ANNUAL REPORT

1 August 2019 - 31 July 2020

eustream
SLOVAK GAS TSO

Contents

The Annual Report is published for the accounting period from 1 August 2019 to 31 July 2020.

ADDRESS FROM THE CHAIRMAN OF THE BOARD

Tomáš Mareček
Chairman of the Board of Directors

Dear business partners, colleagues and friends,

Eustream is submitting its ordinary financial statements and the Annual Report for the fiscal year lasting from 1 August 2019 to 31 July 2020. This report documents another successful period for the Slovak gas transmission system operator, in which we confidently carried out our role as a strategic TSO for European markets and attained positive economic results.

The core principle of Eustream's business is reliable gas transmission to European customers, with due regard to sustainable environmental development and protection, based on the application of the fair and foreseeable conditions established by the national and European regulatory frameworks. The Eustream transmission system transported a total of 60.64 billion cubic metres of natural gas in the reported period, an amount corresponding to 641.08 terrawatt-hours. Revenue from sales of services amounted to € 748.04 million in the last fiscal year.

One of the breaking events of the previous period was the signature of a transit contract between the Russian and Ukrainian parties. Concluded at the end of 2019, the contract set out conditions for the further use of Ukraine's transmission system and, consequently, for additional physical quantities of gas to be transmitted via the entry point on Slovakia's eastern border.

Also, a new transmission system operator was established in Ukraine with which Eustream made a new interconnection agreement effective from 1 January 2020. Since 2014, transmission towards Ukraine has been conducted along the Budince pipeline, which continued to be largely used by European customers in the previous period, too. With the new interconnection agreement, from March 2020, increased market demand in excess of the Budince entry/exit point capacity may flexibly be accommodated with the use of virtual reverse flow at the Veľké Kapušany point.

A much-awaited change occurred at the entry point from the Czech Republic at the start of the year 2020. The successful completion of our investment projects in new technologies in the western part of Slovakia allowed us to more than double the technical capacity of the entry point from the Czech Republic, which is an important diversification pillar in supplying the target European markets, Slovakia included.

We also continued the development of the European Union's north-south priority corridor by completing its missing section, i.e. the Poland - Slovakia interconnection line. The project is Eustream's largest investment at present and it is being implemented with substantial support from the European Union. We expect the pipeline to bring new gas trading opportunities to Central Europe from 2022 by providing it with direct access to the global LNG market.

The north-south corridor also incorporates the Slovakia-Hungary pipeline, which has been in operation since 2015. It was intensively utilized for commercial transmission from Slovakia to Hungary in the last period. The interconnecting line also offers an interesting potential for future transmission in the opposite direction, from Hungary to Slovakia.

Market interest in Eustream's transmission system was re-confirmed by long-term transmission capacity reservations at the end of the business year, in the regular July auction of annual products. The lasting interest in our services stems from the growing importance of import capacities, which is driven by the continued decline in European natural gas production, in contrast to relatively constant domestic consumption levels. Also, natural gas is a greener and more available alternative to other fossil and solid fuels, and as such, it will continue to make up an important part of the European energy mix. For the future, we perceive the challenges ahead of the European gas sector associated with de-carbonisation plans for which, as we believe, the gas industry is able to offer interesting solutions and investment opportunities. And we are ready to play our part in this.

The outbreak of the Covid-19 pandemic was an exceptional challenge in the past period and, as a critical infrastructure operator, we were required to implement the most stringent preventative measures. Like other European gas sector players, we coped with the situation without any hesitations. Against this background, in particular, I sincerely thank our employees for their professional commitment and, of course, all our business partners for using our services.

Tomáš Mareček
Chairman of the Board of Directors

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 2020.

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 five compressor stations with an output of almost 550 MW.

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 Zlievceý (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 1810 new confirmed reservations for transmission capacity and 195 active contracts to access the transmission system and for natural gas transmission in the period from 1 August 2019 to 31 July 2020.

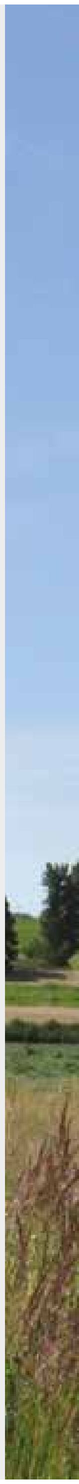
The Eustream transmission system transported a total of 60.64 billion cubic metres of natural gas in the monitored period, an amount corresponding to 641.08 terrawatt hours. Of this total, more than 3 billion cubic metres of natural gas were transmitted to Czech Republic, more than 41 billion cubic metres of natural gas were transmitted to Austria and almost 9.7 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.

Natural gas transmission (in billions of m^3)

1.8.2019 - 31.7.2020	1.8.2018 - 31.7.2019	1.1.2018 - 31.7.2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
60.64	66.47	34.2	64.2	60.6	55.8	46.5	58.5	56.5	74.0	71.4	66.4	76.2

Natural gas transmission (in TWh)

1.8.2019 - 31.7.2020	1.8.2018 - 31.7.2019	1.1.2018 - 31.7.2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
641.08	701.46	362.2	678.66	642.99	591.13	488.53	614.25	587.60	769.60	742.56	690.56	792.48




eustream

TRANSMISSION SYSTEM DEVELOPMENT

Eustream strives to continuously improve conditions for the satisfaction of both current and future demand for transmission services. We manage our transmission system development and modernisation efforts with due regard to environmental sustainability and protection demands, requirements for enhanced flexibility of transmission in all respects and general developments in the European market in gas.

We suppose natural gas to continue to be an essential pillar of the European energy sector in upcoming decades as a source enabling cost-effective attainment of environmental targets for carbon emission reduction and air quality improvement. Moreover, the significance of importing capacities, the Slovak transmission system included, will further grow in response to the sharp decline in Europe's domestic natural gas production. Also, Eustream considers the potential for further greening of the energy sector in its plans for the long-term development of the transmission system, including strategies for the use of hydrogen in the European Union, utilisation of bio-methane, or collection and storage of carbon dioxide. The new gases and technologies may potentially represent not only an important de-carbonising contribution, but also an opportunity for further utilization of the gas infrastructure and new investments.

Between 1 August 2019 and 31 July 2020, Eustream completed projects aimed at developing the transmission system with total investment costs exceeding € 55 million.

The last fiscal period's major development projects included the Poland-Slovakia Gas Interconnector, a Project of Common Interest of the European Union financially supported from the Connecting Europe Facility (CEF) and co-financed by the European Investment Bank, and a project to expand the distribution hub at Lakšárska Nová Ves, involving the installation of a natural gas transmission technology.

With 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, importantly, to global market in liquefied natural gas. Works commenced in August 2018 were continued in the reported period with the aim of putting the pipeline in operation at the beginning of 2022.

The expansion of the splitting junction at Lakšárska Nová Ves was technologically completed at the end of 2019. The new tandem compressor unit with gas turbines with a total capacity of 46 MW was used for the physical transport from east to west already in the first days of 2020. The implementation of this project allowed more than doubling the technical capacity in the direction from the Czech Republic, thus facilitating more flexible transmission of natural gas to all the other exit points to the neighbouring countries.

The most important project at the engineering stage is Eastring, the planned gas interconnection pipeline for Central and South-eastern Europe. It is the only project to offer direct bi-directional interconnection between the EU's developed gas markets and the Turkish-Bulgarian border, a region which is gradually becoming an important gas hub with access to a number of major natural gas sources. The significance of interconnection between South-eastern Europe and Western Europe as the essence of the Eastring project is expected to gradually grow and help to create enabling conditions for its implementation.

Co-financed by the European Union
Connecting Europe Facility

LEGAL COMPLIANCE

Eustream holds a permit for the transmission of gas in the defined territory of the Slovak Republic. Given the fact that the gas transmission is a regulated activity, Eustream's activities as a transmission system 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 gas transmission based on non-discriminatory rules in compliance with the national and European legislation.

Energy Legislation of the Slovak Republic

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, the Act No. 250/2012 Coll. of 31 July 2012 on regulation in network industries, as amended, as well as other generally binding legal regulations issued based on them (e.g. 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).

EU Network Codes Implementation

Eustream has implemented relevant 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 it (e.g. valid decisions of the Regulatory Office).

Independent Transmission Operator

Following the adoption of the EU's Third Energy Package and its subsequent incorporation 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 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 Gas Transmission

The Regulatory Office approves tariffs for access to the transmission system and gas transmission as well as the conditions for their application for the defined regulatory period 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 gas transmission, by comparing with the prices for access to the transmission system and 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. Simultaneously, 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 by which it decided on the reference price methodology, determined the reference prices, decided on level of multipliers, discounts and other conditions 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 2019 to 31 July 2020) 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.

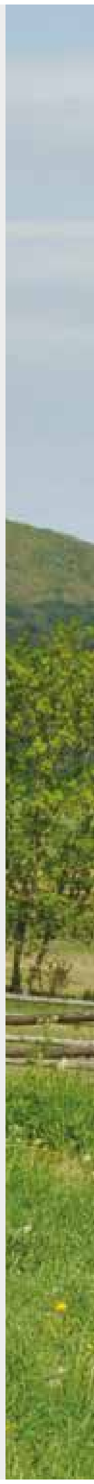
The transmission system operator submitted the draft compliance program to the Regulatory Office for approval, which approved the program on 18 June 2013 and the program entered into force on the same day. Eustream then took all actions needed to ensure adherence to the compliance program and monitoring 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 2020. 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 membery
Peter Pandy	Supervisory Board member
Dominik Hríň	Supervisory Board member

The structure presented dates to 31 July 2000. There were no changes to the structure of the supervisory board during the monitored period.

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 2020. There were no changes to the structure of the supervisory commission during the monitored period.

MANAGEMENT

Rastislav Ňukovič
General Director

Miroslav Bodnár	Director of 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 2020. There were no changes in the company management during the monitored period.

HUMAN RESOURCES

As at 31 July 2020, the company Eustream had 633 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.

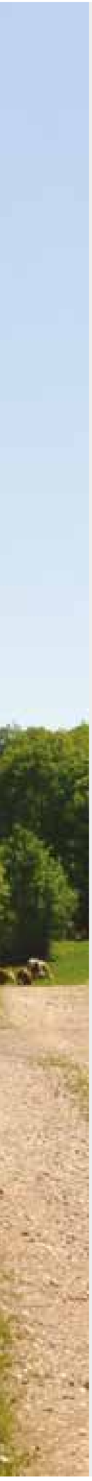
- Succession program – intended for internal company employees. Its objective is to support and stabilise potential employees, to expand the competencies of management and focuses on specialised positions;
- Graduate program – intended for university graduates with no experience, and with experience 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. A new collective agreement has been signed for three years effective 1 January 2020.

The new challenge was to implement effective measures that helped to ensure a smooth running of the company during the COVID-19 pandemic.

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, OCCUPATIONAL HEALTH AND SAFETY

The use of natural gas in the energy mix plays an important role in reducing greenhouse gas emissions and improving air quality. The flexibility and reliability of natural gas facilitate the development of renewable sources and faster phasing out of non-ecological energy sources, in particular coal. We thus see the maintenance and development of a modern gas infrastructure and related development of new gas technologies as an important pillar of the efficient achievement of environmental goals.

In the operation of the transmission network, Eustream focuses particularly on the following:

- Reducing emissions and release of environmental pollutants;
- Reducing the level of noise emitted around compressor stations;
- Following the waste management hierarchy in order to reduce the overall amount of waste generated;
- Optimising water management.

We take continuous care of the quality of our equipment to ensure compliance with the increasingly stringent air protection legislation, including preparations for full alignment 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 close monitoring, early corrective maintenance and, above all, consistent natural gas pumping during the maintenance of gas pipelines. Investments in state-of-the-art technology have allowed Eustream to re-pump natural gas with high efficiency back to the network instead of releasing it gas into the atmosphere during maintenance works.

OCCUPATIONAL HEALTH AND SAFETY

Eustream assures occupational health and safety in accordance with applicable legislation and internal regulations to eliminate or mitigate any risks to employees' safety to the greatest possible extent and to protect employees' health at work.

