



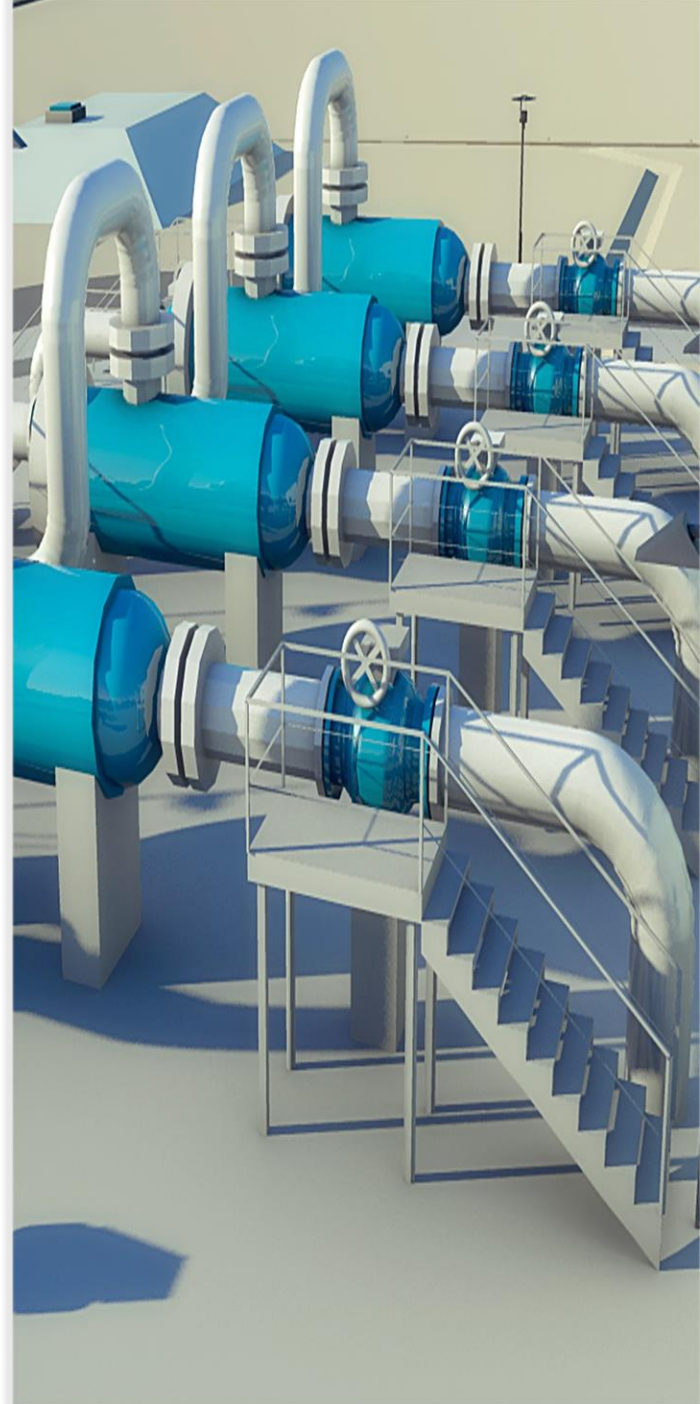
# Connecting Markets

## Investor Presentation

**NET4GAS Consolidated Financial Results  
as at 31 December 2022**

NET4GAS | Prague

April 2023





# Disclaimer

- **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 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.
- 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. Many factors may cause the Company’s results of operations, financial condition, liquidity, reserves and the development of the industry in which the Company competes to differ materially from those expressed or implied by the forward-looking statements. These factors include, among others (i) negative or uncertain global and regional economic conditions, (ii) further escalation of geopolitical conflicts, including continuing crisis in Ukraine and resulting in, among others, fluctuations in commodity prices, supply outages, expansion of sanctions regimes and other financial or business restrictions, (iii) failure to implement the Company’s key strategies, (iv) reliance on long-term contracts with a small number of shippers, (v) failure to successfully integrate and manage acquired companies, and (vi) changes in laws, regulated tariffs or regulatory schemes. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.
- 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 Information contains certain measures that are not measures defined by International Financial Reporting Standards, namely, CAPEX, EBITDA, and Free Cash Flow. These measures 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.
- The Information should be read in conjunction with the “NET4GAS consolidated annual report 2022” and announcements made by NET4GAS on January 4, 2023 and April 6, 2023 as published on [www.net4gas.cz](http://www.net4gas.cz).
- A credit rating is not a recommendation to buy, sell or hold any securities and may be revised, suspended or withdrawn by the rating agency at any time.



