eustream, a.s.

CONDENSED INTERIM FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL ACCOUNTING STANDARD 34, AS ADOPTED BY EU (UNAUDITED)

For the six-months period ended 31 January 2020

Building a better working world

Ernst & Young Slovakia, spol. s r.o.
Žižkova 9
811 02 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
ey.com/sk

Report on Review of Interim Condensed Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed balance sheet of eustream, a.s. ("the Company") as at 31 January 2020 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34").

10 June 2020
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský, statutory auditor
SKAU Licence No. 893

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eustream, a.s.
CONDENSED BALANCE SHEET
As at 31 January 2020 and 31 July 2019
(EUR '000)

	Note	31 January 2020	31 July 2019
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	8,4	4 622 937	4 150 389
Intangible assets		2 616	2 527
Non–current financial investments	9	6 687	6 661
Other assets		34 507	33 041
Total non-current assets		**4 666 747**	**4 192 618**
CURRENT ASSETS			
Inventories	10	11 552	13 463
Receivables and prepayments	11	157 650	414 590
Cash and cash equivalents		272 788	172 894
Total current assets		**441 990**	**600 947**
TOTAL ASSETS		**5 108 737**	**4 793 565**
EQUITY AND LIABILITIES:			
EQUITY			
Registered capital	15	282 929	282 929
Legal reserve fund and other reserves	16	65 883	40 394
Revaluation reserve	4	1 849 514	1 497 745
Retained earnings	16	218 128	430 382
Total equity		**2 416 454**	**2 251 450**
NON-CURRENT LIABILITIES			
Bonds issued	12	492 660	492 660
Loans received	12	139 989	139 983
Deferred income		58 778	58 696
Provisions		6 623	6 860
Retirement and other long-term employee benefits		4 040	3 986
Deferred income tax liability	4	1 016 611	894 462
Other non-current financial liabilities	14	77 323	75 443
Total non-current liabilities		**1 796 024**	**1 672 090**
CURRENT LIABILITIES			
Bonds issued	12	769 958	747 811
Loans received	12	71	66
Trade and other payables	13	54 913	59 287
Current income tax liability		71 192	62 712
Provisions and other current liabilities		125	149
Total current liabilities		**896 259**	**870 025**
TOTAL LIABILITIES		**2 692 283**	**2 542 115**
TOTAL EQUITY & LIABILITIES		**5 108 737**	**4 793 565**

The condensed interim financial statements on pages 1 to 26 were approved for issue on 1 June 2020 and signed on behalf of the Board of Directors:

Ing. Tomáš Mareček
Chairman of the Board of Directors

Ing. Miroslav Bodnár
Member of the Board of Directors

eustream, a.s.
CONDENSED INCOME STATEMENT
For the six-months period ended 31 January 2020 and 31 January 2019
(EUR '000)

	Note	6-months period ended 31 January 2020	6-months period ended 31 January 2019
REVENUES FROM SALE OF SERVICES			
Natural gas transmission and other	17	390 327	366 243
Total revenues		**390 327**	**366 243**
OPERATING COSTS			
Own work capitalized		1 942	1 697
Consumption of natural gas, consumables and services		(17 576)	(18 357)
Depreciation, amortization and impairment losses, net		(72 587)	(63 544)
Other services		(11 696)	(10 254)
Personnel expenses		(14 896)	(14 508)
Provision for bad and doubtful debts, obsolete and slow-moving inventory, net		(114)	(153)
Provisions		-	-
Other operating income		2 508	1 249
Other operating expenses		(749)	(743)
Total operating costs		**(113 168)**	**(104 613)**
OPERATING PROFIT		**277 159**	**261 630**
Financial income		**288**	**254**
Financial expense	18	**(22 435)**	**(22 117)**
PROFIT BEFORE TAXATION		**255 012**	**239 767**
INCOME TAX	19	(66 268)	(65 594)
NET PROFIT FOR THE PERIOD		**188 744**	**174 173**

eustream, a.s.
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the six-months period ended 31 January 2020 and 31 January 2019
(EUR '000)

	Note	6-months period ended 31 January 2020	6-months period ended 31 January 2019
PROFIT FOR THE PERIOD		**188 744**	**174 173**
Other comprehensive income (items that may be reclassified subsequently to income statement):			
Fair value gains/(losses) on cash flow hedges		32 264	1 328
Deferred tax relating to components of other comprehensive income/loss for the period		(6 775)	(279)
Other comprehensive income (items that will not be reclassified subsequently to income statement):			
Increase of reserve from revaluation of assets	8	510 153	-
Decrease of reserve from revaluation due to changes in fair value		(35)	(91)
Deferred tax relating to items of other comprehensive income/(loss) for the period		(129 347)	19
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**406 260**	**977**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**595 004**	**175 150**

eustream, a.s.
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six-months period ended 31 January 2020 and 31 January 2019
(EUR '000)