As part of the general employee health prevention scheme, various occupational healthcare and rehabilitation service programmes are run throughout a year. Eustream has implemented 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 working environment conditions and impacts on the health and safety of employees. Employees regularly complete preventative medical exams. One occupational injury subject to registration occurred in the previous fiscal year.

A functional OHS and environmental management system is deployed at Eustream. Compliance with legislation and related standards was confirmed by internal audits performed across the company, control activities conducted by competent authorities and an external surveillance audit carried out at the end of 2019.

ECONOMIC AND FINANCIAL PERFORMANCE

In the financial year ending 31 July 2020, Eustream generated € 748.04 million in revenues from the sale of services. A total of € 214.31 million was reported in operating expenses for the same period. Major expense items included depreciation/amortisation charges, costs of services, consumption of natural gas, raw materials and energy and personnel expenses. The loss on financing activities for the financial year amounted to € 47.12 million, primarily as a result of interest expense.

In the financial year ending 31 July 2020, Eustream reported profit before tax in the amount of € 486.61 according to the International Financial Reporting Standards (IFRS) approved for use in the European Union. Income tax from ordinary activities was € 126.15 million, with profit after tax of € 360.46 million.

CAPITAL STRUCTURE

Eustream's total assets as at the balance sheet date were € 5,019.40 million, an increase by € 225.83 million compared to the previous period. Non-current assets were reported in the amount of € 4,615.87 million, accounting for 92% of total assets. The increase in value was driven mainly by revaluation of assets. Current assets accounted for 8% of total assets and included receivables, cash and cash equivalents and inventories. Current assets decreased by € 197.42 million compared to the previous year, primarily as a result of a decrease in receivables and in cash and cash equivalents.

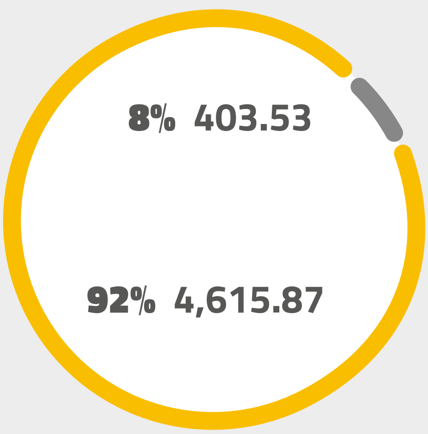
Equity totalled € 2,573.11 million, 51% of the Company's assets. Equity included registered capital and the legal reserve fund, other funds, revaluation reserves and retained earnings. Equity grew by € 321.66 million year-on-year, primarily as a result of profit for the current period and an increase in the revaluation reserve.

Company's registered capital recorded in the Business Register was € 282.93 million. It comprises ten 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.

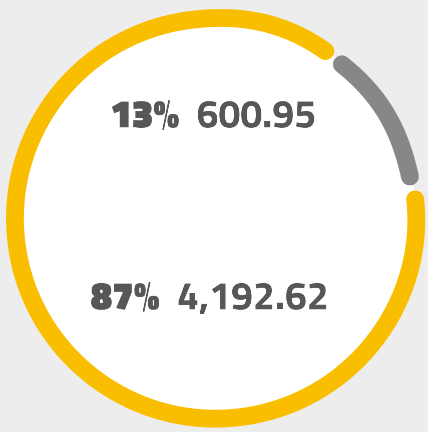
Comparison of the Structure of Assets (€ million)

Non-current assets   Current assets

As at 31 July **2020**



As at 31 July **2019**



Structure of Shareholders as at 31 July 2020

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

The balance of the Company's legal reserve fund as at the balance sheet date was € 56.59 million.

Total liabilities accounted for 49% of assets and totalled € 2,446.29 million as at the balance sheet date. Liabilities comprised non-current liabilities of € 2,199.46 million and current liabilities of € 246.83 million, which decreased by € 623.20 million year-on-year, mainly as a result of the repayment of bonds.

Comparison of the Structure of Equity and Liabilities (in € million)

	As at 31 July 2020	As at 31 July 2019	**As at 31 July 2020**	As at 31 July 2019
Equity	**2,573.11**	2,251.45	**51%**	47%
Liabilities	**2,446.29**	2,542.12	**49%**	53%

FINANCIAL STATEMENTS

Statement of Financial Position (selected figures, in € thousand)

	31 July 2020	31 July 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	4,575,460	4,150,389
Non-current intangible assets	3,780	2,527
Non–current financial investments	6,689	6,661
Other non-current assets	29,941	33,041
Total non-current assets	4,615,870	4,192,618
CURRENT ASSETS	**403,531**	600,947
TOTAL ASSETS	**5,019,401**	4,793,565
EQUITY AND LIABILITIES		
EQUITY		
Share capital	282,929	282,929
Legal and other reserves	50,825	40,394
Revaluation reserve	1,820,486	1,497,745
Retained earnings	418,873	430,382
Total equity	2,573,113	2,251,450
NON-CURRENT LIABILITIES	**2,199,462**	1,672,090
CURRENT LIABILITIES	**246,826**	870,025
TOTAL LIABILITIES	**2,446,288**	2,542,115
TOTAL EQUITY & LIABILITIES	**5,019,401**	4,793,565

Statement of Comprehensive Income (selected figures, in € thousand)

	Year ending 31 July 2020	**Year ending 31 July 2019**
REVENUES FROM THE SALES OF SERVICES	748,039	792,857
OPERATING EXPENSES	(214,309)	(216,115)
OPERATING PROFIT	533,730	576,742
Financial income	1,415	1,296
Financial expenses	(48,536)	(44,338)
PROFIT BEFORE TAX	486,609	533,700
INCOME TAX	**(126,148)**	(147,088)
PROFIT FOR THE PERIOD	**360,461**	386,612

Statement of Cash Flows (selected figures, in € thousand)

	Year ending 31 July 2020	**Year ending 31 July 2019**
OPERATING ACTIVITIES		
Cash flow from operating activities	549,419	420,209
Interests paid	(45,111)	(45,003)
Interest received	187	139
Income tax paid	(149,292)	(99,482)
Net cash flows from operating activities	355,203	275,863
INVESTING ACTIVITIES		
Acquisition of non-current assets	(54,457)	(59,493)
Borrowing provided	(28)	-
Proceeds from sale of property, plant and equipment and intangible assets	6	23
Dividends received	870	751
Net cash flows used in investing activities	(53,609)	(58,719)
FINANCING ACTIVITIES		
Proceeds from issued bonds	496,342	-
Repayment of bonds	(738,978)	-
Income from/(repayment of) received loans	(9)	65,000
Dividends paid	(118,000)	(186,000)
Net cash flow from financing activities	(360,645)	(121,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(59,051)	96,144
EFFECT OF FOREIGN EXCHANGE DIFFERENCES	-	(1)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	172,894	76,751
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**113,843**	172,894

SIGNIFICANT EVENTS

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

CONTACT INFORMATION

Commercial name:	eustream, a.s.
Registered office:	Votrubova 11/A, 821 09 Bratislava, Slovak Republic
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

Deloitte.

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

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

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

eustream, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of eustream, a.s. and the Audit Committee:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of eustream, a.s. (the "Company"), which comprise the statement of financial position as at 31 July 2020, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 July 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

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

Other Matter

The financial statements of eustream, a.s. for the year ended 31 July 2019 were audited by another auditor who issued an unqualified opinion thereon on 15 August 2019.

Key Audit Matters

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

Description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud	Summary of the auditor's response to the risks
Remeasurement of Assets to Fair Value	
Refer to Note 4 of the financial statements In the financial year ended 31 July 2020, the non-current tangible assets of the Company are recognised at a remeasured value representing their fair value as at the remeasurement date less potential subsequent accumulated depreciation and subsequent accumulated losses from permanent impairment. The initial remeasurement was performed on 1 January 2016 and the subsequent remeasurement on 1 August 2019.	Our audit procedures included, inter alia: • Review of the independence of the expert who prepared the expert opinion; • Evaluation of methods and assumptions used by the expert when determining the fair value of the assets and a review of the average prices used for the calculation of the fair value; • Examination of the approach used by the expert to determine the residual useful life of the assets; • Review of the mathematical accuracy of the calculation of the fair value of the assets;

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

The surplus from the subsequent remeasurement in the amount of EUR 541 million was credited to the revaluation reserve. A decrease in the net book value of the non-current assets resulting from the subsequent remeasurement was debited to the revaluation reserve in the amount of EUR 31 million and to profit/loss in the amount of EUR 357 thousand.	• Reconciliation of the completeness and accuracy of data on the non-current assets provided to the expert for remeasurement; • Reconciliation of the accuracy of the calculation and recognition of the revaluation reserve as at 1 August 2019; • Assessment of the correctness of the assessment of tax implications of the remeasurement; • Assessment of the presentation of the remeasurement in the notes and its compliance with the IFRS requirements; • Evaluation of the analysis of potential impairment of the Company's assets. For the above procedures, we engaged our internal experts for the measurement of assets.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

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

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

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

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

- Information disclosed in the annual report prepared for as at 31 July 2020 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

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

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

Appointment of the Auditor

We were appointed as the statutory auditor by the Company's General Meeting on 16 June 2020. The length of our total uninterrupted engagement including previous renewals of the engagement (extensions of the period for which we were appointed) and our reappointments as the statutory auditors is 1 years.

Consistency with the Additional Report to the Audit Committee

Our audit opinion expressed herein is consistent with the additional report prepared for the Company's Audit Committee, which we issued on 20 August 2020.

Non-Audit Services

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

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

Bratislava, 21 August 2020

Ing. Stanislav Kubala, FCCA
Responsible Auditor
Licence UDVA No. 1062

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

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

FINANCIAL STATEMENTS

eustream, a.s.

FINANCIAL STATEMENTS
(PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION)

For the Year Ended 31 July 2020

CONTENTS

eustream, a.s.
STATEMENT OF FINANCIAL POSITION
As at 31 July 2020 and 31 July 2019
(EUR '000)

	Note	31 July 2020	31 July 2019
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	7	4 575 460	4 150 389
Non-current intangible assets	8	3 780	2 527
Non-current financial investments	9	6 689	6 661
Other non-current assets		29 941	33 041
Total non-current assets		**4 615 870**	**4 192 618**
CURRENT ASSETS			
Inventories	10	9 910	13 463
Receivables and prepayments	11	279 778	414 590
Cash and cash equivalents	12	113 843	172 894
Income tax		-	-
Total current assets		**403 531**	**600 947**
TOTAL ASSETS		**5 019 401**	**4 793 565**
EQUITY AND LIABILITIES:			
EQUITY			
Share capital	18	282 929	282 929
Legal and other reserves	19	50 825	40 394
Revaluation reserves	19	1 820 486	1 497 745
Retained earnings	19	418 873	430 382
Total equity		**2 573 113**	**2 251 450**
NON-CURRENT LIABILITIES			
Bonds issued	16	988 326	492 660
Loans received	16	65 000	139 983
Deferred income	13	58 677	58 696
Provisions for liabilities	15	6 596	6 860
Retirement and other long-term employee benefits	14	4 116	3 986
Deferred tax liability	25.2	999 224	894 462
Other non-current liabilities		77 523	75 443
Total non-current liabilities		**2 199 462**	**1 672 090**
CURRENT LIABILITIES			
Current portion of bonds	16	7 577	747 811
Current portion of loans	16	75 070	66
Trade and other payables	17	97 115	59 287
Income tax		66 926	62 712
Provisions for liabilities and other current liabilities	15	138	149
Total current liabilities		**246 826**	**870 025**
TOTAL LIABILITIES		**2 446 288**	**2 542 115**
TOTAL EQUITY AND LIABILITIES		**5 019 401**	**4 793 565**

The financial statements on pages 1 to 42 were signed on 20 August 2020 on behalf of the Board of Directors:

Ing. Tomáš Mareček
Chairman of the Board of Directors

Ing. Miroslav Bodnár
Member of the Board of Directors

The financial statements are subsequently subject to the approval of the Company's General Meeting.

eustream, a.s.
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 July 2020 and 31 July 2019
(EUR ‘000)

