ANNUAL REPORT

1 August 2020 – 31 July 2021

eustream
SLOVAK GAS TSO

Contents

The Annual Report is published for the reporting period from 1 August 2020 to 31 July 2021.

ADDRESS FROM THE CHAIRMAN OF THE BOARD

Tomáš Mareček
Chairman of the Board of Directors

Dear Business Partners,

eustream, a.s., submits its annual financial statements and annual report for the financial year from 1 August 2020 to 31 July 2021. This report documents another successful year for our company in the operation and development of strategic energy infrastructure.

I am pleased to conclude that we have again achieved predictable positive results in the individual areas of our activity. In the past financial year, we transported a total of 48.2 billion cubic meters of natural gas for our customers, the equivalent of 509.45 terawatt-hours in energy units. The revenues from the sale of services amounted to EUR 621.67 million.

Due to the global pandemic, we continued to work under stricter safety conditions during this financial year, and we coped with the second wave of the pandemic without a negative impact on the safety and continuity of transmission.

In addition to routine operation, we focused on activities aimed at developing the transmission system, increasing its flexibility and preparing for the coming energy transformation. We completed almost the entire Poland-Slovakia Gas Interconnection. Only the last few kilometres of this priority project of EU common interest, co-funded by the EU, were unfinished as at the end of the financial year.

The launch of the commercial operation of this gas pipeline is planned for next year. The pipeline will bring new opportunities for natural gas trading and transmission, including access to the global LNG market for the whole region, and further impetus to replace coal with greener alternatives.

By completing the last missing link, we are completing an important stage in the development of the system, whose aim is to strengthen market liquidity and energy security in Central Europe. We expect that this will be one of the last major traditional gas projects in the region. Therefore, our future development efforts will be directed primarily at the new stage of the gas sector development, dominated by preparation for a low-carbon economy.

We have set up special working groups for energy transformation projects. We have become part of the initiative of European transmission system operators – the European Hydrogen Backbone. The first pilot project for green hydrogen production will be launched at the Veľké Kapušany compressor station, the produced green energy will be used to drive compressors, and operations will gradually be decarbonised.

At EUSTREAM, we are committed to be fully prepared as soon as possible for the transmission of clean hydrogen from renewable sources and natural gas with carbon capture and storage (CCS). To support this goal, we have prepared an extensive R&D project, which was successful at the national level this year and submitted for further procedure under Important Projects of Common European Interest (IPCEI). This project will draw on the strategic location and technical advantages of the Slovak transmission network, consisting of several parallel lines. This will allow us to develop hydrogen transmission alongside traditional natural gas transport, which will continue to play an important role as a transitional fuel (we expect that the importance of natural gas and existing import capacities will increase during the transition period).

EUSTREAM's business is based on stable business relationships, which are reflected in long-term reservations of the main transmission capacities.

I would like to thank all our customers, domestic and international partners, for their trust and excellent cooperation. We are committed to continual improvement of services and further innovation.

I would also like to thank all staff members for their excellent and professional work. They have been a reliable pillar of our success since the establishment of EUSTREAM.

Tomáš Mareček
Chairman of the Board of Directors

COMPANY PROFILE

Eustream – Gas Hub of Central Europe

EUSTREAM operates a natural gas transmission system in the Slovak Republic, whose main mission is safe, reliable and environmentally-friendly transmission for European markets. This mission, which we have successfully fulfilled since 1972, is associated with responsibility for energy supplies for a significant part of the European market. Reliability and safety are therefore the primary principles of the Company's operations.

EUSTREAM's transmission system represents an important east-west energy connection, and a north-south connection will be added in the near future. A robust system of parallel pipelines is connected to the primary transmission routes in Ukraine, Czech Republic, Austria and Hungary. A new gas interconnection pipeline with Poland is under construction, which will bring new north-south transport options from next year.

Our services are used by major European energy companies. Access to the system and transmission of natural gas is provided to all partners in a transparent and non-discriminatory manner in accordance with European and Slovak gas legislation.

The business of EUSTREAM is inextricably linked to environmental protection and sustainability. EUSTREAM is continually investing in the streamlining of operations and state-of-the-art technology to protect the environment. Natural gas, a greener alternative to solid fuels, is already making a significant contribution to the reduction of greenhouse gas emissions and air quality.

The current gas infrastructure has an irreplaceable role as regards transformation to a low-carbon economy. As a socially-responsible company, we are now preparing for future tasks relating to the transmission of low-carbon and renewable gases. EUSTREAM is part of the European Hydrogen Backbone initiative, which plans to lay the foundations for future hydrogen transmission in the EU.

As at 31 July 2021, 100% shares of eustream, a.s. were owned by SPP Infrastructure, a. s., with its registered office at Mlynské nivy 44/a, 825 11 Bratislava.

EUSTREAM owns 15% of shares in Central European Gas Hub AG with its registered office at Floridsdorfer Hauptstrasse 1, 1210 Vienna,

Austria, and a 100% share in Eastring B.V., with its registered office in Amsterdam, the Netherlands.

As at 31 July 2021, EUSTREAM had no other ownership interests in other companies or organisational units abroad.

Eustream's Transmission System

The transmission system consists of four to five parallel pipes, of 1,200 or 1,400 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. The following entry/exit points to/from the transmission system are available for use to our customers:

- Veľké Kapušany (entry/exit point to/from the gas transmission system in Ukraine),
- Baumgarten (entry/exit point to/from the gas transmission system in Austria);
- Lanžhot (entry/exit point to/from the gas transmission system in the Czech Republic);
- Budince (entry/exit point to/from the gas transmission system in Ukraine);
- Veľké Zlievce (entry/exit point to/from the gas transmission system in Hungary); and
- Domestic point (entry/exit point from/to the distribution systems and storage facilities in Slovakia);
- Výrava (entry/exit point to/from the gas transmission system in Poland, currently under construction with a planned launch in 2022).

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

NATURAL GAS TRANSMISSION

EUSTREAM recorded 1,105 new confirmed reservations for transmission capacity and 195 active contracts to access the transmission system and for natural gas transmission from 1 August 2020 to 31 July 2021.

The EUSTREAM transmission system transported a total of 48.2 billion m^3 of natural gas in the monitored period, an amount corresponding to 509.45 terawatt hours.

Of this total, 38.2 bn m^3 of natural gas were transmitted to Austria, 4.93 bn m^3 to Ukraine and 0.4 bn m^3 to the Czech Republic. The remainder was transmitted to natural gas customers in Slovakia and to Hungary.

Natural gas transmission (billion m^3)

1. 8. 2020 - 31. 7. 2021	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
48.20	60.64	66.47	34.2	64.2	60.6	55.8	46.5	58.5	56.5	74.0	71.4	66.4

Natural gas transmission (v TWh)

1. 8. 2020 - 31. 7. 2021	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
509.45	641.08	701.46	362.2	678.66	642.99	591.13	488.53	614.25	587.60	769.60	742.56	690.56

TRANSMISSION SYSTEM DEVELOPMENT

For over a decade, EUSTREAM's priority in transmission system development has been to increase energy security. The objective was to build bidirectional connections with all neighbouring countries, increase transmission efficiency and flexibility, and adjust/increase transmission capacity according to customer demand.

In 2009, we launched reverse west-east transmission and in 2014 we launched a new bidirectional connection with Ukraine. The Hungary-Slovakia gas pipeline has been in commercial operation since 2015 and next year will see the launch of the Poland-Slovakia Gas interconnection.

The completion of the Poland-Slovakia Gas Interconnection will end one stage in the development of the gas transmission system. Future investment activities will focus on accelerating preparations for the transmission of renewable and low-carbon gases, including pure hydrogen (both green and blue hydrogen).

The objective of the transmission system development phase to date was European energy security and route diversification, whereas the objective of the new phase will be to support the EU's climate ambitions defined in the Paris Agreement and the European Green Deal. As a responsible transmission system operator, we seek to actively contribute to making Europe the first climate-neutral continent as soon as possible.

EUSTREAM's energy transformation plans are based on the advantageous location of its transmission system, which consists of four to five large-diameter parallel gas pipelines connecting Ukraine, the Czech Republic, Austria, Hungary and, from 2022, also Poland.

The modernised corridor of several parallel pipelines will allow combined transmission of natural gas and renewable and low-carbon gases, depending on the actual development of European demand.

In energy transformation, we promote responsible solutions, which include maximising the decarbonisation potential of natural gas in the transition period. Until new green energy capacities are fully available, the correct policy is to replace the largest sources of pollution with natural gas, which is a less carbon-intensive alternative. The transition from coal to the right mix of natural gas and renewables is currently a quick and effective solution which, in addition to reducing greenhouse gases, helps to considerably improve air quality.

Between 1 August 2020 and 31 July 2021, investments in the development of the transmission system totalled EUR 30.71 million.

CURRENT PROJECTS

POLAND-SLOVAKIA GAS INTERCONNECTION

The most significant development project under construction is the Poland-Slovakia Gas interconnection (an EU common interest project financially supported from the Connecting Europe Facility (CEF), and co-financed by the European Investment Bank).

The new bidirectional gas interconnection with Poland will give the countries of Central and South-Eastern Europe access to new alternative sources of natural gas from the north, and in particular to the global liquefied natural gas market. In the reference period, work which was started in August 2018 continued with the objective of putting the gas pipeline into operation in 2022.

In connection with the Poland-Slovakia Gas Interconnection, EUSTREAM cooperated with the Faculty of Mechanical Engineering of the Slovak University of Technology on the development of new hydraulic parts of modernised electric compressors, which will contribute to further reduction of CO_2 emissions from the transmission of natural gas.

Co-financed by the European Union
Connecting Europe Facility

EXPANSION OF DISTRIBUTION HUB AT LAKŠÁRSKA NOVÁ VES – NEW COMPRESSOR TECHNOLOGY

In 2021, the project of expanding the distribution hub at Lakšárska Nová Ves was formally completed by the issue of final use approval. New technology of tandem compressors with gas turbines with a total output of 46 MW has made it possible to more than double the firm technical capacity from the Czech Republic since 2020, creating conditions for more flexible transmission of natural gas in all directions to all other exit points with neighbouring countries.

EASTRING GAS PIPELINE

In the engineering phase, the current TYNDP included the Eastring gas pipeline project – the planned gas pipeline connection for Central and South-Eastern Europe. The project will provide a direct bidirectional connection between the EU's developed gas markets and the Turkish-Bulgarian border, a region that is becoming an important gas hub with access to many important natural gas sources.

Due to the absence of binding demand, no significant project activities took place during the reference period.

EUSTREAM prioritised energy transformation projects.

