Investor Presentation

Czech Gas Networks Investments S.à r.l.

June 2023
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Today’s Presenters

Thomas Merker

Chief Financial Officer of Czech Grid Holding

- Previously: CFO of innogy Czech
- 25 years of experience in energy sector

Pavel Dočekal

Head of Regulatory, Legal & Internal audit in GasNet

- Previously: Head of Regulatory Affairs/innogy Czech
- 25 years of experience in energy sector

Jiří Steklý

Head of Finance and Controlling in GasNet

- With GasNet since September 2020
- Previously: Head of Treasury in Pražská energetika
- 11 years of experience in energy sector

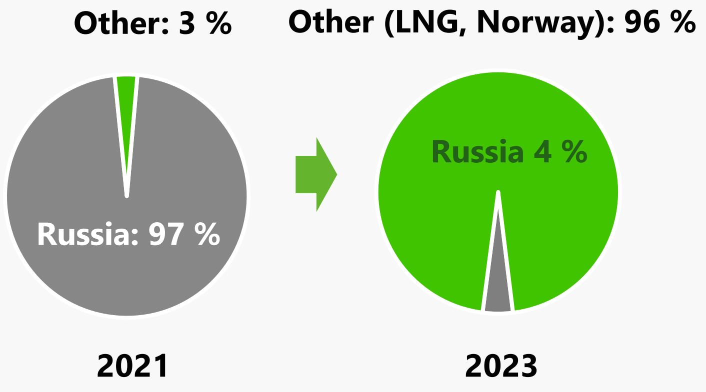
Agenda

1.	Retrospection 2022	
2.	Financial Results 2022	2022 and 2023 at a glance | 2022 Consolidated Financial statements | Impact of R-U crisis | Financing | 2022 vs. 2023 regulatory parameters
3.	Gas Market Update	Macro environment | European and Czech gas market update | gas storage filling | Czech Government and Sector initiatives
4.	Legislative/Regulatory framework	Response to the energy crisis in 2022 | Recent development | FF55 | RP6
5.	ESG Update	ESG and NetZero 2040
6.	Transition to Hydrogen	Future of Gas | Transformation NG to hydrogen distributor 2030-2050 | Retrofit of Network
7.	Strategic Goals Overview	
8.	Q&A	
9.	Appendix	

Although the overall environment in 2022 was very challenging, the last year was again a successful year for CGNI

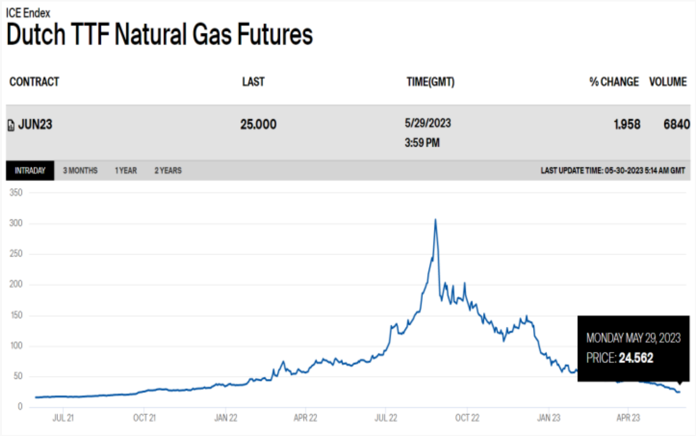
- Almost complete restructuring of deliveries from 97% Russian gas to Norwegian gas and LNG within 9 months. The shift in flow is structurally sustainable, and the country's largest utility also acquired a stake in an LNG terminal in the Netherlands in 2022 to secure up to one third of the country's annual consumption.
- Stable operation, no curtailments or technical shortages in gas supply
- Although distribution volumes decreased significantly due to price hikes and geopolitical uncertainty, financial and operating objectives were met
- Regulatory rules for ongoing RP5 prove resilience
- Strong engagement in the energy transition in the Czech Republic

The dependance of the Czech Republic on Russian gas dropped to almost zero

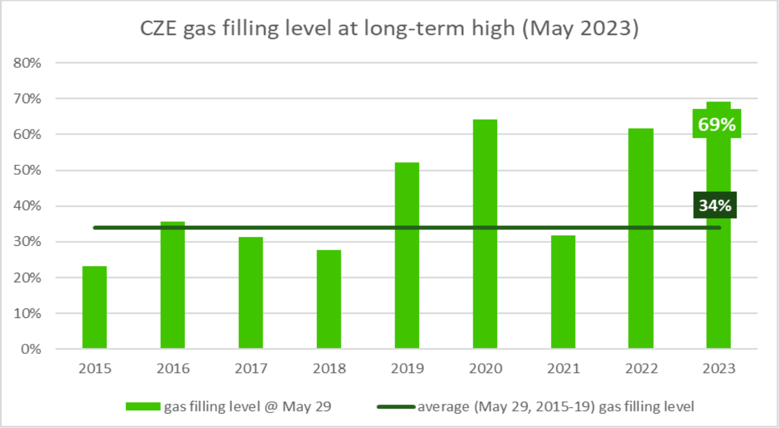


Source: MPO (Ministry of Industry and Trade)

Gas prices declined to pre-war levels after the all-time peak in Q3/2022



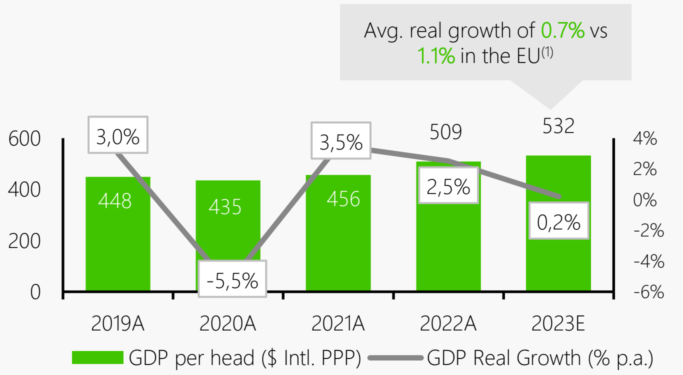
Gas storage filling levels increase to all time highs in 2023.



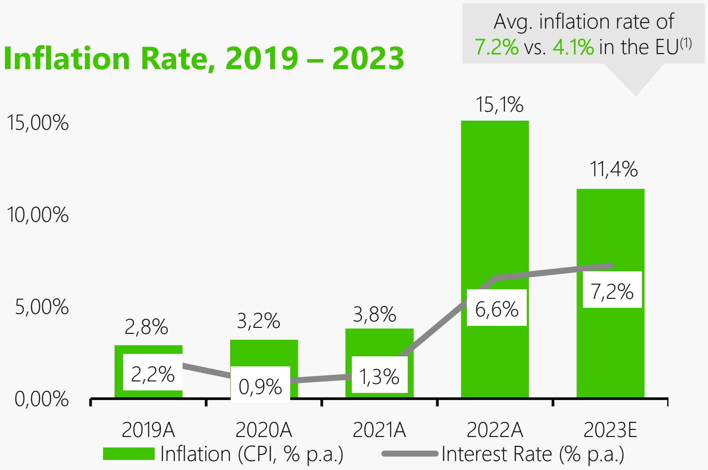
** 2015 – 2021 data available only for RWE Gas Storage CZ, thus the comparison performed at the level of RWE Gas Storage CZ.*

A resilient economy with below average but steadily growing indebtedness, an unemployment among the lowest in the EU, however with relatively high inflation and interest rates, rated Aa3 / AA- / AA-

GDP / Head & GDP Real Growth, 2019 – 2023



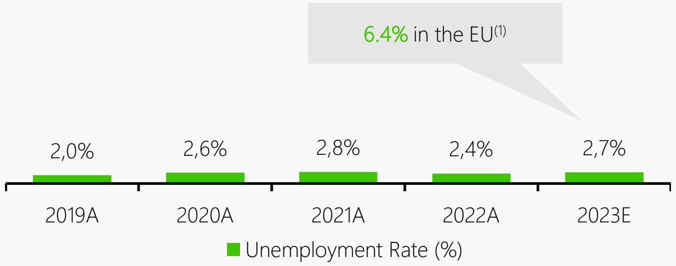
Inflation Rate, 2019 – 2023



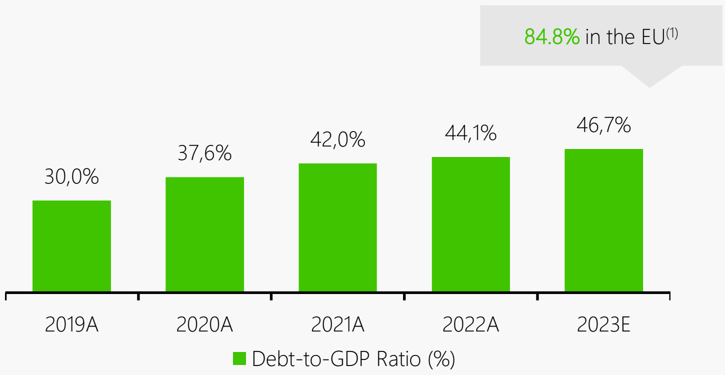
Czech Macro Developments

- Robust medium-term growth dynamics and broad economic resilience in the midst of current geopolitical crisis
- Record levels of employment
- Liquid and well capitalized banking system
- Central bank reacted to rising inflation figures by a sharp tightening of its monetary policy
- Significantly reduced reliance on Russian natural gas over 2022
- Rating agencies have reaffirmed their views on the Czech economy

Unemployment Rate, 2019 – 2023



Public Debt as % of GDP, 2019 – 2023



Rating Agencies' Views

MOODY'S
Aa3 (Negative)

"Czech Republic's credit profile is supported by its fundamental credit strengths … competitive economy, a strong institutional set-up, favourable fiscal metrics…"
Moody's, May 2023

S&P Global Ratings
AA- (Stable)

"… solid government and external balance sheets… … improved energy security…"
S&P Global Ratings, April 2023

FitchRatings
AA- (Negative)

"…underpinned by a record of credible macroeconomic and monetary policies, a robust institutional framework, and strong external finances…"
Fitch Ratings, March 2023

Source: Rating Agency reports, EIU.
Note: (1) EU considers EU-27 as of 2020.

