

**SPP Infrastructure, a.s.**

**INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT 30 JUNE 2016**

## SPP Infrastructure, a.s.

### INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of SPP Infrastructure, a.s.:

We have audited the accompanying consolidated financial statements of SPP Infrastructure, a.s. and subsidiaries (the "SPPI Group" or the "Company"), which comprise the consolidated balance sheets as at

30 June 2016, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Statutory Body's Responsibility for the Consolidated Financial Statements**

The Company's statutory body is responsible for the preparation and fair presentation of these consolidated financial statements, and for such internal controls as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, as well as evaluating the overall presentation of the combined financial statements.

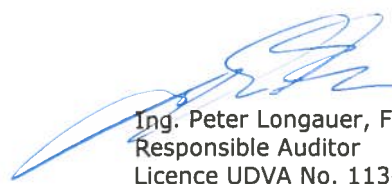
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SPP Infrastructure, a.s. and subsidiaries as of 30 June 2016, and their financial performance and their cash flows for the fiscal year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Bratislava, 13 September 2016

  
Deloitte Audit s.r.o.  
Licence SKAu No. 014

  
Ing. Peter Longauer, FCCA  
Responsible Auditor  
Licence UDVA No. 1136

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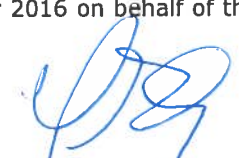
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**SPP Infrastructure, a.s.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2016 and 30 June 2015**  
**(in million EUR)**

	<i>Note</i>	<b>30 June 2016</b>	<b>30 June 2015</b>
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	4 985	5 131
Investments recognised using the equity method	7	53	45
Loan receivable	8	93	-
Other non-current assets	10	25	19
<b>Total non-current assets</b>		<b>5 156</b>	<b>5 195</b>
<b>CURRENT ASSETS</b>			
Inventories	12	169	172
Receivables and prepayments	13	125	100
Income tax assets		-	-
Other current assets	9	-	853
Current loans receivables	8	-	-
Cash and cash equivalents	14	458	633
<b>Total current assets</b>		<b>752</b>	<b>1 758</b>
Non-current assets held for sale		-	-
<b>TOTAL ASSETS</b>		<b>5 908</b>	<b>6 953</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>CAPITAL AND RESERVES</b>			
Registered capital		3 663	3 663
Legal and other reserves		757	989
Retained earnings and other paid-in capital		(1 983)	(960)
Share in equity attributable to SPP Infrastructure's shareholders		2 437	3 692
Non-controlling interests		79	78
<b>Total equity</b>	20	<b>2 516</b>	<b>3 770</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	15	20	20
Provisions for liabilities	17	106	109
Non-current interest-bearing borrowings	18	2 121	1 944
Retirement and other long-term employee benefits	16	12	11
Deferred tax liability	26.2	806	810
Other non-current liabilities		28	15
<b>Total non-current liabilities</b>		<b>3 093</b>	<b>2 909</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	161	162
Current interest-bearing borrowings	18	97	32
Current income tax		31	47
Provisions for liabilities	17	4	32
Other current liabilities		6	1
<b>Total current liabilities</b>		<b>299</b>	<b>274</b>
<b>Total liabilities</b>		<b>3 392</b>	<b>3 183</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 908</b>	<b>6 953</b>

The financial statements on pages 3 to 47 were signed on 13 September 2016 on behalf of the Board of Directors:

  
JUDr. Daniel Křetínský  
Chairman of the Board of Directors

  
Mgr. Alexander Sako  
Vice-Chairman of the Board of Directors

**SPP Infrastructure, a.s.**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**for the years ended 30 June 2016 and 30 June 2015**  
**(in million EUR)**

	<i>Note</i>	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
<b>Revenues from sales of products and services:</b>			
Transmission of natural gas		692	712
Distribution of natural gas		359	355
Natural gas storage, exploration and other		220	215
<b>Total revenues</b>	21	<b>1 271</b>	<b>1 282</b>
<b>Operating expenses:</b>			
Own work capitalised		14	9
Purchases of natural gas, electricity and consumables		(63)	(36)
Depreciation and amortisation	11	(205)	(221)
Services	22	(64)	(77)
Staff costs	23	(99)	(105)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	13	(4)	(2)
Provisions and impairment losses, net	11, 17	-	(3)
Other, net		8	(5)
<b>Total operating expenses</b>		<b>(413)</b>	<b>(440)</b>
<b>Operating profit</b>		<b>858</b>	<b>842</b>
Finance income	24	3	38
Share in profit of associated undertakings and joint ventures	7	8	6
Finance costs	25	(66)	(56)
Other, net		(2)	2
<b>Profit before income taxes</b>		<b>801</b>	<b>832</b>
Income tax	26.1	(199)	(209)
<b>NET PROFIT FOR THE PERIOD</b>		<b>602</b>	<b>623</b>
Net Profit attributable to:			
SPP Infrastructure's shareholders		557	583
Non-controlling interests of other owners of subsidiaries		45	40
<b>Total</b>		<b>602</b>	<b>623</b>

**SPP Infrastructure, a.s.**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**for the years ended 30 June 2016 and 30 June 2015**  
**(in million EUR)**

	<i>Note</i>	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
<b>Net Profit for the period</b>		<b>602</b>	<b>623</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to the profit and loss statement:</i>			
Hedging derivatives (Cash flow hedging)	20	22	7
Change in foreign currency translation reserve	27	4	-
Deferred tax related to items of other comprehensive income for the period	27	(6)	(2)
Other		-	-
<b>Other net comprehensive income/(loss) for the period</b>		<b>20</b>	<b>5</b>
<b>Total net comprehensive income for the period</b>		<b>622</b>	<b>628</b>
Net comprehensive income attributable to:			
SPP Infrastructure's shareholders		577	588
Non-controlling interests of other owners of subsidiaries		45	40
<b>Total</b>		<b>622</b>	<b>628</b>

**SPP Infrastructure, a.s.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the years ended 30 June 2016 and 30 June 2015**  
**(in million EUR)**

	Registered capital	Legal reserve fund and other funds	Financial investment revaluation reserves	Foreign currency translation reserve	Hedging reserves	Retained earnings	Equity attributable to SPP Infrastructure's shareholders	Non-controlling interests of other owners of subsidiaries	Total
<b>At 30 June 2014</b>	<b>4 923</b>	<b>984</b>	<b>-</b>	<b>(3)</b>	<b>3</b>	<b>(737)</b>	<b>5 170</b>	<b>86</b>	<b>5 256</b>
Net profit for the period	-	-	-	-	-	583	583	40	623
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	5	-	5
Change in recognition of joint venture	-	-	-	-	5	7	7	(9)	(2)
Decrease of registered capital	(1 260)	-	-	-	-	-	(1 260)	-	(1 260)
Dividends paid	-	-	-	-	-	(813)	(813)	(39)	(852)
<b>At 30 June 2015</b>	<b>3 663</b>	<b>984</b>	<b>-</b>	<b>(3)</b>	<b>8</b>	<b>(960)</b>	<b>3 692</b>	<b>78</b>	<b>3 770</b>
Net profit for the period	-	-	-	-	-	557	557	45	602
Other comprehensive (loss)/income for the period	-	-	-	3	17	-	20	-	20
Effect of the Group's reorganisation	-	-	-	-	-	(2)	(2)	-	(2)
Change in recognition of joint venture	-	-	-	-	-	-	-	-	-
Decrease in the legal reserve fund	-	(252)	-	-	-	-	(252)	-	(252)
Dividends paid	-	-	-	-	-	(1 578)	(1 578)	(44)	(1 622)
<b>At 30 June 2016</b>	<b>3 663</b>	<b>732</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>(1 983)</b>	<b>2 437</b>	<b>79</b>	<b>2 516</b>

**SPP Infrastructure, a.s.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the years ended 30 June 2016 and 30 June 2015**  
**(in million EUR)**

	<i>Note</i>	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
<b>Operating activities</b>			
Cash flows from operating activities	28	<b>1 023</b>	<b>1 085</b>
Interest paid		(59)	(42)
Interest received		-	1
Income tax paid		(222)	(253)
<b>Net cash flows from operating activities</b>		<b>742</b>	<b>791</b>
<b>Investing activities</b>			
Net cash outflow upon the acquisition of financial investments		-	-
Proceeds from the sale of financial investments		1	1
Purchase of property, plant and equipment		(44)	(46)
Long-term loan receivables provided	8	(104)	-
Short-term deposits provided		(359)	(853)
Dividends received		-	1
Income from the sale of non-current assets		1	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(505)</b>	<b>(897)</b>
<b>Financing activities</b>			
Proceeds from interest-bearing borrowings	18	345	574
Repayment of interest-bearing borrowings		(105)	(50)
Dividends paid		(647)	(60)
Decrease of registered capital	20	-	(9)
Settlement of finance lease obligations		(3)	-
Other proceeds from financing activities		(2)	9
<b>Net cash flows from financing activities</b>		<b>(412)</b>	<b>464</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(175)</b>	<b>358</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>633</b>	<b>275</b>
Effects of foreign exchange fluctuations		-	-
<b>Cash and cash equivalents at the end of the period</b>		<b>458</b>	<b>633</b>



**SPP Infrastructure, a.s.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the years ended 30 June 2016 and 30 June 2015**  
**(in million EUR)**

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**1. GENERAL**

**1.1. Purpose of Presentation and Description of the Consolidated Entities**

These consolidated financial statements were prepared pursuant to Article 22 of Act No. 431/2002 on Accounting (as amended) for the reporting period from 1 July 2015 to 30 June 2016, the comparative period is from 1 July 2014 to 30 June 2015, ie consistent with the reporting periods of SPP Infrastructure, a.s., (the "Company" or "SPPI").

The consolidated financial statements of SPP Infrastructure, a.s. present the consolidated assets, liabilities, results of operations of the following entities: SPP Infrastructure, a.s., SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Storage, s.r.o., a GEOTERM Košice, a.s. (together the "Group", see Note 2b) on the scope of consolidation), and shares in other ownership interests in Pozagas a.s., SLOVGEOTERM a.s., and GALANTATERM, spol. s r.o. (see Notes 7 and 10), which were formerly part of Slovenský plynárenský priemysel, a.s. Group ("SPP Group") and which were acquired by the Company on 15 May 2014 upon the reorganisation of the SPP Group. Slovenský plynárenský priemysel, a.s. is not a part of the SPPI Group and is treated as a related party for the purposes of the consolidated financial statements.

Since privatisation in 2002, SPP Group has been owned by the National Property Fund of the Slovak Republic (51%) and Slovak Gas Holding, B. V., the Netherlands (49%) ("SGH") (jointly held indirectly by GDF SUEZ SA and E.ON Ruhrgas). On 15 January 2013, GDF International SAS, E.ON Ruhrgas International GmbH and E.ON SE signed an agreement with Energetický a průmyslový holding ("EPH"), a leading player on the heat, coal and electricity market in Central Europe, on the sale of their shares in SGH, which owned a 49% share in Slovenský plynárenský priemysel, a.s. ("SPP") and exercised operating and management control. The transaction was completed on 23 January 2013.

On 19 December 2013, the National Property Fund of the Slovak Republic, the Ministry of Economy of the SR and Energetický a průmyslový holding, a.s. signed a framework agreement on the sale and purchase of shares regulating the method of reorganisation of the SPP Group, which was completed on 4 June 2014.

As part of the transaction, SPP contributed ownership interests in these entities: SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o. into a newly-established 100% subsidiary, SPP Infrastructure, a.s.

On 4 June 2014, SPP sold its 49% stake including management control in SPP Infrastructure, a.s. to SGH, and at the same time acquired own shares from SGH, to become 100% owned by the Slovak Government.

As at the date of the preparation of these consolidated financial statements, SPP Infrastructure, a.s. is owned by the Slovak Government (51% share) and by Slovak Gas Holding B.V. (49%), which also exercises management control over the newly established group. The ultimate parent company of SPP Infrastructure, a.s. is Energetický a průmyslový holding, a.s. The consolidated financial statements of Energetický a průmyslový holding, a.s. are available at the company's registered seat at Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic.

<b>Identification number</b>	47 228 709
<b>Tax identification number</b>	2023820183

The consolidated financial statements of the Company for the period ended 30 June 2015 were approved by the General Meeting held on 18 February 2016.

