

ANNUAL REPORT

2017

The 2017 Annual Report is published for the accounting period from 1 January 2017 to 31 December 2017.

ADDRESS FROM THE CHAIRMAN OF THE BOARD



Tomáš Mareček
Chairman of the Board of Directors

Dear business partners, deal colleagues and friends,

We are proud to publish this annual report, which documents the condition and development of the Slovak natural gas transmission system operator, Eustream, in 2017.

Our company's basic mission is the reliable, safe and efficient transmission of natural gas through Slovakia in serving European markets based on non-discriminatory rules in accordance with domestic and European legislation and contractual commitments. I am pleased to say that the Slovak transmission system operator has successfully fulfilled this mission for more than 45 years, and continued to do so without hesitation last year as well.

Eustream's earnings over the previous year were affected by the overall situation on the European natural gas market, which was marked by a tangible increase in natural gas exports from the Russian Federation. It is clear that natural gas has a stable role in the energy mix in the European Union and will continue to be relied upon as an appropriate partner to renewable energy sources towards the achievement of environmental objectives.

The positive development in the natural gas market was also reflected in increased transit volumes through the Slovak corridor with a positive impact on company earnings.

The Eustream transmission system transported a total of 64.2 billion cubic metres of natural gas in 2017, an amount corresponding to 678.7 terrawatt hours. There was a nearly 6% year-on-year increase in transmission volumes. In addition to traditional natural gas flows towards the markets in Western Europe and the domestic market, the Slovak transmission system operator continues to play a critical role in securing transmission to Ukraine.

2017 was a successful year in terms of the planned improvement in transmission system flexibility: we recorded significant progress in numerous development projects in

our company's ten-year network development plan. All projects in the plan combine the potential to increase energy security and create new natural gas trading opportunities to the benefit of all natural gas market participants, including end users.

Based on confirmed interest from the market, we made the decision towards a planned increase in reverse flow transmission capacity from Czech Republic in 2017. We also made significant progress in preparation for the Poland - Slovakia Gas Interconnection. We received land use permit decision for the project last year and the European Commission awarded

financial support for construction work through recognition as an EU Project of Common Interest.

Our Eastring gas pipeline project also received important support from the European Commission; the project serves to connect the gas markets of Western Europe with those in South-eastern Europe. We continued our intensive collaboration with our partners from Hungary, Romania and Bulgaria on this project. Work on the feasibility study was under way at the close of 2017 and is scheduled to be completed in the middle of the current year, and will be the stepping stone for adopting further decisions regarding project parameters.

Our activities in 2017 clearly confirmed that Eustream is a respected European gas industry partner, thanks to its reliability and flexibility in meeting the needs of our customers and its orientation on the future, with an important role in securing the energy needs of European countries. Primary thanks for this belongs to our partners, international and domestic customers, investors and of course, our experienced team of employees who are an indispensable pillar of our success.



Tomáš Mareček
Chairman of the Board of Directors

COMPANY PROFILE

Eustream – Gas Crossroads of Central Europe

Eustream is a modern company with a long tradition and extensive experience in natural gas transmission. Eustream's basic mission is natural gas transmission in Slovakia and through the country to the European market. Since 1972, Eustream has transported nearly 2.5 trillion cubic metres of natural gas through Slovakia, successfully building on the 160-year history of the Slovak gas industry.

Eustream is the high-pressure transmission system operator in Slovakia. Transmission system capacities are used by major European energy companies. System access is provided to all partners in a transparent and non-discriminatory manner in accordance with European and Slovak gas legislation.

Eustream strives for operational excellence during its activities.

Eustream's key priorities are security, reliability and performance. Relationships with customers are based on a professional approach and transparent and non-discriminatory rules. The company consistently responds to market demands and provides clients with a broad range of natural gas transmission-related services.

SPP Infrastructure, a. s., with registered office at Mlynské nivy 44/a, 825 11 Bratislava, owned 100% of eustream, a.s., shares as of 31 December 2017.

Eustream owns 15% of the shares of Central European Gas Hub AG with registered office at Floridsdorfer Hauptstrasse 1, 1210 Vienna, Austria and 100% of the shares of Eastring B.V. with registered office in Amsterdam, the Netherlands.

Eustream did not have any ownership interests in other companies or organisational units abroad as at 31 December 2017.

Eustream's history

1970

Tranzitní plynovod, k.p., Prague



1993

Slovtransgaz division, Slovenský plynárenský priemysel, a.s.



2003

Tranzit division, Slovenský plynárenský priemysel, a.s.



2006

SPP - preprava, a.s.



2008

eustream, a.s.

Eustream's Transmission System

Eustream's transmission system represents an important energy connection between the Russian Federation and the European Union. It is connected to the primary transmission routes in Ukraine, Czech Republic, Austria and Hungary. The transmission system is comprised of four to five parallel pipes, 1200 or 1400 mm in diameter, with an operating pressure of 7.35 MPa. Four compressor stations with combined output of nearly 500 MW provide the power needed to ensure the smooth flow of gas. The most important compressor station is located at the Slovak-Ukrainian border at Veľké Kapušany. With roughly 300 MW of installed output, this is the largest compressor

station in the European Union. Daily technical capacity at the entry point at Veľké Kapušany is 2,028 GWh, or 195 million cubic metres per day.

Eustream's core business is focused on international natural gas transmission. Access to transmission system capacities is based on the Entry - Exit principle. Customers may choose from one of the following entry/exit points to/from the transmission system:

- Veľké Kapušany (entry/exit point to/from gas transmission system in Ukraine),
- Baumgarten (entry/exit point to/from gas transmission system in Austria),
- Lanžhot (entry/exit point

to/from gas transmission system in Czech Republic),

- Budince (entry/exit point to/from gas transmission system in Ukraine),
- Veľké Zlievce (entry/exit point to/from gas transmission system in Hungary),
- Domestic Point (entry/exit point to distribution systems and storage facilities in Slovakia).

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



NATURAL GAS TRANSMISSION

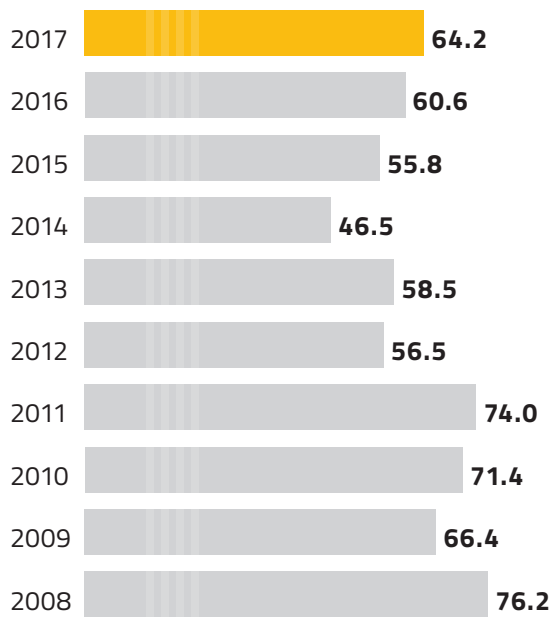
Eustream registered more than 1,400 new confirmed reservations for transmission capacity in 2017 and 1,436 active contracts to access the transmission system and for natural gas transmission were recorded in the same period. Compared to the previous year, the number of contracts slightly decreased due to better utilisation of the existing portfolio of contracts by network users.

The Eustream transmission system transported a total of 64.2 billion cubic metres of natural gas in 2017, an amount corresponding

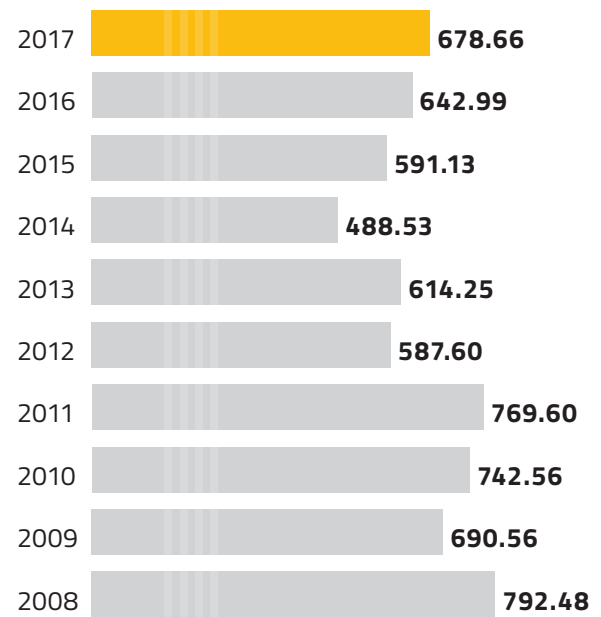
to 678.7 terrawatt hours. More than 5 billion cubic metres of natural gas were transported to Czech Republic, while nearly 45 billion cubic metres of natural gas were transported to Austria and nearly 10 billion cubic metres of natural gas were transported to Ukraine. Natural gas for customers in Slovakia accounts for the remaining balance. The largest proportion of transmission activities, more than 94%, involved international customers, users of the transmission system in Slovakia and gas traders active in a variety of European countries.



Natural Gas Transmission (in billions m³)



Natural Gas Transmission (in TWh)



TRANSMISSION SYSTEM DEVELOPMENT

Eustream invests into new equipment and environmental technologies to improve the efficiency of natural gas transmission and to minimise the impacts of transmission system activities on the environment. Long-term forecasts for natural gas transmission through Slovakia and the requirements of environmental protection legislative have served as the impetus for the company to complete a long-term policy to replace transmission system infrastructure, an effort which continued in 2017 as well. Investments are focused on replacing obsolete equipment, modernising existing units, technical modifications

to the configuration and settings of the entire transmission system to enable to company to flexibly respond to changes in demand for natural gas transmission.

Eustream completed projects in 2017 focused on developing the transmission system with total investment costs of more than €11 million.

The most significant projects in the engineering process were:

- Poland-Slovakia Gas Interconnection,
- Expansion of the splitting junction at Lakšárska Nová Ves

with the installation of natural gas transmission equipment,

- Increase in natural gas reverse flow in the direction of Ukraine.

A number of development projects are in the works, the most important of which in the engineering and review phase are:

- Eastring – gas pipeline project for Central and South-eastern Europe, for which a feasibility study was started in 2017.





Co-financed by the European Union

Connecting Europe Facility

The Poland-Slovakia Gas Interconnection and the Eastring projects are classified in the list of European Projects of Common Interest (the PCI List). Both projects received a positive assessment for financial support from the European Commission in February 2017. The Poland-Slovakia Gas Interconnection

project received a total grant of €107.7 million for construction work (with €55.2 million dedicated for the Slovak side of the project) and the Eastring project received a grant to complete the feasibility study (grant of up to €1 million or 50% of eligible costs to complete the study).



LEGAL COMPLIANCE

The European Union's Third Energy Package was transposed into Slovak law via the adoption of Act No. 251/2012 Coll. on Energy and on amendment of certain acts (Energy Act) and Act No. 250/2012 Coll. on Regulation in Network Industries (Regulation Act) stipulating and regulating business in the energy sector. Both of the aforementioned acts contain the requirements for unbundling, i.e. the separation of production and distribution activities from transmission system operations, a process in which Eustream is directly involved. The Independent Transmission Operator (ITO) model of unbundling has been applied in compliance with legislation and decisions issued by the Slovak government.

Certification Process

The national regulator reviewed the certification proposal from Eustream within the certification process to determine if the independence criteria were met within the vertically integrated company. The Regulatory Office for Network Industries (Regulatory Office) and the European Commission provided their opinions to the certification proposal. The Regulatory Office issued its final assenting certification decision in 2013 after fulfilment of all the conditions placed on the independent

transmission system operator. The Regulatory Office then notified the Ministry of Economy of the Slovak Republic of its decision, which moved to certify Eustream as an independent transmission system operator meeting the requirements of European and Slovak legislation.

The Regulatory Office conducts oversight of Eustream as an independent transmission system operator within permanent monitoring of the conditions defined in the certification decision and for compliance with defined obligations. The Regulatory Office determined that Eustream committed no violations in 2017 within its surveillance oversight.

