



ANNUAL  
REPORT  
2011



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## STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



**Dear ladies and gentlemen,**


It is my pleasure to be able to refer to the year 2011 as a successful one for Eustream. Despite the complex situation in international transmission and the rising level of competition, we transmitted almost five percent more natural gas than in the previous year, and ended the year with stable financial results.

We enjoyed successes in terms of unbundling with the introduction of measures regarding the Third Energy Package. We created new organisational units and filled around 200 job positions with the aim of ensuring all management and support functions. At the end of the year we physically separated our information systems from those of the parent company, and the preparation of our new head office is now in the final phase. When

considering completed projects relating to unbundling, we can proudly say that our company managed all changes well in advance, even before the new legislation was transposed to the Slovak legal system.

The positive direction taken by Eustream is proven also by the valuable progress made in the preparation of the Slovak-Hungarian gas interconnector in co-operation with our new Hungarian partner, the OVIT/MVM group. We now plan to launch public procurement for the construction part of the pipeline. We also saw progress made in the planning of the Polish-Slovak interconnection of transmission networks – selection proceedings for a feasibility study started at the end of 2011, with the first results expected in the first half of 2013.

Customers are of utmost importance to Eustream and therefore we developed several new products in order to simplify and improve commercial activities in the region. The establishment of a virtual trading point in Slovakia was a key move, for instance. In this regard, it is worth to mention also the decision of Eustream to link to the platform GATRAC, to the cross-border partnership of European transmission system operators NET4GAS and ONTRAS.



Success is a science;  
if you have the conditions,  
you get the result.

Oscar Wilde

We approved the long-term re-engineering concept for the transmission system, i.e. modernisation of technological equipment (compressors) and their adaptation to the new requirements for transmission and also stricter environmental rules. Implementation started at the end of 2011 and over the next five years we plan to reinvest more than EUR 370 million. These new technologies have an impact on the organisational structure and on job positions, especially in terms of operation and maintenance. Together with the company management we recently held open dialogues with employees and trade unions to ensure the smooth and socially acceptable implementation of all changes.

The successes achieved proved that Eustream is well prepared for future challenges, not only by way of its long-term goals, but chiefly thanks to our highly qualified and motivated employees.



**Gunnar Löwensen**  
Chairman of the Board of Directors

## STATEMENT BY THE GENERAL DIRECTOR



**Dear friends,**

The year 2011 was “ok” for Eustream not only in the field of operating results but mainly at solving issues related to organisation and communication.

During the entire year we were intensively working at change of organisation and organisation structure related to unbundling from parent company SPP and resulting from introducing new technologies, changes of transmitted amounts and methods of natural gas transmission. Changes in work organisation, organisational structure, culture, responsibility, technological base accumulated to us in one moment, whereas we had to preserve high economic performance, safe, reliable, efficient and all the time more flexible transmission of natural gas for our customers.

Key factor of success at the change implementation was the right communication. Our task was to ensure identical understanding of goals, procedures, possibilities and defined rules in the entire company. We openly discussed the issues affecting our every-day work and also future, including sensitive topics related mainly to human resources. We thoroughly took care of providing feedback at all levels of management. For us, the representatives of company management, it was extremely important to know that employees understand given tasks in a correct way and that they accept the set up goals. Not less important is a feedback which managers received and receive from their colleagues. Because, if we all follow the same goals, we are able to use our time and also entrusted resources much more efficiently. Therefore early and transparent communication in both directions remains the priority for Eustream also in 2012.

Results of 2011 confirmed that the way of open discussion and requesting feedback brought its fruit. We achieved very good results and managed preparation and implementation of all planned changes without reducing the high quality of our services. The changes stimulated us for preparation and implementation of new products, motivated



us for starting new projects, solutions and procedures. Independence of Eustream increased by taking over new activities from the parent company. However, higher independence means also higher responsibility for all processes. Our effort was and still is to re-evaluate and set up them in the way that they are really "set" – simple, efficient and transparent.

Achieved results are a strong motivation for the following period. In relation to employees it is our goal to ensure favourable and motivating working atmosphere at keeping positive trend of operating results. The decisive factors will be efficient organisation and communication in order to use the resources of the company to the maximum level and to increase creativity and efficiency. Shortly said, I believe that also the next year will be "ok" and "set".

A handwritten signature in blue ink, appearing to read 'P. Janočko', with a stylized, cursive script.

**Pavol Janočko**  
General Director

## COMPANY PROFILE

### Eustream – the Central European Gas Turntable

The basic mission of Eustream is to transport natural gas in Slovakia and through Slovakia to the European markets. Since 27 December 1972, Eustream has secured the transmission of more than 2 trillion cubic meters of natural gas across the territory of the Slovak Republic and successfully continues in the 155-year tradition of the Slovak gas industry and the 40-year tradition of international gas transmission.

Eustream operates a large-scale high-pressure gas transmission system in the territory of the Slovak Republic and its transmission capacities are used by major energy companies from EU and non-EU member states. We allow all business partners to access the gas transmission network on a transparent and non-discriminatory basis in full compliance with European and Slovak gas industry legislation.

