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CREDIT OPINION
2 February 2023

Update

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RATINGS

eustream, a.s.

Domicile	Slovak Republic
Long Term Rating	Ba1
Type	LT Corporate Family Ratings
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Mark Remshardt +49.69.70730.808
VP-Sr Credit Officer
mark.remshardt@moodys.com

Vitalij Jermolajev +49.69.86790.2103
Associate Analyst
vitalij.jermolajev@moodys.com

Paul Marty +33.1.5330.3371
Senior Vice President/Manager
paul.marty@moodys.com

eustream, a.s.

Update to credit analysis

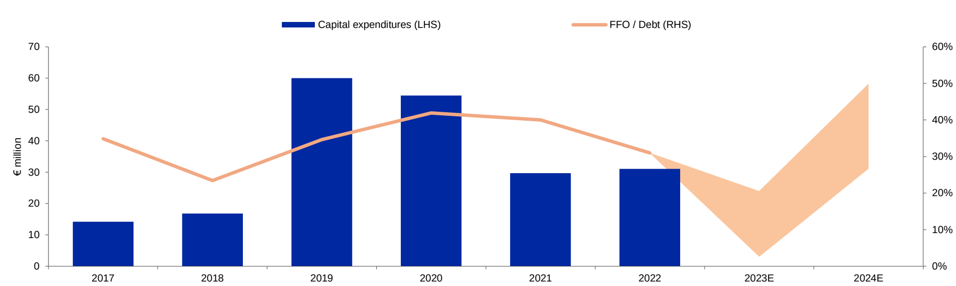
Summary

eustream, a.s.'s credit quality is exposed to the risk of cessation of Russian gas flows following Russia's invasion of Ukraine (Caa3 negative). Although eustream receives capacity payments, which are independent of actual gas flows, from its main shipping customer Russian energy firm Gazprom, PJSC (Gazprom), such capacity payments, which account for most of eustream's revenues, would have a high likelihood of being terminated should Russian gas flows cease. In addition, the company has material exposure to out-of-the-money derivatives entered into to hedge forward sales of gas-in-kind (GiK), mitigated by the gradual run-off of trades and recently lower gas prices.

The negative consequences for eustream's credit profile of reduced gas flow through the company's transit pipeline are mitigated by the company's continued receipt of capacity payments to date and by the low levels of operating and investment expense needs. These mitigating factors resulted in modest leverage, with funds from operations (FFO)/debt at around 31% for the financial year that ended 31 July 2022 (financial 2022); and the preservation of cash at the level of the company, but also within the wider SPP Infrastructure group (SPP-I)[1], to which eustream belongs, in view of the next bond maturity in February 2025 when the €500 million bond issued by eustream's fully guaranteed funding vehicle SPP Infrastructure Financing B.V. (SPP-IF, Ba1 negative) will fall due.

eustream's credit quality also incorporates our expectation that the company will be able to compensate for the reduced gas flow from Russia through other bookings to some extent.

Exhibit 1
Track record of strong leverage supported by low investments but elevated risk of material drop in earnings due to the military conflict in Ukraine



The estimates for 2023 and 2024 are based on calendar-year performance and represent our forward view, not the view of the issuer.
Sources: Company and Moody's Investors Service

Credit strengths

» Strong cash flow and modest leverage, supported by the continued receipt of capacity payments to date

» Availability of liquidity support from other highly cash-generative SPP-I entities if needed

» Centrally located pipeline assets in Europe and good interconnections with neighbouring countries mitigate eustream's reliance on transit gas flow from Russia

Credit challenges

» High risk of a complete shutdown of gas flows from Russia and, at the same time, a higher risk of suspension of capacity payments from the Russian shipper

» Exposure to gas prices through forward sales of flow-dependent GiK, mitigated by a gradual run-off of hedges over the next two years

» Limited counterparty diversification and high exposure to the Russian shipper

» Need to refinance or repay a €500 million bond in early 2025

Rating outlook

Given the ongoing military conflict in Ukraine, the negative rating outlook reflects the high risk that Russia may reduce or stop gas flow to Europe on short notice to exert political pressure, which, in turn, may result in the Russian shipper ceasing to make capacity payments. As there is low visibility into the evolution of the geopolitical situation, we could change the negative rating outlook in a relatively short time frame.

Factors that could lead to an upgrade

Given the negative rating outlook, an upgrade of eustream's and SPP-IF's ratings in the near term is unlikely. We could change the outlook to stable if eustream continues to receive due capacity payments under long-term transit contracts and uses them to protect its financial profile; capacity payments decline significantly, but revenue from other bookings compensates enough to support the current credit profile; or the company obtains adequate support from its owners to offset any deterioration of its credit profile.

Factors that could lead to a downgrade

We could downgrade eustream's ratings if capacity payments to the company are discontinued; or if lower gas flow along with high gas prices lead to significant open derivative positions; or both, resulting in significant pressure on its liquidity and financial profile.

Key indicators

Exhibit 2

eustream, a.s.

	Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	12 - 18 month forward view
FFO Interest Coverage	12.8x	11.8x	11.7x	15.0x	12.6x	2x - 8x
FFO / Debt	23.4%	34.6%	41.9%	40.0%	31.0%	2% - 20%
FFO / Net Debt	24.4%	38.2%	43.6%	41.6%	36.3%	2% - 30%
RCF / Debt	-10.6%	16.6%	4.2%	0.7%	11.7%	2% - 20%
RCF / Net Debt	-11.0%	18.3%	4.4%	0.8%	13.8%	2% - 30%

All ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations. For definitions of the most common Moody's ratio terms, please see the accompanying User's Guide.
Source: Moody's Financial Metrics

Profile

eustream, a.s. is the monopoly owner and operator of the Slovak gas transmission network. Its pipeline assets form part of the central corridor used to ship gas from Russia to Europe. The network has an annual capacity of around 80 billion cubic metres (bcm) on the East-West route. About 28 bcm of gas was transported in 2021 in that direction, out of a total of 42 bcm transported through the company's 2,376 kilometres of gas pipes whereas in 2022, East-West flows dropped to 16.4 bcm. The company operates its gas pipeline network under a licence granted for an indefinite period.

The company is a wholly owned subsidiary of SPP Infrastructure a.s. (SPP-I), which, in turn, is 49% owned by Slovak Gas Holding B.V. (SGH) and 51% by Slovensky Plynarensky Priemysel, a.s. (SPP). SPP-I's ultimate shareholders are the Government of Slovakia (A2 negative, 51% ownership through SPP), Energeticky a prumyslovy holding, a.s. (EPH, indirectly holding 34% in SPP-I via 69% in SGH) and several investment funds managed by Macquarie Infrastructure and Real Assets (indirectly holding 15% in SPP-I via 31% in SGH). eustream is consolidated under EP Infrastructure, a.s. (EPIF, Ba1 negative), the 100% owner of SGH.

Detailed credit considerations

Russian invasion of Ukraine substantially increases eustream's exposure to geopolitical risks

eustream is an important element of the European gas infrastructure and has historically been the largest route for bringing Russian gas to Europe, transiting through Ukraine and entering Slovakia at Velke Kapusany. Since 2014, shippers have been able to use eustream's network to supply gas into Ukraine via the entry point at Budince. The company's network also allows North-South shipments from the Czech Republic via Slovakia (entry point at Lanzhot) to Austria (Baumgarten), given that these two countries lack a direct interconnection, thereby effectively receiving, until recently, a share of Nord Stream 1 gas flow.

Exhibit 3

eustream's gas transit network, originally designed to ship Russian gas to Europe, is well connected to all of Slovakia's neighbouring countries

Source: Company

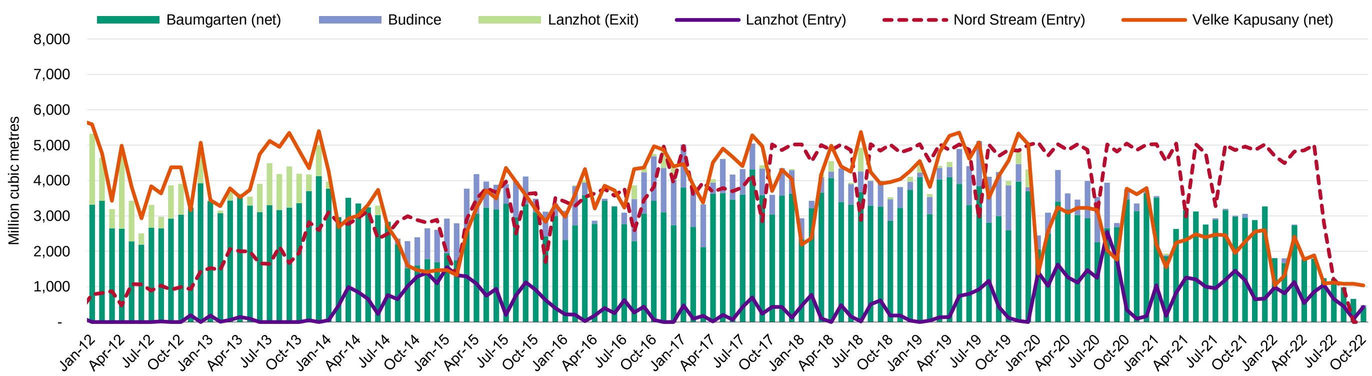
In 2021, the EU (Aaa stable) and the UK (Aa3 negative) consumed nearly 500 bcm of gas, of which around 85% had to be imported or withdrawn from storage (around 4%). Imports from Russia contributed nearly 160 bcm, including around 16 bcm from liquefied natural gas (LNG). As of year-end 2021, flows to Velke Kapusany were about 100 million cubic meters per day (mcm/d), close to the transit capacity booked by Gazprom through Ukraine of 110 mcm/d.

Following Russia's invasion of Ukraine in February 2022, the EU, together with other Western countries, has been imposing various rounds of sanctions on Russia and its economy. Russia responded with a presidential decree in March 2022 that unilaterally obliges European buyers of Russian pipeline gas to effectively settle due payments in Russian roubles, along with other retaliatory measures. Although some importers chose to comply with the decree[2], others, such as Bulgargaz, a subsidiary of Bulgarian Energy Holding EAD (Ba1 stable), Orsted A/S (Baa1 stable) or Polskie Gornictwo Naftowe I Gazownictwo S.A., refused to pay in Russian roubles and, therefore, were cut off from Russian gas supplies, leading to an overall decrease in Russian gas imports in 2022.