Transmission Tariffs

The Regulatory Office approves tariffs for transmission system access and natural gas transmission. These tariffs are defined based on analysis comparing the prices for natural gas transmission in other European Union member states. Tariffs for transmission system access and natural gas transmission for the 2017 – 2021 regulatory period were approved in the Regulatory Office's Decision 0021/2017/P dated 31 October 2016.

Implementation of Network Codes

Eustream has fully implemented individual network codes for natural gas transmission. This concerns Commission Regulation (EU) No 459/2017 of 16 March 2017, establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013; Commission Regulation (EU) No 312/2014 (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks and Commission Regulation (EU) No 2015/703 of 30 April 2015, establishing a network code on interoperability and data exchange rules. In the coming periods, the company will focus on the implementation of Commission Regulation (EU) No 460/2017 of 16 March 2017, laying down the network code on harmonised structures for natural gas transmission tariffs. The company also continued in its reporting of the defined fundamental and transaction data under the REMIT regulation.

COMPLIANCE PROGRAM FULFILMENT

Per §58 (11)(b) of Act No. 251/2012 Coll. on Energy and on amendment of certain acts, a person must be appointed to ensure compliance on the part of the transmission system operator (Compliance Program Manager) to monitor fulfilment of the program.

Eustream maintained a compliance program in 2017 that primarily concerned:

- activities to ensure the non-discriminatory conduct and independence of the transmission system operator,
- specific obligations of employees and members of management and supervisory bodies of the transmission system operator focused on fulfilling the purpose of the compliance program.

The transmission system operator submitted the draft compliance program to the Regulatory Office for approval, which approved the program on 18 June 2013 and the program entered into force on the same day. Eustream then took all actions needed to ensure adherence to the compliance program and monitoring of its fulfilment. Supervision over fulfilment of the program was conducted by the Regulatory Office under §9 (1)(b)(6) in connection with §26 (11) of Act No. 250/2012 Coll. on Regulation in Network Industries.

The transmission system operator provided the compliance program manager with the cooperation needed to conduct its rights and obligations and ensured that other persons via which the transmission system operator conducts its activities provided the same level of cooperation. The Compliance Program Manager was given the right to participate in meetings of the board of directors as the statutory body of the transmission system operator and meetings of the supervisory commission, meetings of the transmission system operator's general meeting and other bodies of the transmission system operator per the Commercial Code, the right to access records and documents involving the activities of the transmission system operator and the ability to provide all information needed to fulfil its obligations as the person obliged to ensure compliance as well as access to the transmission system operator's registered office and its facilities without prior notice.

In 2017, the Compliance Program Manager:

- did not determine any serious violations of the compliance program on the part of the transmission system operator,
- did not identify any actions by any entities included in the same vertically integrated gas enterprise as the transmission system operator or that directly or indirectly exercise control over any entities included in the same vertically integrated gas enterprise as the transmission system operator at the general meeting or by a member of the supervisory commission at the meetings of the supervisory commission of the transmission system operator that would have prevented the transmission system operator from completing investments in the next three years per the ten-year system development plan.



Milan Sedláček
Compliance Program Manager

BOARD OF DIRECTORS



Tomáš Mareček
Chairman of the Board of Directors

Tomáš Mareček	Chairman of the Board of Directors
Robert Hančák	Vice-chairman of the Board of Directors
Miroslav Bodnár	Member of the Board of Directors
Mirek Topolánek	Member of the Board of Directors
Eva Markovičová	Member of the Board of Directors

The structure presented dates to 31 December 2017. A change in the Eustream Board of Directors occurred on 8 February 2017 with Eva Markovičová replacing Kamil Peteraj as board member.

SUPERVISORY BOARD

Peter Trgiňa	Chairman of the Supervisory Board
Jiří Zrůst	Vice-Chairman of the Supervisory Board
Andrej Lendvay	Member of the Supervisory Board
Mikuláš Maník	Member of the Supervisory Board
Peter Pandý	Member of the Supervisory Board
Peter Joanidis	Member of the Supervisory Board

The structure presented dates to 31 December 2017. The Supervisory Board terms of members Peter Trgiňa, Otto Halás and Viera Pet'ková ended on 20 September 2017. SPP Infrastructure, a.s., as the sole shareholder of Eustream, selected Peter Trgiňa, Peter Pandý and Peter Joanidis as members of the Supervisory Board effective 6 October 2017. Peter Trgiňa was once again elected as Chairman of the Supervisory Board on 28 November 2017.

SUPERVISORY COMMISSION

Daniel Křetínský	Chairman of the Supervisory Commission
Ružena Lovasová	Vice-Chairman 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

The structure presented dates to 31 December 2017. The Supervisory Commission did not undergo any changes in 2017.

MANAGEMENT

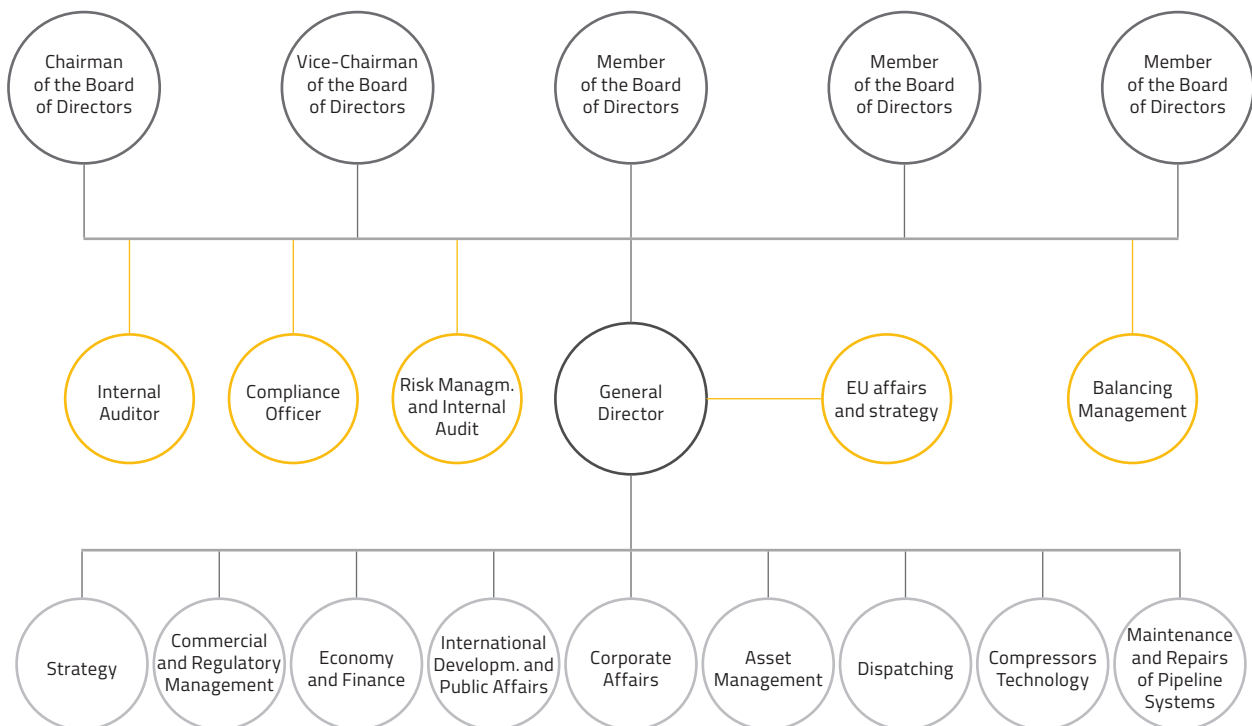


Rastislav Ňukovič
General Director

Rastislav Ňukovič	General Director
Miroslav Bodnár	Strategy
Peter Pčola	Commercial and Regulatory Management
Miloš Farštiak	Economy and Finance
Mirek Topolánek	Foreign Development and Public Affairs
Petr Krafka	Corporate Affairs
Peter Tóth	Asset Management
Ján Janus	Dispatchingu
Anton Zelenaj	Compressor Technology
Vladimír Potočný	Pipeline System Repair and maintenance

The structure presented dates to 31 December 2017. Among the changes during the year, Miloš Farštiak became the new director of the Economy and Finance organisational unit on 2 May 2017.

Organisational Structure



HUMAN RESOURCES

Human resources management at Eustream focused primarily in 2017 on continuing the implementation of the Efficiency Project, the objective of which is improving the competitiveness of the company and streamlining internal operations.

Employee Education and Development

Eustream focused in 2017 on rolling out a number of development projects within employee education and development activities:

- Successorship Program – a program specifically for internal company employees and is designed to support and stabilise potential employees, expand the competencies of management and focus on specialised positions,
- Graduate Program – a program focused on graduates with 0 to 2 years of experience after graduating from university,
- Internship Program – a program for 4th and 5th year university students and for recent graduates with no experience for the purposes of completing a professional internship in our company. Interns rotate within

individual departments in the company and work under the supervision of a mentor.

Assessment, Remuneration and Motivation

Eustream has a remuneration system with clear, fair and motivating rules. Employee remuneration is closely tied to employee performance assessment. The assessment, remuneration and motivation program did not change significantly in 2017. The company focused on streamlining the entire employee remuneration process through the use and further development of an electronic application.

Social Care

The employee benefits program did not undergo significant changes in 2017 and Eustream provided employees with the same level of compensation as in previous years. The employer continued to use all available forms of assistance if any of its employees

found themselves in situations with a detrimental impact on their personal lives or their families.

Communication

Eustream's primary goal within internal communication is to provide employees and Slovak Gas Trade Union (POZ) representatives with information on important changes in an accurate, timely and transparent manner.

Eustream continued the tradition of meetings between the representatives of Eustream as the employer and POZ in 2017, which served as an opportunity to communicate all of the important events and prepared changes with an impact on employees and their working conditions. Employees have immediate access to information about the latest events in the company, all open jobs and organisational changes through the intranet and the internal newsletter; new hire employees who join our ranks have been introduced using the same channels since 2017.

Employee Structure

Eustream had a total of 647 employees as of 31 December 2017, 108 of whom were women (16.7% of the total). As a result of the organisational changes implemented at the end of 2017, the proportion of employees with university-level education slightly increased (49.30%) and the proportion of employees under the age of 50 slightly decreased.

Age Structure at 31 December 2017

30 and below	22 employees (3.4 %)
31 to 40	113 employees (17.5 %)
41 to 50	233 employees (36.0 %)
51+	279 employees (43.1 %)

Structure of Qualifications at 31 December 2017

Vocational education	85 employees (13.14 %)
Secondary education	243 employees (37.56 %)
University-level education	319 employees (49.30 %)

ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

Eustream's primary areas of focus within environmental protection include:

- compliance with the waste management hierarchy to reduce the amount of waste generated,
- optimising water management,
- reducing emissions and environmental pollutants,
- decreasing the level of noise emitted around compressor stations.

Eustream works to ensure any negative environmental impacts of operations are minimised. The company modernises its equipment and strives to use the best available technologies.

Waste Management

Eustream's waste management is geared towards minimising the negative health and environmental impacts of waste generation and management, to reduce the usage

of resources and to prioritise the practical implementation of the waste management hierarchy as defined in Act No. 79/2015 Coll. on Wastes and on amendment of certain acts:

- prevention,
- preparation for reuse,
- recycling,
- other recovery or energy recovery,
- disposal.

Air Protection

Eustream operates stationary combustion installations that produce greenhouse gas emissions and pollutants when operating. Continuous care for the quality of these installations is the company's way of ensuring compliance with ever stricter legislation involving air protection. The company is actively involved in monitoring and evaluation and reducing methane emissions.

An important air protection project was the modification of the Nuovo Pignone gas turbines to use Dry Low Emissions (DLE) technology to comply with Directive of the European Parliament and of the Council No. 2010/75/EU on Industrial Emissions. The company is currently preparing to align itself with European Commission's Implementing Decision (EU) 2017/1442 establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and of the Council, for large combustion devices.

