - gas crossroads of Central Europe

Eustream is the operator of the high-pressure transmission system in the Slovak Republic whose main mission is the transmission of natural gas to Slovakia and through its territory to the European markets. Transmission capacity in the system is used by major European energy companies. System access is provided to all partners in a transparent and non-discriminatory manner in accordance with European and Slovak gas legislation.

Eustream's transmission system represents an important energy connection between the Russian Federation and the European Union. It is connected to the primary transmission routes in Ukraine, Czech Republic, Austria and Hungary, and a new gas interconnection pipeline with Poland is being built.

SPP Infrastructure, a. s., with registered office at Mlynské nivy 44/a, 825 11 Bratislava owned 100% of eustream, a.s., shares as of 31 July 2019. Eustream owns 15% of the shares of Central European Gas Hub AG with registered office at Floridsdorfer Hauptstrasse 1, 1210 Vienna, Austria and 100% of the shares of Eastring B.V. with registered office in Amsterdam, the Netherlands.

Eustream did not have any ownership interests in other companies or organisational units abroad as at 31 July 2019.

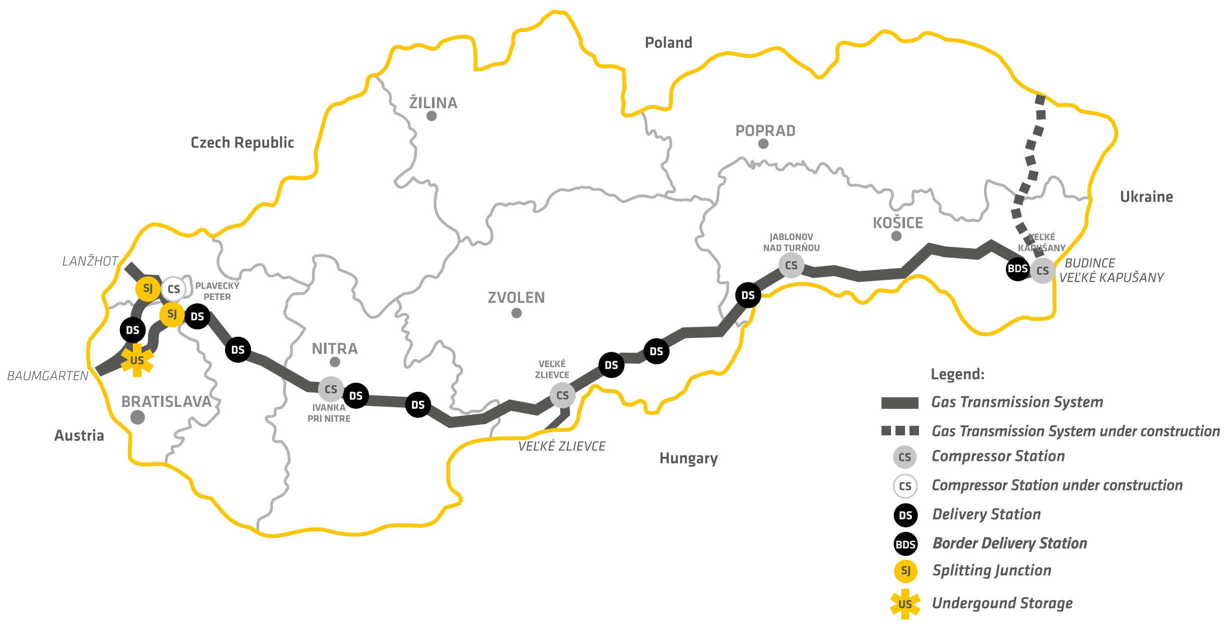
Eustream's transmission system

The transmission system is comprised of four to five parallel pipes, 1200 or 1400 mm in diameter, with an operating pressure of 7.35 MPa. The capacity necessary for continuous gas flow is provided by four compressor stations with an output of almost 500 MW (the fifth compressor station with 46 MW output is under construction in the western part of Slovakia with a planned commissioning in the last quarter of 2019).

Access to transmission system capacities is based on the Entry - Exit principle. Customers may choose from one of the following entry/exit points to/from the transmission system:

- Veľké Kapušany (entry/exit point to/from gas transmission system in Ukraine),
- Baumgarten (entry/exit point to/from gas transmission system in Austria),
- Lanžhot (entry/exit point to/from gas transmission system in Czech Republic),
- Budince (entry/exit point to/from gas transmission system in Ukraine),
- Veľké Zlievce (entry/exit point to/from gas transmission system in Hungary),
- domestic point (entry/exit point to distribution systems and storage facilities in Slovakia).

Eustream facilitates the exchange of gas ownership at a virtual trading point operated by the company, both between system users with reserved transmission capacity and between gas traders.



NATURAL GAS TRANSMISSION

Eustream recorded 1,755 new confirmed reservations for transmission capacity and 1,797 active contracts to access the transmission system and for natural gas transmission in the period from 01 August 2018 to 31 July 2019.

The Eustream transmission system transported a total of 66.47 billion cubic metres of natural gas in the monitored period, an amount corresponding to 701.46 terrawatt hours. Of this total, more than 6.9 billion cubic metres of natural gas were transmitted to Czech Republic, 46.1 billion cubic metres of natural gas were transmitted to Austria and more than 7.5 billion cubic metres of natural gas were transmitted to Ukraine. The remainder was transmitted to natural gas customers in Slovakia and in direction to Hungary. The largest volume of transmission operations, almost 93 percent, was completed for international customers.

Natural gas transmission (in billions of m^3)

01/08/2018 to 31/07/2019	01/08/2018 to 31/07/2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
66.47	34.2	64.2	60.6	55.8	46.5	58.5	56.5	74.0	71.4	66.4

Natural gas transmission (in TWh)

01/08/2018 to 31/07/2019	01/08/2018 to 31/07/2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
701.46	362.2	678.66	642.99	591.13	488.53	614.25	587.60	769.60	742.56	690.56

TRANSMISSION SYSTEM DEVELOPMENT

In order to increase the flexibility and efficiency of natural gas transmission, and to minimise the impact of transmission system activities on the environment, the company Eustream continuously modernises its network and makes investments into new equipment and environmental technologies. Long-term forecasts for natural gas transmission through Slovakia and the requirements of environmental protection legislative have served as the impetus for the company Eustream to elaborate a concept to modernise the transmission system infrastructure, an effort which continued in the previous accounting period as well. The objective of Eustream is to create optimal conditions for satisfying of the current, as well as future demand for transmission services related to the expected increase in the need of natural gas import to the European Union, mainly due to the decline in domestic production. Investments are focused on replacing a modernisation of the existing units, technical modifications to the configuration and settings of the entire transmission system to enable the company to flexibly respond to changes in the demand for natural gas transmission.

Eustream completed projects from 01 August 2018 to 31 July 2019 focused on developing the transmission system with total investment costs exceeding €64 million.

The most significant development project in the past accounting period were the Interconnection pipeline Poland - Slovakia and Extension of the gas hub in the location of Lakšárska Nová Ves with installation of technology for natural gas transmission.
Owing to the new bi-directional interconnection pipeline with Poland, the countries of Central and South-eastern Europe will gain access to new alternative sources of natural gas from the north, and mainly access to the global market with liquefied natural gas. Shortly after the building permit entered into force in August 2018 the construction works related mainly to preparation of the construction strip commenced. In Q2 2019, welding works were fully underway, as well as the gradual assembly and laying of gas pipeline with the aim of commissioning the gas pipeline by the end of 2021.
The project of Extension of gas hub in the location of Lakšárska Nová Ves was also progressing well. A significant milestone in the second half-year of 2018 was the supply of two tandem compressors together with gas turbines with a total output of 46MW and their installation into the halls. In the previous period, all works proceeded in order to make commissioning of the project possible by the planned deadline in the last quarter of 2019. After completion of the project, the fixed technical capacity in direction from the Czech Republic will double, which will enable more flexible transmission of natural gas in direction to all remaining exit points with the neighbouring countries.
In the development category, there are several other unfinished projects, out of which the most significant project in the engineering phase is the Eastring gas pipeline - a gas pipeline interconnection project for Central and South-eastern Europe, for which the Feasibility Study was delivered in Q3 2018. Eastring is the only project that offers direct bi-directional interconnection between the developed gas markets in the EU and the Turkish-Bulgarian border, i.e. the region that is gradually turning into an important gas hub with access to several significant sources of natural gas. A study confirmed that the project is economically perspective, and owing to this fact, Eustream continues to negotiate with the potential partners.
The Poland-Slovakia Gas Interconnection and Eastring projects are classified on the list of Projects of Common Interest (PCI), which makes them eligible for support from the Connecting Europe Facility (CEF) focused on financing preparatory activities and implementing projects of common interest in the transport, energy and telecommunications sectors, which is a part of the Community action programme of the European Union.

Co-financed by the European Union
Connecting Europe Facility

LEGAL COMPLIANCE

Eustream holds a permit for the transmission of gas in the territory of the Slovak Republic. Given that natural gas transmission is a regulated activity, Eustream's activities as a transmission network operator are subject to regulation, control and monitoring exercised by the Regulatory Office for Network Industries (Regulatory Office) and the Ministry of Economy of the Slovak Republic (Ministry of Economy). The basic mission of Eustream is reliable, safe and efficient operation of the transmission system and natural gas transmission based on non-discriminatory rules in compliance with the national and European legislation.

Energy Legislation of the Slovak Republic

The Slovak legislation in the gas industry sector relies on the so-called third energy package of the European Union (EU), which was transposed into the legal order of the Slovak Republic in 2012. The main legal regulations governing and regulating the energy business in the Slovak Republic include the Act No. 251/2012 Coll. of 31 July 2012 on energy and on amendments and supplements of certain acts, as amended and the Act No. 250/2012 Coll. of 31 July 2012 on regulation in network industries, as amended, as well as the generally binding legal regulations issued based on them (mainly the Decree of the Regulatory Office No. 24/2013 Coll. of 14 January 2013 laying down rules for electricity market functioning and rules for gas market functioning, as amended and the Decree of the Regulatory Office No. 223/2016 Coll. of 19 July 2016 establishing price regulation in the gas industry, as amended).

EU Network Codes Implementation

Eustream has implemented gas network codes with respect to the gas transmission. It concerns Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks, Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules, Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013, and Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas.

Eustream makes maximum efforts in its activities aimed at consistent and permanent performance of obligations and observance of the terms and conditions stipulated by the respective legislation, as well as other documents issued based on them (e.g. valid decisions of the Regulatory Office).

Independent Transmission Operator

Following the adoption of the EU's Third Energy Package and its subsequent implementation into Slovak legislation, Eustream's certification as an independent transmission operator became one of the most important milestones in the company's history. Based on the Regulatory Office's decision to award certification, Eustream was certified in 2013 by the Ministry of Economy as an independent transmission network operator meeting all the conditions laid down in the respective legislation. Eustream's obligation is to ensure on-going compliance with all conditions that formed the basis for award of the certification decision. The Regulatory Office conducts surveillance over Eustream by continuously monitoring Eustream's observance of the terms and conditions and compliance with its obligations as an independent transmission operator.

Determination of Tariffs for Access to the Transmission System and Natural Gas Transmission

The Regulatory Office approves tariffs for access to the transmission system and natural gas transmission as well as the conditions for their application for the defined regulatory periods in compliance with the respective legislation. These tariffs are determined for the current regulatory period of 2017 - 2021 by setting of a fixed price, which represents the maximum price for access to the transmission system and natural gas transmission, by comparing with the prices for access to the transmission system and natural gas transmission in the EU member states. The tariffs valid for the current regulatory period were approved by Regulatory Office Decision No. 0021/2017/P dated 31 October 2016 as amended by Regulatory Office Decision No. 0100/2017/P dated 17 August 2017. In compliance with Section 14 (12) of the Act No. 250/2012 Coll. of 31 July 2012 on regulation in the network industries, as amended, Eustream will proceed according to the given price decision until the end of the current regulatory period unless the Regulatory Office approves an amendment to the price decision. At the same time, on 29 May 2019, the Regulatory Office issued a new price decision No. 0040/2019/P for the coming regulatory period starting from 01 January 2022 that decided on the methodology of determining the reference price, multipliers, seasonal factors and discounts pursuant to Article 26 and Article 28 of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas.

COMPLIANCE PROGRAM FULFILMENT

Per §58 (11)(a) of Act No. 251/2012 Coll. on Energy and on amendment of certain acts, a person must be appointed to ensure compliance on the part of the transmission system operator (Compliance Program Manager) to monitor fulfilment of the compliance program.

Eustream maintained a compliance program within the monitored period (from 1 August 2018 to 31 July 2019) that primarily concerned:

- activities to ensure the non-discriminatory conduct and independence of the transmission system operator,
- specific obligations of employees and members of management and supervisory bodies of the transmission system operator focused on fulfilling the purpose of the compliance program.

The transmission system operator submitted the draft compliance program to the Regulatory Office for approval, which approved the program on 18 June 2013 and the program entered into force on the same day. Eustream then took all actions needed to ensure adherence to the compliance program and monitoring of its fulfilment. Supervision over fulfilment of the program was conducted by the Regulatory Office under §9 (1)(b)(6) in connection with §26 (11) of Act No. 250/2012 Coll. on Regulation in Network Industries.

The transmission system operator provided the compliance program manager with the cooperation needed to conduct its rights and obligations and ensured that other persons via which the transmission system operator conducts its activities provided the same level of cooperation. The Compliance Program Manager was given the right to participate in meetings of the board of directors as the statutory body of the transmission system operator and meetings of the supervisory commission, meetings of the transmission system operator's general meeting and other bodies of the transmission system operator per the Commercial Code, the right to access records and documents involving the activities of the transmission system operator and the ability to provide all information needed to fulfil its obligations as the person obliged to ensure compliance as well as access to the transmission system operator's registered office and its facilities without prior notice.