Co-financed by the European Union

Connecting Europe Facility

ENERGY TRANSFORMATION PROJECTS

H2 INFRASTRUCTURE (H2I) – TRANSMISSION

This is an extensive scientific and research project, whose objective is to identify in detail the necessary steps to ensure our system is 100% ready for the transmission of renewable and low-carbon gases, in a scope dependent on the development of other European initiatives. The project is coordinated with similar initiatives in storage (NAFTA a.s.) and distribution of natural gas (SPP - distribúcia, a.s.) in the Slovak Republic. At the start of the calendar year, we succeeded at the national level with the project proposal and have submitted it for further procedure under Important Projects of Common European Interest (IPCEI).

PRODUCTION OF GREEN HYDROGEN FOR OWN CONSUMPTION

EUSTREAM plans to launch its own production of green hydrogen from renewable sources. We will use this green hydrogen as fuel to drive compressors, contributing to the decarbonisation of operations. We have prepared the first pilot project for the production of green hydrogen at the Veľké Kapušany compressor station with expected launch in 2023 and with potential for expansion.

PRODUCTION OF HYDROGEN FROM NATURAL GAS WITH CO_2 CAPTURE AND STORAGE

In addition to preparing for the transmission of green hydrogen, EUSTREAM is evaluating in detail the possibilities of production of hydrogen in large quantities from imported natural gas – using the steam methane reforming (SMR) method with CO_2 capture and subsequent storage (CCS/CCUS).

LEGAL COMPLIANCE

Eustream holds a permit for the transmission of gas in the defined territory of the Slovak Republic. Given that gas transmission is a regulated activity, EUSTREAM's activities as a transmission system operator are subject to regulation, control and monitoring by the Regulatory Office for Network Industries (the Regulatory Office) and the Ministry of Economy of the Slovak Republic (the Ministry of Economy).

Energy Legislation of the Slovak Republic

The main legal regulations governing and regulating the energy business in the Slovak Republic are Act No. 251/2012 Coll. of 31 July 2012 on Energy and on Amendments to Certain Acts, as amended, Act No. 250/2012 Coll. of 31 July 2012 on Regulation in Network Industries, as amended, and other generally binding legal regulations issued on their basis (eg Decree of the Regulatory Office No. 24/2013 Coll. of 14 January 2013 laying down rules for internal electricity market functioning and rules for internal gas market functioning, as amended).

Implementation of EU Network Regulations

EUSTREAM has implemented the relevant network regulations concerning gas transmission, ie 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 strives to consistently perform its obligations and comply with the conditions laid down in the respective legislation, and other documents issued on its basis (eg final and binding decisions of the Regulatory Office).

Independent Transmission System Operator

Following the adoption of the EU's Third Energy Package and its subsequent transposition into Slovak legislation, EUSTREAM's certification as an independent transmission system operator was 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 system operator meeting all the conditions laid down in the respective legislation. EUSTREAM's is obliged to comply with all conditions that formed the basis of the certification decision. The Regulatory Office oversees EUSTREAM by continuously monitoring EUSTREAM's compliance with the conditions and obligations of an independent transmission system 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 and the conditions for their application for the relevant regulatory period in compliance with the respective legislation. These tariffs were determined for the original regulatory period (2017 – 2021) by setting a fixed price, which is the maximum price for access to the transmission system and gas transmission and by comparison with the prices for access to the transmission system and gas transmission in 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, Regulatory Office Decision No. 0078/2021/P dated 6 April 2021 and Regulatory Office Decision No. 0079/2021/P dated 2 July 2021. Pursuant to Article 14 (15) of Act No. 250/2012 Coll. of 31 July 2012 on Regulation in the Network Industries, as amended, EUSTREAM will proceed according to the price decision until the end of the current regulatory period, unless the Regulatory Office approves an amendment to the price decision. On 29 May 2019, the Regulatory Office issued Price Decision No. 0040/2019/P for the period starting 1 January 2022, by which it set the reference price methodology, determined the reference prices, decided on the level of multipliers, discounts and other requisites 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. In 2020, the Regulatory Office extended the 2017 – 2021 regulatory period by one year until 31 December 2022 by Amendment 1 to the Regulatory Policy for the 2017 – 2021 Regulatory Period. Based on the adopted Amendment 1 to the Regulatory Policy for the 2017 – 2021 Regulatory Period, the Regulatory Office will prepare an amendment to secondary legislation on price regulation in the gas industry, in which it will take into account the change to the length of the regulatory period.

COMPLIANCE PROGRAMME FULFILMENT

Pursuant to Article 58 (11) (a) of Act No. 251/2012 Coll. on Energy and on Amendments to Certain Acts, as amended, a person obliged to ensure compliance of the transmission system operator (the "Compliance Programme Manager") must monitor the fulfilment of the compliance programme.

In the reference period (1 August 2020 – 31 July 2021), EUSTREAM adhered to the compliance programme that stipulated especially the following:

- Measures to ensure non-discriminatory conduct and independence of the transmission system operator; and
- Specific obligations of employees and members of management and supervisory bodies of the transmission system operator focused on fulfilling the goals of the compliance programme.

The transmission system operator submitted the draft compliance programme to the Regulatory Office for approval, which approved the programme on 18 June 2013 and the programme entered into force on the same day. EUSTREAM took all steps to ensure adherence to the compliance programme and the monitoring of its fulfilment.

The fulfilment of the programme was overseen by the Regulatory Office under Article 9 (1) (b) (6) in conjunction with Article 26 (11) of Act No. 250/2012 Coll. of 31 July 2012 on Regulation in Network Industries, as amended.

The transmission system operator provided the Compliance Programme Manager with the cooperation needed to exercise its rights and obligations and ensured that all persons via which the transmission system operator performs its activities provided the same level of cooperation.
The Compliance Programme Manager has the right to participate in meetings of the Board of Directors, which is the statutory body of the transmission system operator, meetings of the Supervisory Commission, General Meetings of the transmission system operator and meetings of other bodies of the transmission system operator pursuant to the Commercial Code, and the right to access records and documents on the activities of the transmission system operator and the right to be provided with all information needed to fulfil its obligations as Compliance Officer, and access to the transmission system operator's registered office and premises without prior notice.

During the reference period, the Compliance Programme Manager:

- Identified no serious violation of the compliance programme by the transmission system operator;
- Identified no actions by any person who is a part of the same vertically-integrated gas business as the transmission system operator, or who directly or indirectly exercises control over any person who is a part of the same vertically-integrated gas business as the transmission system operator at the General Meeting, or by a member of the Supervisory Commission at a meeting of the Supervisory Commission of the transmission system operator, which would prevent the transmission system operator from making an investment in the next three years under the ten-year system development plan.

Milan Sedláček
Compliance Programme Manager

BOARD OF DIRECTORS

Tomáš Mareček
Chairman of the Board of Directors

Tomáš Mareček	Chairman of the Board of Directors
Rastislav Jamrich	Vice-Chairman of the Board of Directors
Miroslav Bodnár	Member of the Board of Directors
Michal Kľučár	Member of the Board of Directors
Ondrej Studenec	Member of the Board of Directors

Situation as at 31 July 2021. During the reference period, the following changes were made to the structure of the Company's Board of Directors: as at 11 August 2020, Mirek Topolánek ceased to be a member of the Board of Directors and was replaced by Michal Kľučár (as of 26 August 2020). With effect from 9 February 2021, Rastislav Jamrich became the Vice-Chairman of the Board of Directors, replacing Robert Hančák. Ondrej Studenec became a new member of the Board of Directors, replacing Eva Markovičová.

SUPERVISORY BOARD

Roman Hudík	Chairman of the Supervisory Board
Jiří Zrůst	Vice-Chairman of the Supervisory Board
Peter Trgiňa	Member of the Supervisory Board
Andrej Lendvay	Member of the Supervisory Board
Mikuláš Maník	Member of the Supervisory Board
Anton Matulčík	Member of the Supervisory Board

Situation as at 31 July 2021. During the reference period, the following changes were made to the structure of the Company's Supervisory Board: With effect from 21 October 2020, Roman Hudík and Anton Matulčík became new members (replacing Petr Pandy and Dominik Hríň). Roman Hudík was elected Chairman of the Supervisory Board on 24 November 2020, replacing Petr Trgiňa who remained a member of the Supervisory Board.

SUPERVISORY COMMISSION

Daniel Křetínský	Chairman of the Supervisory Commission
Ružena Lovasová	Vice-Chair of the Supervisory Commission
Hana Krejčí	Member of the Supervisory Commission
Roman Karlubík	Member of the Supervisory Commission
Jan Stříteský	Member of the Supervisory Commission

Situation as at 31 July 2021. No changes were made to the structure of the Supervisory Commission during the reference period.

MANAGEMENT

Rastislav Ňukovič
CEO

Rastislav Ňukovič	CEO
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
Tomáš Matula	Director of Asset Management
Ján Janus	Director of Dispatching
Ivan Orth	Director of Compressor Equipment
Anton Zelenaj	Director of Pipeline System Maintenance and Repairs

Situation as at 31 July 2021. Changes were made to the Company's management in the reference period: Tomáš Matula became the Director of Asset Management in January 2021.

STATEMENT ON CORPORATE GOVERNANCE

EUSTREAM adheres to the Corporate Governance Code in Slovakia, which is issued by the Slovak Association of Corporate Governance (SACG). The Code is available on the SACG website: https://sacg.sk/kodexy/.

General Meeting

The General Meeting is the supreme body of the Company, via which the shareholders participate in the Company's management.

Each shareholder of the Company has the following rights on the basis of which they exercise their influence on the Company:

- The right to participate in the Company's management and to a share of the Company's profit and liquidation balance. Shareholders exercise the right to participate in the management of the Company by voting at the General Meeting. At the General Meeting, shareholders have the right to request information, and explanations relating to Company business, or the business of entities controlled by the Company, and to submit proposals for discussion and be elected to Company bodies;
- Right to vote at the General Meeting – the number of votes of a shareholder is determined by the ratio of the nominal value of their shares to the amount of share capital;
- Shareholders are entitled to a share of the Company's profit (dividend);
- Shareholders have, to the extent permitted by applicable law (including Act No. 251/2012 Coll., The Energy Act), the right to inspect the minutes from meetings of the Supervisory Board and the obligation to keep any information so obtained confidential.