	Note	Registered capital	Legal reserve fund	Hedge reserve	Revaluation reserve	Retained earnings	Total
Balance at 31 July 2018		**282 929**	**56 586**	**(26 118)**	**1 541 772**	**251 223**	**2 106 391**
Net profit for the period		-	-	-	-	174 173	174 173
Other comprehensive income/(loss) for the period		-	-	1 049	(72)	-	977
Transfer to retained earnings		-	-	-	(21 739)	21 739	-
Total net comprehensive income for the period		**-**	**-**	**1 049**	**(21 811)**	**195 912**	**175 150**
Transactions with shareholders:		-	-	-	-	-	-
Dividends paid		-	-	-	-	(251 000)	(251 000)
Balance at 31 January 2019		**282 929**	**56 586**	**(25 069)**	**1 519 961**	**196 135**	**2 030 541**
Balance at 31 July 2019		**282 929**	**56 586**	**(16 192)**	**1 497 745**	**430 382**	**2 251 450**
Net profit for the period		-	-	-	-	188 744	188 744
Other comprehensive income/(loss) for the period		-	-	25 489	380 771	-	406 260
Transfer to retained earnings		-	-	-	(29 002)	29 002	-
Total net comprehensive income for the period		**-**	**-**	**25 489**	**351 769**	**217 746**	**595 004**
Transactions with shareholders:		-	-	-	-	-	-
Dividends paid		-	-	-	-	(430 000)	(430 000)
Balance at 31 January 2020		**282 929**	**56 586**	**9 297**	**1 849 514**	**218 128**	**2 416 454**

(EUR '000)

	Note	6-months period ended 31 January 2020	6-months period ended 31 January 2019
PROFIT BEFORE TAX		255 012	239 767
Adjustments:			
Depreciation, amortization and impairment losses, net		72 587	63 544
Interests, net		21 937	21 972
Financial investments income		0	0
FX differences		2	(1)
Derivatives		(142)	(5 042)
Provisions, allowances and other non-cash items		(237)	(282)
(Gain)/loss from sale of non-current assets		(4)	(17)
(Increase)/decrease in receivables and prepayments		(21 039)	(51 799)
(Increase)/decrease in inventories		1 910	(3 574)
Increase/(decrease) in trade and other liabilities		(2 505)	(1 374)
Cash flows from operating activities		327 521	263 194
OPERATING ACTIVITIES			
Cash flows from operating activities		327 521	263 194
Interest paid		(132)	(134)
Interest received		117	60
Income tax paid		(71 760)	(77 464)
Net cash flows from operating activities		255 746	185 656
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(37 950)	(32 351)
Provision of borrowings		(25)	0
Proceeds from sale of property, plant and equipment and intangible assets		4	17
Dividends received		0	0
Net cash used in investing activities		(37 971)	(32 334)
FINANCING ACTIVITIES			
Dividends paid		(118 000)	(186 000)
Other income from financial activities		118	(22)
Net cash flow from financing activities		(117 882)	(186 022)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		99 893	(32 700)
EFFECT OF FOREIGN EXCHANGE DIFFERENCES		1	1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		172 894	76 751
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**272 788**	**44 053**

(EUR '000)

1. DESCRIPTION OF THE COMPANY

1.1. General Information

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

These condensed interim financial statements for the six months period ended 31 January 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual individual financial statements for the year ended 31 July 2019, which have been prepared in accordance with IFRS as adopted by the EU.

These condensed interim financial statements have been reviewed, not audited.

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

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

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

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

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

On 30 September 2019, the Annual General Meeting approved the Company's 2019 financial statements for twelve-month period ended 31 July 2019.

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

1.2. Principal activities

Since 1 July 2006, following the legal unbundling, the Company assumed the performance of activities associated with the transmission of natural gas.

Liberalization of the Slovak energy sector

Regulatory framework of the Slovak natural gas market

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

Tariffs for regulated activities

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

Changes in regulatory laws and policy

The main legislative norms for eustream's activity are:

- Commission Regulation (EU) 312/2014 of 26 March 2014 establishing a network code on gas balancing of transmission networks
- Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules
- Commission Regulation (EU)) 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 harmonized transmission tariffs structures for gas transmission
- Commission Decision of 24 August 2012 on amending Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks
- Regulation No. 1227/2011 of the European Parliament and of the Council (EU) of 25 October 2011 on wholesale energy market integrity and transparency
- Commission Implementing Regulation (EU) 1348/2014 of 17 December 2014 on data reporting implementing Article 8(2) and Article 8(6) of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on the wholesale energy market integrity and transparency
- Act No. 250/2012 Coll. on regulation in network Industries, as amended (hereinafter referred to as the "Regulatory Act")
- Act No. 251/2012 Coll. on energy and on amendment to certain acts, as amended (hereinafter "Energy Act"), together with the RONI Decree No. 223/2016 Coll. of 19 July 2016, which establishes the price regulation in the gas industry and the RONI Decree No. 24/2013 Coll. of 14 January 2013 laying down the rules for the functioning of the internal market in electricity and the rules for the functioning of the internal gas market, as amended

The evolution of the gas market has been dynamically developed and changed in recent years with which development and changes in the relevant legislation are taking place. Based on knowledge of application practice, including the application of networking regulations and their changes, the Company submitted proposals to RONI for a change of the operating order in 2018 and 2019 by means of a change of decision no. 001/2017/P-PP of 24 February 2017. These amendments were approved by the decision of RONI no.0001/2018/P-PP on 19 February 2018 and the decision of RONI no. 0001/2019/P-PP on 25 March 2019.

