eustream, a.s.

Corporates
Utilities - Non US
Slovakia

The affirmation of eustream, a.s.'s Long-Term Issuer Default Rating (IDR) and senior unsecured rating at 'BBB' and removal from Rating Watch Negative now incorporates Fitch Ratings' base scenario of full or near-complete shut-off of Russian pipeline gas to Europe and no payments from Gazprom. We now base our analysis on eustream's capacity to carry alternative flows, and therefore receive capacity bookings to service demand nationally and that from neighbouring central and eastern European countries.

The Standalone Credit Profile (SCP) is assessed at 'bbb-'. eustream maintains strong liquidity against conservative debt levels and could benefit from parental support of its stronger parent SPP Infrastructure a.s.

The Negative Outlook reflects uncertainties related to the magnitude of alternative transits and potential liabilities arising from eustream's hedging.

Key Rating Drivers

Long Term Contract at High Risk: We see a material risk of the long-term ship-or-pay transit contract between eustream and Gazprom not being fulfilled, due to the continuous escalation of sanctions and limited underlying Russian gas-transit volumes of around 30 million cubic metres a day. Gazprom's payments account for a large majority of eustream's revenue.

Gazprom Payments No Longer Incorporated: EU sanctions, the war itself and Russia's measures have severely affected, but not completely halted, gas flows through Ukraine, while they did not hamper Gazprom's ability to pay under its ship-or-pay contracts. However, the risk of non-payment is so material that we no longer incorporate Gazprom cash or in-kind payments in our projections.

eustream may be entitled to some form of compensation, but any additional monthly payment, Russian gas transit or financial compensation would represent an upside to our forecast.

Structurally Lower EBITDA: Our new projections foresee slightly more than 21 billion cubic metres (bcm) of non-Russian gas transited throughout eustream's pipelines over the medium term to cover gas needs nationally and those of neighbouring CEE countries. We expect such transits to be based on short-term capacity bookings, leading to around 40% EBITDA reduction compared with our pre-Ukraine-conflict estimates. Overall, we expect an average EBITDA of EUR300 million over 2024-2026.

Risks and Upside to Forecasts: The key uncertainties about the assumed alternative transits include large Hungarian imports through the Turkish Stream route, debottlenecking between north and south Germany and the level of Ukrainian imports. Our forecasts are conservative in terms of normalised gas prices at around EUR35/MWh, while new long-term contracts would represent an upside to earnings visibility and the business profile.

Uncertainty on Derivatives Liability: A significant portion of eustream's revenue comes from the sale of the gas in kind received as payment from shippers proportional to the actual transit under their long- and short-term bookings, which the company had until now prudently hedged. The current severe reduction of transited flows and the risk of a complete stop to Russian gas pose material risks of over-hedging for 2023, which could become extremely costly in the current high price environment.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB	Negative	Affirmed 19 Oct 22
Standalone Credit Profile	bbb-		Affirmed 19 Oct 22

Click here for full list of ratings

Applicable Criteria

Corporate Rating Criteria (October 2022)
Parent and Subsidiary Linkage Rating Criteria (December 2021)
Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

Related Research

EMEA Utilities Outlook 2023 (November 2022)

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However, based on our simulations using multiple price and volume assumptions, eustream's liquidity is sufficient to face this uncertainty and can be backed up by SPP Infrastructure, a. s. (SPPI)'s potential support. We understand that the company is actively mitigating the potential impact and has already unwound a significant portion of the 2023 commodity hedges through counter-trades.

Higher Leverage to 2023: Under our assumptions of no Gazprom payments or gas flow after 2022, we expect funds from operations (FFO) net leverage to increase sharply in 2023. However, we expect eustream to generate annual pre-dividend free cash flow (FCF) of more than EUR200 million from 2024, leaving the company with enough levers to maintain its target of a maximum 2.5x net debt/EBITDA.

Investment-Grade SCP: Under Fitch assumptions, eustream's international transit activities would almost exclusively stem from annual or monthly "ship-or-pay" bookings compared with the current large long-term agreement with Gazprom, while maintaining its gas-in-kind payment component. Under these circumstances eustream's net debt/EBITDA target of 2.5x would be still consistent with an investment-grade SCP, albeit with no headroom, and assuming solid counterparty credit quality.