Key events 2022 and 2023

January 2022
saving of 130 FTEs

February 2022
Beginning of Russia vs. Ukraine war

April 2022
Preventive crisis measures adopted & reactive measures prepared

August 2022
Unprecedent prices of power and gas in Europe, calls for price regulation. Czech Energy Act amended

October 2022
BBB+ rating affirmed
FitchRatings
BBB+

October 2022
EU gas-storage filling level reaches 95% (target = 80%)

November 2022
ESG rating improved
SUSTAINALYTICS
17.8 Low Risk
Net Zero targets defined

December 2022
Official tariff announcement, increased cost of network losses to be covered by Czech state

January 2023
Warm winter & savings lead to EU gas storage > 80%, gas prices decrease to pre-war levels

March 2023
BBB+ rating affirmed
S&P Global Ratings
BBB+

April 2023
RP6 negotiations started

May 2023
Audited consolidated Financial statements approved and published

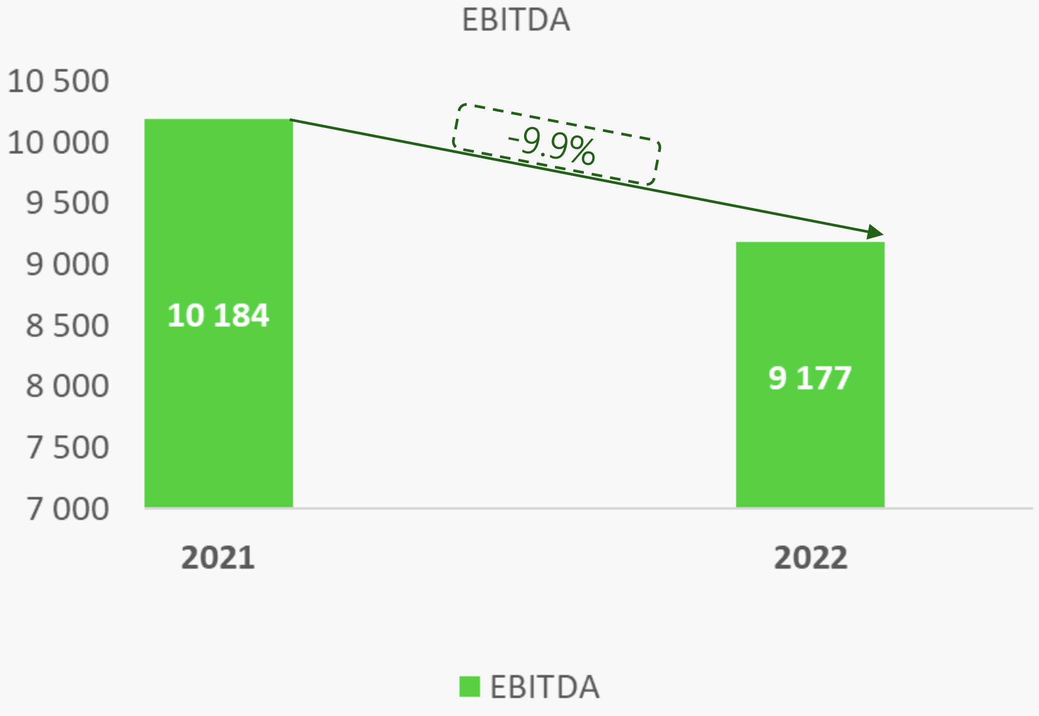
September 2023
Distribution tariffs 2024 (Alignment process ERO/GN)

January 2024
Reduction of ca. 70 FTE

Agenda

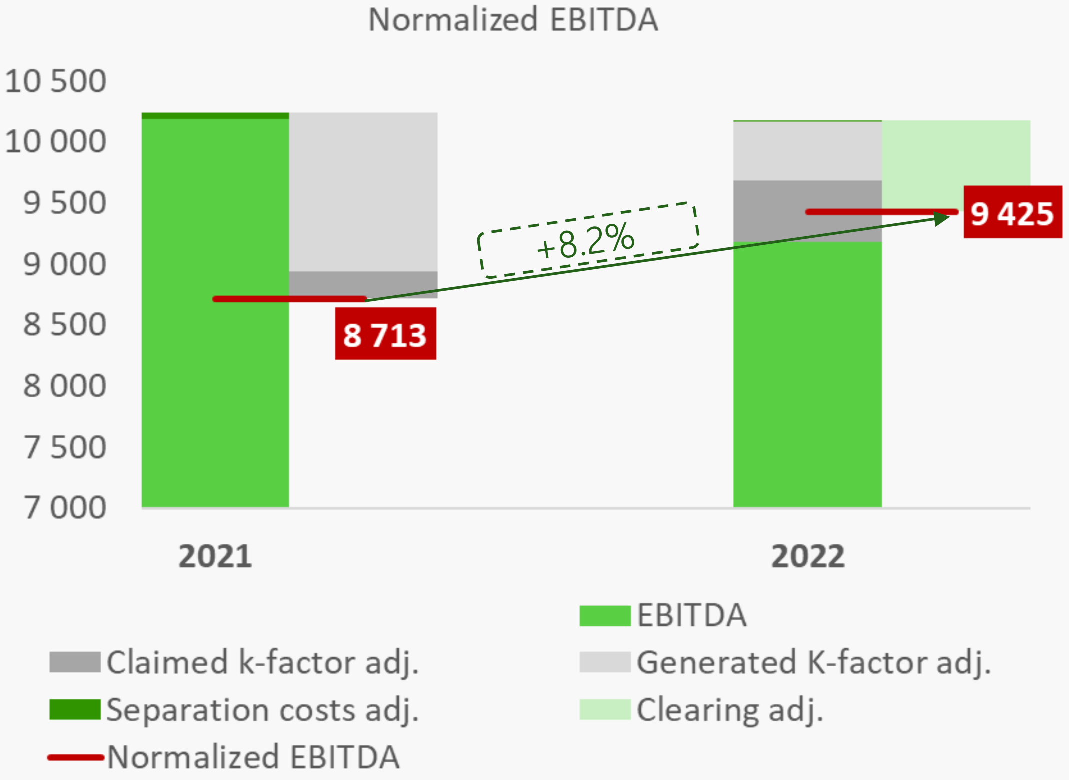
2 Strong financial performance in 2022 despite general downturn in the gas market

EBITDA
CZK mn



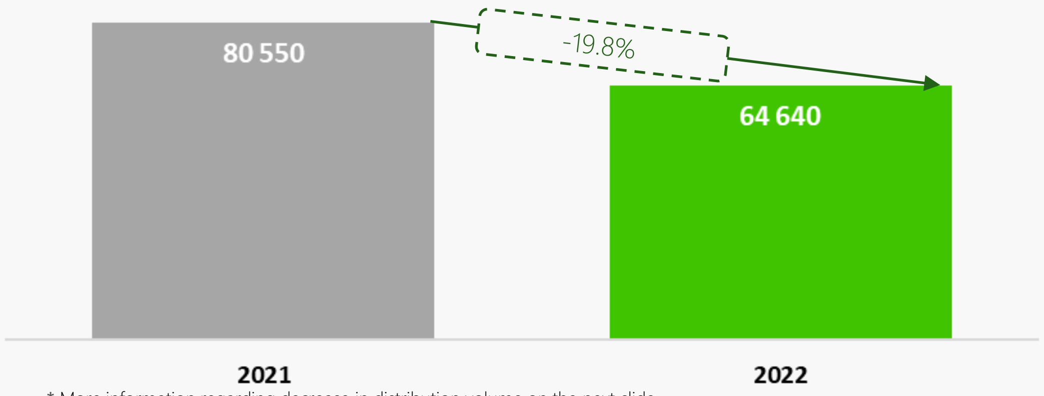
vs.

Normalized EBITDA
CZK mn



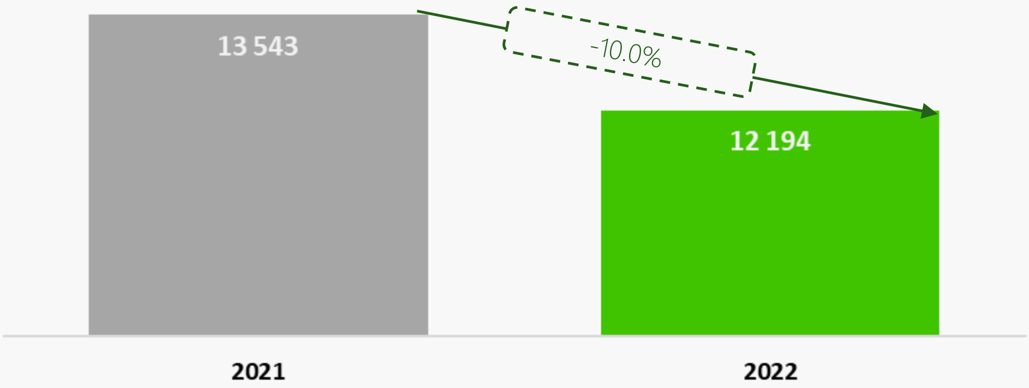
2 Strong financial performance in 2022 despite general downturn in the gas market, CAPEX cash-flows delayed as one of the preventive measures applied by the company in 2022

Distribution Volume*
GWh

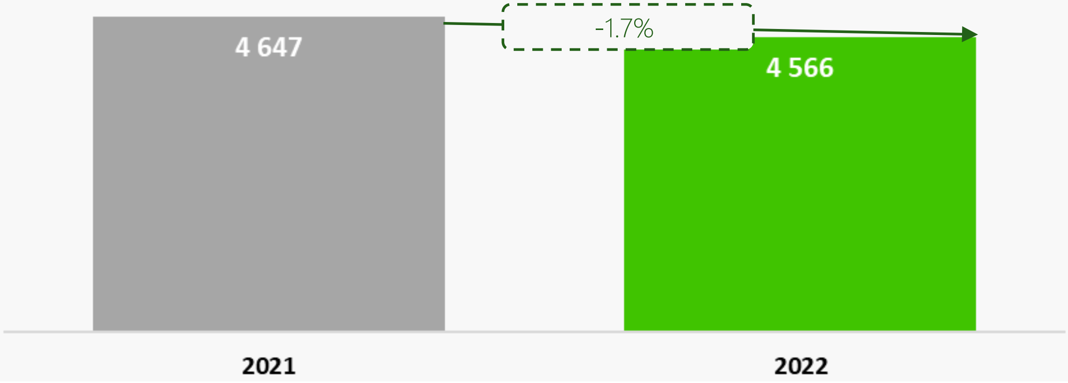


* More information regarding decrease in distribution volume on the next slide.

