

Annual Report 2009



” Challenges are what make life interesting; overcoming them is what makes life meaningful. ”

Joshua J. Marine



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” Our basic mission is to transport natural gas in Slovakia and through Slovakia to the European markets. ”

Statement by the Chairman of the Board of Directors



“*One of the lessons learnt from the gas crisis is that having reliable and flexible assets and experienced and skilled people to operate these assets is a crucial element in securing energy supplies for Europe.*”

**Ladies and gentlemen,
dear business partners and colleagues,**

The business year 2009 was extraordinary in various respects. It started with the January gas crisis, which on the night from 6 to 7 January 2009 led to the gas flow at the Ukrainian/Slovak border being stopped for the first time in the history of gas transmission activities in Slovakia. As a consequence, Slovakia was completely cut off from Russian gas supplies for a period of two weeks. These two weeks were extremely challenging for us as the

operator of a key trunk line in European gas infrastructure. Fortunately, our teams coped with this challenge excellently, and so Eustream contributed to securing gas supplies for Slovak customers to the greatest possible extent. And not to forget, on 20 January 2009 we managed to resume full gas transit activities for the supply of European markets in just a few hours – in good cooperation with the adjacent network operators in

Ukraine, the Czech Republic and Austria. Above all, this was achieved without endangering the safety of operations. Therefore, one of the lessons learnt from the gas crisis is that having reliable and flexible assets and experienced and skilled people to operate these assets is a crucial element in securing energy supplies for Europe. This should not be forgotten in the discussions about liberalized energy markets and real or virtual trading activities.

The gas crisis, of course, also impacted gas quantities transported by Eustream in 2009. With a total of 66 billion cubic meters we are at a twenty year low in terms of transported gas volumes. This means a year-to-year decrease by more than 10%.

Furthermore, the year 2009 will enter the history books as the year of the worst economic and financial crisis for decades. Fortunately, its impact on Eustream activities has been negligible. On the one hand, this is due to the robust nature of our business in general. On the other hand, it is because we started taking measures to mitigate potential impacts of the economic crisis already at a very early stage. Those measures include a significant reduction in operational and capital expenditure compared to the Business Plan. In addition, we have optimized financial transactions, e.g. by implementing a successful FX hedging strategy. All these measures contributed to us achieving a net profit of EUR 78.7 million.

On 3 September 2009, the 3rd EU energy package entered into force. The European Directive 2009/73/EC is a central element in this package. This directive is aimed at increasing the independence of gas transmission system operators from the affiliated trading arm of vertically integrated undertakings. The Directive has to be implemented at company level by 3 March 2012 at the latest, and it will have a major

impact on the organisation of Eustream. We have therefore started defining the requirements for Eustream, especially as regards support functions. This process will continue in 2010.

In 2009, we also started enhancing cross-border transmission capacities both in regular and reverse flow. In this respect, our flagship project is to build a new gas interconnector between Slovakia and Hungary. The first important milestones were reached in 2009. Together with our Hungarian partner FGSZ Zrt., a member of the MOL group, we have secured financial support for this project under the European Economic Recovery Plan, and at the end of 2009 we successfully finalized the non-binding open season for the project. The crucial phase of this project will start in March 2010 with the binding open season. Should this phase result in sufficient market demand, we could take a final investment decision in the summer of 2010. This step would bring us yet a little closer to our vision of Slovakia becoming a central European gas “turntable”.

The good management of the gas crisis in January 2009 was not the only thing to prove clearly that we have the expertise, perseverance and strengths to tackle the projects ahead of us. I am therefore very optimistic about the future of Eustream.

Andreas Rau
Chairman of the Board of Directors





” *The best way to predict your future is to create it!* ”

Abraham Lincoln

Distinguished ladies and gentlemen,

If any decision concerning the gas business is made today, the good or bad results of it are visible over the long term.

Therefore, setting the right and challenging targets, and having people motivated to put these targets into practice, are the most important elements for the company's future. Motivation is the key word here, expressing that the roots of all our targets and ambitions are found deep within us.

If we want to judge the year 2009, we have to take into account all circumstances, conditions, events, achievements and failures as well. The gas and

economic crises, and the third liberalization package, are the main driving forces of change that have influenced and will significantly influence the life of our company. The Slovak gas world was completely changed by the gas crisis in January 2009. Nothing would be the same ...

In my professional life I had never heard such a frozen silence at all our compressor stations, and I hoped never to hear it again. For the first time in the long history of the gas industry in Slovakia, we experienced a situation when for some days natural gas was not being transported to our domestic and foreign customers. We gathered all

the power, ability to come together, high level of professionalism and flexibility to resolve this emergency situation. Things that usually do not work, worked then. It would not have been possible without the mutual support, understanding, tolerance and solidarity of all those involved. We recognized and appreciated those who were there to lend a hand in this troubled time. Our company proved its strength and international credit once again. We were proud of the company we work for.

The difficult start to the year eventually motivated our people to achieve very good results in all lines of our business activities. The safe, reliable and efficient gas transmission has traditionally been one of the strengths of our company. In order to sustain and develop these activities, we worked on the project of automating compressor stations, we installed two new turbo sets at the Veľké Kapušany compressor station and worked on reverse gas flow from the Czech Republic and Austria. We will proceed with the preparation of the re-engineering project of the transmission network. The construction of two new turbo sets at the Veľké Zlievce compressor station and the exchange of compressors on existing turbo sets and electric turbine units at Veľké Kapušany are all important parts of this project. In accordance with our policy to raise the level of environmental protection and to meet all legislative requirements, we have been preparing the project to replace gas generators with low emission DLE technologies. Knowledge, understanding and, in particular, the protection of nature, allow us to harness its full power more efficiently.

Modern technologies will significantly reduce the need for the workforce in the area of operation and maintenance. At the same time, due to the third liberalization package new support functions have to be created. The organisational restructuring process is inevitable.

Are we fortunate enough to manage all the set targets? The success of these projects and the company's reputation is built on people. My personal experience from meetings with our colleagues is that the majority of our employees are able to overcome obstacles and to face new challenges.

I have always been aware of the fact that if we really want to achieve the right atmosphere and success, we have to treat others the way we expect to be treated by them. To put it simply, to be open even in tough situations, to communicate transparently, to observe good time management, and to respect others. A newly built company will require new management methods and supporting programmes.

Sustaining the motivation of our employees in the process of change will be the greatest challenge facing the Eustream management. We should rely on the initiative of our colleagues; on the other hand, we must motivate them to find the roots of their goals and ambitions within them. One of the major tools to achieve this target is to have open, transparent and honest communication. This is our way how to build a successful common future.