**1.2. Principal Activities**

The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries (referred to jointly as the "Group" and individually as "Group Entities") and the Group's interest in associates and jointly controlled entities.

The main activities of the consolidated entities are organised in the following operating segments: natural gas distribution, gas transmission, gas storage, exploration and production of hydrocarbons, and other.

The distribution segment includes the distribution of natural gas to all of Slovakia. Proposed prices are subject to review and approval by the Regulatory Office for Network Industries ("RONI").

**SPP Infrastructure, a.s.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the years ended 30 June 2016 and 30 June 2015**  
**(in million EUR)**

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The transit segment is responsible for the transmission of natural gas from the Ukrainian border to the western borders of Slovakia and to a virtual domestic point in Slovakia.

The storage segment includes storage in underground storage facilities located in Slovakia and the Czech Republic.

The hydrocarbon exploration and production segment relates to activities in West and East Slovakia and is combined with the storage segment for reporting purposes in these consolidated financial statements.

The other segment includes financing and other activities.

**1.3. Registered Address**

Mlynské nivy 44/a  
825 11 Bratislava  
Slovakia

**1.4. Employees**

The average number of the Group's employees for the year ended 30 June 2016 was 2 870, of which 38 were executive management (for the year ended 30 June 2015 there were 2 938 employees, of which 22 were executive management).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of Preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). The reporting currency of the Group is the Euro (EUR). The consolidated financial statements were prepared under the going-concern assumption.

These consolidated financial statements are the Group's statutory IFRS consolidated financial statements prepared under IFRS as a requirement of the Slovak Act on Accounting, and presented for the full financial year ended 30 June 2016. The comparative financial disclosures are presented for the financial year ended 30 June 2015.

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments. The principal accounting policies adopted are detailed below.

**b) Business Combinations**

**(1) Subsidiaries**

Those business undertakings in which SPP Infrastructure, directly or indirectly, has an interest of usually more than one half of the voting rights or otherwise has power to exercise control over the operations are defined as subsidiary undertakings (subsidiaries) and have been fully consolidated. Due to the fact that the Group was created by a reorganisation of a business combination under common control, the subsidiaries are presented as if SPP Infrastructure had exercised control in past. No goodwill or fair value adjustment to the carrying amounts of assets and liabilities are recognised due to the reorganisation and acquisition of the subsidiaries in these consolidated financial statements.

Non-controlling interests that represent the existing equity securities and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may initially be measured either at fair value or at the non-controlling interest's proportional share in the acquiree's identifiable net assets. The selection of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in other IFRS.

All transactions, balances, and unrealised profits and losses on transactions within the Group have been eliminated upon consolidation.

**SPP Infrastructure, a.s.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the years ended 30 June 2016 and 30 June 2015**  
**(in million EUR)**

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**(2) Investments in Associated Undertakings and Joint Ventures**

Financial investments in associated undertakings and joint ventures are accounted for using the equity method.

Associated undertakings are entities in which SPP Infrastructure exercises a substantial, but not a controlling influence. Joint ventures are entities in which SPP Infrastructure exercises joint control with other owners. A provision is recorded in the event of impairment.

When applying the equity method, investments in associated undertakings and joint ventures are recognised in the balance sheet at cost adjusted for subsequent changes in the Group's share in the net assets of an associated undertaking or a joint venture. Goodwill related to associated undertakings and joint ventures is recognised in the carrying amount of an investment and is not depreciated. The income statement reflects a share in the associated undertakings' and joint ventures' operating results. If a change occurs that was recognised directly in the associated undertakings' and joint ventures' equity, the Group will recognise its share of such a change and, if necessary, recognise it in the statement of changes in equity. Profits and losses from transactions between the Group and associated undertakings and the Group and joint ventures are eliminated to the extent of the Group's investment in associated undertakings and joint ventures.

**c) Basis of Consolidation**

As the Group was established by a business combination under common control and was previously included in the IFRS consolidated financial statements of the SPP Group, standard IFRS 3 Business Combinations was not applied.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time decisions need to be made, including voting patterns at previous shareholders' meetings.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. The total comprehensive income of subsidiaries is attributed to the Company owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**SPP Infrastructure, a.s.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the years ended 30 June 2016 and 30 June 2015**  
**(in million EUR)**

The consolidated financial statements as at 30 June 2016 include historical financial information for the following entities:

Name	Seat	Ownership share %		Principal activity	Consolidation method used as at 30 June 2016	Consolidation method used as at 30 June 2015
		30 June 2016	30 June 2015			
eustream, a.s.	Votrubova 11/A, Bratislava, Slovakia	100.00	100.00	Transmission pipeline operation	Subsidiary - Fully consolidated	Subsidiary - Fully consolidated
SPP – distribúcia, a.s.	Mlynské nivy 44/b, Bratislava, Slovakia	100.00	100.00	Distribution pipeline operation	-	Subsidiary - Fully consolidated
SPP Bohemia a.s. <sup>(1)</sup>	Sokolovská 651/136A, Prague, Czech Republic	100.00	100.00	Holding company	Subsidiary - Fully consolidated	Subsidiary - Fully consolidated
SPP Storage, s.r.o. <sup>(2)</sup>	Sokolovská 651/136A, Prague, Czech Republic	100.00	100.00	Storage of natural gas	Subsidiary - Fully consolidated	Subsidiary - Fully consolidated
SPP Infrastructure Financing B.V. <sup>(3)</sup>	Weteringschans 26, Amsterdam, Netherlands	100.00	100.00	Financing activities	Subsidiary - Fully consolidated	Subsidiary - Fully consolidated
NAFTA a.s. ("NAFTA") <sup>(4)</sup>	Votrubova 1, Bratislava, Slovakia	56.15	56.15	Natural gas storage and hydrocarbon exploration and production	Subsidiary - Fully consolidated	Subsidiary - Fully consolidated
Nafta Exploration, s.r.o. <sup>(4)</sup>	Plavecký Štvrtok 900, Slovakia	56.15	56.15	Exploration	Subsidiary - Fully consolidated	Subsidiary - Fully consolidated
Karotáže a cementace, s. r. o. <sup>(4)</sup>	Velkomoravská 2606/83, Hodonín, Czech Republic	51.00	51.00	Logging and cementation	Subsidiary - Fully consolidated	Subsidiary - Fully consolidated
GEOTERM KOŠICE, a. s.	Moldavská č. 12, Košice, Slovakia	95.82	95.82	Utilisation of geothermal energy, in establishment stage	Subsidiary - Fully consolidated	Subsidiary - Fully consolidated
SPP Infrastructure, a.s. <sup>(5)</sup>	Mlynské nivy 44/a, Bratislava, Slovakia	100.00	100.00	Asset holding	Parent - Fully consolidated	Parent - Fully consolidated
NAFTA Services, s.r.o. <sup>(4)</sup>	č.p. 891, 696 17 Dolní Bojanovice, Czech Republic	100.00	100.00	Operational and technical services	Subsidiary - Fully consolidated	Subsidiary - Fully consolidated

<sup>(1)</sup> Acquired as at 29 July 2010. The company was dissolved by liquidation on 29 June 2016.

<sup>(2)</sup> Established by the sole shareholder on 22 February 2011.

<sup>(3)</sup> Established by the sole shareholder on 22 May 2013

<sup>(4)</sup> Subsidiary of NAFTA a.s.

<sup>(5)</sup> Established by SPP as the sole shareholder on 24 May 2013

**d) Financial Assets**

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale financial assets" (AFS) and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require the delivery of the assets within the timeframe established by a regulation or convention in the marketplace.

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Financial assets classified as at FVTPL mainly include agreements on the purchase or sale of commodities not meeting the measurement exception under IAS 39 and financial derivatives concluded for economic hedging to which hedge accounting was not applied.

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Changes in the net book value of available-for-sale monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the net book value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. If an investment is disposed of, or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Trade receivables are measured at the expected realisable value less a provision for debtors in bankruptcy or restructuring proceedings and less a provision for doubtful and uncollectible overdue receivables where there is a risk that the debtor will not pay them fully or partially.

#### Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as ASF, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio beyond the average credit period of 60 days, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such an impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through a provision account. If a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously-recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS equity securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### Derecognition of Financial Assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On the derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

**e) Financial Liabilities**

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" (FVTPL) or "other financial liabilities".

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the Finance costs line in profit or loss.

Other Financial Liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of Financial Liabilities

The Company derecognises financial liabilities only when the Company's obligations are met, cancelled or expired. The difference between the carrying amount of the financial liability and the consideration paid and the amount payable is recognised in the income statement.

**f) Derivative Financial Instruments**

The Group enters into derivative contracts in order to manage the risk of changes in commodity prices, interest rates and foreign exchange risk, including forward currency contracts and interest rate and commodity swaps.

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, therefore, include swaps, futures, and firm commitments to buy or sell non-financial assets that include the physical delivery of the underlying assets, except for contracts intended for their own use (the so-called own use exception).

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge Accounting

The Group designates hedging instruments that include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

#### Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair-value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

In the event that a financial derivative does not meet or no longer meets the requirements for hedge accounting, changes in the fair value are directly recognised in the income statement as "Mark-to-market" or as "Mark-to-market on commodity contracts other than trading instruments" in ordinary operating income from derivative financial instruments with non-financial assets as the underlying assets, and in financial revenues or expenses for currency, interest rate or equity derivatives. Derivative financial instruments used by the Company for trading activities with own energy and energy on behalf of customers, and other derivative financial instruments that are due in less than 12 months are recognised in the statement of financial position as current assets or current liabilities, while derivative financial instruments due after this period are classified as non-current items.

#### Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### **g) Property, Plant and Equipment and Intangible Assets**

Property, plant, and equipment and intangible assets are stated at cost less accumulated depreciation. Cost includes all costs attributable to placing the asset into service for its intended use and, in respect of exploration and storage wells, the estimated cost of dismantling and removing the asset and restoring the site (capitalised decommissioning costs).

Expenditures related to natural hydrocarbon deposit geological surveys are accounted for in accordance with the successful efforts method. Under this method, geological exploration expenditures (exploration wells) are capitalised under assets in the course of construction when incurred and certain expenditures, such as geological and geophysical exploration costs, are expensed. A review is carried out at least annually, on a field-by-field basis, to ascertain whether proven reserves have been confirmed. When proven reserves are determined and production commenced, the relevant expenditures are transferred from assets in the course of construction to the relevant class of property, plant, and equipment. Exploration wells that are expected to be unsuccessful are provided for.

Items of property, plant, and equipment and intangible assets that are retired or otherwise disposed of are removed from the balance sheet at net book value. Any gain or loss resulting from such retirement or disposal is included in the income statement.



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Estimated costs of dismantling, restoration and re-cultivation related to production wells are depreciated over the term of proven extractable reserves on a unit-of-production basis. Production wells and related centres are depreciated over the life of the proven extractable reserves on a unit-of-production basis. Other items of property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives. Depreciation is charged to the income statement computed so as to amortise the cost of the assets to their estimated residual values over their residual useful lives. The useful lives used are as follows:

<b>(Years)</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Buildings and structures used for natural gas storage	15 – 1 000	11 – 1 000
Gas pipelines	20 – 71	20 – 60
Plant and machinery	3 – 55	3 – 55
Other non-current assets	2 – 30	3 – 30
Intangible assets	2 – 50	2 – 50

A useful life of 1 000 years is applied to the cushion gas used in the underground gas storage facilities of the Group. Cushion gas is the gas needed to run the underground reservoirs of natural gas. Its production would affect the underground reservoirs' ability to operate. Cushion gas is disclosed as part of Land and buildings.

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

At each reporting date, an assessment is made as to whether there is any indication that the realisable value of the Group's property, plant, and equipment and intangible assets is less than the carrying amount. When such an indication occurs, the realisable value of the asset is estimated, being the higher of the asset's fair value less costs of disposal and the present value of future cash flows ("value-in-use"). The resulting impairment loss provision is recognised in full in the income statement in the year in which the impairment occurs. The discount rates used to calculate the present value of the future cash flows reflect the current market assessments of the time value of money and the risks specific to the asset. In the event that a decision is made to abandon a construction project in progress or to significantly postpone its planned completion date, the carrying amount of the asset is reviewed for potential impairment and, if appropriate, a provision is recorded.