Distribution margin
CZK mn

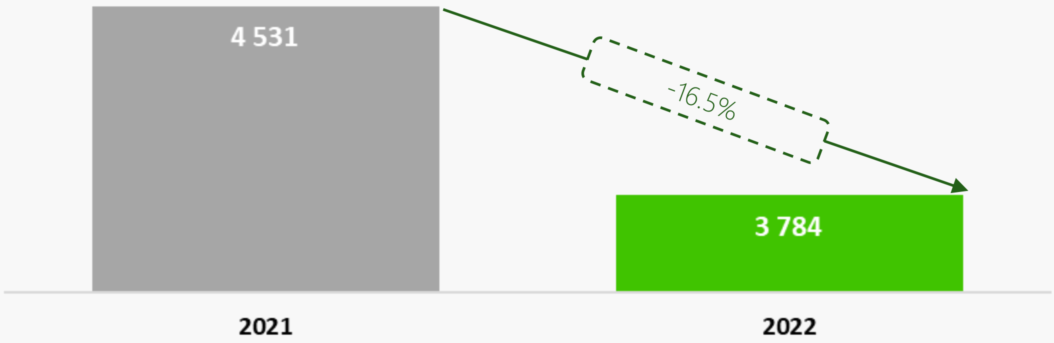


CAPEX (additions)
CZK mn

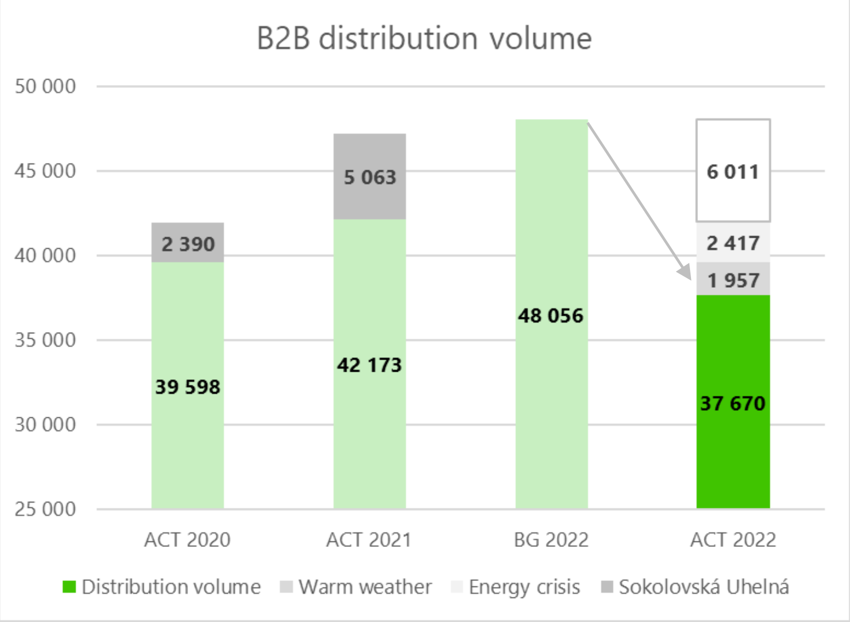


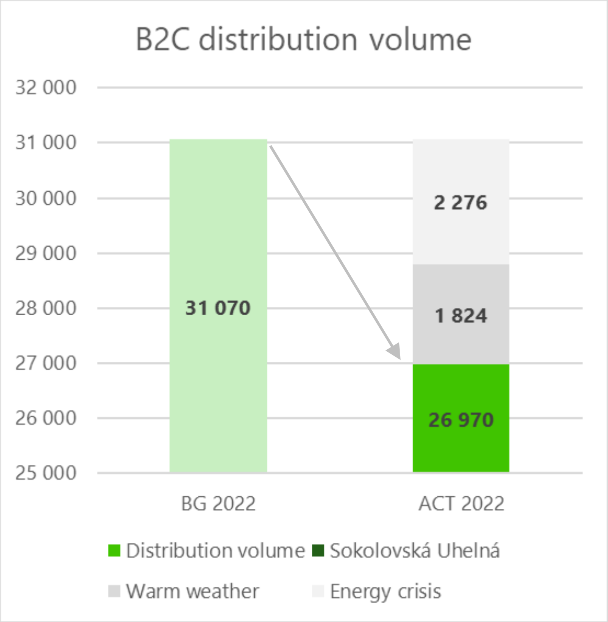
VS.

CAPEX CF
CZK mn



2 Distribution volume dropped in 2022 mainly as a result of warm weather and the energy crisis. Volume risk in 2023 mitigated via reduction in allowed volume.



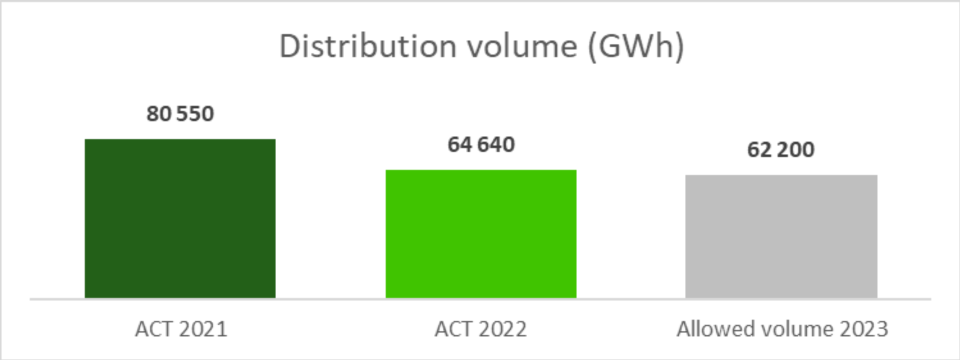


2022

B2B: Decrease driven mainly by temporary shutdown of Sokolovská Uhelná powerplant, warm weather in Q1 and Q4/2022 and energy crisis

B2C: Decrease of B2C segment mainly caused by warm weather in Q1 and Q4/2022 and energy crisis.

Drop in distribution volume in both segments due to energy crisis was in 2022 ca.6%



2023

Volume risk in 2023 mitigated via reduction in allowed volume that was used for calculation of distribution tariffs. Therefore, the **achievability of allowed revenues does not seem to be at risk.** *(disruption in gas flows not assumed)*

Actual distribution volume in 2023 in line with allowed volume so far.

2 2022 CGNI Consolidated Statement of Profit or Loss and Other Comprehensive Income with EBITDA ca. CZK 9.2 bn and the Loss for the period ca. 2.7 bn. caused mainly by revaluation of derivatives (non-cash item)

In millions of CZK	**2022**	**2021**
Revenue	13 981	15 069
Other income	106	102
Work performed by the Group and capitalised	465	456
Net impairment reversals on financial assets	-24	-3
Raw materials and consumables used	-337	-220
Employee benefits expense	-2 085	-2 152
Depreciation and amortisation	-6 887	-7 173
Services	-2 666	-2 373
Other operating expenses	-263	-695
Operating profit	**2 290**	**3 011**
Finance income	1 361	3486
Finance costs	-6 260	-1 725
Profit / (loss) before income tax	**-2 609**	**4 772**
Income tax expense	-106	-255
Profit / (loss) for the period	**-2 715**	**4 517**
Other comprehensive income for the period	-	-
TOTAL COMPREHENSIVE PRIFIT / (LOSS) FOR THE PERIOD	**-2 715**	**4 517**

- Consolidated revenues of the Group approximately CZK 14 bn in 2022.YoY decrease due to cold winter 2021 vs. warm winter 2022 and European energy crisis, both leading to YoY decrease in distribution volume from approx. 80TWh in 2021 to approx. 64.6 TWh in 2022.
- Decrease in personnel costs by CZK 67 million driven by YoY reduction in employees by approx. 130 at the beginning of 2022. The Group employed 2,286 employees at 2022 YE (2,401 at 2021 YE).
- Increase in costs of raw materials, energies and services by ca CZK 410 million is associated mainly with increase in fees payable to transmission system operator (Net4Gas).
- The EBITDA of the company amounted to exceptional CZK 9,177 million for the year 2022.
- Loss for the period in the amount of CZK -2,715 million was (on contrary with the previous year) negatively affected by mark-to-market revaluation of derivatives (non-cash item), as the company has not adopted hedge accounting.
- In case of derivatives the negative impact of mark-to-market revaluation of cross-currency swaps (CCS) significantly outperformed negative mark-to-market revaluation of interest rate swaps (IRS) .
  - IRS CZK 4,390 million
  - CCS (CZK 8,516 million)
- In case of borrowings denominated in EUR, the unrealized FX gain amounted to CZK 1,190 million.

2 CGNI Consolidated Statement of Financial Position as of December 31, 2022 with Total Assets around CZK 116 bn.

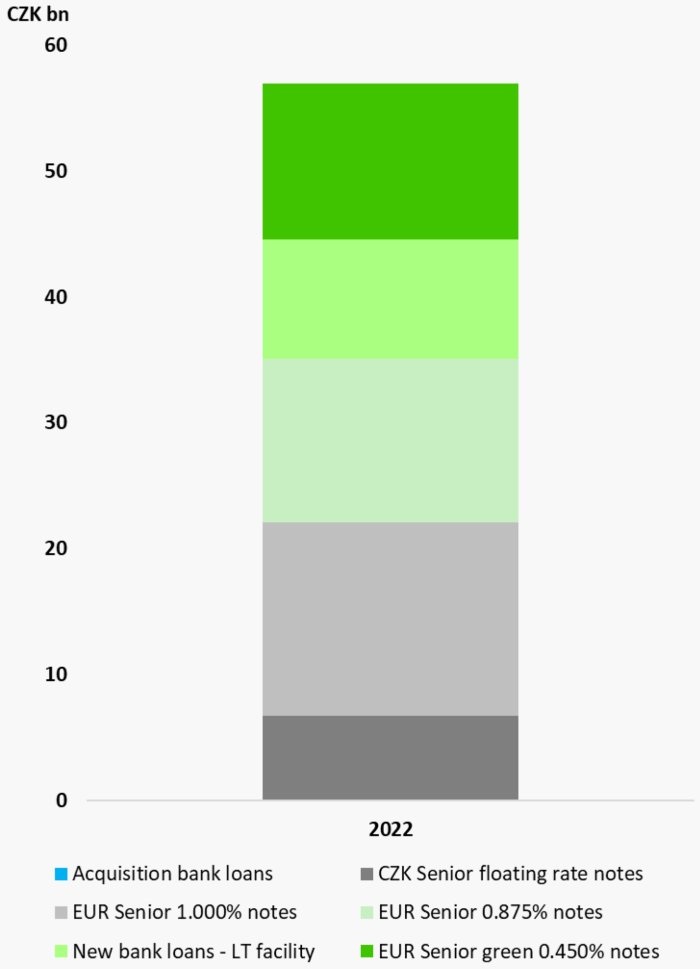
In millions of CZK	31 December 2022	31 December 2021
ASSETS		
Non-current assets		
Property, plant and equipment	99 450	102 195
Right-of-use assets	3 151	3 046
Intangible assets	818	826
Derivative financial assets	4 962	4622
Other non-current assets	1	1
Total non-current assets	**108 382**	**110 690**
Current assets		
Inventories	6	5
Trade and other receivables	585	616
Income tax prepayment	8	-
Other taxes receivable	1	-
Cash and cash equivalents	4 040	1 376
Derivative financial assets	2888	795
Total current assets	**7 528**	**2 792**
TOTAL ASSETS	**115 910**	**113 482**

In millions of CZK	31 December 2022	31 December 2021
EQUITY		
Share capital	1	1
Share premium	26 173	27 219
Accumulated deficit	-9 382	-6 667
Total equity	**16 792**	**20 553**
LIABILITIES		
Non-current liabilities		
Borrowings	68 554	69 204
Lease liabilities	2 037	1 983
Deferred income tax liabilities	14 133	14 729
Provisions	56	52
Other non-current liabilities	320	339
Derivative financial liabilities	7 179	3533
Total non-current liabilities	**92 279**	**89 840**
Current liabilities		
Borrowings	595	343
Lease liabilities	235	190
Trade and other payables	2 261	1 911
Contract liabilities	745	200
Current income tax payable	43	70
Other taxes payable	168	180
Provisions	77	168
Derivative financial liabilities	2715	27
Total current liabilities	**6 839**	**3 089**
Total liabilities	**99 118**	**92 929**
TOTAL LIABILITIES AND EQUITY	**115 910**	**113 482**

- CGNI non-current assets worth over CZK 108 bn.
- Derivative financial assets and liabilities arose as a result of fair value changes of financial derivatives
- Borrowings of the company consists of both senior unsecured notes and bank financing as well as of subordinated shareholder loans (ca. CZK 14bn)
- Significant balance of deferred income tax liabilities relates mainly to the difference between accounting and tax value of non-current assets
- Increase in accumulated deficit as a result of PY loss caused mainly by net loss on trading derivatives.