	Note	31 July 2020	31 July 2019
REVENUES FROM THE SALE OF SERVICES			
Natural gas transmission and other services	20	748 039	792 857
Total revenues		**748 039**	**792 857**
OPERATING EXPENSES			
Own work capitalised		3 773	3 690
Consumption of natural gas, consumables and energy		(25 565)	(43 911)
Depreciation, amortisation and impairment losses, net	7, 8	(143 385)	(127 836)
Other services		(20 653)	(20 968)
Personnel expenses	21	(29 531)	(30 587)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	10, 11	(398)	(340)
Provisions for liabilities	15	-	1 305
Other operating income		2 776	3 580
Other operating expenses		(1 326)	(1 048)
Total operating expenses		**(214 309)**	**(216 115)**
OPERATING PROFIT		**533 730**	**576 742**
Finance income	23	1 415	1 296
Finance costs	24	(48 536)	(44 338)
PROFIT BEFORE TAX		**486 609**	**533 700**
INCOME TAX	25.1	(126 148)	(147 088)
PROFIT FOR THE PERIOD		**360 461**	**386 612**
Other comprehensive income (items that may be reclassified subsequently to profit or loss)	**26**		
Hedging derivatives (cash flow hedging)		13 205	12 564
Deferred tax related to items of other comprehensive income for the period		(2 774)	(2 638)
Other comprehensive income (items that will not be reclassified subsequently to profit or loss)	**26**		
Increase/decrease in properties revaluation reserve		510 118	(606)
Deferred tax related to items of other comprehensive income for the period		(129 347)	127
OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD		**391 203**	**9 447**
TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD		**751 663**	**396 059**

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 July 2020 and 31 July 2019
(EUR '000)

	Share capital	Legal reserve fund	Hedging reserve	Revaluation reserves	Retained earnings	Total
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)
At 31 July 2019	**282 929**	**56 586**	**(16 192)**	**1 497 745**	**430 382**	**2 251 450**
Net profit for the period	-	-	-	-	360 461	360 461
Other comprehensive income/(loss) for the period	-	-	10 431	380 771	-	391 202
Transfer to retained earnings	-	-	-	(58 030)	58 030	-
Total net comprehensive income for the period	**-**	**-**	**10 431**	**322 741**	**418 491**	**751 663**
Transactions with shareholders:	-	-	-	-	-	-
Dividends paid	-	-	-	-	(430 000)	(430 000)
At 31 July 2020	**282 929**	**56 586**	**(5 761)**	**1 820 486**	**418 873**	**2 573 113**

(EUR '000)

	Note	31 July 2020	31 July 2019
OPERATING ACTIVITIES			
Cash flows from operating activities	27	549 419	420 209
Interest paid		(45 111)	(45 003)
Interest received		187	139
Income tax paid		(149 292)	(99 482)
Net cash flows from operating activities		355 203	275 863
INVESTING ACTIVITIES			
Acquisition of non-current assets		(54 457)	(59 493)
Borrowing provided		(28)	-
Proceeds from the sale of property, plant and equipment and intangible asset		6	23
Dividends received		870	751
Net cash flows used in investing activities		(53 609)	(58 719)
FINANCING ACTIVITIES			
Proceeds from issued bonds		496 342	-
Repayment of bonds		(738 978)	-
Income from/(repayment of) received loans		(9)	65 000
Dividends paid	11,19	(118 000)	(186 000)
Net cash flows from financing activities		(360 645)	(121 000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(59 051)	96 144
EFFECT OF FOREIGN EXCHANGE DIFFERENCES		-	(1)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		172 894	76 751
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**113 843**	**172 894**

(in EUR‘000)

1. DESCRIPTION OF THE COMPANY

1.1. General Information

As required by Act No. 431/2002 Coll. on Accounting as amended, eustream, a.s. (hereinafter “eustream” or the “Company”) prepares separate financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Company was established by a Memorandum of Association on 26 November 2004 and incorporated in the Business Register on 10 December 2004 under the business name SPP – preprava, a.s. A change was made to the Business Register on 3 January 2008 and SPP – preprava a.s. changed its 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 (Fond národného majetku SR, “FNM”), the Ministry of Economy of the Slovak Republic and Energetický a Průmyslový Holding, a.s. (“EPH”) signed a framework contract for the sale and purchase of shares, which regulated the reorganisation of the SPP Group, which took place in the first half of 2014. It comprised a contribution of SPP’s shares 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. and GALANTATERM, spol. s r.o. into a newly-established 100% subsidiary, SPP Infrastructure, a.s. (“SPP Infrastructure”). After the completion of the reorganisation, the Slovak Republic represented by the Ministry of Economy became the ultimate 100% owner of SPP, and SPP retained a non-controlling 51% share in SPP Infrastructure.

Since 13 June 2014, the 100% owner of the Company is SPP Infrastructure.

On 1 July 2006, Slovenský plynárenský priemysel, a.s., (hereinafter “SPP”) made a contribution to the Company of a part of the business including the assets (excluding the core assets for natural gas transmission) and the liabilities of the former transmission division. It also leased the core assets for natural gas transmission (gas transmission pipelines, compressor stations) to the Company under an operating lease contract. As of 1 July 2006, the Company took over the international natural gas transmission operations.

On 28 February 2013, SPP made a contribution to the Company of a part of the business including the assets (core assets for natural gas transmission – gas transmission pipelines, compressor stations) and related liabilities. The lease of the core natural gas transmission assets terminated as at that date.

The financial statements of eustream, a.s. for the year ended 31 July 2019 were approved by the Annual General Meeting held on 30 September 2019.

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

1.2. Principal Activities

With effect from 1 July 2006, the Company as the holder of a gas transmission permit in the defined territory of the Slovak Republic began to fulfil the obligations of an independent transmission system operator in accordance with the legislative requirements concerning the establishment of an independent transmission system operator (“legal unbundling”).

Liberalisation of the Slovak Energy Sector

Regulatory framework of the Slovak natural gas market

Under current energy legislation, the natural gas market in the Slovak Republic is fully liberalised, allowing all customers to freely select a natural gas supplier. As a transmission system operator, the basic mission of eustream a.s. is to provide reliable, safe and efficient transmission of natural gas in the defined territory of the Slovak Republic on the basis of non-discriminatory rules in accordance with national and EU legislation and contractual obligations. Eustream is obliged to provide non-discriminatory access to the transmission system on the defined territory to any gas market player who meets the commercial and technical conditions for gas transmission. The Company's activities are subject to regulation by the Regulatory Office of Network Industries (RONI). RONI which, inter alia, defines the regulatory policy for the individual regulatory periods, monitors compliance of the Company's activities with applicable energy legislation, and issues decisions including price decisions, by which it approves tariffs for access to the transmission system and natural gas transmission, and the conditions for their application.

Tariffs for regulated operations

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

Changes to regulatory laws and policy

The core laws and regulations applying to eustream's operations are:

- Commission Regulation (EU) 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)) 459/2017 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013
- Commission Regulation (EU) 460/2017 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas
- Regulation (EC) 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 (primarily Annex I)
- Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency
- Commission Implementing Regulation (EU) No 1348/2014 of 17 December 2014 on data reporting implementing Article 8(2) and Article 8(6) of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency
- Act No. 250/2012 Coll. on Regulation in Network Industries, as amended (hereinafter the "Act on Regulation")
- Act No. 251/2012 Coll. on Energy and on Amendment to and Supplementation of Certain Acts, as amended (hereinafter the "Energy Act"), together with RONI Decree No. 223/2016 Coll. of 19 July 2016, which establishes price regulation in the gas industry, as amended, and RONI Decree No.

24/2013 Coll. of 14 January 2013 laying down the rules for the functioning of the internal electricity market and the rules for the functioning of the internal gas market, as amended

The gas market has developed dynamically in recent years resulting in amendments to the relevant legislation, and changes to market requirements for provided services and products. In 2020, the Company submitted two proposals to change the operating rules in connection with the implementation of a new supplementary service (Bi-directional SK-UA capacity) and the Short-haul product. The proposals were approved by RONI Decision No. 0002/2020/P-PP of 14 April 2020 and RONI Decision No. 0003/2020/P-PP of 3 July 2020.

EU's third energy package and certification of the transmission system operator

After the transposition of the EU's third energy package into Slovak law, the Government of the Slovak Republic was entitled to determine, based on a proposal of the Ministry of Economy of the Slovak Republic, whether the ownership unbundling model of the transmission system operator which is part of a vertically-integrated gas company, or the independent transmission system operator model would be applied. At a meeting on 28 November 2012, the Government of the Slovak Republic decided by Resolution No. 656/2012 that the ownership unbundling model of the transmission system operator would not be applied. Based on the above, the Company complied with the conditions of the independence of the transmission system operator, which is part of the vertically-integrated gas company.

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

1.3. Employees

The full-time equivalent of the Company's employees for the year ended 31 July 2020 was 635, the number of employees as at 31 July 2020 was 633 and the number of key management personnel was 12 (for the year ended 31 July 2019, the FTE was 646, and the number of employees as at 31 July 2019 was 643 and 12 representatives of key management personnel). Key management personnel comprises members of the Board of Directors, members of the Supervisory Board and managers directly reporting to the statutory body or a member of the statutory body.

1.4. Registered Office

Votrubova 11/A
821 09 Bratislava
Slovak Republic

1.5. Information on the Consolidation Group

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

The Company is included in the consolidated financial statements of a higher level group company in the EU. The consolidated financial statements are prepared by SPP Infrastructure, in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the EU.

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

Energetický a Průmyslový Holding, a.s. is the ultimate reporting entity that has consolidated eustream since 24 January 2013. EPH is also the ultimate controlling entity.

The Company reports an investment in a subsidiary, Eastring B.V., in which it directly owns more than 50% of the voting rights and has the right to exercise control over the operations of the subsidiary. The subsidiary is not consolidated using the full consolidation method, as it has an insignificant impact on the financial statements. The investment in the subsidiary is reported at cost less provisions

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1. Adoption of New and Revised International Financial Reporting Standards

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 European Union (hereinafter the "EU") which are relevant to its operations and are effective for annual periods beginning after 1 January 2019. The following standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 9 "Financial Instruments"** – Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 19 "Employee Benefits"** – Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** – Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Annual Improvements to IFRS Standards (2015 – 2017 Cycle)"** resulting from the annual IFRS improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Company reassessed in detail the impact of IFRS 16 "Leases", which introduces a single common model for the reporting of leases by the lessee, under which all leased assets and liabilities resulting from a lease are recognised on the balance sheet, regardless of whether it is an operating or finance lease. Lessees recognise operating leases in the same way as finance leases are currently recognised. Recognition by lessors will remain almost unchanged. When conducting its business activities, the Company leases its vehicle fleet under an operating lease. The Company has analysed the impact of this standard and concluded that its adoption has no material impact on the separate financial statements.

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

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

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

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

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

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

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

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

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

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

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

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2022),

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

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

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

- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. The amendment is also available for interim reports.),

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

- **Amendments to IFRS 4 "Insurance Contracts" –** Extension of the Temporary Exemption from Applying IFRS 9 (effective for annual periods beginning on or after 1 January 2023),

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The separate financial statements (the "financial statements") for the year ended 31 July 2020 and comparable data for the year ended 31 July 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") in Commission Regulation (EC) No 1126/2008, as amended by subsequent regulations, including applicable interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"), (hereinafter "IFRS").

The Company keeps its accounting books in accordance with Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Accounting"), in according with IFRS as adopted by the EU. In accordance with Article 17a (1) of the Act on Accounting, the Company prepares separate financial statements in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards as amended.

Pursuant to Article 22 (12) of the Act on Accounting, the Company does not prepare consolidated financial statements as at 31 July 2020, as its subsidiary, Eastring B.V., the Netherlands, does not have a significant influence on the Company's consolidation group. The judgment as regards the financial position, expenses, revenues and results of operations for the Company's consolidation group will not be significantly affected by only preparing separate financial statements of the Company.

