

# ANNUAL REPORT

1 AUGUST 2022 - 31 JULY 2023



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The Annual Report is published for the reporting period from 1 August 2022 to 31 July 2023.



**Tomáš Mareček** | Chairman of the Board of Directors



# ADDRESS OF THE CHAIRMAN OF THE BOARD

## Dear Business Partners,

eustream, a.s., submits its annual financial statements and annual report for the financial year from 1 August 2022 to 31 July 2023.

This period was significantly impacted by the challenging situation in the natural gas market caused by the ongoing war in Ukraine. Its negative impacts also affected our results for this period. Nevertheless, EUSTREAM continued to successfully fulfil its mission of secure, reliable and environmentally friendly energy transmission to target markets. In addition to fulfilling fundamental tasks in international natural gas transmission, we also continued to develop our infrastructure to strengthen regional energy security while preparing to meet new decarbonisation tasks.

In the past 12-month period, we transmitted a total of 16.97 billion cubic meters of natural gas for our customers (181.86 terawatt-hours in energy units). Total revenues from the sale of services amounted to EUR 226.47 million.

This is a significant decrease compared to pre-crisis volumes, when an average of approx. 60 billion cubic meters of natural gas was transmitted via Slovakia per year, which is mainly due to decreased Russian gas flows via Slovakia from Ukraine. Today, Slovakia is one of the last two routes for Russian natural gas imports into the EU. The economic results were thus affected by lower demand for transmission capacities and by the negative consequences of the loss of part of expected revenues, which depend on the transmitted amount of natural gas.

On the other hand, several investment decisions taken after 2009 are now proving to have been correct, given the ongoing crisis in the natural gas market. EUSTREAM was able to completely upgrade the originally one-way transmission system to a fully flexible network with two-way gas transmission to/from all neighbouring countries. Thanks to these investments, the level of energy security in Slovakia is significantly higher today. Regional natural gas suppliers are now able to effectively diversify their portfolios for the benefit of their customers. For EUSTREAM, they represent additional opportunities for the commercial use of the transmission network.

Our main investments in two-way interconnections were completed at the end of the 2022 calendar year with the opening of the new Poland-Slovakia Gas Interconnector, which was the last missing section of the important North-South Corridor. This provides a new route for importing natural gas from LNG terminals on the Baltic Sea and Norwegian gas to Slovakia and other countries in Central Europe. In the event of increased demand for transmission along the North-South Corridor, we also have solutions to increase the capacity of existing interconnections (especially with Hungary and Poland).

In the reference period, EUSTREAM also continued to fulfil its strategic role in supplying the Ukrainian market via interconnection points on the Slovak-Ukrainian border, which allow European traders to use Ukrainian underground storage facilities.

There is currently an increased level of uncertainty as regards the international gas transmission business. However, due to the creation of new interconnections and corridors, EUSTREAM is well positioned to flexibly meet its usual and new tasks as regards supplying regional markets according to customer needs. We are also preparing our system for hydrogen transport to enable areas with expected production potential to be connected to points of future hydrogen consumption. Therefore, we are participating in the key initiatives for future hydrogen transmission in our region, and we envisage allocating part of the upgraded network to the transmission of clean hydrogen.

I am very pleased that even under these changed circumstances, EUSTREAM keeps showing its ability to fulfil its mission as regards energy security, to respond appropriately to market requirements and seek new opportunities. For this, I sincerely thank all our business partners, shareholders, investors and, indeed, our employees, who are an essential part of our past and future success.



**Tomáš Mareček**  
Chairman of the Board of Directors

# COMPANY PROFILE

## Eustream – Gas Crossroads of Central Europe

EUSTREAM operates a natural gas transmission system in the Slovak Republic, whose main mission is safe, reliable and environmentally-friendly transmission of natural gas 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, as well as north-south energy connection. A robust system of parallel pipelines is connected to the primary transmission routes in Ukraine, Hungary, Austria, the Czech Republic and Poland.

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, contributes to the reduction of greenhouse gas emissions and air quality.

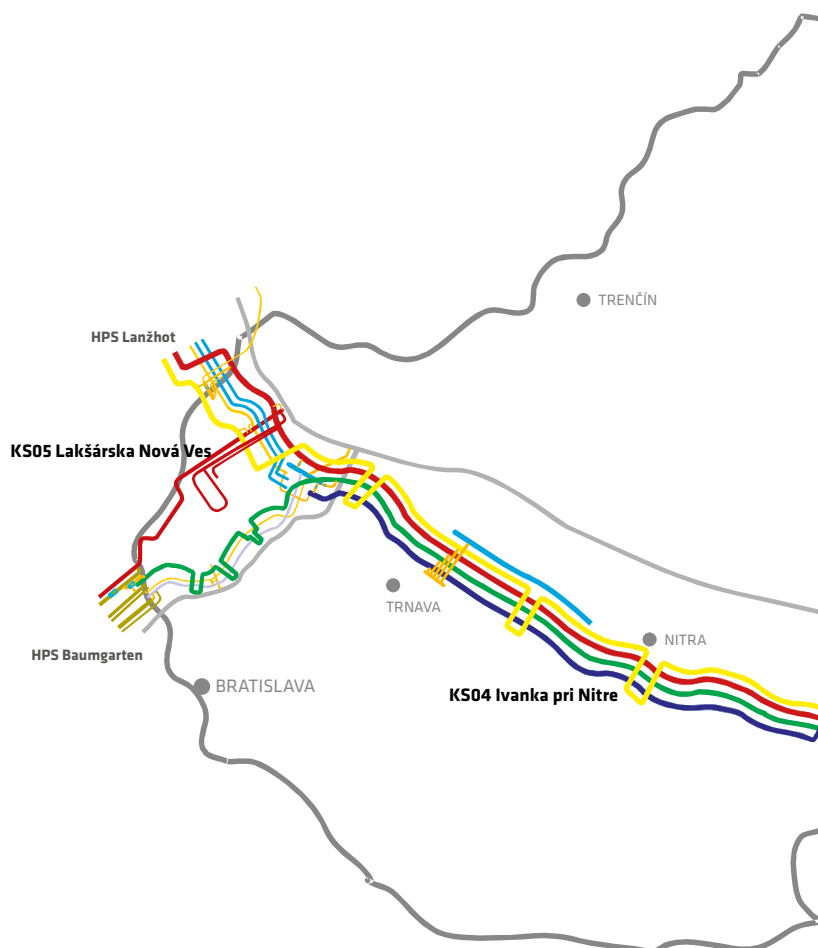
The current gas infrastructure has an irreplaceable role as regards transformation to a low-carbon economy. As a socially-responsible company, we are now preparing for future tasks relating to the transmission of low-carbon and

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 2023, 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 2023, EUSTREAM had no other ownership interests in other companies or organisational units abroad.



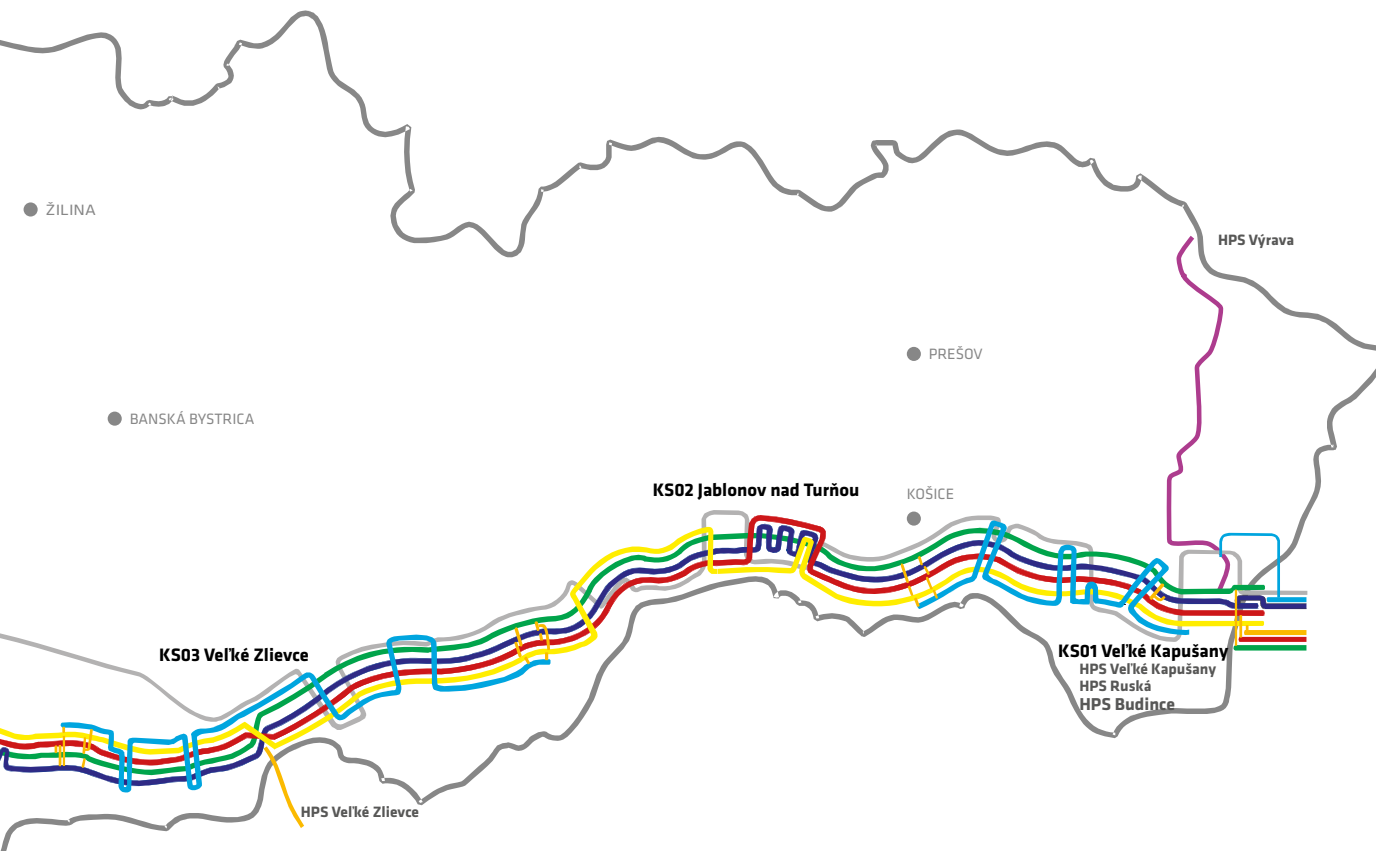
## Eustream's Transmission System

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 four compressor stations with an output of almost 450 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);
- Budince (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);
- Veľké Zlievce (entry/exit point to/from the gas transmission system in Hungary);
- Výrava (entry/exit point to/from the gas transmission system in Poland).
- Domestic point (entry/exit point from/ to the distribution systems and storage facilities in Slovakia); and

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 4 685 new confirmed reservations for transmission capacity and 177 active contracts to access the transmission system and for natural gas transmission from 1 August 2022 to 31 July 2023.

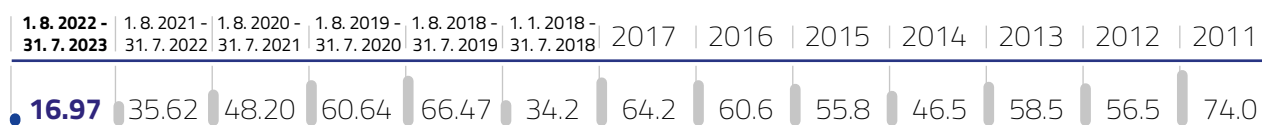
EUSTREAM's transmission system transmitted a total of 16.97 billion m<sup>3</sup> of natural gas in the reference period, an amount corresponding to 181.86 terawatt hours.

