

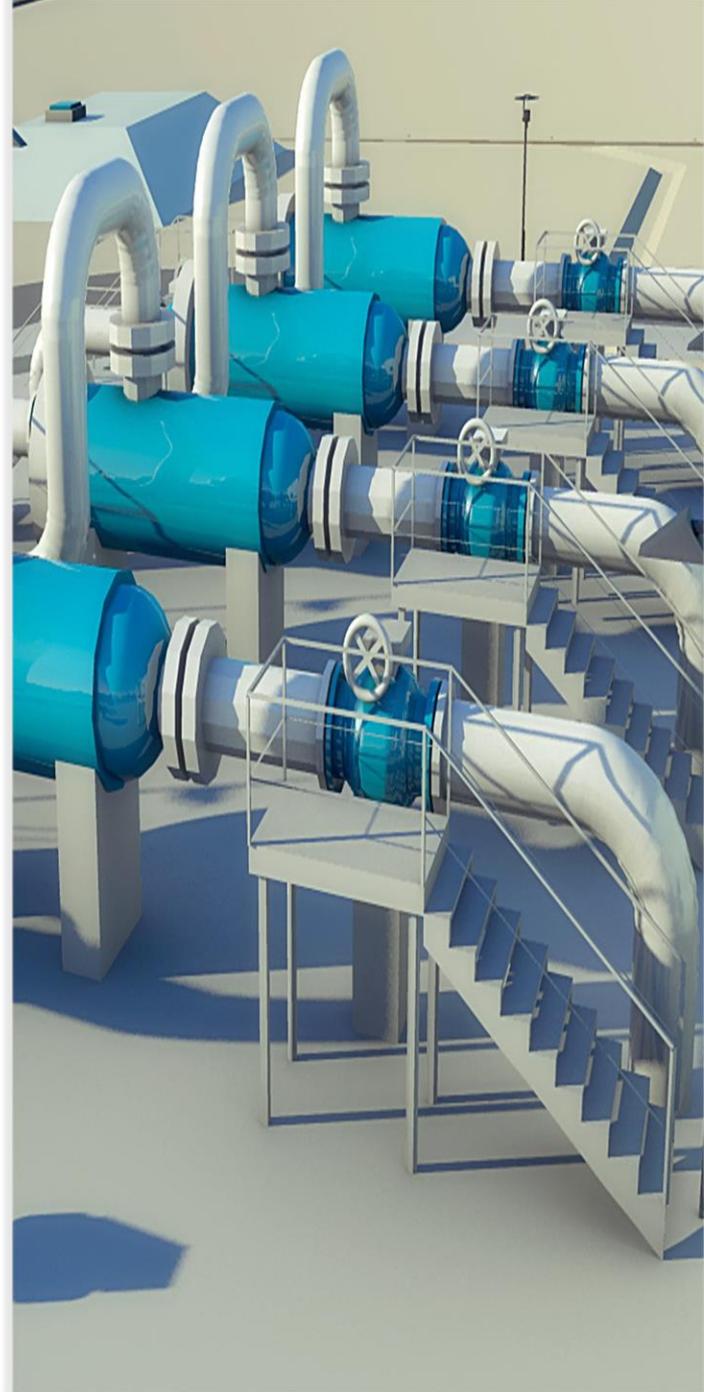


# Connecting Markets

## Investor Presentation

**NET4GAS Consolidated Financial Results  
as at 31 December 2020**

NET4GAS | Prague  
March 2021





# Disclaimer 1/2

- **IMPORTANT:** You must read the following before continuing. The following applies to this document, the oral presentation of the information in this document by NET4GAS, s.r.o. (the “**Company**” or “**Issuer**”) or any person on behalf of the Company, and any question-and-answer session that follows the oral presentation (collectively, the “**Information**”). In accessing the Information, you agree to be bound by the following terms and conditions.
- This presentation and all materials, documents and information used herein or distributed to investors in the context of this presentation do not constitute or form part of and should not be construed as, an offer (public or private) to sell or issue securities or the solicitation or invitation of an offer (public or private) or a recommendation to buy or acquire securities of any company in any jurisdiction or an inducement to enter into any investment activity in any jurisdiction, and this presentation does not purport to contain all of the information that may be required to evaluate any investment. This presentation is not a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the “**Prospectus Regulation**”) and/or Part VI of the Financial Services and Markets Act 2000, as amended.
- Investors and prospective investors in any Notes of the Issuer are required to make their own independent investigation and appraisal of the financial condition of the Issuer and the nature of the notes described herein (the “**Notes**”). No reliance may be placed for any purpose whatsoever on the Information contained in this presentation, or any other material discussed verbally, or on its completeness, accuracy or fairness. This presentation does not constitute a recommendation regarding the Notes of the Issuer.
- In any European Economic Area (“**EEA**”) Member State or the United Kingdom, this presentation is only addressed to and directed at “Qualified Investors” in that Member State or the United Kingdom within the meaning of the Prospectus Regulation.
- Any person offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a Notes distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable).
- This presentation is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”); or (iii) persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Order; or (iv) persons to whom any invitation or inducement to engage in investment activity can be communicated in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 (the “**FSMA**”) does not apply (all such persons in (i)-(iv) above being “**relevant persons**”). Any investment activity to which this communication may relate is only available to, and any invitation, offer, or agreement to engage in such investment activity will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this presentation or any of its contents.
- **NOT FOR PUBLICATION, RELEASE OR DISTRIBUTION INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN OR ANY OTHER JURISDICTION WHERE SUCH, PUBLICATION, RELEASE OR DISTRIBUTION WOULD BE PROHIBITED BY APPLICABLE LAW.**



## Disclaimer 2/2

- Neither this presentation nor any copy of it may be taken or transmitted into, or distributed, directly or indirectly in, the United States of America, its territories or possessions, any State of the United States or the District of Columbia (where “possessions” include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands). This presentation is not a public offer of securities for sale in the United States. The Notes proposed in the offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”).
