

**POZAGAS a.s.**

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

**AND**

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

**As at 31 December 2019**

**POZAGAS a.s.**

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## POZAGAS a.s.

### INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of POZAGAS a.s.:

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

##### Opinion

We have audited the financial statements of POZAGAS a.s. (the "Company"), which comprise the balance sheet as at 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Emphasis of Matter

As described in the Note 3.c (i), the Company has applied significant estimates in evaluating the risk of impairment loss from property, plant and equipment. There are inherent uncertainties related to the assumptions used in the calculation of the recoverable amount of property, plant and equipment, which may result in significant adjustments of the carrying amounts of property, plant and equipment in the future.

Our opinion is not modified in respect of this matter.

##### Responsibilities of Management

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

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

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

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

This is an English language translation of the original Slovak language document.

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

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

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

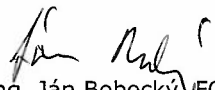
We evaluated whether the Company's annual report includes information whose disclosure is required by the Act on Accounting.

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

- Information disclosed in the annual report prepared for 2019 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Company and its position, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, 25 February 2020

  
Ing. Ján Bobocký, FCCA  
Responsible Auditor  
Licence UDVA No. 1043

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

# POZAGAS a.s.

## Income Statement

For the Year Ended 31 December 2019 and 31 December 2018

<i>In thousands of euro</i>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Revenues	4	29 913	26 926
Depreciation	11, 12	(1 616)	(1 867)
Services		(6 380)	(6 211)
Materials and energies consumed		(1 304)	(1 154)
Personnel expenses	5	(1 258)	(1 320)
Provision for impairment losses	11, 12	(2 454)	(4 973)
Other operating expenses, net	6	(7 131)	(7 948)
<b>Profit from operations</b>		<b>9 770</b>	<b>3 453</b>
Finance income		46	28
Finance cost		(361)	(402)
<b>Finance costs, net</b>	7	<b>(315)</b>	<b>(374)</b>
<b>Profit before tax</b>		<b>9 455</b>	<b>3 079</b>
Income tax	8	(2 535)	(1 196)
<b>Net profit for the year</b>		<b>6 920</b>	<b>1 883</b>
Earnings per share (in EUR)	9	358	97

# POZAGAS a.s.

## Statement of Comprehensive Income

For the Year Ended 31 December 2019 and 31 December 2018

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<i>In thousands of euro</i>	Note	2019	2018
Net profit for the year		6 920	1 883
Other comprehensive income/(loss)		-	-
Tax effects		-	-
Other comprehensive income/(loss) for the year after tax		-	-
Total comprehensive income/(loss) for the year		<u>6 920</u>	<u>1 883</u>

# POZAGAS a.s.

## Balance Sheet

As at 31 December 2019 and 31 December 2018

*In thousands of euro*

	Note	31 December 2019	31 December 2018
<b>Assets</b>			
Property, plant and equipment	11	26 769	26 204
Intangible assets	12	188	256
Trade and other receivables		2 314	2 314
<b>Total non-current assets</b>		<b>29 271</b>	<b>28 774</b>
Materials and spare parts		237	670
Income tax asset		-	-
Trade and other receivables	13	3 626	3 126
Receivables from the controlling entity	13	60 000	52 000
Cash and cash equivalents	14	6 242	3 545
<b>Total current assets</b>		<b>70 105</b>	<b>59 341</b>
<b>Total assets</b>		<b>99 376</b>	<b>88 115</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	15.1	43 008	43 008
Legal reserve fund	15.2	8 602	8 602
Retained earnings		29 586	22 666
<b>Total equity</b>		<b>81 196</b>	<b>74 276</b>
<b>Liabilities</b>			
Deferred tax liabilities	8	1 782	2 154
Provision for liquidation and site restoration	16	12 003	8 508
Trade and other payables		262	245
Deferred income		367	527
<b>Total non-current liabilities</b>		<b>14 414</b>	<b>11 434</b>
Income tax liability		1 511	560
Trade and other payables	17	2 211	1 783
Deferred income		44	62
<b>Total current liabilities</b>		<b>3 766</b>	<b>2 405</b>
<b>Total liabilities</b>		<b>18 180</b>	<b>13 839</b>
<b>Total equity and liabilities</b>		<b>99 376</b>	<b>88 115</b>

# POZAGAS a.s.

## Statement of Changes in Equity

For the Year Ended 31 December 2019 and 31 December 2018

<i>In thousands of euro</i>	Share capital	Share premium	Legal reserve fund	Retained earnings	Asset revaluation reserve	Total
Balance as at 1 Jan 2018	43 008	-	8 602	20 854	-	72 464
Effect of IFRS 9 adoption	-	-	-	(71)	-	(71)
Net profit for the year	-	-	-	1 883	-	1 883
Allotment to the legal reserve fund	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-	-	-
<b>Balance as at 31 Dec 2018</b>	<b>43 008</b>	<b>-</b>	<b>8 602</b>	<b>22 666</b>	<b>-</b>	<b>74 276</b>
Balance as at 1 Jan 2019	43 008	-	8 602	22 666	-	74 276
Net profit for the year	-	-	-	6 920	-	6 920
Allotment to the legal reserve fund	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-	-	-
<b>Balance as at 31 Dec 2019</b>	<b>43 008</b>	<b>-</b>	<b>8 602</b>	<b>29 586</b>	<b>-</b>	<b>81 196</b>