Although importers in Slovakia (A2 negative), Austria (Aa1 stable) and Italy (Baa3 negative), the countries most relevant for the East-West transit through eustream's pipeline, have opted to abide by the new payment regime, gas flows from Ukraine to eustream's Velke Kapusany border station have declined significantly from May 2022 onwards, when the Ukrainian gas transmission system operator (TSO) declared force majeure on one of the two border stations with Russia, Sokhranivka, stating that Russian military presence prevented full control over its operations. Requests by the TSO to Gazprom to shift flows to the second-largest border station, Sudzha, were refused, and gas flows entering Slovakia at Velke Kapusany have since declined to around 37 mcm/d.

Exhibit 4

The Russian invasion of Ukraine has led to a significant decline of gas flows from Russia



[1] Velke Kapusany (Ukraine) is the main entry point for Russian gas on the East-West route, with Baumgarten (Austria) being the exit point. Note that Velke Kapusany flows shown are netted. [2] Lanzhot (Czech Republic) is the main entry point for gas flowing from the north of Europe to the south, with relatively small volumes directed into the Czech Republic. Note that the entry and exit volumes shown for Lanzhot may be netted. [3] Budince (Ukraine) is the exit point for deliveries of gas to Ukraine, with limited capacity to ship gas in the opposite direction.

Sources: GTF-IEA and Moody's Investors Service

Russia's invasion of Ukraine also has led to reduced flow on other transit routes from Russia that are relevant for eustream:

» Nord Stream 1 (NS1; 55 bcm capacity): eustream's erstwhile primary competitor saw flow decline to nearly zero by early September 2022, following technical problems with compressor stations in Russia over the summer, exacerbated by Western sanctions as repairs were required from Western firms, such as Siemens Aktiengesellschaft (A1 stable). In late September 2022, apparent acts of sabotage led to leaks in both strings of the pipeline. Accordingly, NS1 is out of operation with no visibility into whether or when services will resume.
However, as flows from Russia have declined overall, eustream has not been able to benefit from NS1's breakdown through higher flows via Velke Kapusany, but had to face overall lower North-South flows in 2022. These had in the past effectively included a share of NS1 gas flows, from the Czech Republic via Slovakia (entry point at Lanzhot) to Austria (Baumgarten).

» Nord Stream 2 (NS2; 55 bcm capacity): Despite significant delays, at the time of the Russian invasion, NS2 was in the process of amending its corporate structure to fulfill regulatory requirements imposed by German regulator Bundesnetzagentur to commence operations. Only a few days after Russia's invasion of Ukraine, the German government suspended regulatory proceedings indefinitely and, in September 2022, an explosion related to the incident at NS1 caused a leak in one of NS2's two strings. Therefore, it is highly uncertain whether NS2 will ever become operational, which, in turn, significantly lowers the prospects of additional revenue for eustream from the conditional long-term contracts until 2039 for gas being shipped via this route.

» Budince exit to Ukraine: Since 2014, shippers had used eustream's network to supply up to 10 bcm annually to Ukraine through Budince, mainly for domestic consumption in the country, but partly attracted by Ukraine's large storage capacities available at favourable rates for seasonal gas storage. Flows had been very low already in 2021, and, following Russia's invasion of Ukraine, they effectively stopped from April 2022[3].

In addition to the sanctions, in May 2022, the EU Commission presented "REPowerEU," a comprehensive package of measures to reduce the dependence on fossil fuel imports from Russia as rapidly as possible, also serving the EU's aim to accelerate the energy transition. The scheme was endorsed by the EU Council on 31 May and discussions on its various components are ongoing. For gas, proposals include the reduction of imports from Russia, mandatory filling targets of storage points across the EU and a voluntary scheme of joint purchases from diversified sources. Although we see significant execution risks (see our Sector In-Depth report) because the package is complex and requires significant coordination and funding, the political will to wean Europe off from Russian gas supply dependence is unambiguous.

The massive actual and planned reduction of the gas trade between Europe and Russia is credit negative for eustream because its business model has been largely built on the assumption of continued gas flows from Russia and the simultaneous requirement for transit infrastructure. Given the fact that we do not expect a return of the preinvasion political relationship between the EU and Russia in the foreseeable future, eustream's exposure to geopolitical risks (including the risk of physical damage, resulting from the military conflict, to the Ukrainian pipelines from which the company receives gas) remains very high, without a successful adjustment of its business model.

Risk of disruption of capacity payments, eustream's main earnings source, will rise materially, should gas flows from Russia cease

Around 95% of eustream's revenue comes from gas transit flows, split into 3 components: Ship-or-pay capacity payments under long-term contracts, under which the company receives the contracted transmission fees even if the booked capacity is not used; some short-term bookings; and GiK payments related to the actual volumes flowing through the system.

Capacity tariffs are set by the Regulatory Office for Network Industries (RONI) and apply from the year in which the contracts are entered into. Medium- to long-term ship-or-pay arrangements include an adjustment for inflation (equal to the full EU inflation rate for contracts established since 1 January 2022; in older contracts, half the inflation rate was applied). Around one-third of eustream's total capacity (around 50 bcm) is firmly booked with the main Russian shipper under a long-term, inflation-adjusted contract that has a final maturity in 2028 (2028 contract).

eustream's contract portfolio is thus highly concentrated with the main Russian shipper, which, to date, has been honouring its obligations under the 2028 contract along the East-West route and has also refrained from canceling conditional long-term bookings through 2039 for the Lanzhot-Baumgarten route, which had been made between 2017 and 2020 in expectation of the commissioning of the NS2 pipeline.

Although an interruption to gas flows would not in itself remove the obligation from the Russian shipper to make capacity payments to eustream under the 2028 contract, given the existing ship-or-pay formula, the heightened geopolitical tensions increase the probability that lower physical gas flow from Russia could be followed by a disruption of capacity payments.