# Agenda

## Contents

▪ Disclaimer .....	2-3
▪ Agenda .....	4
▪ Core Business Competencies .....	5
▪ 2021 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
- 25 years of experience in the energy industry
- Member of the Eurogas Board
- 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
- 21 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
- 33 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

## Solid financial results in 2022

### Business Model

- Gas Transmission System Operator (TSO) at the heart of Europe
- Fairly stable domestic transport business regulated on a 'revenue cap' basis; gas transit business currently regulated on a 'price cap' basis

### Financials

- Strong cash generation and credit metrics in 2022. For further developments in 2023 refer to announcements made by NET4GAS on January 4, 2023 and April 6, 2023.
- Russia's war against Ukraine and related market risks have led to a downgrade of NET4GAS by both Moody's (from Baa2 to Ba2 with negative outlook in June 2022; followed by Rating withdrawal in December) and Fitch (from BBB to BB+, original rating watch negative updated to negative outlook in October 2022)
- Conservative financial policy in the form of a dividend suspension currently in place

### 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 Position

- Strategic position on the transmission routes of gas to North-Western Europe, Central Eastern Europe and South-Eastern Europe
- Comprises approx. 4,000 km of international and intrastate pipelines and 5 compressor stations
- Sole TSO in the Czech Republic with exclusive gas transmission license



# 2022 Financial Highlights

2022 is characterized by high operating performance

## 2022 Highlights

- Consolidated EBITDA<sup>1)</sup> close to CZK 11.4 billion posted in 2022, up by c. CZK 2.4 billion or nearly 27% year on year (y-o-y) and well exceeding the budget.
- Transit revenues in 2022 boosted by CZK 2.2 billion y-o-y on the back of soaring gas prices and operational efficiencies.
- Transport revenues increased in 2022 by almost CZK 0.3 billion with MCE project included into RAB in 2022.
- Operating costs increased slightly to c. CZK 1.6 billion, mainly due to price increase in gas purchases needed for compressors & balancing (offset in revenues & subject to full regulatory coverage).
- Very strong operating cash flow exceeding CZK 9.2 billion related mainly to growing core sales in 2022.
- In 2022, N4G successfully started the operations of the Moravia Capacity Extension ("MCE"), which is to enhance security of supply for the Moravian region. The project enjoys regulatory coverage under the domestic revenue cap regime. It consists of the construction of a new 85-kilometer DN 1000 high-pressure gas pipeline and related enhancements at the compressor station Břeclav. The project was supported by the shareholders of N4G who provided c. 70% of equity funding (EUR 132m).

## Footnotes

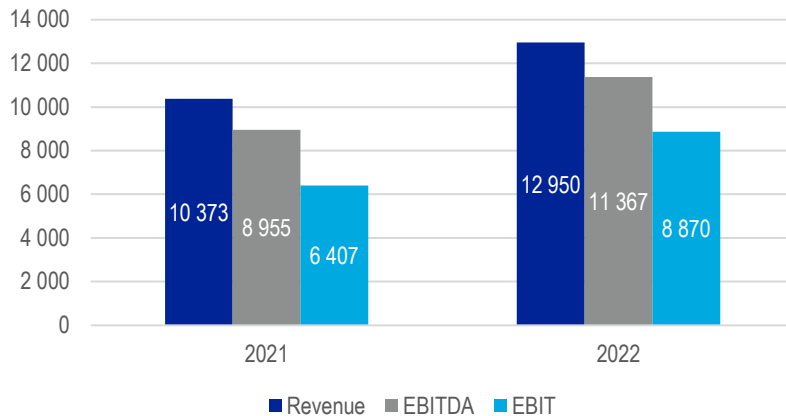
1) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization; in the material derived as: Operating profit (EBIT) plus depreciation and amortization



# EBITDA, EBIT & Cash Flow

## High cash generation in 2022

Historical EBITDA<sup>1</sup>, EBIT and Revenues: 2021-2022 (CZKm)



### Comments

- Total revenues posted in 2022 reached almost CZK 13 billion, representing a significant increase y-o-y.
- Operating profit amounted to CZK 8.9 billion, up y-o-y by c. CZK 2.5 billion driven by improvement in transit business.
- Strong revenue generation and cost management measures introduced in recent years remained vital in maintaining high profitability throughout 2022.