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## Statement of Cash Flows

For the Year Ended 31 December 2019 and 31 December 2018

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Income before tax	9 455	3 079
Adjustments for:		
Depreciation and amortisation	1 527	1 659
Impairment losses	2 454	4 973
Net foreign exchange losses/(gains)	-	1
Interest from unwinding discount	348	400
Net interest expense/(income)	(46)	(27)
Other	2	40
<b>Operating profit before changes in working capital</b>	<b>13 740</b>	<b>10 125</b>
Decrease/(increase) in inventories	433	(212)
Decrease/(increase) in receivables	(512)	(439)
Increase/(decrease) in payables	339	(833)
<b>Cash from operating activities</b>	<b>14 000</b>	<b>8 641</b>
Interest received	46	27
Foreign exchange losses	-	(1)
Income taxes paid	(1 955)	657
<b>Cash flows from operating activities</b>	<b>12 091</b>	<b>9 324</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(1 375)	(1 012)
Proceeds from the sale of property, plant and equipment and intangible assets	9	17
Loans and borrowings provided	(8 000)	(52 000)
<b>Cash flows from investing activities</b>	<b>(9 366)</b>	<b>(52 995)</b>
<b>Financing activities</b>		
Dividends paid	-	-
Lease payments – IFRS 16	(28)	-
<b>Cash flows from financing activities</b>	<b>(28)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2 697</b>	<b>(43 671)</b>
Cash and cash equivalents as at 1 Jan	3 545	47 216
<b>Cash and cash equivalents as at 31 Dec</b>	<b>6 242</b>	<b>3 545</b>

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 1. General Information

#### 1.1. Description of Business

POZAGAS a.s. (hereinafter “POZAGAS” or the “Company”) is a joint-stock company with its registered office at Malé námestie 1, Malacky, Slovak Republic. The Company was established on 7 April 1993 and registered in the Business Register of the Slovak Republic on 13 May 1993. The Company provides underground gas storage services and services related to underground gas storage.

#### 1.2. Basis for Preparation of the Financial Statements

These financial statements represent the annual separate financial statements of POZAGAS a.s. for the reporting period from 1 January to 31 December 2019.

The financial statements are intended for general use and information; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

#### 1.3. Approval of the 2018 Financial Statements

On 14 May 2019, the General Meeting approved the 2018 financial statements of POZAGAS a.s.

#### 1.4. Employees

Number of employees as at 31 December 2019	19
Of which: Managers	3

### 2. New International Financial Reporting Standards and Changes in Estimates

#### *Initial application of new and amended IFRS standards effective for the current reporting period*

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 “Leases”** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 “Financial Instruments”** – Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 “Employee Benefits”** – Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** – Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to “Annual Improvements to IFRS Standards (2015 – 2017 Cycle)”** resulting from the annual IFRS improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the financial statements of Pozagas a.s.

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### *New and amended IFRS standards issued by IASB and adopted by the EU but not yet effective*

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and are not yet effective:

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020).

### *New and amended IFRS standards issued by IASB but not yet adopted by the EU*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by IASB, except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2019 (the effective dates stated below are for IFRS as issued by IASB):

- **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 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **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 the research project on the equity method has been concluded).

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

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement” would not significantly impact the financial statements if applied as at the balance sheet date.

- **IFRS 14 “Regulatory Deferral Accounts”** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

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- **IFRS 16 “Leases”** issued by IASB on 13 January 2016. Under IFRS 16, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16’s predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases, a lessor recognises finance income over the lease term, based on a pattern reflecting the constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, on another systematic basis.
- **Amendments to IFRS 9 “Financial Instruments” – Prepayment Features with Negative Compensation** issued by IASB on 12 October 2017. The amendments modify the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income), even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, ie depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for an early repayment penalty and for an early repayment gain. Moreover, the amendments contain clarification regarding accounting for a modification of a financial liability that does not result in derecognition. In this case, the carrying amount is adjusted and the corresponding result recognised in comprehensive income. The effective interest rate is not recalculated.
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material** issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including it in the definition guidance.
- **Amendments to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement** issued by IASB on 7 February 2018. The amendments require the use of the updated assumptions from this remeasurement to determine the current service cost and net interest for the remainder of the reporting period after the change to the plan.
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Long-term Interests in Associates and Joint Ventures** issued by IASB on 12 October 2017. Amendments were introduced to clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of a net investment in the associate or joint venture, but to which the equity method is not applied. Paragraph 41 is deleted by the amendments as the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about accounting for long-term interests.
- **Amendments to various standards due to “Annual Improvements to IFRS Standards (2015 – 2017 Cycle)”** issued by IASB on 12 December 2017. Amendments to various standards resulting from the annual IFRS improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).
- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018. Due to the fact that the Conceptual Framework was revised, IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

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## Notes to the Financial Statements For the Year Ended 31 December 2019

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- **IFRIC 23 “Uncertainty over Income Tax Treatments”** issued by IASB on 7 June 2017. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 “Income Taxes” specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

### 3. Significant Accounting Policies

#### a) Statement of Compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU”). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39, which has not been approved by the EU. The Company has determined that portfolio hedge accounting under IAS 39 would not impact the separate financial statements had it been approved by the EU at the balance sheet date.

#### b) Basis of Preparation

The financial statements have been prepared under the going-concern assumption.

The financial statements have been prepared on a historical cost basis.

The accounting policies were applied consistently by the Company and are consistent with the policies applied in the previous reporting period.

#### c) Significant Accounting Estimates and Key Sources of Estimate Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed from time to time. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future affected periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amounts disclosed in the financial statements is provided in the following notes.

##### *(i) Impairment of Property, Plant and Equipment*

The Company calculated and recorded significant amounts for impairment loss related to the property, plant and equipment used for storage of natural gas in previous periods. Recoverability of the assets used for storage of natural gas depends on future demand for storage services and current limitations regarding alternative use of the assets. Various assumptions and estimations about future demand for storage services, natural gas prices, discount rates as well as current limitations regarding alternative use of the assets due to valid long-term agreements were made when evaluating the recoverable amount of the property, plant and equipment, which may be subject to change in the future. As a result of the change in these assumptions, there may be significant changes in the amount of impairment losses and in the recoverable amount of property, plant and equipment in the future. Refer to Note 11 for details on impairment of property, plant and equipment.