Within the monitored period, the Compliance Program Manager:

- did not determine any serious violations of the compliance program on the part of the transmission system operator,
- did not identify any actions by any entities included in the same vertically integrated gas enterprise as the transmission system operator or that directly or indirectly exercise control over any entities included in the same vertically integrated gas enterprise as the transmission system operator at the general meeting or by a member of the supervisory commission at the meetings of the supervisory commission of the transmission system operator that would have prevented the transmission system operator from completing investments in the next three years per the ten-year system development plan.

Milan Sedláček
Compliance Program Manager

BOARD OF DIRECTORS

Tomáš Mareček
Chairman of the Board of Directors

Tomáš Mareček	Chairman of the Board of Directors
Robert Hančák	Deputy Chairman of the Board of Directors
Miroslav Bodnár	Board member
Mirek Topolánek	Board member
Eva Markovičová	Board member

The structure presented dates to 31 July 2019. There were no changes to the structure of the board of directors during the monitored period.

SUPERVISORY BOARD

Peter Trgiňa	Chairman of the Supervisory Board
Jiří Zrůst	Deputy Chairman of the Supervisory Board
Andrej Lendvay	Supervisory Board member
Mikuláš Maník	Supervisory Board member
Peter Pandy	Supervisory Board member
Dominik Hríň	Supervisory Board member

The structure presented dates to 31 July 2019. With effect as of 07 February 2019, Dominik Hríň was elected as a Supervisory Board member replacing Peter Joanidis, who resigned as a Supervisory Board member.

SUPERVISORY COMMISSION

Daniel Křetínský	Chairman of the Supervisory Commission
Ružena Lovasová	Deputy Chairwoman of the Supervisory Commission
Hana Krejčí	Supervisory Commission member
Roman Karlubík	Supervisory Commission member
Jan Stříteský	Supervisory Commission member

The structure presented dates to 31 July 2019. There were no changes to the structure of the supervisory commission during the monitored period.

MANAGEMENT

Rastislav Ňukovič
General Director

Rastislav Ňukovič	General Director
Miroslav Bodnár	Strategy
Peter Pčola	Director of Business and Regulation
Miloš Farštiak	Director of Economics and Finance
Mirek Topolánek	Director of Foreign Development and Relations with Public Institutions
Petr Krafka	Director of Corporate Affairs
Peter Tóth	Director of Asset Management
Ján Janus	Director of Dispatching
Ivan Orth	Director of Compressor Equipment
Anton Zelenaj	Director of Pipeline System Maintenance and Repairs

The structure presented dates to 31 July 2019. There were changes in the company management in the monitored period as of November 2018 Mr Ivan Orth is the Director of Compressor Equipment and Mr Anton Zelenaj is the Director of Pipeline System Maintenance and Repairs.

HUMAN RESOURCES

As at 31 July 2019, the company Eustream had 643 employees. The priorities of human resources management were to ensure the on-going projects of transmission system development and several employee education and development programs:

- succession program – intended for internal company employees. Its objective is to support and stabilise potential employees, to expand the competencies of management and focuses on specialised positions;
- graduate program – intended for university graduates with no experience, and with experience of up to years after graduation from university respectively;
- internship program – intended for students in the 4th and 5th years of university studies and for recent graduates with no experience to attend professional internship at Eustream. The interns themselves are rotated through different organisational units in the company and work under the close supervision of a mentor.

Eustream has a remuneration system with clear, fair and motivating rules. Employee remuneration is closely connected with work performance evaluation and it was also completed with the employee benefits program in the monitored period. In the previous economic year, the employer continued to use all available forms of assistance if any of its employees found themselves in situations with a detrimental impact on their personal or family lives.

Eustream's primary goal in the field of internal communication with employees is to provide employees and Slovak Gas Trade Union (POZ) representatives with information on important changes in a transparent, accurate, and timely manner.

ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

ENVIRONMENTAL PROTECTION

The use of natural gas in the energy mix plays an important role in reduction of greenhouse gas emissions and improving air quality. The flexibility and reliability of natural gas form conditions for the development of renewable sources and faster phasing out of non-ecological energy sources, mainly of coal. Thus, we see the maintenance and development of a modern gas infrastructure and related development of new gas technologies as an important pillar of efficient achievement of ecological goals.

In the actual operation of the transmission network, Eustream specifically concentrates on the following:

- reducing emissions and environmental pollutants,
- decreasing the level of noise emitted around compressor stations,
- compliance with the waste management hierarchy to reduce the amount of waste generated,
- optimising water management.

By continuous care for our equipment we make sure to comply with the increasingly stringent legislation in the field of protection of ambient air, including preparations for full harmonisation with the Commission Implementing Decision (EU) 2017/1442 establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and of the Council, for large combustion plants. We pay special attention to active prevention of the release of methane emissions, mainly by detailed monitoring and consistent natural gas pumping during the maintenance of gas pipelines.

OCCUPATIONAL HEALTH AND SAFETY

Eustream assures occupational health and safety per relevant legislative and internal regulations to mitigate all employee safety risks to the greatest possible extent and to protect their health at work.

Several health-related programs are conducted throughout the year within the employee health prevention program and occupational rehabilitation services are also provided. Eustream applies an active OHS policy focused on employees, suppliers and all business partners involved in the organisation's activities. In collaboration with the occupational health service, individual workplaces are subject to monitoring of conditions and working environment impacts on the health and safety of employees. Employees regularly complete preventative medical examinations.

A functional OHS and environmental management system is deployed at Eustream. Compliance with legislation and related standards was confirmed by internal audits within the company, control activities conducted by state bodies and an external recertification audit conducted at the end of 2018. No registered workplace injuries were recorded during the past accounting period.

ECONOMIC AND FINANCIAL PERFORMANCE

In the financial year ending on 31 July 2019, Eustream generated €792.86 million in revenues from the sale of services. A total of €216.12 million was reported in operating costs in for the same period. Major cost items in this period included depreciation, costs of services, consumption of natural gas, materials and energy and personnel costs. Financial activities in the 12-month accounting period generated a loss of €43.04 million, primarily as a result of interest costs.

In the 12-month accounting period ending on 31 July 2019, Eustream reported profit before taxes in the amount of €533.70 according to the International Financial Reporting Standards (IFRS) as adopted by the European Union. Income tax on ordinary activities was €147.09 million with profit after tax of €386.61 million.

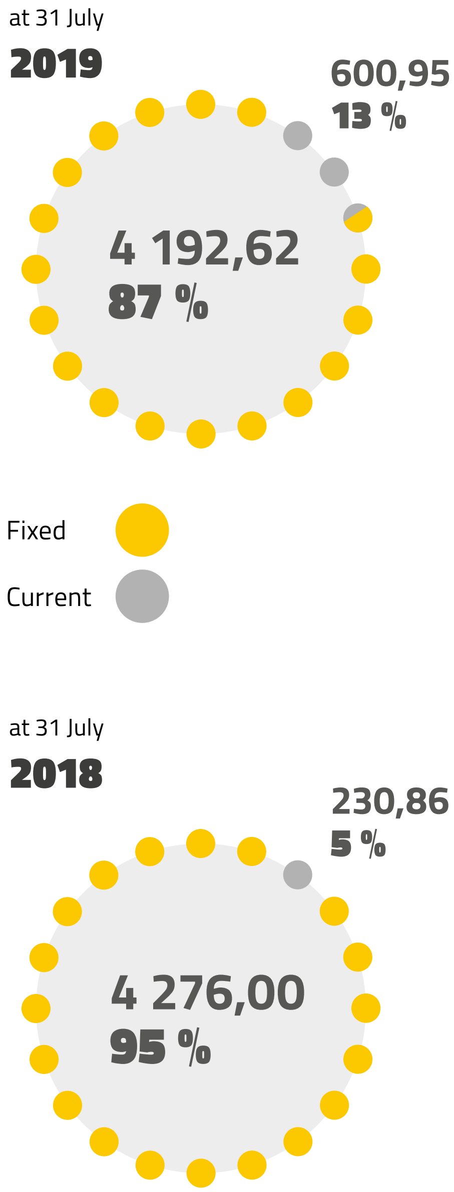
CAPITAL STRUCTURE

Eustream's total assets at the balance sheet date were €4,793.57 million, increasing by €286.71 million compared to the previous period. Fixed assets were reported in a total amount of €4,192.62 million, accounting for 87% of total assets. This decrease was primarily attributed to depreciation. Current assets included accounts receivable, cash and cash equivalents and inventories and accounted for 13 % of total assets. Compared to the previous year, current assets increased by €370.09 million, primarily as a result of an increase in receivables and cash and cash equivalents.

Equity totalled €2,251.45 million, or 47% of the value of the company's assets. Equity included capital stock as well as the statutory reserve fund, other funds, reserves from revaluation and retained earnings. Equity reached a year-on-year increase of €145.06 million, and that mainly due to the profit of the current period.

Company capital stock registered in the Commercial Register was €282.93 million. This total includes ten ordinary registered shares with a nominal value of €3,319.39, one ordinary registered share with a nominal value of €82,895,533.19 and one ordinary registered share with a nominal value of €200,000,000.00.

Comparison of the structure of assets (€ million)



Structure of Shareholders at 31 July 2019:

SPP Infrastructure, a. s.	**12**	shares 100 %

The company's statutory reserve fund as at the balance sheet date was €56.59 million.

Total liabilities accounted for 53% of assets and totalled €2,542.12 million as at the balance sheet date. Liabilities consisted of long-term liabilities in the amount of €1,672.73 million and short-term liabilities in the amount of €869.39 million, which in comparison with the previous year increased by €804.88 million due to the transfer of the part of bonds due within 1 year from the long-term liabilities.

Comparison of the structure of equity and liabilities (€ million)

	at 31 July 2019	at 31 July 2018	**at 31 July 2019**	at 31 July 2018
Equity	**2,251.45**	2,106.39	**47 %**	47 %
Liabilities	**2,542.12**	2,400.47	**53 %**	53 %

FINANCIAL STATEMENTS

BALANCE SHEETS (selected details, € thousands)

	31 July 2019	31 July 2018
ASSETS		
FIXED ASSETS		
Property, plant and equipment	4,150,389	4,211,639
Fixed intangible assets	2,527	3,026
Long-term financial investments	6,661	6,659
Other fixed assets	33,041	54,673
Fixed assets, total	4,192,618	4,275,997
CURRENT ASSETS	**600,947**	230,866
ASSETS, TOTAL	**4,793,565**	4,506,863
EQUITY AND LIABILITIES		
EQUITY		
Capital stock	282,929	282,929
Statutory and other funds	40,394	30,468
Revaluation reserve	1,497,745	1,541,772
Retained earnings	430,382	251,222
Equity, total	2,251,450	2,106,391
LONG-TERM LIABILITIES	**1,672,090**	2,335,961
CURRENT LIABILITIES	**870,025**	64,511
Liabilities, total	**2,542,115**	2,400,472
EQUITY AND LIABILITIES, TOTAL	**4,793,565**	4,506,863

INCOME STATEMENTS (selected details, € thousands)

	12-month period ending on 31 July 2019	7-month period ending on 31 July 2018
REVENUES FROM SALES OF SERVICES	792,857	450,623
OPERATING COSTS	(216,115)	(128,250)
OPERATING PROFIT	576,742	322,373
Financial revenues	1,296	1,188
Financial expenses	(44,338)	(26,065)
Profit before tax	533,700	297,496
INCOME TAX	**(147,088)**	(73,885)
PROFIT FOR THE PERIOD	**386,612**	223,611

FINANCIAL STATEMENTS

CASH FLOW STATEMENTS (selected details, € thousands)

	12-month period ending on 31 July 2019	7-month period ending on 31 July 2018
OPERATING ACTIVITIES		
Cash flow from operating activities	420,209	329,272
Interests paid	(45,003)	(44,862)
Received interests	139	301
Income tax paid	(99,482)	(84,382)
Cash flow from operating activities, net	275,863	200,329
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(59,493)	(16,516)
Provided loans	-	(25)
Proceeds from sale of property, plant and equipment and intangible assets	23	13
Received dividends	751	786
Cash flow used in investment activities, net	(58,719)	(15,742)
FINANCIAL ACTIVITIES		
Revenues from received loans	65,000	-
Dividends paid	(186,000)	(185,000)
Other income from financial activities	-	3,005
Cash flow from financial activities, net	(121,000)	(181,995)
NET INCREASE/(DECREASE) IN BALANCE OF CASH AND CASH EQUIVALENTS	96,144	2,592
NET FOREIGN EXCHANGE DIFFERENCE	(1)	(4)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	76,751	74,163
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	**172,894**	76,751

SIGNIFICANT EVENTS

Since the last day of the reporting period for which this Annual Report is compiled, no significant events occurred that would merit mentioning.

CONTACT

Commercial name:	eustream, a.s.
Registered office:	Votrubova 11/A, 821 09 Bratislava, Slovakia
Tel.:	+421 2 6250 7111
E-mail:	info@eustream.sk
Legal form:	Joint Stock Company
Registered in the Companies Register:	District Court of Bratislava I, section Sa, entry ref. no. 3480/B
Identification and tax details:	Company reg. no.: 35910712 Tax reg. no.: 2021931175 VAT reg. no.: SK2021931175

Building a better working world

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Independent Auditor's Report

To the Shareholder, Supervisory Board and Board of Directors of eustream, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of eustream, a.s. ('the Company'), which comprise the balance sheet as at 31 July 2019 and Income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 July 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Building a better working world

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

- Information disclosed in the annual report prepared for period ended 31 July 2019 is consistent with the financial statements for the relevant period,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Company and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

15 August 2019
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Peter Uram-Hrišo, statutory auditor
UDVA Licence No. 996

FINANCIAL STATEMENTS

eustream, a.s.

