



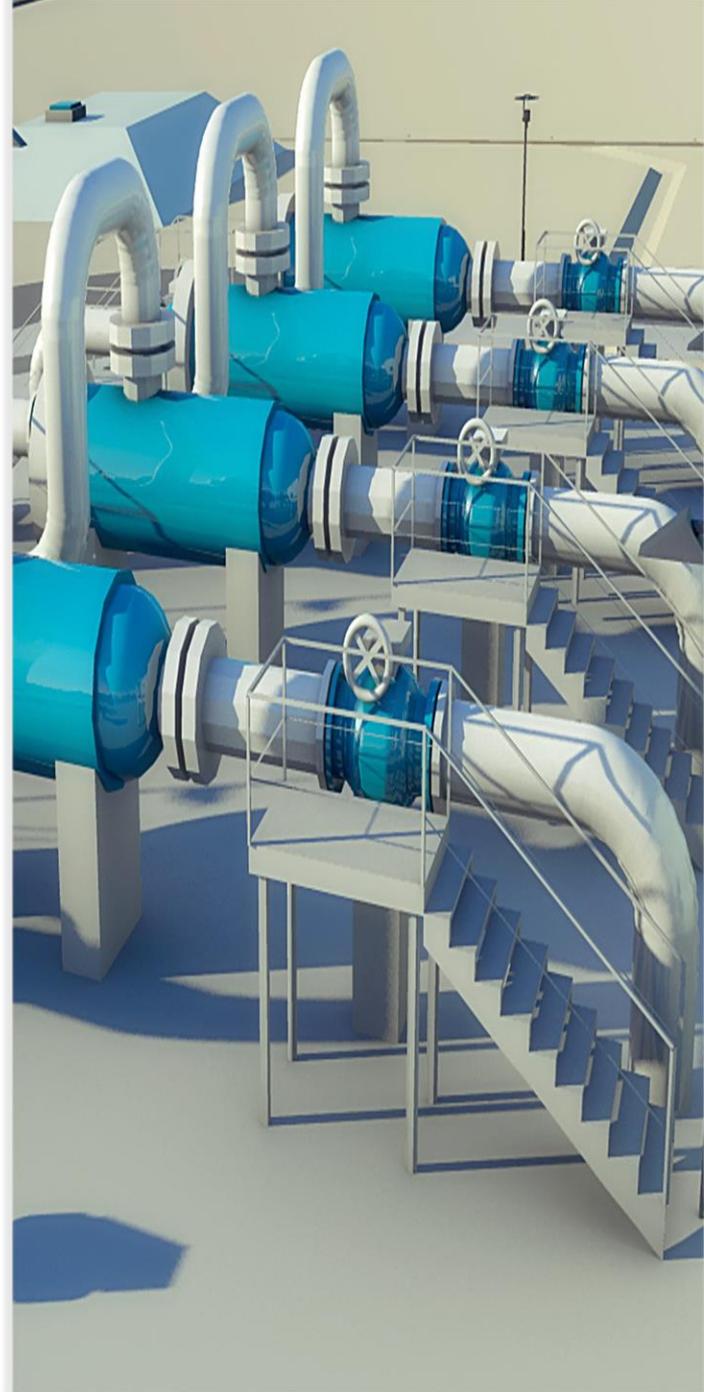
# Connecting Markets

## Investor Presentation

**NET4GAS Consolidated Financial Results  
as at 31 December 2023**

NET4GAS | Prague

April 2024





# Disclaimer

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# Agenda

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## NET4GAS Management



### Andreas Rau, CEO

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



### Radek Benčík, COO

- With NET4GAS since 2011
- 34 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.