Given that capacity payments, including the 2028 contract, have been accounting for 60%-80% of eustream's revenue over the past several years and that most bookings have their foundation in imports from Russia or flows into Ukraine, the company's business risk profile is strained. However, the location of its pipeline assets in central Europe with interconnections to all of Slovakia's neighbouring countries — following the commissioning of the connection to Poland in 2022 — serves as a mitigant because at least some of the gas that currently arrives from Russia for consumption in Slovakia, Austria and Italy is likely to be replaced with LNG supplies from Northern Europe, should Russian flows cease, and these alternative flows would go through eustream's pipelines.

We estimate that, based on monthly tariffs, revenue from the related capacity bookings of North-South flows could replace around half of the income from capacity payments under the 2028 contract, although this would be a gradual process aligned with the commissioning of new and expanded LNG terminals in Northern Europe, mainly in Germany and the Netherlands. In Germany, six floating LNG import terminals, so called FSRUs, with a combined capacity of around 30 bcm are planned to be in operation by early

2024, with two of these having been commissioned in December 2022. In the Netherlands, the existing Gate Terminal will expand its capacity from 12 bcm to 16 bcm by 2024 and is complemented by new 8 bcm FSRU capacity in Eemshaven, which was set up in 2022 and received its first deliveries in September last year.

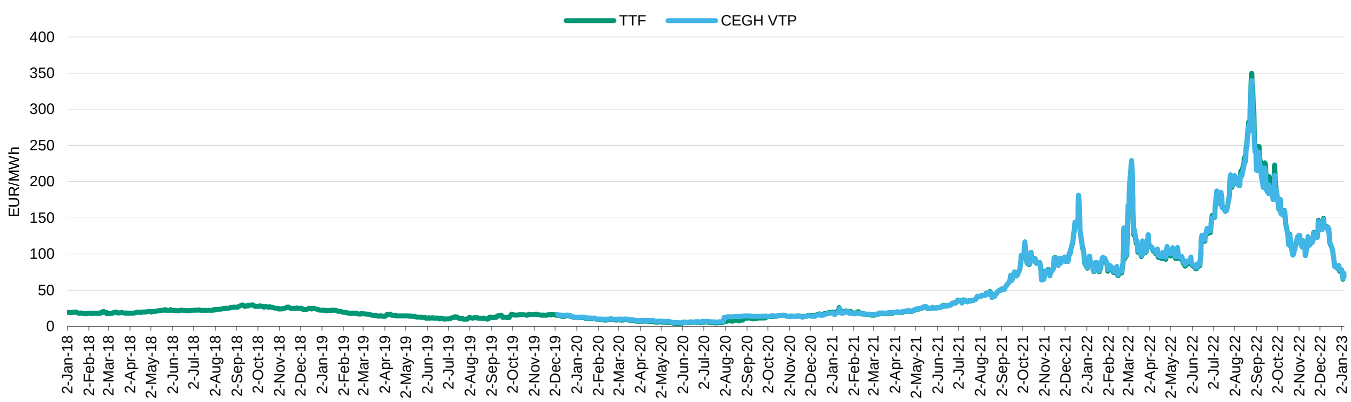
Forward sales of GiK increase eustream's exposure to a reduction of gas flows, exacerbated by the high and volatile gas price environment

Despite the dominance of capacity payments in its business model, eustream retains some exposure to gas volumes because shippers are required to provide gas for operational needs as a fixed percentage of actual gas transmission volume either in kind (GiK) or in monetary form of equivalent economic value.

eustream regularly receives GiK and sells any excess gas in the market. Although eustream has been hedging a share of GiK against market price movements, revenue can vary significantly because of fluctuations in excess gas volumes and gas market prices. The receipt of GiK has enabled the company to close open positions from forward sales of gas, further supported by a low-price environment through mid-2021.

Exhibit 5

Followed by a long period of low-level stability, month-ahead future prices at trading hubs TTF and CEGH have steeply risen since mid-2021 and have remained volatile since



TTF = Title Transfer Facility, the largest European trading hub based in the Netherlands; CEGH = Central European Gas Hub based in Vienna.
Source: FactSet

The steep rise in gas prices since summer 2021, peaking at around €350 per megawatt hour (MWh) in August 2022, led to a significant negative fair value of the cash flow hedges, reported at more than €900 million as of the end of the company's financial year 2022 on 31 July 2022. This amount reflects commodity swap transactions maturing between 2022 and 2024 that had been entered into by the company before prices took off. Therefore, during much of the second half of 2022, the concurrent decline of actual flows significantly increased the risk of eustream having to buy missing GiK at much higher prices in the wholesale market.

The company's financial reporting includes an overview of the hedging positions but does not disclose all details; however, it indicated in its annual report 2021/22 at having entered into counter-hedges to manage the risk exposure and reported the instruments in use to be commodity swaps and, thus, not being subject to liquidity pressure from margin calls. Given that the swaps will roll off continuously through 2024; gas continues to be sent through the company's grid, although at lower volumes; and gas prices have come down considerably in recent weeks because of a mild winter and high filling levels of storage points, we estimate that eustream's exposure to out-of-the-money derivatives has decreased to a negative fair value of less than €300 million.