Regarding operation, we endeavour to attain operational excellence and our key priorities are safety, reliability and efficiency. We build up relationships with customers by way of a professional approach, and transparent and non-discriminatory rules. We react to market demands and offer a broad range of transmission services.

#### History of Eustream



The shareholder owning 100% shares of eustream, a.s., is Slovenský plynárenský priemysel, a.s., registered office at Mlynské nivy 44/a, 825 11 Bratislava.

As of 31 December 2011 Eustream has no shareholdings in other companies or branches abroad.



## Transmission System operated by Eustream

The transmission system operated by Eustream represents an important energy link between the Commonwealth of Independent States (CIS) and the European Union. It is interconnected with major European trunk lines in Ukraine, the Czech Republic and Austria. The transmission system consists of four or five parallel pipelines, mostly 1200/1400 mm in diameter, with an operating pressure of 73 bars. The pressure differential needed for a continuous gas flow is secured by four compressor stations with an aggregated power of more than 1,000 MW. The most important compressor station is located at Veľké Kapušany at the Ukrainian-Slovak border. With a total output of nearly 300 MW it is the biggest compressor station in the EU, allowing an entry flow of almost 300 million cubic meters per day.

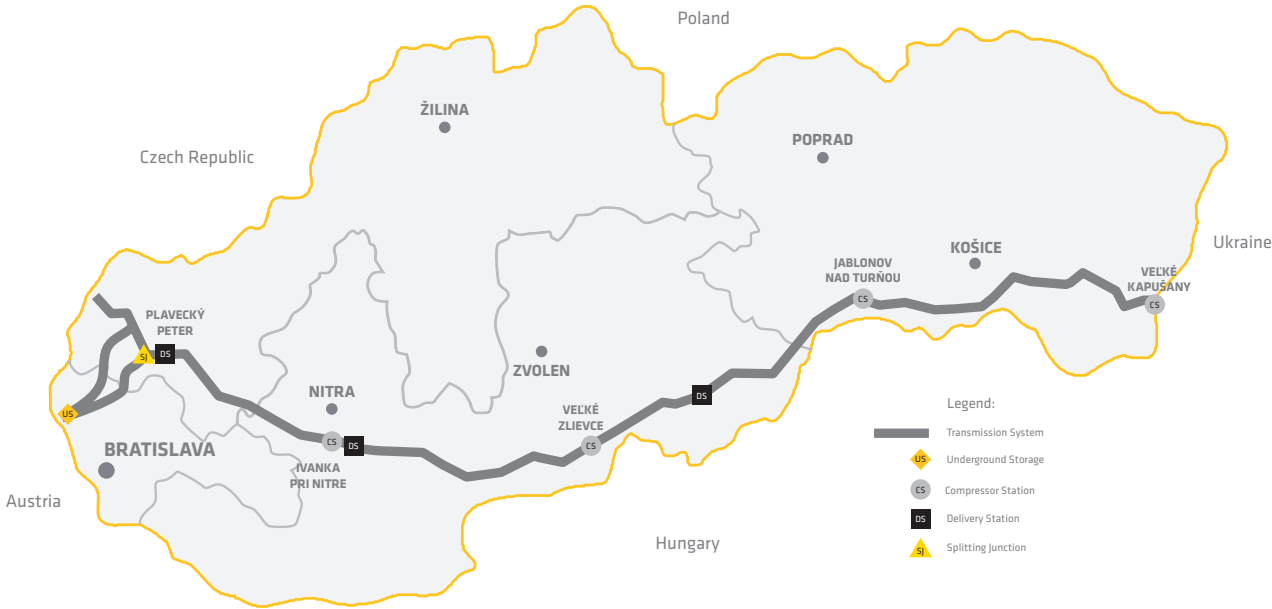
A large part of Eustream's work concerns international gas transit. The annual capacity of the transmission system is over 90 billion cubic meters, which equals roughly 15 times the overall domestic gas consumption of the Slovak Republic.

Access to the transmission system is entry-exit based. For entering and exiting the system customers can choose one of the following entry/exit points:

- Veľké Kapušany (border point between the Slovak Republic and Ukraine)
- Baumgarten (border point between the Slovak Republic and Austria)
- Lanžhot (border point between the Slovak Republic and the Czech Republic)
- Domestic point (virtual aggregated interconnection to and from domestic storage and distribution networks)
- Virtual trading point