The overall quantity of emissions released into the atmosphere depends on natural gas transmission volumes. Emissions from combustion devices with rated thermal input of more than 50 MW are monitored continuously by automated monitoring systems.

Outdoor Noise Protection

Noise and vibration are produced during natural gas transmission, the operation of combustion installations at compressor stations and related equipment in pipeline yards. Eustream regularly monitors noise emitted by compressor stations to keep noise and vibration levels below the level stipulated in legislation. Noise levels were decreased significantly by modifying operating conditions and transitioning to modern technical equipment.

Occupational Health and Safety

Eustream assures occupational health and safety per relevant legislative and internal regulations to eliminate or mitigate all employee safety risks to the

greatest possible extent and to protect their health at work.

Various health-related programs are conducted throughout the year within the employee health prevention program and occupational rehabilitation services are also provided. Eustream applies an active occupational health and safety (OHS) policy focused on employees, suppliers and all business partners involved in the organisation's activities.

A functional OHS management system is deployed at Eustream. Audits conducted by the Labour Inspectorate and surveillance conducted by regional public health authorities, fire safety audits and an external surveillance audit connected with the integrated management system conducted at the end of 2017 assured compliance with OHS regulations and legislation.

In collaboration with the occupational health service, individual workplaces are subject to monitoring of conditions and working environment impacts on the health and safety of employees. Employees regularly complete occupational health-related preventative medicals. The scope of such medicals is determined based on the risk factors that employees are exposed to in their work. One registered workplace injury was recorded during calendar year 2017. Preventative actions and specific programs are conducted to improve working conditions, eliminate risks and factors conditioning workplace injuries, occupational disease and other health damage. The company conducts financial and other activities to create and maintain suitable employment conditions, working conditions and especially conditions for OHS assurance.

Injury History

Indicator	2017	2016	2015	2014	2013
Number of registered workplace injuries	1	0	1	1	1
Of which, serious workplace injuries	0	0	0	0	0

ECONOMIC AND FINANCIAL PERFORMANCE

Eustream generated €755.65 million in revenues from the sales of services in 2017. A total of €227.42 million was reported in operating costs in 2017. Major cost items in 2017 included depreciation, costs of services, consumption of natural gas, materials and energy and personnel costs. Financial activities in 2017 generated a loss of €41.88 million, primarily

as a result of interest costs. Under International Financial Reporting Standards (IFRS) as adopted by the European Union, Eustream reported a profit before tax of €486.35 million in 2017. Income tax on ordinary activities was €133.96 million with profit after tax of €352.39 million.

Comparison of Revenues, Costs and Profit (€ million)

	2017	2016
Revenues from sales of services	755.65	760.59
Operating costs	(227.42)	(225.84)
(Costs)/revenues from financing	(41.88)	(39.95)
Profit before tax	486.35	494.80
Income tax	(133.96)	(107.37)
Profit for the year	352.39	387.43

CAPITAL STRUCTURE

Eustream's total assets as at the balance sheet date were €4,761.33 million, decreasing by €236.01 million compared to the previous year, mainly due to depreciation of tangible fixed assets. Fixed assets were reported in a total amount of €4,332.92 million, accounting for 91% of total assets. Their value decreased primarily due to the depreciation mentioned above. Current assets included accounts receivable, cash and cash equivalents, inventories and receivables from income tax and comprised 9% of total assets. Compared to the previous year, current assets decreased by €163.13 million, primarily as a result of a decrease in receivables.

Equity totalled €2,357.60 million, or 49% of the value of the company's assets. Equity included capital stock as well as the statutory reserve fund, other funds, revaluation reserve and retained earnings. Equity decreased year-on-year by €252.17 million, as a result of the dividends paid out from profit and retained earnings. Company capital stock registered in the Commercial Register was €282.93 million. This total includes ten ordinary registered shares with a nominal value of €3,319.39, one ordinary registered share with a nominal value of €82,895,533.19 and one ordinary registered share with a nominal value of €200,000,000.00.

Comparison
of the Structure of Assets
(€ million)

2017

428.41
9 %

4 332.92
91 %

2016

591.54
12 %

4 405.80
88 %

Fixed



Current



Structure of Shareholders at 31 December 2017

SPP Infrastructure, a. s.	12	shares 100 %
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The company's statutory reserve fund as at the balance sheet date was €56.59 million. Total liabilities accounted for 51% of assets and totalled €2,403.73 million

as at the balance sheet date. Liabilities included €2,336.69 million in long-term liabilities and €67.04 million in current liabilities. Compared to the previous year,

liabilities increased by €16.16 million, primarily as a result of the reporting of the grant allocated for the Slovakia-Poland gas interconnection.

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

	2017	2016	2017	2016
Equity	2 357.60	2 609.77	49 %	52 %
Liabilities	2 403.73	2 387.57	51 %	48 %

FINANCIAL STATEMENTS

Balance Sheet (selected details, € thousands)

	31 December 2017	31 December 2016
ASSETS		
FIXED ASSETS		
Property, plant and equipment	4 271 201	4 393 147
Fixed intangible assets	3 487	4 389
Long-term financial investments	6 633	6 632
Other fixed assets	51 594	1 634
Fixed assets, total	4 332 915	4 405 802
CURRENT ASSETS	428 412	591 538
ASSETS, TOTAL	4 761 327	4 997 340
EQUITY AND LIABILITIES		
EQUITY		
Capital stock	282 929	282 929
Statutory and other funds	55 219	59 730
Revaluation reserve	1 567 945	1 615 827
Retained earnings	451 503	651 285
Equity, total	2 357 596	2 609 771
LONG-TERM LIABILITIES	2 336 694	2 298 955
CURRENT LIABILITIES	67 037	88 614
Liabilities, total	2 403 731	2 387 569
EQUITY AND LIABILITIES, TOTAL	4 761 327	4 997 340

Income Statement (selected details, € thousands)

	Year ending 31 December 2017	Year ending 31 December 2016
REVENUES FROM SALES OF SERVICES	755 649	760 589
OPERATING COSTS	(227 427)	(225 840)
OPERATING PROFIT	528 222	534 749
Financial revenues	3 010	5 460
Financial expenses	(44 885)	(45 411)
Profit before tax	486 347	494 798
INCOME TAX	(133 958)	(107 370)
PROFIT FOR THE YEAR	352 389	387 428

Cash Flow Statement (selected details, € thousands)

	Year ending 31 December 2017	Year ending 31 December 2016
OPERATING ACTIVITIES		
Cash flow from operating activities	552 378	274 685
Interests paid	(45 077)	(44 726)
Received interests	393	409
Income tax paid	(176 578)	(161 023)
Cash flow from operating activities, net	331 116	69 345
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(13 698)	(15 077)
Repayment of provided loans	-	39 453
Proceeds from sale of property, plant and equipment and intangible assets	243	61
Dividends received	1 683	712
Cash flow used in investment activities, net	(11 772)	25 149
FINANCIAL ACTIVITIES		
Revenues (repayments) from received loans	-	(80 000)
Dividends paid	(351 000)	(13)
Other financial income	1 033	-
Cash flow from financial activities, net	(349 967)	(80 013)
NET INCREASE/(DECREASE) IN BALANCE OF CASH AND CASH EQUIVALENTS	(30 623)	14 481
NET FOREIGN EXCHANGE DIFFERENCE	517	(633)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	104 269	90 421
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	74 163	104 269

SIGNIFICANT EVENTS

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

CONTACT

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

Tel.: +421 2 6250 7111
Fax: +421 2 6250 7051
E-mail: info@eustream.sk

Legal form: Joint Stock Company
Registered in the Companies Register: District Court of Bratislava I, section Sa, entry ref. no. 3480/B

Identification and tax details: Company reg. no.: 35910712
Tax reg. no.: 2021931175
VAT reg. no.: SK2021931175



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 ey.com

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of eustream, a.s. ('the Company'), which comprise the balance sheet as at 31 December 2017 and statements of income, comprehensive income, changes in equity and 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 of the Company give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management 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 ISAs 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

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



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 ISAs, we exercise professional judgment and maintain professional skepticism 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 presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their 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.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT



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

- Information disclosed in the annual report prepared for 2017 is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Company and its situation, 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 issue of this auditor's report. In this regard, there are no findings which we should disclose.

14 February 2018
Bratislava, Slovak Republic

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

Ing. Peter Uram-Hrišo, statutory auditor
UDVA Licence No. 996

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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 December 2017

eustream, a.s.
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
(PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS
ADOPTED BY THE EU)
For the year ended 31 December 2017


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eustream, a.s.
BALANCE SHEET
as at 31 December 2017
(€ '000)

	Note	31 December 2017	31 December 2016
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	7	4,271,201	4,393,147
Intangible assets	8	3,487	4,389
Non-current financial investments	9	6,633	6,632
Other assets		51,594	1,634
Total non-current assets		4,332,915	4,405,802
CURRENT ASSETS			
Inventories	10	29,193	26,807
Receivables and prepayments	11	319,051	460,462
Cash and cash equivalents	12	74,163	104,269
Current income tax receivable		6,005	-
Total current assets		428,412	591,538
TOTAL ASSETS		4,761,327	4,997,340
EQUITY AND LIABILITIES:			
EQUITY			
Registered capital	18	282,929	282,929
Legal reserve fund and other reserves	19	55,219	59,730
Revaluation reserve	19	1,567,945	1,615,827
Retained earnings	19	451,503	651,285
Total equity		2,357,596	2,609,771
NON-CURRENT LIABILITIES			
Bonds issued	16	1,233,409	1,234,063
Loans received	16	74,966	74,955
Deferred income	13	62,190	6,856
Provisions	15	8,193	7,893
Retirement and other long-term employee benefits	14	3,110	3,104
Deferred income tax liability	26.2	930,157	952,364
Other non-current financial liabilities		24,669	19,720
Total non-current liabilities		2,336,694	2,298,955
CURRENT LIABILITIES			
Bonds issued	16	26,902	26,906
Loans received	16	57	56
Trade and other payables	17	38,953	45,899
Current income tax liability		-	15,627
Provisions and other current liabilities	15	1,125	126
Total current liabilities		67,037	88,614
Total liabilities		2,403,731	2,387,569
TOTAL EQUITY AND LIABILITIES		4,761,327	4,997,340

The financial statements on pages 1 to 43 were authorized for issue on behalf of the Board of Directors of the Company on 14 February 2018 and signed on their behalf by:


 Ing. Tomáš Mareček
 Chairman of the Board of Directors


 Ing. Miroslav Bodnár
 Member of the Board of Directors

These financial statements are subject to subsequent approval by General Meeting.

eustream, a.s.
INCOME STATEMENT
for the year ended 31 December 2017
(€ '000)

	Note	Year ended 31 December 2017	Year ended 31 December 2016
REVENUES FROM SALE OF SERVICES			
Natural gas transmission and other	20	755,649	760,589
Total revenues		<u>755,649</u>	<u>760,589</u>
OPERATING COSTS			
Own work capitalized		1,452	1,337
Consumption of natural gas, consumables and services		(39,127)	(30,867)
Depreciation, amortization and impairment losses, net	7, 8	(136,335)	(143,082)
Other services		(21,210)	(24,937)
Personnel expenses	21	(29,404)	(32,121)
Provision for bad and doubtful debts, obsolete and slow-moving inventory, net	10, 11	(960)	(376)
Provisions	15	-	91
Other operating income		1,129	5,897
Other operating expenses		(2,972)	(1,782)
Total operating costs		<u>(227,427)</u>	<u>(225,840)</u>
OPERATING PROFIT		528,222	534,749
Financial income	23	3,010	5,460
Financial expense	24	(44,885)	(45,411)
Profit before taxation		<u>486,347</u>	<u>494,798</u>
INCOME TAX	26.1	<u>(133,958)</u>	<u>(107,370)</u>
NET PROFIT FOR THE PERIOD		<u>352,389</u>	<u>387,428</u>

eustream, a.s.
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017
(€ '000)