Expenditures relating to an item of property, plant, and equipment and intangible assets after it has been placed into service are added to the carrying amount of the asset if it is probable that future economic benefits in excess of the original assessed standard of performance of the existing asset will flow to the enterprise. All other expenditures are treated as repairs and maintenance and are expensed in the period in which they are incurred.

#### **h) Non-Current Tangible Assets Acquired through Free-of-Charge Transfers**

Free-of-charge transfers of gas facilities by municipalities to the Group's assets are deemed to be non-monetary grants. They are recognised at the fair value of the assets received and are included in non-current liabilities as deferred income. This deferred income is recognised in the income statement on a straight-line basis over the useful lives of the assets transferred.

#### **i) Research and Development**

Research and development costs are recognised as expenses except for costs incurred on development projects, which are recognised as non-current intangible assets to the extent of expected economic benefits. However, development costs initially recognised as expenses are not capitalised in a subsequent period.

#### **j) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of natural gas stored in underground storage facilities and raw materials and other inventories is calculated using the weighted arithmetic average method. The cost of natural gas, raw materials, and other inventories includes the cost of acquisition and related costs. The cost of inventories developed internally includes materials, other direct costs, and production overheads. For obsolete and slow-moving inventories, mainly natural gas inventories, a provision is recorded in the required amount based on the actual recoverable amount of inventories.

#### **k) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and cash in bank, and highly-liquid securities with insignificant risk of changes in value and original maturities of three months or less from the date of issue.

**l) Provisions for Liabilities**

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

Provision for Environmental Expenditures

A provision for environmental expenditures is recognised when environmental clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with a commitment to a formal plan of action or the divestment or closure of unused assets. The provision recognised is the best estimate of the expenditure required. If the liability is not settled in the following years, the amount recognised is the present value of the estimated future expenditure.

The Group estimates the costs relating to the abandonment of its production, exploration, and storage wells (including related centres and pipelines) and any related restoration costs. Additionally, the Group estimates costs relating to the abandonment and restoration of sites related to waste dumps. Estimated abandonment and restoration costs are based on current legislation, technology, and price levels. In respect of production wells and related centres, the estimated cost is recognised over the life of the proven extractable reserves on a unit-of-production basis. A provision for abandonment and restoration is created in an amount that includes all anticipated future costs related to abandonment and restoration discounted to their present value and reflecting inflation. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

Expenditures related to hydrocarbon reserves exploration are accounted for in accordance with the successful efforts method. Under this method, exploration expenditures (exploration wells) are capitalized under assets in the course of construction when incurred and certain expenditures, such as geological and geophysical exploration costs, are expensed. A review is carried out at least annually, on a field-by-field basis, to ascertain whether proven reserves have been confirmed. When proven reserves are determined and production commenced, the relevant expenditures are transferred from assets in the course of construction to the relevant category of property, plant, and equipment. Expenditures related to efforts deemed to be unsuccessful are provided for.

Changes in provisions for dismantling and site restoration that relate to assets, except for the unwinding of the discount, alter the cost of the related asset in the current period in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

Provision for Litigation and Potential Disputes

The financial statements include a provision for litigation and potential disputes which were estimated using available information and an assessment of the achievable outcome as regards the individual disputes. The provision is not recognised unless a reasonable estimate can be made.

**m) Loans**

Loans are initially recognised at fair value less transaction costs incurred. They are subsequently recorded at amortised cost using the effective interest rate method.

**n) Greenhouse Gas Emissions**

The Group receives free emission rights as a result of European Emission Trading Schemes. The rights are received on an annual basis and in return the Group is required to return rights equal to its actual emissions. The Group recognises a net liability resulting from the gas emissions. Therefore, a provision is only recognised when actual emissions exceed the emission rights received free of charge. When emission rights are purchased from other parties, they are measured at cost and treated as a reimbursement right. When emission rights are acquired by exchange, they are measured at fair value as at the date when they become available for use and the difference between the fair value and cost is recognised through profit or loss.

**o) Revenue Recognition**

Sales are recorded upon the delivery of products or the performance of services, net of value added tax and discounts. The Group records revenues from distribution, transmission, and storage services and other activities on an accrual basis. Revenues include estimates of gas distribution service provided but not invoiced as at the reporting date.

**p) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are recognised as part of the cost of a given asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**q) Social Security and Pension Schemes**

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

**r) Retirement and Other Long-Term Employee Benefits**

The Group has a long-term employee benefit program comprising a lump-sum retirement benefit, a loyalty benefit for years worked, 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. Under 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 at 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 recognised in the statement of other comprehensive income. Past service costs are recognised when incurred up to the benefits already vested and the remaining portion is recognised directly in the income statement.

**s) Leases**

**Finance Lease**

A finance lease is a lease that transfers all the risks and rewards incidental to the ownership of an asset (economic substance of the arrangement). The accounting treatment of leases is not dependent on which party is the legal owner of the leased asset.

**Operating Lease**

An operating lease is a lease other than a finance lease. Under an operating lease arrangement, The lessee does not present assets subject to an operating lease in its balance sheet, nor does it recognise operating lease obligations for future periods. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

**t) Taxation**

Income tax is calculated from the profit/loss before tax recognised under IFRS adjusted to profit/loss recognised under the accounting procedures valid in the Slovak Republic after adjustments for individual items increasing and decreasing the tax base pursuant to Act No. 595/2003 Coll. on Income Tax, as amended, using the valid income tax rate.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity.

The income tax rate valid since 1 January 2014 is 22%.

The principal temporary differences arise from revaluations and depreciations on property, plant, and equipment and various provisions. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated undertakings, and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

**Current and Deferred Tax for the Year**

Current and deferred tax are recognised through profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax and deferred tax arise from the initial recognition of a business combination, the tax effect is included in the recognition of the business combination.

**Special Levy on Business in Regulated Industries**

Pursuant to the requirements of the IFRS, the Group's income tax also includes a special levy pursuant to Act No. 235/2012 Coll. on a Special Levy on Business in Regulated Industries and on Amendment to and Supplementation of Certain Acts. It is recognised through profit or loss.

Some Group companies are regulated entities which are obliged to pay a special levy from September 2012 to December 2016. The levy period is a calendar month and the levy rate is 0.00363. The base for the levy is the profit/loss before tax recognised in accordance with IFRS and adjusted to the profit/loss recognised under the accounting procedures valid in the Slovak Republic and further adjusted pursuant to the Special Levy Act.

**u) Foreign Currencies**

Transactions in foreign currencies are initially recorded at the exchange rates of the European Central Bank (ECB) valid on the transaction dates. Monetary assets and payables denominated in foreign currencies are retranslated at the ECB exchange rates valid on the reporting date. Foreign exchange gains and losses are included in the income statement.

On consolidation, the assets and liabilities of the foreign subsidiaries are translated at the ECB exchange rates prevailing on the reporting date. Revenues and expenses are translated at the average exchange rates for the period. Foreign exchange differences, if any, are classified as equity as a foreign exchange translation reserve. Such a reserve is recognised as income or as an expense at the moment the financial investment in a subsidiary is disposed of.

**v) Non-Current Assets Held for Sale**

Non-current assets and the disposal groups of assets and liabilities are classified as held for sale if their carrying amount can be recovered through a sale transaction rather than through continuing use. This condition is considered fulfilled only when a sale is highly probable and the non-current asset (or the group of assets and liabilities held for sale) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and the groups of assets and liabilities held for sale) classified as held for sale are measured at the lower of their previous carrying amount and the fair value less costs to sell.

**w) Government Grants and Subsidies Provided by the European Union**

Grants and subsidies are not recognised unless there is reasonable assurance that (i) the company will comply with the conditions related to the receipt of grants and subsidies, and (ii) the grants and subsidies will be received.

Grants and subsidies are recognised in the income statement on a systematic basis over the periods in which the company recognises expenses that were to offset grants and subsidies. Specifically, grants and subsidies whose primary purpose is to enable the company to purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet, and are recognised in the income statement on a systematic and rational basis during the useful life of the related assets.

### **3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying the Group's accounting policies, as described in Note 2, the Group has made the following decisions concerning uncertainties and estimates that have a significant impact on the amounts recognised in the financial statements. There is a significant risk of material adjustments in future periods relating to such matters, including the following:

#### Litigation

The Group is involved in various legal proceedings for which management has assessed the probability of losses that may result in cash outflow. In making this assessment, the Group has relied on the advice of external legal counsel, the latest available information on the status of the court proceedings, and an internal evaluation of the likely outcome. The final amount of any potential losses in relation to the legal proceedings is not known and may result in a material adjustment to the previous estimates. Details of the legal cases are included in Note 29.

#### Impairment of Property, Plant and Equipment

The Group calculated and recorded significant amounts for the impairment of property, plant, and equipment on the basis of an evaluation of their future use, planned liquidation or sale. For certain items, no final decision has been made and, therefore, assumptions related to the use, liquidation or sale of assets may change. For more information on the impairment of property, plant and equipment, see Note 11.

#### Environmental Provision

The consolidated financial statements include significant amounts recorded as an environmental provision. The provision is based on estimates of the future costs of dismantling, restoration and re-cultivation, and is also significantly impacted by the estimate of the timing of cash flows and the Group's estimate of the discount rate used. The provision takes into account the estimated costs of the abandonment of production and storage wells at a subsidiary, for dismantling old gas facilities and compressor stations, decontaminating the soil and restoring the sites to their original condition after dismantling old gas facilities in compressor stations on the basis of past costs for similar activities. Refer to Note 17 for further details.

#### Current Crisis in Ukraine

The Group monitors development of the current crisis in Ukraine and its potential impact on its business. As regards the transmission and storage business, according to the Management, the impact as of this date is positive given new contracts signed and prices of short-term storage capacity. A potential escalation of the crisis (which could include prolonged disruption and/or sanctions on supplies of Russian gas to the EU), which is considered by the Management as unlikely given the importance and irreplaceability of Russian gas in the EU, could have a negative impact on the future financial performance of the transit business and could potentially positively impact the storage business. Given the long-term ship-or-pay nature of transit contracts, any negative impact is likely to be postponed to years beyond the tenure of transit contracts.

### **4. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS**

#### **4.1. Application of New and Revised International Financial Reporting Standards**

The Group has adopted all 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 are effective for reporting periods beginning on 1 July 2015.

At the date of authorisation of these financial statements, the following standards, revisions, and interpretations adopted by the EU were in issue but not yet effective:

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations, adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation, adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants, adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to various standards "Improvements to IFRSs (cycle 2010 – 2012)"** resulting from the annual IFRS improvement project (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 17 December 2014 (amendments to be applied for annual periods beginning on or after 1 February 2015); and
- **Amendments to various standards "Improvements to IFRSs (cycle 2012 – 2014)"** resulting from the annual IFRS improvement project (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 15 December 2015 (amendments to be applied for annual periods beginning on or after 1 January 2016).

The Group has elected not to adopt these standards, revisions, and interpretations in advance of their effective dates.

The Group anticipates that the adoption of these standards, revisions, and interpretations will have no material impact on the Company's financial statements in the period of initial application.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 30 June 2016:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until a research project on the equity method has been concluded);
- **Amendments to IAS 7 "Statement of Cash Flows"** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017); and
- **Amendments to IAS 12 "Income Taxes"** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

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The Group anticipates that adopting these standards and amendments to the existing standards and interpretations will have no material impact on the Group's combined financial statements in the period of initial application.

Hedge accounting regarding the portfolio of financial assets and liabilities whose principles have not been adopted by the EU, is still unregulated. Based on the Group's estimates, applying hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" would not significantly impact the combined financial statements, if applied as at the reporting date.

## **5. FINANCIAL INSTRUMENTS**

### **a) Financial Risk Factors**

The Group is exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates of loans and gas purchase and selling prices. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. As of 30 June 2016, the Group entered into derivative transactions, swap interest contracts, and hedging commodity swaps in order to manage certain risks. The purpose of swap interest contracts is to fix interest rates on loans. The purpose of hedging commodity swaps is to limit the price risks of sales contracts made with customers and purchase contracts with suppliers.

The main risks arising from the Group's financial instruments are commodity price risk, interest rate risk, credit risk, and liquidity risk. Risk management is decentralised and performed by the risk management section, using policies approved by the Board of Directors or the management of individual group companies.