##### *(ii) Provision for Liquidation and Restoration*

The financial statements include significant amounts as a provision for liquidation and restoration of gas storage wells and centres. The provision is based on estimates of the future costs and is also significantly impacted by the estimated timing of cash flows and the Company’s estimate of the discount rate used. The provision takes into account costs estimated for liquidating the gas storage wells and centres and for restoring the sites to their original condition based on previous experience and cost estimates. Refer to Note 16 for further details.

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## Notes to the Financial Statements For the Year Ended 31 December 2019

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### d) Property, Plant and Equipment and Intangible Assets

#### (i) Owned Property, Plant and Equipment

As at 31 December 2019 and 2018, property, plant and equipment are recognised in the balance sheet at cost less subsequent accumulated depreciation and permanent impairment loss provisions. The cost includes costs of contracted work, direct material and labour, overhead and capitalised interest on received loans and borrowings directly attributable to the acquisition, construction, or production of the qualifying assets.

The cost of assets developed internally includes the costs of materials, direct labour and the pro-rata portion of production overheads.

#### (ii) Intangible Assets

Intangible assets are carried at cost less accumulated amortisation (see below) and impairment losses in line with IAS 36.

#### (iii) Subsequent Expenditure

Subsequent expenditures related to the maintenance of the existing property, plant and equipment and intangible assets, except for the capitalised future liquidation and site restoration costs (refer to point (v) below), are capitalised only when they increase the future economic benefits of the specific item of assets. All other expenditures are recognised in the income statement when incurred.

#### (iv) Depreciation and Amortisation

Property, plant and equipment are depreciated and intangible assets are amortised over their estimated useful lives. Depreciation and amortisation charges are recognised in the income statement using the straight-line basis. Land is not depreciated. The estimated useful lives of individual items of assets are as follows:

	Year ended	
	31 December 2019	31 December 2018
Buildings and equipment used for gas storage	12 – 80 years	12 – 80 years
Cushion gas	100 – 1000 years	100 – 1000 years
Machinery and equipment	8 – 20 years	8 – 20 years
Other non-current assets	4 – 8 years	4 – 8 years

#### (v) Capitalised Future Liquidation and Site Restoration Costs

Capitalised future liquidation and site restoration costs represent future costs for dismantling and liquidation of buildings, underground wells, and equipment related to the underground gas storage facility as well as future costs related to the restoration of the related land.

#### (vi) Cushion Gas

Cushion gas represents gas needed to operate the underground gas storage facility. The extraction of cushion gas would affect the serviceability of the underground storage facility. Cushion gas is presented as part of the property, plant and equipment of the underground gas storage facility.

### e) Non-derivative Financial Instruments

Non-derivative financial instruments comprise:

- (i) Trade and other receivables
- (ii) Cash and cash equivalents
- (iii) Trade and other payables

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## Notes to the Financial Statements For the Year Ended 31 December 2019

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(i) Financial assets are classified in the following categories: financial assets subsequently measured at amortised cost, financial assets subsequently measured at fair value through other comprehensive income (FVOCI) and financial assets subsequently measured at fair value through profit or loss (FVTPL).

The Company only recognises financial assets subsequently measured at amortised cost. Financial assets are subsequently measured at amortised cost using the effective interest rate method less any impairment, and include trade receivables and loan receivables with fixed or variable payments.

Interest income is recognised using the effective interest rate, except for current receivables where the recognition of interest would be immaterial.

### Impairment of financial assets

For the impairment of loan receivables, the Company applies a three-stage model of expected credit losses (ECL). Under this model, an immediate impairment loss in an amount equal to a 12-month expected credit loss is recognised upon the initial recognition of the financial assets. If there is a significant increase in the credit risk, a provision is estimated based on expected credit losses for the full lifetime of financial assets, not only based on the 12-month expected loss.

As at 31 December 2019 and 31 December 2018, the Company assessed the impairment of loan receivables from borrowings provided to the Group (see Note 13) and concluded that the 12-month expected credit losses approximated zero given the low risk of default and expected loss given the method of settling the borrowing by offsetting against the payable from dividends paid.

For trade receivables and current receivables, the Company applies a simplified model for the assessment and recognition of impairment losses on financial assets under which a provision is recognised in the amount of expected credit losses over the full lifetime of trade receivables at the moment of their initial recognition. Such estimates are revised as at the reporting date.

The carrying amount of a financial asset is reduced by the impairment loss directly for all items of financial assets except for trade receivables, where the carrying amount is reduced through a provision account. When a trade receivable is considered unrecoverable, it is written off against the provision account. Subsequent recoveries of written-off receivables are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

(ii) Cash and cash equivalents comprise cash balances and demand deposits recognised in both the balance sheet and the statement of cash flows.

(iii) Financial liabilities are classified as financial liabilities measured at amortised cost or financial liabilities at “fair value through profit or loss” (FVTPL).

The Company only recognises financial liabilities classified in the category “Financial liabilities at amortised cost” category. Financial liabilities measured at amortised cost (including borrowings) are subsequently measured at amortised cost using the effective interest rate method.

### f) Inventories

Inventories, in particular spare parts and purchased gas, are measured at cost. The measurement of spare parts is based on the first-in, first-out (FIFO) principle. The measurement of purchased gas is based on the weighted arithmetic average principle.

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### g) Impairment of Assets

In accordance with the requirements of IAS 36 "Impairment of Assets", at each reporting date an assessment is made as to whether there is any indication that the recoverable amount of the property, plant, and equipment is less than the carrying amount. When there is such an indication, the recoverable amount of the asset is estimated as the higher of the asset's net selling price and the present value of its future cash flows. Any resulting estimated impairment loss on property, plant and equipment 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 are based on the Company's position and the economic environment in the Slovak Republic at the balance sheet date.