# Transmission system operated by Eustream



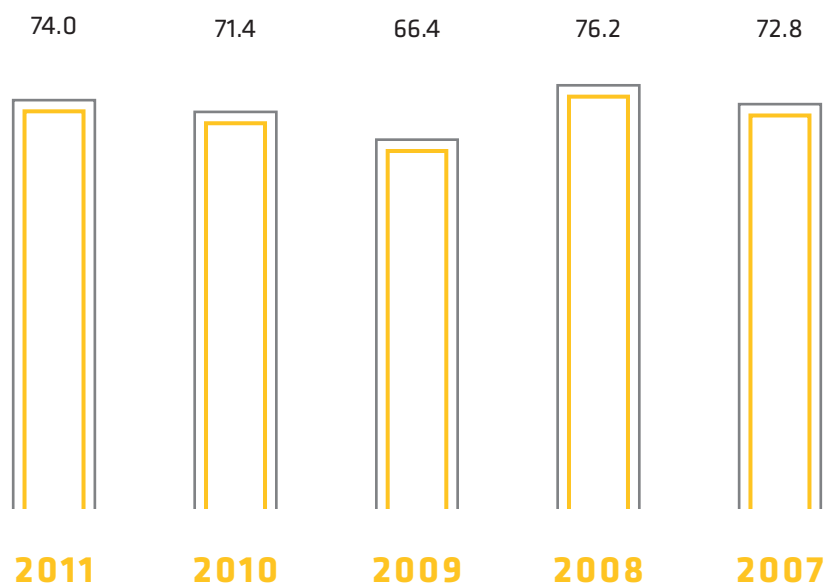
- Legend:
- Transmission System
  - Underground Storage
  - Compressor Station
  - Delivery Station
  - Splitting Junction

## NATURAL GAS TRANSMISSION

The period of 2011 brought substantial development of business activities for Eustream. We recorded more than fifty new, confirmed transmission capacity bookings and nearly one hundred active contracts.

In total, we transmitted 74 billion cubic meters of natural gas, which fact confirms that our transmission system maintains its key position among the gas transmission routes to the territory of the European Union. The highest share in transmission (more than 90%) was for international customers, including gas traders active in various European countries. The increasingly significant part of the contract portfolio is associated with short-term, cross-border transactions between hubs located in the region of Central Europe.

### Transmission of Natural Gas (in billion m<sup>3</sup>)



## New Products and Services

In 2011, we continued constantly improving the quality of services and endeavoured to satisfy on a maximum level the needs of our customers - shippers, from first contact to daily dispatching services. We introduced several new products and services allowing more flexible capacity booking, such as Day Ahead product or On-line Booking. We are offering various complementary services to our customers and users - Shorthaul service or the upgraded version of Title Transfer service. We consider the establishment of a Virtual Trading Point, which we introduced in Slovakia at the end of 2011, as one of the key events in facilitating trading activities in the region.

In the coming years we will continue to expand our business portfolio with new services and products. Those include, for instance, Eustream's accession to GATRAC platform, which was primarily created for providing additional flexible cross border transmission services on the day-ahead basis.

## Energy Security

The demand for diversification and stability of natural gas supplies, coupled with liberalisation of this commodity's market, lead to the ambitions to build the so-called North-South corridor connecting transmission networks of Central European countries. Eustream, as one of the key representatives of gas infrastructure in this region, is actively participating in this project. The goal of the project is to connect the Polish LNG terminal Świnoujście to the planned LNG terminal on the Croatian island of Krk (Adria LNG) and, possibly, also with the planned Nabucco pipeline, and this by interconnecting the networks of Poland, Czech Republic, Slovakia and Hungary.

In the future, the interconnection of the Polish and Slovak transmission network could offer to the Slovak market the opportunity to receive gas supplies from non-conventional gas deposits in Poland. Together with the Polish transmission system operator GAZ-SYSTEM, we will decide on next steps on the basis of the feasibility study, which is to be finished at the beginning of 2013.

Among our highest priorities is the interconnection of the Slovak and Hungarian transmission networks. The project is co-financed by the European Energy Programme for Recovery (EEPR). The gas interconnector of 115 km in length is to connect the high-pressure transmission systems between Veľké Zlievce on the Slovak side and the Hungarian municipality Vecsés on the outskirts of Budapest. The start of operation is expected in 2015.

## DEVELOPMENT OF THE TRANSMISSION SYSTEM

Thanks to the continual modernization and upgrading of infrastructure, Eustream contributes to ensuring safe and reliable gas supplies to Central and Western Europe. The company is investing EUR 370 million into new equipment and environmental technologies in order to minimize the environmental impact of transmission system activities and to increase the reliability and safety of transmission.

The investments are directed to replacing obsolete equipment, modernising existing units, to technical modifications of the layout and setting of the whole transmission system so that we are able to flexibly react to changes in requirements for transmitted gas volumes.

Based on long-term development forecasts of gas transmission via the territory of Slovakia and legislative requirements in the field of environmental protection, we prepared the long-term concept for modification of the transmission system's infrastructure. We began implementing it at the end of 2011. It involves modernisation of the compressor fleet and optimisation of the pipeline infrastructure with the aim of making use of its full capacity, adapting it to new market requirements for gas transmission and increasingly tougher environmental standards.