The powers of the General Meeting include in particular:

- Election and removal of members of the Supervisory Board;
- Election and removal of members of the Supervisory Commission;
- Amendment to the Articles of Association, Statute of the Supervisory Board, Statute of the Supervisory Commission, or Statute of the Board of Directors;
- Change in the share capital or the creation, distribution or issue of any shares or any other securities by the Company, or any options or rights to subscribe or convert any instruments into such shares or securities of the Company, and any decrease of the share capital;
- Merger, division, change of legal form, liquidation or other significant change to the corporate structure;
- Decision on the distribution of dividends – the General Meeting may only decide on a proposal of the Board of Directors for the payment of dividends which was approved by the Supervisory Commission;
- Decisions to increase or decrease the share capital;
- Approval of the financial statements, decisions on the distribution of profit, including the determination of the amount of dividends and any royalties and on the method of settlement of losses. The General Meeting may only decide on a proposal of the Board of Directors of the Company for the distribution of profit or settlement of losses which was approved by the Supervisory Commission;
- Decisions to change the rights attached to any type of shares;
- Decisions to convert registered shares into bearer shares and vice versa; ▪ decisions to limit or exclude a shareholder's pre-emptive right to subscribe new issued shares of the Company in accordance with and on the basis of conditions stipulated by law;
- Decisions approving any handling (including the establishment of any lien) of the shares;
- Approval of an agreement on the transfer of the Company's business and an agreement on the transfer of a part of the Company's business;
- Decisions approving any handling of substantial assets of the gas transmission system;
- Any substantial change to the nature of the Company's core business;
- Appointment of an auditor – the General Meeting may only decide on a proposal for the appointment of an auditor which has been submitted to the General Meeting by the Board of Directors;
- Decision on other matters if the Articles of Association or generally binding legal regulations confer such powers to the General Meeting.

The General Meeting consists of all shareholders present at the General Meeting. As a rule, at least one member of the Board of Directors, at least one member of the Supervisory Board, at least one member of the Supervisory Commission and/or other invited guests participate in the General Meeting. The Compliance Officer has the right to participate in the General Meeting, but does not have the right to vote.

If the Company has a sole shareholder, they shall exercise the powers of the General Meeting in the form of written decisions. The decisions of the sole shareholder must be delivered in writing to the Board of Directors, the Supervisory Board, the Supervisory Commission and the Compliance Officer. The sole shareholder is entitled to request that the Board of Directors, the Supervisory Board, the Supervisory Commission and the Compliance Officer participate in its decision-making, and the Compliance Officer has the right to participate in the decision-making of the sole shareholder. The sole shareholder may convene the General Meeting at any time.

Board of Directors

The Board of Directors is the Company's statutory body.

The Board of Directors is authorised to act in the name of the Company in all matters.

The Board of Directors decides independently on matters concerning the day-to-day activities of the transmission system operator, the management of the transmission system and the preparation of the ten-year system development plan, and this power may not be delegated to another Company body.

A member of the Board of Directors shall comply with all applicable provisions of the Slovak Commercial Code, Act No. 251/2012 Coll. on Energy and the compliance programme, which apply to the members of the Board of Directors.

The Board of Directors manages the Company's activities and decides on all Company matters, unless they pertain to other Company bodies in accordance with the mandatory provisions of the applicable legislation or the Articles of Association.

The Board of Directors has five members.

The members of the Board of Directors are elected and removed by the Supervisory Commission for a term of four years. The Supervisory Commission also determines which member of the Board of Directors will be the Chair and Vice-Chair of the Board of Directors.

The Board of Directors in particular:

- Manages the business activities of the Company and deals with all its operational and organisational matters;
- Exercises employer rights;
- Convenes the General Meeting;
- Implements resolutions of the General Meeting and resolutions of the Supervisory Commission in matters in which the Supervisory Board has exclusive power to decide;
- Ensures the maintenance of the prescribed accounting;
- Submits proposals, information and materials to the General Meeting, the Supervisory Board and the Supervisory Commission for approval or comments in cases specified in the Articles of Association;
- Prepares the Company's annual budget and business plan;
- Prepares the ten-year system development plan;
- Prepares and approves the compliance programme according to the requirements of Act No. 251/2012 Coll. on Energy.

Supervisory Board

The Supervisory Board is the Company's supreme control body.

The Supervisory Board supervises the actions of the Board of Directors and the Company's business activities.

The Supervisory Board has six members. Two-thirds of the members of the Supervisory Board are elected and removed by the General Meeting. The term of a Supervisory Board member is three years. One-third of the members of the Supervisory Board are elected by the Company's employees for a term of five years.

Members of the Supervisory Board shall comply with all applicable provisions of the Slovak Commercial Code, Act No. 251/2012 Coll. on Energy and the compliance programme, especially in relation to the confidentiality obligation.

The Supervisory Board reviews the Company's procedures and is authorised to inspect the accounting documents, files and records relating to the Company's activities and to inquire about the Company's situation at any time. It also controls and, to the extent permitted by legal regulations (in particular Act No. 251/2012 Coll. on Energy), submits to the General Meeting and, to the extent necessary, to the Supervisory Commission, conclusions and recommendations resulting from its control activities concerning:

- Performance of tasks assigned by the General Meeting to the Board of Directors and compliance with the resolutions of the Supervisory Commission;
- Compliance with the Articles of Association and the relevant legal regulations in the Company's activities;
- Economic and financial activities of the Company, accounting, records, accounts, the balance of the Company's assets, liabilities and receivables.

The Supervisory Board is required to review the financial statements and the proposal for the profit distribution or settlement of loss and to inform the General Meeting and the Supervisory Commission of the outcome of such a review.

The Supervisory Board has the powers stipulated by law and the Articles of Association.

The Supervisory Board reviews and, to the extent permitted by legal regulations (in particular the Energy Act), may submit to the General Meeting reports on:

- Proposals of the Board of Directors to dissolve the Company and to appoint a liquidator;
- Reports of the Board of Directors on restricted transactions with related parties or transactions other than on an arm's length basis;
- Proposal for profit distribution;
- Any proposal for any handling of the Company's business, or part thereof.

Based on a proposal of the Board of Directors and before concluding the relevant transaction, the Supervisory Board approves, to the extent and under the conditions set out in the Articles of Association, restricted related-party transactions, transactions related to separate activities other than on an arm's length basis, and a reduction of the Company's headcount by more than 10% over a period of twelve months.

The Supervisory Board reviews and may submit reports to the Supervisory Commission on proposals of the Board of Directors on the Company's individual annual budget and business plan.

Supervisory Commission

The Supervisory Commission is a special body of the Company with powers laid down by Act No. 251/2012 Coll. on Energy.

The powers of the Supervisory Commission include exclusively the following:

- Approval of proposals of the Board of Directors for a profit distribution before submission of such a proposal for the approval to the General Meeting;
- Election and removal of the Compliance Officer;
- Election and removal of members of the Board of Directors, appointment of the Chair and Vice-Chair of the Board of Directors;
- Approval of proposals of the Board of Directors regarding the maximum level of indebtedness;
- Approval of draft financial plans prepared by the Board of Directors;
- Approval of proposals of the Board of Directors regarding decisions to initiate an investment under the ten-year development plan.

The Supervisory Commission has five members. The members of the Supervisory Commission are elected and removed by the General Meeting. Their term of office is four years

Members of the Supervisory Commission shall comply with all applicable mandatory provisions of the Slovak Commercial Code, Act No. 251/2012 Coll. on Energy, and the compliance programme, especially in relation to the confidentiality obligation.

Management Methods

The Company is managed using mainly direct management methods, methods combining direct and expert (indirect) management and project management methods.

Direct management usually involves setting goals, tasks and standards and operational guidance of activities of the managed organisational unit or employee. Expert (indirect) management uses internal control mechanisms, establishes room for independent management and self-organisation of the managed organisational unit or employee and the application of progressive economic incentives consistent with effective risk management

Project management involves temporary allocation of specific organisational units or employees and their temporary subordination to the project leader in the defined extent in order to achieve the project objective.

Internal Control System and Risk Management

By performing internal control at all levels of the organisational structure, we are able to preventively detect potential risks facing the Company. The internal control system includes all forms of continuous control measures, procedures and mechanisms in individual units. The internal control system was implemented by adopting internal management acts, which regulate the performance of internal control and internal audits by our employees. The controls are carried out by employees who are directly involved in the processes, senior employees of individual units responsible for the controlled processes and for the results of the control, and employees delegated by them or internal auditors.

The results of controls are regularly submitted to the relevant Company bodies. By taking timely preventive measures, we are able to define key processes effectively. As part of risk management, the Company monitors, evaluates and manages primarily regulation, market, financial, operational, environmental, personnel, media risks and their impact on the financial statements.

As part of risk management, EUSTREAM also refers to the ESG risk rating published by EP Infrastructure, a. s. (see the QR code).

Zero Tolerance for Corruption

EUSTREAM has fully implemented an internal system for investigating notifications and submissions via an internal ethics line and has a zero tolerance policy towards corruption and other anti-social activities.

Audit Committee

The activities of the audit committee are performed by the Company's Supervisory Board in accordance with the Statutory Audit Act.

The Supervisory Board, as part of the undertaking of the activities of the audit committee:

- Monitors the preparation of the financial statements and compliance with special regulations, and submits recommendations and proposals to ensure the integrity of the above;
- Monitors the efficiency of internal control, internal audit and risk management systems of the Company if they have an impact on the preparation of the financial statements;
- Monitors the progress and results of the statutory audit of financial statements, taking into consideration the Audit Oversight Authority's findings and conclusions;
- Reviews and monitors the independence of the statutory auditor or the audit firm under a special regulation, in particular the appropriateness of the provision of non-audit services for the Company under a special regulation and services provided by the statutory auditor or the audit firm under a special regulation;
- Recommends the appointment of a statutory auditor or audit firm to the Board of Directors to undertake the statutory audit of the Company and makes recommendations to the Board of Directors regarding the removal of a statutory auditor or audit firm;
- Sets a deadline for a statutory auditor or audit firm to submit a declaration of independence;
- Informs the Board of Directors on the result of the statutory audit and explains how the statutory audit of the financial statements contributed to the integrity of the financial statements and what the role of the Supervisory Board in this process was.

Share Capital

The share capital of the Company is EUR 282 928 727.09 (two hundred and eighty-two million, nine hundred and twenty-eight thousand, seven hundred and twenty-seven euro and nine cents).

The Company's share capital is divided into:

- 10 (ten) registered paper shares with a face value of EUR 3 319.39 per share (three thousand, three hundred and nineteen euro and thirty-nine cents)
  Face value per share:
  EUR 3 319.39
  Number of shares: 10
  Type: ordinary share
  Form: paper
  Class: registered
  Percentage in share capital: 0.01%
  Accepted for trading: 0 shares
- 1 (one) registered paper share s with a face value of EUR 82 895 533.19 per share (eighty-two million, eight hundred and ninety-five thousand, five hundred and thirty-three euro and nineteen cents);
  Face value per share:
  EUR 82 895 533.19
  Number of shares: 1
  Type: ordinary share
  Form: paper
  Class: registered
  Percentage in share capital: 29.30%
  Accepted for trading: 0 shares
- 1 (one) registered paper share with face value of EUR 200 000 000 (two hundred million euro).
  Face value per share:
  EUR 200 000 000
  Number of shares: 1
  Type: ordinary share
  Form: paper
  Class: registered
  Percentage in share capital: 70.69%
  Accepted for trading: 0 shares

The Company's shares are issued as registered paper securities and are not publicly traded.