- The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons absent registration or an exemption from registration under the Securities Act. The Issuer does not intend to register any portion of the proposed Offering under the applicable securities laws of the United States or conduct a public offering of any Notes in the United States. Any failure to comply with these restrictions may constitute a violation of U.S. securities laws.
- Neither this presentation nor any part or copy of it is directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. Any person into whose possession any document containing this presentation or any part of it comes should inform themselves about, and observe, any such restrictions.
- The Information contains forward-looking statements. All statements other than statements of historical fact included in the Information are forward-looking statements. Forward-looking statements give the Company’s current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as “target,” “believe,” “expect,” “aim,” “intend,” “may,” “anticipate,” “estimate,” “plan,” “project,” “will,” “can have,” “likely,” “should,” “would,” “could” and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the Company’s actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which it will operate in the future.
- No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained therein. The Information has not been independently verified and will not be updated. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Information, including any financial data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in the Company’s expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document. Market data used in the Information not attributed to a specific source are estimates of the Company and have not been independently verified.
- The terms CAPEX, EBITDA, Financial Indebtedness and Free Cash Flow of the Company included in this presentation do not represent the terms of the same or similar names as may be defined by any documentation for any financial liabilities of the Company.



# Agenda

## Contents

▪ Disclaimer .....	2-3
▪ Agenda .....	4
▪ Core Business Competencies .....	5
▪ 2020 Financial Highlights .....	6
▪ EBITDA, EBIT and Cash Flow .....	7
▪ Revenues and Operating Expenses .....	8
▪ Historical Income Statement .....	9
▪ Historical Balance Sheet .....	10
▪ Historical Cash Flow Statement .....	11
▪ NET4GAS Investor Relations Contact .....	12

## NET4GAS Management



### Andreas Rau, CEO

- With NET4GAS since 2013
- 23 years of experience in the energy industry
- International Gas Union Executive Committee member
- Previous: BoD member SPP, a.s. (Slovakia), CEO and BoD member eustream, a.s. (Slovakia), various management functions at E.ON Ruhrgas AG (Germany)



### Václav Hrach, CFO

- With NET4GAS since 2014
- 19 years of experience in the energy industry
- Previous: CEO MVV Energie CZ a.s. (district heating & electricity group), member of Executive Board of District Heating Association of CR, COGEN Czech, partner of TES Praha a.s., consulting company



### Radek Benčík, COO

- With NET4GAS since 2011
- 31 years of experience in the energy industry
- Vice-chairman of the Board of the Czech Gas Association
- Previous: Executive & Managing Director in Alstom, BoD Chairman, Managing Director in Škoda Praha, a.s. and ŠKODA JS a.s.



