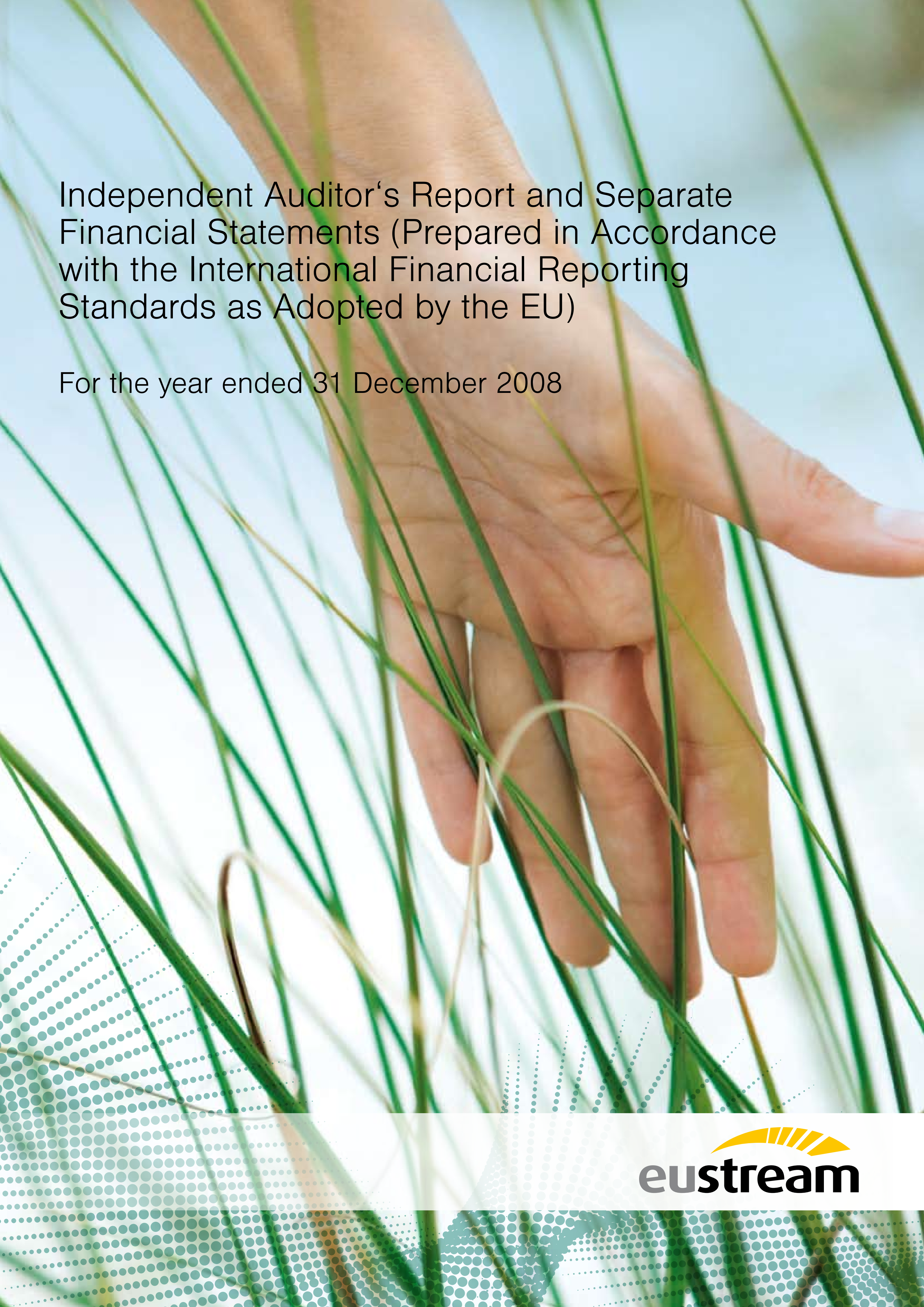
Independent Auditor's Report and Separate Financial Statements (Prepared in Accordance with the International Financial Reporting Standards as Adopted by the EU)

For the year ended 31 December 2008



eustream

eustream, a.s.

INDEPENDENT AUDITOR'S REPORT AND SEPARATE FINANCIAL STATEMENT
(PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS, AS ADOPTED BY THE EU)

For the year ended 31 December 2008

Ernst & Young Slovakia, spol. s r.o.
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Independent Auditor's Report

To the Shareholders of eustream, a.s.:

We have audited the accompanying financial statements of eustream, a.s. ('the Company'), which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

13 February 2009
Bratislava, Slovak Republic

Ernst & Young

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

Ing. Peter Matejička
SKAU Licence No. 909

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

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Separate Financial Statements
(presented in accordance with IFRS, as adopted by the EU):

eustream, a.s.
SEPARATE BALANCE SHEETS
As at 31 December 2008 and 31 December 2007
(SKK '000)

	Note	31 December 2008	31 December 2007
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	6	712,452	739,600
Non-current intangible assets	7	36,399	47,691
Total non-current assets		**748,851**	**787,291**
CURRENT ASSETS			
Inventories	8	672,844	304,542
Receivables and prepayments	9	4,765,469	3,840,309
Income tax asset		117,906	-
Other assets		2	7
Cash and cash equivalents		58,845	2,558,708
Total current assets		**5,615,066**	**6,703,566**
Assets classified as held for sale			
TOTAL ASSETS		**6,363,917**	**7,490,857**
EQUITY AND LIABILITIES:			
CAPITAL AND RESERVES			
Registered capital	13	2,498,311	2,498,311
Legal reserve fund and other funds	14	505,309	499,662
Retained earnings	14	2,672,255	3,179,210
Total equity		**5,675,875**	**6,177,183**
NON-CURRENT LIABILITIES			
Retirement and other long-term employee benefits	10	64,950	63,456
Deferred tax liability	19.2	68,287	97,379
Total non-current liabilities		**133,237**	**160,835**
CURRENT LIABILITIES			
Trade and other payables	12	554,805	580,321
Income tax payable		-	473,026
Provisions and other current liabilities	11	-	99,492
Total current liabilities		**554,805**	**1,152,839**
Total liabilities		**688,042**	**1,313,674**
TOTAL EQUITY AND LIABILITIES		**6,363,917**	**7,490,857**

The financial statements on pages 3 to 28 were signed on 13 February 2009 on behalf of the Board of Directors:

Dipl. Ing. Antoine Jourdain
Chairman of the Board of Directors

Ing. Andreas Rau
Member of the Board of Directors

(SKK '000)