The financial statements have been prepared under the historical cost convention, except for the remeasurement of specified items of tangible assets and the remeasurement of certain financial instruments to their fair value. The principal accounting policies applied are set out below. The Company's presentation and functional currency is the euro (EUR). These financial statements were prepared under the going concern assumption.

b) Segment Reporting

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 recognised on the Company's balance sheet when the Company becomes a party to a contractual provision of a related financial instrument.

d) Financial Assets

In its financial assets, the Company recognises the following financial instruments: provided borrowings, trade receivables, investments in subsidiaries, joint ventures and associates, and receivables from derivative transactions.

Financial assets are classified in the following categories:
- Financial assets measured at amortised cost (AC),
- Financial assets measured at fair value through other comprehensive income (FVOCI), and
- Financial assets mandatorily measured at fair value through profit or loss (FVTPL).

The Company applies a classification and measurement approach for financial assets that reflects the business model under which assets are managed and their cash flow characteristics.

Financial assets are measured at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost (AC) represent borrowings provided (including cash-pooling), trade receivables and other receivables. Borrowings, trade receivables and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision. Financial assets are derecognised when the rights to receive cash flows from the assets expire, or when the Company transfers such rights and the substantial risks and rewards pertaining to the ownership of the financial assets.

As at the reporting date, the Company reassesses whether there has been a significant increase in credit risk which should be reflected in an impairment of a financial asset, or a group of financial assets. Impairment losses on financial assets reduce their carrying amount and are recognised in profit or loss against the provision account. When a financial asset is derecognised, the net book value of the financial asset, including the related provision, is derecognised. Gains and losses that arise on the derecognition of a financial asset represent the difference between the proceeds from its disposal or sale and the net book value, and are presented through profit or loss.

Trade Receivables

Trade receivables are measured at the expected realisable value net of the provision for debtors in bankruptcy or restructuring proceedings and net of the provision for doubtful and irrecoverable overdue receivables for which there is a risk that the debtor will not pay them fully or partially.

The Company applies the expected loss model when assessing provisions for financial assets. The simplified approach was based on the use of a provisioning matrix, which determines the extent of impairment for groups of receivables based on the number of days when they were settled. The historical loss rate applied in the calculation of provisions also considered forward-looking information. The applied expected loss model had no significant impact on the amount of provisions for financial assets.

Investments in Subsidiaries, Joint Ventures and Associates

Investments in subsidiaries, joint ventures and associates are recognised at the trade date and are initially measured at cost. As the fair value of these investments cannot be reliably determined, these investments are measured in the separate financial statements at cost less any provisions for impairment losses on the realisable value. Dividends received are recognised through profit or loss as finance income when the right to their payment arises and the receipt of funds is probable.

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value and are remeasured to fair value at the reporting date. The resulting gain or loss is recognised in the income statement, unless it is defined as an effective hedging instrument when the timing of the recognition in the income statement depends on the nature of the hedging instrument.

Changes to the fair value of non-hedging financial derivatives are recognised in the income statement.

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 comprise commodity swaps and interest rate swaps.

Cash flow hedging

The effective portion of changes to fair value of derivatives designated and qualifying for effective cash flow hedges is recognised in other comprehensive income and accumulated in equity as a hedging reserve. The gain or loss relating to the non-effective portion is recognised immediately in the income statement. Amounts previously recognised in other comprehensive income and accumulated in the hedging reserve are transferred to the income statement when the hedged item is recognised 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 the strategy for undertaking the various hedging transactions. From the inception of the hedging, the Company continuously documents whether the hedging instrument used is highly effective in offsetting changes to cash flows of the hedged item.

e) Property, Plant and Equipment and Intangible Assets

In the reporting period ended 31 July 2020, property, plant and equipment used for natural gas transmission are recognised on the balance sheet at a remeasured amount which represents their fair value at the remeasurement date, net of any subsequent accumulated depreciation and subsequent accumulated impairment losses. The first remeasurement was made as at 1 January 2016 and a subsequent remeasurement as at 1 August 2016. Fair values were determined by an independent expert. Fair values are determined with sufficient regularity (at least every five years) to ensure the carrying amount of assets does not differ significantly from the value that would be recognised as at the reporting date using fair values.

A potential increase in the revaluation surplus that arises upon the remeasurement of property, plant and equipment is credited to the revaluation reserve, net of the amount that cancels the revaluation surplus decrease for the same asset item previously recorded and recognised in profit or loss in the previous period. In such a case, the increase is recorded in profit or loss in the amount of the previously recorded decrease. A decrease in the net book value resulting from the remeasurement of property, plant and equipment is debited to profit or loss in the amount that exceeds the balance of the revaluation reserve account in relation to the previous remeasurement of such an asset item. Depreciation of remeasured property, plant and equipment is recognised as an expense in the income statement. Revaluation reserves are gradually dissolved in retained earnings over the period of depreciation of the remeasured assets. Upon the subsequent sale or disposal of a remeasured asset, the corresponding revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

Other property, plant and equipment and intangible assets (hereinafter "non-current assets") are recognised at historical cost less accumulated depreciation and impairment losses.

Permanent gas fillings in the transmission assets are part of non-current assets and are not depreciated due to their nature.

The cost includes all costs incurred to put the asset into use for the designated purpose.

Non-current asset items that are damaged or disposed of are derecognised from the balance sheet at net book value. Any gain or loss resulting from such damage or disposal is recognised in the income statement.

Items of non-current assets are depreciated on a straight-line basis over their estimated useful lives. Depreciation charges are recognised in the income statement so as to depreciate the cost of assets to their estimated net book value over their residual useful lives. The overall useful lives of non-current assets are as follows:

Border entry/exit points, domestic points	7 – 49
Compressor stations	4 - 60
Gas pipelines	29 - 75
Buildings	18 – 40
Machinery and equipment, other tangible assets	3 - 20
Non-current intangible assets	3 – 8

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

At each reporting date, non-current assets are reviewed for impairment to determine whenever events or circumstances indicate that their realisable value may be lower than their carrying amount. If such events or circumstances are identified, the realisable value is estimated as the higher of fair value less costs to sell and present value of future cash flows ("value-in-use"). An impairment loss is recognised in the full amount in the income statement in the year an impairment occurs. For non-current assets with a positive revaluation surplus, an impairment loss primarily reduces the positive revaluation surplus in equity and only the difference in excess of the net book value of the revaluation surplus is recognised in 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. If 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 recognised, if appropriate.

Expenses relating to items of non-current assets after they have been put into use are only capitalised when it is assumed that the future economic benefits associated with the asset will flow to the Company and its costs can be measured reliably. All other expenses are recorded as repairs and maintenance to the income statement of the period on an accrual basis.

f) Inventories

Inventories are recognised at the lower of their cost and their net realisable value. The cost of natural gas in the transmission system pipelines, and raw materials and other inventories is calculated using the weighted arithmetic average method. The cost of inventories comprises the acquisition price and incidental costs related to the acquisition. The cost of inventories developed internally comprises the costs of raw materials, other direct costs and production overheads. Increases in natural gas accumulation in the transmission system pipelines are recognised at cost. There are no incidental costs related to acquisition. An appropriate provision is created for obsolete and slow-moving inventories.

g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and cash in a bank with an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost using the effective interest method.

h) Bonds Issued and Loans Received

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

i) Trade and Other Payables

Trade payables are liabilities 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 and are subsequently recognised at amortised cost using the effective interest method.

j) Provisions for Liabilities

If the Company is exposed to a potential liability arising from litigation, or an indirect liability as a result of a past event, and it is probable that cash will be spent to settle such liabilities, resulting in a reduction in resources that represent economic benefits and the resulting loss can be reasonably estimated, the amount of provisions for liabilities is reported as an expense and a liability. Provisions are reassessed at each reporting date and are adjusted to reflect the current best estimate. The amount of a provision is the present value of the risk-adjusted expenditures expected to be required to settle to settle the obligation. Any loss relating to the recognition of a provision for liabilities is recognised in the statement of comprehensive income for the relevant period.

Provision for environmental liabilities

A provision for environmental liabilities is recognised when it is probable that costs will be incurred to clean up the environment and such costs can be reliably estimated. The creation of a provision generally corresponds to the adoption of a formal plan, or a similar commitment to sell investments, or discontinue unused assets. The amount of a recognised provision is the best estimate of the expenses required. If a liability is not settled in the future, the amount of the recognised provision represents the present value of estimated future expenses.

k) Greenhouse Gas Emissions

The Company receives free emission allowances under the European Emission Trading Schemes. The allowances are received on an annual basis and the Company is required to return emission allowances equal to the actual emissions. The Company recognises a net liability resulting from the gas emissions produced. Therefore, a provision is only recognised when actual emissions exceed emission allowances received free of charge. If emission allowances are purchased from third parties, they are measured at cost and recorded as intangible assets.

l) Statutory Insurance, Social Security and Pension Schemes

The Company is required to make contributions to various mandatory government insurance schemes in which employees participate. The costs of social security payments are recognised in the income statement in the same period as the related wages and salaries.

m) Revenue Recognition

Revenue represents the fair value of a consideration received, or a receivable for the sale of goods and services, in the ordinary course of the Company’s activities.

The Company recognises revenue when it can be reliably measured and when it is probable that economic benefits will flow to the Company. The amount of revenue cannot be measured reliably unless all conditions relating to a sale are met. Revenue from sales is recognised when services are provided, net of value added tax and discounts.

The Company records the following types of revenue:

(i) Revenue from natural gas transmission
Revenues from fees for natural gas transmission are recognised at the time, or in the period when transmission capacity in the gas transmission system is allocated to a customer. They also comprise revenues from natural gas received for operational purposes, which are recognised in the period when gas transmission occurred.

Revenues from the sale of gas for operational purposes are recognised when natural gas is sold.

Revenues from connection fees are recognised as revenue at the moment of connection.

(ii) Other revenue
Revenues from the sale of services are recognised in the reporting period in which the services are provided, taking into account the completion of a specific transaction, estimated on the basis of the service provided, as a proportion of the total services to be provided

(iii) Dividend income
Dividend income is recognised when the right to receive payment is established.

(iv) Interest income
Interest income is recognised on an accrual basis regardless of actual payments of such interest.

n) Retirement and Other Long-term Employee Benefits

The Company has a long-term employee benefit program comprising a lump-sum retirement benefit, social assistance allowance in hardship and life and work jubilee benefits, for which no separate financial funds have been earmarked. In accordance with IAS 19, employee benefits costs are assessed using the projected unit credit method. According to this method, the costs of providing benefits are recognised in the income statement in order to spread the recurring costs over the employment period. The benefit liability is measured as the present value of the estimated future cash flows discounted by market yields on Slovak government bonds, whose maturity periods approximate the maturity period of the related liability. All actuarial gains and losses are recognised against equity in other comprehensive income in the period they arise. Past service costs are recognised immediately in expenses.

o) Income Tax

Income tax is calculated from the accounting profit under Slovak legislation and adjusted for certain items for tax purposes applying the applicable tax rate of 21%, which has been effective since 1 January 2017.

Under 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 for the reporting period is 6.54% p.a. (2019: 8.712%). This levy is based on the profit before tax and is presented as part of current income tax pursuant to the IFRS requirements.

Deferred income tax is recognised using the liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates expected to apply in the period when the asset will be realised or the liability settled. Deferred tax is recognised in the income statement, except for assets and liabilities that are recognised with a counterentry in equity or other comprehensive income or retained earnings. The income tax rate valid since 1 January 2017 is 21%.

Major temporary differences arise from depreciation of non-current assets, various provisions for assets, provisions for liabilities and derivative financial instruments. A deferred tax asset is recognised to the extent it is probable that future taxable profit will be available against which temporary differences can be utilised.

p) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded at the European Central Bank (ECB) rates prevailing on the date of the transaction. Monetary assets, receivables and payables denominated in foreign currencies are translated as at the reporting date using the ECB exchange rates prevailing on such a date. Exchange rate gains and losses at the reporting date are recognised in the income statement.

q) Accounting Principles Adopted for Grants

Grants are recognised 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 relates to the reimbursement of costs, it is recognised as income over the period necessary to systematically offset the grant with the costs for which the grant is intended. If a grant relates to the acquisition of non-current assets, it is recognised as deferred income and charged to the income statement on a straight-line basis over the estimated useful lives of the relevant assets. In the balance sheet, government grants are recognised using the deferred income method.
The non-current portion of government grants is recognised on line “Other non-current assets” and the current portion on line “Receivables and prepayments”.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When applying the Company’s accounting policies, as described in Note 3, the Company took the following decisions concerning uncertainties and estimates that have a significant impact on the amounts recognised in the financial statements. There is a significant risk of material adjustments in future periods relating to the following matters:

Remeasurement of property, plant and equipment

As at 1 January 2016, the Company applied a 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 first remeasurement was carried out at 1 January 2016, and subsequent remeasurement was carried out at 1 August 2019.