# Core Business Competencies

Key company strengths and solid financial results reaffirmed

## Robust Business Model

- Gas Transmission System Operator (TSO) at the heart of important gas flows in Europe, taking advantage of the changing gas flow patterns in Europe
- Some ship-or-pay transit capacities sold until 2035 and 2039, respectively, providing high visibility on revenues
- Fairly stable domestic transport business regulated on a 'revenue cap' basis

## Strong Financials

- Strong cash generation and credit metrics
- BBB credit rating by Fitch (stable outlook) reaffirmed since 2014; Baa2 long-term rating assigned by Moody's (stable outlook). The company obtained the latest credit ratings from Fitch and Moody's in Nov and Dec 2020, respectively.
- Conservative financial policy supported by strong shareholders

## Operational Excellence

- Well-maintained and flexible gas transmission network enabling bi-directional flows
- Focus on stringent OPEX and CAPEX discipline with track record supported by tangible results
- Strong focus on Health, Safety, Security and Environment (HSSE)

## Strategic Asset

- Strategic role in the transmission of gas to North-Western Europe, Central Eastern Europe, South-Eastern Europe and Italy
- Comprises approx. 4,000 km of international and intrastate pipelines and 5 compressor stations that have been undergoing an extensive investment program to secure both existing and expected future gas flows
- Sole TSO in the Czech Republic with exclusive gas transmission license connecting major corridors i.a. for delivery of Russian gas predominantly into the EU



# 2020 Financial Highlights

High revenues in 2020 have again proven the resilient character of our business

## 2020 Highlights

- Consolidated EBITDA<sup>1)</sup> of CZK 8.7 billion posted in 2020, up c. CZK 1.7 billion or nearly 24.0% year on year (yoy) and well exceeding our budget.
- Transit revenues in 2020 saw ramping up of the Capacity4Gas Contract, translating into revenue growth. Furthermore, other short-term transit bookings helped contribute to the extraordinary financial performance in 2020.
- Transport revenues rose in 2020 by almost CZK 0.2 billion yoy.
- Operating costs increased slightly to c. CZK 1.3 billion, mainly due to fuel energy costs (offset in 'Revenue') associated with increased transmission in 2020. Conversely, decreased other operating costs had a partly offsetting effect.
- Very strong operating cash flow exceeding CZK 7.0 billion related mainly to growing core sales in 2020.

## Footnotes

- 1) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization; in the material derived as: Operating profit (EBIT) plus depreciation and amortization
- 2) Relates to construction of gas infrastructure increasing cross-border capacity between German, Czech and Slovak market areas
- 3) Virtual Interconnection Point

## Capacity4Gas<sup>2)</sup>

- Based on significant long-term market demand for additional capacity, new cross-border capacities were successfully marketed through a PRISMA capacity auction held on 6 March 2017.
- NET4GAS successfully launched the operation of a new 150-kilometre high-pressure gas pipeline and thus completed the second and final phase of the Capacity4Gas project. As a result, Czech entry technical capacity at the VIP<sup>3)</sup> Brandov has been increased as of 1 January 2021.
- By end of Jan 2021 the Capacity4Gas equity funding by the shareholders was successfully completed - NET4GAS received EUR 540 million of fresh equity between Nov 2017 - Jan 2021.