FINANCIAL STATEMENTS
(PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EU)

For the year ended 31 July 2019

CONTENTS

eustream, a.s.
BALANCE SHEET
As at 31 July 2019 and as at 31 July 2018
(€ '000)

	Note	31 July 2019	31 July 2018
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	7	4,150,389	4,211,639
Intangible assets	8	2,527	3,026
Non–current financial investments	9	6,661	6,659
Other assets		33,041	54,673
Total non-current assets		4,192,618	4,275,997
CURRENT ASSETS			
Inventories	10	13,463	15,414
Receivables and prepayments	11	414,590	131,298
Cash and cash equivalents	12	172,894	76,751
Current income tax receivable		-	7,403
Total current assets		600,947	230,866
TOTAL ASSETS		**4,793,565**	**4 506,863**
EQUITY AND LIABILITIES:			
EQUITY			
Registered capital	18	282,929	282,929
Legal reserve fund and other reserves	19	40,394	30,468
Revaluation reserve	19	1,497,745	1,541,772
Retained earnings	19	430,382	251,222
Total equity		2,251,450	2,106,391
NON-CURRENT LIABILITIES			
Bonds issued	16	492,660	1,233,019
Loans received	16	139,983	74,972
Deferred income	13	58,696	62,033
Provisions	15	6,860	8,406
Retirement and other long-term employee benefits	14	3,986	3,258
Deferred income tax liability	26.2	894,462	914,460
Other non-current financial liabilities		75,443	39,813
Total non-current liabilities		1,672,090	2,335,961
CURRENT LIABILITIES			
Bonds issued	16	747,811	8,151
Loans received	16	66	65
Trade and other payables	17	59,287	55,760
Current income tax liability		62,712	-
Provisions and other current liabilities	15	149	535
Total current liabilities		870,025	64,511
Total liabilities		2,542,115	2,400,472
TOTAL EQUITY AND LIABILITIES		**4,793,565**	**4,506,863**

The financial statements on pages 1 to 44 were authorized for issue on behalf of the Board of Directors of the Company on 15 August 2019 and signed on their behalf by:

Ing. Tomáš Mareček
Chairman of the Board of Directors

Ing. Miroslav Bodnár
Member of the Board of Directors

These financial statements are subject to subsequent approval by General Meeting.

The accompanying notes are an integral part of the financial statements.
THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK DOCUMENT.

(€ '000)

	Note	Year ending 31 July 2019	7-month period ending 31 July 2018
REVENUES FROM SALE OF SERVICES			
Natural gas transmission and other	20	792,857	450,623
Total revenues		792,857	450,623
OPERATING COSTS			
Own work capitalized		3,690	1,248
Consumption of natural gas, consumables and services		(43,911)	(24,645)
Depreciation, amortization and impairment losses, net	7, 8	(127,836)	(75,608)
Other services		(20,968)	(10,448)
Personnel expenses	21	(30,587)	(17,185)
Provision for bad and doubtful debts, obsolete and slow-moving inventory, net	10, 11	(340)	(181)
Provisions	7,8,15	1,305	-
Other operating income		3,580	3,424
Other operating expenses		(1,048)	(4,855)
Total operating costs		(216,115)	(128,250)
OPERATING PROFIT		576,742	322,373
Financial income	23	1,296	1,188
Financial expense	24	(44,338)	(26,065)
Profit before taxation		533,700	297,496
INCOME TAX	26.1	(147,088)	(73,885)
NET PROFIT FOR THE PERIOD		**386,612**	**223,611**

(€ '000)

	Note	Year ending 31 July 2019	7-month period ending 31 July 2018
PROFIT FOR THE PERIOD		386,612	223,611
Other comprehensive income (items that may be reclassified subsequently to income statement):	**27**		
Fair value gains/(losses) on cash flow hedges		12,564	(31,330)
Deferred tax relating to components of other comprehensive income/loss for the period		(2,638)	6,579
Other comprehensive income (items that will not be reclassified subsequently to income statement):	**27**		
Increase of reserve from revaluation of assets		-	-
Decrease of reserve from revaluation due to changes in fair value		(606)	(82)
Deferred tax relating to items of other comprehensive income/(loss) for the period		127	17
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		9,447	(24,816)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**396,059**	**198,795**

eustream, a.s.
STATEMENT OF CHANGES IN EQUITY
for the periods ending 31 July 2019 and 31 July 2018
(€ '000)

	Registered capital	Legal reserve fund	Hedge reserve	Revaluation reserve	Retained earnings	Total
Balance at 31 December 2017	**282,929**	**56,586**	**(1,367)**	**1,567,945**	**451,503**	**2,357,596**
Net profit for the period	-	-	-	-	223,611	223,611
Other comprehensive income/(loss) for the period	-	-	(24,751)	(65)	-	(24,816)
Transfer to retained earnings				(26,108)	26,108	-
Total net comprehensive income for the period	**-**	**-**	**(24,751)**	**(26,173)**	**249,719**	**198,795**
Transactions with shareholders:						
Dividends paid	-	-	-	-	(450,000)	(450,000)
Balance at 31 July 2018	**282,929**	**56,586**	**(26,118)**	**1,541,772**	**251,222**	**2,106,391**
Net profit for the period	-	-	-	-	386,612	386,612
Other comprehensive income/(loss) for the period	-	-	9,926	(479)	-	9,447
Transfer to retained earnings				(43,548)	43,548	-
Total net comprehensive income for the period	**-**	**-**	**9,926**	**(44,027)**	**430,160**	**396,059**
Transactions with shareholders:						
Dividends paid	-	-	-	-	(251,000)	(251,000)
Balance at 31 July 2019	**282,929**	**56,586**	**(16,192)**	**1,497,745**	**430,382**	**2,251,450**

The accompanying notes are an integral part of the financial statements.
THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK DOCUMENT.

(€ '000)

	Note	Year ending 31 July 2019	7-month period ending 31 July 2018
OPERATING ACTIVITIES			
Cash flows from operating activities	28	420,209	329,272
Interest paid		(45,003)	(44,862)
Interest received		139	301
Income tax paid		(99,482)	(84,382)
Net cash flows from operating activities		275,863	200,329
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(59,493)	(16,516)
Provision of borrowings		-	(25)
Proceeds from sale of property, plant and equipment and intangible assets		23	13
Dividends received		751	786
Net cash used in investing activities		(58,719)	(15,742)
FINANCING ACTIVITIES			
Proceeds from bonds issued		-	-
Proceeds (payments) from loans received		65,000	-
Dividends paid	9,11,19	(186,000)	(185,000)
Other income from financial activities		-	3,005
Net cash flow from financing activities		(121,000)	(181,995)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		96,144	2,592
EFFECT OF FOREIGN EXCHANGE DIFFERENCES		(1)	(4)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		76,751	74,163
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**172,894**	**76,751**

(€ '000)

1. DESCRIPTION OF THE COMPANY

1.1. General information

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

This version of the financial statements is a translation from the original, which was prepared in Slovak, and all due care has been taken to ensure that it is an accurate representation. However, in interpreting information, views or opinions, the original language version of the financial statements takes precedence.

The Company was established by a Memorandum of Association on 26 November 2004 and incorporated in the Commercial Register on 10 December 2004 under the business name SPP - preprava, a.s. Based on a change to the Commercial Register as at 3 January 2008, the Company SPP – preprava a.s. changed its legal name to eustream, a.s. Slovenský plynárenský priemysel, a.s. (SPP) was the 100% owner of the Company until 12 June 2014.

On 19 December 2013 the National Property Fund of the Slovak Republic (NPF), the Ministry of Economy of the Slovak Republic and Energetický a Průmyslový Holding, a.s. (EPH) signed a framework contract for the sale and acquisition of shares, which concerned means of reorganization of SPP Group that took place in the first half of 2014. The framework contract included the contribution of shares of SPP in 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. GALANTATERM, spol. s.r.o. into a newly 100% subsidiary, SPP Infrastructure, a.s. ("SPP Infrastructure"). After completion of this reorganization, the Slovak Republic represented by the Ministry of Economy became the ultimate owner of SPP, while SPP retained a non-controlling 51% ownership share in SPP Infrastructure.

SPP Infrastructure has been the 100% owner of the Company since 13 June 2014.

On 1 July 2006, SPP made a contribution to the Company of a part of the business including assets and liabilities of the former transmission division (but excluding the main assets for natural gas transmission). At the same time, SPP started to lease to the Company the main assets for natural gas transmission (gas transmission pipelines, compressor stations) under an operating lease contract. Since 1 July 2006, the Company has assumed the operations related to natural gas transmission.

On 28 February 2013, SPP made a contribution to the Company of a part of the business, which was assumed to be a business combination under common control, including the assets (especially natural gas transmission assets - gas transmission pipelines, compressor stations), related liabilities and employees. The lease of main assets used for the natural gas transmission terminated as at that date.

On 28 September 2018, the Annual General Meeting approved the Company's financial statements for the 7-month accounting period ending 31 July 2018.

Identification Number (IČO)	35 910 712
Tax Identification Number (DIČ)	2021931175

1.2. Principal activities

Since 1 July 2006, following the legal unbundling, the Company assumed the operations related to natural gas transmission.

Liberalization of the Slovak energy sector

Regulatory framework of the Slovak natural gas market

On the basis of current energy legislation, the natural gas market in the Slovak Republic is fully liberalized, allowing all customers to freely select a natural gas supplier. The basic mission of eustream, as a transmission system operator, is to provide reliable, safe and efficient transmission of natural gas to customers in the defined territory of the Slovak Republic and European markets on the basis of non-discriminatory rules in accordance with national and European legislation and contractual obligations. Eustream is obliged to provide free and non-discriminatory access to the transmission network on the defined territory to every user fulfilling commercial and technical conditions for gas transmission. The Company's activities are subject to regulation from the Regulatory Office of Network Industries (RONI). RONI, inter alia, establishes the regulatory policy for individual periods, monitors compliance of corporate activities with existing energy legislation and by its decrees, issues decisions inter alia also price decisions, by which it approves tariffs for access to the transmission network and natural gas transmission and the conditions for their application.

Tariffs for regulated activities

For the actual regulatory period from 2017 to 2021, RONI approves tariffs for access to the transmission network and natural gas transmission, which are determined based on analysis of gas transmission price benchmarking in the other EU Member States, and the conditions for their application. Tariffs for access to the transmission network and natural gas transmission were approved on 31 October 2016 by RONI Decision 0021/2017/P, which was amended by the RONI decision 0100/2017/P on 17 August 2017. In accordance with § 14 section 12 of Act no. 250/2012 Coll. on regulation in network industries as amended, eustream will proceed with the application of prices until the end of the regulatory period, which is 31 December 2021, if the RONI does not approve its change. On 29 May 2019, RONI issued decision 0040/2019/P for the regulatory period beginning on 1 January 2022, on the methodology for determining the reference price, the multiplication coefficients, the seasonal factors and the rebates pursuant to Art. 26 and Art. 28 Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized tariff structures for gas transmission.

Changes in regulatory laws and policy

The main legislative norms for eustream activity are:

- Commission Regulation (EU) 312/2014 of 26 March 2014 on the creation of a network regulation for balancing gas in transmission networks
- Commission Regulation (EU) 2015/703 of 30 April 2015 laying down a network code for rules on interoperability and data exchange
- Commission Regulation (EU) 459/2017 of 16 March 2017 establishing a network regulation on mechanisms for the allocation of capacity in the natural gas transmission networks and repealing Regulation (EU) No. 984/2013
- Commission Regulation (EU) 460/2017 of 16 March 2017 establishing a network regulation on harmonized charging structures for gas transmission
- Annex no. 1 to Regulation No. No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks, as amended, establishing rules for dealing with congestion
- REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (EU) 1227/2011 of 25 October 2011 on wholesale energy market integrity and transparency
- COMMISSION IMPLEMENTING REGULATION (EU) 1348/2014 of 17 December 2014 on the communication of data implementing Article 8, section 2 and 6 of Regulation (EU) 1227/2011 of the European Parliament and of the Council on the integrity and transparency of the wholesale energy market
- Act no. 250/2012 Coll. on Regulation in Network Industries, as amended (hereinafter referred to as the "Regulatory Act")
- Act No. 251/2012 Coll. On Energy and on Amendment to Certain Acts, as amended (hereinafter "Energy Act"), together with the RONI Decree no. 223/2016 of 19 July 2016, which establishes the price regulation in the gas industry and the RONI Decree no. 24/2013 Coll. laying down the rules for

the functioning of the internal market in electricity and the rules for the functioning of the internal gas market, as amended

The evolution of the gas market has been dynamically developed and changed in recent years with which development and changes in the relevant legislation are taking place. Based on knowledge of application practice, including the application of networking regulations and their changes, the Company submitted proposals to RONI for a change of the operating order in 2018 and 2019 by means of a change of decision no. 0001/2017/P-PP of 24 February 2017. These amendments were approved by the decision of RONI no.0001/2018/P-PP on 19 February 2018 and the decision of RONI no. 0001/2019/P-PP on 25 March 2019.

The third energy package of EU and the certification of the transmission system operator

In 2009, the EU endorsed Directive No. 2009/73/EC and related regulations concerning common rules for the internal market in natural gas, the so-called EU Third Energy Package. The EU Third Energy Package was transposed into Slovak law in 2012 through the Acts on Energy and Regulation. Even though the new Energy Act established a model of ownership, unbundling the transmission system operator as the base model, the Act left open the possibility of the Slovak Government deciding to apply the Independent Transmission Operator (ITO) model and not the model of ownership unbundling. At its meeting on 28 November 2012, the Slovak Government decided, in Resolution No. 656/2012, that the model of ownership unbundling the transmission system operator would not apply. Based on the above, the Company has complied with the conditions for unbundling the transmission system operator.

On 28 October 2013, RONI issued its consent to granting eustream certification as the transmission system operator. Subsequently, on 22 November 2013, the Ministry of Economy of the Slovak Republic issued decision 1795/2013-1000, which confirmed eustream as the transmission system operator, meeting the conditions of separation for independent transmission system operator as stipulated by § 51- 60 of the Energy Act. The Company consistently complies with the conditions set out in the relevant legislation for the independent transmission system operator.

1.3. Employees

The average headcount of the Company for the year ending 31 July 2019 was 646. The number of employees as at 31 July 2019 was 643 and 12 representatives of the key management personnel (for the 7-month period ended 31 July 2018, the average headcount was 649, and the number of employees as at 31 July 2018 was 650 and 12 representatives of the key management personnel). Members of the Board of Directors, members of the Supervisory Board and managers under the direct line of command of the statutory body or a member of the statutory body are considered to be representatives of the key management personnel.