### h) Share Capital and Dividends

Ordinary shares are classified as equity. Dividends are recognised as a liability in the period in which they are declared.

### i) Employee Benefits

The Company does not manage any pension funds. Mandatory contributions to state-guaranteed pension plans are recognised as an expense in the income statement when incurred.

### j) Provisions for Liabilities

A provision for liabilities is recognised in the balance sheet when the Company has a legal or constructive obligation as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are calculated as discounted expected future cash flows before taxation, which reflects the present market value of money and, where appropriate, risks specific to the liability.

### k) Revenues from Gas Storage Contracts

Revenues from the underground storage of natural gas are recognised over an agreed period for which the storage capacity was reserved for a customer. Variable fees for additional storage-related services are recognised during the provision of the service to a customer.

Revenues from other services primarily include the provision of gas transport from/to Austria, and are recognised during the provision of the service to a customer.

### l) Expenses

#### *(i) Net Finance Costs*

Net finance costs comprise interest paid on loans and borrowings calculated using an effective interest rate method, interest from unwinding discount on long-term provisions and foreign exchange gains and losses that are recognised in the income statement.

Interest income is recognised in the income statement on an accrual basis, taking into account the effective yield on the asset.

### m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement. Current tax is the estimated tax liability on the taxable income for the year, using the tax rate valid as at the reporting date, and any adjustment of the tax liability for previous years.

In addition to the income tax, the Company is required to pay a special corporate levy on business in the regulated industries on a monthly basis with effect from September 2012. The levy rate is 0.545% of the profit per month before taxation calculated pursuant to the Slovak Accounting Procedures. See also Note 8.



# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

Deferred tax is calculated from temporary differences between the carrying amounts of assets and liabilities and their tax base. The amount of recognised deferred tax depends on the expected method of realisation or settlement of the carrying amounts of assets and liabilities, using the tax rate valid in the following reporting period (21%).

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reversed to the extent that it is no longer probable that the related tax benefit will be realised.

Possible additional income tax that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividends.

### 4. Revenues

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Storage of gas and services related to the storage of gas	<u>29 913</u>	<u>26 926</u>

Revenues are recognised based on contracts for gas storage and for the provision of services related to the storage of gas concluded with customers. Prices are denominated in euro and also depend on the development of certain statistical macroeconomic development indices.

In 2019, the Company provided underground gas storage services and services related to underground gas storage to a related company in its shareholders' group and to third parties. .

### 5. Personnel Expenses

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Wages and salaries	758	802
Mandatory social security contributions and other social expenses	347	376
Remuneration of members of management bodies	<u>153</u>	<u>142</u>
<b>Total</b>	<b><u>1 258</u></b>	<b><u>1 320</u></b>

The average number of employees during the year ended 31 December 2019 was 22, of which 3 were managers, and 19 were administrative staff and technicians (2018: 26, of which 3 were managers, and 23 were administrative staff and technicians).

### 6. Other Operating Expenses, Net

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Insurance expenses	108	108
Insurance benefits	(2)	-
Administrative and other charges	7 237	8 091
Other	<u>(212)</u>	<u>(251)</u>
<b>Total</b>	<b><u>7 131</u></b>	<b><u>7 948</u></b>

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## Notes to the Financial Statements For the Year Ended 31 December 2019

### 7. Finance Costs, Net

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Interest income	(46)	(27)
Foreign exchange gains	-	(1)
<b>Finance income</b>	<b>(46)</b>	<b>(28)</b>
Foreign exchange losses	-	1
Interest from unwinding discount on provisions for liquidation and restoration (see Note 16)	348	400
Other	13	1
<b>Finance costs</b>	<b>361</b>	<b>402</b>
<b>Finance costs, net</b>	<b>315</b>	<b>374</b>

### 8. Income Tax

#### 8.1. Income Tax Recognised in the Income Statement

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Current income tax (incl. special levy) – current year	2 907	1 664
Deferred income tax – current year	(372)	(468)
	<b>2 535</b>	<b>1 196</b>

#### 8.2. Reconciliation of Statutory and Effective Tax Rates

<i>In thousands of euro</i>	<b>2019</b>		<b>2018</b>	
Profit (loss) before tax		9 455		3 079
Income tax at	21.0%	1 986	21.0%	647
Effect of permanent differences, net	-0.8%	(78)	7.3%	225
Special levy	6.6%	627	10.5%	324
Effect of the change in the tax rate	0.0%	-	0.0%	-
	<b>26.81%</b>	<b>2 535</b>	<b>38.8%</b>	<b>1 196</b>

The statutory income tax rate effective in 2019 and in 2018 was 21%. The special levy is calculated at the rate of 6.54% from profit before tax.

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 8.3. Deferred Income Tax

The following table shows the major deferred tax liabilities and assets recognised by the Company and their movements during the current and prior reporting periods:

<i>In thousands of euro</i>	<b>As at 1 Jan 2019</b>	<b>Credit (charge) to equity for the current period</b>	<b>Credit (charge) to profit for the current period</b>	<b>As at 31 Dec 2019</b>
Depreciation and amortisation of non-current assets	(3 409)	-	296	(3 113)
Provision for liquidation and site restoration	1 249	-	73	1 322
Other	6	-	3	9
<b>Total</b>	<b>(2 154)</b>	<b>-</b>	<b>372</b>	<b>(1 782)</b>

<i>In thousands of euro</i>	<b>As at 1 Jan 2018</b>	<b>Credit (charge) to equity for the current period</b>	<b>Credit (charge) to profit for the current period</b>	<b>As at 31 Dec 2018</b>
Depreciation and amortisation of non-current assets	(3 796)	-	387	(3 409)
Provision for liquidation and site restoration	1 165	-	84	1 249
Other	9	-	(3)	6
<b>Total</b>	<b>(2 622)</b>	<b>-</b>	<b>468</b>	<b>(2 154)</b>

### 9. Earnings per Share

Earnings per share are calculated as net profit after tax attributable to the shareholders of POZAGAS divided by the weighted average number of shares in circulation during the reporting period.