## COVID-19 Comment

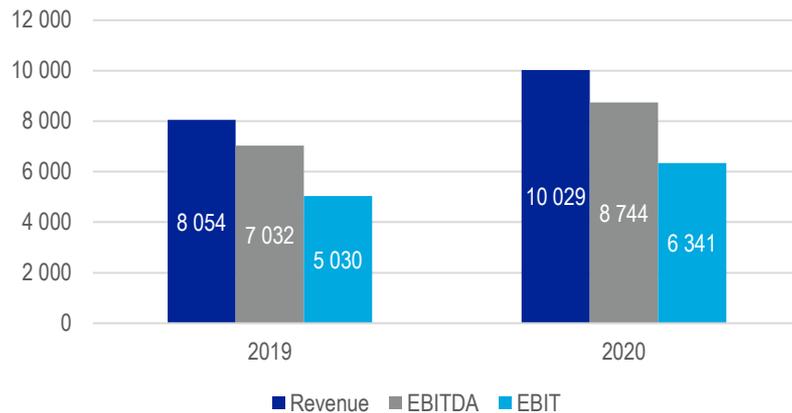
- Given the nature of the business (ship-or-pay gas transit contracts, domestic regulated gas business) and the indisputable need to continuously secure gas deliveries, N4G's services are and will continue to be needed. Potential consequences and implications on its supply chain are being continuously reviewed by management in line with the dynamics of the pandemic. As of today, we do not expect any material impact on 2021 financial results.



# EBITDA, EBIT & Cash Flow

Consistent track record of strong performance affirmed in 2020

Historical EBITDA<sup>1</sup>, EBIT and Revenues: 2019-2020 (CZKm)



## Comments

- Total revenues posted in 2020 slightly exceeded CZK 10.0 billion, representing a significant increase yoy.
- Operating profit amounted to CZK 6.3 billion, up yoy by c. CZK 1.3 billion dominated by improvement in both transit and transport businesses.
- Strong revenue generation and cost management measures introduced in recent years remained vital in maintaining high profitability throughout 2020.

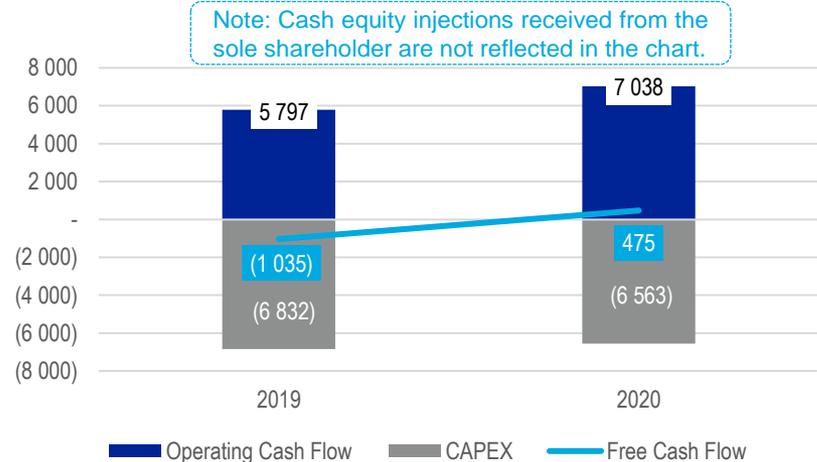
Source: Years ended 2019 and 2020 - Company's audited consolidated IFRS accounts

1) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization; in the material derived as: Operating profit (EBIT) plus depreciation and amortization

2) Free Cash Flow = Operating cash flow minus CAPEX

CAPEX Purchase of property, plant and equipment plus Purchase of intangible assets

Historical Cash Flow Snapshot: 2019-2020 (CZKm)