2 Debt structure remained unchanged compared to 2021, net debt decreases with respect to shareholders' decision to temporarily suspend dividends.

Debt structure

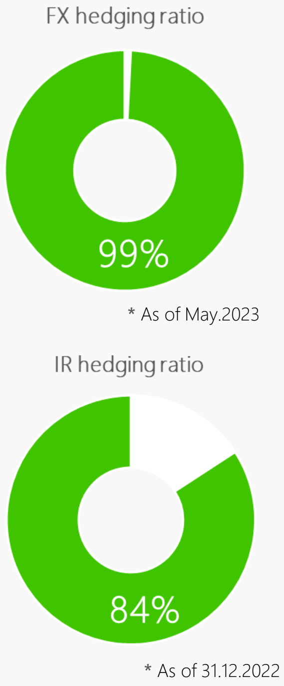


KPIs @ Dec 31, 2022

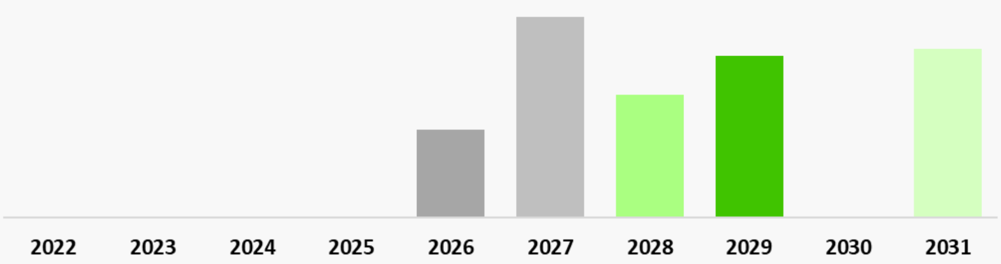
- Net debt* = CZK 53.1bn (CZK 55.4bn @ Dec 31, 2021)
- Net debt / RAB = 88%
- Net debt / EBITDA = 5.78x
- FFO net leverage = 6.25x
- No financial covenants unless being downgraded to SubIG**
- Subordinated shareholder loans maturing in 2044 amounted to ca. 14 bn CZK as of December 31, 2022.

* CZK 55.4bn including leasing liability

** The covenants imposed by banks require the Company to be assigned the credit rating corresponding the investment grade. If the rating would be below the investment one and the amount of net debt is less than RAB the Group shall repay its bank borrowings immediately.

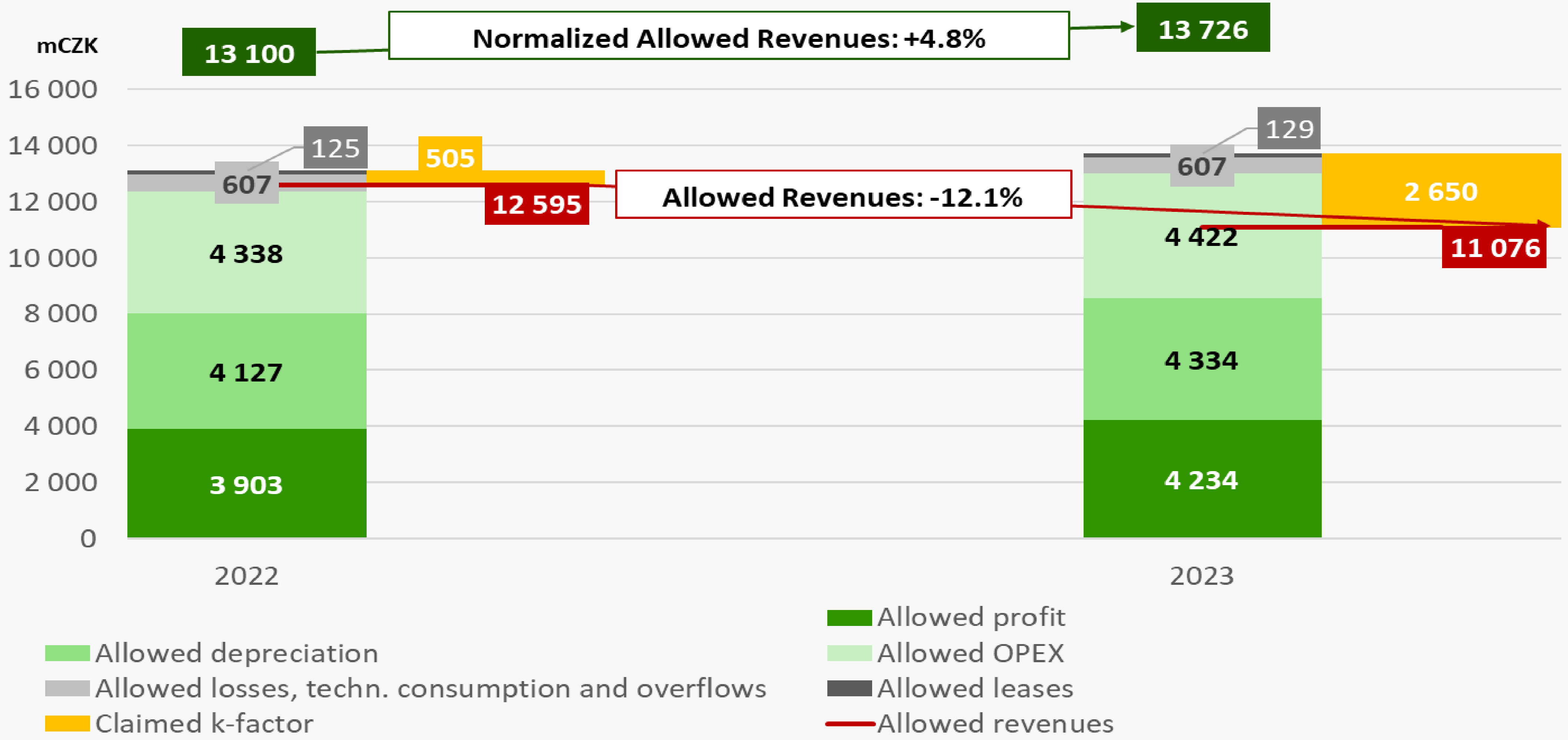


Maturity profile



As of December 31, 2022, outstanding, not used Capex and RC commitments amounted to CZK 0.5bn resp. CZK 0.5bn

2 Outlook 2023: Allowed revenues to decline by CZK 1.5 bn due to reimbursement of historic k-factor (one-off event)



2 Outlook 2023

April 2023
RP6 negotiations started

May 2023
2024 Network losses agreed

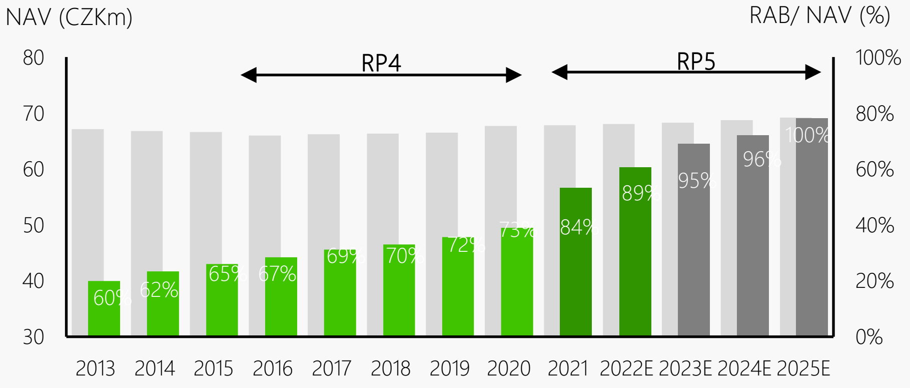
June 2023
2024 Inflation parameters

August 2023
CAPEX plan and reg. draft parameters 2024

Sept. 2023
Alignment process ERO/CGNI

Nov. 2023
Official 2024 tariff announcement

RAB and NAV Reconciliation Schedule



- **Upward reconciliation of RAB** to match the higher underlying net book value in motion until 2025, with non-binding Capex plans for period 2021-2025 and 2025-2030

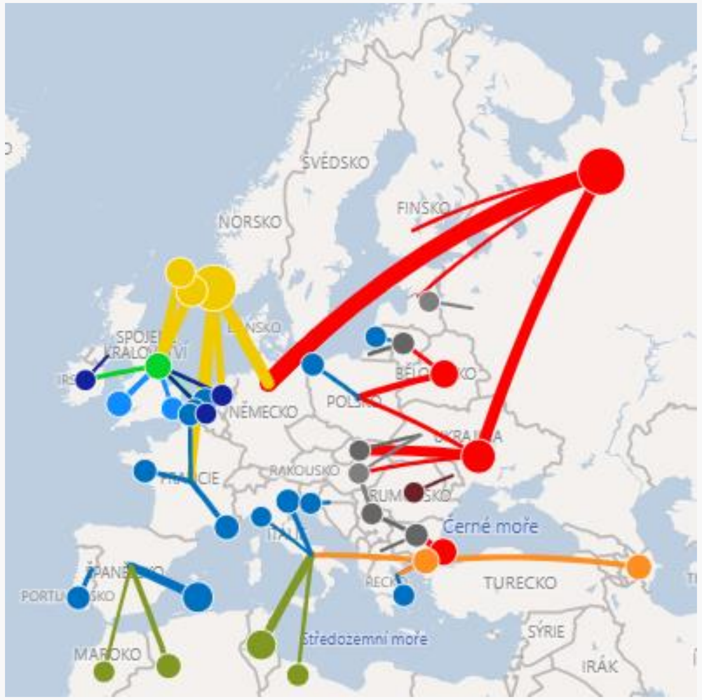
- ✓ Agreement with the regulator (ERO) on coverage of network losses for 2024: cost neutral
- ✓ OPEX inflation vs. Actual cost increases neutral to wide extent
- ✓ CAPEX & D&A plan not expected to change
- Whole negative k-factor (excess of actual revenues over allowed revenues) generated in the past (CZK 2,650m) to be returned to the system in 2023. No such negative one-off impact expected in 2024.
- Expected tariff increase in absolute terms relatively high, but lower than electricity

Agenda

3 Supplies from Russia historically representing more than 40% of gas consumption in EU (cca 4,000 TWh/year) have been replaced almost fully by Norwegian gas and LNG imports.