SPPI Links Positive: The IDR and senior unsecured ratings continue to benefit from a one-notch uplift, reflecting eustream's links with its stronger parent, SPPI, under Fitch's *Parent and Subsidiary Linkage Rating Criteria*.

SPPI controls eustream, the large regulated Slovakian distribution system operator (DSO) SPP – distribucia, a.s. (BBB+/Negative; SCP: a-) and other low-leveraged long-term contracted gas storage infrastructure assets and, in our view, has 'Low' legal incentives, but 'Medium' strategic and operational incentives to support eustream, which accounts for slightly less than 40% of its EBITDA under our assumptions.

Eustream Potentially Disadvantaged by New Taxes: A new tax on a special construction used by eustream to transport gas in the Slovak Republic was approved by the National Council of the Slovak Republic in December 2022. The bill was vetoed by the President of the Slovak Republic and returned to the National Council for reconsideration.

The tax could represent an additional recurring cost of more than EUR 170 million a year for eustream, which is not yet reflected in our forecasts. The National Council is likely to decide on this bill in the upcoming weeks. The National Council will also discuss a potential increase in the special levy tax rate from 4.3% to 12%.

Financial Summary

eustream, a.s.

(EURm)	Jul 21	Jul 22	Dec 22F	Dec 23F	Dec 24F	Dec 25F	Dec 26F
Gross revenue	622	567	366	518	453	347	354
EBITDA	547	478	321	6	364	295	304
FFO margin (%)	56.3	60.5	49.3	-4.3	63.8	61.7	61.0
FFO net leverage (x)	2.7	2.4	4.4	n.m.	2.6	2.8	2.6
FFO interest coverage (x)	11.9	11.7	6.7	0.2	13.5	6.7	6.8

F – Forecast.
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

Net4gas, s.r.o. (BB+/Negative) is eustream's closest rated peer as both companies own and operate gas transit pipelines in the Czech Republic and Slovakia, respectively, although Net4gas also benefits from a higher share of its domestic business with more supportive regulation and no potential liability related to historical gas-in-kind hedging. Both companies are highly dependent on the Russian gas transit to Europe, with concentrated counterparty risk in Gazprom, while eustream's balance sheet is significantly less leveraged (around 2.0x FFO net leverage vs 4.0x historically for Net4gas).

The Romanian gas transmission system operator (TSO) SNTGN TRANSGAZ SA (BBB-/Stable) benefits from around 90% of regulatory asset-based EBITDA, although its operating cash flows are more volatile than most utility peers'. In contrast, eustream has so far had higher operating cash flow stability and limited capex requirements, but we expect this visibility to reduce sharply over the forecast horizon.

eustream has a weaker business profile than pure TSO or DSO peers such as Snam S.p.A. (BBB+/Stable) and Czech Gas Network Investments S.a r.l (BBB/Stable), as Fitch considers earnings from traditionally mature regulated networks as more visible than ship-or-pay contracts, especially if the latter are short term.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Positioning	Regulatory Environment	Asset Base	Operational Profile	Profitability and Cash Flow	Financial Structure	Financial Flexibility
eustream, a.s.	BBB/Neg	bb+	bbb+	bbb+	bbb	a	b	bbb	a	bbb
Net4gas, s.r.o.	BB+/Neg	bb+	a-	bbb+	bbb+	a	b	bbb	bb+	bbb-
REN	BBB/Sta	a+	a-	a	bbb+	bbb+	a-	bbb	bb+	a
Snam S.p.A.	BBB+/Sta	a-	a	a	a-	bbb+	a	bbb+	bbb	a-

Source: Fitch Ratings — Importance: Higher, Moderate, Lower

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Positioning	Regulatory Environment	Asset Base	Operational Profile	Profitability and Cash Flow	Financial Structure	Financial Flexibility
eustream, a.s.	BBB/Neg	-2.0	1.0	1.0	0.0	3.0	-6.0	0.0	3.0	0.0
Net4gas, s.r.o.	BB+/Neg	0.0	4.0	3.0	3.0	5.0	-4.0	2.0	0.0	1.0
REN	BBB/Sta	4.0	2.0	3.0	1.0	1.0	2.0	0.0	-2.0	3.0
Snam S.p.A.	BBB+/Sta	1.0	2.0	2.0	1.0	0.0	2.0	0.0	-1.0	1.0