# 2023 Financial Highlights

Changes in company's revenue profile as well as ownership

## 2023 Highlights

- 2023 was the most difficult year so far in the history of NET4GAS.
  - The reason for this is the unprecedented and dramatic change in European gas flows, resulting mainly from the war in Ukraine and the complete payment default by our major shipper.
  - Thanks to our immediate cost-saving measures and the great commitment and support of all NET4GAS employees, we have been able to mitigate the negative impact, at least to some extent.
  - Although the decision of the Czech regulator regarding gas transmission prices for 2024 at the end of November 2023 was a step in the right direction, it responded to the new reality of gas transport in Europe only partially.
  - Another particular occurrence in the year 2023 was the sale of NET4GAS Holdings by the previous shareholders, Allianz and OMERS, to the state-owned company ČEPS. The transaction was completed on 11 December 2023.
- 
- Consolidated EBITDA<sup>1)</sup> close to CZK 2 billion posted in 2023, down by c. CZK 9.4 billion or nearly 83% year on year (y-o-y).
  - Transit revenues in 2023 down by CZK 9.9 billion y-o-y on the back of payment default by our major shipper.
  - Transport revenues in 2023 commensurate with 2022 level.
  - Operating costs decreased to c. CZK 1 billion, mainly due to lower gas purchases needed for compression work & balancing and decrease in repairs & maintenance, IT costs, marketing and advisory costs as well as Employee benefits.
  - Negative operating cash flow of CZK (0.7) billion with y-o-y change related mainly to development in revenues. The total cash and cash equivalents (incl. other financial assets) reached c. CZK 9 billion.

## Footnotes

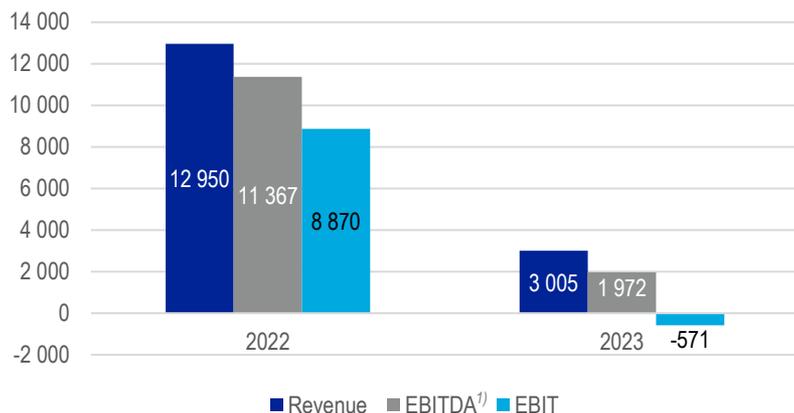
1) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization; in the material derived as: Operating profit (EBIT) plus depreciation and amortization



# EBITDA, EBIT & Cash Flow

Financials hit by the payment default of the major shipper in 2023

Historical EBITDA<sup>1)</sup>, EBIT and Revenues: 2022-2023 (CZKm)



## Comments

- Total revenues posted in 2023 reached CZK 3 billion, representing a significant decrease y-o-y on the back of missing revenues from the major shipper.
- Operating profit amounted to CZK -0.6 billion, down y-o-y by c. CZK 9.4 billion driven by the loss in our transit business.

Source: Years ended 2023 and 2022 - Company's audited consolidated IFRS accounts

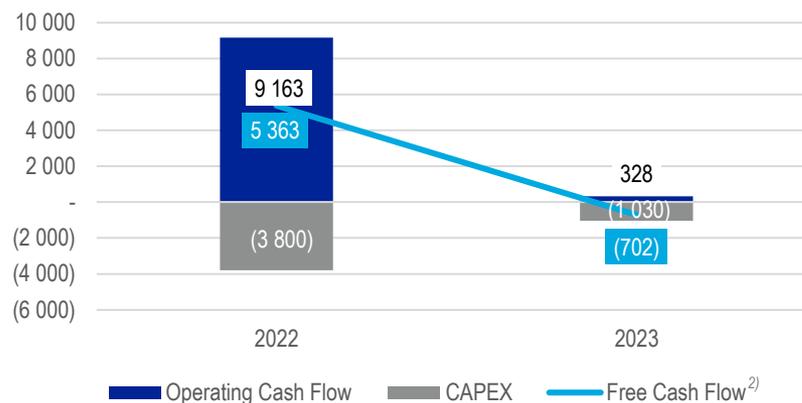
1) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization; in the material derived as: Operating profit (EBIT) plus depreciation and amortization

2) Free Cash Flow = Operating cash flow minus CAPEX

CAPEX = Purchase of property, plant and equipment plus Purchase of intangible asset

3) As presented in the note nr. 16 in the NET4GAS group notes to the consolidated financial statements