Source: Years ended 2022 and 2021 - Company's audited consolidated IFRS accounts

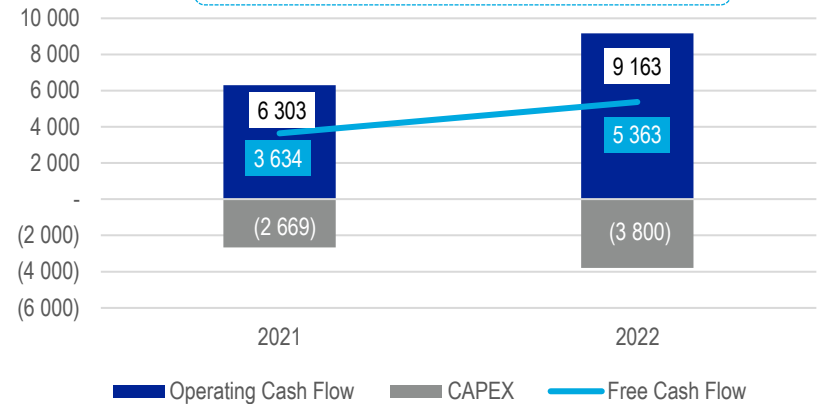
1) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization; in the material derived as: Operating profit (EBIT) plus depreciation and amortization

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: 2021-2022 (CZKm)

Note: Cash equity injections received from the sole shareholder are not reflected in the chart.



### Comments

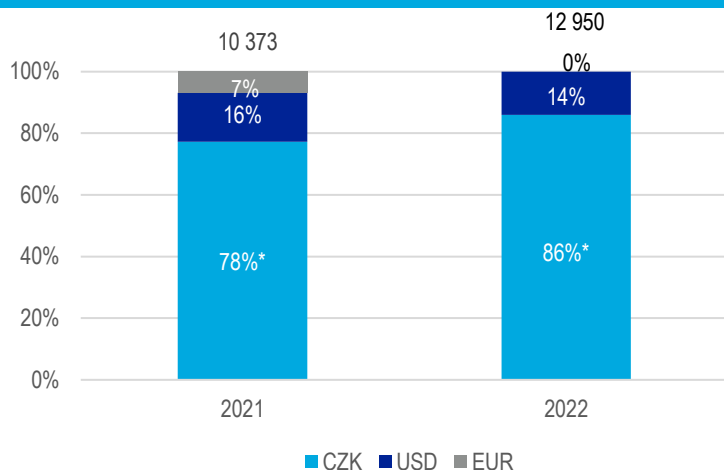
- Funds generated by operating activities rose to CZK 9.2 billion in 2022, fueled by extraordinary sales.
- At CZK 3.8 billion, CAPEX kept up momentum in 2022. Majority of investments were attributed to MCE construction works.
- Despite heavy investments, Free Cash Flow<sup>2)</sup> landed close to CZK 5.4 billion in 2022, all retained on balance sheet due to dividend suspension policy in place.



# Revenues & Operating Expenses

Revenues reached nearly CZK 13 billion in 2022; Operating Expenses ended close to CZK 1.6 billion

Historical Revenue; Currency Split: 2021-2022 (CZKm)



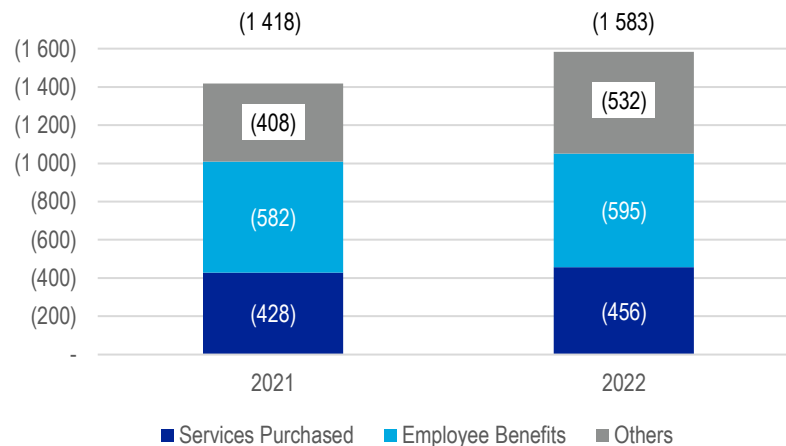
## Comments

- Revenues from core activities comprise revenues from international transit, domestic transmission and other.
- In 2022, transit revenues represented 82%, domestic transport 17% and other revenues 1% of the company's revenues.
- Revenues from ship-or-pay contracts and domestic transport continued to be generated in two base currencies (USD and CZK) complying with the currency structure of the senior debt
- CZK took increased share of 86%\*
- Y-o-y changes in the relative shares of individual currencies were mainly caused by long-term EUR contract expiration in 2021