#### **(1) Foreign Currency Risk**

The Group operates internationally and is exposed to foreign currency risk from transactions in foreign currencies, primarily in US dollars (USD) and Czech crowns (CZK).

Analysis of financial assets and financial liabilities denominated in foreign currency:

<i>In million EUR</i>	<b>Financial assets</b>		<b>Financial liabilities</b>	
	<b>As at 30 June 2016</b>	<b>As at 30 June 2015</b>	<b>As at 30 June 2016</b>	<b>As at 30 June 2015</b>
USD	-	7	-	-
CZK	20	4	4	-

The table below presents open currency swaps as at the balance sheet date used to cover risk associated with a change in foreign currency rates.

<b>Currency swaps in million EUR</b>	<b>Average USD/EUR rate</b>		<b>Nominal value</b>		<b>Fair Value</b>	
	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Cash flow hedges						
- Up to 1 year	1.12	-	2	-	-	-
- From 1 up to 2 years	1.14	-	1	-	-	-
- More than 2 years	1.16	-	-	-	-	-

#### **Sensitivity to foreign currency changes**

The table below shows the Group's sensitivity to a 10% increase and decrease in EUR against USD and against CZK (as at 30 June 2015: 10%). The sensitivity analysis includes only foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for the stated change in foreign currency rates. The positive value indicates an increase in gain in the case of the weakening of the euro against the relevant currency. In the case of the strengthening of the euro against the relevant currency, the same but opposite effect on the gain would arise, while the amounts stated below would be negative.

	<b>30 June 2016</b>		<b>30 June 2015</b>	
	<b>CZK</b>	<b>USD</b>	<b>CZK</b>	<b>USD</b>
Gain or loss in million EUR (i)	1.6	-	0.4	0.7

(i) Related mainly to the risk of unpaid receivables, payables and USD and CZK cash at year-end.

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(2) Commodity Price Risk

The Group is a party to framework agreements for the purchase of natural gas and other services and materials in connection with facilities for natural gas underground storage and for gas and oil production. In addition, the Group enters into contracts for the sale of crude oil and natural gas and natural gas storage. The Group covers a portion of the risks related to changes in oil and natural gas prices by commodity derivative instruments.

The following table gives details of open swap commodity contracts at the reporting date.

<i><b>Open swap commodity contracts</b></i>	<i><b>30 June 2016</b></i>		<i><b>30 June 2016</b></i>	
	<i><b>Nominal value</b></i>		<i><b>Fair value</b></i>	
	<i><b>Cash flow hedging</b></i>	<i><b>Held for trading</b></i>	<i><b>Cash flow hedging</b></i>	<i><b>Held for trading</b></i>
<i><b>In million EUR</b></i>				
<u>Sell gas</u>				
Less than 3 months	40	-	11	-
3 to 12 months	91	-	22	-
Over 12 months	48	-	10	-

<i><b>Open swap commodity contracts</b></i>	<i><b>30 June 2015</b></i>		<i><b>30 June 2015</b></i>	
	<i><b>Nominal value</b></i>		<i><b>Fair value</b></i>	
	<i><b>Cash flow hedging</b></i>	<i><b>Held for trading</b></i>	<i><b>Cash flow hedging</b></i>	<i><b>Held for trading</b></i>
<i><b>In million EUR</b></i>				
<u>Sell gas</u>				
Less than 3 months	30	-	2	-
3 to 12 months	91	-	9	-
Over 12 months	125	-	7	-

The Group has entered into swap and forward commodity contracts to hedge against the market risk arising from crude oil, natural gas price changes in anticipated future transactions associated with the Group's revenues in the upcoming year.

(3) Interest Rate Risk

The Group's exposure to interest rate risk is significant, as it has drawn long-term loans. The Group manages the risk by maintaining an appropriate mix of fixed and floating rate borrowings, and by the use of interest rate swap contracts. The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of likely changes in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- The Group's gain for the year ended 30 June 2016 would decrease/increase by EUR 1.8 million (year ended 30 June 2015: EUR 0.8 million). This is mainly related to the Group's exposure to interest rates of borrowings with variable interest rate.

The table below displays the open interest swap contracts at the reporting date.

<i><b>Interest swaps</b></i>	<i><b>Average fixed interest rate</b></i>		<i><b>Nominal value</b></i>		<i><b>Fair value</b></i>	
	<i><b>30 June 2016</b></i>	<i><b>30 June 2015</b></i>	<i><b>30 June 2016</b></i>	<i><b>30 June 2015</b></i>	<i><b>30 June 2016</b></i>	<i><b>30 June 2015</b></i>
<i><b>In million EUR</b></i>						
Cash flow hedge						
- Less than 1 year	-	-	-	-	-	-
- 1 to 2 years	-	-	-	-	-	-
- Over 2 years	1.43%	1.43%	135	135	(11)	(6)



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**(4) Credit Risk Related to Receivables**

The Group sells its products and services to various customers. The most significant customers are a prominent Russian shipper of gas and SPP in respect of providing gas transmission services and SPP in respect of gas storage and distribution service. None of these customers, individually or combined in terms of volume and solvency, represent a significant risk that receivables will not be settled pursuant to the valid risk management policy. The Group has policies in place that ensure that products and services are sold to customers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded.

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

**(5) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash with an appropriate due date and marketable securities, the availability of funding through an adequate amount of committed credit lines, and the ability to close open market positions. Due to the dynamic nature of the underlying business, treasury management aims to maintain flexibility by keeping committed credit lines available and synchronising the maturity of financial assets with financial needs. To settle outstanding liabilities, the Group has funds and undrawn credit lines at its disposal.

As at 30 June 2016, the Group had drawn credit facilities totalling EUR 2 218 million (as at 30 June 2015: EUR 1 976 million) of which short-term credit facilities amounted to EUR 97 million (as at 30 June 2015: EUR 32 million) and long-term credit facilities amounted to EUR 2 121 million (as at 30 June 2015: EUR 1 944 million). Credit facilities are presented in their carrying amount.

The Group's interest-bearing borrowings are drawn in EUR with a variable interest rate linked to EURIBOR (according to the interest period agreed at the drawdown, for long-term loans usually 3M, for loans with shorter maturities 1M or O/N for overdraft facilities). In the financial year 2015, the Group also issued mid-term bonds bearing a fixed rate interest (see also Note 18).

The majority of short-term credit lines include an automatic loan extension clause, provided that none of the parties concerned cancel the loan within the specified period. Long- or medium-term loans have a fixed maturity date, while in all instances the loan is payable as a lump sum as at the final maturity date, ie in 2019, 2020, 2021 and 2024.

Interest-bearing borrowings are provided without collateral, using common market provisions (pari-passu, ban on pledging assets, substantial negative impact). If necessary, maturing credit facilities may be paid off from undrawn credit facilities, and from available funds and tradable securities.

The table below summarises the maturity of non-derivative financial liabilities at 30 June 2016 and 30 June 2015 based on contractual undiscounted payments:

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>&gt; 5 years</i>	<i>Total</i>
<b>30 June 2016</b>						
Trade payables	-	108	-	1	-	109
Other liabilities	-	19	4	25	-	48
Variable interest rate instruments	-	66	2	313	82	463
Fixed interest rate instruments	-	-	86	1 439	566	2 102
<b>30 June 2015</b>						
Trade payables	7	108	2	2	-	119
Other liabilities	2	16	1	10	-	30
Variable interest rate instruments	-	-	1	61	157	219
Fixed interest rate instruments	-	-	86	244	1 816	2 146

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**b) Capital Risk Management**

The Group manages its capital to ensure that Group companies are able to continue as going concerns, while maximising the return to shareholders by optimising the debt and equity ratio, and by ensuring a high credit rating and sound capital ratios.

The capital structure of the Group consists of debt, ie borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to the owners of the parent company, which comprise the registered capital, legal and other reserves, revaluation reserves, and retained earnings as disclosed in Note 20.

The gearing ratio at the year-end was as follows:

	<b>At 30 June 2016</b>	<b>At 30 June 2015</b>
Debt (i)	2 218	1 976
Cash and cash equivalents	458	633
Net debt	1 760	1 343
Equity (ii)	2 516	3 770
<b>Net debt to equity ratio</b>	<b>70%</b>	<b>36%</b>

(i) Debt is defined as long- and short-term borrowings.

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**c) Categories of Financial Instruments**

	<b>At 30 June 2016</b>	<b>At 30 June 2015</b>
<b>Financial assets</b>	<b>661</b>	<b>1 591</b>
Financial derivatives recognised as hedging	44	18
Other current assets	-	853
Loans receivable	93	-
Current loans and receivables (including cash and cash equivalents)	537	712
Available-for-sale financial assets	7	8
<b>Financial liabilities</b>	<b>2 381</b>	<b>2 138</b>
Financial derivatives recognised as hedging	11	6
Financial liabilities carried at amortised costs	2 370	2 132

Other current assets as at 30 June 2015 comprised loans provided to shareholders, which were offset by dividend liability during the 2016 financial year.

**d) Estimated Fair Value**

The fair values of publicly-traded derivatives, investments at fair value through profit and loss, and available-for-sale securities are based on the quoted market prices at the reporting date.

The fair value of interest swaps is calculated as the present value of estimated future cash flows. The fair value of forward currency contracts was determined using forward exchange rates at the reporting date. The fair value of interest swap contracts is determined using forward interest rates at the reporting date. The fair value of commodity swaps is determined using forward commodity prices and forward exchange rates as at the reporting date.

The fair value of ordinary shares not in book-entry form has been estimated using a valuation technique based on assumptions that they are not supported by observable market prices. The valuation requires management to make estimates of the expected future cash flows from shares that are discounted at current rates.

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

The following table provides an analysis of financial instruments that, upon initial revaluation, are subsequently recognised at fair value, in accordance with the fair value hierarchy.

Level 1 of the fair value measurement represents those fair values that are derived from the prices of similar assets or liabilities quoted on active markets.

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Level 2 of the fair value measurement represents those fair values that are derived from input data other than the quoted prices included in Level 1, which are observable on the market for assets or liabilities directly (eg prices) or indirectly (eg derived from prices).

Level 3 of the fair value measurement represents those fair values that are derived from valuation models, including subjective input data for assets or liabilities not based on market data.

<b>30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value</b>	-	<b>44</b>	<b>7</b>	<b>51</b>
Financial derivatives recognised as hedging	-	44	-	44
Available-for-sale financial assets	-	-	7	7
<b>Financial liabilities at fair value</b>	-	<b>11</b>	-	<b>11</b>
Financial derivatives recognised as hedging	-	11	-	11
<b>30 June 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value</b>	-	<b>18</b>	<b>6</b>	<b>24</b>
Financial derivatives recognised as hedging	-	18	-	18
Available-for-sale financial assets	-	-	6	6
<b>Financial liabilities at fair value</b>	-	<b>6</b>	-	<b>6</b>
Financial derivatives held for trading	-	6	-	6

#### **Embedded Derivative Instruments**

The Group entered into long-term contracts for natural gas transmission denominated in USD and EUR.

Transmission contracts denominated in euros were denominated in the currency of the primary economic environment and so 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 Group does not recognise embedded derivatives separately from the host contract. Transmission contracts denominated in US dollars are denominated in the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment of Slovakia in respect of business relations with external parties. Hence, in accordance with IAS 39 (as revised in December 2003), the Group does not recognise embedded derivatives separately from the host contract.

The Group has assessed all other significant contracts and agreements for embedded derivatives that must be recorded. The Group concluded that there are no embedded derivatives in these contracts and agreements that are required to be measured and recognised separately as at 30 June 2016 and 30 June 2015 under the requirements of IAS 39 (as revised in December 2009).

#### **Derivative Instruments Recognised as Hedges**

Effective hedging includes commodity swaps, which are used to hedge against the risk of future movements in the prices of crude oil and natural gas and interest rate swaps which are used to hedge against credit risk arising from variable interest on bank loans.

## **6. SEGMENT INFORMATION**

### **6.a Operating Segments**

Operating segments have been identified primarily on the basis of internal reports used by the Group's "chief operating decision maker" (Board of Directors) to allocate resources to the segments and assess their performance.

The segment information below takes into consideration the new organization effective since June 3, 2014 and described in Note 1. As of this date, all businesses which are part of the Group are under SPP Infrastructure, a.s. management. The "chief operating decision maker" within the meaning of IFRS 8 is the Board of Directors of SPP Infrastructure, a.s.