Source: Fitch Ratings — Worse positioned than IDR; In line with IDR; Better positioned than IDR

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An upgrade of eustream is unlikely in the near future due to the Negative Outlook.
- We would revise the Outlook to Stable when visibility on the gas flow and revenue deriving from gas transit are restored, coupled with FFO net leverage sustainably below 2.75x.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- FFO net leverage sustainably above 2.75x.
- Evidence of permanent loss of a large part of current transit income, or if replaced by lower-than- expected alternative bookings.
- Failing to secure and maintain enough cash and back-up credit lines to cover funding needs from potential hedges requirements.
- Weakening of SPPI's legal, strategic and operational incentives to support eustream

Liquidity and Debt Structure

Adequate Liquidity: At end-December 2022, eustream had more than EUR110 million of readily available cash and 170 million of undrawn committed revolving lines for back-up purposes (expiring in December 2024).

Its liquidity position is also supported by potential access to SPPI's other available cash at group level through cash pooling, a EUR100 million undrawn revolving credit facility (RCF) and only modest debt maturities until 2025. We expect this cushion to remain adequate in our rating case even after accounting for significant over-hedging effects in 2023.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of ‘3’. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch’s ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

Liquidity Analysis

(EURm)	2023F	2024F	2025F
Available liquidity			
Beginning cash balance	113	64	217
Rating case FCF after acquisitions and divestitures	-37	165	102
Total available liquidity (A)	**76**	**229**	**319**
Liquidity uses			
Debt maturities	-12	-12	-512
Total liquidity uses (B)	**-12**	**-12**	**-512**
Liquidity calculation			
Ending cash balance (A+B)	64	217	-193
Revolver availability	170	170	0
Ending liquidity	**234**	**387**	**-193**
Liquidity score (x)	20.5	33.3	0.6

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, eustream, a.s.

Scheduled debt maturities	**calendar year**
(EUR)	**31 Dec 22**
2023	12
2024	12
2025	512
Thereafter	517
Total	**1,053**

Source: Fitch Ratings, Fitch Solutions, eustream, a.s.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- No Russian gas flows and Gazprom payments after 2022
- Alternative transited gas flows run on short-term bookings up to 21bcm in the medium term
- Received gas-in-kind payments in proportion to 1.5%-2% of transit volume
- Gas price assumption in line with Fitch's published near-term gas price assumptions
- Operating expenditure of around EUR50 million a year to 2026
- Tax rate at 24% on taxable income to 2026
- Annual capex of EUR32 million in 2022 (Slovak Polish Interconnector completion), progressively decreasing to EUR11 million in 2027, in line with eustream's own expectations
- Dividend payments reinstated in 2024, leading to net debt/EBITDA slightly below 2.5x
- Full refinancing of its 2025 notes at double the current coupon

Financial Data

eustream, a.s.

