



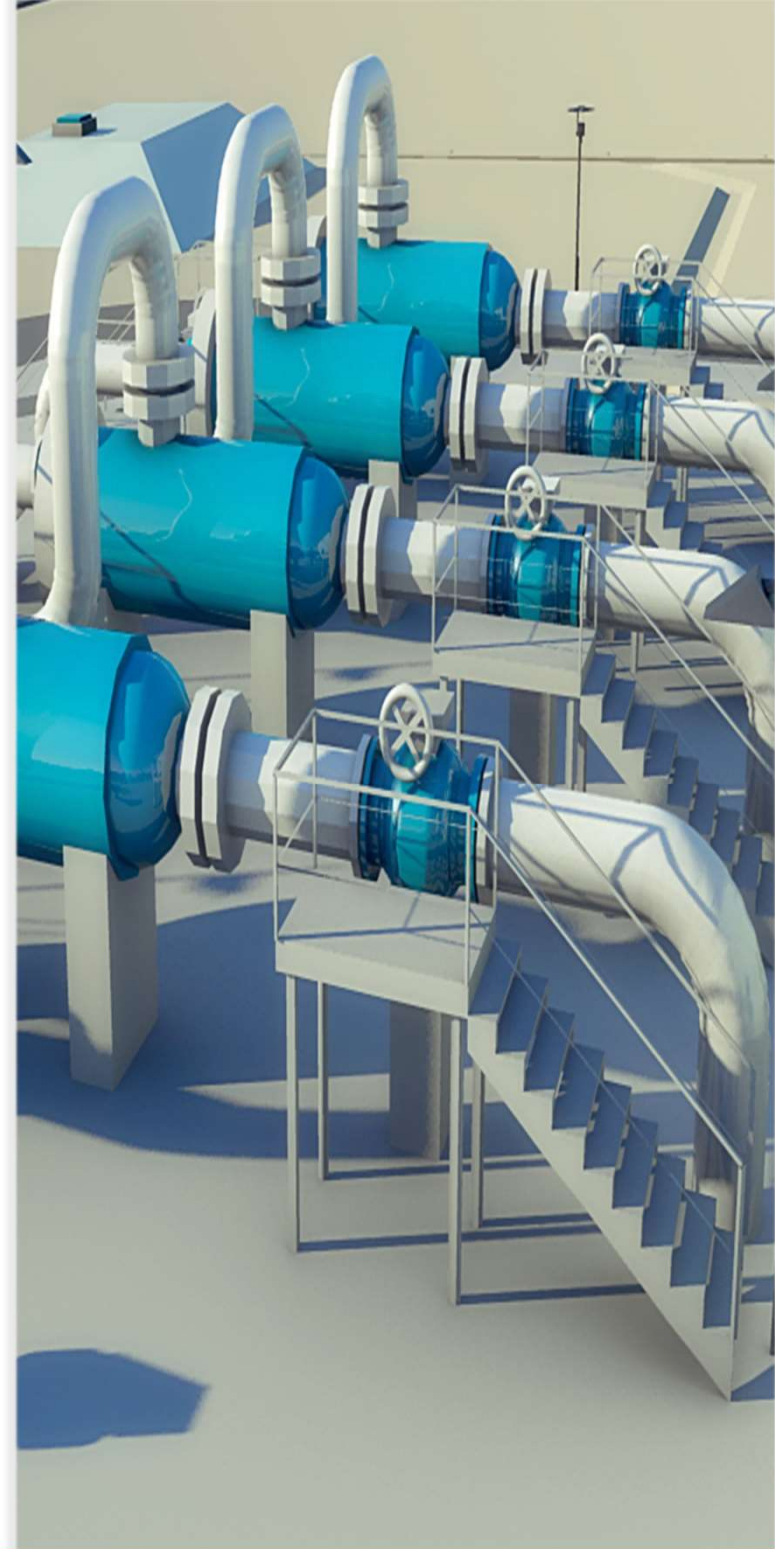
Connecting Markets

Investor Presentation

**NET4GAS Consolidated Financial Results
as at 31 December 2021**

NET4GAS | Prague

April 2022





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Agenda

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NET4GAS Management



Andreas Rau, CEO

- With NET4GAS since 2013
- 24 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
- 20 years of experience in the energy industry
- Member of the Board of the Czech Gas Association
- 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
- 32 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.
- Fairly stable domestic transport business regulated on a 'revenue cap' basis