Of this total, 11 bn m<sup>3</sup> of natural gas were transmitted to Austria, 0.93 bn m<sup>3</sup> to Ukraine, 0.2 bn m<sup>3</sup> to Hungary, 0.1 bn m<sup>3</sup> to the Czech Republic and 0.03 bn m<sup>3</sup> to Poland. The remainder was transmitted to natural gas customers in Slovakia.





## Natural gas transmission (billion m<sup>3</sup>)



## Natural gas transmission (in TWh)



## TRANSMISSION SYSTEM DEVELOPMENT

EUSTREAM's core task is reliable, safe and environmentally friendly natural gas transmission for European markets. EUSTREAM continues to fulfil this mission based on the principles of energy security, solidarity and sustainability. These are the underlying principles of our plans, which are determined by security and diversification of supplies and the transition to low-carbon energy.

As a European transmission system operator, we publish our detailed plans in a regularly updated ten-year network development plan (TYNDP). Since the 2009 gas crisis, our plans have focused on two-way

interconnection projects with all neighbouring countries. A major part of these efforts was completed in the reference period by the opening of the new Poland-Slovakia Gas Interconnector. Thanks to this project and other targeted investments over the more than a decade, the Slovak system has a two-way connection to the primary transmission routes in all neighbouring countries. Today, this advanced and well-connected transmission system is an important guarantor of regional energy security. We plan to further develop the existing system according to market requirements. In this respect, we are closely analysing the possibilities

of expanding the transmission capacities of the new North-South connection (Hungarian-Slovak / Polish-Slovak interconnection).

In addition to the development of transmission capacities, EUSTREAM is focusing on future decarbonisation challenges, ie transmission of low-carbon and renewable gases.

Between 1 August 2022 and 31 July 2023, investments in the Company's non-current assets totalled EUR 16.63 million.

### Completion of the poland-slovakia gas interconnector project

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

The new two-way gas interconnector with Poland gives 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.

Commercial operation was launched in November 2022 and the project received final approval in July 2023. The first commercial flow to Poland took place on 25 November 2022.

In connection with the Poland-Slovakia Gas Interconnector, 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 contributed to further reduction of CO<sub>2</sub> emissions from the transmission of natural gas.

### Transmission system development plans

#### KASPIK (Solidarity Ring – STRING) Import Corridor

The goal of the project is to establish an import route for natural gas supplies from Azerbaijan in an expected volume of 5–20 billion m<sup>3</sup>/year with minimal modification of the transmission system. The project would connect the existing key infrastructure in Slovakia connected to western gas hubs, with gas infrastructure in Hungary, Romania, Bulgaria, Turkey and gas sources in the Caspian region. This solution would effectively increase the diversification of natural gas transmission routes and sources in Central and South-Eastern Europe regions that are heavily dependent on Russian gas supplies and at

risk of disruption. A Memorandum of Understanding on a Strategic Energy Partnership was signed between the European Commission and Azerbaijan on 18 July 2022 to increase natural gas imports from Azerbaijan to Europe.

The project is supported by an intergovernmental memorandum of 25 April 2023 signed by the representatives of the governments of Bulgaria, Romania, Hungary, Slovakia and Azerbaijan.

The demand for Solidarity Ring transmission capacities could also be triggered by the development of future natural gas production in the Black Sea region.

#### Eastring gas pipeline

In the engineering phase, the current TYNDP included the Eastwing gas pipeline project - the planned gas pipeline connection for Central and South-Eastern Europe. The project will provide a direct two way 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 is currently examining the options for reviving the project given its significant potential to increase source diversification and

supply security considering the KASPIK import corridor project.

### **Increase of fixed transmission capacity at the Výrava interconnection point**

The Poland-Slovakia Gas Interconnector project was completed in 2022. The pipeline currently provides Poland and Slovakia with sufficient transmission

capacities, with possibilities to further increase transmission capacity. EUSTREAM seeks and will respond to new business opportunities regarding increased transmission capacities that could arise with the construction of new LNG terminals planned in Poland. If there is market demand for increased transmission capacities, it will be necessary to modify the transmission system

in Poland, increase the capacities of the border Výrava gas receiving station and modify the KS01 compressor station in Veľké Kapušany. The ultimate estimated increase in transmission capacity will be up to 10.9 billion m<sup>3</sup>/year in the direction of Slovakia and up to 12.8 mid. m<sup>3</sup>/year in the direction of Poland.

## **ENERGY TRANSFORMATION PROJECTS**

### **H<sub>2</sub> Infrastructure – Transmission Repurpose (H<sub>2</sub>I - TR)**

This is a large-scale infrastructure project with the goal of modifying one line and the related existing gas infrastructure to transport hydrogen in both directions between east and west. The project also includes the construction of two new compressor stations and a border measuring station in eastern Slovakia.

In 2022, documents were prepared and submitted to obtain IPCEI status.

### **European Hydrogen Backbone (EHB)**

EUSTREAM is part of the European Hydrogen Backbone (EHB) initiative, whose objective is to enable future hydrogen transmission in the ELI. In early 2021, the initiative proposed an updated version of the hydrogen system with a total length of 39 700 km, which will connect 21 European countries after 2040. The Slovak section represents an important contribution to this initiative, enabling the future transmission of hydrogen supplied from Ukraine and additional cross-border transmission. Separate pipelines on the main transition corridor will be allocated for clean hydrogen transmission. The proposed EHB system includes the Poland-Slovakia interconnector gas pipeline.

### **Production of green hydrogen for own consumption**

EUSTREAM is planning its own project for green hydrogen production from renewable resources. EUSTREAM will use its own hydrogen as a compressor fuel to decarbonise its operations. We have prepared the first pilot project for the production of green hydrogen at the Veľké Kapušany compressor station with potential for expansion.

### **Production of hydrogen from natural gas with CO<sub>2</sub> 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<sub>2</sub> capture and subsequent storage (CCS/CCUS).

### **Installation of photovoltaics on EUSTREAM structures**

The Company plans to build photovoltaic plants on ten structures with a total installed capacity exceeding 1 MWp. The goal is to increase the share of green energy use in the operation of the transmission network. In 2021, a study was carried out, whose outcome will be a pilot project for a photovoltaic plant at the Veľké Kapušany compressor station.

### **Transformation of the transmission system to transmit hydrogen in natural gas (blending)**

The Company actively addresses and cooperates with stakeholders to prepare for the transformation of the transmission system to allow for the transmission of hydrogen mixture in natural gas. According to the latest information, new European legislation will require that this transformation be completed by October 2025 by all operators of transmission systems for a 2% hydrogen mixture in natural gas.

## LEGAL COMPLIANCE

EUSTREAM holds a permit for the transmission of natural gas in the defined territory of the Slovak Republic. Given that natural gas transmission is a regulated activity, EUSTREAM's activities as a transmission system operator are subject to regulation 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) in accordance with the relevant legislation. 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).

### Energy Legislation of the Slovak Republic

EUSTREAM complies with its obligations under the relevant EU network regulations on natural gas transmission. The main legal regulations governing and regulating the energy business in the Slovak Republic are Act No. 250/2012 Coll. of 31 July 2012 on Regulation in Network Industries, as amended, and Act No. 251/2012 Coll. of 31 July 2012 on Energy and on Amendments to Certain Acts, as amended, and other generally binding legal regulations issued on their basis (eg Decrees of the Regulatory Office).

### Implementation of EU Network Regulations

EUSTREAM complies with its obligations under the relevant EU network regulations on natural gas transmission. These regulations include 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 (TAR NC).

In relation to EU decarbonisation goals, in particular the pursuit of climate targets and the related energy transformation of the EU economy, the Fit for 55 package, the EU REPower plan and new gas packages being prepared, EUSTREAM actively participates in a number of organisations and work groups for the development of legislative norms and standards and their subsequent implementation, monitors relevant legislation and complies with legal obligations.

### 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 of the SR as an independent transmission system operator meeting all the conditions laid down in the respective legislation. EUSTREAM continues to be 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 natural 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 5th 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 price for access to the transmission system and gas transmission in EU Member States. 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. Under Amendment 1 and the amended secondary legislation regarding price regulation in the gas sector, the Regulatory Office issued Decision No. 0068/2022/P at the end of 2021, determining prices for access to the transmission system and for gas transmission and the conditions for their application in the period from 1 January 2022 to the end of the 5th regulatory period, ie until 31 December 2022. In addition, on 29 May 2019, the Regulatory Office issued Decision No. 0040/2019/P for the period starting 1 January 2022, which defines the reference price methodology, determines the reference prices, the level of multipliers, discounts and other requisites pursuant to Article 26 and 28 of TAR NC. Decision No. 0068/2022/P was supplemented by Decision No. 0040/19/P. Under the newly adopted price regulation decree, the Regulatory Office established the method for implementing price regulation by determining the method of calculating the fixed price for access to the transmission system and for gas transmission in accordance with TAR NC for the 6th regulatory period 2023-2027. On 13 February 2023, the Regulatory Office issued Decision No. 0031/2023/P approving the transmission tariffs and the conditions for their application for the period from 1 January 2023 to 31 December 2023 and valid until the end of the 6th regulatory period, while confirming that Decision No. 0040/2019/P will continue to apply to the period beginning on 1 January 2023, pending a new final consultation on the methodology for determining reference prices and the issuance of a new decision in accordance with TAR NC.



## COMPLIANCE PROGRAMME FULFILMENT

Pursuant to Article 58 (11) (a) of Act No. 251/2012 Coll, of 31 July 2012 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 2022 – 31 July 2023), 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

<b>Tomáš Mareček</b>	Chairman of the Board of Directors
<b>Rastislav Jamrich</b>	Vice-Chairman of the Board of Directors
<b>Miroslav Bodnár</b>	Member of the Board of Directors
<b>Michal Klučár</b>	Member of the Board of Directors
<b>Ondrej Studenec</b>	Member of the Board of Directors

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Situation as at 31 July 2023. During the reference period, there were no changes to the structure of the Company's Board of Directors.

## SUPERVISORY BOARD

<b>Roman Hudík</b>	Chairman of the Supervisory Board
<b>Martin Gebauer</b>	Vice-Chairman of the Supervisory Board
<b>Andrej Lendvay</b>	Member of the Supervisory Board
<b>Mikuláš Maník</b>	Member of the Supervisory Board
<b>Petra Prepelicová</b>	Member of the Supervisory Board
<b>Katarína Goldbergerová</b>	Member of the Supervisory Board

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Situation as at 31 July 2023. During the reference period, there were no changes to the structure of the Company's Supervisory Board.

## 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 Horník** Director of Dispatching

**Ivan Orth** Director of Compressor Equipment

**Anton Zelenaj** Director of Pipeline System Maintenance and Repairs

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Situation as at 31 July 2023. There was a change to the Director of Dispatching in the reference period from 1 January 2023.

## 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

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Situation as at 31 July 2022. There were no changes to the structure of the Supervisory Commission in the reference period.

# 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 all of its operational and organisational aspects;
- 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 prescribed bookkeeping;
- 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. The Supervisory Board also checks and, to the extent permitted law (especially by 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.