(EURm)	Historical Jul 20	Jul 21	Jul 22	Forecast Dec 22F	Dec 23F	Dec 24F	Dec 25F	Dec 26F
Summary income statement								
Gross revenue	748.0	622.0	567.0	366.0	518.0	453.0	347.0	354.0
Revenue growth (%)	-5.7	-16.9	-8.8	-38.3	41.5	-12.6	-23.4	2.0
EBITDA (before income from associates)	677.1	547.0	478.0	321.0	6.0	364.0	295.0	304.0
EBITDA margin (%)	90.5	87.9	84.3	87.6	1.2	80.4	85.0	85.9
EBITDAR	677.1	547.0	478.0	321.0	6.0	364.0	295.0	304.0
EBITDAR margin (%)	90.5	87.9	84.3	87.6	1.2	80.4	85.0	85.9
EBIT	533.7	406.0	337.0	152.0	-131.0	230.0	162.0	173.0
EBIT margin (%)	71.4	65.3	59.4	41.4	-25.3	50.8	46.7	48.9
Gross interest expense	-44.4	-30.0	-28.0	-5.4	-31.0	-31.0	-19.0	-18.0
Pre-tax income (including associate income/loss)	486.6	374.0	349.0	146.0	-162.0	198.0	143.0	155.0
Summary balance sheet								
Readily available cash and equivalents	43.2	40.0	156.0	113.0	94.0	217.0	307.0	351.0
Debt	1,136.0	1,065.0	1,062.0	1,053.0	1,071.0	1,029.0	1,017.0	1,005.0
Lease-adjusted det debt	1,136.0	1,065.0	1,062.0	1,053.0	1,071.0	1,029.0	1,017.0	1,005.0
Net debt	1,092.8	1,025.0	906.0	940.0	977.0	812.0	710.0	654.0
Summary cash flow statement								
EBITDA	677.1	547.0	478.0	321.0	6.0	364.0	295.0	304.0
Cash interest paid	-45.1	-32.0	-32.0	-32.0	-29.0	-23.0	-38.0	-38.0
Cash tax	-149.3	-201.0	-94.0	-95.0	0.0	-52.0	-44.0	-51.0
Dividends received less dividends paid to minorities (inflow/(out)flow)	0.9	1.0	0.0	0.0	1.0	1.0	1.0	1.0
Other items before FFO	-2.4	35.0	-9.0	-14.0	0.0	0.0	0.0	0.0
Funds flow from operations	481.4	350.0	343.0	180.0	-22.0	289.0	214.0	216.0
FFO margin (%)	64.4	56.3	60.5	49.3	-4.3	63.8	61.7	61.0
Change in working capital	30.2	-34.0	66.0	-30.0	0.0	0.0	0.0	0.0
Cash flow from operations (Fitch-defined)	511.6	316.0	409.0	151.0	-22.0	289.0	214.0	216.0
Total non-operating/non-recurring cash flow	—	—	—	—	—	—	—	—
Capex	-54.5	-30.0	-31.0	—	—	—	—	—
Capital intensity (capex/revenue) (%)	7.3	4.8	5.5	—	—	—	—	—
Common dividends	-273.5	-266.0	-205.0	—	—	—	—	—
Free cash flow	183.6	20.0	173.0	—	—	—	—	—
Net acquisitions and divestitures	0.0	1.0	0.0	—	—	—	—	—
Other investing and financing cash flow items	-27.8	52.0	-58.0	—	—	—	—	—
Net debt proceeds	-242.6	-76.0	—	-12.0	18.0	-42.0	-12.0	-12.0
Net equity proceeds	—	—	—	0.0	0.0	0.0	0.0	0.0
Total change in cash	-86.8	-3.0	115.0	-43.1	-19.0	123.0	90.0	43.0
Leverage ratios (x)								
EBITDA net leverage	1.6	1.9	1.9	2.9	n.m	2.2	2.4	2.2
EBITDAR leverage	1.7	1.9	2.2	3.3	n.m	2.8	3.4	3.3
EBITDAR net leverage	1.6	1.9	1.9	2.9	n.m	2.2	2.4	2.2
EBITDA leverage	1.7	1.9	2.2	3.3	n.m	2.8	3.4	3.3
FFO adjusted leverage	2.2	2.8	2.8	5.0	n.m	3.3	4.0	4.0
FFO adjusted net leverage	2.1	2.7	2.4	4.4	n.m	2.6	2.8	2.6
FFO net leverage	2.1	2.7	2.4	4.4	n.m	2.6	2.8	2.6
Calculations for forecast publication								
Capex, dividends, acquisitions and other items before FCF	-328.0	-295.0	-236.0	-147.0	-15.0	-124.0	-112.0	-161.0
Free cash flow after acquisitions and divestitures	183.6	21.0	173.0	4.0	-37.0	165.0	102.0	55.0
Free cash flow margin (after net acquisitions) (%)	24.6	3.4	30.5	1.1	-7.1	36.4	29.4	15.5
Coverage Ratios (x)								
FFO interest coverage	11.7	11.9	11.7	6.7	0.2	13.5	6.7	6.8
FFO fixed-charge coverage	11.7	11.9	11.7	6.7	0.2	13.5	6.7	6.8
EBITDAR fixed-charge coverage	15.0	17.1	14.9	10.1	0.2	15.7	7.9	8.1
EBITDA interest coverage	15.0	17.1	14.9	10.1	0.2	15.7	7.9	8.1
Additional metrics (%)								
CFO-capex/debt	40.2	26.9	35.6	11.3	-3.5	26.7	19.9	20.4
CFO-capex/net debt	41.8	27.9	41.7	12.6	-3.8	33.9	28.5	31.4