Financials

- Strong cash generation and credit metrics
- In November and December 2021, the credit ratings of BBB (by Fitch) and Baa2 (by Moody's), both stable outlook, were reaffirmed
- In March 2022, in reaction to Russia's military intervention in Ukraine and related market risks, Moody's downgraded NET4GAS to Ba2 (review for downgrade) and Fitch put NET4GAS on Rating Watch Negative
- 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 European corridors



2021 Financial Highlights

2021 results have again proven high cash-flow generation ability

2021 Highlights

- Consolidated EBITDA¹⁾ close to CZK 9 billion posted in 2021, up c. CZK 0.2 billion or nearly 2% year on year (yoy) and well exceeding our budget.
- Transit revenues in 2021 boosted by C4G revenue ramp-up and higher gas prices.
- Transport revenues dropped in 2021 by almost CZK 0.2 billion y-o-y predominantly on the back of one-off gains in 2020 due to correction from 2018' uncollected revenue.
- Operating costs increased slightly to c. CZK 1.4 billion, mainly due to fuel energy costs (offset in 'Revenue'), maintenance and consultancy costs. Conversely, decreased other operating costs had a partly offsetting effect.
- Very strong operating cash flow exceeding CZK 6.3 billion related mainly to growing core sales in 2021.
- In the end of 2020, NET4GAS successfully launched the operation of a new 150-kilometre high-pressure gas pipeline and thus completed the second and final phase of the Capacity4Gas²⁾ project. By end of Jan 2021, the Capacity4Gas equity funding was successfully completed - NET4GAS received EUR 540 million of equity funding from its shareholders between Nov 2017 - Jan 2021.
- Moravia Capacity Extension („MCE“) is an investment project to enhance security of supply for the Moravian region. The project will enjoy regulatory coverage under the domestic revenue cap regime. Construction of the new 85 kilometre DN 1000 high-pressure gas pipeline and related enhancement at the compressor station Břeclav have started. The MCE project is supported by shareholders with already provided c. 70% of equity funding (EUR 132m).

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

COVID-19 Comment

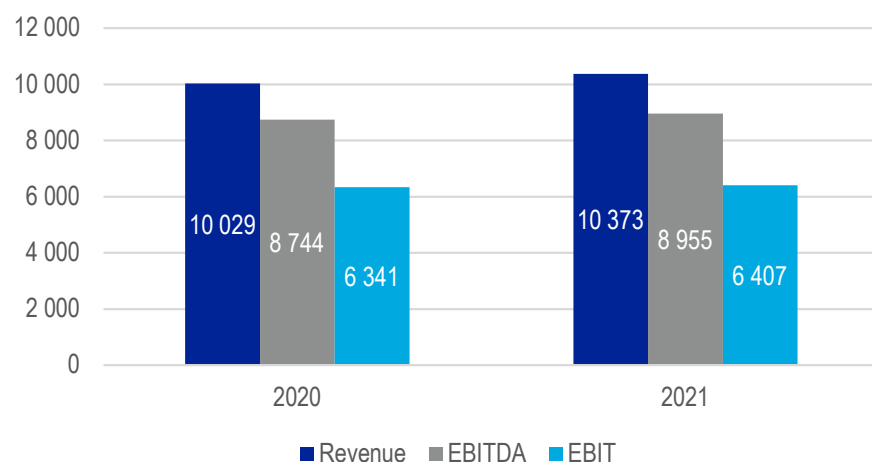
- Given the nature of the business (ship-or-pay gas transit contracts, domestic regulated gas business) and the indisputable need to continuously secure gas deliveries, N4G's business model has not been affected by the pandemic. Potential consequences and implications on its supply chain are being continuously reviewed by management in line with the dynamics of the pandemic.



EBITDA, EBIT & Cash Flow

Consistent track record of strong performance affirmed in 2021

Historical EBITDA¹, EBIT and Revenues: 2020-2021 (CZKm)



Comments

- Total revenues posted in 2021 reached almost CZK 10.4 billion, representing a significant increase yoy.
- Operating profit amounted to CZK 6.4 billion, up yoy by c. CZK 0.1 billion dominated by improvement in transit business.
- Strong revenue generation and cost management measures introduced in recent years remained vital in maintaining high profitability throughout 2021.