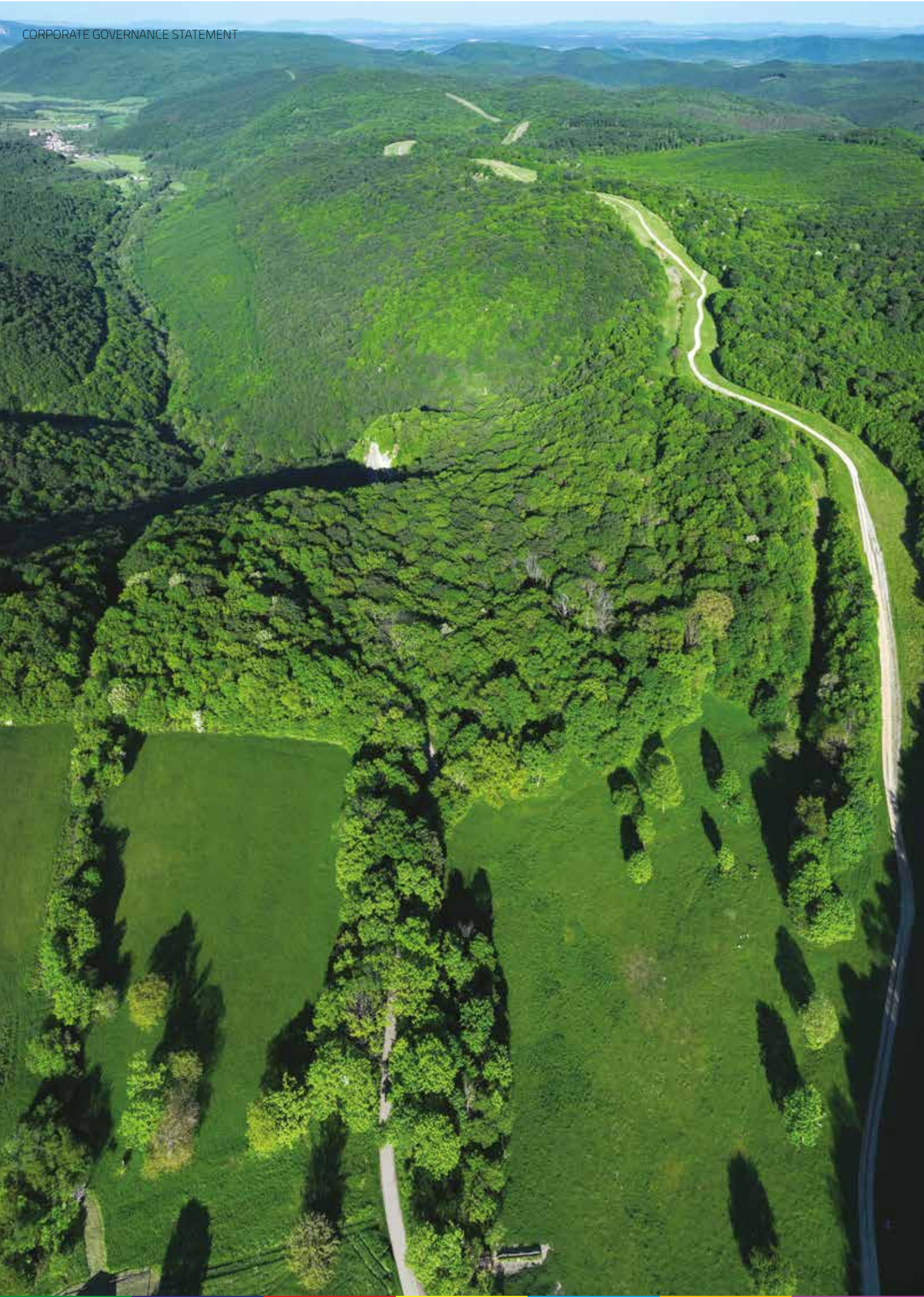
The Supervisory Board has the powers stipulated by law and the Articles of Association. The Supervisory Board reviews and, to the extent permitted by legal regulations (in particular the Energy Act), may submit to the General Meeting reports on:

- 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.

## 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.

## 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 a defined extent in order to achieve the project objective.

## The EU Taxonomy Regulation

Regarding EU taxonomy, EUSTREAM refers to the annual report published by EP Infrastructure, a.s., containing the relevant information disclosed for the entire EPIF group.



## 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 in particular the regulatory, market, financial, operating, environmental, personnel, and media risks, as well as their influence on the financial statements.

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



## 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 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 a 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 were terminated by resignation from office, termination by the employee, their recall, dismissal by the employer for convenience, or if their employment were 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 2023, EUSTREAM had 617 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 concluded for a three-year period from 1 January 2020 to 31 December 2022, followed by a new collective agreement from 1 January 2023 to 31 December 2025.

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.

## 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. One occupational injury was recorded in the previous reporting period.

At the level of state administration bodies, the Regional Public Health Authorities conducted inspections at EUSTREAM focused on compliance with the measures issued by the Public Health Authority of the Slovak Republic in the event of a threat to public health and did not identify any deficiencies.

Audits conducted by the trade union inspector for OSH, PPE and the Confederation of Trade Unions of the Slovak Republic, identified no deficiencies.

EUSTREAM has established an OSH and environmental management system. Compliance with legislation and related standards has been confirmed by internal audits, inspections of state administration bodies and an external supervisory audit at the end of 2022.

## ENVIRONMENTAL PROTECTION

EUSTREAM's business 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 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 harmonisation 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.



## ECONOMIC AND FINANCIAL PERFORMANCE

In the financial year ended 31 July 2023, EUSTREAM generated revenues from the sale of services amounting to EUR 226.47 million. Operating expenses for the same period amounted to EUR 250.48 million. Major expense items included depreciation/amortisation charges, costs of services, consumption

of natural gas, raw materials and energy and personnel expenses. The profit from financing activities for the financial year amounted to EUR 6.65 million. In the financial year ended 31 July 2023, EUSTREAM reported loss before tax in the amount of EUR 17.37 million under

International Financial Reporting Standards (IFRS) as endorsed for use in the European Union. The loss after income tax amounted to EUR 12.56 million.

## CAPITAL STRUCTURE

EUSTREAM's total assets as at the balance sheet date were EUR 4 558.62 million, ie a decrease by EUR 121.63 million compared to the previous period. Non-current assets were reported in the amount of EUR 4 203.84 million, accounting for 92% of total assets. The decrease in value was mainly due to depreciation/amortisation. Current assets accounted for 8% of total assets and included current receivables, cash and cash equivalents and

inventories. Current assets increased by EUR 33.42 million compared to the previous year, primarily as a result of an increase in inventories.

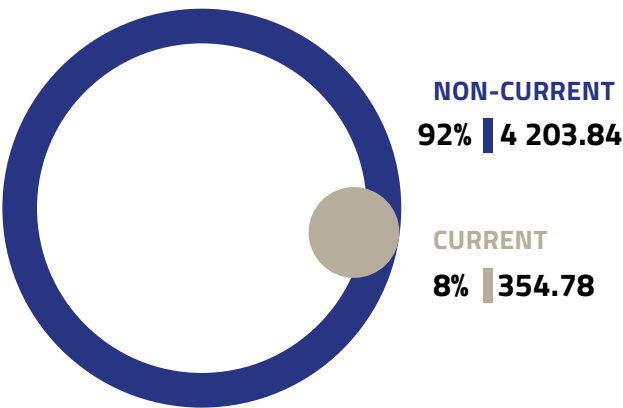
Equity totalled EUR 2 357.73 million, accounting for 52% of the Company's assets. Equity included share capital, the legal reserve fund, other funds, revaluation reserves and retained earnings. Equity increased by EUR 641.2 million y/y, primarily as a result of an increase in retained

earnings and a change in the hedging reserve.

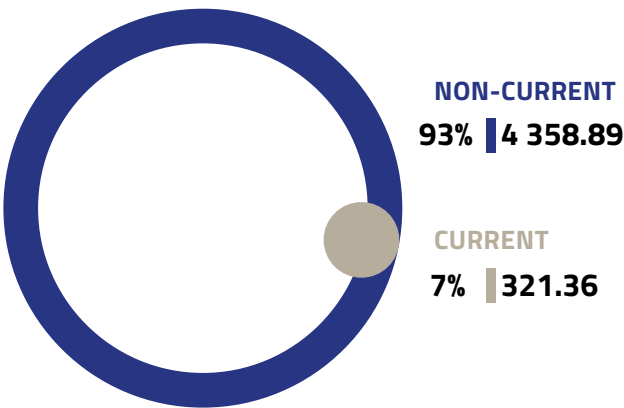
The Company's registered capital recorded in the Business Register was EUR 282.93 million. It comprises ten ordinary paper shares with a face value of EUR 3 319.39 per share, one ordinary paper share with a face value of EUR 82 895 533.19 and one ordinary paper share with a face value of EUR 200 000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

### Comparison of asset structure (in EUR million)

As at 31 July 2023



As at 31 July 2022





## Shareholder Structure as at 31 July 2023







 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 48% of assets and totalled EUR 2 200.89 million as at the balance sheet date. Liabilities consisted of non-current liabilities

of EUR 1 975.14 and current liabilities of EUR 225.75 million, which decreased by EUR 661.78 million y/y, mainly as a result of the liabilities from financial derivatives.

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

	As at 31 July 2023	As at 31 July 2022	As at 31 July 2023	As at 31 July 2022
 Vlastné imanie	<b>2 357.73</b>	1 716.53	 <b>52%</b>	 37%
 Závazky	<b>2 200.89</b>	2 963.71	 <b>48%</b>	 63%

## 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. 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 EUR '000)

	As at 31 July 2023	As at 31 July 2022
ASSETS		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	4 191 847	4 348 611
Non-current intangible assets	5 384	3 583
Non-current financial investments	6 607	6 695
Total non-current assets	4 203 838	4 358 889
<b>CURRENT ASSETS</b>	<b>354 779</b>	321 357
<b>TOTAL ASSETS</b>	<b>4 558 617</b>	4 680 246
EQUITY AND LIABILITIES		
<b>EQUITY</b>		
Share capital	282 929	282 929
Legal and other funds	(54 450)	(720 930)
Revaluation reserves	1 641 216	1 704 848
Retained earnings	488 033	449 687
Total equity	2 357 728	1 716 534
<b>NON-CURRENT LIABILITIES</b>	<b>1 975 138</b>	2 076 184
<b>CURRENT LIABILITIES</b>	<b>225 751</b>	887 528
<b>TOTAL LIABILITIES</b>	<b>2 200 889</b>	2 963 712
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 558 617</b>	4 680 246

**INCOME STATEMENTS** (selected figures in EUR '000)

	<b>As at 31 July 2023</b>	<b>As at 31 July 2022</b>
REVENUES FROM THE SALE OF SERVICES	226 468	573 467
OPERATING EXPENSES	(250 481)	(235 797)
OPERATING PROFIT	(24 013)	337 670
Finance income	39 230	39 349
Finance costs	(32 584)	(28 021)
Profit before tax	(17 367)	348 998
<b>INCOME TAX</b>	<b>4 804</b>	(84 238)
<b>PROFIT FOR THE PERIOD</b>	<b>(12 563)</b>	264 760

**STATEMENTS OF CASH FLOWS** (selected figures in EUR '000)

	<b>As at 31 July 2023</b>	<b>As at 31 July 2022</b>
OPERATING ACTIVITIES		
Cash flows from operating activities	86 306	535 342
Interest paid	(24 472)	(31 884)
Interest received	37 700	27
Income tax paid	(56 300)	(94 117)
<b>Net cash flows from operating activities</b>	<b>43 234</b>	<b>409 368</b>
INVESTING ACTIVITIES		
Acquisition of non-current assets	(16 629)	(31 092)
Borrowings provided	(15)	-
Proceeds from the sale of property, plant and equipment and intangible assets	5	109
Dividends received	625	422
<b>Net cash flows used in investing activities</b>	<b>(16 014)</b>	<b>(30 561)</b>
FINANCING ACTIVITIES		
Income from (repayment of) received loans	(18 023)	-
Dividends paid	-	(205 000)
<b>Net cash flows from financing activities</b>	<b>(18 023)</b>	<b>(205 000)</b>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9 197	173 807
EFFECT OF FOREIGN EXCHANGE DIFFERENCES	-	-
CASH AND CASH EQUIVALENTS OPENING BALANCE	232 733	58 926
<b>CASH AND CASH EQUIVALENTS CLOSING BALANCE</b>	<b>241 930</b>	<b>232 733</b>

## SIGNIFICANT EVENTS

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

## CONTACT DETAILS

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<b>Business name:</b>	eustream, a.s.
<b>Registered office:</b>	Votrubova 11/A, 821 09 Bratislava, Slovak Republic
<b>Tel.:</b>	+421 2 6250 7111
<b>Web:</b>	<a href="http://www.eustream.sk">www.eustream.sk</a>
<b>Legal form:</b>	joint-stock company
<b>Registered in the Business Register:</b>	City Court Bratislava III, Section Sa, Insert No. 3480/B
<b>Identification and tax details:</b>	Company ID: 35910712 Tax ID: 2021931175 VAT ID: SK2021931175



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Register of the City Court Bratislava III  
Section Sro, Insert No. 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 2023, 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 2023, 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
<b>Revenues from the Sale of Services</b> <i>Refer to Notes 3 m) and 20) of the accompanying separate financial statements</i>  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 2023, 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: <ul style="list-style-type: none"><li>• An assessment of the compliance of revenue recognition with IFRS 15;</li><li>• 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;</li><li>• Assessment of the appropriateness and reliability of the procedure and method to determine the estimate by Company management;</li><li>• Reconciliation of revenue movements with major customers; and</li><li>• Detailed testing of recognised revenues on a sample.</li></ul>

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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/sk/en/about](http://www.deloitte.com/sk/en/about) to learn more.