	Note	Year ended 31 December 2017	Year ended 31 December 2016
PROFIT FOR THE PERIOD		352,389	387,428
Other comprehensive income (items that may be reclassified subsequently to income statement):			
Fair value gains/(losses) on cash flow hedges	27	(5,710)	(63,173)
Deferred tax relating to components of other comprehensive income/loss for the period		1,199	13,938
Other comprehensive income (items that won't be reclassified subsequently to income statement):			
Increase of reserve from revaluation of assets	27	-	2,229,355
Decrease of reserve from revaluation due to changes in fair value		(71)	(2)
Deferred tax relating to items of other comprehensive income/(loss) for the period		18	(563,106)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(4,564)	1,617,012
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		347,825	2,004,440

eustream, a.s.
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017
(€ '000)

	Registered capital	Legal reserve fund	Hedge reserve	Revaluation reserve	Retained earnings	Total
Balance at 31 December 2015	282,929	56,586	52,379	-	713,437	1,105,331
Net profit for the period	-	-	-	-	387,428	387,428
Other comprehensive income/(loss) for the period	-	-	(49,275)	1,644,600	-	1,595,325
Effect of changes in deferred tax rate	-	-	40	21,647	-	21,687
Transfer to retained earnings	-	-	-	(50,420)	50,420	-
Total net comprehensive income for the period	-	-	(49,235)	1,615,827	437,848	2,004,440
Transactions with shareholders: Dividends paid	-	-	-	-	(500,000)	(500,000)
Balance at 31 December 2016	282,929	56,586	3,144	1,615,827	651,285	2,609,771
Net profit for the period	-	-	-	-	352,389	352,389
Other comprehensive income/(loss) for the period	-	-	(4,511)	(53)	-	(4,564)
Transfer to retained earnings	-	-	-	(47,829)	47,829	-
Total net comprehensive income for the period	-	-	(4,511)	(47,882)	400,218	347,825
Transactions with shareholders: Dividends paid	-	-	-	-	(600,000)	(600,000)
Balance at 31 December 2017	282,929	56,586	(1,367)	1,567,945	451,503	2,357,596

The accompanying notes are an integral part of the financial statements.
THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK DOCUMENT.

eustream, a.s.
STATEMENT OF CASH FLOWS
for the year ended 31 December 2017
(€ '000)

	Note	Year ended 31 December 2017	Year ended 31 December 2016
OPERATING ACTIVITIES			
Cash flows from operating activities	28	552,378	274,685
Interest paid		(45,077)	(44,726)
Interest received		393	409
Income tax paid		(176,578)	(161,023)
Net cash flows from operating activities		<u>331,116</u>	<u>69,345</u>
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(13,698)	(15,077)
Repayment of borrowings		-	39,453
Proceeds from sale of property, plant and equipment and intangible assets		243	61
Dividends received		1,683	712
Net cash used in investing activities		<u>(11,772)</u>	<u>25,149</u>
FINANCING ACTIVITIES			
Proceeds from bonds issued		-	-
Proceeds (payments) from loans received		-	(80,000)
Dividends paid	9,11,19	(351,000)	(13)
Other income from financial activities		1,033	-
Net cash flow from financing activities		<u>(349,967)</u>	<u>(80,013)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(30,623)	14,481
EFFECT OF FOREIGN EXCHANGE DIFFERENCES		517	(633)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		104,269	90,421
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>74,163</u>	<u>104,269</u>

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 financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

This version of the financial statements is a translation from the original, which was prepared in Slovak, and all due care has been taken to ensure that it is an accurate representation. However, in interpreting information, views or opinions, the original language version of the financial statements takes precedence.

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 28 July 2017, the Annual General Meeting approved the Company's 2016 financial statements.

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 operations related to natural gas transmission.

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 Company, as the operator, is obliged to provide free and non-discriminatory access to the transmission network on the defined territory (territory of the Slovak Republic) 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 individual periods, monitors compliance of corporate activities with existing energy legislation and its decrees, and issues decisions on tariff determination for access to the transmission network and gas transmission.

Tariffs for regulated activities

For the relevant regulatory period, RONI approves tariffs for access to the transmission network and natural gas transmission and the conditions for their application. These tariffs are determined based on analysis of gas transmission price benchmarking in the other EU Member States. Tariffs for access to the transmission network and natural gas transmission for the period of 2017 were approved on 31 October 2016 by RONI Decision 0021/2017/P, valid under § 14 section 12 of Act no. 250/2012 Coll. on regulation in network industries for the entire regulatory period 2017-2021. The RONI decision 0021/2017/P of 31 October 2016 was amended by the RONI decision 0100/2017/P dated 17 August 2017, according to which eustream will proceed with the application of prices until the end of the regulatory period, which is until 31st December 2021, if the RONI does not approve its change.

Changes in regulatory laws and policy

The main legislative norms for eustream activity are:

- Commission Regulation (EU) 312/2014 of 26 March 2014 on the creation of a network regulation for balancing gas in transmission networks;
- Commission Regulation (EU) 2015/703 of 30 April 2015 laying down a network code for rules on interoperability and data exchange;
- Commission Regulation (EU) 459/2017 of 16 March 2017 establishing a network regulation on mechanisms for the allocation of capacity in the natural gas transmission networks and repealing Regulation (EU) No. 984/2013;
- Commission Regulation (EU) 460/2017 of 16 March 2017 establishing a network regulation on harmonized charging structures for gas transmission;
- Annex no. 1 to Regulation No. No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks, as amended, establishing rules for dealing with congestion;
- 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 of 19 July 2016, which establishes the price regulation in the gas industry and the RONI Decree no. 371/2016 Coll. of 28 December 2016, changing and amending the RONI Decree no. 24/2013 Coll. laying down the rules for the functioning of the internal market in electricity and the rules for the functioning of the internal gas market.

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 a proposal to RONI for a change of the operating order in 2017 by means of a change of decision no. 0005/2016/P-PP of 14 September 2016. This amendment was approved by the decision of RONI no.0001/2017/P-PP on 24 February 2017.

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 Acts on Energy and Regulation. Even though the new Energy Act established a model of ownership, unbundling the transmission system operator as the base model, the Act left 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 Resolution No. 656/2012, that the model of ownership unbundling the transmission system operator would not apply. Based on the above, the Company has complied with the conditions for unbundling the transmission system operator.

On 28 October 2013, RONI issued its consent to granting eustream certification as the transmission system operator. 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 system operator as stipulated by § 51- 60 of the Energy Act. The Company consistently complies with the conditions set out in the relevant legislation for the independent transmission system operator.

1.3. Employees

The average headcount of the Company for the year ended 31 December 2017 was 653. The number of employees as at 31 December 2017 was 647, including 12 representatives of the key management personnel (for the year ended 31 December 2016, the average headcount was 731, and the number of employees as at 31 December 2016 was 707 including 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

2.1. Adoption of new and revised IFRS

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 1 January 2017. The following standards, amendments and improvements issued by the IASB and adopted by the EU are effective for the current accounting period:

- IAS 12 Income taxes - Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses - effective for financial years beginning on 1 January 2017;
- IAS 7 Statement of cash flows – Amendment to IAS 7 - Disclosure Initiative – effective for financial year beginning on 1 January 2017;
- Improvements to IFRS Project Cycle 2014 – 2016 - effective for financial years beginning on 1 January 2017 – improvements has not yet been endorsed by the EU;
- IFRS 12 Disclosure of Interests in Other Entities.

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

- IFRS 9 Financial Instruments – effective for financial years beginning on or after 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers - effective for financial years beginning on or after 1 January 2018;
- IFRS 16 Leases – effective for financial years beginning on or after 1 January 2019;
- Amendment in 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 – amendments have not yet been endorsed by the EU;
- IFRS 2 Classification and Measurement of Share based Payment Transactions – Amendment to IFRS 2 – effective for financial years beginning on or after 1 January 2018 - Amendments have not yet been endorsed by the EU;
- Amendment in IFRS 9 – effective for financial years beginning on or after 1 January 2018;
- IAS 40: Investment Property (Amendments) - effective for financial years beginning on or after 1 January 2018 – Amendments have not yet been endorsed by the EU;
- IFRS 9 - Financial Instruments – Prepayments features with negative compensation – effective for financial years beginning on or after 1 January 2019 – Amendments have not yet been endorsed by the EU;
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance payments – Interpretation is effective for financial years on 1 January 2018 with earlier application permitted – Interpretation has not yet been endorsed by the EU;
- Improvements to IFRS Project Cycle 2014 – 2016 - effective for financial years beginning on or after 1 January 2018 – Improvements have not yet been endorsed by the EU;
 - IFRS 1 First-time Adoption of International Financial Reporting Standards
 - IAS 28 Investments in Associates and Joint Ventures
- IFRIC Interpretation 23: Uncertainty over income Taxes Treatments – effective for financial year beginning on or after 1 January 2019 with earlier application permitted – Interpretation has not yet been endorsed by the EU;
- Improvements to IFRS Project Cycle 2015 – 2017 – effective for financial years beginning on or after 1 January 2019 with earlier application permitted – Improvements have not yet been endorsed by the EU:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements
 - IAS 12 Income Taxes
 - IAS 23 Borrowing Costs

If not otherwise stated, the Company anticipates that the adoption of these standards, amendments to the existing standards, and interpretations will not have material impact on its financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with IFRS as adopted by the EU.

The financial statements have been prepared under the historical cost convention, except for revaluation of specified fixed asset items and revaluation of certain financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. The Company's reporting and functional currency is the euro (€). These financial statements were prepared on a going concern basis.

b) Segment information

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

d) Financial assets

The Company has the following categories of financial assets: loans issued, trade receivables, and financial assets available-for-sale.

The available-for-sale category includes equity instruments which are initially recognized at fair value plus transaction costs and carried at fair value. Dividends are recognized in profit or loss for the year as finance income when the Company's right to receive payments is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market. Loans and trade receivables and other receivables are initially recognized at fair value and subsequently measured in amortized costs using the effective interest method net of allowances. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are always recognized in the income statement against an allowance account to write down the asset's carrying value. When a financial asset is derecognized, the current fair value less any impairment loss on that asset previously recognized in profit or loss is derecognized. Gains or losses realized on derecognition of a financial asset are represented by the calculated difference between the proceeds received from its disposal or sale, and the asset's carrying value and are recognized in the income statement.

e) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value and are revalued to fair value at subsequent reporting dates. 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 include commodity swaps and currency forwards.

Cash flow hedging

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

Changes in the fair value of derivative financial instruments that do not meet the requirements of effective cash flow hedging are recognized in the income statement.

f) Trade receivables

Trade receivables are recognized at amortized cost, net of provisions for debtors in bankruptcy or restructuring proceedings and net of provisions for overdue and doubtful receivables, where there is a risk of them not being fully or partially settled.

g) Property, plant and equipment and intangible assets

In 2017, property, plant and equipment, used for the natural gas transmission, are recognized in the balance sheet in revalued amount, which represents the fair value at the date of revaluation, net of any subsequent accumulated depreciation and subsequent accumulated losses from permanent impairment. The first revaluation was settled on 1 January 2016. The revaluation was prepared by an independent expert. Revaluations will be carried out regularly (at least every five years), so that the carrying amount does not differ materially from the amount recognized on the balance sheet date using fair values.

Potential increase of the revaluation surplus that was incurred during the revaluation of such property, plant and equipment is recognized in the revaluation reserve. This takes into account the amount that will possibly cancel the revaluation surplus reduction for the same assets previously recorded and recognized in the Income Statement in the previous period. In this case the increase is recorded in the amount of the previously charged reduction in favour of the Income Statement. A reduction of the net book value resulting from the revaluation of such property, plant and equipment is charged to the Income Statement in the amount that exceeds the balance on reserve account from the revaluation of assets in relation to a previous revaluation of that asset. Depreciation on revalued property, plant and equipment is recognized as an expense in the Income Statement. Revaluation difference is gradually dissolved in retained earnings during the period of depreciation of revalued assets to which they relate. During the subsequent sale or disposal of a revalued property, the corresponding revaluation surplus, remaining in the revaluation reserve, is transferred directly to retained earnings.