Solid cash flow generation to date supports modest leverage, but high risk of sudden disruption

eustream's business profile is supported by strong cash flow and low investment requirements, with no major expansion projects planned after the Polish-Slovak interconnector project was commissioned in August 2022. We expect maintenance capital spending to be in the range of €10 million to €15 million per year through 2025. Given the company's lean organisational structure, operating expenses are low at around €50 million per annum. Expenses related to interest payments on the company's two outstanding bonds and the debt service on eustream's loan provided by the European Investment Bank (EIB, Aaa stable) add up to around €30 million per year.

On 19 October 2022, EPIF, eustream's 49% owner with management control, reiterated its commitment to regain an investment-grade rating for itself and also for eustream, thus supporting our expectation that EPIF is willing to protect eustream's financial profile, for example, by refraining from dividends or other upstreaming of cash as long as the operating environment remains highly uncertain.

The mix of uninterrupted capacity payments from the Russian shipper, some earnings from GiK and low spending needs has allowed the company to build a track record of modest leverage, reflected in FFO/debt comfortably above 30% over the past few years, despite significant amounts of cash being upstreamed to shareholders.

However, even if capacity payments continue to be paid, we expect leverage metrics to weaken (see Exhibit 1) over the next two years because East-West flows from Ukraine are unlikely to increase above current levels; steady West-East flows to Ukraine remain improbable as long as the military conflict persists; and there is likely pressure on earnings from GiK legacy hedging transactions at low strike prices. Although additional bookings on the North-South route may partly offset the likely lower earnings from the traditional core business, there remains a high risk of a sudden suspension or even a permanent stoppage of the capacity payments coming from Russia.

Free cash flow could be further reduced if the so-called Special Construction tax were introduced, which is an asset tax on eustream's pipelines that are currently exempt from property taxation. The draft bill, which passed by the Slovak parliament in December 2022 but was subsequently vetoed by Slovak president Zuzana Caputova, foresees an annual levy of €6,000 per kilometre of pipeline per month, which according to eustream amounts to an annual tax burden of around €170 million. The draft has met with strong opposition from the company and the government but will be debated again in parliament over the coming weeks.

As a consequence, the range of possible leverage outcomes over the next two to three years is very wide and predictability is extremely low because the decision to continue or stop capacity payments will be made on political rather than commercial grounds by the Russian shipper.

Ownership considerations

Since the Russian invasion of Ukraine, SPP-I's ultimate shareholders, the Slovak state and EPIF, have refrained from extracting any dividends from SPP Infrastructure group which signals a continuation of their track record of prudent financial policy. In October 2022 EPIF re-iterated an earlier commitment to maintain or re-establish the investment grade rating of eustream and SPP-d, which signals EPIF's willingness to protect these entities' financial profiles.

The rating of eustream does not incorporate any direct rating uplift for the ultimate partial ownership by the Slovakian government. However, we assume that the Slovak state as majority shareholder of SPP-I group has an interest to protect the operating entities in the group as they are key to the country's gas security of supply. This is a credit positive factor.

ESG considerations

eustream, a.s.'s ESG Credit Impact Score is Moderately Negative CIS-3

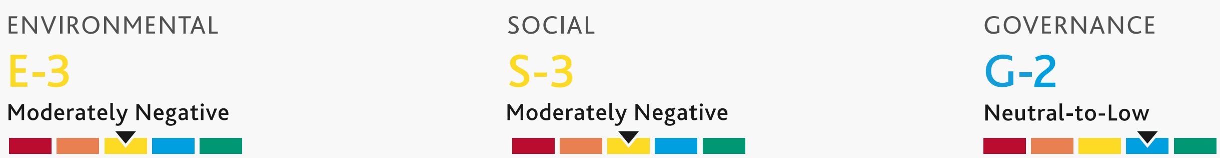
Exhibit 6
ESG Credit Impact Score

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

Eustream's ESG Credit Impact Score is Moderately Negative (**CIS-3**), indicating that its ESG attributes have a limited impact on its current rating with some potential for future negative credit impact, notably driven by carbon transition risk.

Exhibit 7
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

eustream has a moderately negative exposure to environmental risks (**E-3** issuer profile score), which is mainly related to carbon transition risk. The accelerated decarbonization drive in the EU, in conjunction with the aim to rapidly reduce the EU's dependence on Russian gas, may likely lead to lower gas demand by the end of the decade. These risks are partly mitigated by the role of natural gas as transition fuel where a full substitution will only be feasible over the medium to long term, and by the potential use of the company's pipeline assets for the transport of hydrogen, a key component in the EU's decarbonization strategy.

Social

Eustream has a moderately negative exposure to social risks, which is mainly related to demographic & societal trends. The accelerated decarbonization drive in the EU may lead to attempts to shorten the use of gas as transition fuel through tighter regulation. This is somewhat mitigated by eustream's long-term, ship-or-pay-based capacity bookings of its transit pipelines, as well as by the company's preparations to accommodate the transport of hydrogen, a key component in the EU's decarbonization strategy, in its network.