<p>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.</p> <p>Due to the above quantitative and qualitative characteristics of revenues from the sale of services, this area is considered a key audit matter.</p>	
<b>Risk of Impairment of Non-current Assets due to Decline in Business Activities</b>	
<p>Refer to Note 4 of the accompanying separate financial statements</p> <p>In February 2022, the military conflict between the Russian Federation and Ukraine began. As a result, economic sanctions were imposed on the Russian Federation and relationships with the Russian Federation became more difficult in general. The Company's core business activity is providing access to the transmission network and transmission services for natural gas transmission via the Slovak Republic primarily from the Russian Federation. This situation may have a significant impact on the Company's future operations. Therefore, Company management has prepared several scenarios regarding possible future developments as regards transmission network use, which were analysed in connection with the potential impairment of non-current assets.</p> <p>Possible reductions in gas transmission and a decline in the overall utilisation of the transmission capacity of the Company's network, correct presentation and disclosure of the main assumptions as regards asset utilisation and addressing the potential impairment of the Company's non-current assets all represent significant risks.</p>	<p>We conducted:</p> <ul style="list-style-type: none"> <li>• Discussions with management, shareholder representatives and the Company's Supervisory Board focused on the Company's future plans, their assessment of the uncertain situation regarding the gas supply market, expectations and alternative scenarios in the event of a partial or full shutdown of gas supply from the Russian Federation;</li> <li>• Assessment of the design and implementation of controls in connection with the evaluation of the risk of the potential impairment of non-current assets;</li> <li>• Analysis of the Company's plans for the 2024 – 2033 period and assessment of the correctness of assumptions used for their preparation;</li> <li>• Detailed assessment of possible scenarios regarding the development of the impact of restrictions, or of a full shutdown of gas supplies from the Russian Federation;</li> <li>• Our internal experts assessed the correctness of the methodology, including key assumptions used for the analysis of the impairment of non-current assets prepared by Company management;</li> <li>• Assessment of whether the separate financial statements include the required disclosures regarding the risk of possible impairment of the Company's non-current assets due to uncertainty regarding gas supplies from the Russian Federation in accordance with International Financial Reporting Standards.</li> </ul>

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

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

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

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

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

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

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

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

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### *Report on Information Disclosed in the Annual Report*

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

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

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

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

- Information disclosed in the annual report prepared for as at 31 July 2023 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 28 April 2022. 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 4 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 12 September 2023.

**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, 13 September 2023



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

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

# 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 2023

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eustream, a.s.  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 July 2023 and 31 July 2022  
(EUR '000)

	Note	31 July 2023	31 July 2022
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	4 191 847	4 348 611
Non-current intangible assets	8	5 384	3 583
Non-current financial investments	9	6 607	6 695
<b>Total non-current assets</b>		<b>4 203 838</b>	<b>4 358 889</b>
<b>CURRENT ASSETS</b>			
Inventories	10	51 171	24 640
Receivables and prepayments	11	42 418	63 984
Cash and cash equivalents	12	241 930	232 733
Income tax		19 154	-
Current financial investments		106	-
<b>Total current assets</b>		<b>354 779</b>	<b>321 357</b>
<b>TOTAL ASSETS</b>		<b>4 558 617</b>	<b>4 680 246</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>EQUITY</b>			
Share capital	18	282 929	282 929
Legal and other reserves	19	(54 450)	(720 930)
Revaluation reserves	19	1 641 216	1 704 848
Retained earnings	19	488 033	449 687
<b>Total equity</b>		<b>2 357 728</b>	<b>1 716 534</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds issued	16	990 081	989 475
Loans received	16	35 000	47 000
Deferred income	13	53 705	57 885
Provisions for liabilities	15	5 773	7 486
Retirement and other long-term employee benefits	14	2 933	3 706
Deferred tax liability	25.2	876 936	737 421
Other non-current liabilities		10 710	233 211
<b>Total non-current liabilities</b>		<b>1 975 138</b>	<b>2 076 184</b>
<b>CURRENT LIABILITIES</b>			
Current portion of bonds	16	7 554	7 556
Current portion of loans	16	12 189	18 028
Trade and other payables	17	204 921	852 523
Income tax		-	8 574
Provisions for liabilities and other current liabilities	15	1 087	847
<b>Total current liabilities</b>		<b>225 751</b>	<b>887 528</b>
<b>TOTAL LIABILITIES</b>		<b>2 200 889</b>	<b>2 963 712</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4 558 617</b>	<b>4 680 246</b>

eustream, a.s.  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the Year Ended 31 July 2023 and 31 July 2022  
(EUR '000)

	Note	Year ended 31 July 2023	Year ended 31 July 2022
REVENUES FROM THE SALE OF SERVICES			
Natural gas transmission and other services	20	226 468	573 467
<b>Total revenues</b>		<b>226 468</b>	<b>573 467</b>
OPERATING EXPENSES			
Own work capitalised		1 729	2 274
Consumption of natural gas, consumables and energy		(28 649)	(44 788)
Depreciation, amortisation and impairment losses, net	7, 8	(154 530)	(140 867)
Other services		(12 189)	(14 207)
Personnel expenses	21	(29 650)	(29 496)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	10, 11	(29 335)	(1 812)
Provisions for liabilities		1 082	(5 575)
Other operating income		1 970	509
Other operating expenses		(909)	(1 835)
<b>Total operating expenses</b>		<b>(250 481)</b>	<b>(235 797)</b>
OPERATING PROFIT		<b>(24 013)</b>	<b>337 670</b>
Finance income	23	39 230	39 349
Finance costs	24	(32 584)	(28 021)
<b>PROFIT BEFORE TAX</b>		<b>(17 367)</b>	<b>348 998</b>
INCOME TAX	25.1	4 804	(84 238)
<b>PROFIT FOR THE PERIOD</b>		<b>(12 563)</b>	<b>264 760</b>
<b>Other comprehensive income (items that may be reclassified subsequently to profit or loss)</b>	<b>26</b>		
Hedging derivatives (cash flow hedging)		843 646	(790 998)
Deferred tax related to items of other comprehensive income for the period		(177 166)	166 109
<b>Other comprehensive income (items that will not be reclassified subsequently to profit or loss)</b>	<b>26</b>		
Increase/decrease in properties revaluation reserve		(16 999)	64
Deferred tax related to items of other comprehensive income for the period		4 276	(13)
<b>OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>653 757</b>	<b>(624 838)</b>
<b>TOTAL NET COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>641 194</b>	<b>(360 078)</b>
Basic and diluted earnings per ordinary share (face value of EUR 3 319.39)	27	(0.2)	3
Basic and diluted earnings per ordinary share (face value of EUR 82 895 533.19)	27	(3 681)	77 572
Basic and diluted earnings per ordinary share (face value of EUR 200 000 000)	27	(8 881)	187 157

eustream, a.s.  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended 31 July 2023 and 31 July 2022  
(EUR '000)

	Share capital	Legal reserve fund	Hedging reserve	Revaluation reserves	Retained earnings	Total
<b>At 31 July 2021</b>	<b>282 929</b>	<b>56 586</b>	<b>(152 627)</b>	<b>1 760 825</b>	<b>333 899</b>	<b>2 281 612</b>
Net profit for the period	-	-	-	-	264 760	264 760
Other comprehensive income/(loss) for the period	-	-	(624 889)	51	-	(624 838)
Transfer to retained earnings	-	-	-	(56 028)	56 028	-
<b>Total net comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(624 889)</b>	<b>(55 977)</b>	<b>320 788</b>	<b>(360 078)</b>
Transactions with shareholders:	-	-	-	-	-	-
Dividends paid	-	-	-	-	(205 000)	(205 000)
<b>At 31 July 2022</b>	<b>282 929</b>	<b>56 586</b>	<b>(777 516)</b>	<b>1 704 848</b>	<b>449 687</b>	<b>1 716 534</b>
Net profit for the period	-	-	-	-	(12 563)	(12 563)
Other comprehensive income/(loss) for the period	-	-	666 480	(12 723)	-	653 757
Transfer to retained earnings	-	-	-	(50 909)	50 909	-
<b>Total net comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>666 480</b>	<b>(63 632)</b>	<b>38 346</b>	<b>641 194</b>
Transactions with shareholders:	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
<b>At 31 July 2023</b>	<b>282 929</b>	<b>56 586</b>	<b>(111 036)</b>	<b>1 641 216</b>	<b>488 033</b>	<b>2 357 728</b>

The accompanying notes form an integral part of the financial statements.

**eustream, a.s.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 July 2023 and 31 July 2022**  
**(EUR '000)**

	<b>Note</b>	<b>Year ended 31 July 2023</b>	<b>Year ended 31 July 2022</b>
<b>OPERATING ACTIVITIES</b>			
Cash flows from operating activities	28	86 306	535 342
Interest paid		(24 472)	(31 884)
Interest received		37 700	27
Income tax paid		(56 300)	(94 117)
Net cash flows from operating activities		<u>43 234</u>	<u>409 368</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of non-current assets		(16 629)	(31 092)
Borrowing provided		(15)	-
Proceeds from the sale of property, plant and equipment and intangible assets		5	109
Dividends received		625	422
Net cash flows used in investing activities		<u>(16 014)</u>	<u>(30 561)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of bonds		-	-
Income from/(repayment of) received loans		(18 023)	-
Dividends paid	11,19	-	(205 000)
Net cash flows from financing activities		<u>(18 023)</u>	<u>(205 000)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		9 197	173 807
<b>EFFECT OF FOREIGN EXCHANGE DIFFERENCES</b>			
		-	-
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
		232 733	58 926
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><b>241 930</b></u>	<u><b>232 733</b></u>



## **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 2022 were approved by the Annual General Meeting held on 30 September 2022.

<b>Identification Number (IČO)</b>	35 910 712
<b>Tax Identification Number (DIČ)</b>	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 activities of eustream, a.s. are subject to substantive and price regulation by the Regulatory Office of Network Industries (RONI). 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 in the defined areas of activities.

### Tariffs for regulated operations

RONI 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. The price decision for the first year of the regulatory period applies to the entire regulatory period, unless RONI approves a change to the price decision. For the fifth regulatory period, which was originally set from 1 January 2017 to 31 December 2021, tariffs for access to the transmission system and for natural gas transmission were set at a fixed price, which was also the maximum price, based on a benchmark analysis of tariffs for access to the transmission system and for gas transmission in EU Member States. In 2020, RONI extended the 2017 – 2021 regulatory period by one year to 31 December 2022 by Amendment 1 to the Regulatory Policy. Tariffs for access to the transmission system and for natural gas transmission for the fifth regulatory period were set by RONI Decision No. 0021/2017/P of 31 October 2016, which was amended by RONI Decision No. 0100/2017/P of 17 August 2017, RONI Decision No. 0078/2021/P of 6 April 2021, RONI Decision No. 0079/2021/P of 2 July 2021 and RONI Decision No. 0068/2022/P of 28 December 2021. On 29 May 2019, RONI also issued Decision No. 0040/2019/P in line with Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (TAR NC), in which it set the methodology for determining reference prices, the amount of reference prices, the level of multipliers, discounts and other factors pursuant to Article 26 and Article 28 of the TAR NC for the period beginning on 1 January 2022. For the sixth regulatory period (2023 – 2027), RONI determined the method of price regulation by determining the method of calculating the fixed price for access to the transmission system and gas transmission in compliance with the TAR NC based on the new Decree on Price Regulation. Subsequently, RONI issued Decision No. 0031/2023/P of 13 February 2023 adopting transmission tariffs and conditions of their application for the period from 1 January 2023 to 31 December 2023 valid until the end of the sixth regulatory period. RONI also confirmed that, in relation to the period beginning on 1 January 2023, Decision No. 0040/2019/P of 29 May 2019 will continue to apply until a new final consultation on the reference pricing methodology is conducted and a new decision is issued in line with the TAR NC.