Other property, plant and equipment and intangible assets (referred to as fixed assets or FA) are recognized at historical cost less accumulated depreciation and impairment losses.

Permanent gas filling of the transmission network, which is also acquired as part of the fixed assets, due to its nature, is not depreciated.

Acquisition cost includes all costs incurred for putting the asset in use.

Items of fixed assets that are damaged or disposed of are eliminated from the balance sheet at net book value. Any gain or loss resulting from such damage or disposal is included in the income statement.

Items of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Depreciation charges are recognized in the income statement so as to amortize the cost of the assets to their estimated net book value over their residual useful lives. The total useful lives of fixed assets are as follows:

Border entry/exit points, domestic points	11 – 53
Compressor stations	5 - 49
Gas pipelines	33 - 71
Buildings	18 - 40
Machinery and equipment, other tangible assets	3 - 19
Non-current intangible assets	3 - 8

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

At each reporting date, property and equipment are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount in the year when it occurs. In the case of fixed assets with a positive revaluation surplus, allowance for impairment of fixed assets primarily reduces the positive revaluation surplus in equity and only the difference in excess of net book value of revaluation surplus is charged to 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. In the event that 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 recognized, if appropriate.

Expenditures related to the fixed assets already put in use are capitalized only if the possibility of future economic benefits exists, and the carrying amount of the asset can be measured. All other subsequent expenditures are treated as repairs and maintenance and are expensed in the period when incurred.

h) Business combinations

Assets and liabilities acquired in business combinations from the parties under common control are measured by using the predecessor values method. When using this method, assets and liabilities acquired in business combination are recognized by the Company on the acquisition date at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the IFRS financial information of the business was consolidated. Any difference between the carrying amount of net assets and the consideration for the acquisition, which increases equity of the Company, is accounted for in these financial statements as an adjustment to retained earnings within equity.

i) Inventories

Inventories are recognized at the lower of their acquisition cost and their net realizable value. The cost of natural gas in the transmission network pipelines, as well as raw materials, and other inventories are calculated using the weighted average method. Costs of raw materials and other inventories comprise acquisition costs and other costs related to the acquisition; value of inventories developed internally comprise of costs of materials, other direct costs and related production overheads. Increases in natural gas accumulation in the transmission network pipelines are recognized at acquisition cost. There are no other costs related to acquisition of natural gas. Appropriate provision is created for obsolete and slow-moving inventories.

j) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash in bank with insignificant risks of changes in value. Cash and cash equivalents are carried at amortized cost using the effective interest rate method.

k) Bonds issued and loans received

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

l) Trade and other payables

Trade payables are obligations 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. After initial recognition, trade and other payables are measured at amortized cost using the effective interest rate method.

m) Provisions

A provision is recognized when the Company has a present obligation (legal or contingent) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the value of the obligation can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate as a discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect a decrease in the value of discounting time.

Provision for environmental liabilities

Provision for environmental liabilities is recognized when it is probable that costs will be incurred to clean up the environment and these can be reliably estimated. The creation of the provision generally corresponds to acceptance of a formal plan or other commitments to sell investments or dismantle unused assets on the site. The amount of recognized provision is the best estimate of the expenditures required. If the liability is not settled in the near future, the amount of recognized provision represents the present value of estimated future expenditures.

n) Greenhouse gas emissions

The Company receives free emission rights as a result of its participation in the European Emission Trading Schemes. The rights are received on an annual basis and the Company is required to return emission rights equal to its actual emissions for the year. The Company recognizes a net liability resulting from the gas emissions produced. Therefore, a provision is recognized only when actual emissions exceed the emission rights received free of charge. When emission rights are purchased from third parties, they are measured at acquisition costs and recorded as intangible assets. When emission rights are acquired in exchange, they are measured at fair value at the acquisition date, and the difference between the fair value and acquisition cost is recognized in profit or loss for the period.

o) Social security and pension schemes

The Company is required to make contributions to various mandatory government insurance schemes, together with contributions made by employees. The cost of social security payments is charged to the income statement in the same period as the related salary cost.

p) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognizes revenue when it can be reliably measured and future economic benefits will probably flow to it. The amount of revenue is not considered to be measurable reliably until all contingencies relating to the sale have been resolved. Sales are recorded upon the delivery of services net of value added tax and discounts.

The Company records revenues mainly from fees for natural gas transmission, related services and revenues from the sale of gas in-kind and other revenues.

(i) Fees for natural gas transmission

Revenues from fees for natural gas transmission are recognized at the time, or in the period when a transmission capacity in the gas transmission network is assigned to a customer. They also comprise revenues from the received gas in-kind and are recognized in the period when gas transmission occurred.

(ii) Revenues from the sale of gas for operational purposes

Revenues from the sale of gas for operational purposes in case of savings are recognized when the gas is sold.

(iii) Revenues from connection fees to transmission network

Revenues from connection fees to transmission network are recognized when a customer is connected to the network.

(iv) Sales of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(v) Dividend income

Dividend income is recognized when the right to receive the payment is established.

(vi) Interest income

Interest income is recognized on an accrual basis in the period when it is incurred, independent of the actual payments of the interest.

q) Retirement and other long-term employee benefits

The Company has a long-term employee benefit program comprising a lump-sum retirement benefit, social assistance benefit in material deprivation and life and work jubilee benefits, for which no separate financial funds were earmarked. In accordance with IAS 19, the employee benefits costs are assessed using the projected unit credit method. According to this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service period of employees. The benefit obligation is measured as the present value of the estimated future cash flows discounted by market yields on Slovak government bonds, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized in the other comprehensive income in equity for the period when they arise. Past service costs are recognized immediately in the income statement.

r) Leasing

Operating lease

The lessee under an operating lease arrangement does not present assets subject to an operating lease on its balance sheet nor does it recognize operating lease obligations for future periods. Lease payments under an operating lease are recognized as an expense in the income statement on a straight-line basis over the lease term.

s) Income tax

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 (2016: 22%).

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 is 8.712% per annum (2016: 4.356%). This levy is based on profit before tax and is presented as part of the current income tax pursuant to the IFRS requirements.

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. The income tax rate valid since 1 January 2017 is 21% (2016: 22%).

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.

t) Foreign currency transactions

Transactions in foreign currencies are initially recorded at the European Central Bank (ECB) rates prevailing at the date of the transaction. Monetary assets, receivables and payables denominated in foreign currencies are translated into a functional currency using the ECB exchange rates prevailing at the balance sheet date. Exchange rate gains and losses arising from the translations at the balance sheet date are recognized in the income statement.

u) Accounting principles adopted for grants

Grants are recognized 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 is intended to compensate expenses, it is recognized as revenue in the period in which such expenses are incurred. If a grant relates to the acquisition of fixed assets, it is recognized as deferred revenue and it is released in profit or loss on a straight-line basis over the estimated useful lives of the relevant assets. In the balance sheet, the government grants are recognized using the deferred revenue method.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS

In applying the Company's accounting policies described in Note 3, the Company made the following decisions concerning uncertainties and estimates that have a significant impact on the amounts recognized in the financial statements. There is a possible future significant risk of material adjustments in the following areas:

Revaluation of property, plant and equipment

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 on this model because it considers that it will result in financial statements providing more reliable and relevant information about the buildings, construction, land, machinery and equipment used for natural gas transmission.

Revaluation of assets was recorded without effect on prior periods. The result of the revaluation was the increase of the value of property, plant and equipment by €2,222,000 thousand, the increase of the deferred tax liability by €488,840 thousand and the creation of the revaluation reserve in equity, as well as the impairment of property, plant and equipment of €7,355 thousand charged to the Income Statement in line Depreciation, amortization and impairment losses, net.

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 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 can significantly modify the reported financial position, equity and profit. Further information is disclosed in Note 7.

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 2016, 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.

Detailed information is disclosed in Note 7.

The economic useful lives of fixed assets are based on the best estimates as listed in Note 3 g). The carrying values of these assets at the year ended 31 December 2017 and 31 December 2016 are presented in Note 7 and 8. If the estimated useful lives of the pipeline and compressor stations were five years longer than management's estimate as at 31 December 2017, a depreciation of assets constituting pipelines and compressor stations would be lower by € 22,813 thousand (as at 31 December 2016 lower by € 24,832 thousand).

5. FINANCIAL INSTRUMENTS

a) Financial risk

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 trading with financial derivative instruments, e.g., forward or swap currency and commodity contracts. The purpose of such practice is to manage risks related to movements in FX rates and commodity prices arising from the Company's operations.

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

(1) Exchange rate risk

The company operates internationally, but almost all of its income and expenses are denominated in domestic currency euro, minimizing its currency risk.

Analysis of financial assets and financial liabilities by currency:

	Assets		Liabilities	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
USD	10	114	27	60
CZK	-	3	-	-
HUF	123	-	1	-

The table below displays the sensitivity of the Company to a 10% increase or decrease of euro against USD and a 2% increase or decrease of euro against CZK and against HUF. The sensitivity analysis includes only unpaid monetary items denominated in foreign currencies and shows their translation at the period end for a change in exchange rates.

	Impact in US dollar, CZK and HUF	
	As at 31 December 2017	As at 31 December 2016
Effect on profit before tax USD	(2)	6
Effect on profit before tax CZK	-	-
Effect on profit before tax HUF	2	-

The effects mainly relate to risks of cash in HUF at the balance sheet date (in 2016, the risk was mainly related to the risk of cash in USD).

Positive value indicates the potential gain recognized in the income statement in case of decrease of euro against related currency.

(2) 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 and enters into short and mid-term commodity swaps in order to hedge its selling prices.

In 2017, the Company entered into commodity swaps to hedge cash flow from sales of surplus of gas in-kind.

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

Open commodity swaps	2017		2017	
	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	1,599	-	49,237	-
3 to 12 months	(3,329)	-	94,219	-
Over 12 months	-	-	-	-

The accompanying notes are an integral part of the financial statements.
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Open commodity swaps	2016		2016	
	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	2,345	-	32,426	-
3 to 12 months	4,626	-	93,738	-
Over 12 months	(2,990)	-	20,527	-

The 15% change in the market price of the natural gas would have impact on the fair value of derivatives of € 21,778 thousand.

Movement in hedging reserve is disclosed in Note 19.

(3) Interest rate risk

The Company has no significant exposure to an interest rate risk. As at 31 December 2017, the Company issued bonds with fixed interest rate and also granted long-term loans with fixed interest rate. The Company had a long-term investment loan at 31 December 2017 with a floating interest rate and short-term operating loans with fixed interest rate (see Note 16). 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.

(4) Credit risk

The Company is exposed to a 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. In addition to the existing trade receivables, the Company has receivables arising from loans issued to the parent company.

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	2017	2016
Loans issued	9	26	25
Receivables and prepayments		318,890	460,423
- Receivables from transmission activities	11	38,880	45,131
- Receivables from financial derivatives	11	2,762	11,209
- Other receivables	11	277,248	404,083
Other assets		51,594	1,634
Cash and cash equivalents		74,163	104,269
Total maximum exposure to credit risk		444,673	566,351

The accompanying notes are an integral part of the financial statements.
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Credit quality of cash in banks as at 31 December 2017 was as follows: €54,540 thousand in a bank with a rating of Moody's A2; €9,812 thousand in a bank with a rating of Moody's A3; €5,001 thousand in a bank rated Aa3 by Moody's; €4,137 thousand in a bank with a rating of Moody's Baa1, €8 thousand in a bank rated Fitch A-; €661 thousand in a bank without rating.

(5) 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).

The Company has entered into an agreement with the European Investment Bank (EIB), which has an open credit facility of € 70,000 thousand for the construction of the Slovak-Polish gas pipeline.