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

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

On 28 October 2013, RONI issued its consent to granting eustream certification as the transmission system operator pursuant to Article 25(3) of the Regulatory Act. Subsequently, on 22 November 2013, the Ministry of Economy of the Slovak Republic issued decision 1795/2013-1000, which confirmed eustream as the transmission system operator, meeting the conditions of separation for independent transmission operator pursuant to Articles 51 to 60 of the Energy Act. The Company shall consistently comply with the conditions set out in the relevant legislation for the independent transmission operator.

1.3. Employees

The average headcount of the Company for the six-month period ended 31 January 2020 was 638. The number of employees as at 31 January 2020 was 637 and 12 representatives of the key management personnel (for the year ended 31 July 2019, the average headcount was 646, and the number of employees as at 31 July 2019 was 643 and 12 representatives of the key management personnel). Members of the Board of Directors, members of the Supervisory Board and managers under the direct line of command of the statutory body or a member of the statutory body are considered to be representatives of the key management personnel.

1.4. Registered address

Votrubova 11/A
821 09 Bratislava
Slovak Republic

1.5. Information on the consolidated group

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

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

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

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

2. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CHANGES IN ESTIMATES

Adoption of New and Revised International Financial Reporting Standards

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and effective for accounting periods beginning on or after 1 August 2019. The following standards, amendments and improvements issued by the IASB and adopted by the EU are effective for the current accounting period:

- IFRS 9 Financial Instruments: Classification and Measurement - Amendment regarding prepayment features with negative compensation
- IFRS 16 Leases
- IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements
- IAS 28 Investments in Associates and Joint Ventures - Amendment regarding long-term interests in associates and joint ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs (issued in December 2017)

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

- IFRS 3 Business Combinations - Amendments to clarify the definition of a business (effective for annual periods beginning on or after 1 January 2020, this amendment has not been approved by EU yet)
- IFRS 7 Financial Instruments: Disclosures - Amendment regarding issues in the context of the IBOR reform (effective for annual periods beginning on or after 1 January 2020)
- IFRS 9 Financial Instruments: Classification and Measurement - Amendment regarding pre-replacement issues in the context of the IBOR reform (effective for annual periods

beginning on or after 1 January 2020)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, this standard has not been approved by EU yet)
- IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material (effective for annual periods beginning on or after 1 January 2020)
- IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective for annual periods beginning on or after 1 January 2022, this amendment has not been approved by EU yet)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material (effective for annual periods beginning on or after 1 January 2020)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendment regarding pre-replacement issues in the context of the IBOR reform (effective for annual periods beginning on or after 1 January 2020)

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

IFRS 16 Leases

IFRS 16 introduces one common lease model for lessees where all leased assets and lease obligations are recognized on the balance sheet, whether operating or finance leases.

Lessees are accounting for operating leases in the form as they are currently accounted for under finance leases. Accounting treatment of lessor remains almost unchanged.

The Company has analyzed the impact of the newly adopted standard and considers the impact on the interim financial statements as immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

These condensed interim financial statements for the six months ended 31 January 2020 have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed interim financial statements should be read in conjunction with the annual individual financial statements for the year ended 31 July 2019, which have been prepared in accordance with IFRS as adopted by the EU.

Except as described below, the same accounting policies and methods of computation were followed in the preparation of these condensed interim financial statements as compared with the annual individual financial statements for the year ended 31 July 2019.

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the individual financial statements for the year ended 31 July 2019, became effective for the Company from 1 January 2020. These new or amended standards, as listed above, had no impact on presentation and disclosures.

Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the individual financial statements for the year ended 31 July 2019 except those described below.

Revaluation of property, plant and equipment

(EUR '000)

As at 1 January 2016, the Company applied the revaluation model under IAS 16 "Property, plant and equipment" for the property, plant, and equipment used for natural gas transmission. The assets include gas pipelines, compressor stations and border entry/exit points and domestic points. The Company has decided to apply fair value model because it considers that it results in financial statements providing more reliable and relevant information about the buildings, construction, land, machinery and equipment used for natural gas transmission. Subsequent revaluation was carried as of 1 August 2019.

Subsequent revaluation of assets carried on 1 August 2019 was recorded without effect on prior periods. The result of the revaluation was the increase of the value of property, plant and equipment by EUR 510 153 thousand, the increase of the deferred tax liability by EUR 129 354 thousand and the creation of the revaluation reserve in equity, as well as the impairment of property, plant and equipment of EUR 356 thousand charged to the Income Statement in line Depreciation, amortization and impairment losses, net.

The net book value of assets that would have been recognized at 31 January 2020 using the cost model is EUR 2 153 122 thousand.

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

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

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

Economic useful lives

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

During 2019, the Company reconsidered the useful life of property, plant and equipment used for the natural gas transmission based on independent expert opinion. Changes in estimates of the useful life are reflected prospectively.