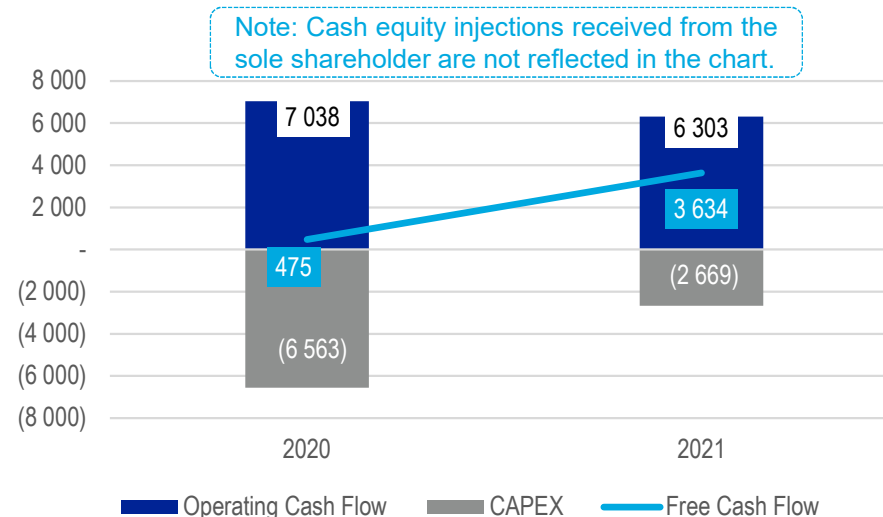
Source: Years ended 2020 and 2021 - Company's audited consolidated IFRS accounts

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: 2020-2021 (CZKm)



Comments

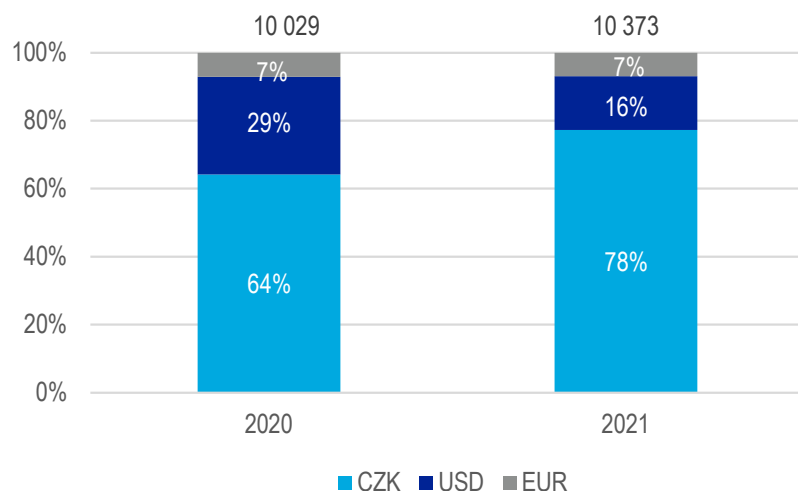
- Funds generated by operating activities rose above CZK 6.3 billion in 2021, fueled by extraordinary core sales.
- At CZK 2.7 billion, CAPEX kept up momentum in 2021. Majority of investments were attributed to the finishing works related to Capacity4Gas project as well as MCE preparatory costs & material purchases.
- Despite heavy investments, Free Cash Flow² turned above CZK 3.6 billion in 2021 even without factoring in equity injections received from the sole shareholder for the purpose of MCE & Capacity4Gas funding.



Revenues & Operating Expenses

Revenues reached nearly CZK 10.4 billion in 2021; Operating Expenses ended at c. CZK 1.4 billion

Historical Revenue; Currency Split: 2020-2021 (CZKm)

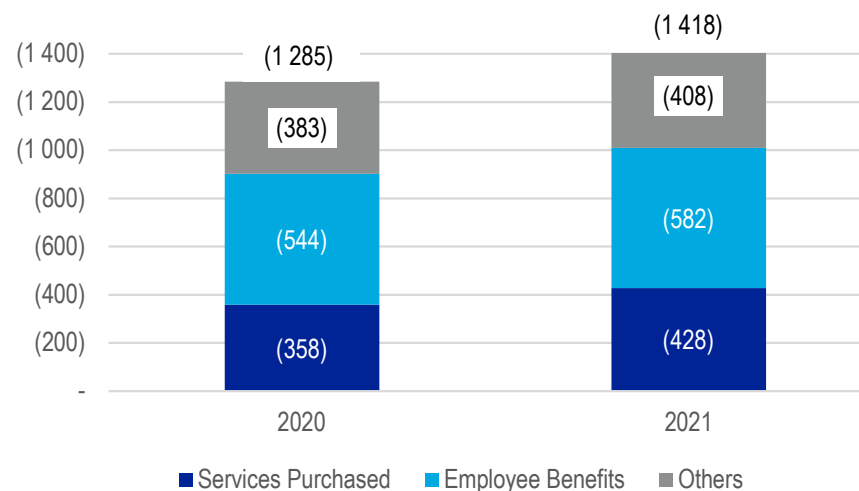


Comments

- Revenues from core activities comprise revenues from international transit, domestic transmission and other.
- In 2021, transit revenues represented 76%, domestic transport 17% and other revenues 7% of the company's revenues.
- Revenues in 2021 continued to be generated in 3 currencies – USD, EUR, CZK, the latter taking the largest share of 78%.
- Yoy changes in the relative shares of individual currencies were mainly caused by increased transit fees in 2021 stemming from the Capacity4Gas Contract denominated in CZK.