The table below summarizes the maturity of the financial liabilities and contingent liabilities as at 31 December 2017 and 31 December 2016 based on contractual undiscounted payments:

As at 31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bonds issued	-	14,287	30,446	857,018	535,521	1,437,272
Loans received	-	64	192	75,580	-	75,836
Other financial liabilities	-	14,318	2,062	24,669	-	41,049
Trade and other payables	-	9,726	1,675	-	-	11,401
Guarantee issued	1,439,375	-	-	-	-	1,439,375
Swap commodity contracts recognized as hedging	-	1,089	3,402	-	-	4,491
As at 31 December 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bonds issued	-	14,287	30,446	887,464	549,809	1,482,006
Loans received	-	67	200	75,874	-	76,141
Other financial liabilities	-	17,359	1,726	19,719	-	38,804
Trade and other payables	-	11,849	-	-	-	11,849
Guarantee issued	1,480,625	-	-	-	-	1,480,625
Swap commodity contracts recognized as hedging	-	1,070	3,168	2,990	-	7,228

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 18 and 19, and loans received and bonds issued as disclosed in Note 16. Liabilities to capital (gearing) ratios were 53% as at 31 December 2017 and 47% as at 31 December 2016.

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The gearing ratio at the year-end:

	As at 31 December 2017	As at 31 December 2016
Debt (i)	(1,335,334)	(1,335,980)
Cash and cash equivalents	74,163	104,269
Net debt (ii)	(1,261,171)	(1,231,711)
Equity (iii)	2,357,596	2,609,771
Net debt to equity ratio	53 %	47 %

(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 the indebtedness stated in the Articles of Association.

c) Categories of financial instruments

	31 December 2017	31 December 2016
Financial assets		
Derivative financial instruments recognized as hedging	2,762	11,209
Derivative financial instruments held for trading	-	-
Loans and receivables (including cash and cash equivalents)	441,881	555,117
Loans at amortized costs	26	25
Investments available for sale in fair value	6,607	6,607
Financial liabilities		
Derivative financial instruments recognized as hedging	4,491	7,228
Derivative financial instruments held for trading	-	-
Financial liabilities carried at amortized costs	1,387,785	1,386,633

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 IAS 39 "Financial Instruments: Recognition and Measurement".

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.

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

As at 31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value	-	2,762	6,607	9,369
Financial derivatives recognized as hedging	-	2,762	-	2,762
Financial derivatives for trading	-	-	-	-
Financial assets available-for-sale	-	-	6,607	6,607
Financial liabilities and contingent liabilities at fair value	-	4,491	-	4,491
Financial derivatives recognized as hedging	-	4,491	-	4,491
Financial derivatives for trading	-	-	-	-
As at 31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value	-	11,209	6,607	17,816
Financial derivatives recognized as hedging	-	11,209	-	11,209
Financial derivatives for trading	-	-	-	-
Financial assets available-for-sale	-	-	6,607	6,607
Financial liabilities and contingent liabilities at fair value	-	7,228	-	7,228
Financial derivatives recognized as hedging	-	7,228	-	7,228
Financial derivatives for trading	-	-	-	-

The fair value of commodity swaps is determined using forward commodity prices 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 29, 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.

In 2017 and 2016, 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 2017.

(3) Assets and liabilities not measured at fair value

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

As at 31 December 2017	Level 1	Level 2	Level 3	Fair value total	Carrying value
Financial assets	-	-	26	26	26
Loans issued with fixed interest rate	-	-	26	26	26
Financial liabilities	-	1,330,659	75,023	1,405,682	1,335,334
Bonds issued	-	1,330,659	-	1,330,659	1,260,311
Loans received	-	-	75,023	75,023	75,023

As at 31 December 2016	Level 1	Level 2	Level 3	Fair value total	Carrying value
Financial assets			25	25	25
Loans issued with fixed interest rate			25	25	25
Financial liabilities	-	1,343,700	75,011	1,418,711	1,335,980
Bonds issued	-	1,343,700	-	1,343,700	1,260,969
Loans received	-	-	75,011	75,011	75,011

In 2017, 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 assessed with reference to market value of the bonds issued by SPP Infrastructure Financing B.V. (refer to Note 29).

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

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

(4) Embedded derivative instruments

Transmission contracts denominated in euro represented the currency of the primary economic environment for one of the significant contractual parties and that is why these contracts were not regarded as a host contract with an embedded derivative under the requirements of IAS 39. Hence, in accordance with IAS 39 (as revised in December 2003), the Company did not recognize the embedded derivatives separately from the host contract.

The Company assessed all other significant contracts and agreements for embedded derivatives that should be recorded. The Company concluded that there are no embedded derivatives in these contracts and agreements which needs to be measured and separately recognized as at 31 December 2017 and 31 December 2016 under the requirements of IAS 39 (as revised in 2003).

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 financial statements.

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7. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2017

	Border entry/exit points, domestic 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	89,762	690,169	3,534,369	63,294	8,453	7,100	4,393,147
Additions	-	-	-	250	-	12,389	12,639
Revaluation of assets through revaluation reserve	-	-	-	-	-	-	-
Revaluation of assets through Income statement	-	-	-	-	-	-	-
Put in use	393	3,187	2,276	39	751	(6,646)	-
Reclassifications	2	5	-	1	-	(6)	2
Disposals	-	(1)	-	-	(2)	(8)	(11)
Depreciation charge	(4,633)	(47,504)	(78,581)	(1,281)	(2,084)	-	(134,083)
Impairment of assets through revaluation reserve	(26)	(47)	-	-	-	-	(73)
Impairment of assets through profit and loss	(85)	(3)	-	(26)	(27)	(279)	(420)
Closing net book value	85,413	645,806	3,458,064	62,277	7,091	12,550	4,271,201

As at 31 December 2017

Acquisition cost or revaluation	94,381	737,162	3,615,121	68,821	25,640	13,111	4,554,236
Provisions and accum. depreciation	(8,968)	(91,356)	(157,057)	(6,544)	(18,549)	(561)	(283,035)
Net book value as at 31 December 2017	85,413	645,806	3,458,064	62,277	7,091	12,550	4,271,201

Net book value of assets shown in the table that would have been recognized at 31 December 2017, if the asset is accounted for using the cost model is as follows

Net book value as at 31 December 2017	65,265	385,348	1,643,961	62,277	7,091	12,550	2,176,492
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The most significant capital additions in 2017 were turbo machinery modification for future compressor station 5 and medium repair of turbo machinery. The acquisition cost of fully depreciated non-current assets (including non-current intangible assets) that were still in use as at 31 December 2017 amounted to €19,184 thousand (31 December 2016: €12,968 thousand). There were no non-current assets that were in use, but not yet registered in the Land Registry as at 31 December 2017 or 31 December 2016.

The accompanying notes are an integral part of the financial statements.
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	Year ended 31 December 2016		Year ended 31 December 2015				
	Border entry/exit points, domestic points	Compressor stations	Gas pipelines	Buildings and land	Machinery and equipment, other non-current tangible assets	Assets under construction	Total
As at 31 December 2016							
Acquisition cost	78,446	514,178	1,920,940	30,192	33,308	5,870	2,582,934
Provisions and accum. depreciation	(11,492)	(84,695)	(165,053)	(4,106)	(22,182)	(180)	(287,708)
Net book value	66,954	429,483	1,755,887	26,086	11,126	5,690	2,295,226
Opening net book value	66,954	429,483	1,755,887	26,086	11,126	5,690	2,295,226
Additions	-	-	136	-	-	9,471	9,607
Revaluation of assets through revaluation reserve	24,305	307,457	1,897,593	-	-	-	2,229,355
Revaluation of assets through Income statement	(1,490)	(4,620)	(1,245)	-	-	-	(7,355)
Put in use	4,884	2,161	449	128	287	(7,909)	-
Reclassifications	70	-	(38,364)	38,356	(62)	-	-
Disposals	-	(19)	-	-	(5)	(2)	(26)
Depreciation charge	(4,963)	(44,291)	(80,087)	(1,276)	(2,807)	-	(133,424)
Impairment of assets through revaluation reserve	-	(2)	-	-	-	-	(2)
Impairment of assets through profit and loss	2	-	-	-	(86)	(150)	(234)
Closing net book value	89,762	690,169	3,534,369	63,294	8,453	7,100	4,393,147
As at 31 December 2016							
Acquisition cost	94,742	743,759	3,614,457	68,701	29,780	7,382	4,558,821
Provisions and accum. depreciation	(4,980)	(53,590)	(80,088)	(5,407)	(21,327)	(282)	(165,674)
Net book value as at 31 December 2016	89,762	690,169	3,534,369	63,294	8,453	7,100	4,393,147

Net book value of assets shown in the table that would have been recognized at 31 December 2016, if the asset is accounted for using the cost model is as follows:

Net book value as at 31 December 2016	68,415	408,187	1,679,522	63,294	8,453	7,100	2,234,971
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Revaluation of fixed assets for natural gas transmission:

On 1 January 2016, an independent expert conducted a revaluation of buildings, structures, land, machinery and equipment used for natural gas transmission, primarily using the cost approach, especially the replacement cost method. Replacement costs are based on the acquisition cost of equivalent assets (EA) and are the estimated net book value of the assets from the acquisition cost of EA, useful lives and age of existing assets (replacement cost less depreciation methodology).

Assets used for natural gas transmission include land, buildings and structures, machinery and equipment.

Further information is disclosed in Note 4.

Property insurance

Type and amount of insurance for property, plant and equipment and intangible assets (in € thousand):

Insured object	Type of insurance	Acquisition cost of insured assets		Name and seat of the insurance company
		2017	2016	
Buildings, halls, structures, machinery, equipment, fixture & fittings, low-value TFA, other TFA, Works of art, inventories	Insurance of assets	877,803	890,044	Allianz-Slovenská poisťovňa, a.s. Kooperativa, a. s.
Motor vehicles	MTPL	6,053	7,904	Kooperativa, a. s.

8. INTANGIBLE ASSETS

Year ended 31 December 2017	Software	Other non-current intangible assets	Assets under construction	Total
Opening net book value	4,168	13	208	4,389
Additions	-	-	1,098	1,098
Put in use	1,214	3	(1,217)	-
Reclassifications	(8)	-	-	(8)
Disposals	-	-	-	-
Amortization charge	(1,954)	(5)	-	(1,959)
Change in provisions	(33)	-	-	(33)
Closing net book value	3,387	11	89	3,487
As at 31 December 2017				
Acquisition cost	13,491	138	252	13,881
Provisions and accumulated depreciation	(10,104)	(127)	(163)	(10,394)
Net book value	3,387	11	89	3,487
Year ended 31 December 2016				
As at 31 December 2015				
Acquisition cost	14,320	149	635	15,104
Provisions and accumulated depreciation	(9,786)	(132)	(163)	(10,081)
Net book value	4,534	17	472	5,023
Opening net book value	4,534	17	472	5,023
Additions	-	-	1,567	1,567
Put in use	1,830	1	(1,831)	-
Reclassifications	-	-	-	-
Disposals	-	-	-	-
Amortization charge	(2,196)	(5)	-	(2,201)
Change in provisions	-	-	-	-
Closing net book value	4,168	13	208	4,389
As at 31 December 2016				
Acquisition cost	15,576	150	371	16,097
Provisions and accumulated depreciation	(11,408)	(137)	(163)	(11,708)
Net book value	4,168	13	208	4,389

Reconciliation of investments (cash effective) to additions to non-current assets:

	31 December 2017	31 December 2016
Investments (cash effective)	13,695	15,077
Assets acquired but not paid for	1,555	2,612
Payments to assets acquired in prior periods	(1,763)	(6,651)
Additions to PP&E and intangibles	13,487	11,038

9. NON-CURRENT FINANCIAL INVESTMENTS

Non-current financial investments include:

	Loans issued	Shares	31 December 2017	31 December 2016
Acquisition cost	26	6,607	6,633	6,632
Impairment	-	-	-	-
Closing balance, net	26	6,607	6,633	6,632

Recognized in the value of non-current financial investments is the loan granted in 2016 to the subsidiary eastring B.V. of €25 thousand with maturity in 2021. The interest rate is fixed at 3.51% p.a. and is payable together with the principal. The loan is not secured. Refer to Note 30.

Shares represent equity interests in the following companies:

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

	31 December 2017	31 December 2016
Natural gas used for balancing	22,995	19,644
Material and other inventories	12,681	13,257
Provision	(6,483)	(6,094)
Total	29,193	26,807

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

As at 31 December 2017 and as at 31 December 2016, provision was created only for obsolete or damaged raw materials in stock.