The Group's reportable segments under IFRS 8 are as follows:

- Natural gas transmission- operated by eustream, a.s.
- Natural gas distribution – operated by SPP – distribúcia, a.s.
- Natural gas storage – operated by NAFTA a.s. and SPP Storage, s.r.o. combined with exploration and production operated by NAFTA a.s., and
- other unallocated activities.

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Gas storage and exploration and production segments are combined, as they are similar in nature. The share of the exploration and production segment of consolidated reported segment information for gas storage and exploration and production is less than 0.5 % for revenues and 0.5 % for operating profit. The column "Other" in the table below represents other insignificant business activities, mainly finance income and expenses of SPPI as a holding company.

The methods used to recognize and measure these segments for internal reporting purposes are the same as those used to prepare the consolidated financial statements. Major indicators used by the Board of Directors are operating profit, earnings before tax, depreciation and amortisation ("EBITDA") and capital expenditures.

**6.b Segment Revenues and Results**

<i>Year ended 30 June 2016:</i>	<i>SEGMENT Distribution</i>	<i>SEGMENT Transit</i>	<i>SEGMENT Storage, exploration and production</i>	<i>SEGMENT Other</i>	<i>Inter- segment elimina- tions</i>	<i>Total</i>
<b>Total revenues</b>	<b>363</b>	<b>729</b>	<b>217</b>	<b>-</b>	<b>(38)</b>	<b>1 271</b>
<b>Total operating expenses</b>	<b>(207)</b>	<b>(180)</b>	<b>(63)</b>	<b>(2)</b>	<b>39</b>	<b>(413)</b>
of which:						
Depreciation and amortisation	(102)	(85)	(18)	-	-	(205)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	-	(4)	-	-	-	(4)
Provisions and impairment losses, net	-	-	-	-	-	-
<b>Operating profit</b>	<b>156</b>	<b>549</b>	<b>154</b>	<b>(2)</b>	<b>1</b>	<b>858</b>
<i>EBITDA*</i>	<i>258</i>	<i>634</i>	<i>172</i>	<i>(2)</i>	<i>1</i>	<i>1 063</i>
Share in profit of associated undertakings and joint ventures	-	-	8	-	-	8
Gain/(loss) on the sale of investments	-	-	-	-	-	-
Dividends	-	1	-	672	(672)	1
Interest revenue	-	9	2	48	(57)	2
Interest expense	(18)	(45)	(8)	(52)	57	(66)
Other finance costs, net	-	(2)	-	-	-	(2)
<b>Profit before income taxes</b>	<b>138</b>	<b>512</b>	<b>156</b>	<b>666</b>	<b>(671)</b>	<b>801</b>
Income tax	(34)	(131)	(34)	-	-	(199)
<b>NET PROFIT FOR THE PERIOD</b>	<b>104</b>	<b>381</b>	<b>122</b>	<b>666</b>	<b>(671)</b>	<b>602</b>

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<i>Year ended 30 June 2015:</i>	<i>SEGMENT Distribution</i>	<i>SEGMENT Transit</i>	<i>SEGMENT Storage, exploration and production</i>	<i>SEGMENT Other</i>	<i>Inter- segment elimina- tions</i>	<i>Total</i>
<b>Total revenues</b>	<b>359</b>	<b>728</b>	<b>225</b>	<b>-</b>	<b>(30)</b>	<b>1 282</b>
<b>Total operating expenses</b>	<b>(216)</b>	<b>(174)</b>	<b>(76)</b>	<b>(3)</b>	<b>29</b>	<b>(440)</b>
of which:						
Depreciation and amortisation	(97)	(98)	(26)	-	-	(221)
Provisions for bad and doubtful debts, obsolete and slow-moving inventories, net	-	(2)	-	-	-	(2)
Provisions and impairment losses, net	(2)	-	(1)	-	-	(3)
<b>Operating profit</b>	<b>143</b>	<b>554</b>	<b>149</b>	<b>(3)</b>	<b>(1)</b>	<b>842</b>
<b>EBITDA*</b>	<b>240</b>	<b>652</b>	<b>175</b>	<b>(3)</b>	<b>(1)</b>	<b>1 063</b>
Share in profit of associated undertakings and joint ventures	-	-	6	-	-	6
Gain/(loss) on the sale of investments	-	-	-	-	-	-
Dividends	-	1	-	1 569	(1 569)	1
Interest revenue	4	16	-	72	(54)	38
Interest expense	(16)	(35)	(6)	(55)	56	(56)
Other finance costs, net	-	-	-	(5)	5	-
<b>Profit before income taxes</b>	<b>131</b>	<b>536</b>	<b>149</b>	<b>1 578</b>	<b>(1 563)</b>	<b>832</b>
Income tax	(35)	(134)	(36)	(4)	-	(209)
<b>NET PROFIT FOR THE PERIOD</b>	<b>96</b>	<b>402</b>	<b>113</b>	<b>1 574</b>	<b>(1 563)</b>	<b>623</b>

\* EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as operating profit before depreciation and amortisation.

Intersegment revenues relate to gas storage segment.

Reconciliation of EBITDA

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Operating profit	858	842
Depreciation and amortisation	205	221
<b>EBITDA</b>	<b>1 063</b>	<b>1 063</b>

It should be noted that EBITDA is not a measure defined under IFRS. This measure is construed as determined by the Board of Directors and are presented to disclose additional information to measure the economic performance of the Group's business activities. These terms should not be used as a substitute to net income, revenues or operating cash flows or any other measure as derived in accordance with IFRS. These non-IFRS measures should not be used in isolation or as substitutes for the analysis of the Company's results as reported under IFRS. These measures may not be comparable to similarly named measures used by other companies.

**6.c Segment Assets and Liabilities and Selected Information**

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Capital expenditure (CAPEX)		
Transmission	9	23
Distribution	24	16
Storage and exploration and production	11	12
Less intercompany eliminations	-	(5)
<b>Total CAPEX</b>	<b>44</b>	<b>46</b>

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CAPEX represents cash invested in the purchase of tangible and intangible assets.

	<b>30 June 2016</b>	<b>30 June 2015</b>
Property, plant and equipment		
Transmission	2 266	2 337
Distribution	2 374	2 438
Storage and exploration and production	345	356
Other (including unallocated)	-	-
Intersegment eliminations	-	-
<b>Total property, plant and equipment</b>	<b>4 985</b>	<b>5 131</b>

	<b>30 June 2016</b>	<b>30 June 2015</b>
Total segment assets		
Transmission	2 674	2 764
Distribution	2 698	2 784
Storage and exploration and production	627	432
Other (including unallocated)	6 503	7 786
Intersegment eliminations	(6 594)	(6 813)
<b>Total assets</b>	<b>5 908</b>	<b>6 953</b>

	<b>30 June 2016</b>	<b>30 June 2015</b>
Total segment liabilities		
Transmission	1 890	1 884
Distribution	1 149	1 137
Storage and exploration and production	466	275
Other (including unallocated)	1 447	1 565
Intersegment eliminations	(1 560)	(1 678)
<b>Total liabilities</b>	<b>3 392</b>	<b>3 183</b>

All assets are allocated to reportable segments other than interests in associates, interests in a joint venture, other financial assets, and current and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than borrowings, other financial liabilities, current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

#### 6.d Geographical Information

All segments are operated in the Slovak Republic. Gas storage activities undertaken by SPP Storage, a.s. are also deemed as operations in Slovakia as the entity's major source of revenues are intersegment revenues from SPP – distribúcia, a.s. and the entity's gas storage facilities are primarily connected to the Slovak gas distribution network.

#### 6.e Major Customers

A major part of transmission, distribution and gas storage revenues are from a small number of customers. A breakdown of customers which represent more than a 10% share of total Group revenues is given below:

	<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015</b>
Customer A (transmission, distribution and storage segment)	363	395
Customer B (transmission segment)	378	369
Other	530	518
<b>Total</b>	<b>1 271</b>	<b>1 282</b>

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**7. INVESTMENTS RECOGNISED USING THE EQUITY METHOD**

<i>Investments in associates</i>	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Cost	-	-
Share of post-acquisition profit, net of dividends received	-	-
<b>Net book value</b>	<b>-</b>	<b>-</b>

<i>Joint ventures</i>	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Cost	19	19
Share of post-acquisition profit, net of dividends received	34	26
<b>Net book value</b>	<b>53</b>	<b>45</b>

The Group's investments in associates as at 30 June 2016 can be summarised as follows:

<i>Name</i>	<i>Seat</i>	<i>Ownership interest % as at 30 June 2016</i>	<i>Ownership interest % as at 30 June 2015</i>	<i>Principal activity</i>	<i>Value under equity method at 30 June 2016</i>	<i>Value under equity method at 30 June 2015</i>
SLOVGEOTERM, a. s.	Palisády 39, Bratislava, Slovakia	50.00	50.00	Geothermal energy	EUR 115 thousand	EUR 115 thousand

The Group's joint ventures as at 30 June 2016 can be summarised as follows:

<i>Name</i>	<i>Seat</i>	<i>Ownership interest % as at 30 June 2016</i>	<i>Ownership interest % as at 30 June 2015</i>	<i>Principal activity</i>	<i>Value under equity method at 30 June 2016</i>	<i>Value under equity method at 30 June 2015</i>
POZAGAS a. s. <sup>(1)</sup>	Malé námestie 1, Malacky, Slovakia	70.00	70.00	Gas storage	53	45

<sup>(1)</sup> Shareholding held by SPP Infrastructure, a. s. (35%) and NAFTA a.s. (35%). Pozagas is jointly controlled by SPP, NAFTA and GDF SUEZ under a shareholders' agreement.

The following amounts represent the Group's share of the assets, liabilities, revenues, and expenses of joint ventures:

	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Non-current assets	39	39
Current assets	27	18
<b>Total assets</b>	<b>66</b>	<b>57</b>
Non-current liabilities	11	10
Current liabilities	2	2
<b>Total liabilities</b>	<b>13</b>	<b>12</b>
<b>Net assets</b>	<b>53</b>	<b>45</b>

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Revenues	20	20
Profit before income taxes	10	9
Income tax including deferred tax	(2)	(3)
<b>Profit after tax</b>	<b>8</b>	<b>6</b>

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**8. LOANS RECEIVABLE**

Receivable from long-term loans:

In 2015, NAFTA a.s. provided to their direct shareholders (Czech Gas Holding) a long-term loan with variable interest rate and maturity in 2019. The loan balance as at 30 June 2016 amounted to EUR 93 million.

**9. OTHER CURRENT ASSETS**

The balance as at 30 June 2015 comprised deposits provided to the shareholders SPP and SGH in the amount of EUR 250 million and EUR 602 million, respectively. Short-term deposits were settled through the owners' entitlement to the Company's profit. The balance as at 30 June 2016 represents EUR 0.

**10. OTHER NON-CURRENT ASSETS**

Available-for-Sale Non-current Investments and Other Investments included in the line Other non-current assets comprise:

	<b>At 30 June 2016</b>	<b>At 30 June 2015</b>
Cost	14	16
Impairment	(6)	(8)
<b>Closing balance, net</b>	<b>8</b>	<b>8</b>

Shareholdings represent equity investments in the following companies:

<b>Name</b>	<b>Seat</b>	<b>Ownership interest %</b>		<b>Principal activity</b>
		<b>30 June 2016</b>	<b>30 June 2015</b>	
AUTOKAC, s. r. o., Hodonín <sup>(1)</sup>	Velkomoravská 83, Hodonín, Czech Republic	42.00	42.00	Dormant
GALANTATERM, spol. s r. o.	Vodárenská ul. č. 1608/1, Galanta, Slovakia	17.50	17.50	Geothermal energy
AG Banka, a. s. v konkurze <sup>(1)</sup>	Coboriho 2, Nitra, Slovakia	39.00	39.00	Dormant, in bankruptcy
SPP – distribúcia Servis, s.r.o. <sup>(2)</sup>	Oslobodenia 1068/50, Malacky, Slovakia	100.00	100.00	Production and service of gas facilities
Plynárenská metrológia, s.r.o. <sup>(2)</sup>	Oslobodenia 1068/50, Malacky, Slovakia	100.00	100.00	Service of gas facilities
Central European Gas HUB AG („CEGH“) <sup>(3)</sup>	Austria	15.00	15.00	Mediation of trade in natural gas
eastring B.V. <sup>(3)</sup>	Netherlands	100.00	100.00	Holding activities

<sup>(1)</sup> shareholding held by NAFTA a. s.