	Note	*Year ended 31 December 2008*	*Year ended 31 December 2007*
Revenues from sale of services			
Natural gas transmission and other		24,224,278	23,957,081
Total revenues		**24,224,278**	**23,957,081**
Operating expenses			
Own work capitalized		24,180	25,091
Purchases of natural gas and raw material and energy consumption		(6,301,838)	(4,356,742)
Depreciation and amortization	6, 7	(123,350)	(122,752)
Other services		(14,625,,283)	(15,479,576)
Staff costs	15	(880,318)	(852,557)
Provision for bad and doubtful debts, obsolete and slow-moving inventory, net	9,8	(2,791)	(1,285)
Provisions and impairment losses, net	11,6,7	(1,278)	(69,577)
Other, net		70,330	20,365
Total operating expenses		**(21,840,348)**	**(20,837,033)**
Operating profit		**2,383,930**	**3,120,048**
Finance income/(costs)	17	792,828	819,978
Profit before income taxes		**3,176,758**	**3,940,026**
Income tax	19.1	(608,560)	(793,088)
NET PROFIT FOR THE PERIOD		**2,568,198**	**3,146,938**

eustream, a.s.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
Years ended 31 December 2008 and 31 December 2007
(SKK '000)

	Registered capital	*Legal reserve fund*	*Hedging reserve*	*Retained earnings*	*Total*
Balance at 31 December 2006	**2,498,311**	**499,562**	**-**	**3,804,306**	**6,802,179**
Gain on hedging derivatives	-	-	-	-	-
Total income and expense for the year recognized direct in equity	-	-	-	-	-
Profit for the year	-	-	-	3,146,938	3,146,938
Total income and expense for the year	**-**	**-**	**-**	**3,146,938**	**3,146,938**
Allocation of profit	-	100		(100)	-
Dividends paid	-	-	-	(3,771,934)	(3,771,934)
Balance at 31 December 2007	**2,498,311**	**499,662**	**-**	**3,179,210**	**6,177,183**
Gain on hedging derivatives	-	-	5,647	-	5,647
Total income and expense for the year recognized direct in equity	-	-	**5,647**	-	**5,647**
Profit for the year	-	-	-	2,568,198	2,568,198
Total income and expense for the year	**-**	**-**	**-**	**2,568,198**	**2,568,198**
Allocation of profit	-	-	-	-	-
Dividends paid	-	-	-	(3,075,153)	(3,075,153)
Balance at 31 December 2008	**2,498,311**	**499,662**	**5,647**	**2,672,255**	**5,675,875**

(SKK '000)

	Note	*Year ended 31 December 2008*	*Year ended 31 December 2007*
Operating activities			
Cash generated from operations	20	1,061,645	5,656,355
Interest paid		(2,218)	(28,586)
Interest received		104,023	243,210
Income tax paid		(1,229,908)	(136,113)
Net cash inflow from operating activities		(66,458)	5,734,866
Investing activities			
Proceeds/(acquisitions) from investments in securities, net		-	-
Purchase of property, plant and equipment		(162,158)	(72,529)
Proceeds from sale of property, plant and equipment and intangibles		99	82,892
Dividends received		-	-
Net cash inflow/(outflow) from investing activities		(162,059)	10,363
Financing activities			
Dividends paid		(3,075,153)	(3,771,934)
Other proceeds and payments from financial activities, net		804,117	584,381
Net cash outflow from financing activities		(2,271,036)	(3,187,553)
Net increase/(decrease) in cash and cash equivalents		**(2,499,553)**	**2,557,676**
Net foreign exchange difference		**(310)**	**(284)**
Cash and cash equivalents at the beginning of the period		**2,558,708**	**1,316**
Cash and cash equivalents at the end of the period		**58,845**	**2,558,708**

(SKK '000)

1. GENERAL

1.1. General Information

In accordance with Act No. 431/2002 Coll. on Accounting as amended, eustream, a.s., ("the Company") is required to prepare separate financial statements as at 1 January 2008 in accordance with the International Financial Reporting standards ("IFRS"), as adopted by the European Union ("EU"). The transition to IFRS was realized in accordance with IFRS 1 *First Time Adoption of IFRS* as at 1 January 2007 (transition date to IFRS). The impact of the transition on the Company's equity, profit and cash flows from the accounting procedures previously effective in the Slovak Republic to IFRS is explained in Note 23.

The accounting procedures detailed in Note 3 were used in preparing these separate financial statements, the comparatives in these separate financial statements and the opening balance sheet as at 1 January 2007 (transition date to IFRS).

The Company was founded by Memorandum of Association on 26 November 2004 and incorporated in the Commercial Register on 10 December 2004 under the business name SPP – preprava, a.s. Slovenský plynárenský priemysel, a.s., is 100% owner of the Company.
On 1 July 2006, Slovenský plynárenský priemysel, a.s., ("SPP") made a contribution to the Company of part of the business, including the assets (not including the main assets held for natural gas transmission) and liabilities of the former transit division. At the same time, SPP leased the main assets held for natural gas transmission (gas transmission pipelines, compressor stations) to the Company under the Contract for Operating Lease.
Since 1 July 2006, the Company has assumed the performance of activities related to international natural gas transmission.
SPP – preprava a.s. changed its business name to eustream a.s. by entry in the Commercial Register on 3 January 2008.

These financial statements represent the separate financial statements of the Company. They were prepared for the reporting period from 1 January to 31 December 2008 in accordance with IFRS, as adopted by the EU.

On 29 April 2008, the General Meeting approved the Company's 2007 financial statements.

Company Identification No. (IČO)	35 910 712
Tax Registration No. (DIČ)	2021931175

1.2. Principal Activities

Since 1 July 2006, following legal unbundling, the Company has been responsible for the transmission of natural gas.

SPP contributed part of the business, including the assets (not including the main assets held for natural gas transmission) and liabilities of the original transit division to its subsidiary SPP – preprava. At the same time, SPP leased the main assets held for natural gas transmission (gas transmission pipelines, compressor stations) to the Company under the Contract for Operating Lease. With effect from 1 July 2006, the Company assumed the performance of activities associated with the transmission of natural gas.

1.3. Employees

The average number of employees of eustream, a.s., for the year ended 31 December 2008 was 1,088, of which executive management: 1 (for the year ended 31 December 2007: 1,093, of which executive management:1).

1.4. Registered Address

Mlynské nivy 42
825 11 Bratislava
Slovak Republic

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

2.1. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and that have been endorsed by the EU and are effective for the accounting periods commencing 1 January 2008.

As at the date of authorization of these separate financial statements, the following standards and interpretations or amendments to the existing standards and interpretations which became effective from 1 January 2009 were issued:

- IFRS 8 Operating Segments
- IFRS 3 Business Combinations (revised)
- IAS 1 Presentation of Financial Statements (revised)
- IAS 23 Borrowing Costs (revised)
- IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 32 Financial Instruments: Presentation
- Amendment to IFRS 2 Share-Based Payments – Vesting Conditions and Their Cancellations
- IFRIC 15 Agreements for the Construction of Real Estate

The Company anticipates that the adoption of these standards in future periods will have no material impact on the separate financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

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

The financial statements are prepared under the historical cost convention, except for certain financial instruments. The principal accounting policies adopted are detailed below. The reporting and functional currency of eustream is the Slovak Crown (SKK). The separate financial statements were prepared based on the assumption that the Company is a going concern.

b) Financial Instruments

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

c) Derivative Financial Instruments

Derivative financial instruments are initially recorded at fair value and are re-assessed to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments which are determined and effective as cash flow hedges are recognized direct in equity. As a hedging relationship arises, the Company documents the relation between a hedging instrument and the hedged item, risk management objectives and the strategy for realization of various hedging transactions. As of the hedging origination, the Company continuously monitors whether the hedging instrument used in the hedging relationship is effective in compensating for cash flow changes in the hedged item. The amounts recognized in equity are recognized in the income statement at the same period when the hedged fixed liability originates or the anticipated transaction affects the profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the statement of profit and loss.