Historical Cash Flow Snapshot: 2022-2023 (CZKm)



## Comments

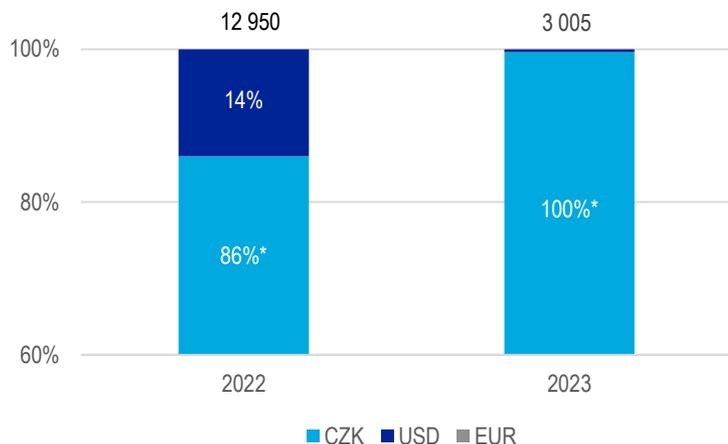
- Funds generated by operating activities dropped to CZK 0.3 billion in 2023, driven by the loss in the transit business.
- CAPEX of CZK 1 billion was invested into the completion of the MCE project, into other smaller expansion projects and regular renovation of our grid.
- Free Cash Flow<sup>2)</sup> recorded CZK -0.7 billion in 2023.
- On the other hand, cash was positively impacted by the return of the advance dividend amounting to CZK 2.9 billion<sup>3)</sup>.



# Revenues & Operating Expenses

Revenues reached CZK 3 billion in 2023; Operating Expenses ended close to CZK 1 billion

Historical Revenue; Currency Split: 2022-2023 (CZKm)



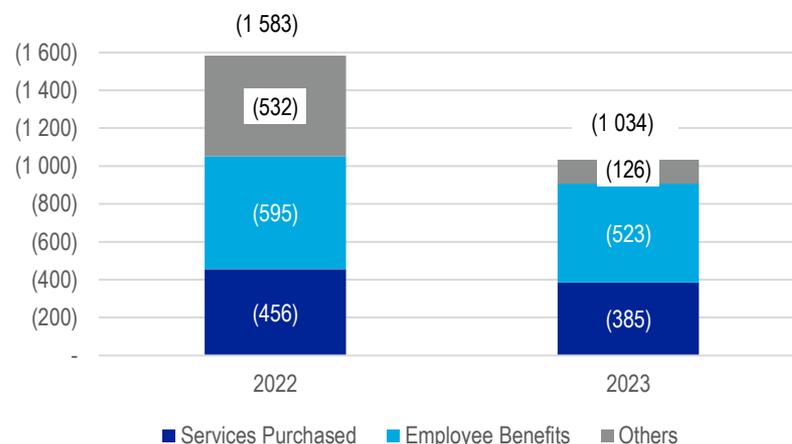
## Comments

- Revenues from core activities comprise revenues from international transit, domestic transmission and other.
- In 2023, transit revenues represented 23%, domestic transport 75% and other revenues 2% of the company's revenues.
- CZK took increased share to 100%\* as USD (as well as CZK denominated revenues) from the major shipper were missing.

Source: Years ended 2023 and 2022 - Company's audited consolidated IFRS accounts

\* both in 2022 and 2023 a part of revenues was EUR transactions related to gas balancing. However, they are being instantly converted to CZK, therefore they are shown under CZK part

Historical Operating Expenses<sup>1</sup>: 2022-2023 (CZKm)



## Comments

- Overall costs decreased by c. CZK 0.55 billion y-o-y.
- 'Services purchased' dropped by c. CZK 71 million, as the main impact came about through a decrease in repairs & maintenance, IT costs, marketing and advisory costs.
- 'Employee benefits' decreased mainly as a result of lower staff and other employee benefits.
- 'Others' category strongly decreased y-o-y mainly due to lower gas purchases needed for compression work & balancing.