Source: Fitch Ratings, Fitch Solutions

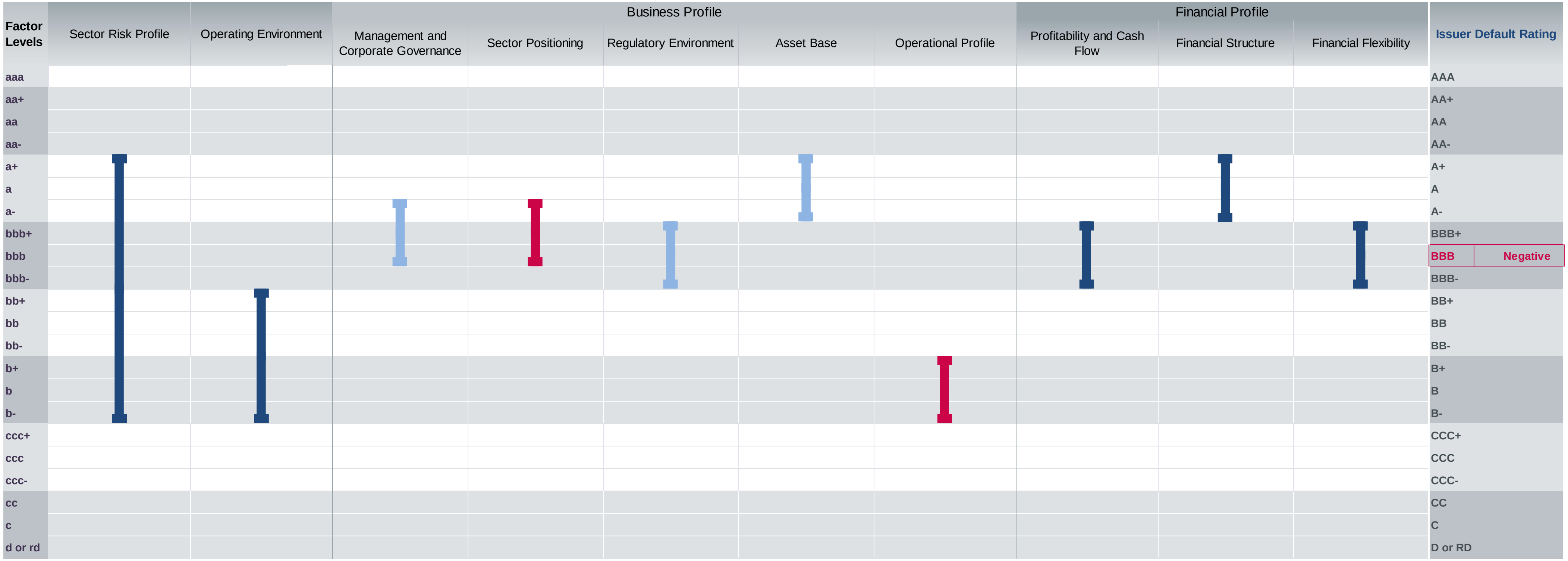
How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

FitchRatings **eustream, a.s.** ESG Relevance:

Corporates Ratings Navigator
EMEA Regulated Networks



Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

FitchRatings

eustream, a.s.

Corporates Ratings Navigator
EMEA Regulated Networks

Operating Environment

bbb-	Economic Environment	bb	Below-average combination of countries where economic value is created and where assets are located.
bb+	Financial Access	bbb	Average combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	a	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'a'.
b-			
ccc+			

Management and Corporate Governance

a	Management Strategy	a	Coherent strategy and good track record in implementation.
a-	Governance Structure	bbb	Good governance record but board effectiveness/independence less obvious. No evidence of abuse of power even with ownership concentration.
bbb+	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb	Financial Transparency	bbb	Good-quality reporting without significant failings. Consistent with the average of listed companies in major exchanges.
bbb-			

Sector Positioning

a	Operation Type	a	National or regional monopolies, transmission or distribution asset owners.
a-	Non-Regulated Earnings (% of Total Earnings)	b	up to 25%
bbb+			
bbb			
bbb-			