Source: Years ended 2020 and 2021 - Company's audited consolidated IFRS accounts

Historical Operating Expenses¹⁾: 2020-2021 (CZKm)



Comments

- Overall costs increased by c. CZK 0.1 billion yoy.
- 'Services purchased' rose by c. CZK 70 million, as the main impact came about through an increase of periodical maintenance (pipeline inspections & recalibrations of metering devices) and advisory costs related to H2 readiness, decarbonization & value engineering in 2021.
- 'Employee benefits' increased moderately, mainly as a result of staff recruited for our growth investments, salaries indexation and other employee benefits.
- 'Others' category slightly increased yoy due to the rise in fuel energy costs associated with higher gas flows in 2021.

1) Operating Expenses disclosed without depreciation and amortization



Historical Income Statement

2020 - 2021

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

(in CZKm)	2020	2021
Revenue	10 029	10 373
Raw material consumed	(350)	(445)
Services purchased and lease charges	(358)	(428)
Employee benefits	(544)	(582)
Depreciation and amortization	(2 403)	(2 548)
Impairment	0	1
Gains less losses on disposal of property, plant and equipment	0	2
Changes in fair value of derivatives, net	0	140
Foreign exchange differences, net	(105)	(49)
Other operating income	80	78
Other operating expenses	(8)	(135)
Operating profit	6 341	6 407
Finance income	118	120
Finance costs	(1 218)	(1 831)
Finance result (net)	(1 110)	(1 711)
Profit before income tax	5 241	4 696
Income tax expense	(997)	(901)
PROFIT FOR THE YEAR	4 244	3 795
Cash flow hedge	128	1 775
Income tax recognized directly in other comprehensive income – cash flow hedge	(25)	(337)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	103	1 438
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4 347	5 233

Comments

- 'Operating profit' generated by core business reached over CZK 6.4 billion.
- 'Profit for the year' 2021 dropped to CZK 3.8 billion, translating into a yoy decrease of c. CZK 0.45 billion, driven mainly by one-off swap effect in financial result.
- 'Raw material consumed' increased in 2021 mainly due to higher fuel energy costs¹⁾ on the back of increased gas transmission.
- 'Services purchased' increased largely due to higher maintenance and advisory costs.
- 'Finance costs' rose above previous year mainly on the back of a FX impact from cross currency swap settlement.
- 'Income tax expense' decreased commensurately with lower 'Profit before income tax' on the back of 1.off effects in 'Finance costs'.
- '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. Significantly positive impact on hedge accounting is stemming from aforementioned cross-currency swap settlement

Source: Years ended 2020 and 2021 - 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

2020 - 2021

NET4GAS Group Consolidated Balance Sheet (IFRS)

<i>(in CZKm)</i>	31 Dec 2020	31 Dec 2021
ASSETS:		
NON-CURRENT ASSETS		
Property, plant and equipment	53 054	52 247
Intangible assets	72	73
Derivative financial instruments	0	684
Other non-current assets	136	139
Total non-current assets	53 262	53 143
CURRENT ASSETS		
Inventories	131	155
Trade and other receivables	194	391
Derivative financial instruments	0	208
Current income tax prepayments	47	0
Loans to related parties	0	0
Other non-financial assets	55	38
Other financial assets	0	1 053
Cash and cash equivalents	2 226	299
Assets of disposal group held for sale	0	0
Total current assets	2 653	2 144
TOTAL ASSETS	55 915	55 287

Comments

- 'Cash and cash equivalents' year-end balance reached just CZK 0.3 billion in 2021 with more than 1bn in other financial assets (term deposits & short-term swaps)
- 'Total equity' decreased from c. CZK 17.2 billion to c. CZK 11.6 billion; after capital contributions for MCE & C4G worth close to CZK 4 billion & CZK 14.8 billion of distributions to shareholders.