Pavol Janočko
General Director

Company Profile

Eustream – the Gas Highway for Europe

Eustream operates a large-scale high-pressure gas transmission system in the territory of the Slovak Republic. Our basic mission is to transport natural gas in Slovakia and through Slovakia to the European markets.

Our key priorities are safety, reliability and efficiency of operations.

Eustream allows access to the gas transmission network and offers its customers a wide range of transmission services on a transparent and non-discriminatory basis. The access regime is in full compliance with existing legislation and gas industry standards. The business partners of Eustream include major energy companies from EU and non-EU member states.

Transmission System

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 ensured by four large compressor stations with an aggregated power of more than 1000 MW. The most important station is located at Velké Kapušany at the Ukrainian-Slovak border. With a total power 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.

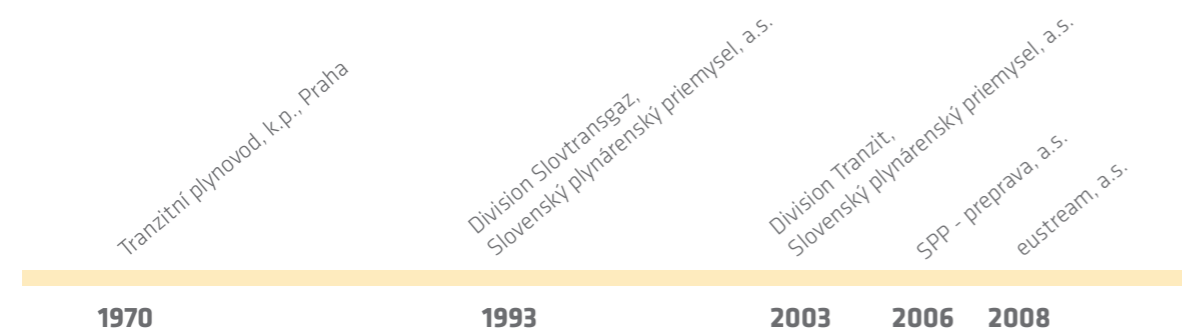
Access to the transmission system is entry-exit based. For entering and exiting the system customers can choose one from the following four entry/exit points:

- Velké 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).

The annual capacity of the transmission system operated and maintained by Eustream is more than 90 billion cubic meters, which equals roughly 15 times the overall domestic gas consumption of the Slovak Republic. This demonstrates how a large part of our work concerns international gas transit. In 2009, we actually transported more than 66 billion cubic meters of gas.

Thanks to the continual modernization and upgrade of infrastructure, Eustream contributes to ensuring safe and reliable gas supplies to Central and Western Europe whilst doing its utmost to reduce the environmental impact of its activities. In this respect, one of the main challenges we face is to cut carbon emissions produced at the four gas compressor stations we operate.

Since 1968, Eustream has secured the transmission of more than 1.9 trillion cubic meters of natural gas across the territory of the Slovak Republic. The company therefore successfully continues in the tradition of the Slovak gas industry, which dates back over 150 years and in almost 40 year tradition of the international gas transmission.



“ A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty. ”

Sir Winston Churchill

Board of Directors as of 31 December 2009



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 system planning and commercial gas transmission management. Since May 2006 he has been a member of the Board of Directors of Eustream. On 1 July 2009 he became Chairman of the Board of Directors of Eustream for the second time as part of the rotating chairmanship agreed between the international shareholders of SPP.



Miroslav Gažo

Vice-Chairman of the Board of Directors

He graduated with inter branch studies from the Mechanical Engineering Faculty of the Slovak University of Technology in Bratislava. He underwent several specialised stays abroad in the period between 1989 and 1995. After 1983 he worked in several positions in the company SES Tlmače. From 1992 to 1997 he was the Technical Director of the company ISTROENERGO GROUP, a.s. and in 1997 he was Chairman of the company Board of Directors. From 1999 to 2000 he was Chairman of the Board of Directors ISTROFIN, a.s., and later he was the Executive Director of ADATO, s.r.o., GasTrading, s.r.o. and SLOVINTEGRA ENERGY, s.r.o. Since 9 February 2007 he has been Vice-Chairman of the Board of Directors of Eustream.



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 and started working in the USA in the Division of Underground Reservoirs, Research and Extraction. 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, chairing the Board from 1 September 2008 until 30 June 2009 as part of the rotating chairmanship agreed between the international shareholders of SPP.

Antoine Jourdain was Chairman of the Board of Directors until 30 June 2009.



Management as of 31 December 2009



Pavol Janočko
General Director

With engineering studies in the gas industry and postgraduate studies focusing on gas transmission and distribution, he graduated from the Technical University of Košice. He has been active in the gas industry since 1982. He held several positions with the East Slovakian Gasworks before 1995. Then he managed investment development in SPP and later he was Deputy Director for Investment Development in NAFTA TRADE, a.s. and Member of the Board of Directors in NAFTA a.s. From 1999 to 2006 he was Director of Slovtransgaz Division, Member of the Board of Directors and Deputy Chairman of the Board of Directors of SPP. Since 2006 he has been General Director of Eustream. He is President of the Slovak Gas and Oil Association, has worked as a member of the Executive Committee of the International Gas Union, and is a member of the Scientific Board of the Metallurgical Faculty of the Technical University of Košice.



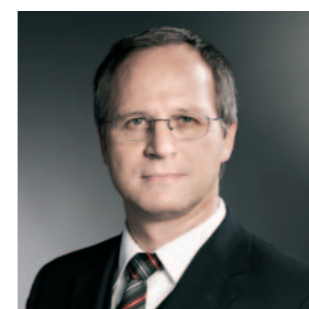
Miloš Pavlík
Head of Commercial and Regulatory Affairs

He graduated in Economics and Management of the Chemical Industry Department at the Slovak University of Technology. After graduating, he attended several expert and managerial internships and training courses in Europe and the USA. He began specialising in the energy sector in 1993, at that time working in the position of Sales Director Deputy in Kerametal, a foreign trade company. In 2001 he joined SPP as Director of Gas Trade Department. During the unbundling process of energy activities, he devoted himself to trading transmission capacities. Since 2006, in Eustream he has been managing the contracting of transmission capacities, the application of regulatory legislation of the Slovak Republic and the EU, and also the day-to-day operation of commercial dispatching in Nitra.