The Company opted for this model as it believes it will result in the financial statements providing more reliable and relevant information on buildings, structures, land, machinery and equipment used for natural gas transmission.

The subsequent remeasurement was recorded with no impact on prior periods. The result of the remeasurement as at 1 August 2019 was an increase in the amount of property, plant and equipment by EUR 510 153 thousand, an increase in a deferred tax liability by EUR 129 354 thousand and creation of the revaluation reserve in equity, and an impairment of property, plant and equipment by EUR 357 thousand recognised in the income statement in the line Depreciation, amortisation and impairment losses, net.

The remeasurement of Company assets was conducted by an independent expert who primarily applied the cost approach, supported by the market approach for some types of assets. In general, the replacement cost method was used and the indexed historical cost method was used for assets where replacement costs were not available. Replacement costs are based on the cost of an equivalent asset (EA) and are an estimate of the net book value of the asset based on the cost of an EA, the useful life and the age of existing assets (replacement cost less depreciation methodology). When determining the fair value of individual items of assets using the cost approach, physical, technological and economic obsolescence of assets was taken into consideration.

The result of the remeasurement of assets used for natural gas transmission was an increase in the amount of assets and a related increase in equity. The assumptions used in the revaluation model are based on reports of independent appraisers. The resulting reported amounts of these assets and the related revaluation surplus of assets do not necessarily represent amounts for which these assets could or will be sold. Based on an independent expert opinion, the Company also reconsidered the economic useful lives of gas plants, machinery and equipment. The assessment of economic useful lives requires an expert opinion of technical experts.

There are uncertainties about future economic conditions, changes in technology and business environment in the industry, which could result in future adjustments to estimated remeasured amounts and useful lives of assets, which could have an impact on the financial position, equity and profit.

Estimated useful lives

The estimation of useful lives of non-current asset items is a matter for management judgment based on experience with similar assets. When determining the useful life of an asset, management considers the expected use based on use estimates, estimated technical obsolescence, physical wear and tear 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 the year, the Company reconsidered the useful life of property, plant and equipment used for the natural gas transmission based on an independent expert opinion. Changes to estimates of residual useful lives are reflected prospectively.

The useful lives of non-current assets are based on the accounting estimates stated in Note 3 e). The carrying amounts of these assets as at 31 July 2020 and 31 July 2019 are presented in Note 7 and 8. If the estimated useful lives of the pipeline and compressor stations had been five years shorter than the management's estimate as at 31 July 2020, the Company would recognise increased depreciation charges for assets constituting pipelines and compressor stations by EUR 35 192 thousand (for the financial year ended as at 31 July 2019 increased by EUR 26 311 thousand).

(in EUR'000)

5. RISK MANAGEMENT

a) Financial Risk Factors

The Company is exposed to various financial risks. The Company's overall risk management policy addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial position of the Company. To manage specific risks, the Company enters into trading with financial derivative instruments, eg, forward or swap interest and commodity contracts. The goal of such trades is to manage risks related to movements in interest rates and commodity prices arising from the Company's operations.

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

(1) Currency risk

The Company is not exposed to significant currency risk, as the Company's assets and liabilities are almost exclusively denominated in EUR. If necessary, the Company follows its own investment strategy for diversifying currency risk.

(2) Commodity price risk

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

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

In the year ended 31 July 2020, the Company entered into commodity swaps to hedge cash flows from sales of gas surplus.

The following table details commodity swap contracts open at the reporting date:

Open commodity swaps	As at 31 July 2020		As at 31 July 2020	
	Fair value		Nominal value	
	Cash flow hedging	Held for trading	Cash flow hedging	Held for trading
Sales of natural gas				
Less than 3 months	22 207	-	34 869	-
3 to 12 months	21 926	-	59 781	-
Over 12 months	5 950	-	23 936	-

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	-

A 15% change in the market prices of natural gas would have a negative impact on the fair value of these derivatives in the amount of EUR 10 275 thousand.

Movements in the hedging reserve are disclosed in Note 19.

(in EUR'000)

(3) Interest rate risk

Interest rate risk is the risk that market interest rates will fluctuate. As at 31 July 2020, the Company had issued bonds with a fixed interest rate. As at 31 July 2020, the Company drew long-term investment loans with a floating interest rate (see Note 16).

In 2018, the Company entered into a series of interest rate swaps with a forward start with a nominal value of EUR 500 million to hedge the Company's cash flows from interest from the planned future issue of bonds for the refinancing of the Company's bonds due in July 2020. Following the new issue of the Company's bonds in June 2020 (see Note 16), the Company terminated the hedge and reclassified interest rate swaps to non-hedging derivative financial instruments, the subsequent measurement of which at fair value is recognised through profit or loss. The effective portion of changes to the fair value of interest rate swaps qualifying for effective cash flow hedging until the termination of the hedge is accumulated in equity in the hedging reserve and dissolved in the income statement using the effective interest rate.

The Company is exposed to interest rate risk as regards interest rate movements in long-term investment loans and open interest rate swaps.

The following table shows swap interest rate contracts open at the reporting date:

Open interest rate swaps	As at 31 July 2020		As at 31 July 2020	
	Fair value		Nominal value	
	Cash flow hedging	Held for trading	Cash flow hedging	Held for trading
Less than 3 months	-	-	-	-
3 to 12 months	(7 715)	(983)	-	-
Over 12 months	(48 344)	(2 718)	500 000	500 000

Open interest rate 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	-	-	-	-

(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 with a deferred maturity period and other transactions with counterparties that give rise to financial assets, which comprises cash and cash equivalents, provided borrowings and trade receivables.

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

The Company sells its services to various customers, none of which, individually or collectively, in terms of volume and solvency, pose a significant risk of failure as regards the settling of their liabilities. Operational procedures are in place at the Company to ensure that services are sold to customers with a good credit history and only up to an acceptable credit limit.

The maximum exposure to a default risk is represented by the carrying amount of each financial asset, including derivative financial instruments, recognised on the balance sheet, net of a provision. The default risk is partially eliminated through collateral as disclosed in Note 11.

(in EUR'000)

The total exposure to credit risk is summarised in the table below.

	Note	As at 31 July 2020	As at 31 July 2019
Provided borrowings	9	**82**	**54**
Receivables and prepayments		**285 727**	**416 101**
- Receivables from transmission activities	11	52 798	52 446
- Receivables from financial derivatives		50 083	32 075
- Other receivables	11	182 846	331 580
Other assets		**23 992**	**31 529**
Cash and cash equivalents		**113 843**	**172 894**
Total credit risk		**423 644**	**620 578**

The credit quality of cash in banks as at 31 July 2020 was as follows: EUR 41 052 thousand in banks with Moody's A1 rating, EUR 66 469 thousand in banks with Moody's A2 rating, EUR 500 thousand in banks with Moody's A3 rating, EUR 5 007 thousand in banks with Moody's Aa3 rating, EUR 499 thousand in banks with Moody's Baa1 rating and EUR 267 thousand in a bank with no rating.

(5) Liquidity risk

Prudent liquidity risk management implies maintaining a sufficient level of cash with adequate maturity, availability of funding through an adequate amount of committed credit lines and the ability to close open market positions. The Company, as a member of the SPP Infrastructure Group, is a party to a system of effective utilisation of resources and liquidity optimisation (SEUR). Under the system, flexibility is maintained by ensuring the continued availability of funds for all parties to SEUR to cover their financial needs (cash-pooling).

The table below summarises the maturity of the financial liabilities and contingent liabilities as at 31 July 2020 and 31 July 2019 based on contractual undiscounted payments:

As at 31 July 2020	Up to 1 month	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bonds issued/guarantees provided	-	-	22 412	582 309	516 250	**1 120 971**
Loans received	86	11	75 203	169	65 106	**140 575**
Other liabilities	-	38 077	32 883	26 460	-	**97 420**
Trade and other payables	-	12 237	-	-	-	**12 237**
Commodity swaps	-	-	-	-	-	**-**
Interest rate swaps	-	-	8 698	51 062	-	**59 760**

As at 31 July 2019	Up to 1 month	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bonds issued/guarantees provided	-	-	783 711	57 149	506 947	**1 347 807**
Loans received	-	73	219	75 287	65 072	**140 651**
Other liabilities	-	23 699	16 715	23 946	-	**64 360**
Trade and other payables	-	12 857	-	-	-	**12 857**
Commodity swaps	-	-	354	1 027	-	**1 381**
Interest rate swaps	-	-	-	50 470	-	**50 470**

As at the reporting date, the Company has binding revolving lines available from banks for operational needs in the total amount of EUR 275 million, with an average maturity of 3.7 years. These credit lines were not drawn down as at 31 July 2020.

(in EUR‘000)

b) Capital Management

The Company manages its capital to ensure its ability to support business activities on an ongoing basis, while maximising the return to shareholders by the optimisation of the debt to equity ratio and ensuring a strong credit rating and optimisation of key 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. The gearing ratio was 40% as at 31 July 2020 (as at 31 July 2019: 54%).

The gearing ratio at the end of the reporting period:

	As at 31 July 2020	**As at 31 July 2019**
Debt (i)	(1 135 973)	(1 380 520)
Cash and cash equivalents	113 843	172 894
Net debt (ii)	(1 022 130)	(1 207 626)
Equity (iii)	2 573 113	2 251 450
Net debt to equity ratio	**40%**	**54%**

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

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

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

c) Categories of Financial Instruments

	As at 31 July 2020	**As at 31 July 2019**
Financial assets		
Derivative financial instruments recognised as hedging	50 083	32 075
Derivative financial instruments not recognised as hedging	-	-
Receivables and prepayments (including cash and cash equivalents)	373 479	588 450
Borrowings provided	82	54
Investments in subsidiaries and associates	6 607	6 607
Financial liabilities		
Derivative financial instruments recognised as hedging	56 059	51 851
Derivative financial instruments not recognised as hedging	3 701	-
Financial liabilities carried at amortised costs	1 245 630	1 457 738

d) Estimated Fair Value of Financial Instruments

Fair value measurements are categorised into levels in the fair value hierarchy as follows: (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level 2 measurements are valuation techniques where all material inputs are observable for the asset or liability, either directly (prices) or indirectly (derived from prices), and (iii) level 3 measurements are valuations not based on observable market data (unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require a significant adjustment, such a measurement is a level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(in EUR'000)

(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.

Recurring fair value measurements are categorised are as follows:

As at 31 July 2020:	Level 1	Level 2	Level 3	Total
Financial assets at fair value	**-**	**50 083**	**-**	**50 083**
Financial derivatives recognised as hedging	-	50 083	-	50 083
Financial derivatives not recognised as hedging	-	-	-	-
Financial liabilities and contingent liabilities at fair value	**-**	**59 760**	**-**	**59 760**
Financial derivatives recognised as hedging	-	56 059	-	56 059
Financial derivatives not recognised as hedging	-	3 701	-	3 701

As at 31 July 2019:	Level 1	Level 2	Level 3	Total
Financial assets at fair value	**-**	**32 075**	**-**	**32 075**
Financial derivatives recognised as hedging	-	32 075	-	32 075
Financial derivatives not recognised as hedging	-	-	-	-
Financial liabilities and contingent liabilities at fair value	**-**	**51 851**	**-**	**51 851**
Financial derivatives recognised as hedging	-	51 851	-	51 851
Financial derivatives not recognised as hedging	-	-	-	-

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.

The fair value of a financial guarantee described in Note 28, Commitments and Contingencies, was determined at EUR 0, as it was provided under arm's length conditions and it is not probable that the Company will have to pay.