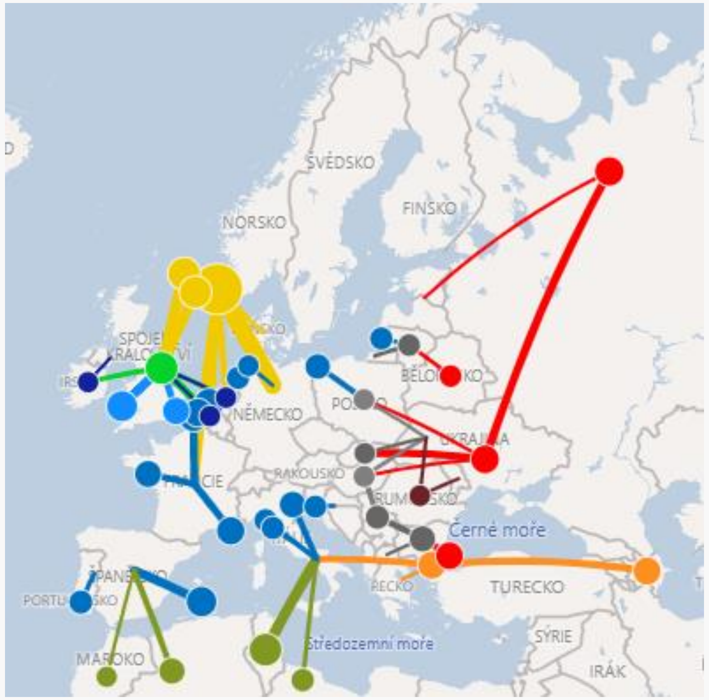
Gas Import Routes and Sources

Q4/2021



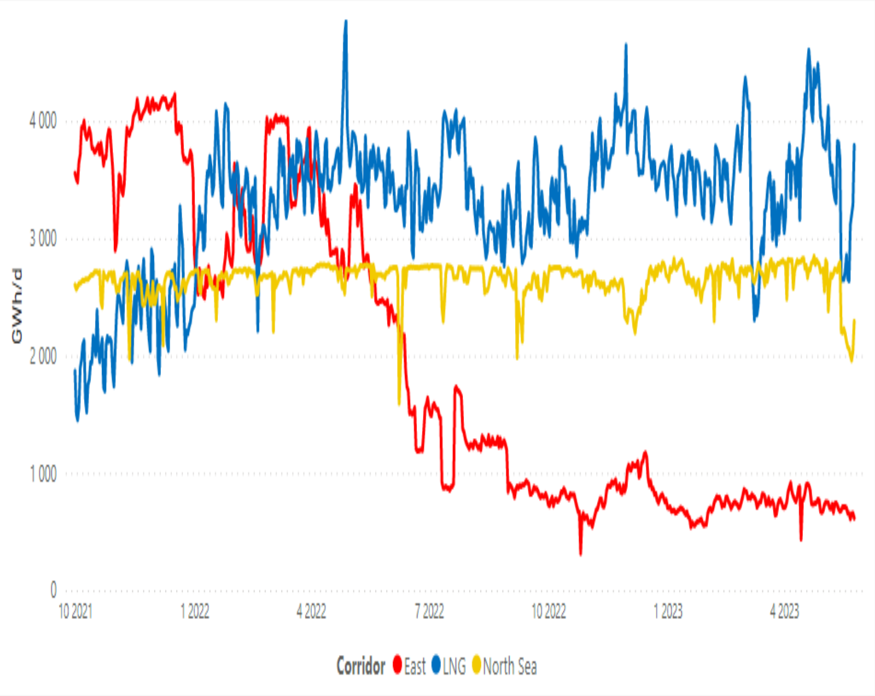
Source: European Gas Flow dashboard by ENTSOG

Q4/2022



Source: European Gas Flow dashboard by ENTSOG

Gas Supplies to Europe



Source: European Gas Flow dashboard by ENTSOG

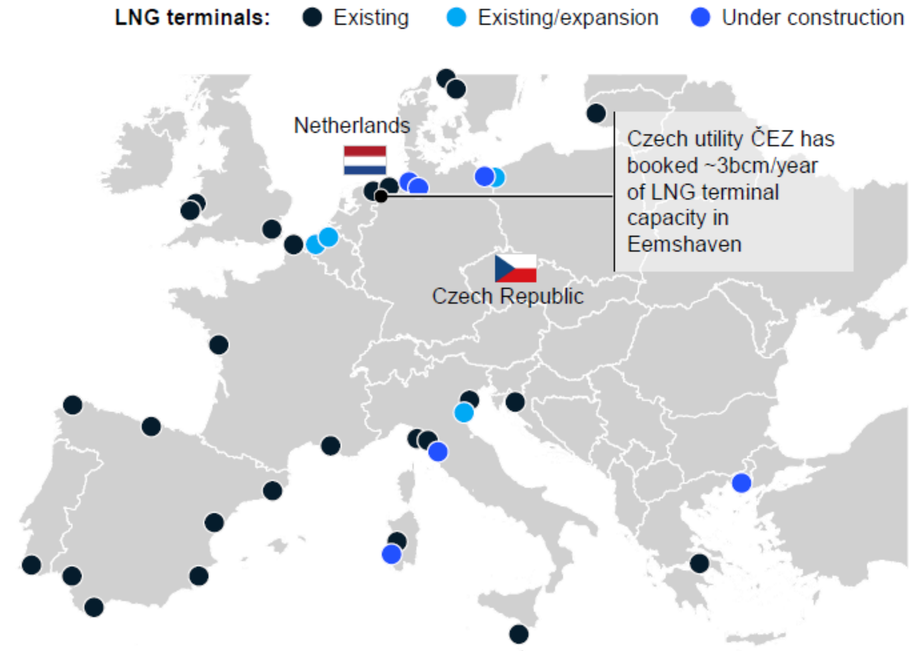
Czech Republic is securing a diversified gas supply and long-term access to LNG terminals.

Ongoing activities

Partner	Gas	Description
Qatar	LNG	• **Trade and technical cooperation agreement** approved by the government in 2022 – LNG supply expected within the next decade • Negotiations between **ČEZ and Qatar Energy** • **Czech trade foreign office opening in Doha** planned
Oman	LNG	• Oman still in search for **investors for a pipeline infrastructure, a liquefaction terminal and ships for transport** to Europe • Negotiations between the CZ government and **Omani LNG** company on investment potential in the local deposits and pipelines
Poland	LNG Piped	• Renewal of the discussion between the CZ and PL government on the **Stork II gas pipeline** connecting Czech and Polish gas networks, which would enable access to Polish LNG terminals
Germany	LNG Piped	• Negotiations between the CZ and GER government on capacity in the **Lubmin LNG** terminals – total capacity is expected to increase to **up to 14.2bcm/year in 2024** • Advantage through the **existing infrastructure** – the **OPAL pipeline** and transport to CZ via **Gazela pipeline**

LNG terminal development

LNG import capacity in Europe 2022-2024



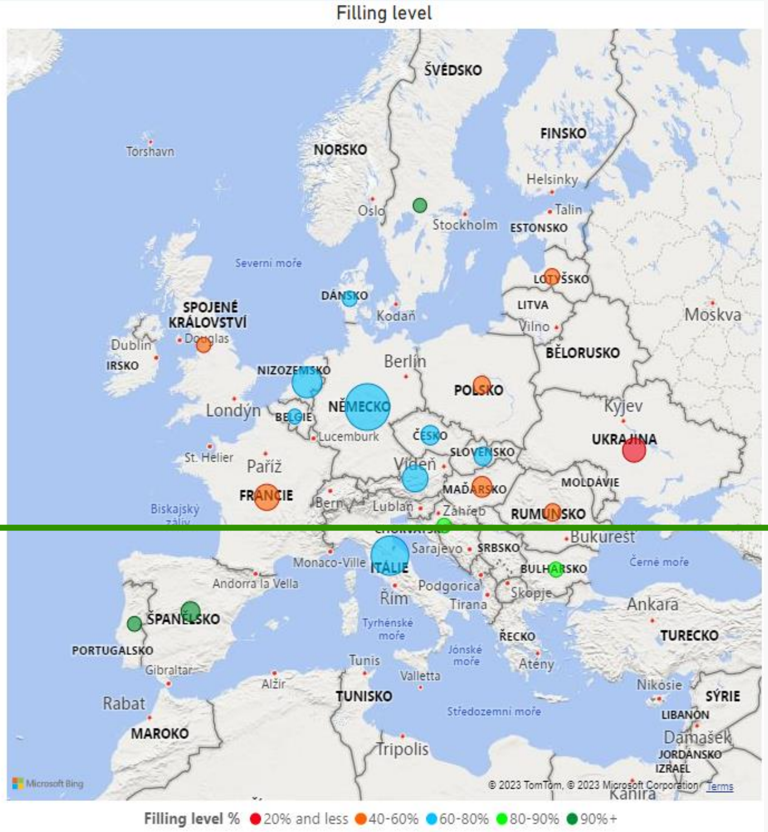
[1] ENTSOG | ENTSOG

3 Gas storage filling levels in Europe already achieved 68% vs. 47% last year.

Gas Storage Filling Level @ May 29, 2023

Country	Gas in Storage TWh	Full %
Austria	73,01	75,46
Belgium	4,77	62,68
Bulgaria	5,04	85,63
Croatia	3,87	81,05
Czech Republic	30,93	69,83
Denmark	7,57	76,90
France	68,36	51,17
Germany	186,47	74,42
Hungary	37,84	54,29
Italy	144,18	73,86
Latvia	11,11	49,17
Netherlands	97,11	68,17
Poland	20,67	55,06
Portugal	3,72	93,75
Romania	19,40	57,28
Slovakia	26,33	70,90
Spain	32,03	93,94
Sweden	0,10	95,26
Ukraine	56,65	17,65
United Kingdom	5,09	51,85
Celkem	**834,25**	