### Changes to regulatory laws and policy

The core laws and regulations applying to the transmission system operator, i.e. eustream, primarily include:

- 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;
- Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas transmission;
- 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 and repealing Regulation (EC) 1775/2005, as amended;
- Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency;
- Act No. 250/2012 Coll. of 31 July 2012 on Regulation in Network Industries, as amended;
- Act No. 251/2012 Coll. of 31 July 2012 on Energy and on Amendment to and Supplementation of Certain Acts, as amended (hereinafter the "Energy Act");
- RONI Decree No. 223/2016 Coll. of 19 July 2016, which establishes price regulation in the gas industry, as amended (effective for the 2017-2022 regulatory period);
- RONI Decree No. 451/2022 Coll. of 12 December 2022, establishing price regulation of selected regulated activities in the gas industry and certain conditions for the performance of selected regulated activities in the gas industry (valid for the regulatory period beginning on 1 January 2023);
- RONI Decree No. 24/2013 Coll. of 14 January 2023, establishing rules for internal electricity market functioning and rules for internal gas market functioning, as amended, which was replaced during the reference period for the gas industry by RONI Decree No. 208/2023 Coll. of 17 April 2023, establishing rules for internal gas market functioning, requirements as regards the operating rules of the network operator and the facility operator, and the scope of terms and conditions included in the operating rules of the network operator.

The gas market has developed and changed dynamically in recent years, and there were related amendments to the applicable legislation and changes to market requirements for the provided services and products. In relation to EU decarbonisation efforts, in particular achieving the set climate targets and the related energy transformation of the EU economy, the Fit for 55 package, and the EU REPower plan, a number of legislative proposals underwent the legislative process during the reference period, including the preparation of the fourth gas energy package. In the Q1 2023, eustream submitted a proposal to RONI to change the operating rules due to the needs arising from implementation and legislative amendments. The proposal to change the operating rules was approved by RONI Decision No. 0003/2023/P-PP of 1 March 2023.

#### *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, eustream complied with the conditions of the independence of the transmission system operator, which is part of the vertically-integrated gas company.

On 28 October 2013, RONI issued Decision No. 002/2013/P-CE on granting certification to eustream as the transmission system operator. Subsequently, on 22 November 2013, the Ministry of Economy of the Slovak Republic issued Decision No. 1795/2013-1000, which confirmed eustream as the transmission system operator that meets the conditions for the unbundling of an independent transmission system operator pursuant to Articles 51 to 60 of the Energy Act. During its business activities, eustream is obliged to consistently comply with all conditions based on which the certification decision was issued to it and the conditions stipulated in the relevant legislation. RONI oversees eustream by continuously monitoring eustream's compliance with the conditions and obligations of an independent transmission system operator.

### 1.3. Employees

The average full-time equivalent of the Company's employees for the year ended 31 July 2023 was 623, the number of employees as at 31 July 2023 was 617 and the number of key management personnel was 12 (for the year ended 31 July 2022, the average FTE was 627, and the number of employees as at 31 July 2022 was 625 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, a.s., which has its registered office at Plátennícka 2, 821 09 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 City Court Bratislava III, Námestie Biely kríž 7, 836 07 Bratislava. The Company's financial statements are published in the Register of Financial Statements and at [www.eustream.sk](http://www.eustream.sk).

The ultimate consolidating entity of eustream is EP Investment S.á r.l., with its registered office at 2 Place de Paris, 2314 Luxembourg.

The Company reports an investment in a subsidiary, Eastring B.V., with its registered office at Schiphol Boulevard 477, Tower C-4, 1118 BK Schiphol, Netherlands, 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 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to various standards due to “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, adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only relates to an illustrative example, so no effective date is stated.).

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

***Standards and amendments to the existing 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, but are not yet effective:

- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 issued by the IASB on 25 June 2020 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 “Insurance Contracts”** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** – Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (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 adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

***New standards and amendments to the existing 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):

- **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”** – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 12 “Income Taxes”** – International Tax Reform – Pillar Two Model Rules issued by the IASB on 23 May 2023. The amendments introduced a temporary exception to accounting for deferred taxes arising from jurisdictions implementing global tax rules and disclosure requirements regarding a company's exposure to income taxes arising from the reform, in particular before the legislation implementing the rules is in effect.
- **Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures”** – Supplier Finance Arrangements issued by the IASB on 25 May 2023. The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.

- **Amendments to IFRS 16 “Leases”** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **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 other amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of Accounting**

The separate financial statements (the “financial statements”) for the year ended 31 July 2023 and comparable data for the year ended 31 July 2022 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 accordance 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 2023, 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).

Due to the ongoing military conflict in Ukraine natural gas flows via the Company's transmission network decreased during the financial year and there was significant energy price volatility on the markets, which negatively impacted the Company's financial performance. For the year ended 31 July 2023, the Company incurred a loss in the amount of EUR 12 563 thousand. When assessing the going concern assumption, Company management analysed the impact of gas price volatility, the continuing military conflict in Ukraine and the sanctions adopted against the Russian Federation as at the reporting date. Based on the assessment of the above, the financial statements were prepared under the going concern assumption. For more information see Note 4 – Significant Accounting Estimates and Key Sources of Estimation Uncertainty.

#### **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.

#### *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 2023, 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 – 5

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. For a detailed assessment of impairment of assets see Note 4 – Significant Accounting Estimates and Key Sources of Estimation Uncertainty. 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 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 4.36% p.a. (2022: 4.36% 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 counter-entry 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 and current portions of deferred income are recognised in "Deferred income" and "Provisions for liabilities and other current liabilities", respectively.

**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.



**s) Change to the Presentation Method for Natural Gas Received for Operating Purposes**

The Company changed the presentation method for changes to natural gas received for operating purposes. For the reporting period ended 31 July 2023, changes to natural gas received for operating purposes are presented as part of revenues in the "Natural gas transmission and other services" line in the Statement of Comprehensive Income in the amount of EUR 50 331 thousand. In the previous reporting periods, changes to natural gas received for operating purposes were presented in the "Consumption of natural gas, consumables and energy" line in the Statement of Comprehensive Income. The comparable financial information for the period ended 31 July 2022 was adjusted in line with this change. Detailed information on the "Natural gas transmission and other services" line is stated in Note 20.

**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. 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 2023 and 31 July 2022 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 2023, the Company would recognise increased depreciation charges for assets constituting pipelines and compressor stations by EUR 36 044 thousand (for the financial year ended as at 31 July 2022 increased by EUR 36 684 thousand).

### Assessment of Impairment of Non-current Assets

In relation to the ongoing military conflict in Ukraine and the imposed sanctions targeted against the Russian Federation, as at the preparation date of these financial statements the Company analysed the impacts of this situation on its business. The Company's core business activity is the provision of access to the transmission system and transmission of natural gas via the Slovak Republic, which currently primarily comprises transmission of Russian natural gas. As this situation may have a significant impact on the Company's business activities in the future, Company management has prepared several scenarios regarding possible future developments as regards transmission system use and gas supply via its transmission system, and analysed the impacts of these scenarios on its future operations, results of operations and possible impairment of the Company's non-current assets. The analysed scenarios were based on market assumptions at the time of their preparation, including assumptions regarding the development of forward gas prices.

Possible future development scenarios include the continuation of flows of Russian gas to Europe as well as the termination of Russian gas supply to Europe, in which case the Company would switch to gas transmission in the CEE region.

In the event of the continuation of Russian gas supply to Europe, the Company expects lower volumes of such supplies compared to historical volumes, taking into account Russian gas flows at the time of preparing such scenarios, given the EU's plans to diversify gas sources and efforts to reduce dependence on Russian gas. Actual flows of Russian gas in the future may differ from Company estimates and such differences may be significant.

Flow volumes via the Company's transmission system under scenarios where Russian gas supplies to Europe are ended are based on assumptions regarding the development of demand for gas and the resulting gas supply requirements in the CEE region and the existence of the available gas infrastructure. After the launch of a gas interconnection between Poland and Slovakia, the Company's transmission system connects the gas systems of all neighbouring countries and facilitates gas supply from alternative sources (eg LNG, Norwegian gas, etc). As regards these scenarios, the Company expects that such alternatives for gas flows from other sources will create continued demand for the Company's services.

Cash flows analysed under different scenarios were discounted to the present value using the weighted average cost of capital (WACC), whose calculation took into account the Company's capital structure at the reporting date, the Company's average costs of external funding (Note 16), and the costs of the Company's equity. When calculating the costs of equity, the Company took into consideration revenues up to maturity of Slovak government bonds, a market risk mark-up calculated as the sum of a US equity risk premium and the country's risk profile, the beta coefficient calculated based on reference groups representing publicly traded energy companies, and a specific mark-up. The data was collected from reliable sources, eg Bloomberg or Prof. Aswath Damodaran.

Based on the assessment of the above scenarios and their estimated likelihood and taking into account information available at the time of their preparation, the Company did not identify any impairment of non-current tangible assets as at 31 July 2023, which would require adjustment of their measurement in the financial statements in line with the applicable accounting regulations. However, future developments cannot be reliably estimated; thus, it is not possible to rule out the need for future adjustments to the amounts of non-current tangible assets.

*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 2023, the Company entered into commodity swaps to hedge cash flows from sales of gas surplus.

Some commodity swap contracts were cancelled in the year ended 31 July 2022 and hedge accounting was discontinued on a prospective basis from the date of termination of the hedged relationship. The amount originally recognised in the "Hedging reserve" was partially transferred to profit/loss in the year ended 31 July 2023 when originally hedged cash flows occurred.

In the year ended 31 July 2023, the Company discontinued some of its hedging by entering into opposite contracts with the same conditions as the originally concluded contracts. Changes in the fair value of an original derivative and a counter transaction are recognised in the statement of comprehensive income from the moment of discontinuation of a hedging relationship. Such changes have no cumulative impact on profit/loss. Remeasurement of such derivatives was offset in the year ended 31 July 2023 in the statement of financial position.

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

Open commodity swaps	As at 31 July 2023		As at 31 July 2023	
	Fair value		Nominal value	
	Cash flow hedging	Held for trading	Cash flow hedging	Held for trading
<u>Sales of natural gas</u>				
Less than 3 months	(42 164)	-	8 778	-
3 to 12 months	(40 692)	-	27 224	-
Over 12 months	(8 570)	-	13 132	-

Open commodity swaps	As at 31 July 2022		As at 31 July 2022	
	Fair value		Nominal value	
	Cash flow hedging	Held for trading	Cash flow hedging	Held for trading
<u>Sales of natural gas</u>				
Less than 3 months	(206 689)	-	10 962	-
3 to 12 months	(470 048)	-	73 313	-
Over 12 months	(231 823)	-	67 594	-

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 11 388 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 2023, the Company had issued bonds with a fixed interest rate. As at 31 July 2023, the Company drew a long-term investment loan 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 was 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. In the year ended 31 July 2023, all interest rate swaps were settled.