Ján Janus
Head of Dispatching

He graduated from the Faculty of Mechanical Engineering at the Technical University of Košice in 1982 and from 1986 to 1988 he completed postgraduate studies in Prague. He started his career in 1982 in Tranzitní plynovod Praha as a Machine Technologist at Velké Kapušany compressor station, where after three years he became Head of the Border Transfer Station. Between 1993 and 2004 he worked in Slovtransgaz Division in SPP, first as Head of Transmission Management Department and later as Technical Director. He has been Head of Dispatching since 2004, being responsible for operation of dispatching control systems, transmission management, the purchase of electricity and trading of emissions quotas, commercial metering and metrology.



Vladimír Potočný
Head of Technical Competence Centre

He completed his university studies in 1982 at the Faculty of Mechanical Engineering of the Technical University in Košice. Later, he continued at the Slovak University of Technology in Bratislava in the gas industry department and at the University of Žilina in the industrial engineering and logistics department. His professional career has been linked with the gas industry from the beginning. In 1985 he joined the company Tranzitní plynovod Praha. He has more than 25 years of experience in managing the operation and maintenance of technology for compressor stations and pipeline systems. Since 2004 he has been Head of Technical Competence Centre in Eustream, being responsible for the technical policy of the company.



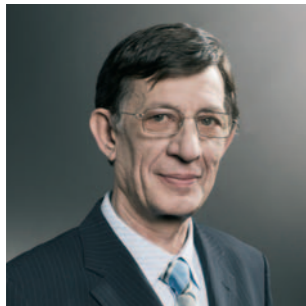
Rastislav Ňukovič
Head of Strategic Projects

He studied at the Faculty of Electrical Engineering and Informatics of Slovak University of Technology Bratislava. From 2000 to 2002 he completed his postgraduate studies specialising in the gas industry at the Faculty of Environmental Protection of Institute of Chemical Technology in Prague. His career in the gas industry began in 1998 in Slovtransgaz Division of SPP as an IT System Administrator, and later he became Head of Assembly and Technical Support Department. Between 2005 and 2008 he worked as Head of Centralised Maintenance. Since 1 January 2009 he has been Head of Strategic Projects Section, being responsible for the management and coordination of all projects relating to the transmission network. He represents the Slovak Gas and Oil Union in the Executive Committee of Marcogas (Technical Association of the European Gas Industry).



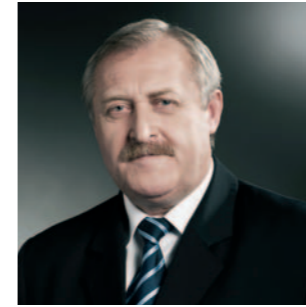
Ján Stuhl
Head of Economic Services

He completed his university studies at the Faculty of Mechanical Engineering of the Slovak University of Technology in Bratislava, Department of Thermal Power Engineering. In 1997 and 1998 he continued his studies specialising in the management of power engineering companies in Milan in Italy, where he earned his Master's degree. He has been working in the gas industry since 1987, initially as a Turbine Mechanic in Tranzitní plynovod Praha. He joined SPP, Slovtransgaz Division, in 1994 as a Compressor Station Development Technician. During this period he completed a half-year internship in Milan in the gas company SNAM. Between 2001 and 2003 he led the Economic Analyses Unit. Later, he served as Head of Asset Management Section and Head of Economic Services Section. Since January 2010 he has worked as Deputy Head of the West Area.



Peter Oľšanský
Head of Area Veľké Kapušany

In 2002 he finished his studies at the Faculty of Mechanical Engineering at the University of Žilina in the gas industry department. He began acquiring his work experience in 1973 in ZPA Bratislava in the position of Automation Equipment Technician. He has been working in the gas industry since 1975, firstly in the company Tranzitní plynovod Praha and then in Slovtransgaz Division of SPP. He worked in various positions – Measurement and Regulation Foreman, Technologist, Chief Technologist, Head of Maintenance Department. Presently, he is Head of Veľké Kapušany Area, being responsible for the operation and maintenance of the compressor station, border delivery station and respective line section.



Štefan Keresteš
Head of Area Jablonov nad Turňou

In 2009 he graduated as a Bachelor from the Technical University of Košice, adding to his secondary education at the Vocational School of Mechanical Engineering. His career began in 1975 in Nitra Elitex as an employee of the Technical Quality Department. Between 1979 and 1995 he held various positions in Tranzitní plynovod Praha, which he joined as a Gas Works Mechanic and in 1980 he became an Operations Foreman. In 1993 he was appointed an Operating Engineer in Slovtransgaz Division of SPP. Later he worked at the compressor station in Ivanka pri Nitre as a Chief Technologist and from 1998 to 2003 as Plant Director. He has been working as Head of Area since 2003, being responsible for operation and maintenance of Jablonov nad Turňou compressor station and respective line section of the transmission system.



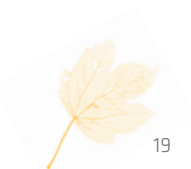
Jozef Titka
Head of Area West

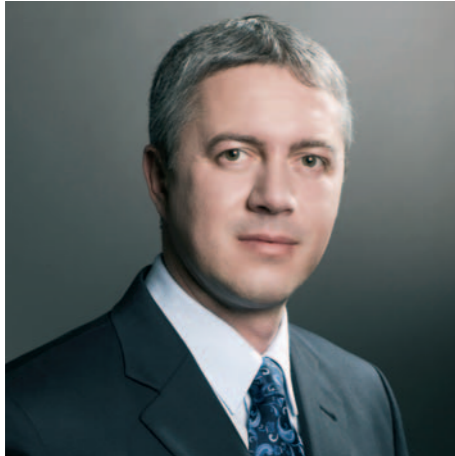
He completed his engineering studies at the Faculty of Agricultural Engineering of the University of Agriculture in Nitra between 1968 and 1973. In 1973 he started as a Centre Mechanic in Agricultural Cooperative Ivanka pri Nitre. In 1979 he joined Tranzitní plynovod Praha and during his career at the compressor station in Ivanka pri Nitre he worked in various positions - Head of Shift in continuous operation, Chief Operating Technologist, Head of Operation and Maintenance and as a Director. Between 1998 and 2004 in Slovtransgaz Division of SPP he worked as Deputy Operations Director and later as Transmission Network Operation and Maintenance Director. In the following four years he held the position of Director of Veľké Zlievce Area and since 1 April 2009 he has been Director of West Area. He is responsible for the operation and maintenance of Veľké Zlievce and Ivanka pri Nitre compressor stations and for operation and maintenance of the line section of the transmission system from Rimavská Sobota to the west national border.