(SKK '000)

d) Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets are stated in the balance sheet at historical cost less accumulated depreciation and impairment losses. In the event of assets deposited as a contribution in kind as at 1 July 2006, historical cost was determined by an independent expert as at this date.

Cost includes all costs directly attributable to bringing the asset into working condition for its intended use.

Items of property, plant and equipment and intangible assets that are retired or disposed of are eliminated from the balance sheet, along with any corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the statement of profit and loss.

Other items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation is recorded by a charge to income computed so as to amortize the cost of the assets to their estimated residual values over their residual useful lives. The useful lives of property, plant and equipment and intangible assets are as follows:

	2008	***2007***
Regulation stations	15 – 50	15 - 50
Structures	40	40
Machines, tools and equipment	4 – 15	4 - 15
Other non-current assets	1 – 8	1 – 8

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

At each balance sheet date an assessment is made as to whether there is any indication that the recoverable amount of the Company's property, plant and equipment and intangible assets is less than the carrying amount. Where there is such an indication, the recoverable amount of the asset, being whichever is the higher of the asset's net selling price and the present value of its net cash flows, is estimated. The resulting impairment loss is recognized in full in the statement of profit and loss in the year in which the impairment occurs. The discount rates used to calculate the net present value of the cash flows reflect current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or to significantly postpone its planned completion date, the carrying amount of the asset is reviewed for potential impairment and a provision recorded, if appropriate.

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

e) Inventories

Inventories are stated at whichever is the lower of cost and net realizable value. The cost of natural gas in the transmission network pipelines and materials and supplies is calculated using the weighted average method. Cost of materials and other inventory includes cost of acquisition and other costs related to acquisition and for own products materials, other direct costs and production overheads. Increase of natural gas accumulation in the transmission network pipelines is valued at cost. There are no acquisition by-costs. Appropriate provision is made for obsolete and slow-moving inventories.

f) Trade Receivables

Trade receivables are stated at at expected realizable value, net of provisions for debtors under bankruptcy or restructuring proceedings and net of provisions for overdue bad and doubtful receivables at risk of full or partial non-settlement.

g) Cash and Cash Equivalents

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

h) Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate as discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time.

j) Greenhouse Gas Emissions

The Company receives free emission rights as a result of the European Emission Trading Schemes. The rights are received on an annual basis and in return the Company is required to remit rights equal to its actual emissions. The Company has adopted a policy of applying a net liability approach to the emission rights granted. Therefore, a provision is only recognized when actual emissions exceed the emission rights granted and retained. When emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right.

k) Revenue Recognition

Sales are recorded upon the delivery of products or performance of services, net of value added tax and discounts. The Company records revenue from fees for natural gas transition, revenue from transmission network balance and from other activities on the accrual basis. Revenues are accounted for on the fulfilment of delivery terms, since at that moment the significant risks and rights of ownership are transferred to the customer. The date of delivery fulfilment is the last day of the respective calendar month.

l) Social Security and Pension Schemes

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

m) Retirement and Other Long-Term Employee Benefits

The Company operates un-funded defined long-term benefit programs comprising lump-sum post-employment, disability and jubilee benefits. In accordance with IAS 19, the employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of profit and loss so as to spread the regular cost over the service lives of employees. The benefit obligation is measured as the present value of the estimated future cash outflows discounted by market yields on Slovak government bonds, which have terms to maturity approximating to the terms of the related liability. All actuarial gains and losses are recognized immediately in the statement of profit and loss. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

n) Taxation

Income taxes currently payable are provided on accounting profit as determined under Slovak accounting principles after adjustments for certain items for taxation purposes at a rate of 19%.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realized or the liability is settled. Deferred tax is charged or credited to the statement of profit and loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity. The income tax rate valid from 1 January 2004 is 19%.

The principal temporary differences arise from depreciation on property, plant and equipment, various provisions and financial derivative instruments. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

o) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange of the National Bank of Slovakia (NBS) pertaining on the dates of the transactions. Monetary assets, receivables and liabilities denominated in foreign currencies are retranslated at the NBS exchange rates pertaining on the balance sheet date. Profits and losses arising on exchange are included in the statement of profit and loss for the period.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except key assumptions used in actuarial valuation (note 10) there is no significant risk of material adjustments in future periods.

5. FINANCIAL INSTRUMENTS

a) Financial risk management

The Company is not exposed to severe financial risks that would include the effects of changes in foreign currency exchange rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. To manage certain risks the Company enters into derivative transactions, e.g. forward currency contracts. The purpose is to manage the currency risks arising from the Company's operations and its sources of finance.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

(1) Foreign currency risk

The Company operates internationally and is exposed to foreign currency risk arising from various currency exposures primarily with respect to the US dollar and Euro. A significant percentage of the Company's revenues are denominated in US dollars and Euro.

Analysis of financial assets and financial liabilities by currency:

	Financial assets		***Financial liabilities***	
in SKK thousands	***As at 31 December 2008***	***As at 31 December 2007***	***As at 31 December 2008***	***As at 31 December 2007***
USD	1	15	120	49,
EUR	9,492	9,492	12,932	8,547

The Company also uses forward contracts to hedge against foreign currency risk in the local currency for the specified dates of cash flows. These derivatives are accounted for as trading instruments with fair value adjustments reported in the statement of profit and loss. As at 31 December 2008 and 31 December 2007, the Company had open forward contracts to manage the exposure of the foreign exchange rate on income from transmission.

In 2008, the Company concluded forward contracts to hedge 2009 cash flows for transmission services in USD which meet the criteria for IAS 39. The effective part of these forward contracts is recognized in equity.

The table below summarizes open forward currency contracts as at the balance sheet date.

Open forward currency contracts	***Fair value***			
	2008		***2007***	
	Cash flow hedging	***Held for trading***	***Cash flow hedging***	***Held for trading***
USD sale				
Within 3 months	5,102	-	-	53,696
From 3 to 12 months	3,140	10,771	-	61,532
EUR purchase				
Within 3 months	-	-	-	6,925
From 3 to 12 months	-	-	-	21,028

Sensitivity to foreign currency changes

The table below displays the sensitivity of the Company to a 3 % strengthening or weakening of the Slovak Crown against respective foreign currencies. The sensitivity analysis only includes outstanding monetary items denominated in foreign currency and adjusts their translation at the end of the reporting period by the 3 % FX change. A negative value indicates a decrease in the income statement provided that there is a weakening of the Slovak Crown with regard to the respective currency. In the event of a strengthening of the Slovak Crown against the respective currency, there would be a converse effect on profits and the data below would be positive.