Regulatory Environment

a-	Independence, Transparency, Predictability	bbb	Less transparent frameworks, with emerging track record and multi-year tariffs; exposed to political risk. Medium-term predictability.
bbb+	Licensing, Ring-Fencing, Concessioning	bbb	Less demanding licensing and ring-fencing provisions; moderate concession renewal risk.
bbb	Cost and Investment Recovery	bbb	Tariff setting with challenge mechanisms that may limit efficiently incurred cost and investment recovery, with moderate regulatory lag.
bbb-	Volume and Price Risk	bbb	Moderate insulation from price and volume risk and revenue under-recovery.
bb+			

Asset Base

aa-	Diversification	bbb	Limited diversification by geography without regulatory diversification; regional utility.
a+	Critical Mass	a	Critical mass in one regulated asset; does not affect efficiency of operations (cost base, customer base, key personnel).
a	Asset Quality and Residual Life	a	High asset quality likely to benefit opex and capex requirements compared with peers. The residual life of regulatory assets is long.
a-			
bbb+			

Operational Profile

bb-	Performance Measures	a	Key performance measures in line with or above sector average and/or regulatory target.
b+	Counterparty Risk	b	High counterparty and event risk; water suppliers with high doubtful debt levels. High concentration of cyclical industries.
b			
b-			
ccc+			

Profitability and Cash Flow

a-	Return on Capital	a	Return on capital at, or comfortably above, the regulatory benchmark.
bbb+	Volatility of Profitability	bb	Less stability and predictability of profit than utility peers.
bbb	Investment Cycle	bbb	Investment cycle position and dividend policy contributing to negative free cash flow. Moderate flexibility in smoothing capex plans.
bbb-			
bb+			

Financial Structure

aa-	FFO Leverage	a	4.5x
a+	FFO Net Leverage	a	4.0x
a	Adjusted Net Debt/Asset Base (or Regulated Asset Base)	a	60%
a-	Cash PMICR		n.a.
bbb+	Nominal PMICR		n.a.

Financial Flexibility

a-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
bbb+	Liquidity	a	Very comfortable liquidity. No need to use external funding in the next 12 months even under a severe stress scenario. Well spread debt maturity schedule. Diversified sources of funding.
bbb	FFO Interest Coverage	a	4.5x
bbb-	FX Exposure	a	Profitability potentially exposed to FX but efficient hedging. Debt and cash flow well matched.
bb+	Dividend Cover		n.a.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

eustream, a.s. has 9 ESG potential rating drivers

- Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)
- Product affordability and access
- Quality and safety of products and services; data security
- Impact of labor negotiations and employee (dis)satisfaction
- Social resistance to major projects that leads to delays and cost increases
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	3	issues	2
	2	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings **eustream, a.s.**

Corporates Ratings Navigator
EMEA Regulated Networks

Credit-Relevant ESG Derivation

eustream, a.s. has 9 ESG potential rating drivers

- eustream, a.s. has exposure to extreme weather events but this has very low impact on the rating.
- eustream, a.s. has exposure to access/affordability risk but this has very low impact on the rating.
- eustream, a.s. has exposure to customer accountability risk but this has very low impact on the rating.
- eustream, a.s. has exposure to labor relations & practices risk but this has very low impact on the rating.
- eustream, a.s. has exposure to social resistance but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	3	issues	2
	2	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Profitability and Cash Flow
Energy Management	2	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Profitability and Cash Flow
Water & Wastewater Management	1	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Operations; Profitability and Cash Flow; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	2	Impact of waste including pollution incidents; discharge compliance; sludge disposal	Operations; Profitability and Cash Flow; Financial Flexibility
Exposure to Environmental Impacts	3	Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)	Operations; Profitability and Cash Flow; Financial Flexibility

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulatory Environment
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Financial Structure; Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Operations; Profitability and Cash Flow

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Scale: 5, 4, 3, 2, 1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