The Company's bonds are freely transferable. In accordance with the Articles of Association, a transfer of Company's shares is subject to the approval of the General Meeting, which may only reject a transfer of the Company's shares if such a transfer of shares would be in violation of the Articles of Association or the shareholder agreement. The specific conditions for the transferability of the Company's shares are stipulated in the shareholder agreement regarding SPP Infrastructure, a. s., concluded on 29 May 2014 between, inter alia, the Ministry of Economy of the Slovak Republic, Slovenský plynárenský priemysel, a.s., and Energetický a průmyslový holding, a.s., which was published in the Central Register of Contracts.

SPP Infrastructure, a.s., the 100% shareholder of eustream, a.s., has a qualified shareholding (10% or more) in the Company's share capital. The shareholders of SPP Infrastructure, a. s., are (i) Slovenský plynárenský priemysel, a.s., (51%), owned by the Slovak Republic (Ministry of Economy of the Slovak Republic) and (ii) Slovak Gas Holding, B.V. (49%), which is part of the EP Infrastructure, a.s. Group, which belongs to the Energetický a průmyslový holding, a.s. Group.

Details of the shareholder structure are available in the Company's verification document in the Register of Public Sector Partners.

No shares in the share capital structure confer special control rights to their owners. There are no special control rights attached to bond ownership.

The Company is not aware of any restrictions on voting rights, except for the rules and restrictions, if any, in the above shareholder agreement regarding SPP Infrastructure, a. s.

The Company is not aware of any agreements between holders of securities which could lead to restricted transferability of securities and restricted voting rights, except for rules and restrictions, if any, in the above shareholder agreement regarding SPP Infrastructure, a. s.

Members of the Board of Directors, the Company's statutory body, are elected and removed by the Supervisory Commission. The term of office is four years. The prior consent of the Office for the Regulation of Network Industries is required for the appointment or election and removal of members of the Board of Directors, which is the statutory body of the transmission system operator.

An amendment to the Articles of Association is approved by the General Meeting and requires a two-thirds majority of all shareholders. The full text of proposed amendments to the Articles of Association must be available at the Company's registered office thirty days before the General Meeting. It is the Board of Directors' responsibility to ensure that any shareholder who requests a copy of a draft amendment to the Articles of Association receives such a copy. A notary must be present at the General Meeting which is to adopt amendments to the Articles of Association, who will prepare a notarial deed on the General Meeting's decision.

The Board of Directors is not authorised to decide on the issue of shares or the repurchase of shares.

The Company did not conclude any significant agreements which will enter into force, be amended or expire due to a change in its control as a result of a takeover bid.

The Company has not concluded any agreements with the members of its bodies or employees, based on which compensation would be paid to them if their office or employment was terminated by resignation from office, termination by the employee, their recall, dismissal by the employer for convenience, or if their employment was terminated due to a takeover bid.

HUMAN RESOURCES

Our experienced employees are the key pillar of the reliability of our operations. EUSTREAM creates above-standard and motivating conditions and a safe working environment for all its employees. Strict adherence to all applicable standards in occupational health and safety is essential and allows further improvement of work processes.

As at 31 July 2021, EUSTREAM had 633 employees.

The priorities of human resources management were to provide staff for ongoing transmission system development projects and employee training and development programmes:

- Succession programme for internal company employees. Its objective is to support and stabilise promising employees, expand the competencies of managers and focus on specialised positions;
- Graduate programme for university graduates with no experience, or with up to two years of experience after graduation from university;
- Internship programme for students in the 4th and 5th year of university studies and for graduates with no experience to attend a professional internship at EUSTREAM. Interns work successively in different organisational units of the Company under the supervision of a mentor.

EUSTREAM has a remuneration system with clear, fair and motivating rules. Employee remuneration is closely linked to the evaluation of work performance. In the reference period, relationships between the employer and the employees were governed by a collective agreement for the three-year period from 1 January 2020 to 31 December 2022.

A persistent challenge was to take effective preventive measures to ensure problem-free Company operations during the COVID-19 pandemic. The Company consistently applied above-standard and strict anti-epidemic measures, which included regular COVID-19 testing. In the first half of 2021, we met the goal of vaccination of the majority of employees against COVID-19, which is a precondition for further reduction of future pandemic risks.

In the previous financial year, the employer continued to use all available forms of aid in the event its employees found themselves in situations with a detrimental impact on their personal or family life.

EUSTREAM's primary goal in 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

EUSTREAM's business is inextricably linked to environmental protection and sustainability. EUSTREAM continually invests in the streamlining of operations and state-of-the-art technology to protect the environment. Natural gas, a greener alternative to solid fuels, is already making a significant contribution to the reduction of greenhouse gas emissions and improving air quality. The developed gas infrastructure has an irreplaceable role in the future transformation to a low-carbon economy.

EUSTREAM's operation of the transmission system involves particular attention to:

- Reduction of emissions and environmental pollutants;
- Reduction of the level of noise emitted by compressor stations;
- Compliance with the waste management hierarchy to reduce the amount of generated waste;
- Optimisation of water management.

Our continuous focus on the quality of our facilities allows us to comply with ever stricter air protection legislation, including compliance with Commission Implementing Decision (EU) 2017/1442, which, pursuant to Directive 2010/75/EU of the European Parliament and of the Council, establishing best available techniques (BAT) conclusions for large combustion plants.

EUSTREAM makes every effort to actively prevent the release of methane emissions, in particular by detailed monitoring, timely corrective maintenance and thorough pumping of natural gas during pipeline maintenance. EUSTREAM is a member of the global Oil & Gas Methane Partnership 2.0 (OGMP).

For more information on sustainability, EUSTREAM also refers to the Sustainability Report published by EP Infrastructure, a.s., which also covers the activities of our company (see the QR code).

OCCUPATIONAL HEALTH AND SAFETY

EUSTREAM ensures occupational health and safety in accordance with the relevant legislative and internal regulations, to minimise the safety risks for employees and protect their health at work.

As part of the employee health prevention programme, several health care programmes take place during the year, including occupational rehabilitation. EUSTREAM applies an active health and safety policy with regard to employees, suppliers and all business partners involved in the organisation's activities.
In cooperation with the occupational health service, the conditions and impacts of the working environment on the safety and health of employees are monitored at individual workplaces. Employees regularly undergo preventive medical examinations. Only one occupational injury was recorded in the previous reporting period.

EUSTREAM has an OSH and environmental management system in place. Compliance with legislation and related standards was confirmed by internal Company audits, inspections of state administration bodies and an external supervisory audit carried out at the end of 2019.

ECONOMIC AND FINANCIAL PERFORMANCE

In the financial year ended 31 July 2021, EUSTREAM generated revenues from the sale of services amounting to EUR 621.67 million. Operating expenses for the same period amounted to EUR 218.51 million. 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 EUR 29.25 million, primarily due to interest expense.

In the financial year ended 31 July 2021, EUSTREAM reported profit before tax in the amount of EUR 373.91 million under International Financial Reporting Standards (IFRS) as endorsed for use in the European Union. Income tax from ordinary activities was EUR 97.13 million, with a profit after tax of EUR 276.78 million.

CAPITAL STRUCTURE

EUSTREAM's total assets as at the balance sheet date were EUR 4 613.40 million, ie a decrease by EUR 406.00 million compared to the previous period. Non-current assets were reported in the amount of EUR 4 488.08 million, accounting for 97% of total assets. The decrease in value was mainly due to depreciation/ amortisation. Current assets accounted for 3% of total assets and included current receivables, cash and cash equivalents and inventories.

Current assets decreased by EUR 278.21 million compared to the previous year, primarily as a result of a decrease in receivables and in cash and cash equivalents.

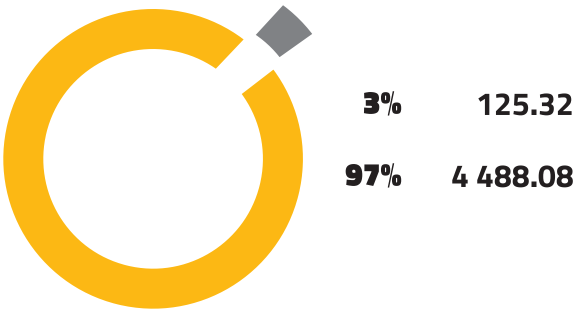
Equity totalled EUR 2 281.61 million, accounting for 49% of the Company's assets. Equity included share capital, the legal reserve fund, other funds, revaluation reserves and retained earnings. Equity decreased by EUR 291.50 million y/y, primarily as a result of a revaluation of commodity derivatives

The Company's registered capital recorded in the Business Register was EUR 282.93 million. It comprises ten ordinary paper shares with a face value of EUR 3 319.39 per share, one ordinary paper share with a face value of EUR 82 895 533.19 and one ordinary paper share with a face value of EUR 200 000 000.00.

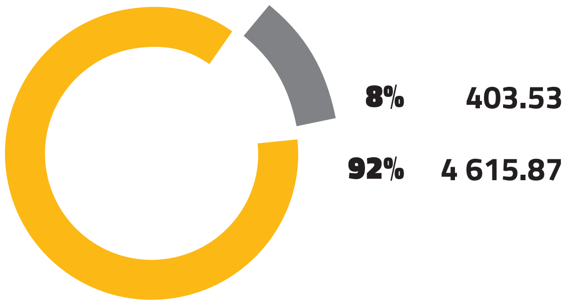
Comparison of the Structure of Assets (EUR million)

Non-current Current

as at 31 July **2021**



as at 31 July **2020**



Shareholder Structure as at 31 July 2021

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

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

Total liabilities accounted for 51% of assets and totalled EUR 2 331.79 million as at the balance sheet date. Liabilities comprised non-current liabilities of EUR 2 137.35 million and current liabilities of EUR 194.44 million, which decreased by EUR 52.39 million y/y, mainly as a result of the repayment of a portion of loans.

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

	as at 31 July 2021	as at 31 July 2020	**as at 31 July 2021**	as at 31 July 2020
Equity	**2 281.61**	2 573.11	**49%**	51%
Liabilities	**2 331.79**	2 446.29	**51%**	49%

RISK MANAGEMENT

The Company is exposed to various financial risks. In its risk management programme, the Company focuses on the unpredictability of financial markets and aims to minimise potential negative impacts on its financial position. The Company uses derivative financial instruments, such as interest rate swap and commodity contracts, to manage certain risks. The objective is to manage the risk of changes in interest rates and commodity prices related to the Company's operations.