	Impact of US dollar rate		***Impact of EUR rate***	
in SKK thousands	***As at 31 December 2008***	***As at 31 December 2007***	***As at 31 December 2008***	***As at 31 December 2007***
Effect on profit/loss before tax	(4)	(1)	-	28

The effects mainly relate to risks relating to outstanding receivables and payables in USD at the year-end.

(2) Commodity price risk

To reduce risks related to changes in commodity prices the Company uses swap of EUA – CER licences within the 7% limit determined by law. The Company did not hedge other risks resulting from changes in commodity prices with other instruments.

(3) Interest rate risk

The Company has no significant concentrations of interest rate risk. As at 31 December 2008 and 31 December 2007, the Company had no outstanding long-term loans and granted no long-term loans with a fixed interest rate.

(4) Credit risk

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

(5) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash with adequate due date, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. The Company, as a member of the main SPP Group, is part of the cash-pooling system. In the system flexibility is maintained by keeping committed credit lines available and synchronizing the maturity of financial assets with financial needs.

(SKK '000)

The table below summarizes the maturity profile of the financial liabilities at 31 December 2008 and 31 December 2007, based on contractual undiscounted payments:

As at 31 December 2007	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Other liabilities	-	154,818	-	-	-	154,818
Trade and other payables	-	425,503	-	-	-	425,503

As at 31 December 2008	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Other liabilities	-	114,818	-	-	-	114,818
Trade and other payables	-	439,988	-	-	-	439,988

The table below details the Company's liquidity analysis for its derivative financial instruments. The table is based on undiscounted net cash inflows/(outflows) on the derivative instrument that are settled on a net basis:

	Less than 1 month	***1 – 3 months***	***From 3 months to 1 year***	***1 – 5 years***	***5 years and more***
2007					
Net settled:					
Forward currency contracts held for trading	15,708	44,914	82,559	-	-
Commodity swap contracts	-	-	(1,930)	(12,824)	-
Total	15,708	44,914	80,629	(12,824)	-
2008					
Net settled:					
Forward currency contracts recognized as hedges	1,675	3,427	3,140	-	-
Commodity swap contracts held for trading	-	-	10,771	-	-
Total	-	-	(1,088)	(3,929)	-
Total	1,675	3,427	12,823	(3,929)	-

b) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.
The Company's capital structure consists of cash and cash equivalents and equity attributable to the parent's equity-holders, comprising issued capital, legal and other funds and retained earnings as disclosed in Notes 15 and 16, respectively. The gearing ratio at year-ends 2008 and 2007 was 0%.

(SKK '000)

c) Categories of financial instruments

	31 December 2008	*31 December 2007*
Financial assets		
Financial derivatives recognized as hedging	8,242	-
Financial derivatives held for trading	10,771	131,545
Loans and receivables (including cash and cash equivalents)	4,686,853	6,267,472
Financial liabilities		
Financial derivatives recognized as hedging	-	-
Financial derivatives held for trading	5,017	3,118
Financial liabilities carried at amortized costs	549,789	577,203

d) Fair value of financial instruments

The fair value of forward foreign exchange contracts was determined using forward exchange market rates at the balance sheet date.

Embedded derivative instruments

Transmission contracts denominated in EUR represented the currency of the primary economic environment in which a substantial party to the contracts operates and so these contracts were not regarded as a host contract with an embedded foreign currency derivative, as under the requirements of IAS 39. Hence, in accordance with IAS 39 (as revised in December 2003), the Company did not recognize the embedded derivatives separately from the host contract. Transmission contracts denominated in USD represented the currency which is commonly used in contracts to purchase or sell non-financial items within the economic environment of the Slovak Republic in respect of business relations with external parties. Hence, in accordance with IAS 39 (as revised in December 2003), the Company did not recognize the embedded derivatives separately from the host contract.

The Company assessed all other significant contracts and agreements for embedded derivatives that should be recorded and concluded that there are no embedded derivatives in these contracts and agreements that are required to be valued and separately recorded as at 31 December 2007 and 31 December 2006 under the requirements of IAS 39 (as revised in December 2003).

Derivative instruments recognized as hedges and held for trading

The Company uses the following financial derivatives to decrease risks resulting from fluctuations in both foreign currency exchange rates and interest rates:

Forward currency contracts

Forward currency contracts are executed to hedge risks from fluctuations in foreign currency exchange rates with regard to particular transactions. The Company executes these contracts to manage risks arising from ordinary business transactions.

As at 31 December 2008, open forward currency contracts were recognized in the Company's balance sheet under hedges and held for trading. As at 31 December 2007, open forward currency contracts held for trading were recognized in the Company's balance sheet.

(SKK '000)

6. PROPERTY, PLANT AND EQUIPMENT

	Regulation stations	*Plant, machinery and equipment*	*Other non-current tangible assets*	*Capital work in progress*	*Total*
Year ended 31 December 2007					
Opening net book value	-	652,639	64,451	18,291	735,381
Additions	-	-	-	128,093	128,093
Put into use	70,500	34,150	7,875	(112,525)	-
Reclassifications	-	-	-	-	-
Disposals	-	(4,296)	(228)	-	(4,524)
Depreciation charge	(739)	(98,034)	(16,719)	-	(115,492)
Change in provisions	-	(2,515)	(466)	(877)	(3,858)
Closing net book value	**69,761**	**581,944**	**54,913**	**32,982**	**739,600**
At 31 December 2007					
Cost	70,500	724,636	79,685	33,859	908,680
Provision and accumulated depreciation	(739)	(142,692)	(24,772)	(877)	(169,080)
Net book value	**69,761**	**581,944**	**54,913**	**32,982**	**739,600**
Year ended 31 December 2008					
Opening net book value	69,761	581,944	54,913	32,982	739,600
Additions	-	-	-	86,068	86,068
Put into use	-	78,647	16,760	(95,407)	-
Reclassifications		25	8	-	33
Disposals		(479)	(130)		(609)
Depreciation charge	(4,435)	(92,206)	(17,576)	-	(114,217)
Change in provisions	-	1,854	297	(574)	1,577
Closing net book value	**65,326**	**569,785**	**54,272**	**23,069**	**712,452**
At 31 December 2008					
Cost	70,500	795,773	95,171	24,520	985,964
Provision and accumulated depreciation	(5,174)	(225,988)	(40,899)	(1,451)	(273,512)
Net book value	**65,326**	**569,785**	**54,272**	**23,069**	**712,452**

The cost of fully depreciated non-current assets (including non-current tangible assets) which as at 31 December 2008 were still in use amounted to SKK 43,244 thousand (31 December 2007: SKK 14,031 thousand).