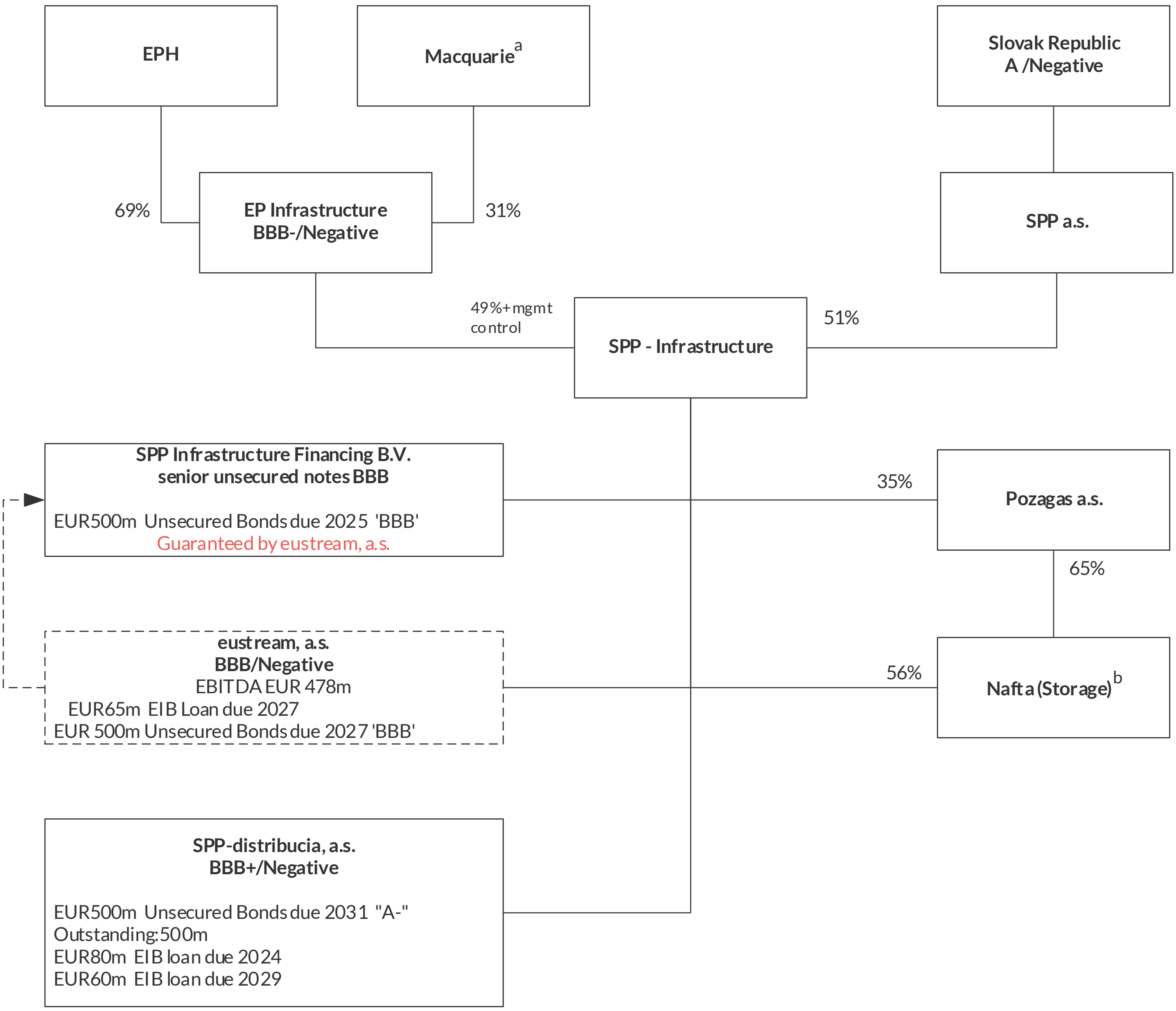
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

CREDIT-RELEVANT ESG SCALE
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



[a] Macquarie Infrastructure and Real Assets (MIRA Co.) and several other institutional co-investors co-own the holding company (MacCo); MIRA has the controlling rights and the MacCo is the only party to the shareholding agreement (SHA) with EPH,
[b] Czech Gas Holding Investments B.V. (100% owned by EPIF) owns a 40.45% share in NAFTA.
Source: Fitch Ratings, Fitch Solutions, eustream, a.s., as of end-July 2022