1) Operating Expenses disclosed without depreciation and amortization



# Historical Income Statement

2022 - 2023

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

(in CZKm)	2022	2023
Revenue	12 950	3 005
Raw material consumed	(572)	(113)
Services purchased and lease charges	(456)	(385)
Employee benefits	(595)	(523)
Depreciation and amortization	(2 497)	(2 543)
Impairment	0	(108)
Gains less losses on disposal of property, plant and equipment	(1)	3
Changes in fair value of derivatives, net	64	127
Foreign exchange differences, net	(1)	(20)
Other operating income	22	43
Other operating expenses	(44)	(58)
<b>Operating profit</b>	<b>8 870</b>	<b>(571)</b>
Finance income	657	1 913
Finance costs	(1 842)	(2 335)
Finance result (net)	(1 185)	<b>(422)</b>
<b>Profit before income tax</b>	<b>7 685</b>	<b>(993)</b>
Income tax expense	(1 444)	(713)
<b>PROFIT FOR THE YEAR</b>	<b>6 241</b>	<b>(1 706)</b>
Cash flow hedge	402	(1 391)
Income tax recognized directly in other comprehensive income – cash flow hedge	(76)	250
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>326</b>	<b>(1 141)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>6 567</b>	<b>(2 847)</b>

## Comments

- 'Operating profit' generated by core business reached CZK -0.6 billion.
- 'Profit for the year' 2023 decreased to CZK -1.7 billion loss, translating into a y-o-y drop by c. CZK 7.9 billion, driven mainly by the loss of transit revenues.
- 'Raw material consumed' decreased in 2023 mainly on the back of lower gas purchases needed for compressors & balancing.
- 'Services purchased' decreased largely due to savings in repairs & maintenance, IT costs, marketing and advisory costs.
- 'Finance Income' rose above previous year mainly on the back of deposits' yields, IRS swap gains and discontinuation of the USD related hedge accounting.
- 'Income tax expense' decreased commensurately with lower 'Profit before income tax'.
- 'Cash flow hedge' was impacted by the fact that USD portion had to be discontinued (& recorded as finance income/loss) due to its ineffectiveness on the back of missing transit revenues denominated in USD.
- The rest of the hedge accounting has been maintained over hedged cash flows exposed to currency & IR risk, impacting comprehensive income under IFRS.

Source: Years ended 2022 and 2023 - Company's audited consolidated IFRS accounts  
Small differences in the Statements may arise due to rounding



# Historical Balance Sheet

2022 - 2023

## NET4GAS Group Consolidated Balance Sheet (IFRS)

<i>(in CZKm)</i>	31 Dec 2022	31 Dec 2023
<b>ASSETS:</b>		
NON-CURRENT ASSETS		
Property, plant and equipment	53 414	51 568
Intangible assets	77	169
Derivative financial instruments	904	389
Other non-current assets	310	7
<b>Total non-current assets</b>	<b>54 705</b>	<b>52 133</b>
CURRENT ASSETS		
Inventories	191	186
Trade and other receivables	248	103
Derivative financial instruments	483	355
Current income tax prepayments	21	0
Loans to related parties	0	0
Other non-financial assets	168	147
Other financial assets	5 863	4 500
Cash and cash equivalents	949	4 453
Assets of disposal group held for sale	0	0
<b>Total current assets</b>	<b>7 923</b>	<b>9 744</b>
<b>TOTAL ASSETS</b>	<b>62 628</b>	<b>61 877</b>

## Comments

- 'Cash and cash equivalents' year-end balance reached CZK 4.5 billion in 2023 with another CZK 4.5 billion in other financial assets (term deposits & short-term swaps).
- 'Total equity' remains stable at c. CZK 18.2 billion; the loss from 2023 (CZK 1.7 billion) and other comprehensive loss stemming from 'Cash flow hedges' (CZK 1.1 billion) is offset by the return of the advance dividend (CZK 2.9 billion)