Gas Day (last update)	EU %
29. května 2023	68,37

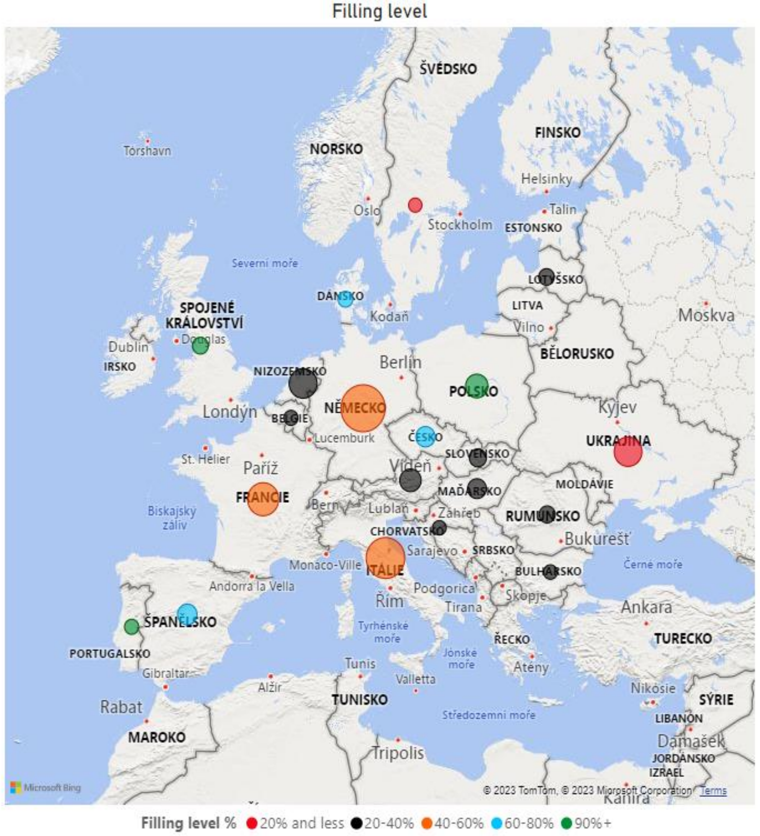


Source: European Gas Flow dashboard by ENTSOG

Gas Storage Filling Level @ May 29, 2022

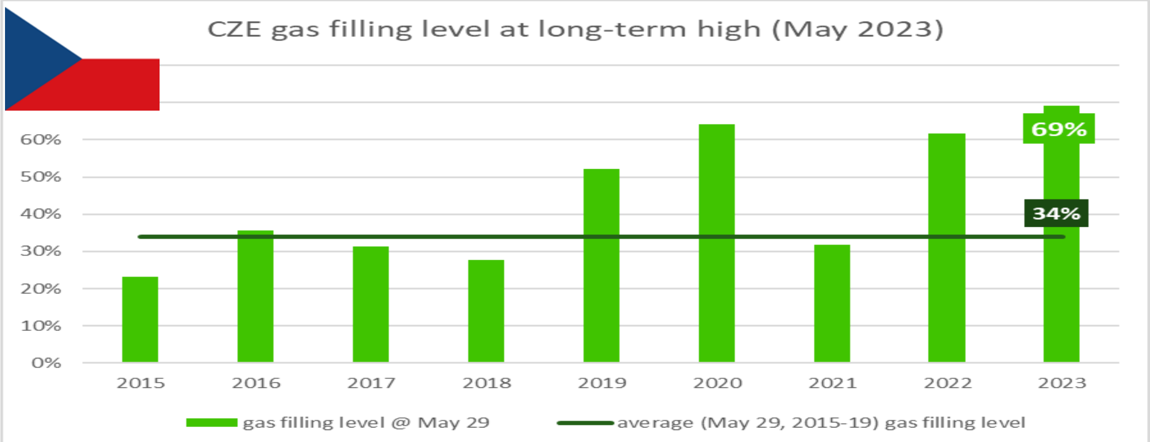
Country	Gas in Storage TWh	Full %
Austria	30,56	32,00
Belgium	3,20	36,83
Bulgaria	1,30	22,39
Croatia	1,04	21,89
Czech Republic	22,09	61,68
Denmark	5,92	65,17
France	67,44	51,24
Germany	117,28	48,70
Hungary	20,30	29,99
Italy	95,58	49,41
Latvia	8,78	36,45
Netherlands	55,36	39,83
Poland	34,39	94,44
Portugal	3,30	92,44
Romania	10,32	31,47
Slovakia	13,99	38,81
Spain	23,32	66,16
Sweden	0,01	6,74
Ukraine	54,52	16,83
United Kingdom	9,20	94,82
Celkem	**577,89**	

Gas Day (last update)	EU %
29. května 2023	68,37

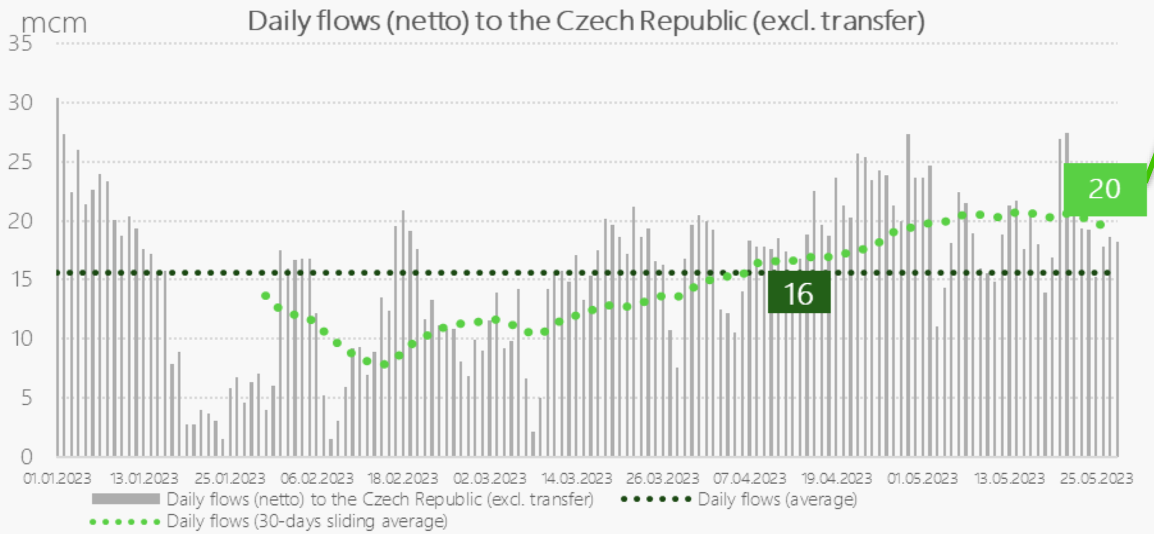


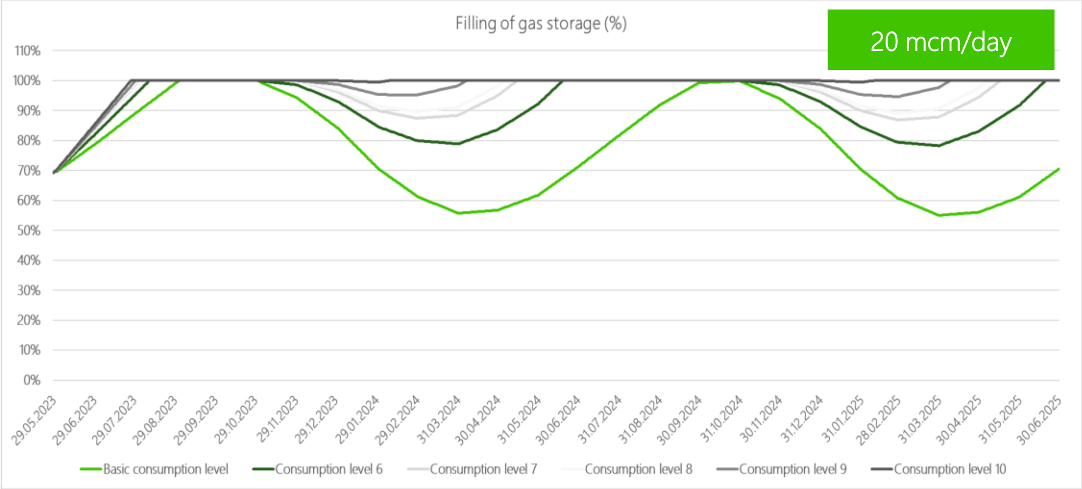
Source: European Gas Flow dashboard by ENTSOG

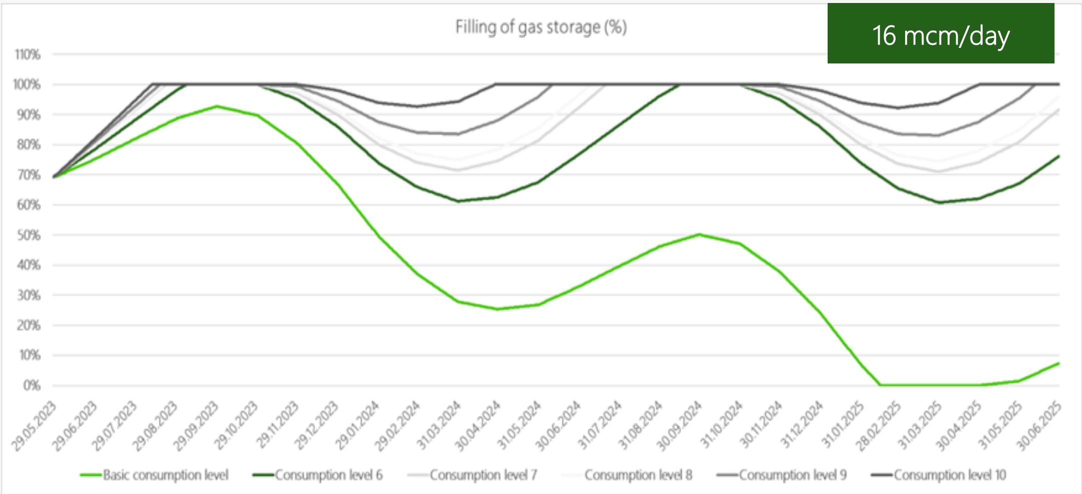
3 Storage filling level in CZ is the highest in the past 20 years. Gas supply is stable with positive outlook for the whole year 2023 and 2024.



* 2015 – 2021 data available only for RWE Gas Storage CZ, thus the comparison performed at the level of RWE Gas Storage CZ.