Anton Zelenaj
Head of Central Maintenance

He graduated from Technical University in the Russian town Vladimir, Department of Machinery and Tool Design Technology. After graduating from his studies, in 1992 and 1993 he focused on his own business in the field of computers. He began his career in the gas industry in 1993 when he joined SPP, Slovtransgaz Division, as a Technician. From 1995 he worked in the position of Pipeline Technician and from 1997 as Head of Pipeline Diagnostics Department. Between 2004 and 2008 he was Director of Ivanka pri Nitre Area. Since 1 January 2009 he has been Head of Centralised Maintenance responsible for the maintenance and repair of compressors and pipelines.





Jaroslav Krč-Šebera
Chairman of the Supervisory Board

In 1993 he graduated from the Faculty of Agricultural Engineering at the University of Agriculture in Nitra, Teaching of Vocational Agricultural Courses Department. In the same year he joined the company SAM, a.s. in the position of Water Management Mechanic. Between 1994 and 1998 he worked here in management positions in the field of human resources and trade. Since 1998 he has been Production Director in MOA, a.s. He has been serving as Chairman of the Supervisory Board of Eustream since 9 February 2007.

Georg Friedrich Rosenstock
Vice-Chairman of the Supervisory Board

Members:

Andrej Lendvay

Rudolf Rigáň

Martin Ryba

Ivan Švec

Louis de Fouchécour was Vice-Chairman of the Supervisory Board until 30 June 2009.



” When it is obvious that the goals cannot be reached, do not adjust the goals, adjust the action steps. ”

Confucius

In 2009, Eustream continued intensively applying measures aimed at improving efficiency. Of major importance in the field of cost management were measures centred on cutting operating costs. The opportunities afforded by hedging instruments were intensively utilised for contracts concluded in foreign currencies.

Development of Business Environment

The business environment in 2009 was characterised by fluctuating energy prices and volatile trends on the foreign exchange market. During the first year of the Slovak Republic's membership in the European Monetary Union, it was the trend in the EUR/USD exchange rate in particular that became the centre of attention on the foreign exchange market. The exchange rate trend was not stable and changed throughout 2009. The weakening of the EUR seen at the beginning of the year was soon replaced at the end of the first quarter by a strengthening trend, accompanied by considerable volatility. This trend reversed in the last month of the year when growth turned into a decline.

Financial Results

In 2009, Eustream generated revenue from the sale of services worth EUR 742.91 million, which was a decline over the previous period by EUR 61.19 million. The main source of revenues was contracted gas transmission capacities.

Operating costs amounted to EUR 646.72 million. The major cost items here comprised costs of services, consumption of natural gas, material and energy, and personnel costs. Operating costs were down EUR 78.25 million over 2008.

Profit from financial operations reached EUR 1.16 million in 2009, and was EUR 25.16 million lower than the previous period.

For the 2009 fiscal year, Eustream posted a profit before tax of EUR 97.35 million (according to International Financial Reporting Standards - IFRS), which was EUR 8.10 million lower than the previous year. The total income tax charge came to EUR 18.68 million and profit after tax to EUR 78.67 million.

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

	2009	2008
Revenues from sale of products and services	742.91	804.10
Operating costs	-646.72	-724.97
Finance income/(costs)	1.16	26.32
Profit before income tax	97.35	105.45
Income tax	-18.68	-20.20
Profit after tax	78.67	85.25



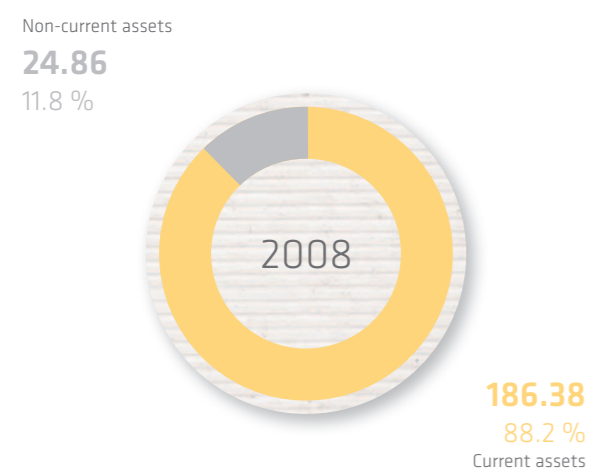
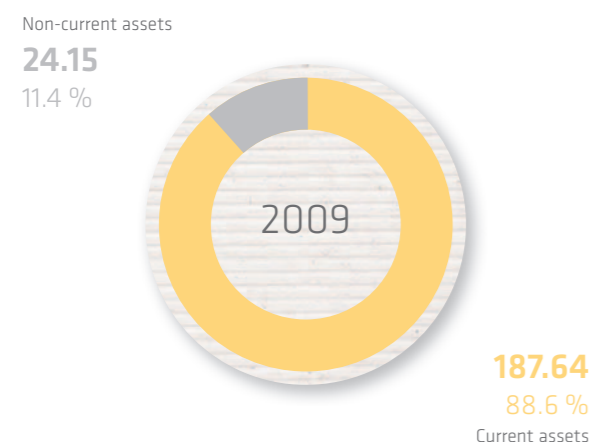
Capital Structure

As of the balance sheet date, total assets of the company reached EUR 211.79 million, having risen EUR 0.55 million over the previous period.

The value of non-current assets (non-current intangible and tangible assets) was posted at EUR 24.15 million and formed 11.4 % of total assets.

As of the balance sheet date, current assets comprised inventories, short-term receivables, cash and cash equivalents and represented 88.6 % of the value of total assets. Compared with the previous year, current assets grew by EUR 1.26 million.

Comparison of the Assets Structure (in EUR million)



The shareholders' equity amounted to EUR 181.15 million, representing 85.5 % of the value of equity and liabilities of the company's assets. In addition to the registered capital, it also consisted of the statutory reserve fund, other funds and retained earnings. Shareholders' equity declined by EUR 7.25 million year-on-year.

The registered capital of the company represented the capital registered in the Companies Register, comprising EUR 82.93 million. It consists of 11 ordinary shares (10 shares with a par value of EUR 3 319.39 and one share with a par value of EUR 82,895,533.19).