### 10. Costs of Auditor's Services

The costs of the services provided by the audit firm comprised the audit of the financial statements (EUR 19 thousand) and accounting and tax advisory services (EUR 0.8 thousand).

# POZAGAS a.s.

Notes to the Financial Statements  
For the Year Ended 31 December 2019

## 11. Property, Plant and Equipment

*In thousands of euro*

<i>Cost</i>	Land	Buildings and structures	Machines and equipment	Capitalised future costs for liquidation and site restoration (see Note 16)	Assets under construction	Total
Balance as at 1 January 2018	697	133 337	49 896	3 329	936	188 195
Additions	-	-	-	-	996	996
Placed into service	6	151	665	-	(822)	-
Disposals	-	(50)	(173)	(771)	(46)	(1 040)
<b>Balance as at 31 December 2018</b>	<b>703</b>	<b>133 438</b>	<b>50 388</b>	<b>2 558</b>	<b>1 064</b>	<b>188 151</b>
Balance as at 1 January 2019	703	133 438	50 388	2 558	1 064	188 151
Additions	-	-	-	3 147	1 293	4 440
Put into service	-	492	587	-	(1 040)	39
Disposals	-	-	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>703</b>	<b>133 930</b>	<b>50 975</b>	<b>5 705</b>	<b>1 317</b>	<b>192 630</b>
<i>Depreciation and impairment</i>						
Balance as at 1 January 2018	(241)	(106 526)	(46 778)	(1 862)	(178)	(155 585)
Depreciation for the period	-	(684)	(655)	(51)	-	(1 390)
Disposals	-	36	173	-	-	209
Impairment of assets/provisions for assets	(184)	(4 174)	(530)	236	(529)	(5 181)
<b>Balance as at 31 December 2018</b>	<b>(425)</b>	<b>(111 348)</b>	<b>(47 790)</b>	<b>(1 677)</b>	<b>(707)</b>	<b>(161 947)</b>
Balance as at 1 January 2019	(425)	(111 348)	(47 790)	(1 677)	(707)	(161 947)
Depreciation for the period	-	(696)	(643)	(37)	-	(1 376)
Disposals	-	-	-	-	-	-
Impairment of assets/provisions	(6)	(482)	(39)	(1 853)	(158)	(2 538)
<b>Balance as at 31 December 2019</b>	<b>(431)</b>	<b>(112 526)</b>	<b>(48 472)</b>	<b>(3 567)</b>	<b>(865)</b>	<b>(165 861)</b>
<i>Net book value</i>						
As at 1 January 2018	456	26 811	3 118	1 467	758	32 610
As at 31 December 2018	278	22 090	2 598	881	357	26 204
<b>As at 1 January 2019</b>	<b>278</b>	<b>22 090</b>	<b>2 598</b>	<b>881</b>	<b>357</b>	<b>26 204</b>
<b>As at 31 December 2019</b>	<b>272</b>	<b>21 404</b>	<b>2 503</b>	<b>2 138</b>	<b>452</b>	<b>26 769</b>

The notes are an integral part of the separate financial statements.  
This is an English language translation of the original Slovak language document.

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

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Following developments on the gas storage capacities market, the Company concluded that there are still impairment indicators as regards property, plant and equipment due to the continuing decrease of demand and prices for gas storage services. As required by IAS 36 "Impairment of Assets", the Company calculated the recoverable amount of property, plant and equipment used for storage of natural gas, which represent the only cash generating unit. The recoverable amount of property, plant and equipment is calculated as the present value of future cash flows derived from the continued use of the assets over the remaining non-cancellable period of the long-term contract for gas storage and the estimate of the recoverable amount of property less costs of disposal after termination of the gas storage facility operation, which is possible only after obtaining required permits and the termination of the long-term contract for gas storage and the long-term contract for operation of the facility, which the Company has signed with its shareholder. Estimates are based on the long-term plans approved by the management and the discount rate of 7.6% and 10.6% for the termination phase of the storage facility. As a result, the impairment loss of EUR 2 454 thousand was recognised in 2019 (2018: impairment loss of EUR 4 973 thousand).

In 2019 and 2018, various assumptions and estimates about future demand for storage capacities, natural gas prices, discount rates and current limitations regarding the alternative use of the assets due to valid long-term contracts were made when estimating impairment and calculating the recoverable amount of property, plant and equipment, which may be subject to changes in the future. As a result of the change in these assumptions, there may be significant changes in the amounts of impairment losses and recoverable amount of property, plant and equipment in the future.

When estimating the gas prices at which cushion gas could be extracted and realised between 2027 and 2030, the Company used its expectations as regards the development of natural gas spot prices (this estimate is in line with World Bank expectations). The future development of spot gas prices is influenced by a number of factors, which are beyond the control of the Company, including geopolitical factors and demand and supply factors.

In 2004, a geological survey in one of the reservoirs of the Company's gas storage facility showed a difference in the volume of cushion gas as compared to its recorded amount. The net book value of the assets of this storage facility is EUR 383 thousand as at 31 December 2019 (31 December 2018: EUR 399 thousand). The operation of this reservoir of the gas storage facility is currently limited and there is uncertainty regarding its potential impairment.

As at 31 December 2019, the total amount of impairment loss provisions is EUR 42 812 thousand (31 December 2018: EUR 40 358 thousand) have been recognised.