The economic useful lives of fixed assets are based on the best estimates as listed below. The carrying values of these assets at the six-month period ended 31 January 2020 and 31 July 2019 are presented in Balance Sheet. If the estimated useful lives of the pipeline and compressor stations were five years longer than management's estimate as at 31 January 2020, a depreciation of assets constituting pipelines and compressor stations for the six-month period would be lower by EUR 13 320 thousand.

The total useful lives of fixed assets are as follows:

Border entry/exit points, domestic points	7 - 49
Compressor stations	4 - 54
Gas pipelines	29 - 75
Buildings	18 - 40
Machinery and equipment, other tangible assets	3 - 20
Non-current intangible assets	3 - 8

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

(EUR '000)

5. FINANCIAL INSTRUMENTS

a) Financial risk

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 July 2019.

The Company is exposed to various financial risks. The Company's overall risk management policy addresses the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial position of the Company. To manage certain risks, the Company enters into financial derivative instruments, e.g. forward or swap commodity and interest rate contracts. The purpose of such practice 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 exchange rate risk, commodity risk, interest rate risk, credit risk, receivables default risk and liquidity risk.

There have been no changes in the risk management department or in any risk management policies since the financial year end. The following is the summary of key developments in the risk management only in those areas which had significant developments since 31 July 2019.

(1) Commodity price risk

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

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

In the six-month period ended 31 January 2020, the Company entered into commodity swaps to hedge cash flow from sales of surplus of gas in-kind.

The following table details commodity swap contracts outstanding at the 31 January 2020 and 31 July 2019:

Open commodity swaps	**As at 31 January 2020**		**As at 31 January 2020**	
	Fair value		**Nominal value**	
	Cash flow hedging	**Holding for trading**	**Cash flow hedging**	**Holding for trading**
Natural gas sales				
Less than 3 months	19 218	-	36 913	-
3 to 12 months	37 834	-	97 794	-
Over 12 months	10 515	-	44 376	-

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

The 15% change in the price of the natural gas would have effect on the fair value of derivatives of EUR 16 727 thousand.

Movement in hedging reserve is disclosed in Note 16.

(EUR '000)

(2) Interest rate risk

The Company has no significant exposure to an interest rate risk. As at 31 January 2020, the Company issued bonds with fixed interest rate. The Company had long-term investment loans at 31 January 2020 with floating interest rate (see Note 12). The Company considers exposure to interest rate risk to the extent of fluctuation of interest rates applied to the above mentioned long-term investment loan.

At 31 January 2020, the Company entered into interest rate swaps to hedge cash flow from interest on future debt instruments.

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

Open interest rate swaps	**As at 31 January 2020**		**As at 31 January 2020**	
	Fair value		**Nominal value**	
	Cash flow hedging	**Holding for trading**	**Cash flow hedging**	**Holding for trading**
Less than 3 months	-	-	-	-
3 to 12 months	(53 444)	-	500 000	-
Over 12 months	-	-	-	-

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

(3) Credit risk

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

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

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

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

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

	Note	**As at 31 January 2020**	**As at 31 July 2019**
Loans issued	**9**	**80**	**54**
Receivables and prepayments		**168 029**	**416 101**
- Receivables from transmission activities	11	43 563	52 446
- Receivables from financial derivatives	11	67 567	32 075
- Other receivables	11	56 899	331 580
Other assets		**23 992**	**31 529**
Cash and cash equivalents (restricted and unrestricted)		**272 788**	**172 895**
Total maximum exposure to credit risk		**464 889**	**620 579**

Credit quality of cash at banks as at 31 January 2020 is as follows: rating A1 from Moody's: EUR 77 816 thousand, rating A2 from Moody's: EUR 116 240 thousand, rating A3 from Moody's: EUR 43 511 thousand, rating Aa3 from Moody's: EUR 5 002 thousand, rating Baa1 from Moody's: EUR 29 585 thousand and not rated EUR 594 thousand.

(EUR '000)

(4) Liquidity risk

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

As of December 2019 the Company entered into revolving credit facility with 3-5 years tenor in total amount of EUR 590 000 thousand to manage liquidity and funding needs.

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

As at 31 January 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bonds issued	-	14 287	769 424	57 149	506 947	**1 347 807**
Loans received	-	53	159	75 107	65 022	**140 341**
Other financial liabilities	-	33 602	11 370	23 879	-	**68 851**
Trade and other payables	-	5 360	15	-	-	**5 375**
Guarantee issued	1 343 750	-	-	-	-	**1 343 750**
Swap interest rate contracts recognized as hedging	-	-	967	32 573	19 904	**53 444**
Swap commodity contracts recognized as hedging	-	-	-	-	-	**-**

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

b) Capital risk management

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

The Company's capital structure comprises cash and cash equivalents and equity attributable to the Company's owners as disclosed in Notes 15 and 16, and loans received and bonds issued as disclosed in Note 12. Liabilities to capital (gearing) ratio as at 31 January 2020 was 47 % and as at 31 July 2019 was 54%.