## NET4GAS Group Consolidated Balance Sheet (IFRS)

<i>(in CZKm)</i>	31 Dec 2022	31 Dec 2023
<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	1 687	547
Retained earnings	7 125	8 318
<b>Total equity</b>	<b>18 179</b>	<b>18 232</b>
NON-CURRENT LIABILITIES		
Trade and other payables	13	5
Borrowings	33 096	33 240
Finance lease liability	234	209
Derivative financial instruments	1 210	1 060
Deferred income tax liability	7 048	7 475
Accrued employee benefits	128	124
Other non-financial liabilities	0	0
<b>Total non-current liabilities</b>	<b>41 729</b>	<b>42 113</b>
CURRENT LIABILITIES		
Borrowings	646	584
Finance lease liability	29	36
Trade and other payables	1 702	565
Derivative financial instruments	122	117
Current income tax payable	2	24
Other taxes payable	37	33
Provisions	0	16
Accrued employee benefits	149	127
Other non-financial liabilities	34	30
<b>Total current liabilities</b>	<b>2 721</b>	<b>1 532</b>
<b>Total liabilities</b>	<b>44 450</b>	<b>43 645</b>
<b>EQUITY AND LIABILITIES</b>	<b>62 628</b>	<b>61 877</b>

Source: Years ended 2022 and 2023 - Company's audited consolidated IFRS accounts  
Small differences in the Statements may arise due to rounding



# Historical Cash Flow Statement

2022 - 2023

NET4GAS Group  
Consolidated Statements of Cash Flows (IFRS)

(in CZKm)	31 Dec 2022	31 Dec 2023
<b>Cash flows from operating activities</b>		
Profit before tax	7 685	(993)
Adjustments	3 680	2 331
<b>Operating cash flows before working capital changes</b>	<b>11 365</b>	<b>1 338</b>
Decrease/(Increase) in trade and other receivables	(274)	1 755
Increase/(Decrease) in trade and other payables	582	(1 621)
Decrease/(Increase) in inventories	(36)	4
<b>Operating cash flows after changes in working capital</b>	<b>11 637</b>	<b>1 476</b>
Interest paid	(1 450)	(2 013)
Interest received	430	859
Income tax paid	(1 454)	8
<b>Net cash flows from operating activities</b>	<b>9 163</b>	<b>328</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3 773)	(934)
Purchase of intangible assets	(27)	(96)
Proceeds from sale of property, plant and equipment	0	3
Proceeds from Intangible assets	0	22
Loans provided to related parties	0	0
Sale/Purchase of investment instruments	(4 810)	1 363
<b>Net cash flows used in investing activities</b>	<b>(8 610)</b>	<b>358</b>
<b>Cash flows from financing activities</b>		
Payments of decreased contributions outside registered capital to the Company's shareholder	0	0
Payments of increased contributions outside registered capital from Company's shareholder	0	0
Dividends paid to the Company's shareholder	0	0
Advance dividends refunded from the Company's shareholder	0	2 900
Repayments of borrowings	(389)	(85)
Proceeds from borrowings	486	0
<b>Net cash flows used in financing activities</b>	<b>97</b>	<b>2 815</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>650</b>	<b>3 504</b>
Cash and cash equivalents at the beginning of the period	299	949
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>949</b>	<b>4 453</b>

## Comments

- 'Cash and cash equivalents' at the end of 2023 amounted to c. CZK 4.5 billion, improved by c. CZK 3.5 billion y-o-y mainly due to the return of the advance dividend amounting to CZK 2.9 billion.
- 'Net cash flows from operating activities' amounted to c. CZK 0.3 billion; drop by c. CZK 8.8 billion y-o-y mainly on the back of the loss of transit revenues.
- 'Net cash flows used in investing activities' reached CZK 0.4 billion, of which CAPEX<sup>1)</sup> amounted to c. CZK 1 billion, more than offset by income from maturing term deposits<sup>2)</sup>.
- 'Net cash flows used in financing activities' reached c. CZK 2.8 billion mainly by the return of the advance dividend amounting to CZK 2.9 billion.
- Total cash & cash equivalents incl. other financial assets amount to CZK 8.95 billion:

Millions CZK	31 Dec 2022	31 Dec 2023
Cash and cash equivalents at the end of the period	949	4 453
Other financial assets	5 863	4 500
<b>Total cash and cash equivalents, other financial assets<sup>3)</sup></b>	<b>6 812</b>	<b>8 953</b>

Source: Years ended 2022 and 2023 - 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

2) As described in the paragraph w) of the chapter 3. 'Summary of material accounting policies' of the NET4GAS cons. fin. statements

3) As presented in the note nr. 15 in the NET4GAS group notes to the cons. fin. statements



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