The Company documents the relationship between hedging instruments and hedged items, risk management objectives, and the implementation strategy of various hedging transactions at the beginning of the hedge relationship. From the beginning of a hedge relationship, the Company continuously documents whether the hedging instrument used in the hedging relationship is highly effective in offsetting changes to cash flows of the hedged item.

Commodity price risk is the risk or uncertainty resulting from possible movements in natural gas prices and their impact on the Company's future performance and results of operations. A decrease in prices could result in a decrease in the Company's net profit and cash flows. The Company regularly estimates the amount of gas surpluses and concludes short- and medium-term commodity swap contracts to hedge their price.

In the year ended 31 July 2021, the Company concluded commodity swap contracts to hedge cash flows from the sale of surplus gas to balance the system.

In 2018, the Company concluded a series of interest rate swaps with a forward start with a nominal value of EUR 500 million to hedge cash flows from interest on the planned future issue of bonds for the refinancing of the Company's bonds due in July 2020. After the issue of new bonds in June 2020, the Company terminated the hedging relationship and reclassified interest rate swaps as non-hedging financial derivatives.

As a result, the main risks arising from the Company's financial instruments are commodity risk, interest rate risk, credit risk, and liquidity risk.

The Company is exposed to credit risk, ie the risk that one party to a financial instrument will cause a financial loss to the other party due to the non-settlement of its liability. Exposure to credit risk results from the sale of the Company's services with deferred maturity and from other transactions with other entities, which generate financial assets consisting of cash and cash equivalents, granted borrowings and trade receivables.

In terms of cash and cash equivalents in banks, the Company only has business relationships with banks with a high rating from an independent body.

The Company sells its services to various customers none of which, individually or collectively, represents a significant risk in terms of volume and solvency of receivables not being repaid. The Company has operating procedures in place to ensure that services are sold to customers with a good credit history and that the acceptable credit exposure limit is not exceeded. The risk of default is partially eliminated by securities.

Prudent liquidity risk management implies maintaining sufficient funds with adequate maturity, the availability of funding via an adequate amount of credit lines, and the ability to close out open market positions.
As a member of the SPP Infrastructure Group, the Company is part of the Efficient Use of Funds and Liquidity Optimisation System. This system maintains flexibility by ensuring continual availability of funds for all system participants to cover their financial needs (cash pooling).

FINANCIAL STATEMENTS - Balance Sheets

(selected figures, in € thousand)

	31 July 2021	31 July 2020
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	4 461 267	4 575 460
Non-current intangible assets	2 620	3 780
Non-current financial investments	6 607	6 689
Other non-current assets	17 586	29 942
Total non-current assets	4 488 080	4 615 870
CURRENT ASSETS	**125 322**	403 531
TOTAL ASSETS	**4 613 402**	5 019 401
EQUITY AND LIABILITIES		
EQUITY		
Share capital	282 929	282 929
Legal and other reserves	(96 041)	50 825
Revaluation reserve	1 760 825	1 820 486
Retained earnings	333 899	418 873
Total equity	2 281 612	2 573 113
NON-CURRENT LIABILITIES	**2 137 352**	2 199 462
CURRENT LIABILITIES	**194 438**	246 826
Total liabilities	**2 331 790**	2 446 288
TOTAL EQUITY AND LIABILITIES	**4 613 402**	5 019 401

STATEMENT OF COMPREHENSIVE INCOME (selected figures, in € thousand)

	Year ended 31 July 2021	Year ended 31 July 2020
REVENUES FROM THE SALE OF SERVICES	621 668	748 039
OPERATING EXPENSES	(218 505)	(214 309)
OPERATING PROFIT	403 163	533 730
Finance income	1 033	1 415
Finance expenses	(30 285)	(48 536)
Profit before tax	373 911	486 609
INCOME TAX	**(97 127)**	(126 148)
PROFIT FOR THE PERIOD	**276 784**	360 461

FINANCIAL STATEMENTS - Statements of Cash Flows

(selected figures, in € thousand)

	Year ended 31 July 2021	Year ended 31 July 2020
OPERATING ACTIVITIES		
Cash flows from operating activities	544 242	549 419
Interest paid	(31 632)	(45 111)
Interest received	94	187
Income tax paid	(201 270)	(149 292)
Net cash flows from operating activities	311 434	355 203
INVESTING ACTIVITIES		
Acquisition of non-current assets	(29 667)	(54 457)
Provision of a borrowing	(3)	(28)
Proceeds from the sale of property, plant and equipment and intangible assets	1 124	6
Dividends received	933	870
Net cash flows used in investing activities	(27 613)	(53 609)
FINANCING ACTIVITIES		
Proceeds from issued bonds	-	496 342
Repayment of bonds	(733)	(738 978)
Income from (repayment of) received loans	(75 005)	(9)
Paid dividends	(263 000)	(118 000)
Net cash flows from financing activities	(338 738)	(360 645)
NET INCREASE/(DECREASE) IN CASH	(54 917)	(59 051)
EFFECT OF FOREIGN EXCHANGE DIFFERENCES	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	113 843	172 894
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**58 926**	113 843

SIGNIFICANT EVENTS

No significant events occurred after the last day of the reporting period for which the annual report was prepared.

CONTACT DETAILS

Business name:	eustream, a.s.
Registered office:	Votrubova 11/A, 821 09 Bratislava, Slovenská republika
Tel.:	+421 2 6250 7111
E-mail:	info@eustream.sk
Legal form:	Joint-stock company
Registered in the Business Register:	District Court Bratislava I, Section Sa, File No. 3480/B
Identification and tax details:	Company ID: 35910712 Tax ID: 2021931175 VAT ID: SK2021931175

Deloitte.

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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 2021, 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 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

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

Key Audit Matters

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

Description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud	Summary of the auditor's response to the risks
Revenues from the Sale of Services	
Refer to Notes 3 m) and 20) of the accompanying separate financial statements The Company provides access to the transmission network and transmission services for natural gas transmission via the Slovak Republic on the basis of ship-or-pay contracts. Fees are paid by customers (shippers) directly to the Company's accounts. Tariffs for transmission services are fully regulated and governed by a price decision issued by the Regulatory Office for Network Industries. Revenues from providing access to the transmission network are the most important source of the Company's income. Under the regulated business and pricing terms and conditions, shippers also provide the Company with a portion of tariffs as gas in kind, or in the form of financial compensation used to cover gas consumption during the operation of the transmission network. As at 31 July 2021, a portion of such revenues is recognised as an estimate, as the actual billing of revenues for the last month of the financial year is made in the following month.	Our audit procedures included, inter alia: • An assessment of the compliance of revenue recognition with IFRS 15; • Testing of the design and implementation of internal controls as regards revenues from the provision of access to the transmission network and revenues from provided gas in kind, or as financial compensation; • Assessment of the appropriateness and reliability of the procedure and method to determine the estimate by Company management; • Reconciliation of revenue movements with major customers; and • Detailed testing of recognised revenues on a sample.

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

The estimate is calculated depending on the transmission volume of natural gas and tariffs set by the price decision issued by the Regulatory Office for Network Industries in the Slovak Republic for the given month. Due to the above quantitative and qualitative characteristics of revenues from the sale of services, this area is considered a key audit matter.	

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.

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

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 2021 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 2021. 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 19 August 2021.

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, 19 August 2021

Ing. Patrik Ferko, FCCA
Responsible Auditor
Licence UDVA No. 1045

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

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

FINANCIAL STATEMENTS

eustream, a.s.

Financial Statements
(prepared in accordance with International Financial Reporting Standards as adopted by the EU)

For the Year Ended 31 July 2021

CONTENTS

eustream, a.s.
STATEMENT OF FINANCIAL POSITION
As at 31 July 2021 and 31 July 2020
(EUR '000)

	Note	31 July 2021	31 July 2020
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	7	4 461 267	4 575 460
Non-current intangible assets	8	2 620	3 780
Non-current financial investments	9	6 607	6 689
Other non-current assets		17 586	29 941
Total non-current assets		**4 488 080**	**4 615 870**
CURRENT ASSETS			
Inventories	10	11 830	9 910
Receivables and prepayments	11	46 185	279 778
Other current assets		85	-
Cash and cash equivalents	12	58 926	113 843
Income tax		8 296	-
Total current assets		**125 322**	**403 531**
TOTAL ASSETS		**4 613 402**	**5 019 401**
EQUITY AND LIABILITIES:			
EQUITY			
Share capital	18	282 929	282 929
Legal and other reserves	19	(96 041)	50 825
Revaluation reserves	19	1 760 825	1 820 486
Retained earnings	19	333 899	418 873
Total equity		**2 281 612**	**2 573 113**
NON-CURRENT LIABILITIES			
Bonds issued	16	988 890	988 326
Loans received	16	65 000	65 000
Deferred income	13	58 272	58 677
Provisions for liabilities	15	6 466	6 596
Retirement and other long-term employee benefits	14	4 009	4 116
Deferred tax liability	25.2	930 266	999 224
Other non-current liabilities		84 449	77 523
Total non-current liabilities		**2 137 352**	**2 199 462**
CURRENT LIABILITIES			
Current portion of bonds	16	7 557	7 577
Current portion of loans	16	12	75 070
Trade and other payables	17	186 327	97 115
Income tax		-	66 926
Provisions for liabilities and other current liabilities	15	542	138
Total current liabilities		**194 438**	**246 826**
TOTAL LIABILITIES		**2 331 790**	**2 446 288**
TOTAL EQUITY AND LIABILITIES		**4 613 402**	**5 019 401**

The financial statements on pages 1 to 42 were signed on 18 August 2021 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 2021 and 31 July 2020
(EUR '000)

	Note	31 July 2021	31 July 2020
REVENUES FROM THE SALE OF SERVICES			
Natural gas transmission and other services	20	621 668	748 039
Total revenues		**621 668**	**748 039**
OPERATING EXPENSES			
Own work capitalised		3 084	3 773
Consumption of natural gas, consumables and energy		(21 042)	(25 565)
Depreciation, amortisation and impairment losses, net	7, 8	(141 185)	(143 385)
Other services		(14 764)	(20 653)
Personnel expenses	21	(28 497)	(29 531)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	10, 11	(8 674)	(398)
Provisions for liabilities		(1 959)	-
Other operating income		1 164	2 776
Other operating expenses		(6 632)	(1 326)
Total operating expenses		**(218 505)**	**(214 309)**
OPERATING PROFIT		**403 163**	**533 730**
Finance income	23	1 033	1 415
Finance costs	24	(30 285)	(48 536)
PROFIT BEFORE TAX		**373 911**	**486 609**
INCOME TAX	25.1	(97 127)	(126 148)
PROFIT FOR THE PERIOD		**276 784**	**360 461**
Other comprehensive income (items that may be reclassified subsequently to profit or loss)	**26**		
Hedging derivatives (cash flow hedging)		(185 907)	13 205
Deferred tax related to items of other comprehensive income for the period		39 041	(2 774)
Other comprehensive income (items that will not be reclassified subsequently to profit or loss)	**26**		
Increase/decrease in properties revaluation reserve		(3 915)	510 118
Deferred tax related to items of other comprehensive income for the period		996	(129 347)
OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD		**(149 785)**	**391 203**
TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD		**126 999**	**751 663**
Basic and diluted earnings per ordinary share (face value of EUR 3 319.39)	**27**	**3**	**4**
Basic and diluted earnings per ordinary share (face value of EUR 82 895 533.19)	**27**	**81 095**	**105 612**
Basic and diluted earnings per ordinary share (face value of EUR 200 000 000)	**27**	**195 656**	**254 807**