1.4. Registered address

Votrubova 11/A
821 09 Bratislava
Slovak Republic

1.5. Information on the consolidated group

The Company is a subsidiary of SPP Infrastructure, which has its registered office at Mlynské nivy 44/a, Bratislava, and holds a 100% share in the Company's registered capital.

The Company is included in the consolidated financial statements of a higher level company within the EU. Those consolidated financial statements are prepared by SPP Infrastructure, in accordance with IFRS, as adopted by the EU.

The financial statements of the Company and the consolidated financial statements of SPP Infrastructure are deposited with the Commercial Register of Bratislava I District Court, Záhradnícka 10, 811 07 Bratislava. Financial statements are published in the Register of Financial Statements and at www.eustream.sk.

Since 24 January 2013, Energetický a Průmyslový Holding, a.s. has been the highest reporting entity that consolidates eustream. EPH is the ultimate controlling party.

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1. Adoption of new and revised IFRS

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2018. The following standards, amendments and improvements issued by the IASB and adopted by the EU are effective for the current accounting period:

- IAS 40 Investment Property - Amendments to IAS 40: Transfers of Investment Property - effective for financial years beginning on 1 January 2018;
- IFRS 2 Share-based Payment – Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions - effective for financial years beginning on 1 January 2018;
- IFRS 9 Financial instruments - effective for financial years beginning on 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers - effective for financial years beginning on 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers - Clarifications to IFRS 15 Revenue from Contracts with Customers - effective for financial years beginning on 1 January 2018;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - effective for financial years beginning on 1 January 2018;
- Improvements to IFRS Project Cycle 2014 – 2016 - effective for financial years beginning on 1 January 2018;
- Amendment in IFRS 9 – effective for financial years beginning on 1 January 2018;

International standards, interpretations and amendments to published standards that have been published and are not effective yet

- IFRS 16 Leases - effective for financial years beginning on 1 January 2019;
- IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments) - effective for financial years beginning on 1 January 2019;
- IFRIC 23 INTERPRETATION – Uncertainty over income Taxes Treatments – effective for financial years beginning on 1 January 2019;
- IAS 19: Plan Amendment, Curtailment or Settlement (Amendments) effective for financial years beginning on 1 January 2019;
- Annual improvements to IFRSs 2015 - 2017 Cycle - effective for financial years beginning on 1 January 2019.
- Amendments to IAS 1 and IAS 8: Definition of Material - effective for financial years beginning on or after 1 January 2020, these amendments have not been approved by the EU yet;
- Amendments to IFRS 3 Business Combinations - effective for financial years beginning on or after 1 January 2020, these amendments have not been approved by the EU yet;
- IFRS 9 - Financial Instruments Financial instruments – Prepayments features with negative compensation (Amendment) – effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - these amendments have not been approved by the EU yet, the effectiveness date of the amendments was deferred indefinitely;
- Conceptual Framework in IFRS standards - The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The Company reviewed in detail the impact of the following newly adopted standards:

IFRS 16 Leases

IFRS 16 introduces one common lease model for lessees where all leased assets and lease obligations are recognized on the balance sheet, whether operating or finance leases. Lessees will account for operating leases in the form as they are currently accounted for under finance leases. Accounting treatment of lessor will remain almost unchanged. The Company uses operative leases for the fleet of passenger cars. The Company has analyzed the impact of the new standard and has assessed that the application of the new standard will not have material impact on the individual financial statements.

If not otherwise stated, the Company anticipates that the adoption of these standards, amendments to the existing standards, and interpretations will not have material impact on its financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with IFRS as adopted by the EU for the twelve-month period of financial year ending 31 July 2019. Comparative financial information are presented for the seven-month period ending 31 July 2018. The reason for the preparation of these financial statements is the decision of the Board of Directors to change the accounting period to a fiscal year beginning on 1 August and ending on 31 July.

The financial statements have been prepared under the historical cost convention, except for revaluation of specified fixed asset items and revaluation of certain financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. The Company's reporting and functional currency is the euro (€). These financial statements were prepared on a going concern basis.

b) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors has been identified as the chief operating decision-maker as it adopts strategic decisions and is responsible for allocating resources and assessing the performance of the operating segments.

c) Financial instruments

Financial assets and liabilities are recognized on the Company's balance sheet when the Company becomes a party to a contractual provision of a related instrument.

d) Financial assets

The Company has the following categories of financial assets: loans issued, trade receivables, and financial assets available-for-sale.

The available-for-sale category includes equity instruments which are initially recognized at fair value plus transaction costs and carried at fair value. Dividends are recognized in profit or loss for the year as finance income when the Company's right to receive payments is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market. Loans and trade receivables and other receivables are initially recognized at fair value and subsequently measured in amortized costs using the effective interest method net of allowances. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are always recognized in the income statement against an allowance account to write down the asset's carrying value. When a financial asset is derecognized, the current fair value less any impairment loss on that asset previously recognized in profit or loss is derecognized. Gains or losses realized on derecognition of a financial asset are represented by the calculated difference between the proceeds received from its disposal or sale, and the asset's carrying value and are recognized in the income statement.

e) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value and are revalued to fair value at subsequent reporting dates. 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 of the Company include commodity swaps and interest rate swaps.

Cash flow hedging

The effective portion of changes in fair value of derivatives designated and qualifying for effective cash flow hedges is recognized in other comprehensive income accumulated in equity as a hedge reserve. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts previously recognized in other comprehensive income in the hedging reserve are transferred to the income statement when the hedged item is recognized in the income statement, in the same line of the income statement as the hedged item.

At the inception of the hedging contract, the Company documents the relationship between the hedging instrument and the hedged item, its risk management objectives and strategy for undertaking the various hedge transactions. Since the establishment of hedging, the Company continuously documents whether the hedging instrument used by the Company is highly effective in offsetting changes in cash flows of the hedged item.

Changes in the fair value of derivative financial instruments that do not meet the requirements of effective cash flow hedging are recognized in the income statement.

f) Trade receivables

Trade receivables are recognized at amortized cost, net of provisions for debtors in bankruptcy or restructuring proceedings and net of provisions for overdue and doubtful receivables, where there is a risk of them not being fully or partially settled.

g) Property, plant and equipment and intangible assets

In the period ending 31 July 2019, property, plant and equipment, used for natural gas transmission, are recognized in the balance sheet in a revalued amount, which represents the fair value at the date of revaluation, net of any subsequent accumulated depreciation and subsequent accumulated losses from permanent impairment. The first revaluation was settled on 1 January 2016. The revaluation was prepared by an independent expert. Revaluations will be carried out regularly (at least every five years), so that the carrying amount does not differ materially from the amount recognized on the balance sheet date using fair values.

Potential increase of the revaluation surplus that was incurred during the revaluation of such property, plant and equipment is recognized in the revaluation reserve. This takes into account the amount that will possibly cancel the revaluation surplus reduction for the same assets previously recorded and recognized in the Income Statement in the previous period. In this case the increase is recorded in the amount of the previously charged reduction in favour of the Income Statement. A reduction of the net book value resulting from the revaluation of such property, plant and equipment is charged to the Income Statement in the amount that exceeds the balance on reserve account from the revaluation of assets in relation to a previous revaluation of that asset. Depreciation on revalued property, plant and equipment is recognized as an expense in the Income Statement. Revaluation difference is gradually dissolved in retained earnings during the period of depreciation of revalued assets to which they relate. During the subsequent sale or disposal of a revalued property, the corresponding revaluation surplus, remaining in the revaluation reserve, is transferred directly to retained earnings.

Other property, plant and equipment and intangible assets (referred to as fixed assets or FA) are recognized at historical cost less accumulated depreciation and impairment losses.

Permanent gas filling of the transmission network, which is also acquired as part of the fixed assets, due to its nature, is not depreciated.
Acquisition cost includes all costs incurred for putting the asset in use.

Items of fixed assets that are damaged or disposed of are eliminated from the balance sheet at net book value. Any gain or loss resulting from such damage or disposal is included in the income statement.

Items of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Depreciation charges are recognized in the income statement so as to amortize the cost of the assets to their estimated net book value over their residual useful lives. The total useful lives of fixed assets are as follows:

Border entry/exit points, domestic points	11 – 53
Compressor stations	6 - 49
Gas pipelines	33 - 71
Buildings	18 - 40
Machinery and equipment, other tangible assets	3 - 19
Non-current intangible assets	3 - 8

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

At each reporting date, property and equipment are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount in the year when it occurs. In the case of fixed assets with a positive revaluation surplus, allowance for impairment of fixed assets primarily reduces the positive revaluation surplus in equity and only the difference in excess of net book value of revaluation surplus is charged to the income statement. The discount rates used to calculate the net present value of future cash flows reflect current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or to postpone the planned completion date significantly, the carrying amount of the asset is reviewed for potential impairment and a provision is recognized, if appropriate.

Expenditures related to the fixed assets already put in use are capitalized only if the possibility of future economic benefits exists, and the carrying amount of the asset can be measured. All other subsequent expenditures are treated as repairs and maintenance and are expensed in the period when incurred.

h) Business combinations

Assets and liabilities acquired in business combinations from the parties under common control are measured by using the predecessor values method. When using this method, assets and liabilities acquired in business combination are recognized by the Company on the acquisition date at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the IFRS financial information of the business was consolidated. Any difference between the carrying amount of net assets and the consideration for the acquisition, which increases equity of the Company, is accounted for in these financial statements as an adjustment to retained earnings within equity.

i) Inventories

Inventories are recognized at the lower of their acquisition cost and their net realizable value. The cost of natural gas in the transmission network pipelines, as well as raw materials, and other inventories are calculated using the weighted average method. Costs of raw materials and other inventories comprise acquisition costs and other costs related to the acquisition; value of inventories developed internally comprise of costs of materials, other direct costs and related production overheads. Increases in natural gas accumulation in the transmission network pipelines are recognized at acquisition cost. There are no other costs related to acquisition of natural gas. Appropriate provision is created for obsolete and slow-moving inventories.

j) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash in bank with insignificant risks of changes in value. Cash and cash equivalents are carried at amortized cost using the effective interest rate method.

k) Bonds issued and loans received

Bonds issued and loans received are recognized initially at fair value net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method.

l) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade and other payables are initially measured at fair value. After initial recognition, trade and other payables are measured at amortized cost using the effective interest rate method.

m) Provisions

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

Provision for environmental liabilities

Provision for environmental liabilities is recognized when it is probable that costs will be incurred to clean up the environment and these can be reliably estimated. The creation of the provision generally corresponds to acceptance of a formal plan or other commitments to sell investments or dismantle unused assets on the site. The amount of recognized provision is the best estimate of the expenditures required. If the liability is not settled in the near future, the amount of recognized provision represents the present value of estimated future expenditures.

n) Greenhouse gas emissions

The Company receives free emission rights as a result of its participation in the European Emission Trading Schemes. The rights are received on an annual basis and the Company is required to return emission rights equal to its actual emissions for the year. The Company recognizes a net liability resulting from the gas emissions produced. Therefore, a provision is recognized only when actual emissions exceed the emission rights received free of charge. When emission rights are purchased from third parties, they are measured at acquisition costs and recorded as intangible assets. When emission rights are acquired in exchange, they are measured at fair value at the acquisition date, and the difference between the fair value and acquisition cost is recognized in profit or loss for the period.

o) Social security and pension schemes

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

p) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognizes revenue when it can be reliably measured and future economic benefits will probably flow to it. The amount of revenue is not considered to be measurable reliably until all contingencies relating to the sale have been resolved. Sales are recorded upon the delivery of services net of value added tax and discounts.

The Company records revenues mainly from fees for natural gas transmission, related services and revenues from the sale of gas in-kind and other revenues.

(i) Fees for natural gas transmission
Revenues from fees for natural gas transmission are recognized at the time, or in the period when a transmission capacity in the gas transmission network is assigned to a customer. They also comprise revenues from the received gas in-kind and are recognized in the period when gas transmission occurred.

(ii) Revenues from the sale of gas for operational purposes
Revenues from the sale of gas for operational purposes in the case of savings are recognized when the gas is sold.

(iii) Revenues from connection fees to transmission network
Revenues from connection fees to transmission network are recognized when a customer is connected to the network.

(iv) Sales of services
Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(v) Dividend income
Dividend income is recognized when the right to receive the payment is established.

(vi) Interest income
Interest income is recognized on an accrual basis in the period when it is incurred, independent of the actual payments of the interest.

q) Retirement and other long-term employee benefits

The Company has a long-term employee benefit program comprising a lump-sum retirement benefit, social assistance benefit in material deprivation and life and work jubilee benefits, for which no separate financial funds were earmarked. In accordance with IAS 19, the employee benefits costs are assessed using the projected unit credit method. According to 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 as the present value of the estimated future cash flows discounted by market yields on Slovak government bonds, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized in the other comprehensive income in equity for the period when they arise. Past service costs are recognized immediately in the income statement.

r) Leasing

Operating lease
The lessee under an operating lease arrangement does not present assets subject to an operating lease on its balance sheet nor does it recognize operating lease obligations for future periods. Lease payments under an operating lease are recognized as an expense in the income statement on a straight-line basis over the lease term.

s) Income tax

Current income tax is calculated from the accounting profit, as determined under Slovak legislation, and adjusted for certain items in accordance with tax legislation, at the currently valid tax rate of 21%, effective from 1 January 2017.

In line with Act No. 235/2012 Coll., on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplementation of Certain Acts, the Company is obliged to pay a monthly special levy effective from September 2012. The levy is 8.712% per financial year (2018: 8.712%). This levy is based on profit before tax and is presented as part of the current income tax pursuant to the IFRS requirements.

Deferred income tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realized or the liability is settled. Deferred tax is recognized in the income statement, except for when it relates to items directly credited or directly charged to equity, in which case the deferred tax is also recognized in equity. The income tax rate valid since 1 January 2017 is 21%.