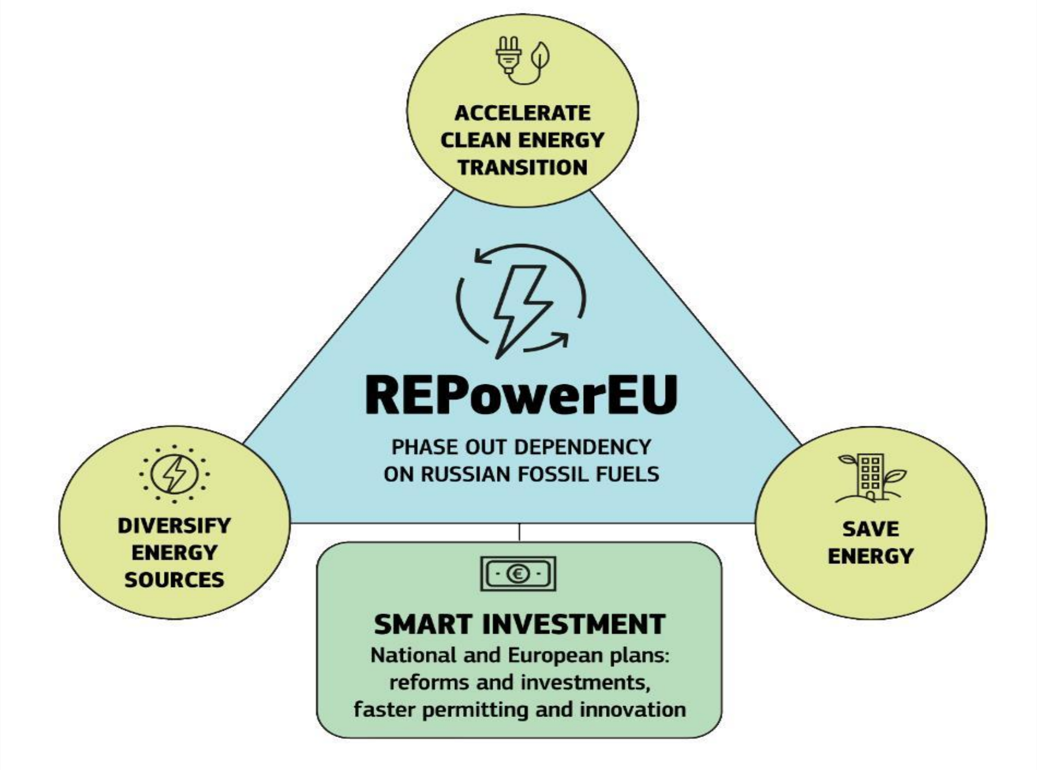




Agenda

4 The response to the energy crisis in 2022

REPowerEU actions proposed to phase out Russian fossil fuels go beyond plans presented in the FF55 Package



CZ government executed several measures to mitigate impact of possible gas interruption

- Strategic reserves controlled by the CZ government
- Financial motivation for storage users to inject gas into gas storage in CZ in keep it under defined conditions
  - Storage to be filled at least by 80% by November 1
- Use it or lose it („UIOLI“) implemented in the Energy Act
- Caps on energy prices
- State financial support to TSO/DSOs implemented in the Energy Act in case of gas interruption

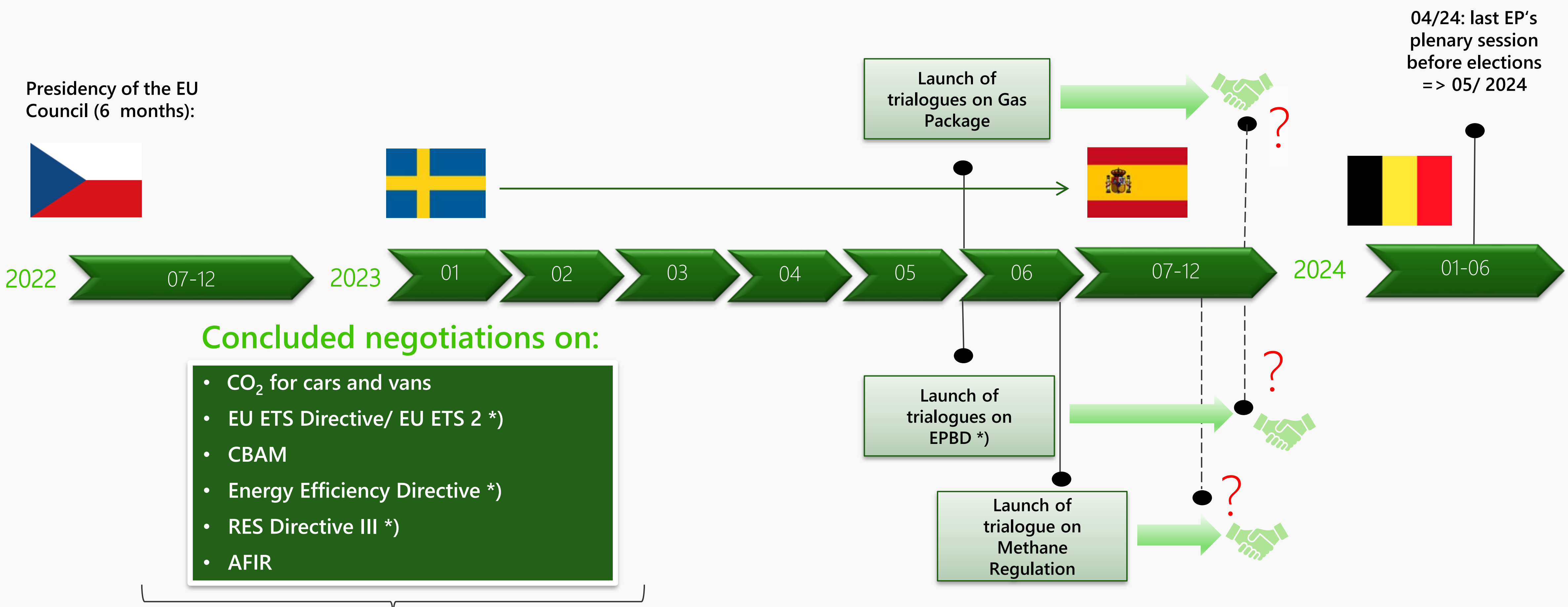
Regulatory/policy topics 2023: Energy policy documents to dominate the agenda in CZ

Energy policy documents	National Energy and Climate Plan (update)	Natural Gas / Bio-methane / Hydrogen to contribute to climate-energy targets	Q3
	State Energy Policy (update)	Natural Gas as a transition fuel, position of Bio-methane / Hydrogen in the energy mix	Q4
	Hydrogen Strategy (update)	Hydrogen	Q4
	National Action Plan for Clean Mobility (update)	Natural Gas / Bio-methane / Hydrogen in transport – i.e LNG	Q2
Legislation	Fit For 55 (EU)	Energy efficiency, EU ETS II, conditions for Hydrogen to contribute to climate energy targets	Q3
	Gas Package (EU)	Unbundling of Hydrogen network operators	Q2
	Energy Act (CZ)	Hydrogen	Q2
Other topics	RP6 (preparatory work)	Regulatory formula, conditions for Hydrogen related investments	Q1-4
	Hydrogen Pilot Projects	Hydrogen	Q1-4

4 Regulatory/policy topics 2023: FF55 Package is being finalized in EU

EU gas market: Unbundling rules and governance	• Vertical unbundling (for vertically integrated DSOs only): in the proposed form may lead to ownership unbundling for DSOs • Horizontal unbundling: at least in terms of legal form • EU DSO association: Inclusion of gas DSOs into the association established already for electricity DSOs
GHG emissions reduction: ETS 2	• ETS 2: Carbon „tax“ in road transport and individual heating (2027)
Green hydrogen definition	• Definition of green hydrogen (Delegated act to RED II), expected entry into force in July 2023 - Requirements for production of green H2 only from RES sources - Unfavorable and uncompetitive conditions for CZ producers
Methane emissions Regulation	• LDAR: Increased frequency of leakage surveys regardless of the technical condition of the networks(for vertically integrated • Repair requirements: leaks to be repaired regardless of their size • Passing on costs to end users: increase in the regulated component of the gas price
ZEB definition in EPBD	• Standard for new private buildings as of 2030, for public ones already since 2027 • 100 % RES energy produced on-site, nearby or supplied by energy community; • Residual energy supplied also by RES energy from grids or as waste heat from DHC • Need to transform all buildings by 2050 to ZEB standard

4 Timeline of negotiations of the FF 55 and Gas Packages



After formal final votes awaited publication in the Official Journal of EU

Note.: *) In case of EU Directives transposition to the Czech law will follow at least within the period of another 12 months (2024)

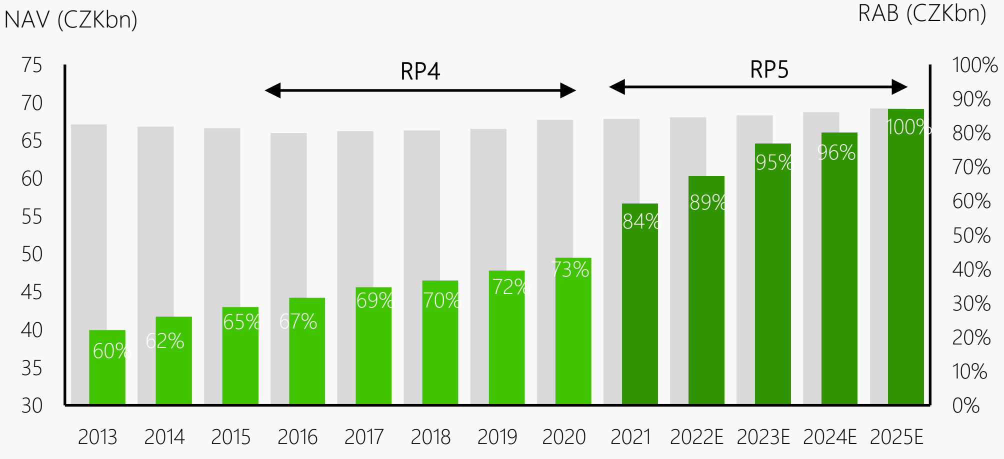
Regulatory framework proved its resilience in extraordinary market conditions. RP5 determinations provide a predictable and supportive regulatory regime with a comprehensive CAPEX plan and reasonable operating performance incentives.

4

RAB Reconciliation and Capex

- Upward reconciliation of RAB to match the higher underlying net book value in motion until 2025
- RAB reconciliation ensures smooth tariff development in the upcoming years
- Non-binding Capex plans for period 2021-2025 and 2025-2030 submitted to regulator by all DSOs

RAB and NAV Reconciliation Schedule



Source: Company Information, ERO.
Note: (1) Service-Level-Agreement (SLA) margins refer to the margin on services provided from GasNet Služby to GasNet.