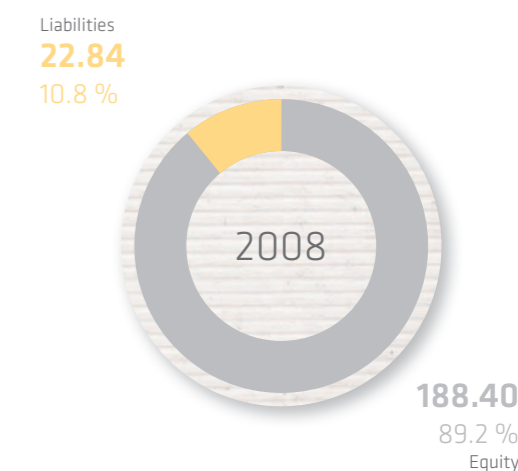
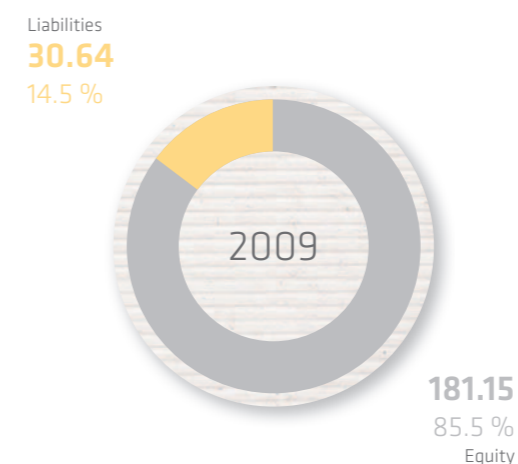
The structure of shareholders as of 31 December 2009 was as follows:

Shareholder	Number of Shares	Share Type	Percentage
Slovenský plynárenský priemysel, a.s.	11	SHARES	100 %

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

Total liabilities amounted to 14.5 % of equity and liabilities. As of the balance sheet date, liabilities came to EUR 30.64 million. The liabilities consisted of long-term liabilities worth EUR 3.92 million and short-term liabilities amounting to EUR 26.72 million. Compared with the initial balance, the liabilities increased by EUR 7.80 million.

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

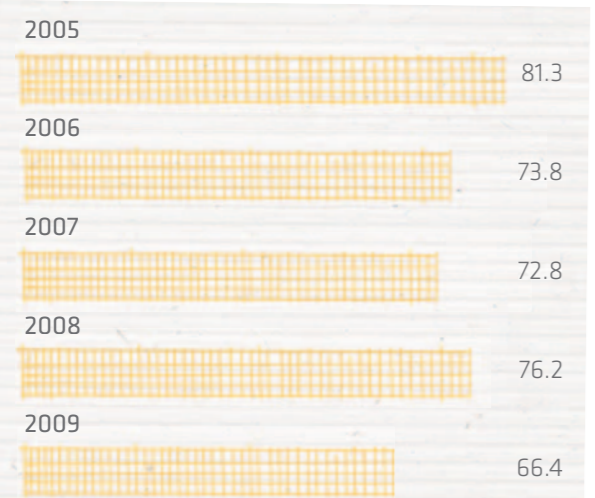


Natural Gas Transmission

The year 2009 was a year of extraordinary challenges for Eustream. The gas crisis caused by the Russian-Ukrainian dispute resulted at the start of the year in a complete interruption of gas transmission through the Ukrainian territory, which lasted two whole weeks. During this period, Eustream contributed by its technical resources to securing the energy needs of the Slovak economy and within a few days the company managed to find a technical solution for the reverse flow of gas from west to east, in cooperation with the transmission system operator in the Czech Republic, RWE Transgas Net.

Last year's gas transmission was also influenced by other events of international significance. The global financial and economic crisis reflected itself in lower gas consumption virtually in all market segments. Similarly to other commodity prices, the prices of gas strongly fluctuated as well, which in turn motivated customers to intensely optimise their supply portfolio, especially in the first half of the year. The volume of transmitted gas reached 66.4 billion m³ in 2009 and given all the extraordinary events, we may refer to it as a successful and eye-opening year.

Transmission of natural gas (in billion m³)



In addition to long-term contracts, in 2009 we succeeded in gaining several new shippers as our clients, who primarily specialise in concluding flexible short-term contracts. It is the increase in the number of short-term contracts that leads us to closer cooperation with operators in neighbouring countries, and to seek new solutions and create products tailored to customers' needs. We consider as important the fact that we did not have to refuse a single request for access to the transmission network and we have set this goal as a future goal for ourselves as well. Therefore, we are developing not only investment and technical measures, but also working on expanding our range of commercial products.