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 July 2021 and 31 July 2020
(EUR '000)

	Share capital	Legal reserve fund	Hedging reserve	Revaluation reserves	Retained earnings	Total
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**
Net profit for the period	-	-	-	-	276 784	276 784
Other comprehensive income/(loss) for the period	-	-	(146 866)	(2 919)	-	(149 785)
Transfer to retained earnings	-	-	-	(56 742)	56 742	-
Total net comprehensive income for the period	**-**	**-**	**(146 866)**	**(59 661)**	**333 526**	**126 999**
Transactions with shareholders:	-	-	-	-	-	-
Dividends paid	-	-	-	-	(418 500)	(418 500)
At 31 July 2021	**282 929**	**56 586**	**(152 627)**	**1 760 825**	**333 899**	**2 281 612**

(EUR '000)

	Note	31 July 2021	31 July 2020
OPERATING ACTIVITIES			
Cash flows from operating activities	28	544 242	549 419
Interest paid		(31 632)	(45 111)
Interest received		94	187
Income tax paid		(201 270)	(149 292)
Net cash flows from operating activities		311 434	355 203
INVESTING ACTIVITIES			
Acquisition of non-current assets		(29 667)	(54 457)
Borrowing provided		(3)	(28)
Proceeds from the sale of property, plant and equipment and intangible asset		1 124	6
Dividends received		933	870
Net cash flows used in investing activities		(27 613)	(53 609)
FINANCING ACTIVITIES			
Proceeds from issued bonds		-	496 342
Repayment of bonds		(733)	(738 978)
Income from/(repayment of) received loans		(75 005)	(9)
Dividends paid	11,19	(263 000)	(118 000)
Net cash flows from financing activities		(338 738)	(360 645)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(54 917)	(59 051)
EFFECT OF FOREIGN EXCHANGE DIFFERENCES		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		113 843	172 894
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**58 926**	**113 843**

(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 2020 were approved by the Annual General Meeting held on 30 September 2020.

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). The RONI which, inter alia, defines the regulatory policy for the individual regulation 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 regulation period, the 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 original regulation period (2017 – 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 of 17 August 2017, Decision No. 0078/2021/P of 6 April 2021 and Decision No. 0079/2021/P of 2 July 2021. In accordance with Article 14 (12) of Act No. 250/2012 Coll. on Regulation in Network Industries as amended, eustream will act in line with the decision on the application of tariffs until 31 December 2021. On 29 May 2019, the RONI issued Decision No. 0040/2019/P for the regulation 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. The Regulation Council of the RONI extended the 2017 – 2021 regulation period by one year until 31 December 2022 by Amendment No. 1 of 2020. The RONI is currently preparing amendments to secondary legislation relating to price regulation in the gas industry that will take this change into account.

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. As at 2 July 2021, the short-haul product was updated by RONI Decision No. 0002/2021/P-PP.

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, the 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 average full-time equivalent of the Company's employees for the year ended 31 July 2021 was 632, the number of employees as at 31 July 2021 was 633 and the number of key management personnel was 12 (for the year ended 31 July 2020, the average FTE was 635, and the number of employees as at 31 July 2020 was 633 and the number of key management personnel was 12). 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 following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) are effective for the current reporting period:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The separate financial statements (the "financial statements") for the year ended 31 July 2021 and comparable data for the year ended 31 July 2020 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 2021, 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 2021, 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 2019. 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 – 7

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 recognises 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 operating purposes, which are recognised in the period when gas transmission occurred.

The amount of gas provided for operating purposes is calculated as the product of the amount of gas actually transmitted at each entry point of a network user into the transmission network and at each exit point of a network user from the transmission network and the relevant rates set by the valid price decision issued by the RONI at the time the relevant capacity is allocated. Gas for operating purposes is not included in the calculation of the actually transmitted amount of gas of a network user.

Revenues from the sale of gas for operating 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. (2020: 6.54% p.a.). 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”.

r) Calculation of Earnings per Share

The Company recognises earnings per share attributable to individual classes of shares described in Note 18. The Company calculated earnings per share by dividing earnings attributable to each class of shares by the weighted average number of each class of shares that are outstanding during the reporting period. Earnings attributable to each class of shares are calculated based on the face value of each class of shares and the percentage of the total face value of all shares.

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 2021 and 31 July 2020 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 2021, the Company would recognise increased depreciation charges for assets constituting pipelines and compressor stations by EUR 36 220 thousand (for the financial year ended as at 31 July 2020 increased by EUR 35 192 thousand).

Recognition of Revenue Estimate
The Company recognises a portion of revenues as an estimate, see Note 2 m).

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 2021, the Company entered into commodity swaps to hedge cash flows from sales of gas surplus.

(in EUR'000)

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

Open commodity swaps	As at 31 July 2021		As at 31 July 2021	
	Fair value		Nominal value	
	Cash flow hedging	Held for trading	Cash flow hedging	Held for trading
Sales of natural gas				
Less than 3 months	(49 448)	-	32 022	-
3 to 12 months	(55 602)	-	75 135	-
Over 12 months	(43 565)	-	96 076	-

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	-

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 52 777 thousand.

Movements in the hedging reserve are disclosed in Note 19.

(3) Interest rate risk

Interest rate risk is the risk that market interest rates will fluctuate. As at 31 July 2021, the Company had issued bonds with a fixed interest rate. As at 31 July 2021, 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 202		As at 31 July 2021	
	Fair value		Nominal value	
	Cash flow hedging	Held for trading	Cash flow hedging	Held for trading
Less than 3 months	-	-	-	-
3 to 12 months	(8 748)	(540)	-	-
Over 12 months	(39 652)	(1 117)	500 000	500 000

(in EUR‘000)

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

(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.

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

	Note	**As at 31 July 2021**	**As at 31 July 2020**
Provided borrowings	**9**	**85**	**82**
Receivables and prepayments		**46 185**	**285 727**
- Receivables from transmission activities	11	28 725	52 798
- Receivables from financial derivatives		-	50 083
- Other receivables	11	17 460	182 846
Other assets		**17 586**	**23 992**
Cash and cash equivalents		**58 926**	**113 843**
Total credit risk		**122 782**	**423 644**

The credit quality of cash in banks as at 31 July 2021 was as follows: EUR 16 958 thousand in banks with Moody's A1 rating, EUR 22 561 thousand in banks with Moody's A2 rating, EUR 10 356 thousand in banks with Moody's A3 rating, EUR 5 014 thousand in banks with Moody's Aa3 rating and EUR 3 984 thousand in banks with Moody's Baa1 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).

(in EUR'000)

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

As at 31 July 2021	**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	568 021	508 125	**1 098 558**
Loans received					65 000	**65 000**
Other liabilities	-	16 480	2 729	115	-	**19 324**
Trade and other payables	19 187	7 961	17 681	116	-	**44 945**
Commodity swaps		40 671	58 764	49 180	-	**148 615**
Interest rate swaps	-	-	9 288	40 769	-	**50 057**

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 the reporting date, the Company has binding revolving lines available from banks for operating needs in the total amount of EUR 275 million, with an average maturity of 2.5 years. These credit lines were not drawn down as at 31 July 2021.

(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 44% as at 31 July 2021 (as at 31 July 2020: 40%).

The gearing ratio at the end of the reporting period:

	As at 31 July 2021	**As at 31 July 2020**
Debt (i)	(1 061 459)	(1 135 973)
Cash and cash equivalents	58 926	113 843
Net debt (ii)	(1 002 533)	(1 022 130)
Equity (iii)	2 281 612	2 573 113
Net debt to equity ratio	**44%**	**40%**

(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) Total equity in the statement of financial position.

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 2021	**As at 31 July 2020**
Financial assets		
Derivative financial instruments recognised as hedging	-	50 083
Derivative financial instruments not recognised as hedging	-	-
Receivables and prepayments (including cash and cash equivalents)	122 697	373 479
Borrowings provided	85	82
Investments in subsidiaries and associates	6 607	6 607
Financial liabilities		
Derivative financial instruments recognised as hedging	197 015	56 059
Derivative financial instruments not recognised as hedging	1 657	3 701
Financial liabilities carried at amortised costs	1 125 728	1 245 630

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 2021:	Level 1	Level 2	Level 3	Total
Financial assets at fair value	**-**	**-**	**-**	**-**
Financial derivatives recognised as hedging	-	-	-	-
Financial derivatives not recognised as hedging	-	-	-	-
Financial liabilities and contingent liabilities at fair value	**-**	**198 672**	**-**	**198 672**
Financial derivatives recognised as hedging	-	197 015	-	197 015
Financial derivatives not recognised as hedging	-	1 657	-	1 657

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

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 2021, or in the year ended 31 July 2020.

(2) Non-recurring fair value measurements

There were no non-recurring fair value measurements in the year ended 31 July 2021.