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

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

Open interest rate swaps	As at 31 July 2023		As at 31 July 2023	
	Fair value		Nominal value	
	Cash flow hedging	Held for trading	Cash flow hedging	Held for trading
Less than 3 months	-	-	-	-
3 to 12 months	-	-	-	-
Over 12 months	-	-	-	-

Open interest rate swaps	As at 31 July 2022		As at 31 July 2022	
	Fair value		Nominal value	
	Cash flow hedging	Held for trading	Cash flow hedging	Held for trading
Less than 3 months	-	-	-	-
3 to 12 months	(33 828)	32 369	-	-
Over 12 months	(5 823)	6 515	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 as at the reporting date. 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 2023	As at 31 July 2022
<b>Provided borrowings</b>		<b>106</b>	<b>88</b>
<b>Receivables and prepayments</b>		<b>42 418</b>	<b>63 984</b>
- Receivables from transmission activities	11	26 235	32 018
- Receivables from financial derivatives		1 752	-
- Other receivables	11	14 431	31 966
<b>Other assets</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents</b>		<b>241 930</b>	<b>232 733</b>
<b>Total credit risk</b>		<b>284 454</b>	<b>296 805</b>

The credit quality of cash in banks as at 31 July 2023 was as follows: EUR 105 966 thousand in banks with Moody's A1 rating, EUR 67 041 thousand in banks with Moody's A2 rating, EUR 38 thousand in banks with Moody's A3 rating, EUR 67 892 thousand in banks with Moody's Aa3 rating and EUR 993 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).

The table below summarises the maturity of the financial liabilities and contingent liabilities as at 31 July 2023 and 31 July 2022 based on contractual undiscounted payments:

<b>As at 31 July 2023</b>	<b>Up to 1 month</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Bonds issued/guarantees provided	-	-	22 412	1 031 322	-	<b>1 053 734</b>
Loans received	-	3 521	10 353	37 442	-	<b>51 316</b>
Other liabilities	2	46 820	45 538	2 500	-	<b>94 860</b>
Trade and other payables	17 689	4 129	25	683	-	<b>22 526</b>
Commodity swaps	-	27 551	53 652	10 223	-	<b>91 426</b>
Interest rate swaps	-	-	-	-	-	-

<b>As at 31 July 2022</b>	<b>Up to 1 month</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Bonds issued/guarantees provided	-	-	22 412	1 053 734	-	<b>1 076 146</b>
Loans received	-	6 043	12 126	47 675	-	<b>65 844</b>
Other liabilities	2	155	115 230	2 615	-	<b>118 002</b>
Trade and other payables	47 352	6 360	25	66	-	<b>53 803</b>
Commodity swaps	-	113 267	527 244	268 049	-	<b>908 560</b>
Interest rate swaps	-	-	1 459	(692)	-	<b>767</b>

As at the reporting date, the Company has binding revolving lines available from banks for operating needs in the total amount of EUR 170 million, with an average maturity of 1 year. These credit lines were not drawn down as at 31 July 2023.

## 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 34% as at 31 July 2023 (as at 31 July 2022: 48%).

The gearing ratio at the end of the reporting period:

	<b>As at 31 July 2023</b>	<b>As at 31 July 2022</b>
Debt (i)	(1 044 824)	(1 062 059)
Cash and cash equivalents	241 930	232 733
Net debt (ii)	(802 894)	(829 326)
Equity (iii)	2 357 728	1 716 534
<b>Net debt to equity ratio</b>	<b>34%</b>	<b>48%</b>

(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 2023	As at 31 July 2022
<b>Financial assets</b>		
Derivative financial instruments recognised as hedging	1 752	-
Derivative financial instruments not recognised as hedging	-	38 884
Receivables and prepayments (including cash and cash equivalents)	282 596	296 000
Borrowings provided	106	88
Investments in subsidiaries and associates	6 607	6 607
<b>Financial liabilities</b>		
Derivative financial instruments recognised as hedging	93 178	948 211
Derivative financial instruments not recognised as hedging	-	-
Financial liabilities carried at amortised costs	1 162 210	1 233 862

**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.

**(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 as follows:

As at 31 July 2023:	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>	-	1 752	-	1 752
Financial derivatives recognised as hedging	-	1 752	-	1 752
Financial derivatives not recognised as hedging	-	-	-	-
<b>Financial liabilities and contingent liabilities at fair value</b>	-	93 178	-	93 178
Financial derivatives recognised as hedging	-	93 178	-	93 178
Financial derivatives not recognised as hedging	-	-	-	-
As at 31 July 2022:	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>	-	38 884	-	38 884
Financial derivatives recognised as hedging	-	-	-	-
Financial derivatives not recognised as hedging	-	38 884	-	38 884
<b>Financial liabilities and contingent liabilities at fair value</b>	-	948 211	-	948 211
Financial derivatives recognised as hedging	-	948 211	-	948 211
Financial derivatives not recognised as hedging	-	-	-	-

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

There were no movements between Levels 1 to 3 in the year ended 31 July 2023, or in the year ended 31 July 2022.

## (2) Non-recurring fair value measurements

There were no non-recurring fair value measurements in the year ended 31 July 2023.

## (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:

<b>As at 31 July 2023:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value total</b>	<b>Carrying amount</b>
<b>Financial assets</b>	-	-	<b>6 713</b>	<b>6 713</b>	<b>6 713</b>
Borrowings provided with fixed interest rate	-	-	106	106	106
Investments in subsidiaries and associates	-	-	6 607	6 607	6 607
<b>Financial liabilities</b>	<b>384 092</b>	<b>446 946</b>	<b>47 189</b>	<b>878 227</b>	<b>1 044 824</b>
Bonds issued	384 092	446 946	-	831 038	997 635
Loans received	-	-	47 189	47 189	47 189

<b>As at 31 July 2022:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value total</b>	<b>Carrying amount</b>
<b>Financial assets</b>	-	-	<b>6 695</b>	<b>6 695</b>	<b>6 695</b>
Borrowings provided with fixed interest rate	-	-	88	88	88
Investments in subsidiaries and associates	-	-	6 607	6 607	6 607
<b>Financial liabilities</b>	<b>336 177</b>	<b>380 053</b>	<b>65 028</b>	<b>781 258</b>	<b>1 062 059</b>
Bonds issued	336 177	380 053	-	716 230	997 031
Loans received	-	-	65 028	65 028	65 028

In the year ended 31 July 2023, 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 2023 and 31 July 2022 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 July 2023**  
(in EUR '000)

**7. PROPERTY, PLANT AND EQUIPMENT**

Year ended 31 July 2023	Border entry/exit points, domestic points Level 3	Compressor stations Level 3	Gas pipelines Level 3	Buildings and land	Machinery and equipment, other non-current tangible assets	Assets under construction	Total
Opening net book value	76 179	637 891	3 457 268	54 541	4 129	118 603	4 348 611
Additions	-	-	42	-	-	14 880	14 922
Revaluation of assets through revaluation reserve	-	(16 217)	-	-	-	-	(16 217)
Revaluation of assets through profit or loss	-	-	-	-	-	-	-
Placed into service	10 756	18 810	94 409	5 004	1 115	(130 094)	-
Reclassifications	-	-	29	-	(29)	-	-
Disposals	-	(2)	-	-	-	-	(2)
Depreciation charge	(4 877)	(62 579)	(85 311)	(1 056)	(983)	-	(154 806)
Impairment of assets through revaluation reserve	-	(782)	-	-	-	-	(782)
Impairment of assets through profit or loss	-	118	-	-	8	(5)	121
<b>Closing net book value</b>	<b>82 058</b>	<b>577 239</b>	<b>3 466 437</b>	<b>58 489</b>	<b>4 240</b>	<b>3 384</b>	<b>4 191 847</b>
<b>At 31 July 2023</b>							
Cost or revaluation	101 187	762 481	3 805 067	69 348	13 846	3 416	4 755 345
Accumulated depreciation and provisions	(19 129)	(185 242)	(338 630)	(10 859)	(9 606)	(32)	(563 498)
<b>Net book value as at 31 July 2023</b>	<b>82 058</b>	<b>577 239</b>	<b>3 466 437</b>	<b>58 489</b>	<b>4 240</b>	<b>3 384</b>	<b>4 191 847</b>
The net book value of assets presented in the table above that would have been recognised at 31 July 2023 if the assets were accounted for using the cost model is as follows:							
<b>Net book value as at 31 July 2023</b>	<b>60 769</b>	<b>335 766</b>	<b>1 533 810</b>	<b>58 489</b>	<b>4 240</b>	<b>3 384</b>	<b>1 996 458</b>

The most significant addition to assets in the reporting period ended 31 July 2023 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 2023 amounted to EUR 11 498 thousand (31 July 2022: EUR 12 981 thousand).

As at 31 July 2023, the Company records assets that are in use, but not yet registered in the Real Estate Register in the amount of EUR 1 294 thousand (31 July 2022: no such assets were recorded by the Company).

The accompanying notes form an integral part of the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 July 2023**  
(in EUR '000)

Year ended 31 July 2022	Border entry/exit points, domestic points <i>Level 3</i>	Compressor stations <i>Level 3</i>	Gas pipelines <i>Level 3</i>	Buildings and land	Machinery and equipment, other non- current tangible assets	Assets under construction	Total
Opening net book value	80 704	678 845	3 541 556	55 519	4 335	100 308	4 461 267
Additions	-	-	-	-	-	27 918	27 918
Revaluation of assets through revaluation reserve	-	-	-	-	-	-	-
Revaluation of assets through profit or loss	-	-	-	-	-	-	-
Placed into service	174	8 157	172	293	827	(9 623)	-
Reclassifications	-	2	-	(2)	-	-	-
Disposals	-	(171)	-	-	-	-	(171)
Depreciation charge	(4 700)	(49 013)	(84 460)	(1 271)	(1 025)	-	(140 469)
Impairment of assets through revaluation reserve	1	62	-	-	-	-	63
Impairment of assets through profit or loss	-	9	-	2	(8)	-	3
<b>Closing net book value</b>	<b>76 179</b>	<b>637 891</b>	<b>3 457 268</b>	<b>54 541</b>	<b>4 129</b>	<b>118 603</b>	<b>4 348 611</b>
<b>At 31 July 2022</b>							
Cost or revaluation	90 481	774 842	3 711 060	64 694	14 390	118 630	4 774 097
Accumulated depreciation and provisions	(14 302)	(136 951)	(253 792)	(10 153)	(10 261)	(27)	(425 486)
<b>Net book value as at 31 July 2022</b>	<b>76 179</b>	<b>637 891</b>	<b>3 457 268</b>	<b>54 541</b>	<b>4 129</b>	<b>118 603</b>	<b>4 348 611</b>
The net book value of assets presented in the table above that would have been recognised at 31 July 2022 if the assets were accounted for using the cost model is as follows:							
<b>Net book value as at 31 July 2022</b>	<b>53 171</b>	<b>362 065</b>	<b>1 476 700</b>	<b>54 541</b>	<b>4 129</b>	<b>118 603</b>	<b>2 069 209</b>

The accompanying notes form an integral part of the financial statements.

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		Name and seat of the insurance company
		as at 31 July 2023	as at 31 July 2022	
Buildings, halls, structures, machinery, equipment, fixtures & fittings, low-value non-current TA, other non-current TA, works of art, inventories	Insurance of assets	965 936	933 034	UNIQA poisťovňa, a.s.
Motor vehicles	MTPL	9 494	9 161	Allianz - Slovenská poisťovňa, a.s..