Governance

Eustream has a low/neutral exposure to governance risks, given its conservative financial policy, which requires adherence to a net debt to EBITDA distribution lock-up covenant set at 2.5x. The company has also been displaying prudent financial management after the Russian invasion of Ukraine by preserving cash to address the high risk of a sudden stop of capacity payments by the Russian shipper. Leverage metrics currently remain strong, underpinned by low capital investment needs and, to date, the continued receipt of capacity payments.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

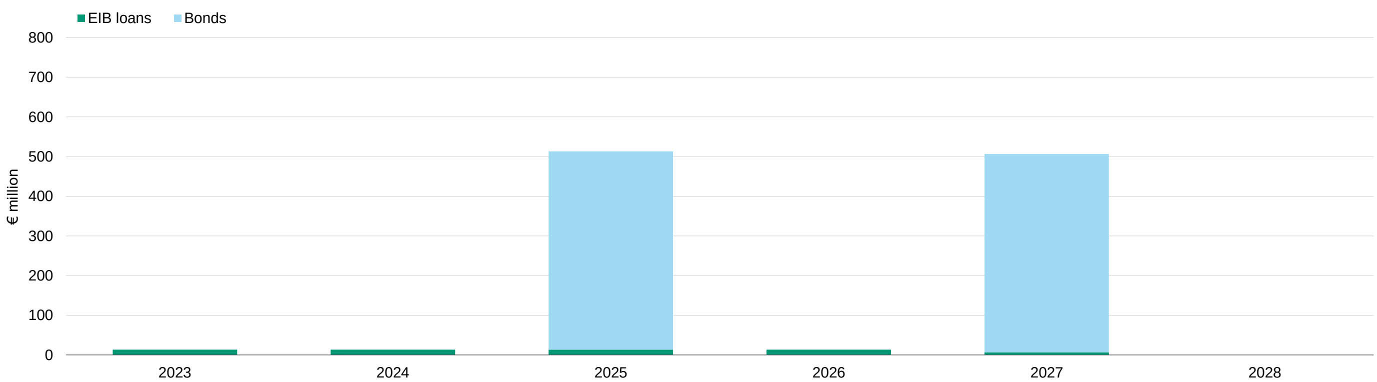
Liquidity analysis

eustream's liquidity is supported by its strong cash flow and low capital investment requirements. In addition, the company has access to bilateral bank facilities with an aggregate amount of €170 million maturing as of year-end 2024. The company is also participating in the cash pooling arrangements of the wider SPP Infrastructure group, which we regard as credit supportive, given the fact that other SPP-I entities generate strong cash earnings based on regulated or contracted businesses and have very low leverage. At the end of 2022, we estimate SPP-I's unrestricted aggregate cash position, including that of eustream, at more than €700 million.

eustream's debt maturity profile includes a €500 million bond with a 2.625% coupon, maturing in February 2025, which was issued through the financing vehicle SPP Infrastructure Financing B.V. (Ba1 negative) and is unconditionally and irrevocably guaranteed by eustream. In addition to the 2025 bond, eustream's capital structure includes a €500 million bond maturing in June 2027 with a coupon of 1.625% and an amortising €65 million loan from EIB to fund the Polish-Slovak interconnector with a final maturity in 2027, with an outstanding balance of €53 million at year-end 2022.

Exhibit 8

eustream's debt maturity profile is concentrated on the bond maturities in 2025 and 2027



Sources: Company and Moody's Investors Service

Against the backdrop of the geopolitical uncertainty that may lead to the shutdown of gas flows or capacity payments, or both, we currently see a very low probability that eustream will be able to refinance the upcoming 2025 bond maturity. To avoid a default the company has to repay the €500 million debt in February 2025 from own unrestricted cash, its free cash flows or other sources, primarily funds from other entities in the SPP Infrastructure group, or a combination of these.

We estimate eustream's freely available cash position at year-end 2022 at around €100-150 million. Assuming continued capacity payments from the Russian shipper; stable domestic transmission revenues; some contributions from GiK sales; current gas prices; and no dividends, free cash flow could be in a magnitude of €250-350 million in 2023 and €400-500 million in 2024, with the uplift being supported by the run-off of legacy hedging.