11. RECEIVABLES AND PREPAYMENTS

	31 December 2017	31 December 2016
Receivables from transmission activities	38,880	45,131
Receivables from financial derivatives	2,762	11,209
Prepayments	127	204
Other receivables	277,115	403,879
Other taxes	167	39
Total	319,051	460,462

As at 31 December 2017, the Company recorded due receivables of €317,913 thousand and overdue receivables of €1,138 thousand excluding provision.

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As at 31 December 2016, the Company recorded receivables due and overdue of €460,271 thousand and €191 thousand, respectively, excluding provision.

Receivables and prepayments are disclosed net of provisions for bad and doubtful receivables of € 177 thousand (31 December 2016: €176 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 financial statements.

Other receivables are mainly receivables from cash-pooling with SPP Infrastructure of €265,000 thousand (31 December 2016 €399,000 thousand), whose conditions are comparable to those of current bank accounts. In 2017 a portion of receivables from cash-pooling of €600,000 thousand (out of which €351,000 thousand was granted in 2017) was offset with payable from declared dividends. In 2016 a portion of receivables from cash-pooling of €352,015 thousand (out of which €13 thousand was granted in 2016) 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 of €37,726 thousand (31 December 2016: €50,673 thousand).

Movements in provision for receivables were as follows:

	31 December 2017	31 December 2016
Opening balance	(176)	(172)
Creation	(3)	(5)
Use	2	1
Reversal	-	-
Closing balance	(177)	(176)

12. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash on hand and cash in bank	46,730	73,137
Cash on hand and cash in bank – financial guarantees	27,433	31,127
Total	74,163	104,264

The balance of cash and cash equivalents as at 31 December 2017 include financial guarantees of €27,433 thousand (31 December 2016: €31,127 thousand).

13. DEFERRED REVENUE

Deferred revenue mainly represent grants allocated by the European Commission related to the reverse flow projects of the Compressor station 4 and Plavecký Peter gas pipelines, the cross-border interconnections between Hungary and Slovakia and between Poland and Slovakia, and a project related

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to emission reduction (DLE) at compressor stations 3 and 4. The increase in grants allocated in 2017 represents a grant for the construction of an interconnection between Poland and Slovakia amounting to €55,232 thousand and project easting grant of €1,000 thousand.

Changes in deferred revenue recognized in the balance sheet for the year ended 31 December 2017 are as follows:

	31 December 2017	31 December 2016
Opening balance	6,982	6,978
Inventory surpluses of depreciated assets	250	136
Grants allocated during the period	56,232	-
Derecognition	-	-
Reversal	(149)	(132)
Closing balance	63,315	6,982

	Current portion (included in other current liabilities)	Non-current portion	Total
As at 31 December 2017	1,125	62,190	63,315
As at 31 December 2016	126	6,856	6,982

14. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits program of the Company was launched in 2006. This is a defined benefit program, under which the employees are entitled to a lump-sum payment upon reaching retirement age or disability retirement and, subject to vesting conditions, life and work jubilee payments. Under the applicable collective agreement, employees are entitled to the increased retirement benefits based on the number of continuously worked years in selected gas companies. Contribution to the increased retirement benefits range from one month to six months of the employee's average salary (minimum average monthly salary of €665 and maximum average monthly salary of €1,330). As at 31 December 2017 and 31 December 2016, the obligation relating to retirement and other long-term employee benefits was calculated on the basis of valid collective agreement in the given years.

As at 31 December 2017, there were 646 (31 December 2016: 658) employees covered by this program. The program is not funded, without separately allocated assets to cover its liabilities.

Movements in the net liability recognized in the balance sheet for the year ended 31 December 2017 are as follows:

	Long-term benefits	Post- employment benefits	Total at 31 December 2017	Total at 31 December 2016
Net liabilities at 1 January	353	2,961	3,314	3,551
Net expense/ (revenue) recognized	68	28	96	(68)
Benefits paid	(53)	(83)	(136)	(169)
Net liabilities	368	2,906	3,274	3,314

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	Current liabilities (included in other current liabilities)	Non-current liabilities	Total
As at 31 December 2017	164	3,110	3,274
As at 31 December 2016	210	3,104	3,314

Key assumption used in actuarial valuation:

	At 31 December 2017	At 31 December 2016
Market yield on government bonds	1.392 %	1.329 %
Future real rate of salary increase, p. a.	2.00 %	2.00 %
Employee turnover, p. a.	1.44 %	1.44 %
Retirement age (male and female)	62 for male and 60 for female	62 for male and 60 for female

Sensitivity analysis of the commitment to change in important assumptions is shown in the following table:

	Net liability for employee benefits	Change in the discount rate		Change in average wage	Change in the expected life expectancy
		+ 0.5 %	- 0.5 %	+ 0.5 %	+ 1 year
As at 31 December 2017	3,274	(150)	162	4	81
As at 31 December 2016	3,314	(148)	159	44	75

15. PROVISIONS

Movements in provisions are summarized in the following table:

	Environmental provision	Other provisions	Total at 31 December 2017	Total at 31 December 2016
Balance at 1 January	7,893	-	7,893	7,946
Effect of discounting	300	-	300	38
Creation of provision	-	-	-	-
Utilization of provision	-	-	-	(91)
Reversal of provision	-	-	-	-
Closing balance	8,193	-	8,193	7,893

Provisions are included in liabilities as follows:

	Current provisions (included in other current liabilities)	Non-current provisions	Total provisions
As at 31 December 2017	-	8,193	8,193
As at 31 December 2016	-	7,893	7,893

Environmental provision

The project performed in 2011 identified environmental burdens in all compressor stations operated by eustream. Oil and condensate from gas transmission pollution was confirmed on all compressor stations. A partial decontamination in areas apart 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 recognized the provision for decontamination works based on current existing technologies and prices adjusted for expected inflation factor at amortized costs. Discount rate taken into consideration reflected the current market assessments of the time value of money and the risk specific factors (rate of approximately 0.79 % was used). The provision was recognized as part of the contribution of part of the business at €8,344 thousand.

16. LOANS RECEIVED AND BONDS ISSUED

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.

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 December 2017, the interest rate was 0.338 % p.a. and the effective interest rate was 0.357 % p.a. As at 31 December 2016, the interest rate was 0.353 % p.a. and the effective interest rate was 0.373 % p.a.

	31 December 2017 secured	31 December 2017 unsecured	31 December 2017 total	31 December 2016 secured	31 December 2016 unsecured	31 December 2016 total
Loans		75,023	75,023	-	75,011	75,011
Bonds issued	-	1,260,311	1,260,311	-	1,260,969	1,260,969
Total	-	1,335,334	1,335,334	-	1,335,980	1,335,980
Received loans and issued bonds based on currency: euro						
- variable interest rate	-	75,023	75,023	-	75,011	75,011
- fixed interest rate		1,260,311	1,260,311	-	1,341,012	1,341,012
Total	-	1,335,334	1,335,334	-	1,416,023	1,416,023

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Received loans and issued bonds maturity:					
Up to 1 year	-	26,959	26,962	-	26,962
1 to 5 years	-	815,715	815,715	-	816,358
More than 5 years	-	492,660	492,660	-	492,660
Total	-	1,335,334	1,335,334	-	1,335,980

	Carrying amount		Fair value (note 5 (d) (3))	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Loans	75,023	75,011	75,023	75,011
Bonds issued	1,260,311	1,260,969	1,330,659	1,343,700
Total	1,335,334	1,335,980	1,405,682	1,418,711

Changes in liabilities arising from financial activities

	Loans	Bonds issued	Total at 31 December 2017
Balance at 1 January	75,011	1,260,969	1,335,980
Cash movement	(344)	(44,733)	(45,077)
Other changes	356	44,075	44,431
Closing balance	75,023	1,260,311	1,335,334

17. TRADE AND OTHER PAYABLES

	At 31 December 2017	At 31 December 2016
Trade payables	10,053	10,503
Other liabilities	16,380	19,084
Liabilities from transmission activities	1,348	1,346
Liabilities from financial derivatives	4,491	7,228
Total financial liabilities	32,272	38,161
Liabilities to employees	4,011	5,000
Liabilities from social insurance and other taxes	2,670	2,738
Total non - financial liabilities	6,681	7,738
Total	38,953	45,899

As at 31 December 2017, the Company recorded due liabilities of €38,932 thousand and overdue liabilities of €21 thousand. As at 31 December 2016, the Company recorded due liabilities of €45,418 thousand and overdue liabilities of €481 thousand.

Trade payables as at 31 December 2017 includes payables due to the company NAFTA a.s. of €1,675 thousand (31 December 2016: €2,115 thousand) and to the company SPP – distribúcia, a.s. of €10 thousand (31 December 2016: €0 thousand).

Social fund liabilities

	At 31 December 2017	At 31 December 2016
Opening balance at 1 January 2017	419	314
Total creation:	252	271
<i>from expenses</i>	252	271
Total usage:	(154)	(167)
<i>monetary rewards and gifts</i>	(22)	(28)
<i>emergency benefit</i>	-	-
<i>work jubilee benefits</i>	(34)	(34)
<i>catering allowance</i>	(67)	(74)
<i>other drawing as per CA</i>	(31)	(32)
Closing balance at 31 December 2017	517	419

Liabilities secured by pledge or other form of collateral

As at 31 December 2017, there is a bank guarantee in Tatra banka established totaling €700 thousand for liabilities to the Customs Office (31 December 2016: €700 thousand).

18. REGISTERED CAPITAL

The registered capital consists of 10 ordinary certificate-form shares with a face value of €3,319.39 per share, one ordinary certificate-form share with a face value of €82,895,533.19 and one ordinary certificate-form share with a face value of €200,000,000.00. From 13 June 2014, 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.

19. LEGAL RESERVE FUND AND RETAINED EARNINGS

Since 1 January 2008, the Company is required to prepare financial statements in accordance with IFRS as adopted by the EU. Distributable profit represents amounts based on these financial statements.

Legal reserve fund

The legal reserve fund of €56,586 thousand (31 December 2016: €56,586 thousand) is created in accordance with Slovak legislation and is not distributable to shareholders. The reserve is created from retained earnings to cover possible future losses or increase 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.

Revaluation reserve

Reserves from revaluation of assets are not immediately available for distribution to shareholders of the Company. Part of the revaluation reserve is reclassified to retained earnings based on the difference between depreciation from revaluated values and original acquisition values of assets. Revaluation reserves are reclassified to retained earnings also by sale, contribution of the part of business or liquidation of assets. These transfers to retained earnings are distributable.

Other funds and retained earnings

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

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Based on the decision of the sole shareholder, the Company declared dividends for 2016 totaling €600,000 thousand (see also Note 9 and 11). This amount was covered by the profit of 2016 of €387,428 thousand and retained earnings of €212,572 thousand.

Distribution	Profit distribution for 2016	Profit distribution for 2015
Contribution to legal reserve fund	-	-
Settlement of loss carried forward	-	-
Dividends	387,428	418,270
Total profit to be distributed	387,428	418,270

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.

	Year ended 31 December 2017	Year ended 31 December 2016
Opening balance	3,144	52,379
Gain/(loss) on cash-flow hedging		
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	11,363	(13,043)
Interest swap contracts	-	-
Deferred Income tax applicable to gains/losses recognized through equity	1,199	13,938
Transfer to profit/loss		
Currency forward contracts	-	-
Commodity forward contracts	-	-
Commodity swap contracts	(17,073)	(50,130)
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	(1,367)	3,144

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.

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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:

	Year ended 31 December 2017	Year ended 31 December 2016
Revenues from sale of services	-	-
Natural gas transmission	17,073	50,130
Purchases of natural gas, consumables and services	-	-
Other costs, net	216	245
Financial expenses	-	-
Income tax charged to expenses	-	-
Total	17,288	50,375

20. REVENUES FROM SALES OF SERVICES

	Year ended 31 December 2017	Year ended 31 December 2016
Natural gas transmission	733,919	706,217
Other	21,730	54,372
Total	755,649	760,589

In 2017, the Company fully executed a long-term contract for natural gas transmission through 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 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 major part of the transmission capacity is ordered on the basis of long-term contracts, which comprise more than 58% of the Company's revenues from natural gas transmission. In addition, eustream, within the entry-exit transmission system, also concludes short-term transmission contracts and provides supplementary gas transmission services.