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

Insured object	*Type of insurance*	*Cost of insured assets* 2008	2007	*Name and seat of the insurance company*
Buildings, halls, structures, machinery, equipment, fixture & fittings, low-value TFA, other TFA, works of art, inventories	Insurance of assets	308,648	282,550	Allianz-Slovenská poisťovňa, a.s. Kooperativa, a.s., ČSOB Poisťovňa, a.s.
Motor vehicles	CASCO, motor vehicle insurance against damage, destruction or theft	141,941	92,946	Allianz-Slovenská poisťovňa, a.s.

(SKK '000)

7. NON-CURRENT INTANGIBLE ASSETS AND OTHER ASSETS

	Software	*Other non-current intangible assets*	*Assets in the course of construction*	*Total*
Cost				
At 1 January 2007	40,287	2,808,	7,091	50,186
Additions	-	601	18,448	19,049
Put into use	183	-	(183)	-
Disposals	(10)	-	-	(10)
At 31 December 2007	**40,460**	**3,409**	**25,356**	**69,225**
Amortization				
At 1 January 2007	(5,590)	(281)	(5,162)	(11,033)
Amortization	(9,950)	(561)	-	(10,511)
Disposals	10	-	-	10
At 31 December 2007	**(15,530)**	**(842)**	**(5,162)**	**(21,534)**
Net book value				
At 1 January 2007	34,697	2,527	1,929	39,153
At 31 December 2007	**24,930**	**2,567**	**20,194**	**47,691**

	Software	*Other non-current intangible assets*	*Assets in the course of construction*	*Total*
Cost				
At 1 January 2008	40,460	2,808	25,356	68,624
Additions	-	-	142	142
Put into use	2,299	-	(2,299)	-
At 31 December 2008	42,759	2,808	23,199	68,766
Amortization				
At 1 January 2008	(15,530)	(842)	(5,162)	(21,534)
Amortization	(10,271)	(562)	-	(10,833)
At 31 December 2008	**(25,801)**	**(1,404)**	**(5,162)**	**(32,367)**
Net book value				
At 1 January 2007	24,930	1966	20,194	47,090
At 31 December 2007	**16,958**	**1,404**	**18,037**	**36,399**

8. INVENTORIES

	31 December 2008	*31 December 2007*
Natural gas	384,945	207,879
Raw materials and other inventories	291,252	97,664
Provision	(3,353)	(1,001)
Total	**672,844**	**304,542**

The balance of natural gas represents accumulated natural gas in the pipelines.

As at 31 December 2008 and 31 December 2007, only a provision for inventories of raw materials in stock was created.

9. RECEIVABLES AND PREPAYMENTS

	31 December 2008	*31 December 2007*
Trade receivables from transmission activities	1,742,472	1,585,664
Trade receivables from financial derivatives	19,013	131,545
Prepayments and other receivables	2,374,212	1,438,117
Other taxes	629,772	684,983
Total	**4,765,469**	**3,840,309**

(SKK '000)

As at 31 December 2008, the Company recorded receivables within maturity and after maturity of SKK 4,751,545 thousand and SKK 13,924 thousand without provision for impairment of receivables, respectively. As at 31 December 2007, the Company recorded receivables within maturity and after maturity of SKK 3,823,997 thousand and SKK 16,312 thousand without provision for impairment of receivables, respectively.

Trade receivables and prepayments are shown subsequent to provisions for bad and doubtful accounts of SKK 4,369 thousand (31 December 2007: SKK 4,082 thousand).

Amounts due and prepayments include receivables from SPP, a.s., of SKK 2,659,011 thousand (31 December 2007: SKK 1,453,611 thousand) and SPP – distribúcia, a.s., of SKK 174,291 thousand (31 December 2007: SKK 157,718 thousand).

Movements in the provision for impairment of receivables were as follows:

	31 December 2008	***31 December 2007***
Opening value	(4,082)	(3,799)
Creation	(374)	(302)
Utilized	11	-
Unused amounts reversed	76	19
Closing value	**(4,369)**	**(4,082)**

Collateralisation of receivables

Pursuant to the rules of operation for a transmission network operator, ITALIA UKRAINA GAS S.p.a. established a bank guarantee totalling EUR 553 thousand, i.e. SKK 18,899 thousand (2007: EUR 234 thousand, i.e. SKK 8,350 thousand).

(SKK '000)

10. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits program at eurstream was launched in 2006. This is a defined benefit program, under which the employees are entitled to a lump-sum payment upon old age or disability retirement and, subject to vesting conditions, jubilee payments. In 2008, the Company signed a new collective agreement under which employees are entitled to a retirement benefit based upon the number of years with the Company at the date of retirement. The benefits range from one month's to six months average salary. As at 31 December 2008, the obligation relating to retirement and other long-term employee benefits was calculated on the basis of this agreement. In 2007, the obligation was calculated based on the collective agreement signed for 2007.

As at 31 December 2008, there were 1,092 (31 December 2007: 1,098) employees at eustream covered by this program. To date it has been an un-funded program, with no separately allocated assets to cover the program's liabilities.

Movements in the net liability recognized in the balance sheet for the year ended 31 December 2008 are as follows:

	Long-term benefits	*Post-employment benefits*	*Total benefits at 31 December 2008*	*Total benefits at 31 December 2007*
Net liability at 1 January	12,482	52,720	65,202	64,265
Net expense for the period	4,952	(217)	4,735	2,131
Benefits paid	(1,193)	(264)	(1,457)	(1,194)
Net liabilities	**16,241**	**52,239**	**68,480**	**65,202**

	Current liabilities (included in other current liabilities)	*Non-current liabilities*	*Total*
At 31 December 2007	1,746	63,456	65,202
At 31 December 2008	3,530	64,950	68,480

Key assumptions used in actuarial valuation:

	At 31 December 2008	*At 31 December 2007*
Market yield on government bonds	5.03%	4.69%
Annual future real rate of salary increases	2.00%	2.00%
Annual employee turnover	1.44%	1.44%
Retirement ages (male and female)	62 for male and from 60 for female	62 for male and from 60 for female

(SKK '000)

11. PROVISIONS

Movements in provisions are summarized as follows:

	Total provisions at 31 December 2008	***Total provisions at 31 December 2007***
Balance at 1 January	99,492	78,790
Accretion of interest	-	-
Creation of provision	-	99,492
Utilization of provision	(99,492)	(39,524)
Reversal of provision	-	(39,266)
Closing balance	**-**	**99,492**

The provisions are included in liabilities as follows:

	Current provisions (included in other current liabilities)	***Non-current provisions***	***Total provisions***
At 31 December 2007	99,492	-	99,492
At 31 December 2008	-	-	-

In 2008, a provision for a fine was used and paid to the Anti-monopoly Office of the SR in the amount of SKK 98,900 thousand. At the same time, a provision for emission rights was used in the amount of SKK 592 thousand. Both provisions were created as at 31 December 2007.