## Comments

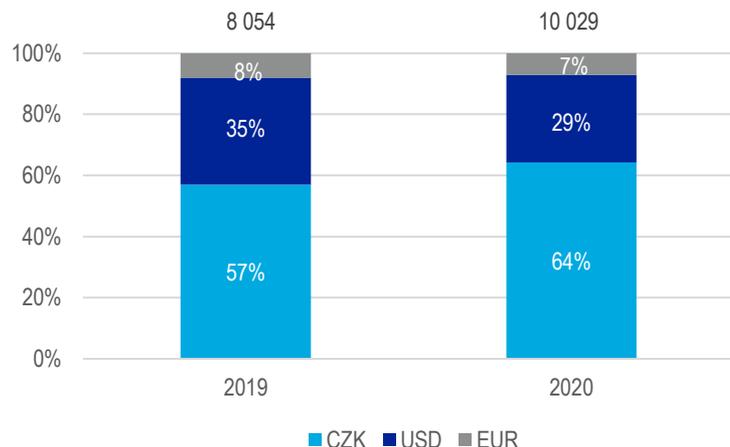
- Funds generated by operating activities rose above CZK 7.0 billion in 2020, fueled by extraordinary core sales.
- At CZK 6.6 billion, CAPEX kept up momentum in 2020. Similar to last year, the vast majority of investments were attributed to the Capacity4Gas project backed by a long-term capacity contract.
- Despite heavy investments, Free Cash Flow<sup>2</sup> turned positive in 2020 even without factoring in equity injections received from the sole shareholder for the purpose of Capacity4Gas funding.



# Revenues & Operating Expenses

Revenues rose above CZK 10.0 billion in 2020; Operating Expenses ended below c. CZK 1.3 billion

Historical Revenue; Currency Split: 2019-2020 (CZKm)

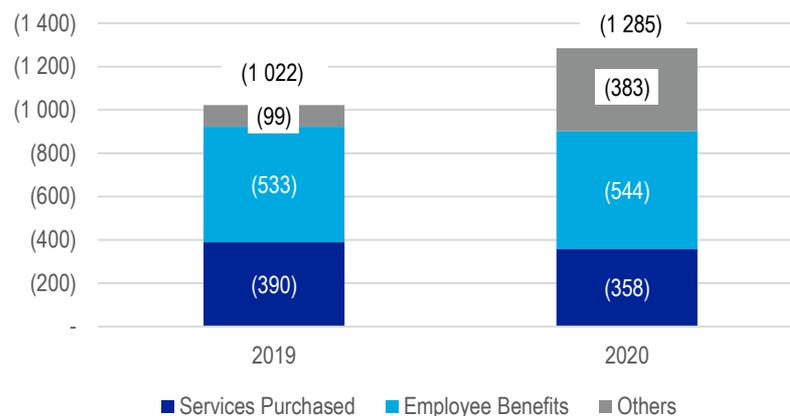


## Comments

- Revenues from core activities comprise revenues from international transit, domestic transmission and other.
- In 2020, transit revenues represented 77%, domestic transport 19% and other revenues 4% of the company's revenues.
- Revenues in 2020 continued to be generated in 3 currencies – USD, EUR, CZK, the latter taking the largest share of 64%.
- Yoy changes in the relative shares of individual currencies were mainly caused by increased transit fees in 2020 stemming from the Capacity4Gas Contract denominated in CZK.

Source: Years ended 2019 and 2020 - Company's audited consolidated IFRS accounts

Historical Operating Expenses<sup>1</sup>: 2019-2020 (CZKm)



## Comments

- Overall costs increased by c. CZK 0.3 billion yoy.
- 'Service purchased' fell by c. CZK 32 million, as the main impact came about through a decrease of advisory costs and other services in 2020.
- 'Employee benefits' increased moderately, mainly as a result of staff recruited for our growth investments, salaries indexation and other employee benefits.
- 'Others' category increased by c. CZK 284 million yoy due to the rise in fuel energy costs associated with higher gas flows in 2020 and foreign exchange rate differences.

1) Operating Expenses disclosed without depreciation and amortization



# Historical Income Statement

## 2019 - 2020

NET4GAS Group  
Consolidated Statements of Profit or Loss and Other Comprehensive Income (IFRS)

(in CZKm)	2019	2020
Revenue	8 054	10 029
Raw material consumed	(159)	(350)
Services purchased and lease charges	(390)	(358)
Employee benefits	(533)	(544)
Depreciation and amortization	(2 002)	(2 403)
Gains less losses on disposal of property, plant and equipment	0	0
Changes in fair value of derivatives, net	7	0
Foreign exchange differences, net	(2)	(105)
Other operating income	165	80
Other operating expenses	(110)	(8)
<b>Operating profit</b>	<b>5 030</b>	<b>6 341</b>
Finance income	118	118
Finance costs	(1 027)	(1 218)
Finance result (net)	(909)	(1 110)
<b>Profit before income tax</b>	<b>4 121</b>	<b>5 241</b>
Income tax expense	(791)	(997)
<b>PROFIT FOR THE YEAR</b>	<b>3 330</b>	<b>4 244</b>
Cash flow hedge	(284)	128
Income tax recognized directly in other comprehensive income – cash flow hedge	54	(25)
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(230)</b>	<b>103</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3 100</b>	<b>4 347</b>