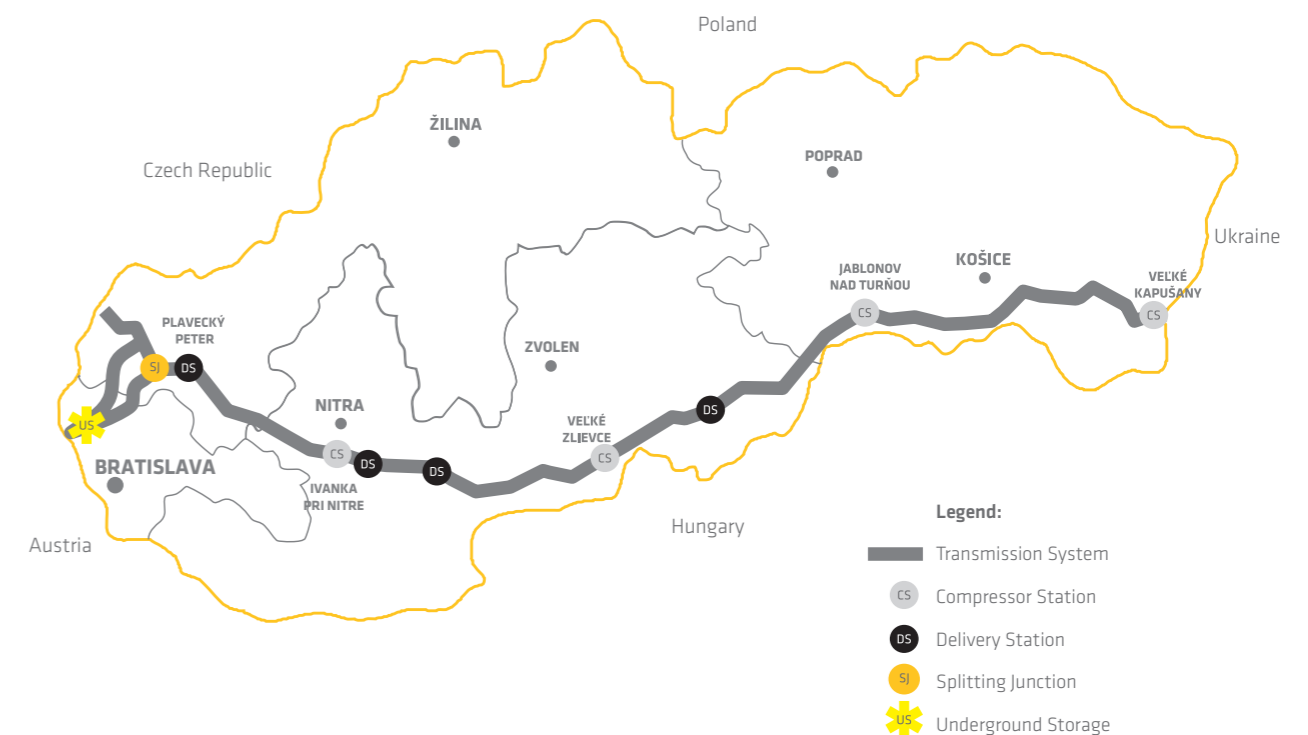
Eustream also began implementing a number of projects aimed at improving the security of supplies in the region, which include not only reverse flows at the Austrian and Czech border, but also in the Slovak transmission network. The "open season" process was initiated for the planned gas interconnector between Slovakia and Hungary. In cooperation with the Hungarian company FGSZ Zrt., Eustream plans to build the interconnection between the transmission systems of both countries. The process of building the new gas pipeline began in June 2009 by the signing of the Memorandum of Understanding. This project will produce many positives for our region. By creating an interconnection with Hungary, Eustream wants to contribute not only to greater security of gas supplies for the region, but also to market liquidity and the strengthening of existing energy interconnections in Central Europe. In future, the implementation of the project will enable interconnection to other European gas infrastructure, such as Nabucco or South Stream or the possible LNG terminal in Croatia. Should gas supplies from Russia be interrupted again in future, this interconnection could be used to secure gas supplies from the western parts of Europe via the Czech Republic, Slovakia and Hungary to Serbia, Bosnia and Herzegovina, Romania and Croatia. The start of construction of the gas pipeline is planned for the first quarter of 2011 and its completion is expected in December 2012. The pipeline should be put into operation in 2013. The final investments decision still depends though on the results of the binding open season scheduled for the second quarter 2010.

In 2009 Eustream continued with the re-engineering project aimed at defining the optimum configuration of the compressor stations for the long term, and with optimising the concept of the whole transmission network to reduce costs and ensure compliance with legislation governing the new emission limits applicable to our compressor chain.

Currently, the transmission network is used evenly in both main directions of gas transit to the Czech Republic and Austria.

From the future perspective, the flexible operation of the transmission network is a very important factor. The gas crisis in January 2009 was a historic milestone from the viewpoint of identifying new options of how to operate the transmission network. The full reverse flow of gas with the optional interconnection with transmission networks of neighbouring countries is therefore also being prepared under this project. The aim is to secure transmission routes for gas supplies from Western countries in the event of possible future crisis situations and, at the same time, to open up new opportunities for our business under standard transmission conditions from east to west.

The Transmission System Operated by Eustream



Human Resources

Ensuring safe and reliable gas transmission requires educated and skilled technical specialists. We are proud to have such a team operating and maintaining our transmission network. On the other hand, due to the rapidly changing business environment, Eustream is shifting its focus from a predominantly technical approach to a more commercial one with the clear aim to further improve customer orientation.

The European background of our company provides new opportunities for employees, but also new challenges. Language and intercultural skills, often not seen as very important by nationally dominated corporations, are commonplace in our offices.

Our core business – gas transmission, is being increasingly influenced by the European Union. This situation requires a very good and deep understanding of EU policy and legislation. Our specialists are members of working and study groups and committees in European and international organisations. Through their participation we can play an active role in the gas industry in Europe.

Eustream as an employer is aware of just how important it is to have qualified employees with rich work experience and also young and perspective specialists for the development of the company.

Therefore, also in 2009 the priorities of Eustream in the field of human resources management were education, motivation, taking care of employees and open communication.

Education of employees

Eustream puts emphasis on the education of employees because highly qualified and language skilled experts are a competitive advantage of every company. Besides the educational activities required by legislation, we focus also on technical education in connection with implementing new technologies and on managerial training tailored to the needs of individual managers. The development of key and talented employees, whom we prepare for future positions as managers and experts, continued in 2009 and focused on improving their managerial and language skills. The development programme designed to develop their talents further is intended for university graduates. Under this programme graduates participate in training courses aimed at developing professional

knowledge and skills, and work on assigned tasks and projects under the supervision of experienced managers.

Remuneration and Incentives

The system for evaluating performance, remuneration and the motivation of employees creates room in our company for differentiation based on objective and clear rules, with respect to work difficulty and required knowledge and skills. The remuneration system makes it possible to reward employees whose specialization is difficult to find on the labour market and also employees with high potential or above-standard work performance.

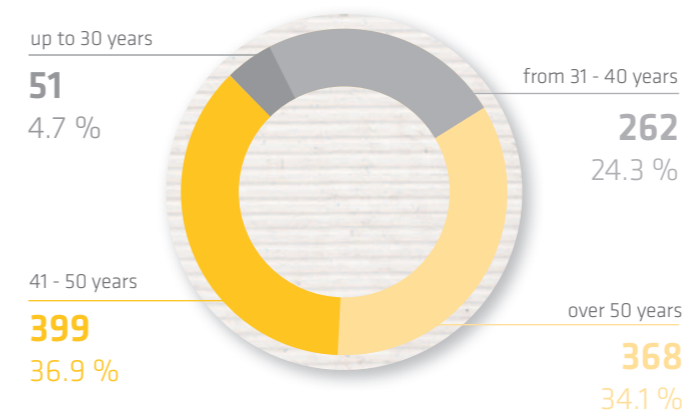
Social Programme

A rich social programme, taking care of employees' health and the effort to keep a balance between work and the personal life of employees, are among the long-term goals of employee care. The employees have the possibility to choose one of two benefits programmes, which include recuperation stays, healthcare, culture, sport, housing support or the pension scheme.