There were no movements between Levels 1 to 3 in the year ended 31 July 2020, or in the year ended 31 July 2019,

(2) Non-recurring fair value measurements

There were no non-recurring fair value measurements in the year ended 31 July 2020.

(3) Financial assets and financial liabilities not measured at fair value

The fair value of financial assets and financial liabilities by level and their carrying amounts:

As at 31 July 2020:	Level 1	Level 2	Level 3	Fair value total	Carrying amount
Financial assets	**-**	**-**	**6 689**	**6 689**	**6 689**
Borrowings provided with fixed interest rate	-	-	82	82	82
Investments in subsidiaries and associates	-	-	6 607	6 607	6 607
Financial liabilities	**512 483**	**530 028**	**140 070**	**1 182 581**	**1 135 973**
Bonds issued	512 483	530 028	-	1 042 511	995 903
Loans received	-	-	140 070	140 070	140 070

(in EUR'000)

As at 31 July 2019:	**Level 1**	**Level 2**	**Level 3**	**Fair value total**	**Carrying amount**
Financial assets	**-**	**-**	**6 661**	**6 661**	**6 661**
Borrowings provided with fixed interest rate	-	-	54	54	54
Investments in subsidiaries and associates	-	-	6 607	6 607	6 607
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

In the year ended 31 July 2020, the estimated fair value of borrowings with a fixed interest rate was determined based on the expected future cash flows discounted by the applicable interest rate at which a debtor would obtain new borrowings with the same maturity period and at the same credit risk.

The fair value of bonds issued was determined based on the quoted market price.

The fair value of other financial assets and financial liabilities approximates their carrying amounts as at the reporting date.

Non-current trade receivables and trade payables were discounted, except when the effect of discounting is insignificant.

(4) Embedded derivative instruments

The Company assessed all significant contracts and agreements for embedded derivatives that should be recognised. The Company concluded that there are no significant embedded derivatives in these contracts and agreements which need to be measured and recognised as at 31 July 2020 and 31 July 2019 under the requirements of IFRS 9.

6. SEGMENT REPORTING

The Company assesses segment information for the current and comparative reporting periods in accordance with IFRS 8 Operating Segments. The Board of Directors has identified one operating segment which is used to manage the Company's business, allocate resources and make strategic decisions according to the nature of products and services. The Company's activities are concentrated in Slovakia, where all the non-current tangible assets are situated. The main indicators used by the Board of Directors in their decision making are earnings before interest, taxes, depreciation and amortisation (EBITDA) and capital expenditures. For their decision making, the Board of Directors uses financial information consistent with that disclosed in these financial statements.

(in EUR'000)

7. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 July 2020	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	**80 442**	**579 384**	**3 334 866**	**59 224**	**5 209**	**91 264**	**4 150 389**
Additions	-	-	-	-	-	57 321	57 321
Revaluation of assets through revaluation reserve	10 530	124 221	375 402	-	-	-	510 153
Revaluation of assets through profit or loss	(135)	(179)	(42)	-	-	-	(356)
Placed into service	38	73 541	32	7	500	(74 118)	-
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation charge	(5 198)	(48 364)	(85 044)	(1 219)	(1 660)	-	(141 485)
Impairment of assets through revaluation reserve	(72)	37	-	-	-	-	(35)
Impairment of assets through profit or loss	(32)	6	4	(472)	(33)	-	(527)
Closing net book value	**85 573**	**728 646**	**3 625 218**	**57 540**	**4 016**	**74 467**	**4 575 460**
At 31 July 2020							
Cost or revaluation	90 839	786 674	3 710 435	68 626	19 656	74 483	4 750 713
Accumulated depreciation and provisions	(5 266)	(58 028)	(85 217)	(11 086)	(15 640)	(16)	(175 253)
Net book value as at 31 July 2020	**85 573**	**728 646**	**3 625 218**	**57 540**	**4 016**	**74 467**	**4 575 460**

The net book value of assets presented in the table above that would have been recognised at 31 July 2020 if the assets were accounted for using the cost model is as follows:

Net book value as at 31 July 2020	**59 012**	**398 384**	**1 548 322**	**57 540**	**4 016**	**74 467**	**2 141 741**

The most significant addition to assets in the reporting period ended 31 July 2020 was construction of the Lakšárska Nová Ves compressor station and construction of the Poland – Slovakia interconnection pipeline.

The cost of fully depreciated non-current assets (including non-current intangible assets) that were still in use as at 31 July 2020 amounted to EUR 9 836 thousand (31 July 2019: EUR 18 693 thousand).

As at 31 July 2020, the Company records assets that are in use, but not yet registered in the Real Estate Register, in the amount of EUR 2 840 thousand (31 July 2019: EUR 0 thousand).

(in EUR'000)

Year ended 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 profit or loss	-	-	-	-	-	-	-
Placed into service	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 or 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**
At 31 July 2019							
Cost or revaluation	96 046	718 881	3 615 118	68 892	22 398	91 284	4 612 619
Accumulated depreciation and provisions	(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**

The net book value of assets presented in the table above that would have been recognised at 31 July 2019 if the assets were 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**

Insurance of assets:

Type and amount of insurance for property, plant and equipment and intangible assets (in EUR '000):

Insured object	Type of insurance	Cost of insured assets as at 31 July 2020	Cost of insured assets as at 31 July 2019	Name and seat of the insurance company
Buildings, halls, structures, machinery, equipment, fixtures & fittings, low-value non-current TA, other non-current TA, works of art, inventories	Insurance of assets	876 012	898 421	UNIQA poisťovňa, a.s.
Motor vehicles	MTPL	8 982	8 358	Generali poisťovňa, a.s.

8. NON-CURRENT INTANGIBLE ASSETS

Year ended 31 July 2020	**Software**	**Emission allowances**	**Other non-current intangible assets**	**Assets under construction**	**Total**
Opening net book value	2 447	-	8	72	2 527
Additions	-	-	-	2 418	2 418
Placed into service	632	1 291	-	(1 923)	-
Reclassifications	-	-	-	-	-
Disposals	-	-	-	-	-
Amortisation	(1 161)	-	(2)	-	(1 163)
Change in provisions	(2)	-	-	-	(2)
Closing net book value	**1 916**	**1 291**	**6**	**567**	**3 780**
At 31 July 2020					
Cost	9 251	1 291	12	730	11 284
Accumulated depreciation and provisions	(7 335)	-	(6)	(163)	(7 504)
Net book value	**1 916**	**1 291**	**6**	**567**	**3 780**

Year ended 31 July 2019	**Software**	**Emission allowances**	**Other non-current intangible assets**	**Assets under construction**	**Total**
Opening net book value	2 974	-	14	38	3 026
Additions	-	-	-	631	631
Placed into service	597	-	-	(597)	-
Reclassifications	22	-	(4)	-	18
Disposals	-	-	-	-	-
Amortisation	(1 146)	-	(2)	-	(1 148)
Change in provisions	-	-	-	-	-
Closing net book value	**2 447**	**-**	**8**	**72**	**2 527**
At 31 July 2019					
Cost	9 155	-	12	235	9 402
Accumulated depreciation and provisions	(6 708)	-	(4)	(163)	(6 875)
Net book value	**2 447**	**-**	**8**	**72**	**2 527**

(EUR '000)

Reconciliation of capital expenditures to additions to non-current assets:

	31 July 2020	31 July 2019
Capital expenditures	**54 457**	**59 493**
Assets acquired but not paid for	8 381	7 909
Payments to assets acquired in previous periods	(3 099)	(650)
Additions to tangible and intangible assets	**59 739**	**66 752**

9. NON-CURRENT FINANCIAL INVESTMENTS

Non-current financial investments include:

	Borrowings	Shares	As at 31 July 2020	As at 31 July 2019
Cost	82	6 607	6 689	6 661
Impairment	-	-	-	-
Closing balance, net	**82**	**6 607**	**6 689**	**6 661**

Non-current investments include borrowings provided to the subsidiary Eastring B.V. totalling EUR 75 thousand with a final maturity in 2021. The average interest rate of provided borrowings amounts to 3.54%. Interest is due together with the principal. The borrowings are not secured.

Shares represent ownership interests in the following companies:

Name	Country of registration	Ownership interest in %	Principal activity
Other ownership interests			
Central European Gas HUB AG (hereinafter "CEGH")	Austria	15	Intermediation of natural gas trading
Eastring B.V.	Netherlands	100	Holding activities

10. INVENTORIES

	As at 31 July 2020	As at 31 July 2019
Natural gas used for balancing	2 672	7 049
Raw materials and other inventories	13 642	12 850
Provision	(6 404)	(6 436)
Total	**9 910**	**13 463**

Natural gas inventories represent natural gas used for balancing the transmission system and operating purposes.

As at 31 July 2020 and 31 July 2019, a provision for inventories was created for unusable or damaged raw materials in stock.

(EUR '000)

11. RECEIVABLES AND PREPAYMENTS

	As at 31 July 2020	As at 31 July 2019
Receivables from transmission activities	52 798	52 446
Receivables from financial derivatives	44 133	30 563
Other receivables	182 847	331 581
Total	**279 778**	**414 590**

As at 31 July 2020, the Company recorded receivables within maturity in the amount of EUR 279 539 thousand and overdue receivables in the amount of EUR 239 thousand, excluding provisions. In the comparable period, ie as at 31 July 2019, the Company recorded receivables within maturity in the amount of EUR 413 694 thousand and overdue receivables in the amount of EUR 896 thousand, excluding provisions.

Receivables and prepayments are recognised net of provisions for bad and doubtful debts in the amount of EUR 180 thousand (31 July 2019: EUR 162 thousand).

Receivables from transmission activities mainly represent receivables from renowned international gas transmission companies and were fully paid at the reporting date.

Other receivables are mainly receivables from cash-pooling with SPP Infrastructure in the amount of EUR 155 500 thousand (31 July 2019: EUR 312 000 thousand), whose conditions are comparable to those of current bank accounts. In the year ended 31 July 2020, a portion of receivables from cash-pooling in the amount of EUR 369 000 thousand (of which EUR 57 000 thousand was granted in the year ended 31 July 2020) was offset with a payable from approved dividends. In the previous reporting period ended 31 July 2019, a portion of receivables from cash-pooling in the amount of EUR 224 100 thousand (of which EUR 159 100 thousand was granted in the year ended 31 July 2019) was offset with a payable from approved dividends.

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

Collateralisation of receivables

Several bank guarantees totalling EUR 75 290 thousand (31 July 2019: EUR 39 483 thousand) were established to secure the Company's receivables.

12. CASH AND CASH EQUIVALENTS

	As at 31 July 2020	As at 31 July 2019
Cash on hand and cash in bank	43 177	129 960
Cash on hand and cash in bank – financial guarantees	70 666	42 934
Total	**113 843**	**172 894**

(EUR ‘000)

13. DEFERRED INCOME

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

Changes to deferred income recognised on the balance sheet as at 31 July 2020 are as follows:

	As at 31 July 2020	As at 31 July 2019
Opening balance	58 820	62 568
Stock-take surpluses of depreciated/amortised assets	-	79
Subsidies allocated during the period	150	28
Unused subsidies	-	(3 280)
Reversal into revenues	(156)	(575)
Closing balance	**58 814**	**58 820**

	Current portion (included in other current liabilities)	Non-current portion	Total
As at 31 July 2020	137	58 677	58 814
As at 31 July 2019	124	58 696	58 820

14. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

A long-term employee benefit programme at the Company was launched in 2006. This is a defined benefit programme, under which employees are entitled to a lump-sum payment upon old age retirement when they reach the retirement age, or early retirement upon meeting conditions arising from the valid collective agreement, and to work jubilee payments. Under the valid collective agreement, employees are entitled to increased retirement benefits based on the number of years continuously worked with the selected gas companies upon their retirement. The increased retirement benefits range from one to six times the employee’s average salary (minimum: EUR 665; maximum: EUR 1 330). As at 31 July 2020 and 31 July 2019, the obligation relating to retirement and other long-term employee benefits was calculated on the basis of the then valid collective agreement.