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Notes to the Financial Statements  
For the Year Ended 31 December 2019

## 12. Intangible Assets

<i>In thousands of euro</i>	Software	Other intangible assets	Assets under construction	Advance payments made	Total
<b>Cost</b>					
As at 1 Jan 2018	1 730	3 635	16	-	5 381
Acquisitions	-	-	19	-	19
Disposals	-	(187)	-	-	(187)
Placed into service	30	-	(30)	-	-
<b>As at 31 Dec 2018</b>	<b>1 760</b>	<b>3 448</b>	<b>5</b>	<b>-</b>	<b>5 213</b>
As at 1 Jan 2019	1 760	3 448	5	-	5 213
Acquisitions	-	-	83	-	83
Disposals	-	-	-	-	-
Put into service	16	-	(16)	-	-
<b>As at 31 Dec 2019</b>	<b>1 776</b>	<b>3 448</b>	<b>72</b>	<b>-</b>	<b>5 296</b>
<b>Amortisation and impairments</b>					
As at 1 Jan 2018	(1 536)	(3 336)	(3)	-	(4 875)
Amortisation charge for the year	(70)	(407)	-	-	(477)
Disposals	-	187	-	-	187
Impairment of assets provisions	(37)	246	(1)	-	208
<b>As at 31 Dec 2018</b>	<b>(1 643)</b>	<b>(3 310)</b>	<b>(4)</b>	<b>-</b>	<b>(4 957)</b>
As at 1 Jan 2019	(1 643)	(3 310)	(4)	-	(4 957)
Amortisation charge for the year	(67)	(168)	-	-	(235)
Disposals	-	-	-	-	-
Impairment of assets provisions	27	96	(39)	-	84
<b>As at 31 Dec 2019</b>	<b>(1 683)</b>	<b>(3 382)</b>	<b>(43)</b>	<b>-</b>	<b>(5 108)</b>
<b>Net book value</b>					
As at 1 Jan 2018	194	299	13	-	506
As at 31 Dec 2018	117	138	1	-	256
<b>As at 1 Jan 2019</b>	<b>117</b>	<b>138</b>	<b>1</b>	<b>-</b>	<b>256</b>
<b>As at 31 Dec 2019</b>	<b>93</b>	<b>66</b>	<b>29</b>	<b>-</b>	<b>188</b>

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 13. Trade and Other Receivables

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Trade receivables – non-current	2 314	2 314
<b>Total</b>	<b>2 314</b>	<b>2 314</b>

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Trade receivables – current	3 440	2 732
Receivables from the controlling entity	60 000	52 000
Deferred expenses	1	1
Tax assets	125	235
Other receivables	60	158
<b>Total</b>	<b>63 626</b>	<b>55 126</b>

In 2018, the Company concluded a contract for the efficient use of funds and liquidity optimisation with other Group companies (cash pooling). In accordance with the contract, the Company recorded a receivable of EUR 60 000 thousand as at 31 December 2019 (31 December 2018: EUR 52 000 thousand). Interest income of EUR 40 thousand on the cash pooling was recognised as at 31 December 2019 (31 December 2018: EUR 10 thousand).

### 14. Cash and Cash Equivalents

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Bank accounts	6 201	3 505
Cash in hand	41	40
<b>Total</b>	<b>6 242</b>	<b>3 545</b>

### 15. Equity and Reserves

#### 15.1. Share Capital

As at 31 December 2019, share capital amounts to EUR 43 007 906 (31 December 2018: EUR 43 007 906).

As at 31 December 2019 and 31 December 2018, the share capital was fully paid.

The face values and numbers of individual types of shares are as follows:

Type of shares	31 Dec 2019			31 Dec 2018		
	Number of shares	Face value (EUR)	Total (EUR)	Number of shares	Face value (EUR)	Total (EUR)
Book-entry, registered shares	19 285	2 230	43 005 550	19 285	2 230	43 005 550
Book-entry, registered shares	71	33.19	2 356	71	33.19	2 356
<b>Total</b>	<b>19 356</b>		<b>43 007 906</b>	<b>19 356</b>		<b>43 007 906</b>

All shares have voting rights that correspond to their share in the share capital.

The Company's shares as at 31 December 2019 were held by SPP Infrastructure, a.s. – 35% and NAFTA a.s. – 65% (31 December 2018: SPP Infrastructure, a.s. – 35%, NAFTA a.s. – 65%).

The holders of ordinary shares are entitled to receive dividends when they are declared.

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 15.2. Legal Reserve Fund

The Company is required to create a legal reserve fund in a minimum amount of 10% of the net profit (annually) up to a minimum amount equalling 20% of the subscribed share capital (cumulative balance). Up to the mandatory amount of the legal reserve fund, the legal reserve fund may only be used to cover losses and may not be distributed to shareholders.

### 16. Provision for Liquidation and Site Restoration

The Company conducted a study to determine the necessity of restoring wells and other equipment related to the underground gas storage facility and to determine the technical, legal and financial aspects of such restoration commitments, which resulted in significant changes to previously-used estimates. The measurement of future costs of site restoration involves the following estimates:

- Technical estimates of current costs;
- Estimates and assumptions; and
- Payment dates of the expected restoration costs are based on economic assumptions of the useful economic lives of the facilities concerned.

In 2019, the Company reassessed assumptions and estimates used to create the provision for site restoration and liquidation (revised assumptions were used, eg discount rate of 1.12%, inflation of 0.32%) and recognised an increase in the provision for liabilities by EUR 3 147 thousand.