Major temporary differences arise from depreciation of fixed assets, various allowances, provisions and derivative financial instruments. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the tax deductible temporary differences can be utilized.

t) Foreign currency transactions

Transactions in foreign currencies are initially recorded at the European Central Bank (ECB) rates prevailing at the date of the transaction. Monetary assets, receivables and payables denominated in foreign currencies are translated into a functional currency using the ECB exchange rates prevailing at the balance sheet date. Exchange rate gains and losses arising from the translations at the balance sheet date are recognized in the income statement.

u) Accounting principles adopted for grants

Grants are recognized if there is reasonable assurance that a grant will be received and all the conditions necessary to obtain a grant are fulfilled. If a government grant is intended to compensate expenses, it is recognized as revenue in the period in which such expenses are incurred. If a grant relates to the acquisition of fixed assets, it is recognized as deferred revenue and it is released in profit or loss on a straight-line basis over the estimated useful lives of the relevant assets. In the balance sheet, the government grants are recognized using the deferred revenue method.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS

In applying the Company's accounting policies described in Note 3, the Company made the following decisions concerning uncertainties and estimates that have a significant impact on the amounts recognized in the financial statements. There is a possible future significant risk of material adjustments in the following areas:

Revaluation of property, plant and equipment

As at 1 January 2016, the Company applied the revaluation model under IAS 16 "Property, plant and equipment" for the property, plant, and equipment used for natural gas transmission. The assets include gas pipelines, compressor stations and border entry/exit points and domestic points.

The Company has decided on this model because it considers that it will result in financial statements providing more reliable and relevant information about the buildings, construction, land, machinery and equipment used for natural gas transmission.

Revaluation of assets was recorded without effect on prior periods. The result of the revaluation was the increase of the value of property, plant and equipment by €2,222,000 thousand, the increase of the deferred tax liability by €488,840 thousand and the creation of the revaluation reserve in equity, as well as the impairment of property, plant and equipment of €7,355 thousand charged to the Income Statement in line Depreciation, amortization and impairment losses, net.

For more information on the revaluation amount at 31 July 2019, see Note 7.

Revaluation of assets in the Company was conducted by an independent expert who used mainly the cost approach supported by the market approach for some types of asset. In general, the replacement cost method was used and the indexed historical cost method for assets where reproductive rates were not available. By determining of the fair value of individual assets with the cost approach, physical deterioration, plus technological and economic obsolescence of assets was acknowledged.

The result of the revaluation of assets used for natural gas transmission is an increase in the value of assets and related increase in the equity. The assumptions used in the revaluation model are based on the reports of independent appraisers. The resulting reported amounts of these assets and the related revaluation surplus of assets do not necessarily represent the value in which these assets could or will be sold. The Company, based on an independent assessment, also reconsidered the economic useful lives of property, plant and equipment used within the gas transmission business. Assessment of economic useful lives requires the expert opinion of technical experts.

There are uncertainties about future economic conditions, changes in technology and the competitive environment within the industry, which could potentially result in future adjustments to estimated revaluations and useful lives of assets that could significantly modify the reported financial position, equity and profit. Further information is disclosed in Note 7.

Economic useful lives

The estimation of the useful life of an item of fixed assets is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on usage estimates, estimated technical obsolescence, amortization and the environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

During 2016, the Company reconsidered the useful life of property, plant and equipment used for the natural gas transmission based on independent expert opinion. Changes in estimates of the useful life are reflected prospectively.

Detailed information is disclosed in Note 7.

The economic useful lives of fixed assets are based on the best estimates as listed in Note 3 g). The carrying values of these assets at the year ended 31 July 2019 and 31 July 2018 are presented in Note 7 and 8. If the estimated useful lives of the pipeline and compressor stations were five years longer than management's estimate as at 31 July 2019, a depreciation of assets constituting pipelines and compressor stations for the twelve-month period would be lower by €19,617 thousand (for the seven-month period ending as at 31 July 2018 lower by €12,041 thousand).

(€ '000)

5. FINANCIAL INSTRUMENTS

a) Financial risk

The Company is exposed to various financial risks. The Company's overall risk management policy addresses the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial position of the Company. To manage certain risks, the Company enters into trading with financial derivative instruments, e.g., forward or swap currency and commodity contracts. The purpose of such practice is to manage risks related to movements in FX rates and commodity prices arising from the Company's operations.

The main risks arising from financial instruments of the Company are exchange rate risk, commodity risk, interest rate risk, credit risk, receivables default risk and liquidity risk.

(1) Exchange rate risk

The company operates internationally, but almost all of its income and expenses are denominated in domestic currency euro, minimizing its currency risk.

Analysis of financial assets and financial liabilities by currency:

	Assets		**Liabilities**	
	As at 31 July 2019	**As at 31 July 2018**	**As at 31 July 2019**	**As at 31 July 2018**
USD	40	19	2	19
CZK	1	1	2	1
HUF	190	165	149	-

The table below displays the sensitivity of the Company to a 10% increase or decrease of euro against USD and a 2% increase or decrease of euro against CZK and against HUF. The sensitivity analysis includes only unpaid monetary items denominated in foreign currencies and shows their translation at the period end for a change in exchange rates.

	Impact in USD, CZK and HUF	
	As at 31 July 2019	**As at 31 July 2018**
Effect on profit before tax USD	4	-
Effect on profit before tax CZK	-	-
Effect on profit before tax HUF	1	3

The effects mainly relate to risks of cash and receivables in HUF at the balance sheet date (as at 31 July 2018, the risk was mainly related to the risk of cash and receivables in HUF).

Positive value indicates the potential gain recognized in the income statement in case of decrease of euro against related currency.

(2) Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible movements in prices for natural gas and its impact on the Company’s future performance and results of the Company’s operations. A decline in the prices could result in a decrease in net income and cash flows.

(€ '000)

The Company regularly performs estimates of the surplus of natural gas and enters into short and mid-term commodity swaps in order to hedge its selling prices.

In the year ending 31 July 2019, the Company entered into commodity swaps to hedge cash flow from sales of surplus of gas in-kind.

The following table details commodity swap contracts outstanding at the balance sheet date:

Open commodity swaps	**As at 31 July 2019**		**As at 31 July 2019**	
	Fair value		**Nominal value**	
	Cash flow hedging	**Held for trading**	**Cash flow hedging**	**Held for trading**
Sales of natural gas				
Less than 3 months	18,278	-	44,578	-
3 to 12 months	11,931	-	115,001	-
Over 12 months	485	-	88,746	-

Open commodity swaps	**As at 31 July 2018**		**As at 31 July 2018**	
	Fair value		**Nominal value**	
	Cash flow hedging	**Held for trading**	**Cash flow hedging**	**Held for trading**
Sales of natural gas				
Less than 3 months	(9,417)	-	45,064	-
3 to 12 months	(11,842)	-	125,697	-
Over 12 months	(4,926)	-	153,621	-

The 15% change in the market price of the natural gas would have impact on the fair value of derivatives of €32,645 thousand.

Movement in hedging reserve is disclosed in Note 19.

(3) Interest rate risk

The Company has no significant exposure to an interest rate risk. As at 31 July 2019, the Company issued bonds with fixed interest rate. The Company had a long-term investment loan at 31 July 2019 with a floating interest rate (see Note 16). The Company considers exposure to interest rate risk to the extent of fluctuation of interest rates applied to the above mentioned long-term investment loan.

At 31 July 2019, the Company entered into interest rate swaps to hedge cash flow from interest on future debt instruments.

The following table details swap interest rate contracts outstanding at the balance sheet date:

Open interest rates swaps	**As at 31 July 2019**		**As at 31 July 2019**	
	Fair value		**Nominal value**	
	Cash flow hedging	**Held for trading**	**Cash flow hedging**	**Held for trading**
Less than 3 months	-	-	-	-
3 to 12 months	(50,470)	-	500,000	-
Over 12 months	-	-	-	-

(€ '000)

Open interest rates swaps	As at 31 July 2018		As at 31 July 2018	
	Fair value		Nominal value	
	Cash flow hedging	Held for trading	Cash flow hedging	Held for trading
Less than 3 months	-	-	-	-
3 to 12 months	-	-	-	-
Over 12 months	(7,159)	-	500,000	-

(4) Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of services on credit and other transactions with counterparties giving rise to financial assets. The credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, loans and trade receivables.

As for the cash and cash equivalents in banks, the Company has entered into relationships only with those banks that have a high independent rating assessment.

The Company renders its services to various customers, none of which, individually or collectively, in terms of volume and margin, represents a significant credit risk. Operational procedures are in place in the Company ensuring that services are rendered to customers with good credit history and only up to an acceptable credit limit.

The maximum exposure to the default risk is represented by the carrying amount of each financial asset, including derivative financial instruments, recognized in the balance sheet, net of any bad debt provision. The default risk is partially eliminated through the securities received as disclosed in Note 11.

The Company's maximum exposure to credit risk is as follows:

	Note	As at 31 July 2019	As at 31 July 2018
Loans issued	9	54	52
Receivables and prepayments		**416,101**	**132,824**
- Receivables from transmission activities	11	52,446	44,698
- Receivables from financial derivatives		32,075	2,547
- Other receivables	11	331,580	85,579
Other assets		**31,529**	**53,140**
Cash and cash equivalents		**172,895**	**76,751**
Total maximum exposure to credit risk		**620,579**	**262,767**

Credit quality of cash in banks as at 31 July 2019 was as follows: €75,006 thousand in the banks with a rating of Moody's A1; €67,384 thousand in the banks with a rating of Moody's A2; €24,211 thousand in the banks with a rating of Moody's A3; €5,001 thousand in the banks with rating of Moody's Aa3; €538 thousand in the banks with a rating of Moody's Baa1 and €706 thousand in a bank without rating.

(5) Liquidity risk

Prudent liquidity risk management implies maintaining a sufficient level of cash and cash equivalents with adequate maturity, availability of funding through an adequate amount of committed credit lines and the ability to close open market positions. The Company, as a member of the SPP Infrastructure group, is a party to a system of effective utilization of resources and liquidity optimization (SEUR). Within the system flexibility is maintained by securing stable availability of financial resources for all parties to SEUR in order to cover their financial needs (so called cash-pooling).

(€ '000)

As at 31 July 2019, the Company had received an additional loan of €65,000 thousand from the European Investment Bank ("EIB"). For more information, see Note 16.

The table below summarizes the maturity of the financial liabilities and contingent liabilities as at 31 July 2019 and 31 July 2018 based on contractual undiscounted payments:

As at 31 July 2019	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Bonds issued	-	-	783,711	57,149	506,947	1,347,807
Loans received	-	73	219	75,287	65,072	140,651
Other financial liabilities	-	23,699	16,715	23,946	-	64,360
Trade and other payables	-	12,857	-	-	-	12,857
Guarantee issued	1,356,875	-	-	-	-	1,356,875
Swap commodity contracts recognized as hedging	-	-	354	1,027	-	1,381
Swap interest rate contracts	-	-	-	50,470	-	50,470

As at 31 July 2018	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Bonds issued	-	-	44,733	826,572	521,234	1,392,539
Loans received	-	65	194	75,459	-	75,718
Other financial liabilities	-	14,109	2,322	26,196	-	42,627
Trade and other payables	-	12,088	-	-	-	12,088
Guarantee issued	1,398,125	-	-	-	-	1,398,125
Swap commodity contracts recognized as hedging	-	9,517	12,756	6,458	-	28,731
Swap interest rate contracts	-	-	-	7,159	-	7,159

b) Capital risk management

The Company manages its capital to ensure its ability to support business activities on an ongoing basis while maximizing the return to shareholders through the optimization of the debt to equity ratio and ensuring strong credit rating and vital capital ratios.

The Company's capital structure comprises cash and cash equivalents and equity attributable to the Company's owners as disclosed in Notes 18 and 19, and loans received and bonds issued as disclosed in Note 16. Liabilities to capital (gearing) ratios were 54% as at 31 July 2019 and 59% as at 31 July 2018.

The gearing ratio at the year-end:

	As at 31 July 2019	**As at 31 July 2018**
Debt (i)	(1,380,520)	(1,316,207)
Cash and cash equivalents	172,894	76,751
Net debt (ii)	(1,207,626)	(1,239,456)
Equity (iii)	2,251,450	2,106,391
Net debt to equity ratio	**54 %**	**59 %**

(i) Debt is defined as long-term and short-term bonds issued and loans received.

(ii) Net debt is defined as difference between debt and cash and cash equivalents
(iii) Page 4

(€ '000)

The indebtedness of the Company has not exceeded that stated in the Articles of Association.

c) Categories of financial instruments

	As at 31 July 2019	As at 31 July 2018
Financial assets		
Derivative financial instruments recognized as hedging	32,075	2,547
Derivative financial instruments held for trading	-	-
Loans and receivables (including cash and cash equivalents)	588,450	260,168
Loans at amortized costs	54	52
Investments available for sale in fair value	6,607	6,607
Financial liabilities		
Derivative financial instruments recognized as hedging	51,851	35,890
Derivative financial instruments held for trading	-	-
Financial liabilities carried at amortized costs	1,457,738	1,370,922

For the purposes of recognition of financial instruments the Company classifies its financial assets into the following categories: loans and receivables; available-for-sale investments, hedging financial derivatives and financial derivatives held for trading, as required by IFRS 9 “Financial Instruments”.

All of the Company’s financial assets are classified as loans and receivables except for the financial assets available-for-sale, financial derivatives recognized as hedging and financial derivatives held for trading.

All of the Company’s financial liabilities except for financial derivatives recognized as hedging and financial derivatives held for trading are carried at amortized cost.

d) Estimated fair value of financial instruments

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(1) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The levels in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows:

As at 31 July 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value	**-**	**32,075**	**6,607**	**38,682**
Financial derivatives recognized as hedging	-	32,075	-	32,075
Financial derivatives for trading	-	-	-	-
Financial assets available-for-sale	-	-	6,607	6,607

(€ '000)

Financial liabilities and contingent liabilities at fair value	**-**	**51,851**	**-**	**51,851**
Financial derivatives recognized as hedging	-	51,851	-	51,851
Financial derivatives for trading	-	-	-	-

As at 31 July 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value	**-**	**2,547**	**6,607**	**9,154**
Financial derivatives recognized as hedging	-	2,547	-	2,547
Financial derivatives for trading	-	-	-	-
Financial assets available-for-sale	-	-	6,607	6,607
Financial liabilities at fair value	**-**	**35,890**	**-**	**35,890**
Financial derivatives recognized as hedging	-	35,890	-	35,890
Financial derivatives for trading	-	-	-	-

The fair value of commodity swaps is determined using forward commodity prices as at the reporting date.