### Research and Development

In the field of research and development we are pursuing tasks focusing on identification and application of new procedures and technologies with the aim of maintaining and improving the efficiency of natural gas transmission. The research and development tasks are managed as projects and in their implementation we cooperate with research institutes and universities both in Slovakia and abroad. In 2011, we finished five research & development projects with the budget of EUR 155 000. All projects reached the specified goals. The most important ones included "Development of the system for monitoring of interaction between corrosion damage and stress conditions in line networks" and "Verification of the new filling material for cold sleeves as a permanent repair of high-pressure pipelines". The total volume of costs for all research & development projects that took place this year reached EUR 300 000.



## BOARD OF DIRECTORS (AS OF 31 DECEMBER 2011)



Andreas Rau

**Chairman of the Board of Directors**

He graduated in Mechanical Engineering / Energy Technology from the University of Bochum in 1995 and received a master's degree in European Studies from the University of Aachen in 1997. In the same year he joined the company E.ON Ruhrgas AG where he has held various positions in technical and commercial gas transmission management. From May 2006 to December 2011 he was a member of the Board of Directors of Eustream. From 1 July 2011 to 31 December 2011 he chaired the Board of Directors as part of the rotating chairmanship agreed between the international shareholders in SPP.



Branislav Bajza

**Vice-Chairman of the Board of Directors**

He completed university studies at the Faculty of Civil Engineering at the Slovak University of Technology in Bratislava. In 1997 he joined the company Slovenský plynárenský priemysel, a.s. in the post of specialist. During his time with SPP he has been devoted to the formation of company strategy, development projects in the gas industry and in related energy fields and co-operated in the construction of the transit gas pipeline. He also co-ordinated the first phase of the SPP Restructuring project. From 8 September 2011 he is Vice-Chairman of the Board of Directors.



Antoine Jourdain  
**Member of the Board of Directors**

He graduated from Ecole Polytechnique in 1991 and from Ecole Nationale des Pétrole et Moteurs (the French Oil Institute) in 1992. In 1992 he started work with Gaz de France in the Division of Underground Reservoirs, Research and Extraction in the USA. From 1997 he worked in EDF - GDF Services in the area of power and gas distribution in central France and subsequently in Brittany. In 2002 he became the Deputy Director of the Strategic Division. In 2006 he was appointed as Deputy CEO of the gas company EGAZ and DEGAZ in Hungary (subsidiaries of GDF). Since 1 September 2008 he has been a member of the Board of Directors of Eustream. From 1 July 2010 to 30 June 2011 he was Chairman of the Board of Directors as part of the rotating chairmanship agreed between the international shareholders of SPP.



Gunnar Löwensen  
**Chairman of the Board of Directors (since 1 January 2012)**

He studied law at the University of Göttingen. After first and second state exams he worked from 1993 to 2011 in E.ON Ruhrgas AG as a lawyer in different positions and in 2006 became an authorised signatory of the company. He joined Eustream from the position of General Counsel and Head of Legal Department of E.ON Ruhrgas AG. From 1 January 2012 Gunnar Löwensen is chairing the Board of Directors of Eustream.

## SUPERVISORY BOARD (AS OF 31 DECEMBER 2011)



Andrej Senaj  
**Chairman of the Supervisory Board**

He graduated in 1984 from Faculty of Electrical Engineering at Technical University of Košice. In the same year he joined TESLA STROPKOV where, until 1992, went through positions in research and development and managerial positions in operations and marketing. In the years 1986 - 1988 he completed postgraduate studies at the Military Technical University in Liptovský Mikuláš. From 1993 to 2000 he worked in several positions as CEO of the company Sandra, s.r.o. and sales representative. In the years 2001 - 2009 he worked as parliamentary assistant in the National Council of Slovak Republic and European Parliament. At present, he develops his own business. He has been serving as Chairman of the Supervisory Board since 8 September 2011.

Christian Janzen      Vice-Chairman of the Supervisory Board

Anton Kupšo          Member of the Supervisory Board

Andrej Lendvay        Member of the Supervisory Board

Viktor Mihalik        Member of the Supervisory Board

In 2011, there have been changes in membership of the Supervisory Board. After expiration of term in office, Jaroslav Krč-Šebera, Georg Friedrich Rosenstock, Martin Ryba, Ivan Švec and Rudolf Rigáň left the Supervisory Board. The new Supervisory Board members became Andrej Senaj, Anton Kupšo, Viktor Mihalik (representative of employees) and Christian Janzen. Andrej Lendvay was re-elected by employees as one of their two representatives in the Supervisory Board.



## MANAGEMENT (AS OF 31 DECEMBER 2011)



**Pavol Janočko**  
General Director



**Miloš Pavlík**  
Corporate Affairs



**Andrej Amberský**  
Sales  
of Transmission  
Capacities



**Rastislav Ňukovič**  
Strategic Projects



**Anton Zelenaj**  
Technical  
Competence Centre



**Ján Janus**  
Dispatching



**Vladimír Potočný**  
Centralized  
Maintenance



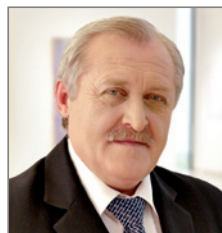
**Ol'ga Majorošová**  
Finance and Human  
Resources



**Jana Molnarová**  
Information  
a Communication  
Technologies



**Peter Olšanský**  
Region  
Veľké Kapušany



**Štefan Keresteš**  
Region Jablonov  
nad Turňou



**Jozef Titka**  
Region West

## HUMAN RESOURCES

The major organisational changes took place in human resources in 2011, mostly associated with the unbundling of Eustream from the parent company (SPP) and modernisation of the compressor fleet.