As at 31 July 2020, there were 634 employees (31 July 2019: 644 employees) covered by this programme. As at the above date, the programme was not funded, ie there were no assets specifically allocated to cover liabilities resulting from the programme.

Changes in liabilities, net recognised on the balance sheet as at 31 July 2020 are as follows:

	Long-term benefits	Post-employment benefits	As at 31 July 2020	As at 31 July 2019
Opening balance	347	3 796	4 143	3 397
Recognised expenses/revenues, net	45	376	421	878
Paid employee benefits	(41)	(104)	(145)	(132)
Closing balance	**351**	**4 068**	**4 419**	**4 143**

(EUR ‘000)

	Current liabilities (included in other current liabilities)	Non-current liabilities	Total
As at 31 July 2020	303	4 116	4 419
As at 31 July 2019	347	3 796	4 143

Key assumptions used in actuarial valuation:

	As at 31 July 2020	As at 31 July 2019
Market yield on government bonds	0.098%	0.795%
Annual future real rate of salary increase	2.00%	2.00%
Annual employee turnover	1.44%	1.44%
Retirement age (men and women)	62 for men and 60 for women	62 for men and 60 for women

The sensitivity analysis of the possibility of changes to material assumptions is shown in the following table:

	Net liability for employee benefits	Change in the discount rate	Change to the average wage	Change to the expected life expectancy
		0.50%	0.50%	+ 1 year
As at 31 July 2020	4 419	(191)	6	129
As at 31 July 2019	4 143	(177)	6	146

15. PROVISIONS FOR LIABILITIES

Movements in provisions for liabilities are summarised in the following table:

	Provision for environmental liabilities As at 31 July 2020	Provision for environmental liabilities As at 31 July 2019
Opening balance	6 860	8 406
Effect of discounting	(264)	(241)
Creation of a provision	-	-
Use of a provision	-	-
Reversal of a provision	-	(1 305)
Closing balance	**6 596**	**6 860**

Provisions for liabilities are included in liabilities as follows:

	Short-term provisions for liabilities (included in other current liabilities)	Long-term provisions for liabilities	Total provisions for liabilities
As at 31 July 2020	-	6 596	6 596
As at 31 July 2019	-	6 860	6 860

Provision for environmental liabilities

In 2019, the Company updated studies related to environmental burdens at all compressor stations operated by the Company. Oil and condensate from gas transmission pollution was found to be present at all compressor stations. A partial decontamination in areas away from gas facilities in operation took place on three of them (CS01, CS02, CS03). The pollution detected at all compressor stations concerns the soil underneath the 6MW turbo machinery halls. The Company estimated a provision for decontamination works based on the existing technologies and current prices adjusted for expected future inflation. The discount rate taken into consideration reflected the current market assessments of the time value of money and the risk specific factors.

16. LOANS RECEIVED AND BONDS ISSUED

On 25 June 2020, the Company issued publicly-traded unsecured bonds with a face value of EUR 500 000 thousand, under which it received EUR 497 870 thousand with a fixed coupon of 1.625% p.a. The bonds were used to repay bonds issued in 2013.

The bonds are due as a bullet repayment at the final maturity date on 25 June 2027. The effective interest rate is 1.759% p.a., net of the interest rate hedge.

On 17 June 2019, the Company drew on a long-term investment loan from the European Investment Bank ("EIB") of EUR 65 000 thousand. The loan is due in December 2027. The loan has a floating interest rate based on 3M EURIBOR with a 3-month update. At 31 July 2020, the effective interest rate is 0.078% p.a.

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

The bonds have a fixed final maturity date, with a bullet repayment at the final maturity date on 10 February 2025. The effective interest rate is 2.90% p.a. The entire volume of the Company's issued bonds was purchased by a fellow subsidiary – SPP Infrastructure Financing B.V. with its registered office in the Netherlands.

In 2013, the Company issued private unsecured bonds under which it received EUR 746 555 thousand. The bonds were issued in EUR in two tranches, with a fixed interest rate of 4.12% p.a. (coupon). The bonds were repaid as a bullet repayment at the final maturity date, ie on 15 July 2020.

On 28 June 2014, the Company drew a long-term investment loan from the EIB in the amount of EUR 75 000 thousand. The loan is due in 2021. The loan has a floating interest rate based on 3M EURIBOR subject to a 3-month update. As at 31 July 2020, the effective interest rate is 0.468% p.a.

(EUR ‘000)

	As at 31 July 2020			**As at 31 July 2019**		
	Secured	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
Loans	-	140 070	140 070	-	140 049	140 049
Bonds	-	995 903	995 903	-	1 240 471	1 240 471
Total	**-**	**1 135 973**	**1 135 973**	**-**	**1 380 520**	**1 380 520**
Loans and bonds by interest rate						
- with a floating interest rate	-	140 070	140 070	-	140 049	140 049
- with a fixed interest rate	-	995 903	995 903	-	1 240 471	1 240 471
Total	**-**	**1 135 973**	**1 135 973**	**-**	**1 380 520**	**1 380 520**
Loans and bonds by maturity						
Up to 1 year	-	82 647	82 647	-	747 877	747 877
1 to 5 years	-	492 660	492 660	-	139 983	139 983
More than 5 years	-	560 666	560 666	-	492 660	492 660
Total	**-**	**1 135 973**	**1 135 973**	**-**	**1 380 520**	**1 380 520**

	Carrying amount		**Fair value (Note 5 (d) (3))**	
	As at 31 July 2020	**As at 31 July 2019**	**As at 31 July 2020**	**As at 31 July 2019**
Loans	140 070	140 049	140 070	140 049
Bonds	995 903	1 240 471	1 042 511	1 306 822
Total	**1 135 973**	**1 380 520**	**1 182 581**	**1 446 871**

Changes to liabilities arising from financial activities

	Loans	**Bonds**	**As at 31 July 2020 Total**
Opening balance	140 049	1 240 471	1 380 520
Cash movements	(343)	(285 841)	(286 184)
Other changes	364	41 273	41 637
Closing balance	**140 070**	**995 903**	**1 135 973**

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

(EUR '000)

17. TRADE AND OTHER PAYABLES

	As at 31 July 2020	**As at 31 July 2019**
Trade payables	12 237	11 498
Other payables	70 961	40 415
Payables from transmission activities	-	1 359
Payables from financial derivatives	8 698	354
Total financial liabilities	***91 896***	***53 626***
Payables to employees	3 206	3 505
Social security and other taxes	2 013	2 156
Total non-financial liabilities	***5 219***	***5 661***
Total	**97 115**	**59 287**

As at 31 July 2020, the Company recorded payables within maturity in the amount of EUR 96 994 thousand and overdue payables in the amount of EUR 82 thousand. In the comparable period, ie as at 31 July 2019, the Company recorded payables within maturity in the amount of EUR 59 282 thousand and overdue payables in the amount of EUR 5 thousand.

Social fund payables

	As at 31 July 2020	**As at 31 July 2019**
Opening balance	435	561
Total creation:	257	258
From expenses	257	258
Total drawing:	(507)	(384)
Summer holiday allowance	(375)	(244)
Monetary rewards and gifts	(31)	(35)
Jubilee bonuses – work	(34)	(30)
Meal allowance	(67)	(66)
Other drawings under CA	-	*(9)*
Closing balance	**185**	**435**

Payables secured by lien or other form of security

As at 31 July 2020, a bank guarantee totalling EUR 210 thousand (31 July 2019: EUR 1 400 thousand) was established with Tatra banka for liabilities to the Customs Office.

18. SHARE CAPITAL

The share capital consists of 10 ordinary certificate-form shares with a face value of EUR 3 319.39 per share, 1 ordinary certificate-form share with a face value of EUR 82 895 533.19 and 1 ordinary certificate-form share with a face value of EUR 200 000 000.00. Since 13 June 2014, SPP Infrastructure has been the 100% holder of the above shares (until 12 June 2014: SPP). The share capital is fully recorded in the Business Register. All shares are associated with identical rights and each share represents an identical voting right.

(EUR '000)

19. LEGAL RESERVE FUND, OTHER FUNDS AND RETAINED EARNINGS

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

Legal reserve fund

The legal reserve fund in the amount of EUR 56 586 thousand (as at 31 July 2019: EUR 56 586 thousand) is created in accordance with Slovak law and is not distributable to shareholders. The reserve is created from retained earnings to cover possible future losses or increases of the share capital. The allotment to the legal reserve fund amounts to at least 10% of the profit for the current year until the reserve is equal to at least 20% of the shared capital. The legal reserve fund in the Company is already equivalent to 20% of the share capital.

Revaluation reserves

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

Other funds and retained earnings

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

Based on the decision of the Company's sole shareholder, the Company declared dividends for the year ended 31 July 2019 totalling EUR 430 000 thousand (see also Note 11). This amount was covered by the profit of EUR 612 thousand for the financial year ended 31 July 2019 and retained earnings from previous periods of EUR 43 388 thousand.

Type of allotment	**Profit allotment for the year ended 31 July 2019**	**Profit allotment for the 7-month period ended 31 July 2018**
Allotment to the legal reserve fund	-	-
To cover loss from previous years	-	-
Dividends	386 612	223 611
Total profit to be distributed	**386 612**	**223 611**

(EUR '000)

Hedging reserve

A hedging reserve represents gains and losses arising from the cash flow hedging.

	As at 31 July 2020	As at 31 July 2019
Opening balance	**(16 192)**	**(26 118)**
Gain/(loss) on cash flow hedging		
Commodity swap contracts	100 791	54 712
Interest swap contracts	(6 370)	(43 312)
Deferred income tax applicable to gains/losses recognised through equity	(19 828)	(2 638)
Transfer to profit or loss		
Commodity swap contracts	(81 955)	1 164
Interest swap contracts	738	-
Deferred income tax applicable to gains/losses recognised through profit or loss	17 055	-
Transfer to the initial carrying amount of the hedged item		
Commodity swap contracts	-	-
Interest swap contracts	-	-
Deferred income tax applicable to amounts transferred to the initial carrying amount of the hedged item	-	-
Closing balance	**(5 761)**	**(16 192)**

A hedging reserve represents the cumulative effective portion of gains or losses arising from changes to the 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 recognised and accrued in the reserve fund of cash flow hedging is reclassified to profit or loss provided that the hedging transaction has an effect on profit or loss, or is included as an adjustment of the base in the hedged non-financial item in accordance with the applicable accounting procedures.

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

	Year ended 31 July 2020	Year ended 31 July 2019
Natural gas transmission and other services	81 955	1 164
Finance costs	(738)	-
Total	**81 217**	**1 164**

20. REVENUES FROM THE SALE OF SERVICES

	Year ended 31 July 2020	Year ended 31 July 2019
Revenues from natural gas transmission	746 930	791 539
Other revenues	1 109	1 318
Total	**748 039**	**792 857**

In the year ended 31 July 2020, the Company fully performed long-term contracts for natural gas transmission via 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 perform long-term export contracts signed with customers in Central and Western Europe.

(EUR ‘000)

The Company provides access to the transmission system 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, in addition to other customers, which are mainly leading European gas companies transmitting gas from Russian and Asian reservoirs to Europe. Part of the transmission capacity is booked on the basis of long-term contracts, which comprise more than 64% 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 receives transmission fees to its accounts from shippers and recipients of supplementary services. Tariffs for transmission services have been fully regulated since 2005 and are governed by the price decision issued by RONI for the relevant regulatory period.

On the basis of the regulated business and pricing terms and conditions, shippers also provide the Company with a portion of tariffs in kind as gas for operating purposes, covering gas consumption during the operation of the transmission system. In accordance with the regulated trade and price terms and conditions, shippers may also provide this part of the tariff as a monetary payment.

Revenues from the natural gas transmission and the provision of supplementary services are generated in the Slovak Republic.

21. PERSONNEL EXPENSES

	Year ended 31 July 2020	Year ended 31 July 2019
Wages, salaries and bonuses	20 147	20 905
Pension security costs	2 756	3 064
Social security costs	4 447	4 916
Other social security costs and severance payments	2 181	1 702
Total	**29 531**	**30 587**

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 EUR 7 091 (as at 31 July 2019: EUR 6 678), except for accident insurance and health insurance, where the salary base is not limited. Employees contribute an additional 13.4% of the relevant salary base up to the above limits, except for health insurance, where the salary basis is unlimited.