Internal Communication

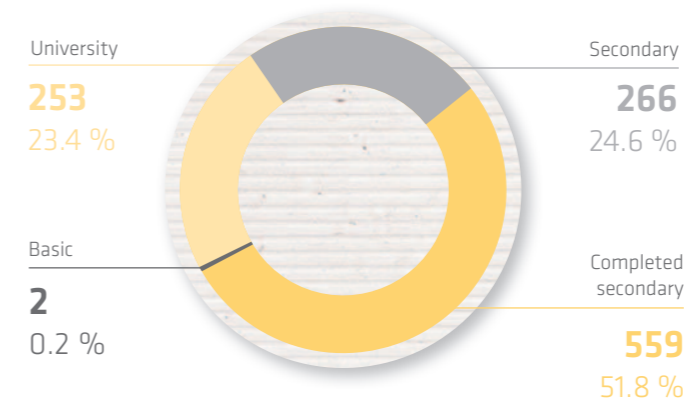
Well-functioning communication in a company is an important tool for achieving success. With the goal to support open dialogue between the company's management and employees, in 2009 we put emphasis on development of interactive communication. We continued in the tradition of regular meetings of the Board of Directors Members with employees in individual regions. The aim of the meetings is to inform employees about the tasks and activities of the company and to create room for mutual and open communication. At the end of 2009 an opinion survey was conducted among employees with the aim of finding out their opinion about work, work relationships, level of communication and perception of the company. The outputs from the survey will become a basis for proposing and implementing action plans for improvements in individual activities of the company.

Age Structure as of 31 December 2009



Average age of employees as of 31 December 2009 was 45.5 years.

Qualification Structure as of 31 December 2009



As of 31 December 2009 Eustream had 1 080 employees. Out of this there are 90 women, which is 8.3 % of the total number of employees.



Environmental Protection and Safety

The basic mission of Eustream is to provide for the reliable, safe and efficient operation of the transmission network. In order to improve operations further, our company has set up an integrated management system that focuses not only on the quality of our services, but also on environmental protection and occupational health and safety.

The integrated management system comprises the elements:

- Quality Management System
- System of Environmental Management
- Energy Management System
- Occupational Health and Safety Management System.

The continuous endeavour to improve is also reflected in ISO certification. Eustream is certified to comply with the requirements of the ISO 14001 and OHSAS 18001 standards. In addition, the centralised maintenance section, covering maintenance activities related to all technical equipment and facilities, is certified to comply with the requirements of ISO 9001 and ISO 3834-2 standards.

Regarding environmental protection, Eustream concentrates on:

- waste management in order to reduce the volume and to utilize the most of produced waste
- water management optimisation
- intensive supervision of the technical condition of gas facilities in order to cut down emissions of air pollutants
- reducing noise emissions, especially at compressor stations.

In 2009, the company Bureau Veritas conducted a recertification audit in Eustream, with all activities in full compliance with the audit criterion (ISO 14001:2004 and OHSAS 18001:2007).

Waste Management

Daily activities such as repairs, maintenance and reconstructions generate a large amount of waste. Eustream handles the created waste in accordance with applicable legislation in the field of waste management. Where possible, we prevent waste generation, limit waste creation and prefer waste recycling over disposal.

Waste Generation (in tons)

Year	Hazardous waste	Other waste	Total
2007	624	2,898	3,522
2008	396	3,614	4,010
2009	426	1,157	1,583

Water Management

Eustream is a major consumer of drinking water and also a producer of waste water. Water management is therefore one of our priorities in the field of caring for the environment. By optimising the company's needs in the field of water management, we manage to reduce continuously the consumption of drinking water. The amount of discharged waste water particularly depends on the precipitation volume.

Consumption of Drinking Water and Waste Water Discharge (in thousand m³)

Year	Total water offtake	Discharge of waste water
2007	57.7	86.6
2008	49.5	123.7
2009	42.2	144.4

Air Protection

Eustream operates big energy facilities that produce emissions of greenhouse gases and pollutants. By continuously taking care of the quality of our combustion units, we have in view a reduction in the volume of produced emissions, while at the same time complying with ever stricter legislation in this field.

Presently, our company is intensively preparing itself for planned changes in the field of air protection, which will result from the directive of the European Parliament and the Council of Europe on industrial emissions governing the unified prevention and control of pollution.

The volume of CO and NO_x emissions depends, among others, on consumed fuel gas.

Emissions of Basic Pollutants (in tons)

Year	CO	NO _x
2007	260	2,913.0
2008	304.6	3,692.4
2009	192.4	2,593.3



Environmental Protection and Safety

Protection against Noise Pollution

Noise is an accompanying effect produced during the operation of our technological facilities at compressor stations. Our prime interest, therefore, is to further reduce noise and vibrations to under the level required by valid legislation.

Health and Safety at Work (H&S)

Regarding the securing of H&S activities, Eustream proceeds in accordance with relevant legislative requirements and in line with the adopted policy of health and safety at work. We secure individual activities in the transmission of natural gas in a way so as to exclude to the maximum extent (or possibly minimise) the risks affecting the safety of employees and the protection of their health.

We inspect the fulfilment of obligations in the field of health and safety at work in the form of regular internal audits carried out by our own professional employees.

Among systematic and preventive measures for ensuring safety and protection of health at work, we focus on prevention and education, make periodic evaluations of harmful factors in the working environment and implement corrective measures.

One work accident was recorded in Eustream in 2009.

In 2009, the state administration bodies made four inspections in the field of H&S without any serious findings of violation of respective standards.

Basic data on the work accidents rate since 2007

Indicator	2007	2008	2009
Number of employees	1,123	1,090	1,080
Number of work accidents	2	3	1
Of which: serious	0	0	0



“A goal without a plan is just a wish.”

Antoine de Saint-Exupéry

Summary Results (compiled according to IFRS – International Financial Reporting Standards)

Balance Sheet (Selected Data in EUR thousand)

	31 December 2009	31 December 2008
ASSETS:		
NON-CURRENT ASSETS		
Property, plant and equipment	21,981	23,649
Non-current intangible assets	2,166	1,208
Total non-current assets	24,147	24,857
CURRENT ASSETS		
TOTAL ASSETS	211,789	211,243
EQUITY AND LIABILITIES:		
CAPITAL AND RESERVES		
Registered capital	82,929	82,929
Legal reserve fund and other funds	16,102	16,773
Retained earnings	82,123	88,702
Total equity	181,154	188,404
Non-current liabilities	3,917	4,423
Current liabilities	26,718	18,416
Total liabilities	30,635	22,839
TOTAL EQUITY AND LIABILITIES	211,789	211,243

Summary Results

Profit and Loss Statement (Selected Data in EUR thousand)