**8. NON-CURRENT INTANGIBLE ASSETS**

Year ended 31 July 2023	Software	Emission allowances	Other non-current intangible assets	Assets under construction	Total
Opening net book value	1 560	1 520	113	390	3 583
Additions	-	-	-	2 511	2 511
Placed into service	509	1 659	36	(2 204)	-
Reclassifications	-	-	-	-	-
Disposals	-	-	-	-	-
Amortisation	(678)	-	(32)	-	(710)
Change in provisions	-	-	-	-	-
<b>Closing net book value At 31 July 2023</b>	<b>1 391</b>	<b>3 179</b>	<b>117</b>	<b>697</b>	<b>5 384</b>
Cost	6 313	3 179	210	860	10 562
Accumulated depreciation and provisions	(4 922)	-	(93)	(163)	(5 178)
<b>Net book value</b>	<b>1 391</b>	<b>3 179</b>	<b>117</b>	<b>697</b>	<b>5 384</b>

Year ended 31 July 2022	Software	Emission allowances	Other non-current intangible assets	Assets under construction	Total
Opening net book value	1 446	982	106	86	2 620
Additions	-	-	-	3 645	3 645
Placed into service	722	2 582	37	(3 341)	-
Reclassifications	-	-	-	-	-
Disposals	-	(2 044)	-	-	(2 044)
Amortisation	(608)	-	(30)	-	(638)
Change in provisions	-	-	-	-	-
<b>Closing net book value At 31 July 2022</b>	<b>1 560</b>	<b>1 520</b>	<b>113</b>	<b>390</b>	<b>3 583</b>
Cost	6 159	1 520	174	553	8 406
Accumulated depreciation and provisions	(4 599)	-	(61)	(163)	(4 823)
<b>Net book value</b>	<b>1 560</b>	<b>1 520</b>	<b>113</b>	<b>390</b>	<b>3 583</b>



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

	31 July 2023	31 July 2022
<b>Capital expenditures</b>	<b>16 629</b>	<b>31 092</b>
Assets acquired but not paid for	1 463	2 166
Payments for assets acquired in previous periods and capitalisation	(701)	(1 695)
<b>Additions to tangible and intangible assets</b>	<b>17 391</b>	<b>31 563</b>

## 9. NON-CURRENT FINANCIAL INVESTMENTS

Non-current financial investments include:

	Borrowings	Shares	As at 31 July 2023	As at 31 July 2022
Cost	-	6 607	6 607	6 695
Impairment	-	-	-	-
<b>Closing balance, net</b>	<b>-</b>	<b>6 607</b>	<b>6 607</b>	<b>6 695</b>

Shares represent ownership interests in the following companies:

Name	Country of registration	Ownership interest in %	Principal activity
<b>Other ownership interests</b>			
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 2023	As at 31 July 2022
Natural gas used for balancing	71 428	16 941
Raw materials and other inventories	15 688	14 850
Provision for raw materials and other inventories	(35 945)	(7 151)
<b>Total</b>	<b>51 171</b>	<b>24 640</b>

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

As at 31 July 2023 and 31 July 2022, a provision for inventories was created for unusable or damaged raw materials in stock.

## 11. RECEIVABLES AND PREPAYMENTS

	As at 31 July 2023	As at 31 July 2022
Receivables from transmission activities	26 235	32 018
Receivables from financial derivatives	1 752	-
Other receivables	14 431	31 966
<b>Total</b>	<b>42 418</b>	<b>63 984</b>

Receivables and prepayments are recognised net of provisions for bad and doubtful debts in the amount of EUR 9 440 thousand (31 July 2022: EUR 9 401 thousand).

As at 31 July 2023, the Company recorded receivables within maturity in the amount of EUR 42 394 thousand and overdue receivables in the amount of EUR 9 464 thousand. In the comparable period, ie as at 31 July 2022, the Company recorded receivables within maturity in the amount of EUR 63 972 thousand and overdue receivables in the amount of EUR 9 413 thousand.

Other receivables are mainly receivables from subsidies (EUR 10 141 thousand), provided collaterals (EUR 2 220 thousand) and deferred expenses (EUR 1 053 thousand).

### ***Collateralisation of receivables***

Several bank guarantees totalling EUR 124 360 thousand (31 July 2022: EUR 87 166 thousand) were established to secure the Company's receivables.

## **12. CASH AND CASH EQUIVALENTS**

	As at 31 July 2023	As at 31 July 2022
Cash on hand and cash in bank	187 073	156 188
Cash on hand and cash in bank – financial guarantees	54 857	76 545
<b>Total</b>	<b>241 930</b>	<b>232 733</b>

## **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 2023 are as follows:

	As at 31 July 2023	As at 31 July 2022
Opening balance	58 135	58 422
Stock-take surpluses of depreciated/amortised assets	-	-
Subsidies allocated during the period	861	-
Unused subsidies	(2 169)	-
Reversal into revenues	(2 069)	(287)
<b>Closing balance</b>	<b>54 758</b>	<b>58 135</b>

	Current portion (included in other current liabilities)	Non-current portion	Total
As at 31 July 2023	1 053	53 705	54 758
As at 31 July 2022	250	57 885	58 135

#### 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 2023 and 31 July 2022, 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 2023, there were 625 employees (31 July 2022: 633 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 2023 are as follows:

	Long-term benefits	Post- employment benefits	As at 31 July 2023	As at 31 July 2022
Opening balance	328	3 688	4 016	4 411
Recognised expenses/revenues, net	(42)	(496)	(538)	(229)
Paid employee benefits	(47)	(206)	(253)	(166)
<b>Closing balance</b>	<b>239</b>	<b>2 986</b>	<b>3 225</b>	<b>4 016</b>

	Current liabilities (included in other current liabilities)	Non-current liabilities	Total
As at 31 July 2023	292	2 933	3 225
As at 31 July 2022	310	3 706	4 016

Key assumptions used in actuarial valuation:

	As at 31 July 2023	As at 31 July 2022
Market yield on government bonds	3.74%	1.66%
Annual future real rate of salary increase	2.80%	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 2023	3 225	(98)	5	9
As at 31 July 2022	4 016	(143)	5	(26)

## 15. PROVISIONS FOR LIABILITIES

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

	<b>Provision for environmental liabilities and other As at 31 July 2023</b>	<b>Provision for environmental liabilities and other As at 31 July 2022</b>
Opening balance	8 063	6 858
Effect of discounting	(1 207)	(2 325)
Creation of a provision	-	5 574
Use of a provision	(577)	(2 044)
Reversal of a provision	(506)	-
<b>Closing balance</b>	<b>5 773</b>	<b>8 063</b>

Provisions for liabilities are included in liabilities as follows:

	<b>Short-term provisions for liabilities (included in other current liabilities)</b>	<b>Long-term provisions for liabilities</b>	<b>Total provisions for liabilities</b>
As at 31 July 2023	-	5 773	5 773
As at 31 July 2022	577	7 486	8 063

### ***Provision for environmental liabilities***

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 has a floating interest rate based on 3M EURIBOR with a 3-month update. At 31 July 2023, the effective interest rate is 4.835% p.a. Under an amendment to the loan agreement, the loan is amortised progressively in the amount of EUR 12 million per year with final maturity in June 2027.

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).

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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.

	As at 31 July 2023			As at 31 July 2022		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Loans	-	47 189	47 189	-	65 028	65 028
Bonds	-	997 635	997 635	-	997 031	997 031
<b>Total</b>	<b>-</b>	<b>1 044 824</b>	<b>1 044 824</b>	<b>-</b>	<b>1 062 059</b>	<b>1 062 059</b>
Loans and bonds by interest rate						
- with a floating interest rate	-	47 189	47 189	-	65 028	65 028
- with a fixed interest rate	-	997 635	997 635	-	997 031	997 031
<b>Total</b>	<b>-</b>	<b>1 044 824</b>	<b>1 044 824</b>	<b>-</b>	<b>1 062 059</b>	<b>1 062 059</b>
Loans and bonds by maturity						
Up to 1 year	-	19 743	19 743	-	25 584	25 584
1 to 5 years	-	1 025 081	1 025 081	-	1 036 475	1 036 475
More than 5 years	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1 044 824</b>	<b>1 044 824</b>	<b>-</b>	<b>1 062 059</b>	<b>1 062 059</b>
Carrying amount						
	As at 31 July 2023	As at 31 July 2022		As at 31 July 2023	As at 31 July 2022	
Loans	47 189	65 028		47 189	65 028	
Bonds	997 635	997 031		831 038	716 230	
<b>Total</b>	<b>1 044 824</b>	<b>1 062 059</b>		<b>878 227</b>	<b>781 258</b>	
Fair value (Note 5 (d) (3))						
	As at 31 July 2023	As at 31 July 2022		As at 31 July 2023	As at 31 July 2022	
Loans	47 189	65 028		47 189	65 028	
Bonds	997 635	997 031		831 038	716 230	
<b>Total</b>	<b>1 044 824</b>	<b>1 062 059</b>		<b>878 227</b>	<b>781 258</b>	

**Changes to liabilities arising from financial activities**

	Loans	Bonds	As at 31 July 2023 Total
Opening balance	65 028	997 031	1 062 059
Cash movements	(19 607)	(22 412)	(42 019)
Other changes	1 768	23 016	24 784
<b>Closing balance</b>	<b>47 189</b>	<b>997 635</b>	<b>1 044 824</b>
As at 31 July 2022			
	Loans	Bonds	As at 31 July 2022 Total
Opening balance	65 012	996 447	1 061 459
Cash movements	(271)	(22 412)	(22 683)
Other changes	287	22 996	23 283
<b>Closing balance</b>	<b>65 028</b>	<b>997 031</b>	<b>1 062 059</b>

## 17. TRADE AND OTHER PAYABLES

	As at 31 July 2023	As at 31 July 2022
Trade payables	22 526	53 803
Other payables	92 719	115 920
Payables from transmission activities	-	-
Payables from financial derivatives	84 608	678 196
<b>Total financial liabilities</b>	<b>199 853</b>	<b>847 919</b>
Payables to employees	3 189	2 956
Social security and other taxes	1 879	1 648
<b>Total non-financial liabilities</b>	<b>5 068</b>	<b>4 604</b>
<b>Total</b>	<b>204 921</b>	<b>852 523</b>

As at 31 July 2023, the Company recorded payables within maturity in the amount of EUR 204 921 thousand. The Company does not have any overdue payables. In the comparable period, ie as at 31 July 2022, the Company recorded payables within maturity in the amount of EUR 852 423 thousand and overdue payables in the amount of EUR 100 thousand. Cash-pooling with SPP Infrastructure is a payable in the amount of EUR 40 122 thousand (31 July 2022: EUR 40 000 thousand).

### **Social fund payables**

	As at 31 July 2023	As at 31 July 2022
Opening balance	56	104
Total creation:	257	250
From expenses	257	250
Total drawing:	(313)	(298)
Holiday allowance	(166)	(162)
Monetary rewards and gifts	(35)	(28)
Jubilee bonuses – work	(35)	(38)
Meal allowance	(77)	(70)
Other drawings under CA	-	-
<b>Closing balance</b>	<b>-</b>	<b>56</b>

### **Payables secured by lien or other form of security**

As at 31 July 2023, a bank guarantee totalling EUR 210 thousand (31 July 2022: 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.

## 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 2022: 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.

Under a decision of the Company's sole shareholder, the Company did not declare any dividends for the year ended 31 July 2022. The profit/loss for the financial year ended 31 July 2022 in the amount of EUR 264 760 309.69 was transferred to Retained earnings from previous years.