The fair value of interest rate swaps is determined using forward interest rates as at the reporting date.

Fair value of available-for-sale financial investment was estimated based on the present value of future cash flows, which were estimated by the management based on the available financial results of the investment and its approved budget.

Fair value of guarantee issued and described in Note 29, Commitments and contingencies, was determined as euro nil, as it was provided under the current market conditions and it is not probable that the Company will settle the obligation resulting from the guarantee.

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

Neither in the year ending 31 July 2019 nor in the seven-month period ending 31 July 2018, there were no movements among the financial instruments classified in Levels 1-3.

(2) Non-recurring fair value measurements

There were no non-recurring fair value measurements in the year ending 31 July 2019.

(3) Assets and liabilities not measured at fair value

The fair value of financial assets and financial liabilities at different levels and their carrying values:

As at 31 July 2019	Level 1	Level 2	Level 3	Fair value total	Carrying value
Financial assets	**-**	**-**	**54**	**54**	**54**
Loans issued with fixed interest rate	-	-	54	54	54
Financial liabilities	**-**	**1,306,822**	**140,049**	**1,446,871**	**1,380,520**
Bonds issued	-	1,306,822	-	1,306,822	1,240,471
Loans received	-		140,049	140,049	140,049

As at 31 July 2018	Level 1	Level 2	Level 3	Fair value total	Carrying value
Financial assets	**-**	**-**	**52**	**52**	**52**
Loans issued with fixed interest rate	-	-	52	52	52

(€ '000)

Financial liabilities	**-**	**1,313,650**	**75,037**	**1,388,687**	**1,316,207**
Bonds issued	-	1,313,650	-	1,313,650	1,241,170
Loans received	-		75,037	75,037	75,037

In the year ending 31 July 2019, fair value of the loan issued with fixed interest rate was estimated based on the expected future cash flows discounted by an interest rate, which debtor would obtain for loans with the similar maturity and credit risk.

Fair value of bonds issued was assessed with reference to market value of the bonds issued by SPP Infrastructure Financing B.V. (refer to Note 29).

The fair value of other financial assets and financial liabilities approximate their carrying values at the balance sheet date.

Non-current trade receivables and trade payables were discounted unless the effect of discounting was inconsiderable.

(4) Embedded derivative instruments

Transmission contracts denominated in euro represented the currency of the primary economic environment for one of the significant contractual parties and that is why 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 Company did not recognize the embedded derivatives separately from the host contract.

The Company assessed all other significant contracts and agreements for embedded derivatives that should be recorded. The Company concluded that there are no embedded derivatives in these contracts and agreements which needs to be measured and separately recognized as at 31 July 2019 and 31 July 2018 under the requirements of IFRS 9, IAS 39 (as revised in 2003).

6. SEGMENT REPORTING

The Company assessed segment information for the current and comparative reporting periods in accordance with IFRS 8 Operating segments.
According to the nature of products and services provided, the Board of Directors has identified one operating segment which is used to manage the Company’s business, allocate resources and make strategic decisions. The Company’s activities are concentrated in Slovakia, where all the fixed assets are situated. The main indicators used by the Board of Directors in their decision making are earnings before interest, taxes, depreciation and amortization (EBITDA) and capital expenditure cash outflows. For their decision making, the Board of Directors uses financial information consistent with that disclosed in these financial statements.

(€ '000)

7. PROPERTY, PLANT AND EQUIPMENT

Year ending 31 July 2019	Border entry/exit points, domestic points	Compressor stations	Gas pipelines	Buildings and land	Machinery and equipment, other non-current tangible assets	Assets under construction	Total
	Level 3	Level 3	Level 3				
Opening net book value	**84,889**	**619,741**	**3,412,607**	**60,434**	**6,467**	**27,501**	**4,211,639**
Additions	35	41	3	-	-	66,121	66,200
Revaluation of assets through revaluation reserve	-	-	-	-	-	-	-
Revaluation of assets through Income statement	-	-	-	-	-	-	-
Put in use	260	1,029	514	3	552	(2,358)	-
Reclassifications	1	6	-	238	(263)	-	(18)
Disposals	-	(1)	-	-	(1)		(2)
Depreciation charge	(4,530)	(39,387)	(78,004)	(1,266)	(1,533)	-	(124,720)
Impairment of assets through revaluation reserve	(1)	(605)	-	-	-	-	(606)
Impairment of assets through profit and loss	(212)	(1,440)	(254)	(185)	(13)	-	(2,104)
Closing net book value	**80,442**	**579,384**	**3,334,866**	**59,224**	**5,209**	**91,264**	**4,150,389**
As at 31 July 2019							
Acquisition cost or revaluation	96,046	718,881	3,615,118	68,892	22,398	91,284	4,612,619
Provisions and accum. depreciation	(15,604)	(139,497)	(280,252)	(9,668)	(17,189)	(20)	(462,230)
Net book value as at 31 July 2019	**80,442**	**579,384**	**3,334,866**	**59,224**	**5,209**	**91,264**	**4,150,389**

Net book value of assets shown in the table that would have been recognized at 31 July 2019, if the asset is accounted for using the cost model is as follows

Net book value as at 31 July 2019	**62,218**	**346,359**	**1,584,769**	**59,224**	**5,209**	**91,264**	**2,149,043**

The most significant capital addition in the twelve-month period ending 31 July 2019 was construction of compressor station Lakšárska Nová Ves and construction of the interconnection pipeline Poland – Slovakia.
The acquisition cost of fully depreciated non-current assets (including non-current intangible assets) that were still in use as at 31 July 2019 amounted to €18,639 thousand (31 July 2018: €19,172 thousand).
There were no non-current assets that were in use, but not yet registered in the Land Registry as at 31 July 2019 or 31 July 2018.

(€ '000)

7-month period ending 31 July 2018	**Border entry/exit points, domestic points**	**Compressor stations**	**Gas pipelines**	**Buildings and land**	**Machinery and equipment, other non-current tangible assets**	**Assets under construction**	**Total**
As at 31 December 2017							
Acquisition cost	94,381	737,162	3,615,121	68,821	25,640	13,111	4,554,236
Provisions and accum. depreciation	(8,968)	(91,356)	(157,057)	(6,544)	(18,549)	(561)	(283,035)
Net book value	**85,413**	**645,806**	**3,458,064**	**62,277**	**7,091**	**12,550**	**4,271,201**
Opening net book value	**85,413**	**645,806**	**3,458,064**	**62,277**	**7,091**	**12,550**	**4,271,201**
Additions	-	-	-	9	-	18,506	18,515
Revaluation of assets through revaluation reserve	-	-	-	-	-	-	-
Revaluation of assets through Income statement	-	-	-	-	-	-	-
Put in use	2,113	993	60	20	369	(3,555)	-
Reclassifications	-	-	-	-	-	-	-
Disposals	-	(3,000)	(17)	-	(4)		(3,021)
Depreciation charge	(2,662)	(23,792)	(45,500)	(729)	(987)	-	(73,670)
Impairment of assets through revaluation reserve	25	(107)	-	-	-	-	(82)
Impairment of assets through profit and loss	-	(159)	-	(1,143)	(2)	-	(1,304)
Closing net book value	**84,889**	**619,741**	**3,412,607**	**60,434**	**6,467**	**27,501**	**4,211,639**
As at 31 July 2018							
Acquisition cost	96,268	727,380	3,614,680	68,810	24,339	27,521	4,558,998
Provisions and accum. depreciation	(11,379)	(107,639)	(202,073)	(8,376)	(17,872)	(20)	(347,359)
Net book value as at 31 July 2018	**84,889**	**619,741**	**3,412,607**	**60,434**	**6,467**	**27,501**	**4,211,639**

Net book value of assets shown in the table that would have been recognized at 31 July 2018, if the asset is accounted for using the cost model is as follows:

Net book value as at 31 July 2018	**65,423**	**369,843**	**1,622,087**	**60,434**	**6,467**	**27,501**	**2,151,755**

<u>Revaluation of fixed assets for natural gas transmission:</u>

On 1 January 2016, an independent expert conducted a revaluation of buildings, structures, land, machinery and equipment used for natural gas transmission, primarily using the cost approach, especially the replacement cost method. Replacement costs are based on the acquisition cost of equivalent assets (EA) and are the estimated net book value of the assets from the acquisition cost of EA, useful lives and age of existing assets (replacement cost less depreciation methodology).

Assets used for natural gas transmission include land, buildings and structures, machinery and equipment.

Further information is disclosed in Note 4.

Property insurance

Type and amount of insurance for property, plant and equipment and intangible assets (in € thousand):

Insured object	Type of insurance	Acquisition cost of insured assets		Name and seat of the insurance company
		As at 31 July 2019	As at 31 July 2018	
Buildings, halls, structures, machinery, equipment, fixture & fittings, low-value TFA, other TFA, Works of art, inventories	Insurance of assets	898,421	929,975	Allianz-Slovenská poisťovňa, a.s. Kooperativa, a. s.
Motor vehicles	MTPL	8,358	9,033	Kooperativa, a. s.

(€ '000)

8. INTANGIBLE ASSETS

Year ended 31 July 2019	Software	Other non-current intangible assets	Assets under construction	Total
Opening net book value	2,974	14	38	3,026
Additions	-	-	631	631
Put in use	597	-	(597)	-
Reclassifications	22	(4)	-	18
Disposals	-	-	-	-
Amortization charge	(1,146)	(2)	-	(1,148)
Change in provisions	-	-	-	-
Closing net book value	**2,447**	**8**	**72**	**2,527**
As at 31 July 2019				
Acquisition cost	9,155	12	235	9,402
Provisions and accumulated depreciation	(6,708)	(4)	(163)	(6,875)
Net book value	**2,447**	**8**	**72**	**2,527**

7-month period ended 31 July 2018	Software	Other non-current intangible assets	Assets under construction	Total
As at 31 December 2017				
Acquisition cost	13,491	138	252	13,881
Provisions and accumulated depreciation	(10,104)	(127)	(163)	(10,394)
Net book value	**3,387**	**11**	**89**	**3,487**
Opening net book value	3,387	11	89	3,487
Additions	-	-	251	251
Put in use	295	7	(302)	-
Reclassifications	-	-	-	-
Disposals	-	-	-	-
Amortization charge	(708)	(4)	-	(712)
Change in provisions	-	-	-	-
Closing net book value	**2,974**	**14**	**38**	**3,026**
As at 31 July 2018				
Acquisition cost	10,687	145	201	11,033
Provisions and accumulated depreciation	(7,713)	(131)	(163)	(8,007)
Net book value	**2,974**	**14**	**38**	**3,026**

Reconciliation of investments (cash effective) to additions to non-current assets:

	31 July 2019	31 July 2018
Investments (cash effective)	**59,493**	**16,516**
Assets acquired but not paid for	7,909	17,618
Payments to assets acquired in prior periods	(650)	(15,377)
Additions to PP&E and intangibles	**66,752**	**18,757**

(€ '000)

9. NON-CURRENT FINANCIAL INVESTMENTS

Non-current financial investments include:

	Loans issued	Shares	31 July 2019	31 July 2018
Acquisition cost	54	6,607	6,661	6,659
Impairment	-	-	-	-
Closing balance, net	**54**	**6,607**	**6,661**	**6,659**

Recognized in the value of non-current financial investments is the loan granted in 2016 and 2018 to the subsidiary eastring B.V. both of €25 thousand with maturity in 2021. The interest rate is fixed at 3.51% p.a. in the case of first loan, 3.87% p.a. in the case of second one and is payable together with the principal. The loans are not secured. Refer to Note 30.

Shares represent equity interests in the following companies:

Name	Country of registration	Equity interest in %	Core activity
Other equity interests			
Central European Gas HUB AG (further CEGH)	Austria	15	Intermediation of natural gas trading
Eastring B.V.	Netherlands	100	Holding company

10. INVENTORIES

	31 July 2019	31 July 2018
Natural gas used for balancing	7,049	8,740
Material and other inventories	12,850	13,048
Provision	(6,436)	(6,374)
Total	**13,463**	**15,414**

The balance of natural gas represents natural gas accumulated in the pipelines used for balancing the transmission system and for operational needs.

As at 31 July 2019 and as at 31 July 2018, provision was created only for obsolete or damaged raw materials in stock.

11. RECEIVABLES AND PREPAYMENTS

	31 July 2019	31 July 2018
Receivables from transmission activities	52,446	44,698
Receivables from financial derivatives	30,563	1,014
Prepayments	579	499
Other receivables	331,002	85,080
Other taxes	-	7
Total	**414,590**	**131,298**

As at 31 July 2019, the Company recorded due receivables of €413,694 thousand and overdue receivables of €896 thousand excluding provision.

(€ '000)

As at 31 July 2018, the Company recorded receivables due of €113,115 thousand and overdue of €183 thousand, respectively, excluding provision.

Receivables and prepayments are disclosed net of provisions for bad and doubtful receivables of €162 thousand (31 July 2018: €177 thousand).

Receivables from transmission activities are mainly receivables against well-known international gas transmission companies and were fully paid at the date of preparation of these financial statements.

Other receivables are mainly receivables from cash-pooling with SPP Infrastructure of €312,000 thousand (31 July 2018 €65,000 thousand), whose conditions are comparable to those of current bank accounts. In the year ended 31 July 2019 a portion of receivables from cash-pooling of €224,100 thousand (out of which €159,100 thousand was granted in the year ended 31 July 2019) was offset with payable from declared dividends. In the 7-month period ended 31 July 2018 a portion of receivables from cash-pooling of €440,000 thousand (out of which €175,000 thousand was granted in the 7-month period ended 31 July 2018) was offset with payable from declared dividends.