12. TRADE AND OTHER PAYABLES

	At 31 December 2008	***At 31 December 2007***
Trade and other payables	451,665	436,126
Employee liabilities	63,371	94,219
Social security and other taxes	34,753	46,858
Liabilities from financial derivative instruments	5,017	3,118
Total	**554,806**	**580,321**

As at 31 December 2008, amounts due to group undertakings included trade payables to SPP – distribúcia, a.s., of SKK 25,563 thousand (31 December 2007: SKK 28,023 thousand), and SPP, a.s., of SKK 34,136 thousand (31 December 2007: SKK 69,334 thousand).

As at 31 December 2008, the Company recorded payables within maturity in the amount of SKK 554,806 thousand; no payables after maturity were registered. As at 31 December 2007, the Company recorded payables within maturity of SKK 580,321 thousand; no payables after maturity were registered.

Social fund payables:

	Suma
Opening balance as at 1 January 2008	9,508
Total creation:	7,670
from expenses	*7,670*
Total drawing:	(6,695)
Disability benefits	-
personnel jubilee benefits	*(315)*
employment jubilee benefits	*(878)*
catering allowance	*(2,753)*
other	*(2,749)*
Closing balance as at 31 December 2008	**10,483**

Liabilities secured by lien or other form of guarantee

As at 31 December 2008, the Company established a bank guarantee in Tatra banka, a.s., totalling SKK 10,000 thousand for other payables to the Customs Office (31 December 2007: SKK 10,000 thousand).

(SKK '000)

13. REGISTERED CAPITAL

As at 31 December 2008 and 31 December 2007, share capital represented a total number of 2,498,311 fully paid shares owned by SPP, a.s. (100 %). The registered capital was incorporated in the Commercial Register in the full amount.

14. LEGAL RESERVE FUND AND RETAINED EARNINGS

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

The legal reserve fund of SKK 499,662 thousand (as at 31 December 2007: SKK 499,662 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 share capital. Transfers of at least 10% of the current year's profit are required to be made from retained earnings until the reserve is equal to at least 20% of share capital. The legal reserve fund in the Company has already attained 20% of share capital.

Allotment	***Profit allotment for 2007***	***Profit allotment for 2006***
Allotment to legal reserve fund	-	100
To cover losses from previous years	-	46
Dividends	3,075,153	3,771,934
Total profit/ loss to be allotted	**3,075,153**	**3,772,080**

In 2007 and 2006, accounting profit was distributed in accordance with Slovak accounting standards.

15. STAFF COSTS

	Year ended 31 December 2008	***Year ended 31 December 2007***
Wages, salaries and bonuses	597,867	592,253
Social security costs	282,451	260,304
Total staff costs	**880,318**	**852,557**

The Company is required to make social security contributions, amounting to 35.2% of salary bases as determined by law, up to a maximum amount ranging from SKK 28 – 86 thousand per employee depending on the type of insurance. The employees contribute a further 13.4% of the relevant base up to the above limits.

16. COSTS OF AUDIT SERVICES

	Year ended 31 December 2008	***Year ended 31 December 2007***
Review of financial statements by the auditor	1,530	918
Other assurance services	-	-
Tax advisory	91	-
Other related services provided by the auditor	-	-
Total	**1,621**	**918**

17. FINANCE INCOME / COSTS

	Year ended 31 December 2008	***Year ended 31 December 2007***
Interest income	102,581	139,268
Derivatives	691,142	681,862
Interest expense	(2,218)	(11,850)
FX differences – (loss)/profit (Note 19)	2,813	11,626
Other	(1,490)	(928)
Total finance costs/(income)	**792,828**	**819,978**

(SKK '000)

18. FOREIGN EXCHANGE RATE DIFFERENCES

	Year ended 31 December 2008	***Year ended 31 December 2007***
Foreign exchange rate losses (gains) arising from:		
– Operating activities	24,342	56,382
– Financing activities (Note 17)	(2,813)	(11,626)
Total foreign exchange rate losses (gains)	**21,529**	**44,756**

The foreign exchange rate gains at the translation of assets and liabilities recorded in EUR and recognized as at 31 December 2008 amounted to SKK 838 thousand (as at 31 December 2007: SKK 102 thousand). The FX rate losses at the translation of assets and liabilities recorded in EUR and recognized as at 31 December 2008 amounted to SKK 215 thousand (as at 31 December 2007: SKK 185 thousand).

19. TAXATION

19.1. Income Tax Expense

The income tax charge comprises the following:

	Year ended 31 December 2008	***Year ended 31 December 2007***
Current tax charge	638,977	768,655
Deferred tax charge (Note 19.2)		
– current year	(30,417)	24,433
Total	**608,560**	**793,088**

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

	Year ended 31 December 2008	***Year ended 31 December 2007***
Profit before taxation	3,176,758	3,940,026
Income tax at 19%	603,584	748,605
Effect of permanent differences between accounting and tax value of assets and liabilities	4,529	36,107
Other adjustments	447	8,376
Income tax charge for the year	**608,560**	**793,088**

Adjustments primarily include provisions for assets.

The financial years from 2004 to 2007 are still open for inspection by the tax authorities.

(SKK '000)

19.2. Deferred Income Tax

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

	At 1 January 2007	*Debit to equity for the period*	*(Charge) credit to profit for the period*	*At 31 December 2007*
Difference in NBV of non-current assets	(88,832)	-	877	(87,955)
Change in fair value of derivatives	(6,107)	-	(18,294)	(24,401)
Items adjusting tax base only when paid	9	-	(4)	5
Employee benefits and other provisions	19,720	-	(7,332)	12,388
Provisions for receivables	703	-	(694)	9
Impairment loss	1,560	-	825	2,385
Provisions for inventories	-	-	190	190
Total	**(72,947)**	**-**	**(24,432)**	**(97,379)**

	At 1 January 2008	*Debit to equity for the period*	*(Charge) credit to profit for the period*	*At 31 December 2008*
Difference in NBV of non-current assets	(87,955)	-	4,320	(83,635)
Change in fair value of derivatives	(24,401)	(1,325)	23,067	(2,659)
Items adjusting tax base only when paid	5	-	31	36
Employee benefits and other provisions	12,388	-	2,750	15,138
Provisions for receivables	9	-	138	147
Impairment loss	2,385	-	(336)	2,049
Provisions for inventories	190	-	447	637
Total	**(97,379)**	**(1,325)**	**30,417**	**(68,287)**

In accordance with the Company's accounting policy, certain deferred tax assets and liabilities were mutually offset. The following table shows the balances of deferred tax recognized on the face of the balance sheet:

	31 December 2008	*31 December 2007*
Deferred tax liability	68,287	97,379
Total	**68,287**	**97,379**

20. CASH GENERATED FROM OPERATIONS

	Year ended 31 December 2008	*Year ended 31 December 2007*
Profit before tax	3,176, 758	3,940,025
Adjustments:		
Depreciation and amortization	125,499	122,752
Gain on contribution in kind	-	-
Interest income, net	(100,363)	(127,418)
Income from financial investments	-	-
FX differences	(124)	(351,181)
Derivatives	(691,142)	(681,861)
Provisions and other non-cash items	(97,782)	26,700
Impairment losses	-	-
Loss from sale of property	48	(75,988)
(Increase)/decrease in receivables and prepayments	(1,032,572)	6,344,857
(Increase)/decrease in inventories	(370,653)	9,381
Increase/(decrease) in trade and other payables	51,976	(3,550,912)
Cash generated from operations	**1,061,645**	**5,656,355**

(SKK '000)

21. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2008, capital expenditure of SKK 105,954 thousand (as at 31 December 2007: SKK 304,299 thousand) had been committed under contractual arrangements for acquisition of non-current assets, but not recognized in the financial statements.