(EUR '000)

The gearing ratio at the period-end:

	As at 31 January 2020	As at 31 July 2019
Debt (i)	(1 402 678)	(1 380 520)
Cash and cash equivalents (restricted and unrestricted)	272 788	172 894
Net debt (ii)	(1 129 890)	(1 207 626)
Equity (iii)	2 416 454	2 251 450
Net debt to equity ratio	**47%**	**54%**

(i) Debt is defined as long-term and short-term bonds issued and loans received.
(ii) Net debt is defined as difference between debt and cash and cash equivalents.
(iii) Page 4

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

c) Categories of financial instruments

	As at 31 January 2020	As at 31 July 2019
Financial assets		
Derivative financial instruments recognized as hedging	67 567	32 075
Derivative financial instruments held for trading	-	-
Loans and receivables (including cash and cash equivalents)	397 242	588 450
Loans at amortized costs	80	54
Investments available for sale at fair value	6 607	6 607
Financial liabilities		
Derivative financial instruments recognized as hedging	53 444	51 851
Derivative financial instruments held for trading	-	-
Financial liabilities carried at amortized costs	1 476 905	1 457 738

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

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

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

d) Estimated fair value of financial instruments

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

(1) Recurring fair value measurements

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

(EUR '000)

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

As at 31 January 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value	**-**	**67 567**	**6 607**	**74 174**
Financial derivatives recognized as hedging	-	67 567	-	67 567
Financial assets available for sale	-	-	6 607	6 607
Financial liabilities at fair value	**-**	**53 444**	**-**	**53 444**
Financial derivatives recognized as hedging	-	53 444	-	53 444
Guarantee issued	-	-	-	-

As at 31 July 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value	**-**	**32 075**	**6 607**	**38 682**
Financial derivatives recognized as hedging	-	32 075	-	32 075
Financial assets available for sale	-	-	6 607	6 607
Financial liabilities at fair value	**-**	**51 851**	**-**	**51 851**
Financial derivatives recognized as hedging	-	51 851	-	51 851
Guarantee issued	-	-	-	-

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

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

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

Fair value of guarantee issued and described in Note 20, Commitments and contingencies, was determined as euro nil, as it was provided under the current market conditions and it is not probable that the Company will settle the obligation resulting from the guarantee.

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

Neither in the six-month period ending 31 January 2020 nor in the financial year ending 31 July 2019, there were no movements among the financial instruments classified in Levels 1-3.

(2) Non-recurring fair value measurements

There were no non-recurring fair value measurements in the six-month period ending 31 January 2020.

(3) Assets and liabilities not measured at fair value

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

As at 31 January 2020	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying value**
Financial assets	**-**	**-**	**80**	**80**	**80**
Loans issued	-	-	80	80	80
Financial liabilities	**-**	**1 293 304**	**140 060**	**1 433 364**	**1 402 678**
Bonds issued	-	1 293 304	-	1 293 304	1 262 618
Loans received	-	-	140 060	140 060	140 060

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

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

Fair value of bonds issued was estimated with reference to market value of the bonds issued by SPP Infrastructure Financing B.V.

(EUR '000)

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

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

6. SEGMENT REPORTING

The Company assessed segment information for the current and comparative reporting periods in accordance with IFRS 8 Operating segments.

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

7. SEASONALITY OF OPERATIONS

The revenues of the Company are not subject to significant seasonal fluctuation. In the financial year ended 31 July 2019, 46 % of revenues accumulated in the first half of the year, with 54 % accumulating in the second half.

8. PROPRETY, PLANT AND EQUIPMENT

6-month period ended 31 January 2020	
Opening net book value as at 1 August 2019	**4 150 389**
Additions	34 462
Revaluation of assets through revaluation reserve	510 153
Revaluation of assets through Income statement	(356)
Reclassifications from prepayments	-
Disposals	-
Depreciation charge	(71 236)
Change in provisions - Revaluation reserve	(35)
Change in provisions - P&L	(440)
Closing net book value as at 31 January 2020	**4 622 937**

6-month period ended 31 January 2019	
Opening net book value as at 1 August 2018	**4 211 639**
Additions	32 730
Revaluation of assets through revaluation reserve	-
Revaluation of assets through Income statement	-
Reclassifications from prepayments	-
Disposals	(2)
Depreciation charge	(62 171)
Change in provisions - Revaluation reserve	(91)
Change in provisions - P&L	(838)
Closing net book value as at 31 January 2019	**4 181 267**

The most significant capital additions in the six-months period ending 31 January 2020 was construction of the interconnection pipeline Poland - Slovakia and construction of the compressor station Lakšárska Nová Ves.

The acquisition cost of fully depreciated non-current assets (including non-current intangible assets) that were still in use as at 31 January 2020 amounted to EUR 11 171 thousand (31 January 2019: EUR 19 035 thousand).

9. FINANCIAL INVESTMENTS

Non-current financial investments include:

(EUR '000)

	Loans issued	Shares	31 January 2020	31 July 2019
Acquisition cost	80	6 607	6 687	6 661
Impairment	-	-	-	-
Closing balance, net	**80**	**6 607**	**6 687**	**6 661**

Recognized in the value of non-current financial investments are the loans granted in 2016, 2018 and 2019 to the subsidiary Eastring B.V. all of EUR 25 thousand with maturity in 2021. The interest rate is fixed at 3.51% p.a. in the case of first loan, 3.87% p.a. in the case of second one, 3.25% p.a. in the case of third and are payable together with the principal. The loans are not secured.