Type of allotment	Profit distribution for the year ended 31 July 2022	Profit distribution for the year ended 31 July 2021
Allotment to the legal reserve fund	-	-
To cover loss from previous years	-	-
Dividends	-	205 000
Retained earnings from previous years	264 760	71 784
<b>Total profit to be distributed</b>	<b>264 760</b>	<b>276 784</b>



### **Hedging reserve**

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

	<b>As at 31 July 2023</b>	<b>As at 31 July 2022</b>
<b>Opening balance</b>	<b>(777 516)</b>	<b>(152 627)</b>
Gain/(loss) on cash flow hedging		
<i>Commodity swap contracts</i>	387 258	(1 254 693)
<i>Interest swap contracts</i>	-	-
Deferred income tax applicable to gains/losses recognised through equity	(81 325)	263 485
<b>Transfer to profit or loss</b>		
<i>Commodity swap contracts</i>	448 546	456 127
<i>Interest swap contracts</i>	7 842	7 568
Deferred income tax applicable to gains/losses recognised through profit or loss	(95 841)	(97 376)
<b>Transfer to the initial carrying amount of the hedged item</b>		
<i>Commodity swap contracts</i>	-	-
<i>Interest swap contracts</i>	-	-
Deferred income tax applicable to amounts transferred to the initial carrying amount of the hedged item	-	-
<b>Closing balance</b>	<b>(111 036)</b>	<b>(777 516)</b>

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:

	<b>Year ended 31 July 2023</b>	<b>Year ended 31 July 2022</b>
Natural gas transmission and other services	(448 546)	(456 127)
Finance costs	(7 842)	(7 568)
<b>Total</b>	<b>(456 388)</b>	<b>(463 695)</b>

## **20. REVENUES FROM THE SALE OF SERVICES**

	<b>Year ended 31 July 2023</b>	<b>Year ended 31 July 2022</b>
Revenues from natural gas transmission	175 652	566 924
Other revenues	485	418
Changes to natural gas received for operating purposes	50 331	6 125
<b>Total</b>	<b>226 468</b>	<b>573 467</b>

In the year ended 31 July 2023, 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.

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 a significant portion of the Company's revenues from natural gas transmission. In addition, eustream, within the entry-exit transmission system, also concludes short-term transmission contracts and provides supplementary gas transmission services.

The Company receives transmission fees to its accounts from shippers and recipients of supplementary services. Tariffs for transmission services have been fully regulated since 2005 and are governed by the price decision issued by RONI for the relevant 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 2023	Year ended 31 July 2022
Wages, salaries and bonuses	20 790	20 639
Pension security costs	2 723	2 747
Social security costs	4 429	4 449
Other social security costs and severance payments	1 708	1 661
<b>Total</b>	<b>29 650</b>	<b>29 496</b>

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 8 477 (as at 31 July 2022: EUR 7 931), 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 2023	Year ended 31 July 2022
Audit of financial statements	38	38
Assurance audit services, except for the audit of financial statements	37	40
Related audit services	-	-
Other non-audit services provided by the auditor	-	-
<b>Total</b>	<b>75</b>	<b>78</b>

## 23. FINANCE INCOME

	Year ended 31 July 2023	Year ended 31 July 2022
Interest income	2 521	31
Dividends	625	422
Other finance income, net	36 084	38 896
<b>Total</b>	<b>39 230</b>	<b>39 349</b>

## 24. FINANCE COSTS

	Year ended 31 July 2023	Year ended 31 July 2022
Interest expense	31 987	28 350
Other finance costs	597	(329)
<b>Total</b>	<b>32 584</b>	<b>28 021</b>

## 25. TAXATION

### 25.1. Income Tax

Income tax comprises the following:

	Year ended 31 July 2023	Year ended 31 July 2022
Current tax	26 596	93 425
Special levy	1 975	17 562
Deferred income tax (Note 25.2)	(33 375)	(26 749)
<b>Total</b>	<b>(4 804)</b>	<b>84 238</b>

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 2023	Year ended 31 July 2022
<b>Profit before tax</b>	<b>(17 367)</b>	<b>348 998</b>
Income tax at 21% and special levy on business in regulated industries	(1 672)	90 852
Effect of adjustments from permanent differences between the carrying amount and the tax value of assets and liabilities	145	605
Other adjustments	(2 863)	(3 531)
Effect of a special levy as a tax-deductible item	(414)	(3 688)
<b>Total</b>	<b>(4 804)</b>	<b>84 238</b>

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 2023, 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 0.00363 (until 31 July 2022: 0.00363) 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 2017 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.

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 2022	(Charge)/Credit to equity	(Charge)/Credit to profit	As at 31 July 2023
Difference in the net book value of non-current assets	(951 066)	4 112	28 065	(918 889)
Change in the fair value of derivatives	206 681	(177 166)	-	29 515
Employee benefits and other provisions for liabilities	2 764	-	(514)	2 250
Provisions for receivables	1 623	-	(583)	1 040
Provisions for assets	681	164	(38)	807
Provisions for inventories	1 502	-	6 046	7 548
Other	394	-	399	793
<b>Total</b>	<b>(737 421)</b>	<b>(172 890)</b>	<b>33 375</b>	<b>(876 936)</b>

	As at 1 August 2021	(Charge)/Credit to equity	(Charge)/Credit to profit	As at 31 July 2022
Difference in the net book value of non-current assets	(977 480)	-	26 414	(951 066)
Change in the fair value of derivatives	40 572	166 109	-	206 681
Employee benefits and other provisions for liabilities	2 481	-	283	2 764
Provisions for receivables	1 687	-	(64)	1 623
Provisions for assets	707	(13)	(13)	681
Provisions for inventories	1 434	-	68	1 502
Other	333	-	61	394
<b>Total</b>	<b>(930 266)</b>	<b>166 096</b>	<b>26 749</b>	<b>(737 421)</b>

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 2023	As at 31 July 2022
Deferred tax liability	876 936	737 421
<b>Total</b>	<b>876 936</b>	<b>737 421</b>

## 26. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

<b>As at 31 July 2023</b>	<b>Before tax</b>	<b>Tax</b>	<b>After tax</b>
Hedging derivatives (cash flow hedging)	843 646	(177 166)	666 480
Revaluation of assets	(162 17)	4 112	(12 105)
Decrease in revaluation reserve due to changes in fair value	(782)	164	(618)
<b>Other comprehensive income/(losses) for the period</b>	<b>826 647</b>	<b>(172 890)</b>	<b>(653 757)</b>
<b>As at 31 July 2022</b>	<b>Before tax</b>	<b>Tax</b>	<b>After tax</b>
Hedging derivatives (cash flow hedging)	(790 998)	166 109	(624 889)
Revaluation of assets	-	-	-
Decrease in revaluation reserve due to changes in fair value	64	(13)	51
<b>Other comprehensive income/(losses) for the period</b>	<b>(790 934)</b>	<b>166 096</b>	<b>(624 838)</b>

## 27. BASIC AND DILUTED EARNINGS PER SHARE

<b>As at 31 July 2023</b>	<b>Ordinary shares – face value EUR 3 319.39</b>	<b>Ordinary shares – face value EUR 82 895 533.19</b>	<b>Ordinary shares – face value EUR 200 000 000</b>
Net earnings for the period attributable to the number of ordinary shares	(2) 10	(3 681) 1	(8 881) 1
<b>Basic and diluted earnings per ordinary share</b>	<b>(0.20)</b>	<b>(3 681)</b>	<b>(8 881)</b>
<b>As at 31 July 2022</b>	<b>Ordinary shares – face value EUR 3 319.39</b>	<b>Ordinary shares – face value EUR 82 895 533.19</b>	<b>Ordinary shares – face value EUR 200 000 000</b>
Net earnings for the period attributable to the number of ordinary shares	31 10	77 572 1	187 157 1
<b>Basic and diluted earnings per ordinary share</b>	<b>3</b>	<b>77 572</b>	<b>187 157</b>

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 2023	Year ended 31 July 2022
Profit before tax	(17 367)	348 998
Adjustments:		
Depreciation, amortisation and impairment losses, net	154 530	140 867
Interest, net	30 672	30 645
Income on financial investments	(625)	(422)
Derivatives	(44 847)	(53 577)
Provisions for assets, provisions for liabilities, and other non-monetary items	23 141	2 573
(Gain)/loss on the sale of non-current assets	(4)	(4)
(Increase)/decrease in receivables and prepayments	25 922	(1 824)
(Increase)/decrease in inventories	(55 539)	(13 143)
Increase/(decrease) in trade and other payables	(29 577)	81 229
<b>Cash flows from operating activities</b>	<b>86 306</b>	<b>535 342</b>

## 29. COMMITMENTS AND CONTINGENCIES

### Obligations arising from capital construction

As at 31 July 2023, contracts for the acquisition of non-current assets in the amount of EUR 7 935 thousand (as at 31 July 2022: EUR 18 259 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 2023 (as at 31 July 2022: EUR 506 113 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 2023				As at 31 July 2023	
	Revenues	Expenses	Dividends	Other	Receivables	Payables
SPP Infrastructure	30	869	-	-	-	40 122
Related parties under EPH's control	56 436	36 412	-	1 170	464	509 287
Other related parties	625	24	-	5	50	3
	Year Ended 31 July 2022				As at 31 July 2022	
	Revenues	Expenses	Dividends	Other	Receivables	Payables
SPP Infrastructure	28	51	205 000	10	3	40 007
Related parties under EPH's control	241 144	32 214	-	587	3 794	507 855
Other related parties	2 432	40	-	722	752	1 665

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 17).

In the years ended 31 July 2023 and 31 July 2022, the Company also provided financial guarantees to SPP Infrastructure Financing B.V. (see also Note 29).

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.



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

	Year ended 31 July 2023	Year ended 31 July 2022
Remuneration to members of the Board of Directors, Supervisory Board and executive management and to former members of the Company's bodies – total	932	950
<i>Of which – Board of Directors and executive management</i>	581	589
– <i>Supervisory Board</i>	248	178
– <i>Supervisory Committee</i>	103	103
– <i>former members of the Supervisory Board</i>	-	80
– <i>former members of the Supervisory Committee</i>	-	-
Other long-term benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
<i>Of which – Board of Directors and executive management</i>	-	-
– <i>former members of the Board of Directors and executive management</i>	-	-
Post-employment benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
<i>Of which – Supervisory Board</i>	-	-
In-kind benefits to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	15	12
<i>Of which – Board of Directors and executive management</i>	15	12
– <i>Supervisory Board</i>	-	-
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	8	7
<i>Of which – Board of Directors and executive management</i>	8	7
– <i>Supervisory Board</i>	-	-
– <i>former members of the Board of Directors and executive management</i>	-	-

### 31. MEMBERS OF THE COMPANY'S BODIES AS AT 31 JULY 2023

Body	Position	Name
Board of Directors	Chairman	Ing. Tomáš Mareček
	Vice-Chair	Ing. Rastislav Jamrich
	Member	Ing. Miroslav Bodnár
	Member	Ing. Michal Klůčár
	Member	Ing. Ondřej Studenec
Supervisory Board	Chairman	Ing. Roman Hudík
	Vice-Chair	Ing. Martin Gebauer
	Member	Mgr. Andrej Lendvay
	Member	Ing. Mikuláš Maník
	Member	Mgr. Katarína Goldbergerová JUDr. Petra Prepelicová
Supervisory Committee	Chairman	JUDr. Daniel Křetínský
	Vice-Chair	Ing. Ružena Lovasová
	Member	Ing. Roman Karlubík, MBA
	Member	Mgr. Jan Stříteský Mgr. Hana Krejčí, PhD
Executive Management	CEO	Ing. Rastislav Ňukovič

### 32. POST-BALANCE SHEET EVENTS

After 31 July 2023, there were no such events that would have a material effect on the financial statements of the Company.

Prepared on:  
21 August 2023

Signature of  
a Member of the  
Statutory Body of  
the Reporting Entity:

Approved on:  
16 October 2023



Ing. Tomáš Mareček  
Chairman of the Board  
of Directors



Ing. Miroslav Bodnár  
Member of the Board  
of Directors

# PROPOSAL FOR LOSS SETTLEMENT

(for the Reporting Period Ended 31 July 2023)

The proposal for loss settlement for the reporting period ended 31 July 2023 is prepared in accordance with the Articles of Association of eustream, a.s., and in accordance with the provisions of the Commercial Code No. 513/1991 Coll., as amended.

The proposal for loss settlement for the reporting period ended 31 July 2023 is based on the audited financial statements for this period.

## I. Loss after tax

EUR 12 562 903.57

In accordance with the Articles of Association of eustream, a.s., the Company will use Retained earnings from previous years to settle the loss of EUR 12 562 903.57 for the reporting period ended 31 July 2023.