<sup>(2)</sup> shareholding held by SPP – distribúcia, a. s., immaterial subsidiary

<sup>(3)</sup> shareholding held by eustream, a. s., immaterial subsidiary



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**11. PROPERTY, PLANT AND EQUIPMENT**

	Gas pipelines	Land and buildings	Plant and machinery	Other non-current tangible assets	Assets in the course of construction	Total
<b>Year ended 30 June 2015</b>						
Opening net book value	4 147	362	667	43	85	5 304
Additions	1	-	-	-	45	46
Placed into service	33	8	53	-	(94)	-
Reclassifications	-	(1)	2	-	-	1
Disposals	-	-	-	-	(1)	(1)
Depreciation charge	(138)	(16)	(57)	(3)	-	(214)
FX gains/losses	-	1	-	-	-	1
Provisions and reserves	-	(3)	-	-	(3)	(6)
<b>Closing net book value</b>	<b>4 043</b>	<b>351</b>	<b>665</b>	<b>40</b>	<b>32</b>	<b>5 131</b>
<b>30 June 2015</b>						
Cost	4 686	604	1 029	91	91	6 501
Provisions and accumulated depreciation	(643)	(253)	(364)	(51)	(59)	(1 370)
<b>Net book value</b>	<b>4 043</b>	<b>351</b>	<b>665</b>	<b>40</b>	<b>32</b>	<b>5 131</b>
<b>Year ended 30 June 2016</b>						
Opening net book value	4 043	351	665	40	32	5 131
Additions	1	-	-	-	57	58
Placed into service	24	7	20	1	(52)	-
Reclassifications	(2)	4	(2)	-	-	-
Disposals	-	-	-	-	-	-
Depreciation charge	(129)	(15)	(54)	(2)	-	(200)
FX gains/losses	-	1	-	-	-	1
Change of provisions	-	1	-	(6)	-	(5)
<b>Closing net book value</b>	<b>3 937</b>	<b>349</b>	<b>629</b>	<b>33</b>	<b>37</b>	<b>4 985</b>
<b>30 June 2016</b>						
Cost	4 705	553	996	79	37	6 370
Provisions and accumulated depreciation	(768)	(204)	(367)	(46)	-	(1 385)
<b>Net book value</b>	<b>3 937</b>	<b>349</b>	<b>629</b>	<b>33</b>	<b>37</b>	<b>4 985</b>

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Exploratory wells are recorded in land, buildings, and structures and a provision is created in the event that the success of the wells is uncertain or otherwise impaired. NAFTA recorded a provision in respect of exploration wells, the success of which was uncertain or which were impaired, and also in respect of related facilities, the construction of which was suspended. In the year ended 30 June 2016, the Company capitalised EUR 3 million in relation to costs of hydrocarbon reserves exploration (year ended 30 June 2015: EUR 4 million).

As at 30 June 2016 and 30 June 2015, NAFTA has reassessed the impairment of property, plant and equipment in accordance with IAS 36 "Impairment of Assets" on the basis of an evaluation of their future use, liquidation, or sale. NAFTA has determined the amount of the provision on the basis of the present value of future cash flows, a liquidation plan, the estimated sale price or sale price of other assets. A discount rate of 12% was used to calculate the present value of future cash flows of the "hydrocarbon production and exploration" cash-generating unit. The carrying amount of this cash-generating unit based on the recoverable amount as at 30 June 2016 is EUR 2 344 thousand.

As at 30 June 2016 and 30 June 2015, the Group had no restricted right to handle non-current tangible assets.

The cost of fully depreciated non-current assets (also includes non-current intangible assets), which were in use as at 30 June 2016, amounts to EUR 197 million (30 June 2015: EUR 162 million).

**Type and amount of insurance of non-current intangible and tangible assets**

<i>Insured assets</i>	<i>Type of insurance</i>	<i>Cost of insured assets</i>		<i>Name and seat of the insurance company</i>
		<i>30 June 2016</i>	<i>30 June 2015</i>	
Buildings, halls, structures, machinery, equipment, fittings & fixtures (except for gas pipelines)	Insurance of assets	1 404	1 379	Allianz-Slovenská poisťovňa, a.s. Kooperativa, a.s., ČSOB Poisťovňa, a.s., MSIG Insurance Europe AG
Movables, assets, inventories	Insurance of assets	9	6	Allianz-Slovenská poisťovňa, a.s. Kooperativa, a.s., ČSOB Poisťovňa, a.s., MSIG Insurance Europe AG
Motor vehicles	MTPL, motor vehicle insurance against damage, destruction, theft	19	21	Allianz-Slovenská poisťovňa, a.s., Kooperativa poisťovňa, a.s., Generali

**12. INVENTORIES**

	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Natural gas	155	158
Raw materials and other inventories	21	20
Provisions	(7)	(6)
<b>Total</b>	<b>169</b>	<b>172</b>

**13. RECEIVABLES AND PREPAYMENTS**

	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Trade receivables from transmission activities	40	44
Receivables from distribution activities	19	20
Receivables from storage and other activities	5	4
Receivables from financial derivatives (Note 6 d)	44	18
Prepayments and other receivables	11	12
Other tax assets	5	2
<b>Total</b>	<b>125</b>	<b>100</b>

All amounts are receivables within one year.

Receivables and prepayments are shown net of provisions for bad and doubtful receivables in the amount of EUR 1 million (30 June 2015: EUR 20 million).

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As at 30 June 2016, the Group recorded due receivables in the amount of EUR 125 million and overdue receivables in the amount of EUR 1 million, excluding provisions. (As at 30 June 2015: due and overdue receivables in the amount of EUR 100 million and EUR 20 million respectively).

Movements in the provision for bad and doubtful receivables were as follows:

	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Net opening balance	20	30
Use of provision	(17)	-
Release of provision	(2)	(10)
Additions to provision	-	-
<b>Closing balance</b>	<b>1</b>	<b>20</b>

Overdue receivables that were not provided for:

	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Less than 2 months	-	-
2 to 3 months	-	-
3 to 6 months	-	-
6 to 9 months	-	-
9 to 12 months	-	-
More than 12 months	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Overdue receivables that were provided for:

	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Less than 2 months	-	-
2 to 3 months	-	-
3 to 6 months	-	-
6 to 9 months	-	-
9 to 12 months	-	-
More than 12 months	1	20
<b>Total</b>	<b>1</b>	<b>20</b>

#### **14. CASH AND CASH EQUIVALENTS**

The balance as at 30 June 2016 amounting to EUR 458 million comprises cash in bank accounts that the Group may freely use. The bank account balance as at 30 June 2016 is EUR 458 million. The balance recognised as at 30 June 2015 amounted to EUR 633 million, of which EUR 377.3 million was restricted cash, available to SPP a.s. to provide short-term financing if requested by SPP.

#### **15. DEFERRED INCOME**

	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Net opening balance	20	17
Assets acquired during the period	-	3
Amortisation during the period	-	-
(included in other operating expenses, net)	-	-
<b>Net closing balance</b>	<b>20</b>	<b>20</b>

Several items of gas equipment were obtained "free of charge" from municipal and local authorities. This equipment was recorded as property, plant, and equipment at the costs incurred by the municipal and local authorities with a corresponding amount recorded as deferred income. This deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

Deferred income also includes allocated subsidies from the European Commission related to projects of reverse flows of KS 4 and Plavecký Peter gas pipelines, interconnection pipelines between Hungary and Slovakia, and Poland and Slovakia, and a project of investments to decrease KS 3 and KS 4 emissions (DLE).

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**16. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS**

The long-term employee benefits program was launched in 1995. This is a defined benefit program, under which employees are entitled to a lump-sum payment upon old age or disability retirement and, subject to vesting conditions, life and work jubilee payments. During 2014, the Group signed a new collective agreement under which employees are entitled to a retirement benefit based on the number of years with the Group at the date of retirement. The benefits range from one month to six months of the employee's average salary. As at 30 June 2016 and 30 June 2015, the obligation relating to retirement and other long-term employee benefits was calculated on the basis of valid collective agreements in the given years.

As at 30 June 2016, 2 744 (30 June 2015: 2 885) employees of the Group were covered by this program. As of that date, it was an unfunded program with no separately-allocated assets to cover the program's liabilities.

Movements in net liability recognised in the balance sheet for the year ended 30 June 2016 are as follows:

	<i>Long-term benefits</i>	<i>Post- employment benefits</i>	<i>Total benefits at 30 June 2016</i>	<i>Total benefits at 30 June 2015</i>
Net opening balance	1	10	11	8
Net expense recognised	-	2	2	3
Benefits paid	-	-	-	-
<b>Net liabilities</b>	<b>1</b>	<b>12</b>	<b>13</b>	<b>11</b>
	<i>Current liabilities (included in other current liabilities)</i>		<i>Non-current liabilities</i>	<i>Total</i>
At 30 June 2016		1	12	13
At 30 June 2015		-	11	11

**Key assumptions used in the actuarial valuation:**

	<i>At 30 June 2016</i>	<i>At 30 June 2015</i>
Market yield on government bonds	0.45% - 1.16%	1.7% - 3%
Annual future real rate of salary increases	2%	2.0%
Annual employee turnover	2.63%	2.6%
Retirement ages (male and female)	62 for male and 60 for female	62 for male and 60 for female

**17. PROVISIONS FOR LIABILITIES**

Movements in the provisions for liabilities are summarised as follows:

	<i>Environ- mental provisions</i>	<i>Other</i>	<i>Total provisions at 30 June 2016</i>	<i>Total provisions at 30 June 2015</i>
Balance at 1 July	112	29	141	131
Effect of discounting	3	-	3	4
Movement	(4)	2	(2)	8
Use	-	(15)	(15)	(1)
Reversal	(3)	(15)	(18)	(1)
<b>Closing balance</b>	<b>108</b>	<b>1</b>	<b>109</b>	<b>141</b>
	<i>Current provisions (included in provisions and other current liabilities)</i>		<i>Non-current provisions</i>	<i>Total provisions</i>
At 30 June 2016		3	106	109
At 30 June 2015		32	109	141

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a) Environmental Provisions

Provisions in the amount of EUR 108 million as at 30 June 2016 are recorded in respect of the decontamination of contaminated soil, the liquidation of exploration and storage wells, and the recultivation and restoration of sites to their original condition. eustream has obligations in respect of decontaminating contaminated soil caused by compressor stations and old natural gas facilities powered by coal. NAFTA and SPP Storage have obligations in respect of liquidating exploration and storage wells, recultivating and restoring sites, and dismantling a distillation unit.

*NAFTA's Obligations*

NAFTA currently has 162 production wells in addition to 245 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it is determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA is obliged to dismantle production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money and risks specific to the liability (2.65%). The provision takes into account the estimated costs for the abandonment of production and storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2016 and 2093.

*Obligations of eustream*

In 2011, a project for the identification of environmental loads on all compressor stations ("CS") operated by the Company took place. Oil and condensate from gas transportation 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 recognised the provision for decontamination works based on current existing technologies and prices adjusted for expected inflation factor at amortised 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 0.98% was used).

*Obligations of SPP Storage*

SPP Storage currently has 38 storage wells. SPP Storage's provision for decontamination and restoration resulted from a legislative requirement to dismantle an underground storage facility, mainly storage wells after the operation of the underground storage facility is discontinued.

b) Other Provisions

Other provisions as at 30 June 2016 include EUR 1 million (30 June 2015: EUR 29 million) regarding various pending litigations and other potential disputes. See also Note 29.