Shares represent equity interests in the following company:

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

10. INVENTORIES

	As at 31 January 2020	As at 31 July 2019
Natural gas used for balancing	4 738	7 049
Material and other inventories	13 175	12 850
Provision	(6 361)	(6 436)
Total	**11 552**	**13 463**

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

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

11. RECEIVABLES AND PREPAYMENTS

	As at 31 January 2020	As at 31 July 2019
Receivables from transmission activities	43 563	52 446
Receivables from financial derivatives	57 052	30 563
Prepayments	123	579
Other receivables	56 776	331 002
Other tax assets	136	-
Total	**157 650**	**414 590**

As at 31 January 2020, the Company recorded due receivables of EUR 157 330 thousand and overdue receivables of EUR 320 thousand excluding provision.

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

Receivables and prepayments are disclosed net of provisions for bad and doubtful receivables of EUR 162 thousand (31 July 2019: EUR 162 thousand).

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

Other receivables are mainly receivables from cash-pooling with SPP Infrastructure of EUR 30 000 thousand (31 July 2019: EUR 312 000 thousand), whose conditions are comparable to those of current bank accounts. In the 6-months period ending 31 January 2020 a portion of receivables from cash-pooling of EUR 369 000 thousand (out of which EUR 57 000 thousand was granted in the six-month period ending 31 January 2020) was offset with payable from declared dividends. In the 12-month period ending 31 July 2019 a portion of receivables from cash-pooling of EUR 224 100 thousand (out of which EUR 159 100 thousand was granted in 2019) was offset with payable from declared dividends.

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

Receivables securities

To secure the Company's receivables, several bank guarantees were issued for ordinary business activities of EUR 46 288 thousand (31 July 2019: EUR 39 483 thousand) and for capital expenditures of EUR 4 702 thousand (31 July 2019: EUR 7 390 thousand).

12. LOANS RECEIVED AND BONDS ISSUED

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

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

On 28 February 2014, the Company received a long-term investment loan from the EIB of €75,000 thousand. The loan is due in 2021. The loan bears a variable interest rate based on 3M EURIBOR with an update every three months. As at 31 January 2020, the interest rate was 0,264 % p.a. and the effective interest rate was 0,282 % p.a. As at 31 July 2019, the interest rate was 0.357 % p.a. and the effective interest rate was 0.377 % p.a.

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

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

On 17 June 2019, the Company received a second long-term investment loan from the EIB of €65,000 thousand. The loan is due in 2027. The loan bears a variable interest rate based on 3M EURIBOR with an update every three months. As at 31 January 2020, the interest rate was 0,017 % p.a. and the effective interest rate was 0,030 % p.a. As at 31 July 2019, the effective interest rate was 0,031 % p.a.

(EUR '000)

	31 January 2020 Secured	***31 January 2020 Unsecured***	***31 January 2020 Total***	***31 July 2019 Secured***	***31 July 2019 Unsecured***	***31 July 2019 Total***
Loans	-	140 060	140 060	-	140 049	140 049
Bonds issued	-	1 262 618	1 262 618	-	1 240 471	1 240 471
Total	**-**	**1 402 678**	**1 402 678**	**-**	**1 380 520**	**1 380 520**
Received loans and issued bonds based on interest rate:						
– variable interest rate	-	140 060	140 060	-	140 049	140 049
– fixed interest rate	-	1 262 618	1 262 618	-	1 240 471	1 240 471
Total	**-**	**1 402 678**	**1 402 678**	**-**	**1 380 520**	**1 380 520**
Received loans and issued bonds maturity:						
Up to 1 year	-	770 029	770 029	-	747 877	747 877
1 to 5 years	-	74 989	74 989	-	139 983	139 983
More than 5 years	-	557 660	557 660	-	492 660	492 660
Total	**-**	**1 402 678**	**1 402 678**	**-**	**1 380 520**	**1 380 520**

The carrying amount and fair value of loans and bonds:

	Carrying amount 31 January 2020	***Fair value 31 January 2020***	***Carrying amount 31 July 2019***	***Fair value 31 July 2019***
Loans	140 060	140 060	140 049	140 049
Bonds	1 262 618	1 293 304	1 240 471	1 306 822
Total	**1 402 678**	**1 433 364**	**1 380 520**	**1 446 871**

13. TRADE AND OTHER PAYABLES

	As at 31 January 2020	***As at 31 July 2019***
Trade payables	5 375	11 498
Other liabilities	44 973	40 415
Liabilities from transmission activities	-	1 359
Liabilities from financial derivatives	-	354
Total financial liabilities	**50 348**	**53 626**
Liabilities to employees	2 941	3 505
Liabilities from social insurance and other taxes	1 624	2 156
Total non - financial liabilities	**4 565**	**5 661**
Total	**54 913**	**59 287**

As at 31 January 2020, the Company recorded due liabilities of EUR 54 217 thousand and overdue liabilities of EUR 696 thousand. As at 31 July 2019, the Company recorded due liabilities of EUR 59 282 thousand and overdue liabilities of EUR 5 thousand.