	Year ended 31 December 2009	Year ended 31 December 2008
Revenues from sale of services	742,913	804,098
Operating expenses	-646,719	-724,968
Operating profit	96,194	79,130
Financial income/(costs)	1,158	26,318
Profit before income taxes	97,352	105,448
Income tax	-18,683	-20,200
NET PROFIT FOR THE PERIOD	78,669	85,248

Cash Flow Statement (Selected Data in EUR thousand)

	31 December 2009	31 December 2008
Operating activities		
Cash generated from operations	100,280	35,240
Interest paid	-1	-74
Interest received	675	3,453
Income tax paid	-16,669	-40,825
Net cash inflow from operating activities	84,285	-2,206
Investing activities		
Purchase of property, plant and equipment	-1,986	-5,383
Proceeds from sale of property, plant and equipment and intangibles	1	3
Net cash inflow/(outflow) from investing activities	-1,985	-5,380
Financing activities		
Dividends paid	-85,248	-102,076
Other proceeds and payments from financial activities, net	1,016	26,691
Net cash outflow from financing activities	-84,232	-75,385
Net increase/(decrease) in cash and cash equivalents	-1,932	-82,971
Net foreign exchange difference	-1	-10
Cash and cash equivalents at the beginning of the period	1,953	84,934
Cash and cash equivalents at the end of the period	20	1,953



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Auditor's report on the consistency of annual report with audited financial statements

To the Shareholders of eustream, a.s.:

We have audited the financial statements of eustream, a.s. ("the Company") as at 31 December 2009 presented in the annual report. We issued the following audit report dated 22 February 2010 on the financial statements:

"To the Shareholders of eustream, a.s.:

We have audited the accompanying separate financial statements of eustream, a.s. ("the Company"), which comprise the balance sheet as at 31 December 2009 and statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

22 February 2010
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
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Ing. Peter Uram-Hrišo
UDVA Licence No. 996"

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom
registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/8
a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

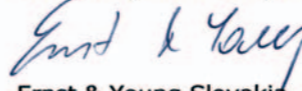


We have also audited the consistency of the annual report with the above-mentioned financial statements. The management of the Company is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report is consistent, in all material respect, with the financial statements. We have checked that the information presented in the annual report is consistent with that contained in the audited financial statements as of 31 December 2009. We have not audited information that has not been derived from audited financial statements or Company accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the above-mentioned financial statements as of 31 December 2009.

24 March 2010
Bratislava, Slovak Republic


Ernst & Young Slovakia, spol. s r.o.
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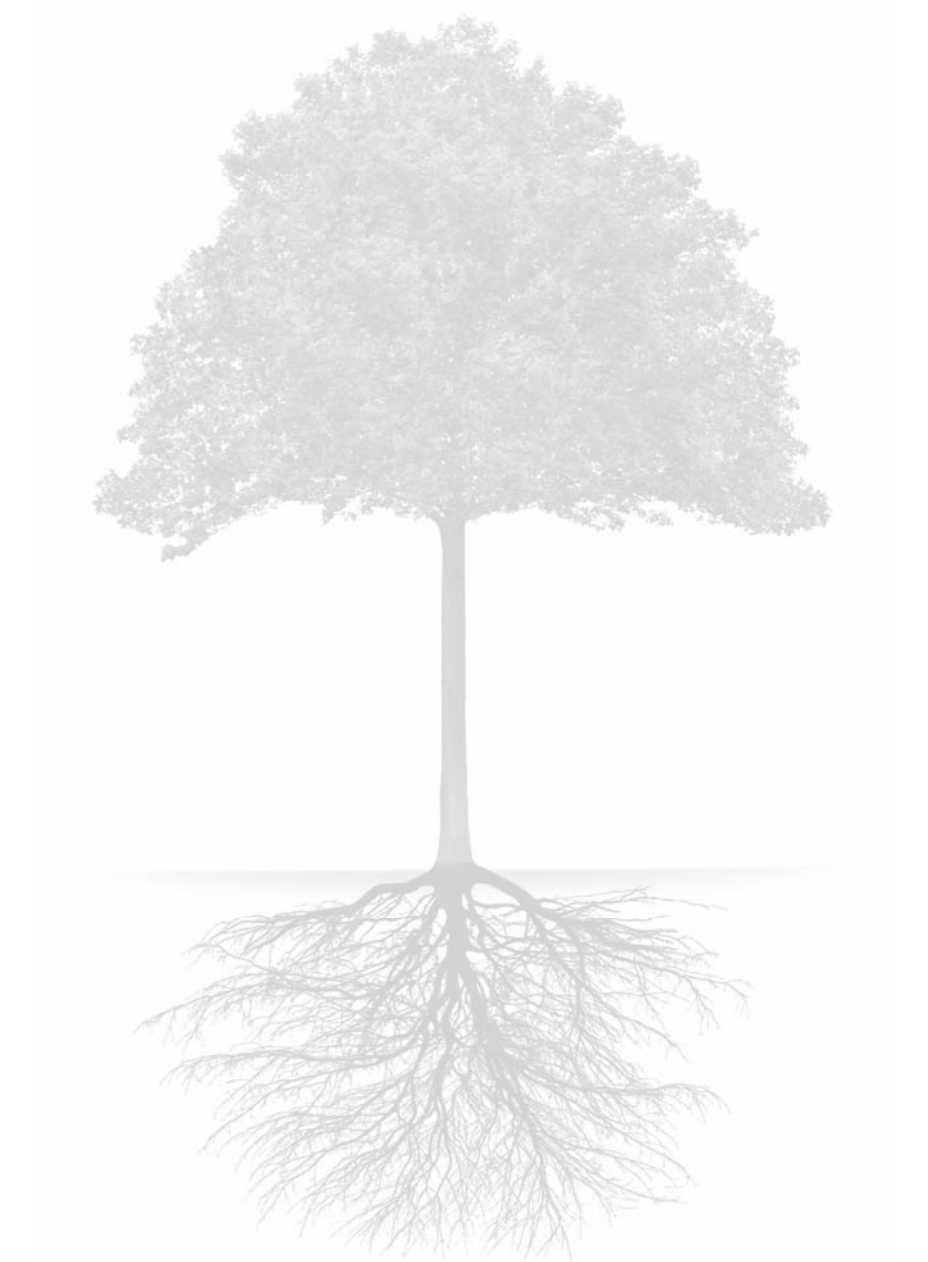
Report on Compliance Programme

- 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 2009 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 2009 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 2009 to 31 December 2009.

In Bratislava, on 20 January 2010



Ing. Milan Sedláček, PhD.
Compliance Officer
of the Transmission System Operator



Contacts

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