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**18. INTEREST-BEARING BORROWINGS**

<b>30 June 2016</b>	<b>30 June 2016 Secured</b>	<b>30 June 2016 Unsecured</b>	<b>30 June 2016 Total</b>
Bank loans	-	450	450
Bonds	-	1 768	1 768
<b>Total borrowings</b>	<b>-</b>	<b>2 218</b>	<b>2 218</b>
<b>Borrowings by currency</b>			
EUR			
- with fixed interest rate	-	1 768	1 768
- with variable interest rate	-	450	450
<b>Total borrowings</b>	<b>-</b>	<b>2 218</b>	<b>2 218</b>
<b>Borrowings are due as follows:</b>			
Less than 1 year	-	97	97
1 to 2 years	-	-	-
2 to 5 years	-	1 472	1 472
More than 5 years	-	649	649
<b>Total borrowings</b>	<b>-</b>	<b>2 218</b>	<b>2 218</b>
<b>30 June 2015</b>	<b>30 June 2015 Secured</b>	<b>30 June 2015 Unsecured</b>	<b>30 June 2015 Total</b>
Bank loans	-	210	210
Bonds	-	1 766	1 766
<b>Total borrowings</b>	<b>-</b>	<b>1 976</b>	<b>1 976</b>
<b>Borrowings by currency</b>			
EUR			
- with fixed interest rate	-	1 766	1 766
- with variable interest rate	-	210	210
<b>Total borrowings</b>	<b>-</b>	<b>1 976</b>	<b>1 976</b>
<b>Borrowings are due as follows:</b>			
Less than 1 year	-	32	32
1 to 2 years	-	-	-
2 to 5 years	-	55	55
More than 5 years	-	1 889	1 889
<b>Total borrowings</b>	<b>-</b>	<b>1 976</b>	<b>1 976</b>

Summary of Group's bonds:

In February 2015, SPP Infrastructure Financing, B.V. (subsidiary) issued bonds of EUR 500 million bearing a fixed interest rate of 2.625% p. a. and falling due on 10 February 2025, a guarantee was provided by eustream, a.s.

In June 2014, SPP – distribúcia, a.s. (subsidiary) issued bonds of EUR 500 million bearing a fixed rate of 2.625% p.a. and falling due on 23 June 2021.

In 2013, SPP Infrastructure Financing, B.V. (subsidiary) issued bonds of EUR 750 million bearing a fixed interest rate of 3.75% p. a. and falling due on 18 July 2020; a guarantee was provided by eustream, a.s.

Summary of Group's bank loans:

Long-term loans denominated in euros in the amount of EUR 55 million, EUR 80 million and EUR 75 million bear an interest rate consisting of a variable portion (3M EURIBOR) and a fixed margin in % p.a. The loans falls due in 2020, 2024 and 2021, respectively and are not secured by any assets.

During the 2015 calendar year, NAFTA a.s. drew bank loans in the amount of EUR 240 million from a long-term credit facility totalling EUR 250 million (the balance of the undrawn credit facility as at 30 June 2016 is EUR 10 million). The long-term credit facility consists of a fixed portion in the amount of EUR 175 million, which falls due in 2019, and a variable portion (revolving loan) that is renewed every three months with final maturity in 2019. The loans are denominated in EUR with a variable interest rate. The loans are not secured by any assets.

The Group's loans were not secured by any pledges over assets.

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Interest rates on loans and bonds:

	<b>30 June 2016</b>	<b>30 June 2015</b>
EUR		
- with a fixed rate	2.625%; 3.75%	2.625%; 3.75%
- with a variable rate	3M EURIBOR plus margin	3M EURIBOR plus margin

The carrying amount and fair value of loans and bonds:

	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Loans	450	210	462	217
Bonds	1 768	1 766	1 879	1 743
<b>Total</b>	<b>2 218</b>	<b>1 976</b>	<b>2 341</b>	<b>1 960</b>

## 19. TRADE AND OTHER PAYABLES

	<b>At 30 June 2016</b>	<b>At 30 June 2015</b>
Trade payables from transmission and distribution of natural gas	59	73
Other trade payables	48	42
Other liabilities	25	23
Employee liabilities	12	12
Social security and other taxes	6	6
Payables from financial derivatives	11	6
<b>Total</b>	<b>161</b>	<b>162</b>

As at 30 June 2016, the Group recorded due payables in the amount of EUR 156 million (30 June 2015: EUR 162 million) and overdue payables in the amount of EUR 5 million (30 June 2015: EUR 0 million).

The Group has no significant liability secured by a pledge or any other form of collateral.

## 20. EQUITY

### Share Capital

Following the establishment of the legal group, the share capital is shown in the consolidated statement of the financial position as at 30 June 2016 and 30 June 2015. The increase in registered capital was made by SPP, the former parent company by an in-kind contribution of financial investments (see Note 1) in May 2014, when the new group was formally established, with a face value of EUR 4 922 783 042. Share capital was decreased on 30 December 2014 by EUR 1 259 416 105 based on a shareholders' decision. As at 30 June 2016, the share capital consisted of three fully paid shares: two shares owned by SPP, one with a face value of EUR 1 868 292 263 and one with a face value of EUR 25 000, and one share owned by SGH with a face value of EUR 1 795 049 674.

### Legal Reserve Fund and Other Funds

As at 30 June 2016, other reserves represent the legal reserve fund, which has been created as part of the in-kind contribution. The reserve is created from retained earnings to cover possible future losses or increases in the registered capital. Transfers of at least 10% of the current year's profit (as presented in the individual financial statements) are required to be made until the reserve is equal to at least 20% of the registered capital.

Other funds and reserves in equity are not distributable to the Group's shareholders.

Non-controlling interests primarily represent an interest in NAFTA directly held by EPH.

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Hedging Reserves

Hedging reserves represent gains and losses arising from cash flow hedging.

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
<b>Opening balance</b>	<b>8</b>	<b>3</b>
Gain/loss from cash flow hedging	62	4
Commodity swap contracts	65	8
Interest rate swap contracts	(3)	(4)
Income tax applicable to gains/losses recognised through equity	(14)	(1)
Transfers to profit and loss	(40)	2
Commodity swap contracts	(40)	2
Interest rate swaps	-	-
Income tax related to transfers to profit and loss	9	-
<b>Closing balance</b>	<b>25</b>	<b>8</b>

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

Gains/(losses) arising from a change in the fair value of the hedging instruments transferred during the current and previous period from equity to profit or loss are disclosed in the line Transmission of natural gas of the income statement.

Distributable retained earnings

Distributable retained earnings are based on retained earnings of individual statutory financial statements of SPP Infrastructure, a.s. During the reporting period, SPP Infrastructure declared the pay-out of dividends in the amount of EUR 1 578 million, which were offset against receivables from loans owed by SGH and SPP; the remaining amount was paid to the bank account.

**21. REVENUES**

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Natural gas transmission revenues	692	712
Distribution of natural gas	359	355
Gas storage	159	159
Other	61	56
<b>Total revenues</b>	<b>1 271</b>	<b>1 282</b>

**22. SERVICES**

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Repair and maintenance	11	12
Service level agreements with SPP	9	14
Other services of production nature	6	5
Lease of transportation means	5	6
Advisory	4	1
Costs of IT services and operating expenses	3	1
Insurance premium	2	2
Geodetic works – exploration, opening, drilling	2	1
Expenses for security of natural gas supplies	1	4
Other	21	31
<b>Total services</b>	<b>64</b>	<b>77</b>

The costs of service level agreements with SPP include management services, IT services and rental payments for headquarter buildings.

Other services relate mainly to seismic activities and transportation.



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The cost of audit services in thousand EUR are as follows:

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Audit of financial statements	120	96
Other assurance services	92	156
Tax advisory services	-	11
Other related services provided by the auditor	61	49
<b>Total</b>	<b>273</b>	<b>312</b>

## 23. STAFF COSTS

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Wages, salaries and bonuses	68	70
Social security costs	25	28
Other social security costs and severance pay	6	7
<b>Total staff costs</b>	<b>99</b>	<b>105</b>

The Group is required by law to make social security contributions amounting to 35.2% of salary bases, up to a maximum amount ranging from EUR 1–4 thousand per employee, depending on the type of insurance. Employees contribute an additional 13.4% of the relevant base up to the above limits.

## 24. FINANCE INCOME

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Interest income	2	36
Gain on the sale of investments	-	2
Dividend income	1	1
Change in fair value of derivatives	-	(1)
<b>Total investment income</b>	<b>3</b>	<b>38</b>

As at 30 June 2015, interest income mainly comprised interest on deposits provided to SGH and SPP, which were settled during the year.

## 25. FINANCE COSTS

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Interest expense	64	56
Foreign exchange loss	1	1
Other	1	(1)
<b>Total finance costs</b>	<b>66</b>	<b>56</b>

Interest expense represents interests related to issued bonds and bank loans (Note 18).

## 26. TAXATION

### 26.1. Income Tax

Income tax comprises the following:

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Current income tax	176	190
Special levy on business in regulated industries	32	30
Deferred income tax (Note 26.2)		
– current year	(9)	(11)
<b>Total</b>	<b>199</b>	<b>209</b>

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The reconciliation between the reported income tax and the theoretical amount calculated using the standard tax rates is as follows:

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Profit before taxation	<b>801</b>	<b>832</b>
Income tax at 22%	176	183
Effect of adjustments from permanent differences between carrying amount and tax value of assets and liabilities	(9)	(3)
Special levy on business in regulated industries	32	30
Other adjustments	-	(1)
<b>Income tax for the year</b>	<b>199</b>	<b>209</b>

The actually recognised tax rate differs from the tax rate stipulated by law of 22% due to adjustments to the tax base in respect of the current income tax for items increasing and decreasing the tax base pursuant to the valid tax legislation. Such adjustments mainly include tax non-deductible provisions for liabilities and provisions for assets and a difference between tax and accounting depreciation charges of non-current assets.

Pursuant to the requirements of IFRS, the income tax also includes a special levy on business in regulated industries pursuant to a special regulation (Note 3t).

## **26.2. Deferred Income Tax**

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

	<i>At 1 July 2015</i>	<i>Charge to equity for the period</i>	<i>Transfer</i>	<i>(Charge)/credit to profit for the period</i>	<i>At 30 June 2016</i>
Diff. between tax and acc. depreciation	(848)	-	-	12	(836)
Derivatives	(2)	(5)	-	-	(7)
Provision for recultivation and liquidation	23	-	-	(1)	22
Impairment	8	-	-	-	8
Other	9	-	-	(2)	7
<b>Total</b>	<b>(810)</b>	<b>(5)</b>	<b>-</b>	<b>9</b>	<b>(806)</b>

	<i>At 1 July 2014</i>	<i>Charge to equity for the period</i>	<i>Transfer</i>	<i>(Charge)/credit to profit for the period</i>	<i>At 30 June 2015</i>
Diff. between tax and acc. depreciation	(860)	-	(1)	13	(848)
Derivatives	(1)	(1)	-	-	(2)
Provision for recultivation and liquidation	22	-	1	-	23
Impairment	8	-	-	-	8
Other	11	-	-	(2)	9
<b>Total</b>	<b>(820)</b>	<b>(1)</b>	<b>-</b>	<b>11</b>	<b>(810)</b>

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**27. TAX EFFECTS IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME**

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

<i>Year ended 30 June 2016</i>	<i>Before tax</i>	<i>Tax</i>	<i>After tax</i>
Change in foreign currency translation reserve	4	(1)	3
Hedging derivatives (Cash flow hedging)	22	(5)	17
<b>Other comprehensive income for the period</b>	<b>26</b>	<b>(6)</b>	<b>20</b>

<i>Year ended 30 June 2015</i>	<i>Before tax</i>	<i>Tax</i>	<i>After tax</i>
Hedging derivatives (Cash flow hedging)	(7)	2	5
<b>Other comprehensive income for the period</b>	<b>7</b>	<b>(2)</b>	<b>5</b>

**28. CASH FLOWS FROM OPERATING ACTIVITIES**

	<i>Year ended 30 June 2016</i>	<i>Year ended 30 June 2015</i>
Operating profit	858	842
Adjustments for:		
Depreciation and amortisation	205	221
Provisions and other non-cash items	(9)	2
Impairment losses	-	2
Non-cash settlement of financial derivatives	(7)	-
Profit from sale of non-current assets	(1)	(1)
(Increase)/decrease in receivables and prepayments	3	(1)
(Increase)/decrease in inventories	1	8
Increase/(decrease) in trade and other payables	(12)	12
Other assets/liabilities	(15)	-
<b>Cash flows from operating activities</b>	<b>1 023</b>	<b>1 085</b>

**29. COMMITMENTS AND CONTINGENCIES**

**Capital Expenditure Commitments**

As at 30 June 2016, capital expenditure of EUR 72 million (30 June 2015: EUR 61 million) was committed under contractual arrangements for the acquisition of non-current assets, but were not recognised in these consolidated financial statements.