Movements in the provision for liquidation and site restoration are summarised as follows:

*In thousands of euro*

As at 31 Dec 2017	8 880
Interest from unwinding discount	400
Decrease/increase in the provision for liabilities (recognised in assets as a decrease in capitalised costs of restoration)	(772)
<b>As at 31 Dec 2018</b>	<b>8 508</b>
Interest from unwinding discount	183
Decrease/increase in the provision for liabilities (recognised as a decrease/increase in interest expense)	165
Decrease/increase in the provision for liabilities (recognised in assets as a decrease/increase in capitalised costs of restoration)	3 147
<b>As at 31 Dec 2019</b>	<b>12 003</b>

Storage wells are expected to be liquidated after the end of their useful lives (2071 – 2078). The Company is obliged to dismantle the storage wells, decontaminate any contaminated soil, restore the surrounding area, and restore the site to its original condition to the extent as stipulated by law.

Depreciation of the related capitalised future liquidation and site restoration costs in 2019 was recorded in the amount of EUR 37 thousand (2018: EUR 50 thousand) (see Note 11).

The discount applied when recognising the provision for site restoration and liquidation is being unwound over the life of the provision and is included in the income statement as a financial item in finance costs. In 2019, the unwinding of discount was recorded in the amount of EUR 183 thousand (2018: EUR 400 thousand) (see Note 7).



# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 17. Trade and Other Payables

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Trade payables	1 713	1 371
Tax liabilities	10	11
Short-term provisions for liabilities	344	264
Other payables and accrued expenses	144	137
<b>Total</b>	<b>2 211</b>	<b>1 783</b>

As at 31 December 2019 and 31 December 2018, short-term provisions for liabilities primarily consist of provisions for unbilled supplies.

### 18. Financial Risk Management and Financial Instruments

Credit risk, liquidity risk and market risk arise in the normal course of the Company's business and from the use of financial instruments.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and monitor risks and adherence to limits. Using training and management standards and procedures, the Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### 18.1. Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. Credit risk is primarily associated with the Company's receivables from customers.

##### *Trade and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the gas industry in which all customers operate. Each new customer is analysed individually for creditworthiness. Subsequently, payment terms and conditions are offered in accordance with the Company's rules of operation. Trade and other receivables relate mainly to the storage of gas and the provision of gas storage-related services. The Company does not require collateral in respect of trade and other receivables; however, a bank guarantee in favour of the Company may be required from customers.

##### *Maximum exposure to credit risk*

The carrying amount of financial assets disclosed in the financial statements, net of impairment losses, represents the Company's maximum exposure to credit risk without taking into account the value of any collateral received. The credit risk is concentrated mainly in the European Union.

##### *Impairment losses*

The majority of customers have been conducting business with the Company for several years and no losses have occurred during this period. As at 31 December 2019, the Company did not recognise any overdue trade receivables. The Company did not record any provisions for trade receivables as at 31 December 2019, except for the adoption of IFRS 9 (see Note 2.1).

##### *Guarantees*

The Company does not provide financial guarantees.

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 18.2. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The Company has sufficient cash to cover operating expenses during the year. The potential adverse impact of extraordinary circumstances that cannot reasonably be predicted, such as natural disasters, is covered by the Company's insurance policies.

The following table outlines the contracted maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

31 Dec 2019

*In thousands of euro*

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	2 211	2 211	2 211	-	-	-	262
<b>Total</b>	<b>2 211</b>	<b>2 211</b>	<b>2 211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>262</b>

31 Dec 2018

*In thousands of euro*

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	1 783	1 783	1 783	-	-	-	245
<b>Total</b>	<b>1 783</b>	<b>1 783</b>	<b>1 783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245</b>

### 18.3. Market Risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of the financial instruments the Company holds. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return at the given risk. Demand for the Company's products and their price development is mainly affected by the conditions on the gas market in the European Union and in Slovakia. The Company seeks to protect itself against such risks by an appropriate mixture of long- and short-term gas storage contracts and by indexation of the prices of long-term contracts.

### 18.4. Exposure Risk

The bulk of the revenues is generated by providing services to one customer with whom the Company has concluded a long-term gas storage contract. Company management is not aware of reasons why this contractual relationship should be terminated.

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 18.5. Interest Rate Risk

The Company's operating revenues and cash flows from operating activities are independent of changes to market interest rates. In 2019, the Company had no significant interest-bearing assets except short-term bank deposits.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

*In thousands of euro*

	Carrying amount	
	2019	2018
<b>Fixed interest rate instruments</b>		
Term bank deposits	-	2 000
<b>Total</b>	-	<b>2 000</b>
<b>Variable interest rate instruments</b>		
Issued bonds	-	-
<b>Total</b>	-	-

### 18.6. Foreign Exchange Risk

After the change in its functional currency from the Slovak crown to the euro on 1 January 2009, the Company has only been exposed to foreign exchange risk to a minimum extent. This risk is still inherent in purchases of goods and services made in currencies other than the euro. During 2019, such purchases amounted to EUR 16 thousand.

The Company does not hedge against foreign exchange risk.

### 18.7. Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts due to the short-term nature of such financial instruments. The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss or through equity; therefore, a change in interest rates at the reporting date would not affect the Company's profit and loss or equity.

### 18.8. Capital Management

The policy of the Company's Board of Directors is to maintain a strong capital base so as to ensure the sustainability of the future business development and to maintain investor, creditor and market confidence.

## 19. Contingent Liabilities

### 19.1. Taxation

The tax environment in which the Company operates in the Slovak Republic is dependent on the prevailing tax legislation and practice, which has relatively little existing precedent. As the tax authorities are reluctant to provide official interpretations with respect to the tax legislation, there is an inherent risk that the tax authorities may require adjustments to the corporate income tax base. Corporate income tax in the Slovak Republic is levied on each legal entity and, as a consequence, there is no concept of group taxation or relief. The tax authorities in the Slovak Republic have broad powers of interpretation of tax laws, which could result in unexpected results of tax reviews. The amount of any potential tax liabilities related to these risks cannot be estimated.