NET4GAS Group Consolidated Balance Sheet (IFRS)

<i>(in CZKm)</i>	31 Dec 2020	31 Dec 2021
EQUITY AND LIABILITIES:		
EQUITY ATTRIB. TO SHAREHOLDERS OF THE PARENT COMPANY		
Registered capital	2 750	2 750
Capital contributions outside registered capital	13 467	6 617
Cash flow hedges	(76)	1 362
Retained earnings	1 072	883
Total equity	17 213	11 612
NON-CURRENT LIABILITIES		
Trade and other payables	30	15
Borrowings	15 169	33 230
Finance lease liability	155	133
Derivative financial instruments	818	958
Deferred income tax liability	6 577	6 954
Accrued employee benefits	102	126
Other non-financial liabilities	3	1
Total non-current liabilities	22 854	41 417
CURRENT LIABILITIES		
Borrowings	12 540	426
Finance lease liability	39	31
Trade and other payables	1 894	1 071
Derivative financial instruments	710	126
Current income tax payable	0	8
Other taxes payable	32	28
Provisions	1	10
Accrued employee benefits	137	107
Other non-financial liabilities	495	451
Total current liabilities	15 848	2 258
Total liabilities	38 702	43 675
EQUITY AND LIABILITIES	55 915	55 287

Source: Years ended 2020 and 2021 - Company's audited consolidated IFRS accounts
Small differences in the Statements may arise due to rounding



Historical Cash Flow Statement

2020 - 2021

NET4GAS Group
Consolidated Statements of Cash Flows (IFRS)

(in CZK m)	31 Dec 2020	31 Dec 2021
Cash flows from operating activities		
Profit before tax	5 240	4 696
Adjustments	3 516	4 207
Operating cash flows before working capital changes	8 756	8 903
Decrease/(Increase) in trade and other receivables	639	(956)
Increase/(Decrease) in trade and other payables	(591)	(139)
Decrease/(Increase) in inventories	(59)	(24)
Operating cash flows after changes in working capital	8 745	7 784
Interest paid	(659)	(686)
Interest received	8	11
Income tax paid	(1 056)	(806)
Net cash flows from operating activities	7 038	6 303
Cash flows from investing activities		
Purchase of property, plant and equipment	(6 535)	(2 639)
Purchase of intangible assets	(28)	(30)
Proceeds from sale of property, plant and equipment	0	1
Proceeds from Intangible assets	24	0
Loans provided to related parties	0	0
Purchase of investment instruments	0	(1 053)
Net cash flows used in investing activities	(6 539)	(3 721)
Cash flows from financing activities		
Payments of decreased contributions outside registered capital to the Company's shareholder	0	(10 831)
Payments of increased contributions outside registered capital from Company's shareholder	4 401	3 981
Dividends paid to the Company's shareholder	(1 666)	(1 084)
Advance dividends paid to the Company's shareholder	(3 169)	(2 900)
Repayments of borrowings	(566)	(12 597)
Proceeds from borrowings	565	18 922
Net cash flows used in financing activities	(435)	(4 509)
Net increase / (decrease) in cash and cash equivalents	64	(1 927)
Cash and cash equivalents at the beginning of the period	2 162	2 226
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2 226	299

Comments

- 'Cash and cash equivalents' at the end of 2021 amounted to CZK 0.3 billion, declining by c. CZK 1.9 billion yoy (while 'Purchase of investment instruments' increased by CZK 1.1 billion).
- 'Net cash flows from operating activities' amounted to c. CZK 6.3 billion; declining by c. CZK 0.7 billion mainly on the back of cross currency swap settlements that is part of 'Profit before tax', offset in 'Adjustments' and then added-back in working capital movements.
- 'Net cash flows used in investing activities' reached CZK 3.7 billion, of which CAPEX¹⁾ amounted to c. CZK 2.7 billion, led by investments into construction of MCE & Capacity4Gas while 1bn is related to term deposits & bills of exchange.
- 'Net cash flows used in financing activities' reached c. CZK -4.5 billion, where the main changes in 2021 included:
 - Capital contributions outside registered capital of c. CZK 4.0 billion (or EUR 164.6 million) representing cash equity payments received from the sole shareholder for the purpose of funding the MCE & Capacity4Gas projects.
 - Other changes stemming from 'Dividends paid and Advance dividends paid to the Company's shareholder' & 'Payments of decreased registered capital to the Company's shareholder' in total of CZK -14.8 billion.
 - CZK 6.3 billion of net effect from debt enhancement & refinancing

Source: Years ended 2020 and 2021 - 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



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