In the preparation for unbundling, we created 187 work positions and staffed the new organisational structure. Separate organisational units were created for support functions such as finances and human resources, information technology and corporate affairs, including strategy and regulation, legal services, procurement, communication and PR, facility management and services, and protection and crisis management. We thoroughly and sensitively prepared the organisational changes relating to modernisation of the compressor fleet and subsequent downsizing at individual compressor stations at the start of 2012.

### Employee Education and Development

In addition to standard types of education designated for all employees, such as periodic training, professional education relating to introduction of new technologies, conferences, seminars or language courses, we targeted our attention to activities relating to organisational changes for three employee groups.

- We prepared the “Welcome to Eustream” programme for new employees, acquainting them with the history of gas transmission and operation of Eustream. This welcoming programme assists new employees to better understand the new work environment and receive an overview of the gas industry, and this also thanks to the excursion to a compressor station.
- For employees ending their employment in Eustream due to organisational changes, we prepared a seminar aimed at providing them with assistance and support in adapting to a new situation in their lives and facilitating their search for new jobs.
- For all managers and heads of units affected by the planned organisational changes, we implemented a special educational activity, in which they learnt to handle the preparation and realisation of organisational changes.

In the future, we intend to target our attention to young, creative and ambitious employees and to develop their potential through the Graduate Development Programme and Talent Management.

## Evaluation, Remuneration and Motivation

In Eustream we endeavour to maintain our remuneration system just and motivational so that remuneration is closely linked to job performance evaluation. We are interested in individual performances and we wish to properly compensate the employees with best work results. Therefore, in 2011 we introduced changes to the system for payment of bonuses and redistribution of budget balances with the option of allocating extraordinary bonuses to best employees.

## Social Care

In 2011, we maintained the employee benefits programme with Eustream providing identical compensations and bonuses to employees as in previous years. The employees were given opportunity to use their benefits in healthcare and spa care, sports and cultural activities, as well as in support to housing and pension insurance.

## Communication

We lay extraordinary emphasis on precise, timely and transparent communication of all changes and key information to the employees and also representatives of Gas Trade Unions (POZ).

The employees were regularly informed about all ongoing selection proceedings and we also communicated all arisen issues to POZ representatives without delay.

In addition to standard internal communication tools, such as intranet, company magazine, e-mails, videoconferences and meetings, we also put great emphasis on the option of personal meetings and discussions with the company management. At the regular meetings between BoD members and employees in individual regions, the employees were informed about the latest development in the company and the goals for the upcoming period. At the same time, they had a chance to ask questions and discuss the topics of interest with the management.



## Employee Structure

As of 31 December 2011, Eustream had 1 061 employees, of whom 168 were women (16% of the total workforce). The share of women, younger employees and university graduates slightly increased following the staffing of new organisational units.

Eustream supports participation by women in the company management. Presently, nearly 20% of top managerial positions and nearly 10% of medium management positions are staffed by women.

### Age structure as of 31 December 2011

36 employees (3.4%)	277 employees (26.1%)	381 employees (35.9%)	367 employees (34.6%)
30 years or younger	31 - 40 years	41 - 50 years	over 50 years

### Qualification structure as of 31 December 2011

469 employees (44.2%)	213 employees (20.1%)	379 employees (35.7%)
Complete secondary education	Vocational secondary education	University education

## ENVIRONMENTAL PROTECTION AND SAFETY

In the transmission of natural gas our company puts great emphasis on protecting the natural environment and ensuring health and safety at work. We are constantly increasing the quality of our services, encouraging the optimum use of energy and doing everything we can to make sure the operation of the transmission system has a minimum impact on the environment. The management principles and systems in place at Eustream are certified according to ISO standards and concentrate on the following as part of our integrated management system:

- quality management system (ISO 9001, 3834-2)
- system of health and safety at work (ISO 18001)
- environmental management system (ISO 14001)
- energy management system (ISO 16001)

Compliance of established systems with applicable norms was verified once again in 2011 by way of a periodic external audit. The audit confirmed that Eustream is an environmentally responsible company that deals with safety risks and ensures protection of health at work.

Regarding environmental protection, Eustream focuses primarily on the following areas:

- waste management with the aim of reducing the volume of produced wastes and with the maximum level of recycling,
- optimising water usage,
- avoiding leaks of hazardous substances to the natural environment.