Tax returns remain open and may be subject to review over a period of five years. The fact that a certain period or tax return related to this period has been subject to review does not eliminate the possibility of this period being subject to an additional review during the five-year period. Accordingly, the Company's tax returns for 2014 to 2019 remain open and may be subject to review.

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## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 19.2. Capital Expenditures

As at 31 December 2019, the Company had concluded contracts for the acquisition of property, plant and equipment in the amount of EUR 64 thousand.

### 19.3. Energy Legislation Related to Gas Storage and Regulation

Slovak legislation in the gas sector mainly comprises Act No. 251/2012 Coll. on Energy and on the Amendment to and Supplementation of Certain Acts and Act No. 250/2012 Coll. on Regulation in Network Industries. At the EU level, the legislation mainly includes standards that form part of the 3<sup>rd</sup> Energy Package.

In connection with the implementation of the 3<sup>rd</sup> Energy Package in Austria, as of 1 January 2013 the Company has become a part of the Austrian gas market; therefore, it is also required to meet the legal requirements resulting therefrom.

Pursuant to applicable legislation, the Company is required to provide non-discriminatory access to underground gas storage facilities and to the use of gas storage services. Based on the amended legislation, tariffs for access to a storage facility and for gas storage are currently not subject to price regulation by the Regulatory Office for Network Industries (RONI).

### 20. Related Parties

The Company's related parties have been identified as companies that have the ability to control or exercise significant influence over the Company in making financial and operating decisions, or members of the Company's Board of Directors, Supervisory Board, and management.

As at 31 December 2019, The Company's related parties mainly represented the Company's shareholders (SPP Infrastructure, a.s. and NAFTA a.s.) and their respective group companies, members of the Company's Board of Directors, Supervisory Board, and management.

Slovenský plynárenský priemysel, a.s. and NAFTA a.s. are customers to which the Company provided gas underground storage services and services related to the storage of natural gas in 2019 and 2018. NAFTA a.s. provided operating services to the Company.

The related party transactions are made on an arm's length basis.

#### 20.1. Related Party Transactions

Purchases of services, raw materials and investments from related parties amounted to EUR 8 198 thousand in 2019 (2018: EUR 8 326 thousand) and sales to related parties represented about one quarter of the Company's total revenues.

Receivables from related parties amounted to EUR 61 568 thousand as at 31 December 2019, including a receivable from the controlling entity in the amount of EUR 60 000 thousand (31 December 2018: EUR 53 191 thousand, including a receivable from the controlling entity in the amount of EUR 52 000 thousand).

Payables to related parties amounted to EUR 1 320 thousand as at 31 December 2019 (31 December 2018: EUR 1 013 thousand).

# POZAGAS a.s.

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 20.2. Transactions with the Members of the Board of Directors, Supervisory Board and Management

The Company is not involved in any significant or unusual transactions with the members of its Board of Directors, Supervisory Board and management.

Total wages, bonuses and related social contributions included in “personnel expenses” are (refer to Note 5):

<i>In thousands of euro</i>	<b>2019</b>	<b>2018</b>
Board of Directors and Supervisory Board	212	191
Executive management	281	269
<b>Total</b>	<b>493</b>	<b>460</b>

### 21. Supplementary Information to the IFRS Separate Financial Statements Based on the Slovak Statutory Requirements

#### 21.1. Members of the Company's Bodies as at 31 December 2019

<b>Body</b>	<b>Function</b>	<b>Name and Surname</b>
Board of Directors	Chairman	Ladislav Goryl
	Member	Martin Bartošovič
	Member	Tomáš Miřacký
	Member	Szilárd Kása
Supervisory Board	Chairman	Ján Ikrényi
	Member	Milan Soták
	Member	Mojmír Mamojka
Executive Management	Chief executive officer	Ivan Vaškor
	Chief trade and marketing officer	Martin Beňa
	Chief operation and development officer	Tomáš Ferencz

#### 21.2. Unlimited Guarantee

The Company is not a partner with an unlimited guarantee in any business entity.

#### 21.3. Consolidated Financial Statements

The Company provides information for consolidation to the group companies (shareholders). Consolidated financial statements are available at the following addresses:

SPP Infrastructure, a.s., Mlynské Nivy 44/a, 825 11 Bratislava, Slovak Republic  
NAFTA a.s., Votrubova 1, 821 09 Bratislava, Slovak Republic  
EP Infrastructure a.s., Pařížská 130/26, 11000 Praha, Czech Republic  
Energetický a průmyslový holding a.s., Pařížská 130/26, 11000 Praha, Czech Republic

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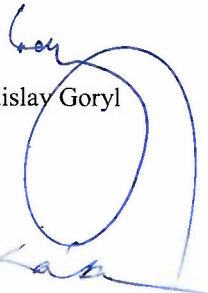



Notes to the Financial Statements  
For the Year Ended 31 December 2019

## 21.4. Type and Amount of Paid Insurance for Property, Plant and Equipment

Insured Item	Type of Insurance	Annual Premium	
		2019	2018
Property, plant and equipment	Insurance against natural disaster and theft, operations interruption insurance	108	108

## 22. Post Balance Sheet Events

From 31 December 2019 to the approval date of these financial statements there were no significant events that would significantly impact the Company's assets and liabilities.

Prepared on:	Signature of a Member of the Statutory Body of the Reporting Entity or an Individual Acting as a Reporting Entity:	Signature of the Person Responsible for the Preparation of the Financial Statements:	Signature of the Person Responsible for the Bookkeeping:
25 February 2020	 Ladislav Goryl	 Ján Smatana	 Libuša Švecová
Approved on:			
25 February 2020	 Szilárd Kása		