22. COSTS OF AUDIT SERVICES

	Year ended 31 July 2020	Year ended 31 July 2019
Audit of financial statements	38	30
Assurance audit services, except for the audit of financial statements	9	40
Related audit services	-	-
Other non-audit services provided by the auditor	29	11
Total	**76**	**81**

23. FINANCE INCOME

	Year ended 31 July 2020	Year ended 31 July 2019
Interest income	177	162
Foreign exchange gains	-	-
Dividends	870	751
Other finance income, net	368	383
Total	**1 415**	**1 296**

(EUR ‘000)

24. FINANCE COSTS

	Year ended 31 July 2020	Year ended 31 July 2019
Interest expense	44 410	44 150
Foreign exchange losses	2	2
Other finance costs	4 124	186
Total	**48 536**	**44 338**

25. TAXATION

25.1. Income Tax

Income tax comprises the following:

	Year ended 31 July 2020	Year ended 31 July 2019
Current tax	118 905	121 989
Special levy	34 601	47 608
Deferred income tax (Note 25.2)	(27 358)	(22 509)
Total	**126 148**	**147 088**

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

	Year ended 31 July 2020	Year ended 31 July 2019
Profit before tax	**486 609**	**533 700**
Income tax at 21% and special levy on business in regulated industries	136 790	159 685
Effect of adjustments from permanent differences between the carrying amount and the tax value of assets and liabilities	(16)	32
Other adjustments	(3 360)	(2 631)
Effect of a special levy as a tax-deductible item	(7 266)	(9 998)
Total	**126 148**	**147 088**

Adjustments primarily comprise non-tax deductible expenses.

The effective tax rate differs from the statutory tax rate of 21% in the 12-month period ended 31 July 2020, mainly due to the special levy.

For the deferred income tax calculation, the Company applied the income tax rate of 21% which has been valid in Slovakia as of 1 January 2017.

In accordance with Act No. 235/2012 Coll. on the Special Levy on Business in Regulated Industries and on Amendments to and Supplementation of Certain Acts, the Company is obliged to pay a monthly special levy as of September 2012. The levy rate for the reporting period of the financial year is 0.00545 (until 31 July 2019: 0.00726) per month, which is based on the profit before tax and is presented as a part of the current income tax pursuant to the IFRS requirements. The taxation periods since 2014 remain open and may be subject to review by the tax authorities.

Due to the prudent principle, the Company previously recognised 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 a confirmation of the applicability of Act No. 235/2012 on the Special Levy to the contribution of part of the business.

(EUR ‘000)

Administrative proceedings with the Slovak tax authorities are still ongoing regarding the calculation of the special levy for businesses operating in regulated industries for 2013, as in the Company’s view the calculation of the special levy was not performed in accordance with valid legislation. As at the reporting date, these proceedings had not been completed and the Company has no information regarding the date when such proceedings will be completed.

25.2. Deferred Income Tax

The following table shows the most significant items of the deferred tax liability and deferred tax asset recognised by the Company, and movements in the items during the current and previous reporting periods:

	As at 1 August 2019	(Charge)/Credit to equity	(Charge)/Credit to profit	As at 31 July 2020
Difference in the net book value of non-current assets	(904 236)	(129 354)	27 380	(1 006 210)
Change in the fair value of derivatives	4 304	(2 773)	-	1 531
Employee benefits and other provisions for liabilities	2 807	-	(141)	2 666
Provisions for assets	1 052	7	78	1 137
Provisions for inventories	1 352	-	(7)	1 345
Other	259	-	48	307
Total	**(894 462)**	**(132 120)**	**27 358**	**(999 224)**

	As at 1 August 2018	(Charge)/Credit to equity	(Charge)/Credit to profit	As at 31 July 2019
Difference in the net book value of non-current assets	(926 379)	-	22 143	(904 236)
Change in the fair value of derivatives	6 942	(2 638)	-	4 304
Employee benefits and other provisions for liabilities	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)**

In line with the Company’s accounting policies, certain deferred tax assets and liabilities were offset. The following table shows the balances (after offsetting) of deferred tax to be recognised on the balance sheet:

	As at 31 July 2020	As at 31 July 2019
Deferred tax liability	999 224	894 462
Total	**999 224**	**894 462**

Non-current and current portion of a deferred tax liability:

	As at 31 July 2020	As at 31 July 2019
Deferred tax asset expected to be utilised within 12 months	4 713	2 949
Deferred tax asset expected to be utilised after 12 months	12 565	13 162
Deferred tax liability expected to be utilised within 12 months	(36 928)	(29 459)
Deferred tax liability expected to be utilised after 12 months	(979 574)	(881 114)
Deferred tax liability, net	**(999 224)**	**(894 462)**

(EUR '000)

26. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

As at 31 July 2020	**Before tax**	**Tax**	**After tax**
Hedging derivatives (cash flow hedging)	13 205	(2 773)	10 432
Decrease in revaluation reserve due to changes in fair value	(35)	7	(28)
Other comprehensive income/(losses) for the period	**13 170**	**(2 766)**	**10 404**

As at 31 July 2019	**Before tax**	**Tax**	**After tax**
Hedging derivatives (cash flow hedging)	12 564	(2 638)	9 926
Decrease in revaluation reserve due to changes in fair value	(606)	127	(479)
Other comprehensive income/(losses) for the period	**11 958**	**(2 511)**	**9 447**

27. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 July 2020	**Year ended 31 July 2019**
Profit before tax	486 609	533 700
Adjustments:		
Depreciation, amortisation and impairment losses, net	143 385	127 836
Interest, net	44 498	43 988
Income on financial investments	(870)	(751)
Foreign exchange differences	-	1
Derivatives	874	(10 627)
Provisions for assets, provisions for liabilities, and other non-monetary items	217	(811)
(Gain)/loss on the sale of non-current assets	(6)	(23)
(Increase)/decrease in receivables and prepayments	(160 149)	(337 453)
(Increase)/decrease in inventories	3 584	1 889
Increase/(decrease) in trade and other payables	31 277	62 460
Cash flows from operating activities	**549 419**	**420 209**

28. COMMITMENTS AND CONTINGENCIES

Obligations arising from capital construction

As at 31 July 2020, contracts for the acquisition of non-current assets in the amount of EUR 43 675 thousand (as at 31 July 2019: EUR 81 712 thousand) were concluded, which are not disclosed in these financial statements.

Guarantees for bonds

The Company is a guarantor for the liability arising from bonds issued by its fellow subsidiary – SPP Infrastructure Financing B.V. in the amount of EUR 506 132 thousand as at 31 July 2020 (as at 31 July 2019: EUR 1 257 192 thousand). As a result, the Company assumed all the risks related to the repayment of the bonds by SPP Infrastructure Financing B.V.

(EUR '000)

Taxation

The Company has significant transactions with the shareholder and other related parties. The tax environment in which the Company operates in the Slovak Republic is dependent on the prevailing tax legislation and its interpretation. Since tax authorities do not provide official interpretation of tax legislation, there is a risk that tax authorities may require, for example, transfer pricing or other adjustments to the tax base. The tax authorities in the Slovak Republic have broad powers of interpretation of applicable tax laws, which could result in unexpected results from tax audits. The amount of potential tax liabilities related to such risks cannot be estimated.

29. RELATED PARTY TRANSACTIONS

During the 12-month period, the Company entered into the following transactions with related parties:

	Year Ended 31 July 2020				As at 31 July 2020	
	Revenues	**Expenses**	**Dividends**	**Other**	**Receivables**	**Payables**
SPP Infrastructure	128	1	430 000	-	155 512	-
Related parties under EPH's control	18 092	44 990	-	428	4 658	518 073
Other related parties	872	167	-	3 620	56	9
	Year Ended 31 July 2019				**As at 31 July 2019**	
	Revenues	**Expenses**	**Dividends**	**Other**	**Receivables**	**Payables**
SPP Infrastructure	125	-	251 000	-	312 026	-
Related parties under EPH's control	75 401	47 919	-	768	1 114	1 243 158
Other related parties	778	108	-	2 130	51	263

Company management considers transactions with related parties are made on an arm's length basis.

Transactions with SPP Infrastructure mainly represent the payment of dividends to shareholders and transactions related to cash-pooling (see Note 11).

In the year ended 31 July 2020, transactions with related parties under EPH's control mainly represent issued bonds (see also Note 16).

In the years ended 31 July 2020 and 31 July 2019, the Company also provided financial guarantees to SPP Infrastructure Financing B.V. (se also Note 28).

Since 2019, the Company has applied an exemption from IAS 24 on the non-disclosure of information on related parties through the Ministry of Economy of the Slovak Republic.

(EUR '000)

Remuneration to members of the Company bodies and Company executive management:

	Year ended 31 July 2020	**Year ended 31 July 2019**
Remuneration to members of the Board of Directors, Supervisory Board and executive management and to former members of the Company's bodies – total	1 026	999
Of which – Board of Directors and executive management	*648*	*623*
– Supervisory Board	*276*	*263*
– Supervisory Committee	*102*	*103*
– former members of the Board of Directors and executive management	-	-
– former members of the Supervisory Board	-	*10*
Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Of which – Board of Directors and executive management	-	-
– former members of the Board of Directors and executive management	-	-
Post-employment benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Of which – Supervisory Board	-	-
In-kind benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	21	20
Of which – Board of Directors and executive management	*19*	*16*
– Supervisory Board	*2*	*4*
Other benefits (including borrowings, guarantees or other forms of security) to members of the Board of Directors, Supervisory Board, executive management and former members - total	-	-
Total funds or other benefits used for private purposes by the members of the Company's statutory, supervisory and other bodies, which must be reported – total	9	9
Of which – Board of Directors and executive management	*8*	*8*
– Supervisory Board	*1*	*1*
– former members of the Board of Directors and executive management	-	-

(EUR '000)

30. MEMBERS OF THE COMPANY'S BODIES AS AT 31 JULY 2020

Body	Position	Name
Board of Directors	Chairman	Ing. Tomáš Mareček
	Vice-Chair	Ing. Robert Hančák
	Member	Ing. Miroslav Bodnár
	Member	Ing. Eva Markovičová
	Member	Ing. Mirek Topolánek
Supervisory Board	Chairman	Ing. Peter Trgiňa, MBA
	Vice-Chair	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-Chair	Ing. Ružena Lovasová
	Member	Ing. Roman Karlubík, MBA
	Member	Mgr. Jan Stříteský
	Member	Mgr. Hana Krejčí, PhD
Executive Management	CEO	Ing. Rastislav Ňukovič

31. POST-BALANCE SHEET EVENTS

After 31 July 2020, there were no such events that would have a material effect on the financial statements of the Company.

Prepared on: 20 August 2020	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 2020

Proposal for profit distribution for the financial year ending 31 July 2020

The proposal for profit distribution for the financial year ending July 31, 2020 is prepared in line with Articles of Association of eustream, a.s. Article XXIII – DISTRIBUTION OF PROFIT, Article XXII – CREATION AND USE OF RESERVE FUND, and in line with provisions of the Commercial Code No. 513/1991 Coll., as amended.

The proposal for the profit distribution for the financial year ending July 31, 2020 is based on the audited financial statements for the same period.

I.	**Profit after tax**	**360.461.201,47 €**
II.	**Allocation to the legal reserve fund** in accordance with Article XXII of the Articles of Association legal reserve fund is already equivalent to 20% of share capital	**0 €**
III.	**The amount of net profit determined as dividends**	**360.461.201,47 €**
IV.	**The amount of retained earnings determined as dividends**	**58.038.798,53 €**
V.	**The total amount determined as dividends**	**418.500.000,00 €**
VI.	**Royalties to the members of the company's bodies**	**0 €**

Note:
Dividends are to be settled at least within 100 days from the approval by the General Assembly of shareholders.

eustream, a.s.
Votrubova 11/A
821 09 Bratislava
Slovak Republic
www.eustream.sk