The intensive maintenance and modernisation of technological equipment leads to a reduction in emissions of pollutants and noise levels produced near compressor stations, which is why we are moving forward with projects aimed at modernising the transmission system. We systematically replace obsolete equipment with the latest technologies, which also helps reduce potential negative impacts that the company's activities have on the environment. We conduct regular systematic research and then focus on eliminating environmental burdens. Adapting gas turbines at compressor stations in Veľke Kapušany to Dry Low Emissions (DLE) technology represents a key project with a strongly positive impact on the environment, as it leads to a reduction in nitrogen oxide emissions. We will continue with this project also in the coming years at the other compressor stations.

## Waste management

Perpetual operation, combined with maintenance and reconstruction work, means various kinds of waste are produced. Eustream deals with this waste in line with National Council SR Act No. 223/2001 Coll. on wastes. We try foremost to limit the production of waste and give preference to recycling over liquidation. In 2011 the overall volume of waste produced was roughly 20% less than in 2010.

### Waste production (in tons)

	2011	2010
Hazardous wastes	640	770
Other wastes	340	490
Total	980	1 260

## Air protection

In the transmission of gas we used mostly machinery with lower greenhouse gas emissions and so achieved a reduction in CO emissions by 12% compared with 2010.

In line with the new regulations of the European Union for reducing emissions of nitrogen oxide into the atmosphere, emissions of the modernised gas turbine of Nuovo Pignone at the Veľké Kapušany compressor station were cut thanks to the dry low emissions method using DLE technology. Considering the fact that in 2011 we transported a greater volume of natural gas than in 2010, emissions of nitrogen oxide also increased slightly as these are proportionately dependent on the consumption of gas for actuation. None of the said limits were exceeded.

### Emissions of basic pollutants (in tons)

	2011	2010
CO	177	198
NO <sub>x</sub>	2 521	2 353

## Noise protection in the external environment

Eustream regularly monitors the level of noise that is produced in the vicinity of compressor stations with the aim of cutting noise and vibration to below legally prescribed levels. Noise and vibration levels are being reduced significantly by the gradual shut down of 6 MW incineration equipment, the modification of existing equipment and by the installation of new technologies.

## Health and safety at work

We ensure health and safety at work in compliance with respective legislative and internal regulations so that we eliminate, or at least minimise, the risks affecting employee safety to the maximum possible extent, and also so that we ensure protection of their health. We apply preventive measures and specific programmes for improving working conditions, and for eliminating risks and factors causing work injury, occupational disease and other work-related damage to health.

Meeting obligations in the field of health and safety at work is checked by regular internal audits. As part of systematic measures, we focus also on prevention and education, making regular assessment of harmful factors of the working environment and then adopting appropriate corrective measures. We minimise the adverse effects on the working environment by way of protective technical and organisational means.

In co-operation with the company medical service, we monitor the conditions and influences of the working environment on the safety and health of employees at individual workplaces. Employees at compressor station operations undergo regular preventive medical examinations, the scope of which depends on the risk factors that individual employees are exposed to during their shifts. In the past two years just one work injury was registered, while overall the frequency of accidents has a falling tendency.



## ECONOMIC AND FINANCIAL PERFORMANCE

In 2011 Eustream generated revenue from the sale of services worth EUR 802.39 million, which means a decrease comparing to previous period by EUR 24.08 million. The main source of revenues was contracted gas transmission capacities. Operating costs amounted to EUR 573.11 million which is lower by EUR 19.94 million comparing to 2010. The major cost items here comprised costs of services, consumption of natural gas, material and energy, and personnel costs. Profit from financial operations reached EUR 1.75 million in 2011 and was EUR 0.97 million higher than in previous period.

In 2011 Eustream recorded according to International Financial Reporting Standards (IFRS) as adopted by the European Union, a profit before tax of EUR 231.03 million (which was EUR 3.17 million lower than the previous year). The total income tax charge came to EUR 43.97 million and profit after tax to EUR 187.06 million.

### Comparison of Revenues, Costs and Profit (in EUR million)

	2011	2010
Revenues from sale of services	802,39	826,47
Operating costs	(573,11)	(593,05)
Financial income/(expense)	1,75	0,78
Profit before income taxes	231,03	234,20
Income tax	(43,97)	(45,91)
Net profit for the period	187,06	188,29





## CAPITAL STRUCTURE

As of the balance sheet date, total assets of the company reached EUR 360.86 million, having risen EUR 4.83 million over the previous period. The value of non-current assets (non-current intangible and tangible assets) was posted at EUR 58.30 million and formed 16.2% of total assets. The investment costs reached EUR 17.58 million and were linked mainly to the transmission network development. As of the balance sheet date, current assets comprised inventories, short-term receivables, cash and cash equivalents and represented 83.8% of the value of total assets. Compared to the previous year current assets decreased by EUR 16.27 million.

### Comparison of the Assets Structure (in EUR million)

in 2011

58,30 (16,2%)	302,56 (83,8%)
Non-current assets	Current assets

in 2010

37,20 (10,4%)	318,83 (89,6%)
Non-current assets	Current assets

The shareholders' equity amounted to EUR 297.60 million, representing 82.5% of the value of the sources for covering the company's assets. In addition to the registered capital, it also consists of the legal reserve fund, other funds and retained earnings. Shareholders' equity increased by EUR 5.7 million year-on-year.