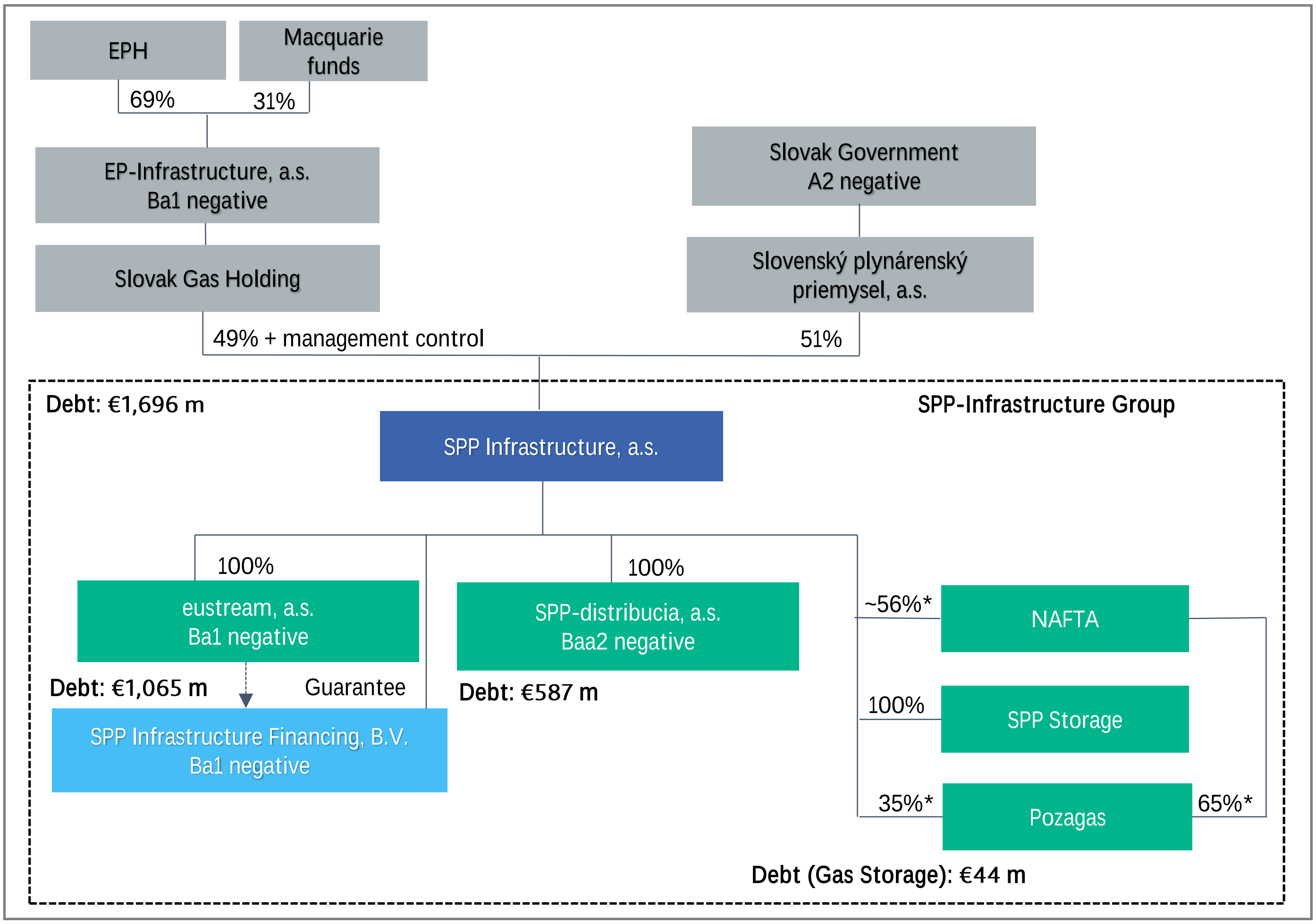
If the Special construction tax bill was passed in its current form, eustream could be faced with very limited headroom to repay its 2025 bond from accumulated free cash generated through year-end 2024, around six weeks before the bond matures. A cessation of gas flows from Russia; the disruption of capacity payments from the Russian shipper, or both; a material change in gas prices; materially adverse tax legislation; or a combination of these factors could lead to an insufficient cash position at bond maturity. In this case the bond repayment would require liquidity support from other entities within SPP Infrastructure group.

eustream is a direct 100% subsidiary of SPP Infrastructure, a.s. (SPP-I), the holding company of the wider SPP Infrastructure group that also includes gas distribution grid operator SPP-distribucia, a.s. (SPP-d; Baa2 negative) and stakes in various gas storage companies (see exhibit 9). Given moderate expenses for operations and investments, SPP-d and the storage entities generate strong and relatively predictable free cash flows which we estimate at some €300 million per annum, including the pro-rata share of NAFTA. Aggregate gross debt at these subsidiaries amounts to around €600 million, of which at least €560 million at SPP-d fall due after the last maturity of eustream's debt in 2027.

All debt at the various entities is senior unsecured and there are no cross-guarantees among them, or any other type of mutual contractual protection, nor cross default or cross acceleration clauses. SPP-I is pooling cash resources from the various entities and could, in case of need, reallocate them as intra-group loan to eustream to enable the company to repay its 2025 bond.

Absent any material adverse development at other SPP-I entities, we therefore believe that eustream will be able to repay its 2025 bond but also note that in case of significant support from SPPI- companies, their capacity to support the company for the bond maturity in 2027 would be reduced.

Exhibit 9
Simplified group and debt structure (as of 31 December 2022)



*The wider EPIF group also holds additional stakes in NAFTA and Pozagas through Czech Gas Holding Investment B.V., implying that the overall direct and indirect shareholding of EPIF is about 69% in NAFTA and about 62% in Pozagas.
Source: Company

Structural considerations

The Ba1 corporate family rating (CFR) reflects eustream's ability to honour its financial obligations as if it had a single class of debt and a single consolidated legal structure. eustream's capital structure is comprised of two €500 million senior unsecured bonds and an unsecured, amortising €65 million EIB loan (balance on 31 December 2022 was €53 million), all ranking pari passu.

While one of the bonds sits with eustream's 100% owned finance vehicle SPP-IF, it is fully and irrevocably guaranteed by eustream, we thus considered the bond at the same level as eustream's corporate debt. The Ba1 ratings on eustream's bonds are aligned with the Ba1 CFR, reflecting that eustream has only one class of debt. The family-wide loss-given default rate is 50%, reflecting the mix of bank and bond debt.

There is a maintenance leverage covenant in the EIB loan. Following a restructuring of the repayment profile in the second half of 2022, the EIB loan is amortising with €12 million per annum through June 2027 as opposed to its prior bullet maturity in December 2027.

Methodology and scorecard

eustream is assessed under our Natural Gas Pipelines rating methodology, published in July 2018.

Exhibit 10
Rating factors
eustream, a.s.