SPP Infrastructure is the parent company of SPP - distribúcia, a.s., eustream, a.s., NAFTA a.s. and others (see Note 1.1). Taking careful consideration of historical and future financial performance of the subsidiaries of SPP Infrastructure, management believes that receivables and other receivables against SPP Infrastructure are fully recoverable.

Receivables securities

To secure the Company's receivables, several bank guarantees were issued of €39,483 thousand (31 July 2018: €33,058 thousand).

Movements in provisions for receivables were as follows:

	31 July 2019	31 July 2018
Opening balance	(177)	(177)
Creation	-	-
Use	15	-
Reversal	-	-
Closing balance	**(162)**	**(177)**

12. CASH AND CASH EQUIVALENTS

	31 July 2019	31 July 2018
Cash on hand and cash in bank	129,960	50,356
Cash on hand and cash in bank – financial guarantees	42,934	26,395
Total	**172,894**	**76,751**

The balance of cash and cash equivalents as at 31 July 2019 include financial guarantees of €42,934 thousand (31 July 2018: €26,395 thousand).

13. DEFERRED REVENUE

Deferred revenue mainly represent grants allocated by the European Commission related to the reverse flow projects of the Compressor station 4 and Plavecký Peter gas pipelines, the cross-border interconnections between Hungary and Slovakia and between Poland and Slovakia, and a project related to emission reduction (DLE) at compressor stations 3 and 4. The decrease of allocated grants in the year ended 31 July 2019 represents a refinement of the estimate of the drawing of the subsidy for the construction of Poland-Slovakia interconnection.

(€ '000)

Changes in deferred revenue recognized in the balance sheet for the year ended 31 July 2019 are as follows:

	31 July 2019	31 July 2018
Opening balance	62,568	63,315
Inventory surpluses of depreciated assets	79	9
Grants allocated during the period	28	-
Derecognition	(3,280)	(677)
Reversal	(575)	(79)
Closing balance	**58,820**	**62,568**

	Current portion (included in other current liabilities)	Non-current portion	Total
As at 31 July 2019	124	58,696	58,820
As at 31 July 2018	535	62,033	62,568

14. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits program of the Company was launched in 2006. This is a defined benefit program, under which the employees are entitled to a lump-sum payment upon reaching retirement age or disability retirement and, subject to vesting conditions, life and work jubilee payments. Under the applicable collective agreement, employees are entitled to the increased retirement benefits based on the number of continuously worked years in selected gas companies. Contribution to the increased retirement benefits range from one month to six months of the employee's average salary (minimum average monthly salary of €665 and maximum average monthly salary of €1,330). As at 31 July 2019 and 31 July 2018, the obligation relating to retirement and other long-term employee benefits was calculated on the basis of valid collective agreement in the given years.

As at 31 July 2019, there were 644 (31 July 2018: 648) employees covered by this program. The program is not funded, without separately allocated assets to cover its liabilities.

Movements in the net liability recognized in the balance sheet for the year ended 31 July 2019 are as follows:

	Long-term benefits	Post-employment benefits	Total at 31 July 2019	Total at 31 July 2018
Opening balance – net liabilities	363	3,034	3,397	3,274
Net expense/ (revenue) recognized	25	853	878	142
Benefits paid	(41)	(91)	(132)	(19)
Closing balance - net liabilities	**347**	**3,796**	**4,143**	**3,397**

(€ '000)

	Current liabilities (included in other current liabilities)	Non-current liabilities	Total
As at 31 July 2019	347	3,796	4,143
As at 31 July 2018	138	3,259	3,397

Key assumption used in actuarial valuation:

	At 31 July 2019	At 31 July 2018
Market yield on government bonds	0.795 %	1.244 %
Future real rate of salary increase, p. a.	2.00 %	2.00 %
Employee turnover, p. a.	1.44 %	1.44 %
Retirement age (male and female)	62 for male and 60 for female	62 for male and 60 for female

Sensitivity analysis of the commitment to change in important assumptions is shown in the following table:

	Net liability for employee benefits	Change in the discount rate		Change in average wage	Change in the expected life expectancy
		+ 0.5 %	- 0.5 %	+ 0.5 %	+ 1 year
As at 31 July 2019	4,143	(177)	190	6	146
As at 31 July 2018	3,397	(150)	161	45	115

15. PROVISIONS

Movements in provisions are summarized in the following table:

	Environmental provision	Other provisions	Total at 31 July 2019	Total at 31 July 2018
Opening balance	8,406	-	8,406	8,193
Effect of discounting	(241)	-	(241)	213
Creation of provision	-	-	-	-
Utilization of provision	-	-	-	-
Reversal of provision	(1,305)	-	(1,305)	-
Closing balance	**6,860**	**-**	**6,860**	**8,406**

Provisions are included in liabilities as follows:

	Current provisions (included in other current liabilities)	Non-current provisions	Total provisions
As at 31 July 2019	-	6,860	6,860
As at 31 July 2018	-	8,406	8,406

Environmental provision

In 2019, the Company performed update of environmental studies related to environmental burdens in all compressor stations operated by Eustream. Oil and condensate from gas transmission 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 recognized the provision for decontamination works based on current existing technologies and prices adjusted for an expected inflation factor at amortized costs. The discount rate taken into consideration reflected the current market assessments of the time value of money and the risk specific factors (rate of approximately 0.275% was used).

(€ '000)

16. LOANS RECEIVED AND BONDS ISSUED

On 17 June 2019, the Company drew on a second long-term investment loan from the EIB of €65,000 thousand. The loan is due in 2027. The loan has a floating interest rate based on 3M EURIBOR with a 3-month update. At 31 July 2019, the effective interest rate is 0.031% p.a.

In 2015, the Company issued private unsecured bonds through which it received funds of €492,660 thousand. The bonds were issued in euro currency with a fixed interest rate of 2.90% p.a. (coupon).

The bonds have a fixed final maturity date, with a lump-sum at the final maturity date on 10 February 2025.The effective interest rate is 2.90% p.a. The whole volume of issued bonds was purchased by an entity under common control - SPP Infrastructure Financing B.V. with registered seat in the Netherlands.

In 2013, the Company issued private unsecured bonds through which it received funds of €746,555 thousand. The bonds were issued in euro currency, in two tranches, with a fixed interest rate of 4.12% p.a. (coupon).

The bonds have a fixed final maturity date, with a lump-sum at the final maturity date on 15 July 2020. The effective interest rate of the first tranche (€494,134 thousand) is 4.12% p.a. and of the second tranche (€248,006 thousand) is 3.819% p.a. The whole volume of issued bonds was purchased by an entity under common control - SPP Infrastructure Financing B.V. with registered seat in the Netherlands.

On 28 February 2014, the Company received a long-term investment loan from the EIB of €75,000 thousand. The loan is due in 2021. The loan bears a variable interest rate based on 3M EURIBOR with an update every three months. As at 31 July 2019, the interest rate was 0.357 % p.a. and the effective interest rate was 0.377 % p.a. As at 31 July 2018, the interest rate was 0.338 % p.a. and the effective interest rate was 0.357 % p.a.

	31 July 2019 secured	31 July 2019 unsecured	31 July 2019 total	31 July 2018 secured	31 July 2018 unsecured	31 July 2018 total
Loans		140,049	140,049	-	75,037	75,037
Bonds issued	-	1,240,471	1,240,471	-	1,241,170	1,241,170
Total	**-**	**1,380,520**	**1,380,520**	**-**	**1,316,207**	**1,316,207**
Received loans and issued bonds based on currency:						
euro						
- variable interest rate	-	140,049	140,049	-	75,037	75,037
– fixed interest rate		1,240,471	1,240,471	-	1,241,170	1,241,170
Total	**-**	**1,380,520**	**1,380,520**	**-**	**1,316,207**	**1,316,207**
Received loans and issued bonds maturity:						
Up to 1 year	-	747,877	747,877	-	8,216	8,216
1 to 5 years	-	139,983	139,983	-	815,331	815,331
More than 5 years	-	492,660	492,660	-	492,660	492,660
Total	**-**	**1,380,520**	**1,380,520**	**-**	**1,316,207**	**1,316,207**

(€ '000)

	Carrying amount		Fair value (note 5 (d) (3))	
	31 July 2019	**31 July 2018**	**31 July 2019**	**31 July 2018**
Loans	140,049	75,037	140,049	75,037
Bonds issued	1,240,471	1,241,170	1,306,822	1,313,650
Total	**1,380,520**	**1,316,207**	**1,446,871**	**1,388,687**

Changes in liabilities arising from financial activities

	Loans	**Bonds issued**	**Total at 31 July 2019**
Opening balance	75,037	1,241,170	1,316,207
Cash movement	64,735	(44,733)	20,002
Other changes	277	44,034	44,311
Closing balance	**140,049**	**1,240,471**	**1,380,520**

	Loans	**Bonds issued**	**Total at 31 July 2018**
Opening balance	75,023	1,260,311	1,335,334
Cash movement	(129)	(44,733)	(44,862)
Other changes	143	25,592	25,735
Closing balance	**75,037**	**1,241,170**	**1,316,207**

17. TRADE AND OTHER PAYABLES

	At 31 July 2019	**At 31 July 2018**
Trade payables	11,498	10,654
Other liabilities	40,415	16,431
Liabilities from transmission activities	1,359	1,434
Liabilities from financial derivatives	354	22,273
Total financial liabilities	***53,626***	***50,792***
Liabilities to employees	3,505	3,215
Liabilities from social insurance and other taxes	2,156	1,753
Total non - financial liabilities	***5,661***	***4,968***
Total	**59,287**	**55,760**

As at 31 July 2019, the Company recorded due liabilities of €59,282 thousand and overdue liabilities of €5 thousand. As at 31 July 2018, the Company recorded due liabilities of €55,756 thousand and overdue liabilities of €4 thousand.

(€ '000)

Social fund liabilities

	At 31 July 2019	At 31 July 2018
Opening balance	561	517
Total creation:	258	141
from expenses	*258*	*141*
Total usage:	(384)	(97)
summer holiday allowance	*(244)*	-
monetary rewards and gifts	*(35)*	*(18)*
emergency benefit	-	-
work jubilee benefits	*(30)*	*(15)*
catering allowance	*(66)*	*(41)*
other drawing as per CA	*(9)*	*(23)*
Closing balance	**435**	**561**

Liabilities secured by pledge or other form of collateral

As at 31 July 2019, there is a bank guarantee in Tatra banka established totaling €1,400 thousand for liabilities to the Customs Office (31 July 2018: €700 thousand).

18. REGISTERED CAPITAL

The registered capital consists of 10 ordinary certificate-form shares with a face value of €3,319.39 per share, one ordinary certificate-form share with a face value of €82,895,533.19 and one ordinary certificate-form share with a face value of €200,000,000.00. From 13 June 2014, SPP Infrastructure is the 100% owner of these shares (until 12 June 2014: SPP). The registered capital was incorporated in the Commercial Register in the full amount. Shares have the same rights and each share represents identical voting rights.

19. LEGAL RESERVE FUND AND RETAINED EARNINGS

Since 1 January 2008, the Company is required to prepare financial statements in accordance with IFRS as adopted by the EU. Distributable profit represents amounts based on these financial statements.

Legal reserve fund

The legal reserve fund of €56,586 thousand (31 July 2018: €56,586 thousand) is created in accordance with Slovak legislation and is not distributable to shareholders. The reserve is created from retained earnings to cover possible future losses or increase of the registered capital. Contribution of at least 10% of the current year's profit is required to be made until the reserve is equal to at least 20% of the registered capital. The legal reserve fund in the Company has already reached 20% of the registered capital.

Revaluation reserve

Reserves from revaluation of assets are not immediately available for distribution to shareholders of the Company. Part of the revaluation reserve is reclassified to retained earnings based on the difference between depreciation from revaluated values and original acquisition values of assets. Revaluation reserves are reclassified to retained earnings also by sale, contribution of the part of business or liquidation of assets. These transfers to retained earnings are distributable.

Other funds and retained earnings

Other funds and reserves in equity are not distributable to shareholders of the Company.

Based on the decision of the sole shareholder, the Company declared dividends for the 7-month period ended 31 July 2018 totaling €251,000 thousand (see also Note 9 and 11). This amount was covered by the profit of the 7-month period ended 31 July 2018 of €223,611 thousand and retained earnings of €27,389 thousand.

(€ '000)

Distribution	**Profit distribution for the 7-month period ending 31 July 2018**	**Profit distribution for 2017**
Contribution to legal reserve fund	-	-
Settlement of loss carried forward	-	-
Dividends	223,611	352,389
Total profit to be distributed	**223,611**	**352,389**

Hedging reserves

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.

	31 July 2019	**31 July 2018**
Opening balance	**(26,118)**	**(1,367)**
Gain/(loss) on cash-flow hedging		
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	54,712	(36,408)
Interest swap contracts	(43,312)	(7,159)
Deferred Income tax applicable to gains/losses recognized through equity	(2,638)	6,579
Transfer to profit/loss		
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	1,164	12,237
Interest swap contracts	-	-
Deferred Income tax applicable to gains/losses recognized through equity	-	-
Transfer to initial carrying amount of the hedged item		
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	-	-
Interest swap contracts	-	-
Deferred Income tax applicable to amounts transferred to the initial carrying amount of the hedged item	-	-
Closing balance	**(16,192)**	**(26,118)**

A hedging reserve represents the cumulative effective portion of gains or losses arising from changes in fair value of hedging instruments entered into for cash flow hedges.

A cumulative gain or loss arising from a change in the fair value of hedging derivatives that are recognized and accrued in the reserve fund of cash flow hedging is reclassified in the income statement provided that the hedging 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.