The registered capital of the company registered in the Commercial Register, comprising EUR 82.93 million. It consists of 10 ordinary certificate-form shares at the face value of EUR 3 319.39 per share, and 1 ordinary certificate-form share at the face value of EUR 82 895 533.19.

### The structure of shareholders as of 31 December 2011 was as follows

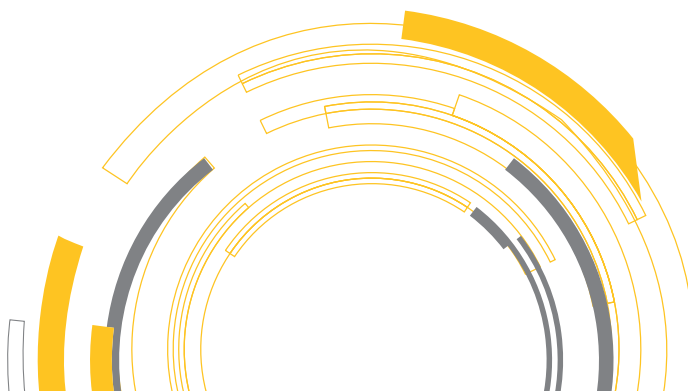
Slovenský plynárenský priemysel, a.s.      11 shares      100%

The balance of the legal reserve fund of the company reached EUR 16.59 million as of the balance sheet date.

Total liabilities amounted to 17.5% of equity and liabilities. As of the balance sheet date, liabilities came to EUR 63.26 million. The liabilities consists of long-term liabilities worth EUR 5.30 million and short-term liabilities amounting to EUR 57.99 million. Compared with the previous year the liabilities decreased by EUR 0.87 million.

### Comparison of the Structure of Equity and Liabilities (in EUR million)

	2011	2010	2011	2010
Equity	297,60	291,90	82,5%	82,0%
Liabilities	63,26	64,13	17,5%	18,0%



## FINANCIAL STATEMENTS

### Balance Sheets (Selected Data in EUR thousand)

	31 December 2011	31 December 2010
<b>ASSETS:</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	47 796	33 883
Non-current intangible assets	10 506	3 321
<b>Total non-current assets</b>	<b>58 302</b>	<b>37 204</b>
<b>CURRENT ASSETS</b>	<b>302 556</b>	<b>318 826</b>
<b>TOTAL ASSETS</b>	<b>360 858</b>	<b>356 030</b>
<b>EQUITY AND LIABILITIES:</b>		
<b>CAPITAL AND RESERVES:</b>		
Registered capital	82 929	82 929
Legal reserve fund and other funds	24 159	17 233
Retained earnings	190 513	191 739
<b>Total equity</b>	<b>297 601</b>	<b>291 901</b>
<b>NON-CURRENT LIABILITIES</b>	<b>5 263</b>	<b>3 898</b>
<b>CURRENT LIABILITIES</b>	<b>57 994</b>	<b>60 231</b>
<b>Total liabilities</b>	<b>63 257</b>	<b>64 129</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>360 858</b>	<b>356 030</b>

### Income Statements (Selected Data in EUR thousand)

	Year ended 31 December 2011	Year ended 31 December 2010
<b>Revenues from sale of services</b>	<b>802 386</b>	<b>826 472</b>
<b>Operating costs</b>	<b>(573 110)</b>	<b>(593 052)</b>
<b>Operating profit</b>	<b>229 276</b>	<b>233 420</b>
Financial income/(expense)	1 752	777
<b>Profit before income taxes</b>	<b>231 028</b>	<b>234 197</b>
Income tax	(43 969)	(45 912)
<b>NET PROFIT FOR THE PERIOD</b>	<b>187 059</b>	<b>188 285</b>

### Statements of Cash Flows (Selected Data in EUR thousand)

	Year ended 31 December 2011	Year ended 31 December 2010
<b>OPERATING ACTIVITIES</b>		
Cash flow from operating activities	275 073	118 150
Interest paid	(2)	-
Interest received	1 549	427
Income tax paid	(72 668)	(17 841)
<b>Net cash flows from operating activities</b>	<b>203 952</b>	<b>100 736</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(16 641)	(19 453)
Proceeds from sale of property, plant and equipment and intangible assets	35	559
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(16 606)</b>	<b>(18 894)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(188 285)	(78 669)
Other proceeds and payments from financing activities, net	945	(3 133)
<b>Net cash flows from financing activities</b>	<b>(187 340)</b>	<b>(81 802)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6</b>	<b>40</b>
<b>Net foreign exchange difference</b>	<b>3</b>	<b>(1)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>59</b>	<b>20</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>68</b>	<b>59</b>





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## SUPPLEMENT TO THE AUDITOR'S REPORT on the Consistency of the Annual Report with the Financial Statements Pursuant to Act No. 540/2007 Coll., Article 23 (5)

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

- I. We have audited the financial statements of eustream, a.s. (the "Company") as at 31 December 2011 presented in the Annual Report. We issued an Auditor's Report on these financial statements dated 17 February 2012 in the wording as follows:

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of eustream, a.s. (the "Company"), which comprise the balance sheet as at 31 December 2011, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Company's statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of eustream, a.s. as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### **Emphasis of Matter**

We draw attention to Note 23 of the financial statements, which describes certain legislative process related to gas transmission. Our opinion is not modified in respect of this matter.