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	EBITDA (EURm)	Free cash flow (EURm)	FFO interest coverage (x)	FFO net leverage (x)
eustream, a.s.	BBB						
	A-	Jul22	567	478	173	11.7	2.4
	A-	Jul21	622	547	20	11.9	2.7
	A-	Jul20	748	677	184	11.7	2.1
NET4GAS, s.r.o.	BB+						
	BBB	2021	405	344	-15	11.7	4.0
	BBB	2020	380	333	-167	11.6	3.5
	BBB	2019	314	272	-266	8.3	4.3
SNTGN TRANSGAZ SA	BBB-						
	BBB-	2021	278	98	-58	19.9	3.5
	BBB-	2020	277	86	-230	18.8	3.8
	BBB-	2019	333	113	-165	135.2	0.5
EP Infrastructure, a.s.	BBB-						
	BBB-	2021	2,792	1,265	458	10.1	3.0
	BBB-	2020	3,195	1,453	-202	9.4	3.1
	BBB-	2019	3,476	1,642	485	11.4	3.0
Snam S.p.A.	BBB+						
	BBB+	2021	3,297	2,237	-723	17.4	7.0
	BBB+	2020	2,770	2,158	-354	12.7	6.6
	BBB+	2019	2,665	2,200	-218	10.4	6.2
REN - Redes Energeticas Nacionais, SGPS, S.A.	BBB						
	BBB	2021	566	454	410	8.9	6.7
	BBB	2020	563	463	89	7.8	6.6
	BBB	2019	566	477	-3	6.8	6.9
Czech Gas Networks Investments S.a r.l	BBB						
	BBB	2021	588	399	-509	9.1	5.9
	BBB	2020	553	338	5	7.2	5.2

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

Fitch Adjustments and Reconciliation Table for eustream, a.s.

(EURm)	Notes and formulas	Reported values	Sum of adjustments	Other adjustments	Adjusted values
31 July 2022					
Income statement summary					
Revenue		567			567
Operating EBITDAR		478			478
Operating EBITDAR After Associates and Minorities	(a)	478			478
Operating Lease expense	(b)	0			0
Operating EBITDA	(c)	478			478
Operating EBITDA after associates and minorities	(d) = (a-b)	478			478
Operating EBIT	(e)	337			337
Debt and cash summary					
Total debt with equity credit	(f)	1,062	3	3	1,065
Lease-equivalent debt	(g)	0			0
Other off-balance-sheet debt	(h)	0			0
Total adjusted debt with equity credit	(i) = (f+g+h)	1,062	3	3	1,065
Readily available cash and equivalents	(j)	156			156
Not readily available cash and equivalents		77			77
Cash flow summary					
Operating EBITDA after associates and minorities	(d) = (a-b)	478			478
Preferred dividends (paid)	(k)	0			0
Interest received	(l)	0			0
Interest (paid)	(m)	-32			-32
Cash tax (paid)		-94			-94
Other items before FFO		-9			-9
Funds from operations (FFO)	(n)	343			343
Change in working capital (Fitch-defined)		66			66
Cash flow from operations (CFO)	(o)	409			409
Non-operating/nonrecurring cash Flow		0			0
Capital (Expenditures)	(p)	-31			-31
Common dividends (paid)		-205			-205
Free cash flow (FCF)		173			173
Gross leverage (x)					
Total adjusted debt/operating EBITDAR[a]	(i/a)	2.2			2.2
FFO adjusted leverage	(i/(n-m-l-k+b))	2.8			2.8
FFO leverage	(i-g)/(n-m-l-k)	2.8			2.8
Total debt with equity credit/operating EBITDA[a]	(i-g)/d	2.2			2.2
(CFO-Capex)/total debt with equity credit (%)	(o+p)/(i-g)	35.6%			35.5%
Net leverage (x)					
Total adjusted net debt/operating EBITDAR[a]	(i-j)/a	1.9			1.9
FFO adjusted net leverage	(i-j)/(n-m-l-k+b)	2.4			2.4
FFO net leverage	(i-g-j)/(n-m-l-k)	2.4			2.4
Total net debt with equity credit/operating EBITDA[a]	(i-g-j)/d	1.9			1.9
(CFO-capex)/total net debt with equity credit (%)	(o+p)/(i-g-j)	41.7%			41.6%
Coverage (x)					
Operating EBITDA/(interest paid + lease expense)[a]	a/(-m+b)	14.9			14.9
Operating EBITDA/interest paid[a]	d/(-m)	14.9			14.9
FFO fixed-charge coverage	(n-l-m-k+b)/(-m-k+b)	11.7			11.7
FFO interest coverage	(n-l-m-k)/(-m-k)	11.7			11.7

[a] EBITDA/R after dividends to associates and minorities.
Source: Fitch Ratings, Fitch Solutions, eustream, a.s.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.