(€ '000)

Gains/ (losses) arising from a change in the fair value of the hedging instruments transferred during the current period from equity to income statement are disclosed in the following lines of the income statement:

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Revenues from sale of services	-	-
Natural gas transmission	(1 164)	(12,237)
Purchases of natural gas, consumables and services	-	-
Other costs, net	-	-
Financial expenses	-	-
Income tax charged to expenses	-	-
Total	**(1 164)**	**(12,237)**

20. REVENUES FROM SALES OF SERVICES

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Natural gas transmission	786,259	460,685
Other	6,598	(10,062)
Total	**792,857**	**450,623**

In the twelve-month period ending 31 July 2019, the Company fully executed a long-term contract for natural gas transmission through the Slovak Republic with a significant Russian natural gas exporter. These contracts enable the use of gas pipelines in line with the transmission capacity required by this exporter to execute long-term export contracts signed with customers in Central and Western Europe.

The Company provides access to the transmission network and transmission services on the basis of ship-or-pay contracts. The major user of the network (shipper) is a significant Russian natural gas exporter, followed by other customers, usually leading European gas companies transmitting gas from Russian and Asian reservoirs to Europe. The part of the transmission capacity is ordered on the basis of long-term contracts, which comprise more than 57% of the Company's revenues from natural gas transmission. In addition, eustream, within the entry-exit transmission system, also concludes short-term transmission contracts and provides supplementary gas transmission services.

The Company is paid transmission fees directly to its accounts by a relevant shipper or a recipient of supplementary services. Tariffs for transmission services have been fully regulated since 2005 and are governed by price decision issued by RONI for the relevant regulatory period.

On the basis of the regulated business and pricing terms, shippers also provide the Company with a portion of the tariffs in kind as gas for operating purposes, covering gas consumption during the operation of the transmission network. In accordance with the regulated trade and price conditions, the shippers are allowed to provide this part of the tariff in financial form as well.

The revenues from the transmission of natural gas and the provision of supplementary services are originated in the Slovak Republic.

(€ '000)

21. PERSONNEL EXPENSES

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Wages, salaries and bonuses	20,905	11,819
Pension security costs	3,064	1,671
Social security costs	4,916	2,611
Other social security costs and severance pay	1,702	1,084
Total	**30,587**	**17,185**

The Company is required to make social and pension security contributions, amounting to 35.2% of salary bases as determined by law, up to a maximum amount of €6,678 (31 July 2018: €6,384), except for accident insurance and health insurance, where the salary base is not limited. The employees contribute an additional 13.4% of the relevant salary base up to the above limits, except health insurance, where the measurement basis is unlimited.

22. COSTS OF AUDIT SERVICE

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Audit of the financial statements	30	30
Other assurance services	40	10
Related audit services	-	-
Other non-audit services provided by the auditor	11	-
Total	**81**	**40**

23. FINANCIAL INCOME

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Interest income	162	181
FX differences - profit (see Note 25)	-	-
Dividends	751	786
Other financial income, net	383	221
Total	**1,296**	**1,188**

24. FINANCIAL EXPENSE

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Interest expense	44,150	25,963
FX differences – loss (see Note 25)	2	4
Other financial expense	186	98
Total	**44,338**	**26,065**

(€ '000)

25. FOREIGN EXCHANGE RATE DIFFERENCES

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Foreign exchange rate gains (losses) arising from:		
– operating activities	(2)	(2)
– financing activities (see Note 23 and 24)	(2)	(4)
Total	**(4)**	**(6)**

26. TAXATION

26.1. Income tax

Income tax comprises the following:

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Current income tax	121,989	66,852
Special levy	47,608	16,134
Deferred tax (see Note 26.2)	(22,509)	(9,101)
Total	**147,088**	**73,885**

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

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Profit before taxation	533,700	297,496
Income tax at 21% and special levy on business in regulated industries	159,685	78,608
Effect of adjustments from permanent differences between accounting and tax value of assets and liabilities	32	233
Other adjustments	(2,631)	(1,568)
Effect of special levy as a tax deductible item	(9,998)	(3,388)
Total	**147,088**	**73,885**

Adjustments primarily include non-tax deductible expenses.

The effective tax rate differs from the statutory tax rate of 21% in the twelve-month period ending 31 July 2019 mainly due to the special levy.

For the deferred tax calculation the Company applied income tax rate of 21% that is valid in Slovakia from 1 January 2017.

In line with Act No. 235/2012 Coll. on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplementation of Certain Acts, the Company is obliged to pay a monthly special levy from September 2012. The levy rate for current period of financial year is 0.00726 (until 2016: 0.00363) per month based on the profit before tax and is presented as a part of the current income tax pursuant to the IFRS requirements. The taxation years from 2014 included are still open for inspection by the tax authorities.

Due to the prudent principle the Company previously accounted for a special levy, which arose in connection with the contribution of part of the business on 28 February 2013. However, this matter of fact is not possible to interpret as a waiving of rights and claims, or as confirmation of applicability of Act no. 235/2012 on special levy on the contribution of part of the business.

(€ '000)

26.2. Deferred tax

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

	At 1 August 2018	Charge to equity for the period	(Debit)/credit to profit for the period	At 31 July 2019
Difference in net book value of non-current assets	(926,379)	-	22,143	(904,236)
Change in fair value of derivatives	6,942	(2,638)	-	4,304
Employee benefits and other provisions	2,891	-	(84)	2,807
Provisions for assets	556	127	369	1,052
Provisions for inventories	1,339	-	13	1,352
Other	191	-	68	259
Total	**(914,460)**	**(2,511)**	**22,509**	**(894,462)**

	At 1 January 2018	Charge to equity for the period	(Debit)/credit to profit for the period	At 31 July 2018
Difference in net book value of non-current assets	(935,473)	-	9,094	(926,379)
Change in fair value of derivatives	363	6,579	-	6,942
Employee benefits and other provisions	2,694	-	197	2,891
Provisions for assets	385	17	154	556
Provisions for inventories	1,361	-	(22)	1,339
Other	513	-	(322)	191
Total	**(930,157)**	**6,596**	**9,101**	**(914,460)**

In accordance with the Company's accounting policy, certain deferred tax assets and liabilities were mutually offset. The following table shows the balances (after offsetting) of deferred tax for the purposes of recognition in the balance sheet:

	At 31 July 2019	At 31 July 2018
Deferred tax liability	894,462	914,460
Total	**894,462**	**914,460**

Non-current and current part of deferred tax liability:

	At 31 July 2019	At 31 July 2018
Deferred tax asset expected to be utilized within 12 months	2,949	6,780
Deferred tax asset expected to be utilized after 12 months	13,162	5,190
Deferred tax liability expected to be utilized within 12 months	(29,459)	(22,333)
Deferred tax liability expected to be utilized after 12 months	(881,114)	(904,097)
Deferred tax liability, net	**(894,462)**	**(914,460)**

(€ '000)

27. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

At 31 July 2019	Before tax	Tax	After tax
Cash flow hedging	12,564	(2,638)	9,926
Reduction in revaluation reserve due to changes in fair value	(606)	127	(479)
Other comprehensive losses for the period	**(11,958)**	**2,511**	**(9,447)**

At 31 July 2018	Before tax	Tax	After tax
Cash flow hedging	(31,330)	6,579	(24,751)
Reduction in revaluation reserve due to changes in fair value	(82)	17	(65)
Other comprehensive losses for the period	**(31,412)**	**6,596**	**(24,816)**

28. CASH FLOWS FROM OPERATING ACTIVITIES

	12-month period ending 31 July 2019	7-month period ending 31 July 2018
Profit before tax	533,700	297,496
Adjustments:		
Depreciation, amortization and impairment losses, net	127,836	75,608
Interests, net	43,988	25,782
Financial investments income	(751)	(786)
FX differences	1	4
Derivatives	(10,627)	2,983
Provisions, allowances and other non-cash items	(811)	16,192
(Gain)/loss from sale of non-current assets	(23)	(6)
(Increase)/decrease in receivables and prepayments	(337,453)	(91,475)
(Increase)/decrease in inventories	1,889	(1,651)
Increase/(decrease) in trade and other liabilities	62,460	5,125
Cash flows from operating activities	**420,209**	**329,272**

29. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

As at 31 July 2019, capital expenditures of €81,712 thousand (as at 31 July 2018: €100,071 thousand) had been committed under contractual arrangements for the acquisition of non-current assets, but were not recognized in the financial statements.

Guarantee issued

The Company is a guarantor for bonds issued by the entity under common control - SPP Infrastructure Financing B.V. of €1,257,192 thousand as at 31 July 2019 (as at 31 July 2018: €1,257,192 thousand). The Company has committed to guarantee repayment of the bonds by SPP Infrastructure Financing B.V. and as such is exposed to all the resultant risks.

(€ '000)

Operating Lease Arrangements

The Company leases vehicles under an operating lease agreement. The contracted period is four years and the Company has no pre-emptive right to purchase the assets at the end of the lease term. The lease payments for the twelve-month period ending 31 July 2019 were €673 thousand (31 July 2018: €391 thousand).
Non-cancellable operating lease payables amount to:

Period	As at 31 July 2019	As at 31 July 2018
Up to 1 year	673	670
1 to 5 years	505	1,172
More than 5 years	-	-
Total	**1,178**	**1,842**

Taxation

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

(€ '000)

30. RELATED PARTY TRANSACTIONS

In the twelve-month period ending 31 July 2019, the Company entered into the following transactions with related parties:

	12-month period ending 31 July 2019				As at 31 July 2019	
	Revenues	Expenses	Dividends	Other	Receivables	Liabilities
SPP Infrastructure	125	-	251,000	-	312,026	-
Related parties under control of EPH	75,401	47,919	-	768	1,114	1,243,158
Other related parties	778	108	-	2,130	51	263

	7-month period ending 31 July 2018				As at 31 July 2018	
	Revenues	Expenses	Dividends	Other	Receivables	Liabilities
SPP Infrastructure	149	-	450,000	-	65,005	-
Related parties under control of EPH	48,681	27,438	-	223	18,978	1,242,129
Other related parties	786	326	-	-	53	9

The Company's management considers the transactions with related parties to be transactions made on an arm's length basis.

Transactions with the SPP Infrastructure represent the payment of dividends and transactions related to cash-pooling (see Note 11). Transactions with related parties under the control of EPH in the period ending 31 July 2019 are mainly issued bonds (see also Note 16).

In the year ended 31 July 2019 and in the 7-month period ending 31 July 2018, the Company provided a financial guarantee to SPP Infrastructure Financing B.V. (see Note 29).

Since 2019, the Company applied an exception to IAS 24 on non-disclosure of related party information through the Ministry of Economy of the Slovak Republic.

(€ '000)

The compensation paid to the members of the Company's bodies and key management was as follows:

	12-month period ending 31 July 2019	**7-month period ending 31 July 2018**
Total compensation of the actual and former members of board of directors, supervisory board and key management –	999	511
of which – Board of Directors and executive management	*623*	*301*
– Supervisory Board	*263*	*150*
– Supervisory Committee	*103*	*60*
– former members of the Board of Directors and executive management	-	-
– former members of the Supervisory Board	*10*	-
Other long-term benefits to the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
of which – Board of Directors and executive management	-	-
– former members of the Board of Directors and executive management	-	-
Post-employment benefits to the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
of which – Supervisory Board	-	-
Benefits in kind to the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	20	10
of which – Board of Directors and executive management	*16*	*10*
– Supervisory Board	*4*	-
Other remuneration (including loans, guarantees or other securitization) to the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Total amount of used financial or other remunerations for personal use by the Members of statutory body, supervisory body or other body of the accounting unit, which are accounted for	9	6
of which – Board of Directors and executive management	*8*	*6*
– Supervisory Board	*1*	-
– former members of the Board of Directors and executive management	-	-

(€ '000)

31. MEMBERS OF THE COMPANY'S BODIES AS AT 31 JULY 2019

Body	Position	Name
Board of Directors	Chairman	Ing. Tomáš Mareček
	Vice-Chairman	Ing. Robert Hančák
	Member	Ing. Miroslav Bodnár
	Member	Ing. Eva Markovičová
	Member	Ing. Mirek Topolánek
Supervisory Board	Chairman	Ing. Peter Trgiňa, MBA
	Vice-Chairman	Jiří Zrůst
	Member	Mgr. Andrej Lendvay
	Member	Ing. Mikuláš Maník
	Member	JUDr. Dominik Hríň
	Member	JUDr. Peter Pandy
Supervisory Committee	Chairman	JUDr. Daniel Křetínský
	Vice-Chairman	Ing. Ružena Lovasová
	Member	Ing. Roman Karlubík, MBA
	Member	Mgr. Jan Stříteský
	Member	Mgr. Hana Krejčí, PhD.
Executive management	CEO	Ing. Rastislav Ňukovič

32. POST-BALANCE SHEET EVENTS

No events occurred subsequent to 31 July 2019, which would have a material impact on the financial statements of the Company at 31 July 2019.

Prepared on: 15 August 2019	Signature of a member of the statutory body of the reporting entity	
	Ing. Tomáš Mareček Chairman of the Board of Directors	Ing. Miroslav Bodnár Member of the Board of Directors

Approved on: **30 September 2019**

Proposal
of profit distribution
for the accounting period ending July 31, 2019

The proposal of profit distribution for the accounting period ending July 31, 2019 is prepared in line with the Articles of Association of eustream, a.s. Article XXIII - DISTRIBUTION OF PROFIT, Article XXII – CREATION AND USE OF RESERVE FUND, and in line with the provisions of the Commercial Code No. 513/1991 Coll., as amended.

The proposal of the profit distribution for the accounting period ending July 31, 2019 is based on the audited financial statements for the accounting period ending July 31, 2019.

I.	**Profit after tax**	**386,611,501.71 €**
II.	**Allocation to the statutory reserve fund** in accordance with the Article XXII of the Articles of Association the reserve fund exceeds 20% of registered capital	**0.00 €**
III.	**The amount of net profit determined as dividends**	**386,611,501.71 €**
IV.	**The amount of retained earnings determined as dividends**	**43,388,498.29 €**
V.	**The amount total determined as dividends**	**430,000,000.00 €**
VI.	**Tantiems to the members of the bodies**	**0.00 €**

Note:

Dividends are to be settled by 100 days as the latest from the approval by the General Meeting of shareholders.

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