**Operating Lease Arrangements**

The Group leases means of transport under an operating lease agreement. The contract is made for four years and the Group has no pre-emptive right to purchase the assets after the expiry of the term of the lease. The lease payments amounted to EUR 5 million in the year ended 30 June 2016 (30 June 2015: EUR 5 million).

Non-cancellable operating lease payables amount to:

<i>Year</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
Within 1 year	5	3
From 1 to 5 years	6	7
More than 5 years	-	1
<b>Total</b>	<b>11</b>	<b>11</b>

### **Natural Gas Transmission**

Access to the transmission network and transmission services are provided by eustream, a.s. on the basis of *ship-or-pay* contracts. The major user of the network (shipper) is a prominent Russian shipper of gas, 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. In addition, eustream, a.s., within the *entry-exit* system, also concludes short-term transmission contracts.

Transmission fees are paid to eustream, a.s. accounts by the relevant shipper. Tariffs have been fully regulated since 2005. The regulator annually issues pricing decisions on the basis of a proposal submitted by eustream, a.s.

On the basis of the regulated business and pricing terms, shippers also provide eustream, a.s. with a portion of the tariffs in-kind as gas for operating purposes, covering gas consumption during the operation of the transmission network. This portion of the tariff can also be provided by shippers in monetary form in compliance with the regulated business and pricing terms.

### **Natural Gas Storage Contracts**

The Group stores natural gas at two storage locations in Slovakia and the Czech Republic. The gas storage facilities are operated by the subsidiary, NAFTA a.s., and the joint venture, POZAGAS a.s., in Slovakia and by the subsidiary, SPP Storage, s.r.o., in the Czech Republic, for the deposit and extraction of natural gas according to seasonal demand, and to secure the safe provision of supplies as regulated by law. Storage fees are agreed for the term of the contracts. The storage fee is based primarily on the capacity rented per year and the annual price indices.

### **Taxation**

The Group undertakes significant transactions with several subsidiaries and associated undertakings, the shareholders and other related parties. The tax environment in which the Group operates in Slovakia is dependent on the prevailing tax legislation and practice and has relatively little existing precedent. 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 to the corporate income tax base. Corporate income tax in Slovakia is levied on each individual legal entity and, as a consequence, there is no concept of Group taxation or relief. The tax authorities in Slovakia 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.

### **Litigation and Potential Losses**

The Group is involved in a number of legal disputes relating to alleged breaches of contracts. The Group is also involved in other litigation arising in the normal course of business that is not expected, either individually or combined, to have a significant adverse effect on the accompanying financial statements. The final outcome of the litigation may result in liabilities higher than the provisions recognised, and such differences may be significant.

#### *Other Legal Cases and Disputes*

The Company concluded long-term storage contracts with a number of customers operating in Europe. Prices and terms and conditions stipulated in contracts are subject to changes due to different factors defined by contracts. In this regard, in 2012 NAFTA entered into price arbitration, the effect of which was reflected in the financial statements for previous periods. The price arbitration ended with a positive outcome in 2015. The arbitration outcome is significant and fully reflected in the Company's revenues for 2015. The Company decided not to disclose further information, as the Company's management believes that the disclosure of such information could violate information confidentiality and/or business secret and/or could damage the Company.

## **Legislative Conditions for Business Activities in the Energy Sector**

### *The EU's Third Energy Package*

In 2009, the European Union adopted Directive 2009/72/EC and Directive 2009/73/EC and related regulations concerning common rules for the internal market in natural gas and electricity known as the "Third Energy Package" that Member States were required to transpose into their national laws no later than 3 March 2012. One of the most important requirements of the Third Energy Package is, inter alia, to determine the regime for the unbundling of transmission networks and transmission network operators. The Slovak Republic opted to implement a regime of an independent transmission operator.

On 1 October 2015, under RONI decision No. 0005/2015/P, the rules of network codes on capacity allocation and balancing of the network system, namely measures of the Commission Regulations (EU) No. 984/2013 dated 14 October 2013 and No. 312/2014 dated 26 March 2014, were fully implemented in the operating code.

### *Legal and Regulatory Framework for the Natural Gas Market in the Slovak Republic and the Implementation of the EU Energy Legislation*

The Third Energy Package was transposed into Slovak law by Act No. 251/2012 Coll. on Energy and on Amendments to and Supplementation of Certain Acts and by Act No. 250/2012 Coll. on Regulation in Network Industries that became effective on 1 September 2012 and that represent the basic legal framework for business in the energy sector.

A decision of RONI dated 28 October 2013 certified eustream as an independent transmission operator complying with all legal requirements. RONI's decision to certify eustream as an independent transmission operator was also valid in 2014.

The above-stated acts transpose the requirements of the Third Energy Package that extend the requirements for the independence and unbundling of commercial, financial, operational and investment activities of transmission network operators and strengthen the powers of the Regulatory Office for Network Industries ("RONI") in relation to vertically-integrated undertakings. One of the principal requirements under Directive No. 2009/73/EC, which also applies to ITO model implementation, is the ownership of the transmission network by its operator. Additionally, new obligations apply to the independent transmission operator; the said obligations relate to the creation of the so-called supervisory commission as a special supervisory body, and certification as part of which the Regulatory Office for Network Industries and the European Commission will examine its independence and compliance with ITO model requirements and other obligations to provide for independence in the operation, maintenance and management of the transmission network. On 14 February 2013, the Extraordinary General Meeting of the Company approved the transfer of transmission assets to the subsidiary, eustream, a.s., in the form of an in-kind contribution of a part of the business, effective as of 28 February 2013. The transfer of transmission assets from the parent company to the subsidiary, eustream, had no significant impact on the consolidated financial statements, however, it had a significant impact on the parent company's and eustream, a.s.'s separate financial statements.

In connection with the newly-adopted acts, related generally-binding legal regulations in secondary legislation were adopted in 2013. On 30 April 2013, by Decision No. 0005/2013/P-PP, RONI approved the amendments to and supplementation of eustream's operating rules under which it launches new products, namely the Virtual Trading Point service and other services supporting the liquidity and flexibility of the gas market. On 28 October 2013, by Decision No. 0049/2013/P-PP, RONI approved the amendments to and supplementation of the entity's operating rules, which supplement the rules for congestion management in the transmission network pursuant to EU regulations.

### *Tariffs for Regulated Activities*

Tariffs for access to the transmission network and for natural gas transmission are determined based on a benchmarking analysis of gas transmission prices in other EU Member States. Tariffs for 2014-2016 were approved by RONI Ruling 0001/2014/P.

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RONI approves tariffs for access to the distribution network and gas distribution, for the provision of auxiliary services, and for connection to the distribution network. These tariffs are proposed so that the total planned revenues from the tariffs for access to the distribution network and gas distribution in the regulation year in euros per gas volume unit do not exceed the maximum price for the year, calculated pursuant to RONI Decree No. 193/2013, which stipulates price regulation in the gas industry. The maximum approved revenue is determined based on eligible costs, including depreciation charges derived from the regulated base of assets set by RONI and the profit margin. The regulated base of assets and the residual useful life of such assets determined by RONI differ from the carrying amount of non-current tangible assets and their useful lives as recognised by the Group. The management, therefore, believes that non-current tangible assets are not impaired based on present indicators. There are inherent uncertainties that could have an impact on the determination of future tariffs by RONI and the future realisable value of assets.

The maximum price for connection to the distribution network in the base year of the regulation period, ie for 2012, for gas consumers was determined on the basis of the planned average costs related to the issue of technical conditions for the connection and the planned average costs related to the processing of the application for connecting the gas delivery equipment to the distribution network and installation of the meter incurred by the distribution network operator as part of the standard-scope activities necessary for connecting the gas delivery equipment. The price for connection to the distribution network is proposed separately for households and non-household gas customers.

Under RONI Decree No. 193/2013 Coll., the maximum price for connection to the distribution network for the years following the base year of the regulation period is calculated by the indexation of the price for the year preceding the year for which the price proposal is submitted, reflecting the effect of inflation.

The calculation of the maximum price for access to the distribution network and for gas distribution for the years following the base year of the regulation period is also partly based on basic parameter indexation.

The purchase of a gas facility, which has been regulated for the first time in 2014, is subject to price regulation in the gas sector.

Pursuant to Act No. 250/2012 Coll. on Regulation in Network Industries as amended, the pricing decision for 2015 is also valid for 2016, unless RONI approves an amendment to the pricing decision.

### **30. RELATED PARTY TRANSACTIONS**

The Group entered into the following transactions with related parties that are not consolidated entities in these consolidated financial statements:

	<i>Year ended 30 June 2016</i>				<i>30 June 2016</i>		
	<i>Revenues</i>	<i>Expenses</i>	<i>Dividends</i>	<i>Property and inventory</i>	<i>Receivables</i>	<i>Short term deposits</i>	<i>Payables</i>
Slovak Gas Holding B.V.	1	-	773	-	-	-	-
Slovenský plynárenský priemysel, a.s.	363	17	805	4	13	-	60
Joint ventures	5	5	-	-	2	-	1
Other related parties	19	4	42	-	95	-	17
	<i>Year ended 30 June 2015</i>				<i>30 June 2015</i>		
	<i>Revenues</i>	<i>Expenses</i>	<i>Dividends</i>	<i>Property and inventory</i>	<i>Receivables</i>	<i>Short term deposits</i>	<i>Payables</i>
Slovak Gas Holding B.V.	17	-	399	-	-	602	-
Slovenský plynárenský priemysel, a.s.	413	29	414	6	12	250	71
Joint ventures	8	5	-	-	1	-	1
Other related parties	15	7	39	-	3	-	2

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Management considers that the transactions with related parties have been made on an arm's length basis.

Transactions with Slovak Gas Holding represent dividend payments and interest income relates to loans receivable.

Short-term deposits repayable by the shareholders Slovak Gas Holding and Slovenský plynárenský priemysel were provided in April 2015. The short-term deposits were settled through the owners' entitlement to the Company's profit.

Transactions with joint ventures represent services related to natural gas.

Transactions with other companies and other related parties mainly represent services related to purchases and sales of natural gas, advisory and consulting services, and other services.

Compensation of the members of the bodies and executive management was as follows:

	<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015</b>
Remuneration to members of the Board of Directors, Supervisory Board, executive management and former members of the bodies - total for combined entities	5	4
<i>Of which – Board of Directors and executive management</i>	4	3
<i>– Supervisory Board</i>	1	1

**a) Members of the Company's Bodies**

<b>Body</b>	<b>Function</b>	<b>Name</b>
<b>Board of Directors</b>	Chairman	JUDr. Daniel Křetínský since 3 Jul 2013
	Vice-Chairman	Mgr. Alexander Sako – since 3 Jul 2013
	Member	JUDr. Marián Valko – since 8 Oct 2013
	Member	Ing. Miroslav Haško - since 8 Oct 2013
	Member	Ing. Jan Špringl – since 3 Jul 2013
<b>Supervisory Board</b>	Chairman	JUDr. Ivo Hlaváček, Ph.D., MBA- since 3 Oct 2014
	Member	Ing. Libor Briška – since 8 Oct 2013
	Member	Mgr. Pavel Horský – since 3 Jul 2013
	Member	Mgr. Jan Stříteský – since 15 May 2014
	Member	RNDr. Peter Kršjak – since 20 Jan 2015
	Member	Ing. Tomáš Richter – since 1 Dec 2015

### **31. POST-BALANCE SHEET EVENTS**

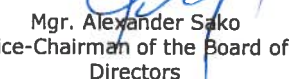
After the balance sheet date, no significant events occurred that would require recognition or disclosure in these financial statements, and that would have a significant effect on the fair presentation of information included in these financial statements.

**Prepared on:**


13 September 2016

**Signature of a member of  
the statutory body of the  
reporting entity or a natural  
person acting as a reporting  
entity:**


  
JUDr. Daniel Křetínský  
Chairman of the Board of  
Directors

  
Mgr. Alexander Sako  
Vice-Chairman of the Board of  
Directors

**Signature of the person  
responsible for the  
preparation of the  
financial statements:**

  
On behalf of SPP I Group  
Ing. Roman Filipoiu  
Chief Financial Officer

**Signature of the person  
responsible for  
bookkeeping:**

  
On behalf of SPP I Group  
Ing. Peter Duračka  
Head of Finance