(EUR '000)

Liabilities secured by pledge or other form of collateral

As at 31 January 2020, there is a bank guarantee in Tatra banka a.s. totaling EUR 210 thousand for liabilities to the Customs Office (31 July 2019: EUR 1 400 thousand).

14. OTHER NON-CURRENT LIABILITES

Other non-current liabilities consist of deferred income from derivative transactions and accrued expenses.

Deferred income from derivative transactions relates to the initial liability value of open commodity and IRS swaps, with maturity longer than 12 months from the Financial statements date.

Advanced payments from customers represent payments received on basis of long-term gas transportation contracts as guarantees.

Other non-current liabilities comprise the following:

	31 January 2020	31 July 2019
Deferred income from derivative transactions	53,444	51,497
Advanced payments received from customers	23,745	21,079
Other	134	2,867
Total liabilities from financing activities	**77,322**	**75,443**

15. REGISTERED CAPITAL

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

16. LEGAL RESERVE FUND, RETAINED EARNINGS AND DIVIDENDS PAID

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

Legal reserve fund

The legal reserve fund of EUR 56 586 thousand (31 July 2019: EUR 56 586 thousand) is created in accordance with Slovak law and is not distributable to shareholders. The reserve is created from retained earnings to cover possible future losses or increases of the registered capital. Contribution of at least 10% of the current year's profit is required to be made until the reserve is equal to at least 20% of the registered capital. The legal reserve fund in the Company has already reached 20% of the registered capital.

Based on the decision of the sole shareholder, the Company declared dividends for the financial year ending 31 July 2019 in the total amount of EUR 430 000 thousand. This amount was covered by the profit for the year ending 31 July 2019 in the amount of EUR 386 612 thousand and by the retained earnings from previous years in the amount of EUR 43 388 thousand.

Distribution	Profit allotment for 12-month period ended 31 July 2019	Profit allotment for 7-month period ended 31 July 2018
Contribution to legal reserve fund	-	-
Settlement of loss carried forward	-	-
Dividends	386 612	223 611
Total profit to be distributed	**386 612**	**223 611**

(EUR '000)

Hedging reserves

A hedging reserve represents a cumulative accrued portion of gains and losses arising from a change in the fair value of hedging instruments concluded for cash flow hedging.

	6-month period ended 31 January 2020	6-month period ended 31 January 2019
Opening balance	**(16 192)**	**(26 118)**
Gain/(loss) on cash-flow hedging		
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	71 595	(7 757)
Interest swap contracts	(2 973)	(15 833)
Deferred Income tax applicable to gains/losses recognized through equity	(6 775)	(279)
Transfer to profit/loss	-	-
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	(36 359)	24 918
Interest swap contracts	-	-
Deferred Income tax applicable to gains/losses recognized through equity	-	-
Transfer to initial carrying amount of the hedged item		
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	-	-
Interest swap contracts	-	-
Deferred Income tax applicable to amounts transferred to the initial carrying amount of the hedged item	-	-
Closing balance	**9 297**	**(25 069)**

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

A cumulative gain or loss arising from a change in the fair value of hedging derivatives that are recognized and accrued in the reserve fund of cash flow hedging is reclassified in the income statement provided that the hedging transaction has an effect on the income statement or is included as an adjustment of the base in the hedged non-financial item in accordance with the applicable accounting procedures.

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

	6-month period ended 31 January 2020	6-month period ended 31 January 2019
Natural gas transmission	36 359	(24 918)
Purchases of natural gas, consumables and services	-	-
Other costs, net	-	-
Financial expenses	-	-
Income tax charged to expenses	-	-
Total	**36 359**	**(24 918)**

(EUR '000)

17. REVENUES FROM SALES OF SERVICES

	6-month period ended 31 January 2020	6-month period ended 31 January 2019
Natural gas transmission	348 877	390 741
Other	41 450	(24 498)
Total	**390 327**	**366 243**

In the six months period ended 31 January 2020, the Company fully implemented a long-term contract for natural gas transmission through the Slovak Republic with a significant Russian natural gas exporter. This contract enables the use of gas pipelines in line with the transmission capacity required by this exporter to execute long-term export contracts signed with customers in Central and Western Europe.

The Company provides access to the transmission network and transmission services on the basis of ship-or-pay contracts. The major user of the network (shipper) is a significant Russian natural gas exporter, followed by other customers, usually leading European gas companies transmitting gas from Russian and Asian reservoirs to Europe. The part of the transmission capacity is ordered on the basis of long-term contracts, which comprise more than 64% of the Company's revenues (July 2019: 57%). In addition, eustream, within the entry-exit transmission system, also concludes short-term transmission contracts and provides supplementary gas transmission services.

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

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

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

18. FINANCIAL EXPENSE

	6-month period ended 31 January 2020	*6-month period ended 31 January 2019*
Interest expense	22 033	22 033
FX differences - loss	2	-
Other financial expense	400	84
Total	**22 435**	**22 117**

19. INCOME TAX

Income tax comprises the following

Income taxes	**6-month period ended 31 January 2020**	**6-month period ended 31 January 2019**
Current income tax	(62 126)	(53 226)
Special levy	(18 115)	(21 315)
Deffered income tax	13 973	8 947
Total	**(66 268)**	**(65 594)**

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

2017. In line with Act No. 235/2012 Coll., on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplementation of Certain Acts, the Company is obliged to pay a monthly special levy effective from September 2012. The levy rate for the 6-month period ended 31 January 2020 is 0.00654 per month (0.008712 per month for the 6-months period ended 31 January 2019) based on the profit before tax and is presented as a part of the current income tax pursuant to the IFRS requirements.

Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

The effective tax rate differs from the tax rate stipulated by law of 21 % in the six-months period ending 31 January 2020 mainly due to the special levy.

Deferred income tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realized or the liability is settled. Deferred tax is recognized in the income statement, except for when it relates to items directly credited or directly charged to equity, in which case the deferred tax is also recognized in equity. Major temporary differences arise from depreciation of fixed assets, various allowances, provisions and derivative financial instruments. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the tax deductible temporary differences can be utilized probable that future taxable profit will be available against which the tax deductible temporary differences can be utilized.

The taxation years from 2014 included are still open for inspection by the tax authorities.

There is still ongoing administrative proceedings with the Slovak Tax Authorities regarding 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 of the date of these financial statements such proceedings are not yet finished and the Company has no information about the date when such proceedings will be finished.

20. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 January 2020, capital expenditures of EUR 59 496 thousand (as at 31 July 2019: EUR 81 712 thousand) had been committed under contractual arrangements for the acquisition of non-current assets, but were not recognized in the financial statements.

Guarantee issued

The Company is a guarantor for bonds issued by the entity under common control - SPP Infrastructure Financing B.V. of EUR 1,277,945 thousand as at 31 January 2020 (as at 31 July 2019: EUR 1 257 192 thousand). The Company has committed to guarantee repayment of the bonds by SPP Infrastructure Financing B.V. and as such is exposed to all the resultant risks.

(EUR '000)

21. RELATED PARTY TRANSACTIONS

In the six-month period ended 31 January 2020, the Company entered into the following transactions with related parties:

	6-month period ended 31 January 2020				*As at 31 January 2020*	
	Revenues	***Expenses***	***Dividends***	***Other***	***Receivables***	***Liabilities***
SPP Infrastructure	69	1	430 000	-	30 003	-
Related parties under control of EPH	7 646	23 665	-	366	303	1 264 802
Other related parties	1	58	-	2 490	54	787

	6-month period ended 31 January 2019				*As at 31 July 2019*	
	Revenues	***Expenses***	***Dividends***	***Other***	***Receivables***	***Liabilities***
SPP Infrastructure	45	1	251 000	-	312 026	-
Related parties under control of EPH	56 464	23 734	-	704	1 114	1 243 158
Other related parties	26	54	-	55	51	263

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

Transactions with SPP Infrastructure related to distribution of dividends and cash-pooling (See note 11).

Transactions with related parties under control of EPH in the six months ended 31 January 2020 related mainly to issued bonds (see also Note 12), services related to transmission, purchases and sale of natural gas, and other services. In the year ended 31 July 2019 transactions with related parties under control of EPH comprise mainly of issued bonds (see also Note 12), services related to transmission, purchases and sale of natural gas, and other services.

The Company provided guarantee to SPP Infrastructure Financing B.V. in 2020 (see also Note 20).

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

(EUR '000)

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

	6-month period ending 31 January 2020	**6-month period ending 31 January 2019**
Total compensation of the actual and former members of board of directors, supervisory board and key management –	557	556
of which – Board of Directors and executive management	363	364
– Supervisory Board	143	140
– Supervisory Committee	*51*	*52*
– former members of the Board of Directors and executive management	-	-
– former members of the Supervisory Board	-	-
Other long-term benefits to the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
of which – Board of Directors and executive management	-	-
– former members of the Board of Directors and executive management	-	-
Post-employment benefits to the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
of which – Supervisory Board	-	-
Benefits in kind to the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	10	11
of which – Board of Directors and executive management	*9*	*8*
– Supervisory Board	*1*	*3*
Other remuneration (including loans, guarantees or other securitization) to the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	-
Total amount of used financial or other remunerations for personal use by the Members of statutory body, supervisory body or other body of the accounting unit, which are accounted for	4	4
of which – Board of Directors and executive management	*3*	*3*
– Supervisory Board	*1*	*1*
– former members of the Board of Directors and executive management	-	-

(EUR '000)

22. MEMBERS OF THE COMPANY'S BODIES AS AT 31 JANUARY 2020

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

23. POST-BALANCE SHEET EVENTS

Since the beginning of 2020, COVID-19 (coronavirus) has spread throughout the entire world and its negative effects are becoming increasingly serious. Although at the time of issuing the financial statements, management had not identified any significant impact on the Company's activities, as the situation is changing rapidly, future repercussions are unpredictable. Any negative consequences and/or loss will be included in the Company's 2020 accounting books and financial statements.

No events occurred subsequent to 31 January 2020, which would have a material impact on the financial statements of the Company as at 31 January 2020.

Prepared on:	**Signature of a member of the statutory body of the reporting entity**
1 June 2020	

Ing. Tomáš Mareček
Chairman of the Board of Directors

Ing. Miroslav Bodnár
Member of the Board of Directors