### Comments

- 'Operating profit' generated by core business reached over CZK 6.3 billion.
- 'Profit for the year' 2020 rose above CZK 4.2 billion, translating into a yoy increase of c. CZK 0.9 billion, driven mainly by improved operating profit.
- 'Raw material consumed' increased in 2020 mainly due to higher fuel energy costs<sup>1)</sup> on the back of increased gas transmission.
- 'Services purchased' declined largely due to lower advisory costs and other services purchased.
- 'Finance costs' rose above previous year mainly on the back of a FX impact related to equity injections and swap settlements.
- 'Income tax expense' developed commensurately with improved results from our operations.
- 'Cash flow hedge' was positively impacted mainly due to appreciation of the CZK against the USD.
- Hedge accounting has been maintained over hedged cash flows exposed to foreign currency risk, impacting comprehensive income under IFRS.

Source: Years ended 2019 and 2020 - Company's audited consolidated IFRS accounts  
Small differences in the Statements may arise due to rounding

1) Costs generally falling under 'cost-neutrality' principle based on regulatory methodology



# Historical Balance Sheet

## 2019 - 2020

### NET4GAS Group Consolidated Balance Sheet (IFRS)

(in CZKm)	31 Dec 2019	31 Dec 2020
<b>ASSETS:</b>		
NON-CURRENT ASSETS		
Property, plant and equipment	50 025	53 054
Intangible assets	88	72
Other non-current assets	402	136
<b>Total non-current assets</b>	<b>50 515</b>	<b>53 262</b>
CURRENT ASSETS		
Inventories	72	131
Trade and other receivables	686	194
Current income tax prepayments	0	47
Loans to related parties	0	0
Other non-financial assets	38	55
Other financial assets	0	0
Cash and cash equivalents	2 162	2 226
Assets of disposal group held for sale	0	0
<b>Total current assets</b>	<b>2 958</b>	<b>2 653</b>
<b>TOTAL ASSETS</b>	<b>53 473</b>	<b>55 915</b>

### Comments

- 'Cash and cash equivalents' year-end balance reached just over CZK 2.2 billion in 2020.
- 'Total equity' increased from c. CZK 13.3 billion to c. CZK 17.2 billion; capital contributions from the sole shareholder had the largest impact.
- Overall balance sheet expansion is largely attributed to a robust investment program.

Source: Years ended 2019 and 2020 - Company's audited consolidated IFRS accounts  
Small differences in the Statements may arise due to rounding

### NET4GAS Group Consolidated Balance Sheet (IFRS)

(in CZKm)	31 Dec 2019	31 Dec 2020
<b>EQUITY AND LIABILITIES:</b>		
EQUITY ATTRIB. TO SHAREHOLDERS OF THE PARENT COMPANY		
Registered capital	2 750	2 750
Capital contributions outside registered capital	9 066	13 467
Cash flow hedges	(179)	(76)
Retained earnings	1 663	1 072
<b>Total equity</b>	<b>13 300</b>	<b>17 213</b>
NON-CURRENT LIABILITIES		
Trade and other payables	39	30
Borrowings	26 966	15 169
Finance lease liability	180	155
Derivative financial instruments	1 714	818
Deferred income tax liability	6 517	6 577
Accrued employee benefits	114	102
Other non-financial liabilities	3	3
<b>Total non-current liabilities</b>	<b>35 533</b>	<b>22 854</b>
CURRENT LIABILITIES		
Borrowings	276	12 540
Finance lease liability	40	39
Trade and other payables	3 495	1 894
Derivative financial instruments	242	710
Current income tax payable	48	0
Other taxes payable	19	32
Provisions	0	1
Accrued employee benefits	49	137
Other non-financial liabilities	471	495
<b>Total current liabilities</b>	<b>4 640</b>	<b>15 848</b>
<b>Total liabilities</b>	<b>40 173</b>	<b>38 702</b>
<b>EQUITY AND LIABILITIES</b>	<b>53 473</b>	<b>55 915</b>