Operating Lease Arrangements

The Company operates the international natural gas transmission network under the Contract for Operating Lease with the owner – SPP, a.s. The Contract is for six years and does not contain an option for purchase of the assets at the end of the lease term. The lease payments in the year ending 31 December 2008 amounted to SKK 13,064,561 thousand. The lease payments in 2007 totalled SKK 13,716,914 thousand.

The future non-cancellable operating lease receivables amount to:

Period	***2008***	***2007***
Not longer than 1 year	13,064,561	13,716,914
Longer than 1 year and not longer than 5 years	32,661,403	48,009,199
Longer than 5 years	-	-
Total	**45,725,964**	**61,726,113**

Natural Gas Transmission

In 2008, the Company signed a long-term contract for natural gas (with *ship-or-pay* conditions) through the Slovak Republic with Gazprom export LLC, Russian natural gas exporter. This contract enables use of gas pipelines in the ownership of SPP, leased by means of a lease contract to eustream, a.s., in line with the transmission capacity required by Gazprom export LLC to execute long-term export contracts signed with customers in Central and Western Europe.

The Company provides access to the transmission network and transmission services on the basis of contracts of *ship-or-pay* type. The major user of the network (shipper) is Gazprom export followed by other customers, usually leading European gas companies transmitting gas from Russian and Asian storage facilities to Europe. The major part of the transmission capacity is ordered on the basis of long-term contracts. In addition, the Company, within the *entry-exit* system, also executes short-term transmission contracts which often do not directly relate to the flow of Russian natural gas from East to West.

The Company is paid transmission fees direct by the respective shipper. Tariffs have been fully regulated since 2005. The regulator issues pricing decisions on the basis of a proposal submitted by the Company. In 2008, the receivables of eustream due from Gazprom were settled through the agreement on receivables collection signed between SPP, a.s., and eustream, a.s., by setting off these receivables with receivables of Gazprom export from SPP for natural gas supplies.

On the basis of the regulated business and pricing terms, shippers also provide the Company with a portion of the tariffs in natural form as gas for operating purposes, covering gas consumption during the operation of the transmission network.

Taxation

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

Liberalization of the Slovak Energy Sector and possible regulation risks

Regulation framework on the natural gas market in the Slovak Republic

On the basis of the current legislation, the natural gas market in the Slovak Republic is liberalized, allowing free selection of natural gas supplier for all customers (effective from 1 July 2007). The Company as the operator of the transmission network, is obliged to provide free and non-discriminatory access to the transmission network to all natural gas transmission companies. Its activities are subject to regulation from the Regulatory Office of Network Industries (RONI). RONI, *inter alia,* establishes the regulation policy for individual regulation periods, monitors compliance of corporate activities with the existing legislation and RONI ordinances, and issues decisions on tariff determination for access to the transmission network and gas transmission.

Tariffs for regulated activities

Every year RONI approves tariffs for access to the transmission network and natural gas transmission. These tariffs are determined based on an analysis of gas transmission price benchmarking in the other EU member states, and the contract for gas transmission throughout the Slovak Republic concluded prior to 1 January 2005.

Changes in the regulatory laws and policy

An amendment to the Act on Regulation in Network Industries came into effect on 15 March 2007. The amendment specifies the competence of the SR Government when assessing decisions made by RONI. In 2007, other secondary legislation regulations were issued (new Ordinance of the Government specifying the rules for gas market, RONI price ordinances). In general, this new legislation does not introduce any changes in the method of price regulation with respect to gas transmission for users of the transmission network in the Slovak Republic. At the beginning of 2008, the Government passed a new amendment to the Act on Energy and an amendment to the Act on Energy and Act on Regulation in Network Industries that have repeatedly confirmed the existing price regulation method for all users of the transmission network.

(SKK '000)

22. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December 2008					31 December 2008		
	Sales	***Creation/ (reversal) of provisions for receivables***	***Purchases***	***Dividends***	***Other***	***Amounts owed by related parties***	***Provisions for receivables***	***Amounts owed to related parties***
SPP, a.s.	2,146,750	-	13,834,155	3,075,153	394,535	2,659,011	-	34,136
Other related parties	1,872,751	-	534,629	-	261,105	182,389	-	146,867

Management considers that thee transactions with related parties have been conducted on normal commercial terms.

In 2008, transactions with SPP, a.s., represented distribution of dividends and other transactions related to lease of non-current assets, purchase and sale of natural gas and other services.

In 2008, transactions with other related parties mainly represented services related to purchases, sale and transmission of natural gas, and other services.

	Year ended 31 December 2007					31 December 2007		
	Sales	***Creation/ (reversal) of provisions for receivables***	***Purchases***	***Dividends***	***Other***	***Amounts owed by related parties***	***Provisions for receivables***	***Amounts owed to related parties***
SPP, a.s.	2,059,653	-	14,668,305	3,771,934	138,600	1,453,611	-	69,334
Other related parties	1,906,683	-	1,308,406	-	280,743	170,641	-	89,163

(SKK '000)

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

	Year ended 31 December 2008	***Year ended 31 December 2007***
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	31,609	24,581
of which – Board of Directors and executive management	23,713	18,830
– Supervisory Board	7,896	5,751
Benefits after termination of employment of members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	15	-
of which – Board of Directors and executive management	15	-
Benefits in kind to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	348	312
of which – Board of Directors and executive management	348	312
Other payments to members of the Board of Directors, Supervisory Board, executive management and former members - total	1	-
Of which – Board of Directors and executive management	1	-

23. RECONCILIATION OF THE SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PREVIOUS ACCOUNTING PROCEDURES EFFECTIVE IN THE SLOVAK REPUBLIC AND SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS, AS ADOPTED BY THE EU

The reconciliation of net profit for the year ended 31 December 2007 is as follows:

	Year ended 31 December 2007
Net profit as per the separate financial statements prepared in accordance with the previous accounting procedures effective in the Slovak Republic	3,075,153
Royalties	(6,239)
Deferred tax	(18,295)
Derivatives	96,288
Other	31
Net profit as per the separate financial statements prepared in accordance with IFRS	**3,146,938**

Reconciliation of equity as at 1 January 2007 and 31 December 2007 is as follows:

	31 December 2007	***1 January 2007***
Equity as per the separate financial statements prepared in accordance with the previous accounting procedures effective in the Slovak Republic	6,177,152	6,802,179
Other	31	-
Equity as per the separate financial statements prepared in accordance with IFRS	**6,177,183**	**6,802,179**

(SKK '000)

The reconciliation of the statement of cash flow for the year ending 31 December 2007 is as follows:

	Separate financial statements as per previous accounting procedures	***Separate financial statements as per IFRS, as adopted by the EU***	***Diffe-rence***
Net cash generated from operations	5,734,866	5,734,866	-
Net cash inflow/(outflow) from investing activities	10,363	10,363	-
Net cash flow from financing activities	(3,187,553)	(3,187,553)	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	2,557,676	2,557,676	-
NET FOREIGN EXCHANGE DIFFERENCE	(284)	(284)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,316	1,316	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**2,558,708**	**2,558,708**	**-**

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

a) Members of the Company's bodies

Body	***Function***	***Name***
Board of Directors	Chairman	Ing. Andreas Rau – up to 30 June 2008
	Chairman	Ing. Christophe Poillion – from 1 July 2008 to 31 August 2008
	Chairman	Dipl. Ing. Antoine Jourdain – from 1 September 2008
	Vice-Chairman	Ing. Miroslav Gažo
	Member	Ing. Christophe Poillion – up to 30 June 2008
	Member	Ing. Andreas Rau – from 1 July 2008
Supervisory Board	Chairman	Ing. Jaroslav Krč – Šebera
	Vice-Chairman	Ing. Georg Friedrich Rosenstock – from 1 January 2008 to 30 June 2008
	Vice-Chairman	Mgr. Louis de Fouchécour – from 1 July 2008
	Member	Martin Ryba
	Member	Mgr. Ivan Švec
	Member	Andrej Lendvay
	Member	Ing. Rudolf Rigáň
Executive management	General Director	*Ing. Pavol Janočko*

b) Consolidated financial statements

The Company is a subsidiary of SPP, a.s., which has its registered office at Mlynské nivy 42, Bratislava, and holds a 100% share in the Company's registered capital.

The Company provides the data for the separate financial statements to the higher consolidation of SPP. SPP prepares the consolidated financial statements in accordance with the International Financial Reporting Standards (IAS/IFRS).

The highest reporting entities that consolidate eustream, a.s., are GDF SUEZ SA and EON AG.

The separate financial statements of eustream a.s., and consolidated financial statements of SPP, a.s., are deposited with the Commercial Register of Bratislava I District Court, Záhradnícka 10, 811 07 Bratislava, published in the Commercial Journal and released at www.spp.sk.

c) Liabilities secured by lien or other form of guarantee

In respect of payables arising from the lease of the transmission network and the adjacent land, eustream, a.s., and SPP, a.s., concluded the Contract for Conditional Assignment of Receivables, on the basis of which the Company cedes the receivables from the transmission contracts to SPP in the event of non-settlement of payables for the lease of the transmission network and adjacent land.

(SKK '000)

25. POST-BALANCE SHEET EVENTS

Conversion to Euro as Corporate Currency

On the basis of the National Plan for Euro Changeover for the Slovak Republic, the National Council of the SR approved the Umbrella Law on Euro-Adoption in Slovakia which in terms of legislation covered the conversion from the Slovak Crown to the Euro. The Umbrella Law became effective on 1 January 2008. It was followed by other legislative norms regulating the rules for dual display, reporting, translation and rounding of cash amounts in connection with Euro-conversion for the purposes of accounting, taxation, customs and other.

On 8 July 2008, the Council of the European Union at the level of the Finance Ministers of the EU member states set the irrevocable EUR/SKK conversion coefficient (conversion rate) at €1 = SKK 30.1260.

On 1 January 2009, the Slovak Republic joined the Eurozone, becoming the 16th EU state to use the European common currency, the Euro.

In relation to this, in 2008, the introduction of the Euro in SPP and its main subsidiaries (eustream, a.s., and SPP-distribúcia, a.s.) was resolved through a specific project.

As at the balance sheet date, Euro-conversions in all systems and sub-projects were performed successfully.

Gas Crisis

At the beginning of 2009, tension over the contractual relations between Russia and Ukraine indicated potential problems with natural gas supplies across the Ukrainian territory to Europe; however, the actual development, duration and consequences of the crisis surprised the entire gas community. Although crisis scenarios in European energy strategies defined the measures necessary for potential limitation of natural gas supplies, nobody in Europe would have envisaged a total suspension of Russian gas supplies.

On 6 January 2009 (Tuesday), natural gas supplies dropped to a third of the agreed volume. The crisis staff including experts from SPP, SPP – distribúcia, eustream and the Ministry of the Economy of the SR immediately intervened in order to assess the severity of the situation and propose measures necessary to cope with the period of reduced supplies.

On 7 January 2009 (Wednesday), a situation nobody expected occurred – for the first time in the almost 40-year existence of the transit gas system, natural gas supplies from Russia across the Ukrainian territory stopped completely. This state affected a number of European countries, but with regard to the structure of the supplies and the high degree of domestic gas connectivity Bulgaria, Slovenia and Slovakia were the most affected.

In a relatively short time the Company managed to find a technical solution which enabled a reverse course of the transit system for natural gas supplies from west to east.

After the conclusion of a contract between Russia and Ukraine and the subsequent resumption of natural gas supplies from Russia on 20 January 2009, employees of eustream and the overall SPP Group managed to resume natural gas transmission from east to west in a record-breaking time of 7 hours, which was important for Slovakia as well as for customers from Western Europe.

Prepared on: **13 February 2009**	***Signature of a member of the statutory body of the reporting enterprise or a natural person acting as a reporting enterprise:***	***Signature of the person responsible for the preparation of the financial statements:***	***Signature of the person responsible for bookkeeping:***
Approved on: 28 April 2009	Dipl. Ing. Antoine Jourdain Chairman of the Board of Directors Ing. Andreas Rau Member of the Board of Directors	Ing. Libor Briška Director of Economics and Finance Division	Ing. Miroslav Jankovič Director of Accounting and Taxes Section

Proposal of profit distribution for the year 2008

The proposal of profit distribution for the year 2008 is prepared in line with the Articles of Association of eustream, a.s. Article XIX - PROFIT DISTRIBUTION, Article XVIII – GENERATION AND USE OF RESERVE FUND, and in line with the provisions of the Commercial Code No. 513/1991 Coll., as amended.

The proposal of the profit distribution for the year 2008 is based on the financial statements for the year 2008.

I.	**Profit after tax**	**85 248 544.50 €** **2 568 197 651.57 SKK**
II.	**Allocation to the statutory reserve fund** in accordance with the Article XVIII of the Articles of Association the reserve fund reached the level of 20 % of registered capital	**0.00 €** **0.00 SKK**
III.	**Level of net profit determined as dividends**	**85 248 544.50 €** **2 568 197 651.57 SKK**

eustream, a.s.
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