(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 2021:	Level 1	Level 2	Level 3	Fair value total	Carrying amount
Financial assets	**-**	**-**	**6 692**	**6 692**	**6 692**
Borrowings provided with fixed interest rate	-	-	85	85	85
Investments in subsidiaries and associates	-	-	6 607	6 607	6 607
Financial liabilities	**531 999**	**538 857**	**65 012**	**1 135 868**	**1 061 459**
Bonds issued	531 999	538 857	-	1 070 856	996 447
Loans received	-	-	65 012	65 012	65 012

(in EUR'000)

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 the year ended 31 July 2021, 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 2021 and 31 July 2020 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 2021	**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	**85 573**	**728 646**	**3 625 218**	**57 540**	**4 016**	**74 467**	**4 575 460**
Additions	-	-	-	-	-	30 949	30 949
Revaluation of assets through revaluation reserve	-	(3 992)	-	-	-	-	(3 992)
Revaluation of assets through profit or loss	-	-	-	-	-	-	-
Placed into service	68	2 797	1093	103	1445	(5 506)	-
Reclassifications	-	-	-	-	-	431	431
Disposals	-	-	-	(1 055)	-	(22)	(1 077)
Depreciation charge	(4 934)	(48 683)	(84 755)	(1 069)	(1 117)	-	(140 558)
Impairment of assets through revaluation reserve	-	77	-	-	-	-	77
Impairment of assets through profit or loss	(3)	-	-	-	(9)	(11)	(23)
Closing net book value	**80 704**	**678 845**	**3 541 556**	**55 519**	**4 335**	**100 308**	**4 461 267**
At 31 July 2021							
Cost or revaluation	90 726	778 873	3 711 172	64 688	15 059	100 335	4 760 853
Accumulated depreciation and provisions	(10 022)	(100 028)	(169 616)	(9 169)	(10 724)	(27)	(299 586)
Net book value as at 31 July 2021	**80 704**	**678 845**	**3 541 556**	**55 519**	**4 335**	**100 308**	**4 461 267**

The net book value of assets presented in the table above that would have been recognised at 31 July 2021 if the assets were accounted for using the cost model is as follows:

Net book value as at 31 July 2021	**55 976**	**378 052**	**1 512 945**	**55 519**	**4 335**	**100 308**	**2 107 135**

The most significant addition to assets in the reporting period ended 31 July 2021 was the 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 2021 amounted to EUR 13 648 thousand (31 July 2020: EUR 9 836 thousand).

As at 31 July 2021, the Company does not record any assets that are in use, but not yet registered in the Real Estate Register (31 July 2020: EUR 2 840 thousand).

Year ended 31 July 2020	**Border entry/exit**	**Compressor stations**	**Gas pipelines**	**Buildings and land**	**Machinery and equipment,**	**Assets under construction**	**Total**

	points, domestic points *Level 3*	*Level 3*	*Level 3*		**other non-current tangible assets**		
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**

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 2021	Cost of insured assets as at 31 July 2020	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	936 190	876 012	UNIQA poisťovňa, a.s.
Motor vehicles	MTPL	9 054	8 982	Allianz - Slovenská poisťovňa, a.s..

8. NON-CURRENT INTANGIBLE ASSETS

Year ended 31 July 2021	Software	Emission allowances	Other non-current intangible assets	Assets under construction	Total
Opening net book value	1 916	1 291	6	567	3 780
Additions	-	-	-	1 831	1 831
Placed into service	499	1 258	124	(1 881)	-
Reclassifications	-	-	-	(431)	(431)
Disposals	-	(1 567)	-	-	(1 567)
Amortisation	(963)	-	(24)	-	(987)
Change in provisions	(6)	-	-	-	(6)
Closing net book value	**1 446**	**982**	**106**	**86**	**2 620**
At 31 July 2020					
Cost	8 870	982	137	249	10 238
Accumulated depreciation and provisions	(7 424)	-	(31)	(163)	(7 618)
Net book value	**1 446**	**982**	**106**	**86**	**2 620**

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**

(EUR '000)

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

	31 July 2021	31 July 2020
Capital expenditures	**29 669**	**54 457**
Assets acquired but not paid for	839	8 381
Payments for assets acquired in previous periods and capitalisation	2 272	(3 099)
Additions to tangible and intangible assets	**32 780**	**59 739**

9. NON-CURRENT FINANCIAL INVESTMENTS

Non-current financial investments include:

	Borrowings	Shares	As at 31 July 2021	As at 31 July 2020
Cost	-	6 607	6 607	6 689
Impairment	-	-	-	-
Closing balance, net	**-**	**6 607**	**6 607**	**6 689**

As at 31 July 2020, non-current investments included borrowings provided to the subsidiary Eastring B.V. totalling EUR 75 thousand with a final maturity in 2021.

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 2021	As at 31 July 2020
Natural gas used for balancing	4 779	2 672
Raw materials and other inventories	13 878	13 642
Provision	(6 827)	(6 404)
Total	**11 830**	**9 910**

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

As at 31 July 2021 and 31 July 2020, a provision for inventories was created for unusable or damaged raw materials in stock.

11. RECEIVABLES AND PREPAYMENTS

	As at 31 July 2021	As at 31 July 2020
Receivables from transmission activities	28 725	52 798
Receivables from financial derivatives	-	44 133
Other receivables	17 460	182 847
Total	**46 185**	**279 778**

As at 31 July 2021, the Company recorded receivables within maturity in the amount of EUR 38 070 thousand and overdue receivables in the amount of EUR 8 115 thousand. In the comparable period, ie 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.

(EUR '000)

Receivables and prepayments are recognised net of provisions for bad and doubtful debts in the amount of EUR 8 152 thousand (31 July 2020: EUR 180 thousand).

Other receivables are mainly receivables from subsidies (EUR 5 869 thousand), provided collateral (EUR 5 870 thousand) and receivables from unbilled supplies (EUR 4 612 thousand). Cash-pooling with SPP Infrastructure is in the amount of EUR 0 thousand (31 July 2020: EUR 155 500 thousand). In the previous reporting period 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 provided in the year ended 31 July 2020) 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 57 908 thousand (31 July 2020: EUR 75 290 thousand) were established to secure the Company's receivables.

12. CASH AND CASH EQUIVALENTS

	As at 31 July 2021	As at 31 July 2020
Cash on hand and cash in bank	39 954	43 177
Cash on hand and cash in bank – financial guarantees	18 972	70 666
Total	**58 926**	**113 843**

13. DEFERRED INCOME

Deferred income mainly represents 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 2021 are as follows:

	As at 31 July 2021	As at 31 July 2020
Opening balance	58 814	58 820
Stock-take surpluses of depreciated/amortised assets	-	-
Subsidies allocated during the period	-	150
Unused subsidies	-	-
Reversal into revenues	(392)	(156)
Closing balance	**58 422**	**58 814**

	Current portion (included in other current liabilities)	Non-current portion	Total
As at 31 July 2021	150	58 272	58 422
As at 31 July 2020	137	58 677	58 814

(EUR '000)

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 2021 and 31 July 2020, 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 2021, there were 634 employees (31 July 2020: 634 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 2021 are as follows:

	Long-term benefits	Post-employment benefits	As at 31 July 2021	As at 31 July 2020
Opening balance	351	4 068	4 419	4 143
Recognised expenses/revenues, net	36	95	131	421
Paid employee benefits	(45)	(94)	(139)	(145)
Closing balance	**342**	**4 069**	**4 411**	**4 419**

	Current liabilities (included in other current liabilities)	Non-current liabilities	Total
As at 31 July 2021	402	4 009	4 411
As at 31 July 2020	303	4 116	4 419

Key assumptions used in actuarial valuation:

	As at 31 July 2021	As at 31 July 2020
Market yield on government bonds	0.00%	0.098%
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 0.50%	Change to the average wage 0.50%	Change to the expected life expectancy + 1 year
As at 31 July 2021	4 411	(186)	6	117
As at 31 July 2020	4 419	(191)	6	129

(EUR ‘000)

15. PROVISIONS FOR LIABILITIES

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

	Provision for environmental liabilities and other As at 31 July 2021	Provision for environmental liabilities and other As at 31 July 2020
Opening balance	6 596	6 860
Effect of discounting	(130)	(264)
Creation of a provision	392	-
Use of a provision	-	-
Reversal of a provision	-	-
Closing balance	**6 858**	**6 596**

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 2021	392	6 466	6 858
As at 31 July 2020	-	6 596	6 596

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 2021, the effective interest rate is 0.0126% 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.

(EUR '000)

	As at 31 July 2021			As at 31 July 2020		
	Secured	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
Loans	-	65 012	65 012	-	140 070	140 070
Bonds	-	996 447	996 447	-	995 903	995 903
Total	**-**	**1 061 459**	**1 061 459**	**-**	**1 135 973**	**1 135 973**
Loans and bonds by interest rate						
- with a floating interest rate	-	65 012	65 012	-	140 070	140 070
- with a fixed interest rate	-	996 447	996 447	-	995 903	995 903
Total	**-**	**1 061 459**	**1 061 459**	**-**	**1 135 973**	**1 135 973**
Loans and bonds by maturity						
Up to 1 year	-	7 569	7 569	-	82 647	82 647
1 to 5 years	-	492 660	492 660	-	492 660	492 660
More than 5 years	-	561 230	561 230	-	560 666	560 666
Total	**-**	**1 061 459**	**1 061 459**	**-**	**1 135 973**	**1 135 973**

	Carrying amount		Fair value (Note 5 (d) (3))	
	As at 31 July 2021	**As at 31 July 2020**	**As at 31 July 2021**	**As at 31 July 2020**
Loans	65 012	140 070	65 012	140 070
Bonds	996 447	995 903	1 070 856	1 042 511
Total	**1 061 459**	**1 135 973**	**1 135 868**	**1 182 581**

Changes to liabilities arising from financial activities

	Loans	**Bonds**	**As at 31 July 2021 Total**
Opening balance	140 070	995 903	1 135 973
Cash movements	(75 372)	(22 412)	(97 784)
Other changes	314	22 956	23 270
Closing balance	**65 012**	**996 447**	**1 061 459**

	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**

(EUR '000)

17. TRADE AND OTHER PAYABLES

	As at 31 July 2021	As at 31 July 2020
Trade payables	27 264	12 237
Other payables	19 208	70 961
Payables from transmission activities	17 681	-
Payables from financial derivatives	114 339	8 698
Total financial liabilities	***178 492***	***91 896***
Payables to employees	2 633	3 206
Social security and other taxes	5 202	2 013
Total non-financial liabilities	***7 835***	***5 219***
Total	**186 327**	**97 115**

As at 31 July 2021, the Company recorded payables within maturity in the amount of EUR 186 327 thousand and no overdue payables. In the comparable period, ie 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.

Social fund payables

	As at 31 July 2021	As at 31 July 2020
Opening balance	185	435
Total creation:	254	257
From expenses	254	257
Total drawing:	(335)	(507)
Holiday allowance	(207)	(375)
Monetary rewards and gifts	(26)	(31)
Jubilee bonuses – work	(33)	(34)
Meal allowance	(69)	(67)
Other drawings under CA	-	-
Closing balance	**104**	**185**

Payables secured by lien or other form of security

As at 31 July 2021, a bank guarantee totalling EUR 210 thousand (31 July 2020: EUR 210 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 2020: 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 2020 totalling EUR 418 500 thousand (see also Note 11). This amount was covered by the profit of EUR 360 461 thousand for the financial year ended 31 July 2020 and retained earnings from previous periods of EUR 58 039 thousand.