Natural Gas Pipelines Industry Scorecard [1][2]	Current FY 7/31/2022		Moody's 12-18 Month Forward View As of January 2023 [3]	
Factor 1 : Market Position (15%)	**Measure**	**Score**	**Measure**	**Score**
a) Demand Growth	Aa	Aa	Aa	Aa
b) Competition	Baa	Baa	Baa	Baa
c) Volume Risk & Throughput Trend	Caa	Caa	Caa	Caa
Factor 2 : Quality of Supply Source (10%)				
a) Supply Source	Ba	Ba	Ba	Ba
Factor 3 : Contract Quality (30%)				
a) Firm Revenues	B	B	B	B
b) Contract Life	Baa	Baa	Baa	Baa
c) Shipper Quality / Recontracting Risk	Caa	Caa	Caa	Caa
Factor 4 : Financial Strength (45%)				
a) (FFO + Interest) / Interest	12.6x	Aaa	2x - 8x	A
b) FFO / Debt	31.0%	A	2% - 20%	Ba
c) (FFO - Dividends) / Debt	11.7%	Ba	2% - 20%	Ba
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Ba1
b) Actual Rating Assigned				Ba1

[1] All ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations. [2] As of 31 July 2022. [3] This represents our forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Investors Service

Ratings

Exhibit 11

Category	Moody's Rating
EUSTREAM, A.S.	
Outlook	Negative
Corporate Family Rating	Ba1
Senior Unsecured -Dom Curr	Ba1/LGD4
ULT PARENT: EP INFRASTRUCTURE, A.S.	
Outlook	Negative
Corporate Family Rating	Ba1
Senior Unsecured	Ba2/LGD5
SPP INFRASTRUCTURE FINANCING B.V.	
Outlook	Negative
Bkd Senior Unsecured -Dom Curr	Ba1/LGD4

Source: Moody's Investors Service

Appendix

Exhibit 12

eustream, a.s.

Moody's-adjusted debt breakdown

(in EUR million)	FYE Jul-17	FYE Jul-18	FYE Jul-19	FYE Jul-20	FYE Jul-21	FYE Jul-22
As Reported Total Debt	**1,335**	**1,316**	**1,381**	**1,136**	**1,061**	**1,062**
Pensions	3	3	4	4	4	4
Leases	4	2	4	0	0	0
Moody's Adjusted Total Debt	**1,342**	**1,322**	**1,388**	**1,140**	**1,066**	**1,066**

Source: Moody's Financial Metrics™

Exhibit 13

eustream, a.s.

Moody's-adjusted EBITDA breakdown

(in EUR million)	FYE Jul-17	FYE Jul-18	FYE Jul-19	FYE Jul-20	FYE Jul-21	FYE Jul-22
As Reported EBITDA	**667**	**399**	**706**	**674**	**545**	**518**
Unusual Items - Income Statement	(1)	0	0	0	0	0
Leases	1	0	1	0	0	0
Moody's Adjusted EBITDA	**668**	**399**	**706**	**674**	**545**	**518**

Source: Moody's Financial Metrics™

Exhibit 14
eustream, a.s.
Select historical financials

(in EUR million)	FYE Jul-18	FYE Jul-19	FYE Jul-20	FYE Jul-21	FYE Jul-22
INCOME STATEMENT					
Revenue	451	793	748	622	567
EBITDA	399	706	674	545	518
EBIT	325	580	532	404	377
Interest Expense	26	44	45	30	29
Net income	225	388	361	277	265
BALANCE SHEET					
Net Property Plant and Equipment	4,214	4,154	4,575	4,461	4,349
Total Assets	4,509	4,798	5,019	4,613	4,680
Total Debt	1,322	1,388	1,140	1,066	1,066
Cash & Cash Equivalents	50	130	43	40	156
Net Debt	1,271	1,258	1,097	1,026	910
Total Liabilities	2,403	2,546	2,446	2,332	2,964
CASH FLOW					
Funds from Operations (FFO)	310	481	478	426	330
Cash Flow From Operations (CFO)	466	342	668	468	410
Capital Expenditures	(17)	(60)	(54)	(30)	(31)
Dividends	450	251	430	419	205
Retained Cash Flow (RCF)	(140)	230	48	8	125
Capital Expenditures	(17)	(60)	(54)	(30)	(31)
Free Cash Flow (FCF)	(0)	31	184	20	174
INTEREST COVERAGE					
(FFO + Interest Expense) / Interest Expense	12.8x	11.8x	11.7x	15.0x	12.6x
LEVERAGE					
FFO / Debt	23.4%	34.6%	41.9%	40.0%	31.0%
FFO / Net Debt	24.4%	38.2%	43.6%	41.6%	36.3%
RCF / Debt	-10.6%	16.6%	4.2%	0.7%	11.7%
RCF / Net Debt	-11.0%	18.3%	4.4%	0.8%	13.8%

Source: Moody's Financial Metrics™

Endnotes

1 Beyond eustream, the wider SPP Infrastructure group also includes SPP-distribucia, a.s., the natural monopoly provider of gas distribution services in Slovakia, and some gas storage companies in Slovakia, the Czech Republic and Germany.

2 The rouble decree exploited the EU's decision to exclude Gazprom and Gazprom Bank (GAB) from the sanctions by forcing gas buyers to transfer payments, which are customarily stipulated to be made in euros or US dollars under the supply agreements, to an account held with GAB and to accept the mandatory conversion into roubles. According to the decree, only the converted amount would be acknowledged by Gazprom as a settlement of due payments. To avoid any sanctions breach and with tacit acceptance by the EU, obliging gas buyers would state that from their viewpoint the settlement had taken place through the foreign-currency payment.

3 Exception is a period between mid-October and mid-November 2022, when flows temporarily resumed. As of January 2023, flows started again.

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