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

\*both in 2021 and 2022 a part of revenues was EUR transactions related to gas balancing. However, they are being converted to CZK, therefore they are shown under CZK part

Historical Operating Expenses<sup>1</sup>: 2021-2022 (CZKm)



## Comments

- Overall costs increased by c. CZK 0.2 billion y-o-y.
- 'Services purchased' rose by c. CZK 28 million, as the main impact came about through an increase in IT costs and advisory costs related to financing.
- 'Employee benefits' increased moderately, mainly as a result of staff recruited for our growth investments, salaries indexation and other employee benefits.
- 'Others' category increased y-o-y mainly due to price increase in gas purchases needed for compressors & balancing (offset in revenues & subject to full regulatory coverage).

1) Operating Expenses disclosed without depreciation and amortization





# Historical Income Statement

2021 - 2022

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

(in CZKm)	2021	2022
Revenue	10 373	12 950
Raw material consumed	(445)	(572)
Services purchased and lease charges	(428)	(456)
Employee benefits	(582)	(595)
Depreciation and amortization	(2 548)	(2 497)
Impairment	1	0
Gains less losses on disposal of property, plant and equipment	2	(1)
Changes in fair value of derivatives, net	140	64
Foreign exchange differences, net	(49)	(1)
Other operating income	78	22
Other operating expenses	(135)	(44)
<b>Operating profit</b>	<b>6 407</b>	<b>8 870</b>
Finance income	120	657
Finance costs	(1 831)	(1 842)
Finance result (net)	(1 711)	(1 185)
<b>Profit before income tax</b>	<b>4 696</b>	<b>7 685</b>
Income tax expense	(901)	(1 444)
<b>PROFIT FOR THE YEAR</b>	<b>3 795</b>	<b>6 241</b>
Cash flow hedge	1 775	402
Income tax recognized directly in other comprehensive income – cash flow hedge	(337)	(77)
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1 438</b>	<b>325</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>5 233</b>	<b>6 566</b>

## Comments

- 'Operating profit' generated by core business reached almost CZK 8.9 billion.
- 'Profit for the year' 2022 increased to CZK 6.2 billion, translating into a y-o-y increase of c. CZK 2.45 billion, driven mainly by higher revenues.
- 'Raw material consumed' increased in 2022 mainly due to higher fuel energy costs<sup>1)</sup> on the back of increased gas price.
- 'Services purchased' increased largely due to IT and advisory costs.
- 'Finance Income' rose above previous year mainly on the back of deposits' yields and IRS swap gains.
- 'Income tax expense' increased commensurately with higher 'Profit before income tax'.
- '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 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

2021 - 2022

## NET4GAS Group Consolidated Balance Sheet (IFRS)

<i>(in CZKm)</i>	31 Dec 2021	31 Dec 2022
<b>ASSETS:</b>		
NON-CURRENT ASSETS		
Property, plant and equipment	52 247	53 414
Intangible assets	73	77
Derivative financial instruments	684	904
Other non-current assets	139	310
<b>Total non-current assets</b>	<b>53 143</b>	<b>54 705</b>
CURRENT ASSETS		
Inventories	155	191
Trade and other receivables	391	248
Derivative financial instruments	208	483
Current income tax prepayments	0	21
Loans to related parties	0	0
Other non-financial assets	38	168
Other financial assets	1 053	5 863
Cash and cash equivalents	299	949
Assets of disposal group held for sale	0	0
<b>Total current assets</b>	<b>2 144</b>	<b>7 923</b>
<b>TOTAL ASSETS</b>	<b>55 287</b>	<b>62 628</b>

### Comments

- 'Cash and cash equivalents' year-end balance reached just CZK 0.9 billion in 2022 with more than 5.8 billion in other financial assets (term deposits & short-term swaps)
- 'Total equity' increased from c. CZK 11.6 billion to c. CZK 18.2 billion; after retaining all the 2022 profits & no cash distribution to shareholders.