The Company is paid transmission fees directly to its accounts by a relevant shipper or a recipient of supplementary services. Tariffs for transmission services have been fully regulated since 2005. The regulator annually issues pricing decisions on the basis of a proposal submitted by the Company.

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 the tariff in financial form as well.

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

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21. PERSONNEL EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
Wages, salaries and bonuses	20,178	21,597
Pension security costs	2,699	2,884
Social security costs	4,599	4,368
Other social security costs and severance pay	1,928	3,272
Total	29,404	32,121

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 €6,181, except for accident insurance and health insurance, where the salary base is not limited. The employees contribute an additional 13.4% of the relevant salary base up to the above limits, except health insurance, where the measurement basis is unlimited.

22. COSTS OF AUDIT SERVICE

	Year ended 31 December 2017	Year ended 31 December 2016
Audit of the financial statements	23	23
Other assurance services	50	42
Related audit services	-	-
Other non-audit services provided by the auditor	-	-
Total	73	65

23. FINANCIAL INCOME

	Year ended 31 December 2017	Year ended 31 December 2016
Interest income	425	4,348
FX differences - profit (see Note 25)	520	7
Dividends	1,683	712
Other financial income, net	382	393
Total	3,010	5,460

24. FINANCIAL EXPENSE

	Year ended 31 December 2017	Year ended 31 December 2016
Interest expense	44,728	44,633
FX differences – loss (see Note 25)	3	636
Other financial expense	154	142
Total	44,885	45,411

25. FOREIGN EXCHANGE RATE DIFFERENCES

	Year ended 31 December 2017	Year ended 31 December 2016
Foreign exchange rate gains (losses) arising from:		
– operating activities	3	121
– financing activities (see Note 23 and 24)	517	(629)
Total	520	(508)

26. TAXATION

26.1. Income tax

Income tax comprises the following:

	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax	110,854	122,245
Special levy	44,094	23,474
Deferred tax (see Note 26.2)	(20,990)	(38,349)
Total	133,958	107,370

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

	Year ended 31 December 2017	Year ended 31 December 2016
Profit before taxation	486,347	494,798
Income tax at 21% (2016: 22%) and special levy on business in regulated industries	146,227	132,330
Effect of adjustments from permanent differences between accounting and tax value of assets and liabilities	(253)	(519)
Other adjustments	(2,756)	(96)
Tax impact due to the change in the tax rate from 22% to 21%	-	(19,180)
Effect of special levy as a tax deductible item	(9,260)	(5,164)
Total	133,958	107,370

Adjustments primarily include non-tax deductible expenses.

The effective tax rate differs from the statutory tax rate of 21% in 2017 mainly due to the special levy.

For the deferred tax calculation the Company applied income tax rate of 21% that is valid in Slovakia 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 from September 2012. The levy rate is 0.00726 (until 2016: 0.00363) per month based on the profit before tax and is presented as a part of the current income tax pursuant to the IFRS requirements. The taxation years from 2012 to 2017 are still open for inspection by the tax authorities.

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Due to the prudent principle the Company previously accounted for special levy, which arisen 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 confirmation of applicability of Act no. 235/2012 on special levy on the contribution of part of the business.

26.2. Deferred tax

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

	At 1 January 2017	Charge to equity for the period	(Debit)/credit to profit for the period	At 31 December 2017
Difference in net book value of non-current assets	(956,154)	18	20,663	(935,473)
Change in fair value of derivatives	(836)	1,199	-	363
Employee benefits and other provisions	2,679	-	15	2,694
Provisions for assets	320	-	65	385
Provisions for inventories	1,280	-	81	31,361
Other	347	-	166	513
Total	(952,364)	1,217	20,990	(930,157)

	At 1 January 2016	Charge to equity for the period	(Debit)/credit to profit for the period	At 31 December 2016
Difference in net book value of non-current assets	(432,531)	-	37,580	(394,951)
Revaluation of assets	-	(563,106)	1,903	(561,203)
Change in fair value of derivatives	(14,774)	13,938	-	(836)
Employee benefits and other provisions	2,849	-	(170)	2,679
Provisions for assets	306	-	14	320
Provisions for inventories	1,919	-	(639)	1,280
Other	686	-	(339)	347
Total	(441,545)	(549,168)	38,349	(952,364)

In accordance with the Company's accounting policy, certain deferred tax assets and liabilities were mutually offset. The following table shows the balances (after offsetting) of deferred tax for the purposes of recognition in the balance sheet:

	At 31 December 2017	At 31 December 2016
Deferred tax liability	930,157	952,364
Total	930,157	952,364

Non-current and current part of deferred tax liability:

	At 31 December 2017	At 31 December 2016
Deferred tax asset expected to be utilized within 12 months	2,863	2,449
Deferred tax asset expected to be utilized after 12 months	2,512	3,034
Deferred tax liability expected to be utilized within 12 months	(18,300)	(19,826)
Deferred tax liability expected to be utilized after 12 months	(917,232)	(938,021)
Deferred tax liability, net	(930,157)	(952,364)

27. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

At 31 December 2017	Before tax	Tax	After tax
Cash flow hedging	(5,710)	1,199	(4,511)
Revaluation of assets	-	-	-
Reduction in revaluation reserve due to changes in fair value	(71)	18	(53)
Other comprehensive losses for the period	(5,781)	1,217	(4,564)

At 31 December 2016	Before tax	Tax	After tax
Cash flow hedging	(63,137)	13,938	(49,235)
Revaluation of assets	2,229,355	(563,106)	1,666,249
Reduction in revaluation reserve due to changes in fair value	(2)	-	(2)
Other comprehensive losses for the period	2,166,180	549,168	1,617,012

28. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2017	Year ended 31 December 2016
Profit before tax	486,347	494,798
Adjustments:		
Depreciation, amortization and impairment losses, net	136,335	142,855
Interests, net	44,303	40,285
Financial investments income	(1,683)	(712)
FX differences	(517)	636
Derivatives	3,429	232
Provisions, allowances and other non-cash items	(2,692)	(2,024)
(Gain)/loss from sale of non-current assets	(244)	(36)
(Increase)/decrease in receivables and prepayments	(113,745)	(404,590)
(Increase)/decrease in inventories	621	3,069
Increase/(decrease) in trade and other liabilities	224	172
Cash flows from operating activities	552,378	274,685

29. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

As at 31 December 2017, capital expenditures of €41,088 thousand (as at 31 December 2016: €9,368 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 €1,274,483 thousand as at 31 December 2017 (as at 31 December 2016: €1,274,487 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.

Operating Lease Arrangements

The Company leases vehicles under an operating lease agreement. The contracted period is four years and the Company has no pre-emptive right to purchase the assets at the end of the lease term. The

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lease payments for the year ended 31 December 2017 were €654 thousand (31 December 2016: €671 thousand).

Non-cancellable operating lease payables amount to:

Period	2017	2016
Up to 1 year	654	671
1 to 5 years	1,526	392
More than 5 years	-	-
Total	<u>2,180</u>	<u>1,063</u>

Taxation

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

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30. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December 2017			As at 31 December 2017		
	Revenues	Expenses	Dividends	Other	Receivables	Liabilities
SPP Infrastructure	374	1	600,000	-	265,126	1
Related parties under control of EPH	51,141	48,611	-	116	4,025	1,262,953
Related parties under influence of the Government of the Slovak Republic	33,844	2,498	-	4,285	1,365	8,409
Other related parties	1,683	83	-	-	50	7

	Year ended 31 December 2016			As at 31 December 2016		
	Revenues	Expenses	Dividends	Other	Receivables	Liabilities
SPP Infrastructure	4,201	1	500,000	-	399,095	1
Related parties under control of EPH	7,665	51,737	-	549	407	1,265,586
Related parties under influence of the Government of the Slovak Republic	32,002	2,644	-	3,380	769	8,046
Other related parties	712	94	-	-	50	-

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

Transactions with the SPP Infrastructure represent the payment of dividends and transactions related to cash-pooling (see Note 11). Transactions with related parties under the control of EPH in 2017 are mainly issued bonds (see also Note 16).

Transactions with related parties under the influence of the Slovak Government in 2017 are mainly services related to transmission and purchase of natural gas.

In 2017 and 2016, the Company provided a financial guarantee to SPP Infrastructure Financing B.V. (see Note 29).

The Government of the Slovak Republic has a significant influence over the financial and operating decisions of the Company through its ownership of 51% of the shares of SPP Infrastructure by the Ministry of Economy of the Slovak Republic ("MH SR") (MH SR does not have managerial control). Therefore, the Government of the Slovak Republic and the companies controlled or jointly controlled by the Government of the Slovak Republic are classified as related parties of the Group ("Government related entities"). Except for the transactions disclosed above and except for taxes, the Company had no individually significant transactions with the Government related entities in 2017 and 2016. The Company applied exemption from disclosing insignificant transactions with the Government related entities according to IAS 24, par. 25.

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

	Year ended 31 December 2017	Year ended 31 December 2016
Total compensation of the actual and former members of board of directors, supervisory board and key management –	1,021	1,015
<i>of which – Board of Directors and executive management</i>	<i>617</i>	<i>623</i>
– <i>Supervisory Board</i>	222	226
– <i>Supervisory Committee</i>	103	103
– <i>former members of the Board of Directors and executive management</i>	6	-
– <i>former members of the Supervisory Board</i>	73	63
Other long-term benefits to the 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 the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies – total	-	38
<i>of which – Supervisory Board</i>	-	38
Benefits in kind to the members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total	16	16
<i>of which – Board of Directors and executive management</i>	16	16
– <i>Supervisory Board</i>	-	-
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	7	17
<i>of which – Board of Directors and executive management</i>	7	17
– <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 DECEMBER 2017

Body	Position	Name
Board of Directors	Chairman	Ing. Tomáš Mareček
	Vice-Chairman	Ing. Robert Hančák
	Member	Ing. Miroslav Bodnár
	Member	Ing. Eva Markovičová
	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. Peter Joanidis
	Member	JUDr. Peter Pandy
Supervisory Committee	Chairman	JUDr. Daniel Křetínský
	Vice-Chairman	Ing. Ružena Lovasová
	Member	Ing. Roman Karlubík, MBA
	Member	Mgr. Jan Střiteský
	Member	Mgr. Hana Krejčí, PhD.
Executive management	CEO	Ing. Rastislav Ňukovič

32. POST-BALANCE SHEET EVENTS

No events occurred subsequent to 31 December 2017, which would have a material impact on the financial statements of the Company at 31 December 2017.

Prepared on:
14 February 2018

Signature of a member of
the statutory body of the
reporting entity



Ing. Tomáš Mareček
Chairman of the Board of
Directors



Ing. Miroslav Bodnár
Member of the Board of
Directors

Approved on: 31 May 2018

**Proposal
of profit distribution
for the year 2017**

The proposal of profit distribution for the year 2017 is prepared in line with the Articles of Association of eustream, a.s. Article XXIII - DISTRIBUTION OF PROFIT, Article XXII – CREATION AND USE OF RESERVE FUND, and in line with the provisions of the Commercial Code No. 513/1991 Coll., as amended.

The proposal of the profit distribution for the year 2017 is based on the audited financial statements for the year 2017.

I.	Profit after tax	352,388,922.64 €
II.	Allocation to the statutory reserve fund in accordance with the Article XXII of the Articles of Association the reserve fund exceeds 20% of registered capital	0.00 €
III.	The amount of net profit determined as dividends	352,388,922.64 €
IV.	The amount of retained earnings determined as dividends	97,611,077.36 €
V.	The amount total determined as dividends	450,000,000.00 €
VI.	Tantiems to the members of the bodies	0.00 €

Note:

Dividends are to be settled by 100 days as the latest from the approval by the General Meeting of shareholders.

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