Type of allotment	Profit allotment for the year ended 31 July 2020	Profit allotment for the year ended 31 July 2019
Allotment to the legal reserve fund	-	-
To cover loss from previous years	-	-
Dividends	360 461	386 612
Total profit to be distributed	**360 461**	**386 612**

(EUR '000)

Hedging reserve

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

	As at 31 July 2021	As at 31 July 2020
Opening balance	**(5 761)**	**(16 192)**
Gain/(loss) on cash flow hedging		
Commodity swap contracts	(209 059)	100 791
Interest swap contracts	-	(6 370)
Deferred income tax applicable to gains/losses recognised through equity	43 902	(19 828)
Transfer to profit or loss		
Commodity swap contracts	15 850	(81 955)
Interest swap contracts	7 303	738
Deferred income tax applicable to gains/losses recognised through profit or loss	(4 862)	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	**(152 627)**	**(5 761)**

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 2021	Year ended 31 July 2020
Natural gas transmission and other services	(15 850)	81 955
Finance costs	(7 303)	(738)
Total	**(23 153)**	**81 217**

20. REVENUES FROM THE SALE OF SERVICES

	Year ended 31 July 2021	Year ended 31 July 2020
Revenues from natural gas transmission	621 381	746 930
Other revenues	286	1 109
Total	**621 668**	**748 039**

In the year ended 31 July 2021, 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 58% 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 the RONI for the relevant regulation 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 2021	**Year ended 31 July 2020**
Wages, salaries and bonuses	19 795	20 147
Pension security costs	2 693	2 756
Social security costs	4 250	4 447
Other social security costs and severance payments	1 759	2 181
Total	**28 497**	**29 531**

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 7 644 (as at 31 July 2020: EUR 7 091), 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 2021	**Year ended 31 July 2020**
Audit of financial statements	38	38
Assurance audit services, except for the audit of financial statements	29	9
Related audit services	-	-
Other non-audit services provided by the auditor	-	29
Total	**67**	**76**

23. FINANCE INCOME

	Year ended 31 July 2021	**Year ended 31 July 2020**
Interest income	88	177
Foreign exchange gains	-	-
Dividends	933	870
Other finance income, net	12	368
Total	**1 033**	**1 415**

(EUR '000)

24. FINANCE COSTS

	Year ended 31 July 2021	Year ended 31 July 2020
Interest expense	30 322	44 410
Foreign exchange losses	-	2
Other finance costs	(37)	4 124
Total	**30 285**	**48 536**

25. TAXATION

25.1. Income Tax

Income tax comprises the following:

	Year ended 31 July 2021	Year ended 31 July 2020
Current tax	98 364	118 905
Special levy	27 684	34 601
Deferred income tax (Note 25.2)	(28 921)	(27 358)
Total	**97 127**	**126 148**

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 2021	Year ended 31 July 2020
Profit before tax	**373 911**	**486 609**
Income tax at 21% and special levy on business in regulated industries	106 205	136 790
Effect of adjustments from permanent differences between the carrying amount and the tax value of assets and liabilities	99	(16)
Other adjustments	(3 364)	(3 360)
Effect of a special levy as a tax-deductible item	(5 813)	(7 266)
Total	**97 127**	**126 148**

Adjustments primarily comprise non-tax deductible expenses.

The effective tax rate differs from the statutory tax rate of 21% in the financial year ended 31 July 2021, 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 2020: 0.00545) 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)

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 2020	(Charge)/Credit to equity	(Charge)/Credit to profit	As at 31 July 2021
Difference in the net book value of non-current assets	(1 006 210)	1 012	27 718	(977 480)
Change in the fair value of derivatives	1 531	39 041	-	40 572
Employee benefits and other provisions for liabilities	2 666	-	(185)	2 481
Provisions for receivables	-	-	1 687	1 687
Provisions for assets	1 137	(16)	(414)	707
Provisions for inventories	1 345	-	89	1 434
Other	307	-	26	333
Total	**(999 224)**	**40 037**	**28 921**	**(930 266)**

	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)**

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 2021	As at 31 July 2020
Deferred tax liability	930 266	999 224
Total	**930 266**	**999 224**

(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 2021	**Before tax**	**Tax**	**After tax**
Hedging derivatives (cash flow hedging)	(185 908)	39 041	(146 867)
Revaluation of assets	(3 992)	1 012	(2 980)
Decrease in revaluation reserve due to changes in fair value	77	(16)	61
Other comprehensive income/(losses) for the period	**(189 823)**	**40 037**	**(149 786)**

As at 31 July 2020	**Before tax**	**Tax**	**After tax**
Hedging derivatives (cash flow hedging)	13 205	(2 773)	10 432
Revaluation of assets	510 153	(129 354)	380 799
Decrease in revaluation reserve due to changes in fair value	(35)	7	(28)
Other comprehensive income/(losses) for the period	**523 323**	**(132 120)**	**391 203**

27. BASIC AND DILUTED EARNINGS PER SHARE

As at 31 July 2021	**Ordinary shares – face value EUR 3 319.39**	**Ordinary shares – face value EUR 82 895 533.19**	**Ordinary shares – face value EUR 200 000 000**
Net earnings for the period attributable to	32	81 095	195 656
the number of ordinary shares	10	1	1
Basic and diluted earnings per ordinary share	**3**	**81 095**	**195 656**

As at 31 July 2020	**Ordinary shares – face value EUR 3 319.39**	**Ordinary shares – face value EUR 82 895 533.19**	**Ordinary shares – face value EUR 200 000 000**
Net earnings for the period attributable to	42	105 612	254 807
the number of ordinary shares	10	1	1
Basic and diluted earnings per ordinary share	**4**	**105 612**	**254 807**

The methodology and method of the calculation is described in the accounting policies, paragraph r).

28. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 July 2021	**Year ended 31 July 2020**
Profit before tax	373 911	486 609
Adjustments:		
Depreciation, amortisation and impairment losses, net	141 185	143 385
Interest, net	30 366	44 498
Income on financial investments	(933)	(870)
Derivatives	29 267	874
Provisions for assets, provisions for liabilities, and other non-monetary items	8 044	217
(Gain)/loss on the sale of non-current assets	(169)	(6)
(Increase)/decrease in receivables and prepayments	33 171	(160 149)
(Increase)/decrease in inventories	(2 359)	3 584
Increase/(decrease) in trade and other payables	(68 241)	31 277
Cash flows from operating activities	**544 242**	**549 419**

(EUR '000)

29. COMMITMENTS AND CONTINGENCIES

Obligations arising from capital construction

As at 31 July 2021, contracts for the acquisition of non-current assets in the amount of EUR 32 446 thousand (as at 31 July 2020: EUR 43 675 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 506 113 thousand as at 31 July 2021 (as at 31 July 2020: EUR 506 132 thousand). As a result, the Company assumed all the risks related to the repayment of the bonds by SPP Infrastructure Financing B.V. The Company recognises a liability from the issue of a fellow subsidiary's bond (SPP Infrastructure Financing B.V.) in the same amount in the statement of financial position.

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.

30. RELATED PARTY TRANSACTIONS

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

	Year Ended 31 July 2021				As at 31 July 2021	
	Revenues	**Expenses**	**Dividends**	**Other**	**Receivables**	**Payables**
SPP Infrastructure	68	65	418 500	-	3	6
Related parties under EPH's control	125 199	15 961	-	339	4 442	503 054
Other related parties	1 564	104	-	2 002	93	273
	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

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 years ended 31 July 2021 and 31 July 2020, the Company also provided financial guarantees to SPP Infrastructure Financing B.V. (see 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 2021	**Year ended 31 July 2020**
Remuneration to members of the Board of Directors, Supervisory Board and executive management and to former members of the Company's bodies – total	960	1 026
Of which – Board of Directors and executive management	*520*	*648*
– Supervisory Board	*262*	*276*
– Supervisory Committee	*103*	*102*
– former members of the Board of Directors and executive management	*66*	*-*
– former members of the Supervisory Board	*9*	*-*
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	18	21
Of which – Board of Directors and executive management	*17*	*19*
– Supervisory Board	*1*	*2*
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	5	9
Of which – Board of Directors and executive management	*3*	*8*
– Supervisory Board	*-*	*1*
– former members of the Board of Directors and executive management	*2*	*-*

(EUR '000)

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

Body	Position	Name
Board of Directors	Chairman	Ing. Tomáš Mareček
	Vice-Chair	Ing. Rastislav Jamrich
	Member	Ing. Miroslav Bodnár
	Member	Ing. Michal Kľučár
	Member	Ing. Ondrej Studenec

The following changes were made to the structure of the Company's Board of Directors in the period under review,: Mirek Topolánek left his position as Member of the Board of Directors as at 11 August 2020 and was replaced by Michal Kľučár (as of 26 August 2020). With effect from 9 February 2021, Rastislav Jamrich became the Vice-Chair of the Board of Directors replacing Robert Hančák and Ondrej Studenec became a new Member of the Board of Directors replacing Eva Markovičová.

Supervisory Board	Chairman	Ing. Roman Hudík
	Vice-Chair	Jiří Zrůst
	Member	Mgr. Andrej Lendvay
	Member	Ing. Mikuláš Maník
	Member	Ing. Peter Trgiňa, MBA
	Member	Ing. Anton Matulčík

The following changes were made to the structure of the Company's Supervisory Board in the period under review: With effect from 21 October 2020, Roman Hudík and Anton Matulčík became new members replacing Peter Pandy and Dominik Hríň. On 24 November 2020, Roman Hudík was elected the Chairman of the Supervisory Board replacing Peter Trgiňa, who continues to hold the office of Member of the Supervisory Board.

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

32. POST-BALANCE SHEET EVENTS

After 31 July 2021, there were no such events that would have a material effect on the financial statements of the Company.

Prepared on: **16 August 2021**	**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 2021

PROPOSAL FOR PROFIT DISTRIBUTION

(for the Reporting Period ended 31 July 2021)

The proposal for profit distribution for the reporting period ended 31 July 2021 is prepared in accordance with the Articles of Association of eustream, a.s., Article XXIII. PROFIT DISTRIBUTION, Article XXII. CREATION AND USE OF THE RESERVE FUND and in accordance with the provisions of the Commercial Code No. 513/1991 Coll., as amended.

The proposal for profit distribution for the reporting period ended 31 July 2021 is based on the audited financial statements for this period.

I.	**Profit after tax**	276 783 867,52 €
II.	**Addition to the legal reserve fund** under Article XXII of the Articles of Association, the reserve fund has reached 20% of the share capital	0,00 €
III.	**Amount of net profit** allocated for dividends	205 000 000,00 €
IV.	**Amount of retained earnings of previous years** allocated for dividends	0,00 €
V.	**Total amount** allocated for dividends	205 000 000,00 €
VI.	**Royalties to members of Company bodies**	0,00 €

Dividends will be paid no later than 100 days after approval by the General Meeting of shareholders.

The retained earnings of EUR 71 783 867.52 for the reporting period ended 31 July 2021 will be recognised in Retained earnings of previous years.

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