# Historical Cash Flow Statement

## 2019 - 2020

NET4GAS Group  
Consolidated Statements of Cash Flows (IFRS)

(in CZKm)	31 Dec 2019	31 Dec 2020
<b>Cash flows from operating activities</b>		
Profit before tax	4 121	5 240
Adjustments	2 892	3 516
<b>Operating cash flows before working capital changes</b>	<b>7 013</b>	<b>8 756</b>
Decrease/(Increase) in trade and other receivables	57	639
Increase/(Decrease) in trade and other payables	143	(591)
Decrease/(Increase) in inventories	(7)	(59)
<b>Operating cash flows after changes in working capital</b>	<b>7 206</b>	<b>8 745</b>
Interest paid	(762)	(659)
Interest received	29	8
Income tax paid	(676)	(1 056)
<b>Net cash flows from operating activities</b>	<b>5 797</b>	<b>7 038</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6 776)	(6 535)
Purchase of intangible assets	(56)	(28)
Proceeds from sale of property, plant and equipment	95	24
Loans provided to related parties	8	0
Purchase of other financial assets	2 787	0
<b>Net cash flows used in investing activities</b>	<b>(3 942)</b>	<b>(6 539)</b>
<b>Cash flows from financing activities</b>		
Payments of decreased contributions outside registered capital to the Company's shareholder	(3 010)	0
Payments of increased contributions outside registered capital from Company's shareholder	7 526	4 401
Dividends paid to the Company's shareholder	(4 081)	(1 666)
Advance dividends paid to the Company's shareholder	(1 670)	(3 169)
Repayments of borrowings	(3 195)	(566)
Proceeds from borrowings	3 435	565
<b>Net cash flows used in financing activities</b>	<b>(995)</b>	<b>(435)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>860</b>	<b>64</b>
Cash and cash equivalents at the beginning of the period	1 302	2 162
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2 162</b>	<b>2 226</b>

## Comments

- 'Cash and cash equivalents' at the end of 2020 amounted to over CZK 2.2 billion, rising up by c. CZK 0.1 billion yoy.
- 'Net cash flows from operating activities' amounted to c. CZK 7.0 billion; yoy improvement came about mainly through growth in core revenues.
- 'Net cash flows used in investing activities' reached CZK 6.5 billion, of which CAPEX<sup>1)</sup> amounted to c. CZK 6.6 billion, led by investments into construction of a DN1400 high-pressure pipeline.
- 'Net cash flows from financing activities' reached c. CZK 0.4 billion, where the main changes in 2020 included:
  - Capital contributions outside registered capital of c. CZK 4.4 billion (or EUR 164.6 million) representing cash equity payments received from the sole shareholder for the purpose of funding the Capacity4Gas investment program in 2020.
  - Other changes stemming from 'Dividends paid and Advance dividends paid to the Company's shareholder'.
  - 'Proceeds and Repayments from/of borrowings' had a neutral effect overall.

Source: Years ended 2019 and 2020 - Company's audited consolidated IFRS accounts  
Small differences in the Statements may arise due to rounding

1) CAPEX = Purchase of property, plant and equipment plus Purchase of intangible assets



# NET4GAS Investor Relations Contact

<https://www.net4gas.cz/en/investors/contact-investors/>

Home Customers Transmission system Projects Company **Investors** Media CSR Contacts



Connecting Markets

Key financials

Bonds

Credit ratings

Financial reports

Financial information

Financial calendar

Contact for investors



[Home](#) > [Investors](#) > [Contact for investors](#)

## Contact for investors

NET4GAS, s.r.o.

Treasury

Na Hřebenech II 1718/8

140 21 Prague 4 - Nusle

Czech Republic

E: [investor.relations@net4gas.cz](mailto:investor.relations@net4gas.cz)