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Member of Deloitte Touche Tohmatsu

II. We have also audited the consistency of the Annual Report with the aforementioned financial statements. The accuracy of the Annual Report's presentation is the responsibility of the Company's statutory body. Our responsibility is to issue an opinion on the consistency of the Annual Report with the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that the Auditor plan and perform the audit to obtain reasonable assurance that the information disclosed in the Annual Report and presented in the financial statements is consistent, in all material respects, with the relevant financial statements. We assessed the consistency of the information presented in the Annual Report on pages 1 to 36 with the information presented in the financial statements as at 31 December 2011. We have not audited any data or information other than the financial information obtained from the financial statements and accounting ledgers. We believe that the performed audit provides a reasonable basis for our audit opinion.

In our opinion, the financial information presented in the Annual Report is consistent, in all material respects, with the aforementioned financial statements as of 31 December 2011.

Bratislava, 28 March 2012



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

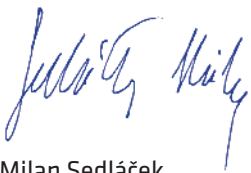


Ing. Wolda K. Grant, FCCA  
Responsible Auditor  
Licence SKAu No. 921

## REPORT ON COMPLIANCE PROGRAMME

1. eustream, a.s., the Transmission System Operator, has implemented a Compliance Programme as referenced to in Energy Law No. 656/2004 Coll., as amended by further regulations.
2. The Compliance Programme sets forth the following measures:
  - (a) specific obligations of eustream, a.s. employees for the purpose of ensuring equal treatment,
  - (b) specific obligations ensuring non-discriminatory conditions for access to the transmission system operated by eustream, a.s.,
  - (c) measures ensuring fulfilment of the Compliance Programme,
  - (d) effective monitoring and regular reporting.
3. The Compliance Officer of the Transmission System Operator in 2011 found no breach of obligations imposed by the Compliance Programme.
4. eustream, a.s., the Transmission System Operator, implemented to practice the Compliance Programme in 2011 ensuring that:
  - (a) respective internal processes aimed at ensuring non-discriminatory network access were in place;
  - (b) the Compliance Programme for the Transmission System Operator was regularly updated in order to ensure fulfilment of the requirements set by legal regulations;
  - (c) the fulfilment of Compliance Programme was monitored.
5. This Statement applies to the period from 1 January 2011 to 31 December 2011.

In Bratislava, on 31 January 2012



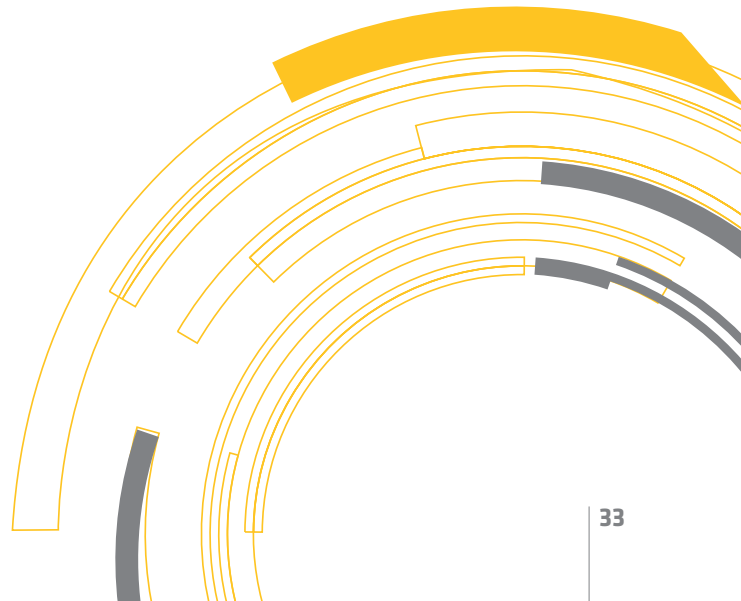
Milan Sedláček  
Compliance Officer of the Transmission System Operator



## EVENTS OF SPECIAL IMPORTANCE

Events of special importance, which occurred after the last day of the accounting period, for which the annual period has been issued:

- Change on the post of the chairman of the BoD (1 January 2012)



## CONTACT INFORMATION

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**E-mail:** info@eustream.sk

**Legal form:** joint-stock company  
**Incorporated in business register:** Country Court Bratislava I, Section Sa, Insert No. 3480/B

**Company registration number:** 35910712  
**Tax registration number:** 2021931175  
**VAT registration number:** SK 7020000372





**eustream, a.s.**

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