## NET4GAS Group Consolidated Balance Sheet (IFRS)

<i>(in CZKm)</i>	31 Dec 2021	31 Dec 2022
<b>EQUITY AND LIABILITIES:</b>		
EQUITY ATTRIB. TO SHAREHOLDERS OF THE PARENT COMPANY		
Registered capital	2 750	2 750
Capital contributions outside registered capital	6 617	6 617
Cash flow hedges	1 362	1 687
Retained earnings	883	7 125
<b>Total equity</b>	<b>11 612</b>	<b>18 179</b>
NON-CURRENT LIABILITIES		
Trade and other payables	15	13
Borrowings	33 230	33 096
Finance lease liability	133	234
Derivative financial instruments	958	1 210
Deferred income tax liability	6 954	7 048
Accrued employee benefits	126	128
Other non-financial liabilities	1	0
<b>Total non-current liabilities</b>	<b>41 417</b>	<b>41 729</b>
CURRENT LIABILITIES		
Borrowings	426	646
Finance lease liability	31	29
Trade and other payables	1 071	1 702
Derivative financial instruments	126	122
Current income tax payable	8	2
Other taxes payable	28	37
Provisions	10	0
Accrued employee benefits	107	149
Other non-financial liabilities	451	34
<b>Total current liabilities</b>	<b>2 258</b>	<b>2 721</b>
<b>Total liabilities</b>	<b>43 675</b>	<b>44 450</b>
<b>EQUITY AND LIABILITIES</b>	<b>55 287</b>	<b>62 628</b>

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

2021 - 2022

NET4GAS Group  
Consolidated Statements of Cash Flows (IFRS)

(in CZKm)	31 Dec 2021	31 Dec 2022
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>4 696</b>	<b>7 685</b>
Adjustments	4 207	3 680
<b>Operating cash flows before working capital changes</b>	<b>8 903</b>	<b>11 365</b>
Decrease/(Increase) in trade and other receivables	(956)	(274)
Increase/(Decrease) in trade and other payables	(139)	582
Decrease/(Increase) in inventories	(24)	(36)
<b>Operating cash flows after changes in working capital</b>	<b>7 784</b>	<b>11 637</b>
Interest paid	(686)	(1 450)
Interest received	11	430
Income tax paid	(806)	(1 454)
<b>Net cash flows from operating activities</b>	<b>6 303</b>	<b>9 163</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2 639)	(3 773)
Purchase of intangible assets	(30)	(27)
Proceeds from sale of property, plant and equipment	1	0
Proceeds from Intangible assets	0	0
Loans provided to related parties	0	0
Purchase of investment instruments	(1 053)	(4 810)
<b>Net cash flows used in investing activities</b>	<b>(3 721)</b>	<b>(8 610)</b>
<b>Cash flows from financing activities</b>		
Payments of decreased contributions outside registered capital to the Company's shareholder	(10 831)	0
Payments of increased contributions outside registered capital from Company's shareholder	3 981	0
Dividends paid to the Company's shareholder	(1 084)	0
Advance dividends paid to the Company's shareholder	(2 900)	0
Repayments of borrowings	(12 597)	(389)
Proceeds from borrowings	18 922	486
<b>Net cash flows used in financing activities</b>	<b>(4 509)</b>	<b>97</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(1 927)</b>	<b>650</b>
Cash and cash equivalents at the beginning of the period	2 226	299
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>299</b>	<b>949</b>

## Comments

- 'Cash and cash equivalents' at the end of 2022 amounted to close to CZK 1 billion, up by c. CZK 0.65 billion y-o-y (while 'Purchase of investment instruments' increased to CZK 4.8 billion).
- 'Net cash flows from operating activities' amounted to c. CZK 9.2 billion; improved by c. CZK 2.9 billion y-o-y mainly on the back of soaring gas price driven revenues.
- 'Net cash flows used in investing activities' reached CZK 8.6 billion, of which CAPEX<sup>1)</sup> amounted to c. CZK 3.8 billion, led by investments into construction of MCE while 4.8bn is related to term deposits & bills of exchange.
- 'Net cash flows used in financing activities' reached c. CZK 0.1 billion as current market uncertainties restrained the company from any significant financing transactions.

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



# NET4GAS Investor Relations Contact

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

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



Connecting  
Markets

Key financials

Bonds

Credit ratings

Financial reports

Financial information

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)