Regulatory WACC

- RP5 WACC was set to 6.43% (pre-tax)

Opex

- Opex under- / outperformance sharing at the level of GasNet set at 50% / 50%
- Opex level based on the average of 2017-2019 actuals
- Service Level Agreement (SLA) margins[1] at GasNet Služby retained

Inflation

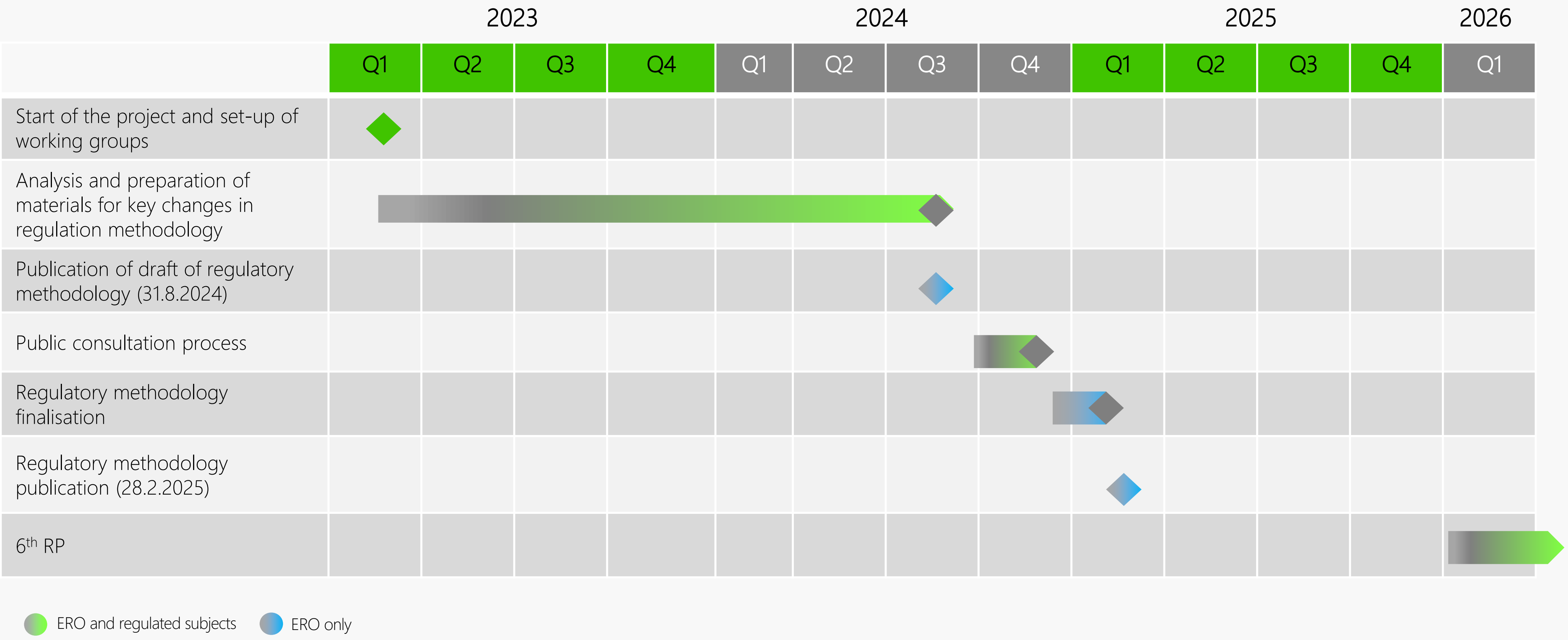
- Escalation index comprising of wage index and services index is used for valorization of allowed OPEX.
- Correction factors are escalated using Producer Price index (PPI)
- All indexes are being published by Czech statistical office.

Risks of regulatory changes before 2026

- Risk of regulatory changes affecting main principles of RP6 seems to be rather limited.
- Some marginal changes (i.e conditions to procure network losses) have been initiated by DSOs

4

ERO has formally launched a project to prepare regulatory rules for RP6*



* The organization of the project is similar as the one regarding RP5.

Agenda

5 Our ESG strategy is built on 4 pillars and is based on corporate values

GasNet ESG Strategy

	Environmental	Social	Social	Governance
PILLARS	We believe in environmental sustainability and the future of gas	We embody safety standards and health protection	We care about our people and the communities around us	We conduct business in a responsible and considerate way
ESG	E Environmental	S Social	S Social	G Governance
FOCUS AREAS	▶ Methane emissions ▶ Energy consumption ▶ Air pollution, waste, biodiversity ▶ Future of Gas (green gas transition)	▶ Employee & contractor safety ▶ Process safety ▶ Public safety & network reliability ▶ Employee health ▶ Safety culture	▶ Employee and community development ▶ Support for schools and education ▶ Diversity, equity & inclusion ▶ Employee feedback	▶ Ethical conduct & internal documentation ▶ Risk management ▶ Cybersecurity & crisis mgt. ▶ Business model resilience ▶ Sustainable supply chain

Updated ESG Rating from October 2022 positioned GasNet among leading companies with low ESG risk

SUSTAINALYTICS
17.8 Low Risk

KEY RESULTS IN 2022

- 10% less Scope 1+2 emissions vs. 2021
- 13% less energy consumed vs. 2021
- 15% less NOxemissions vs. 2021
- 45% waste recycling rate in 2022

- ~1.1 LTIF vs. target of 1.6
- New Safety Management System
- creation to coordinate all safety activities
- Around 500 attendees of health days

- ~68,000h spent on employee's
- development p.a.
- ~900 attendees of education webinars in 2021

- Update of the Code of Conduct
- Completion of the catalog of risks
- Modernization of the central security
- access and surveillance system
- Code of Conduct for suppliers

5 Our environmental sustainability journey is managed via 2 major programs – Green GasNet and Future of Gas

Green GasNet Workstreams

1. Technological losses & fugitive leakages
2. Energy cons. & Air pollution in operations
3. Energy consumption in buildings
4. Car fleet
5. Resources
6. Biodiversity

7. Future of Gas

Key achievements

- Scope 1+2 emissions: less than 184ktCO2e, leading to 10% decrease compared to 2021
- Energy consumption: 88GWh - almost 13% less than in 2021
- CO emissions: remained at the same level as 2021 of 2.8t due to a new CHP unit
- NOx emissions: 2.36t, resulting in approximately 15% decrease compared to 2021
- Waste recycling rate: 45% of all waste was recycled, 9% increase from 2021

5 Committed Net Zero Target Overview

Short-Term Retention	Mid-Term Reduction	Committed Net Zero
2025	2030	2040
Target: -%	**Target: 15%[1]**	**Target: 100%[1]**
206 435 tCO_2e	**175 470 tCO_2e**	**0 tCO_2e**
Scope 1 + 2 Emissions	Scope 1 + 2 Emissions	Scope 1, 2 & 3 Emissions

Target 2025 – keep emissions at the same level as 2020 baseline

Abatement measures cover 5 emission sources:

- Own technological gas losses
- Fugitive gas leakages
- Energy consumption in operations
- Energy consumption in buildings
- Car fleet fuel consumption

Incremental[2] CAPEX (kEUR): **0**
Incremental Average annual OPEX (kEUR): **0**

Target 2030 – reduction of 15% compared to 2020 baseline

Target depends on the following measures:

- Accelerated renewal rate of medium-pressure pipeline
- Satellite monitoring for leakage detection
- Installation of screw expanders and CHP units

Incremental CAPEX (kEUR): **0**
Incremental OPEX (kEUR): **27 860**
(64 415)[3]

Target 2040 – commitment to be Net Zero by 2040

Net Zero includes additional operational measures beyond the 15% reduction in 2030 with further abatements through the transition to green gases, with 2 major elements to be solved:

- Market availability of green gases in CZ
- Economic viability (cost) of green gases in CZ

Incremental CAPEX (kEUR): ***TBD***
Incremental Average annual OPEX (kEUR): ***TBD***

[1] Target compared to 2020 baseline | [2]Increment = on top of MTP (currently not included in MTP or included only in MTP placeholder) | [3] Additional OPEX for the implementation of satellite monitoring for leakage detection as Option 2 (see slide 12)

Agenda

6 Characteristics of the Czech Republic's energy system and constraints of alternative technologies likely leading to gaseous fuels playing a significant role across all decarbonization scenarios

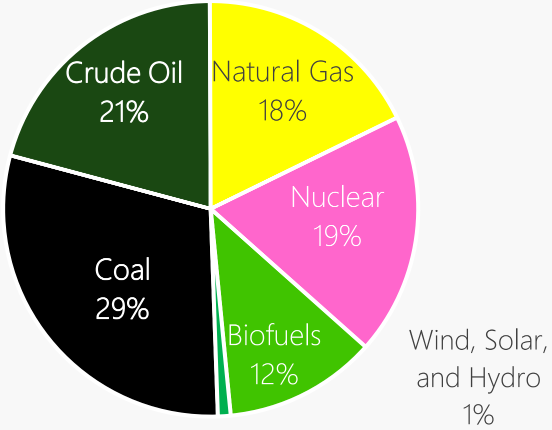
While **various technologies are expected to be required for decarbonization, gaseous fuels (clean hydrogen, biomethane or residual gas) in large part delivered via GasNet's DSO network are expected to play a significant role to decarbonize the Czech Republic** due to:

- Higher suitability of gaseous fuels to cover **winter peak heating demand** compared to electric power, which **requires real time matching of demand and supply** and hence very high installed capacities of backup generation / power storage with otherwise low utilization
- **New nuclear reactors** (tender for part of the capacity currently ongoing) or small modular reactors not expected to deliver new nuclear capacity before 2036 also, after 2036 nuclear will only have limited ability to cover demand spikes (e.g., heating demand peaks on cold winter days)
- The country's comparatively **unfavorable conditions for renewables** with no offshore wind and relatively low onshore wind and solar capacity factors of 0.2 and 0.18, respectively

6 The replacement of all fossil energy sources by 2050 will result in considerable gaps of up to one-third of future energy demand.

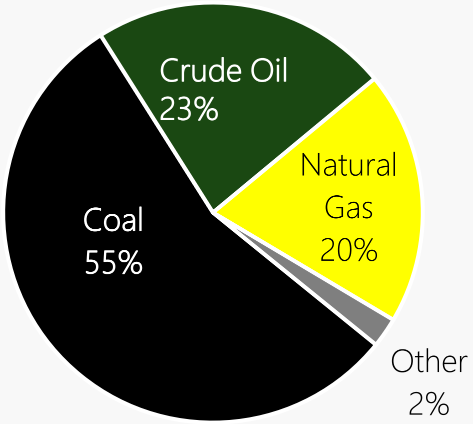
Primary Energy Sources 2022

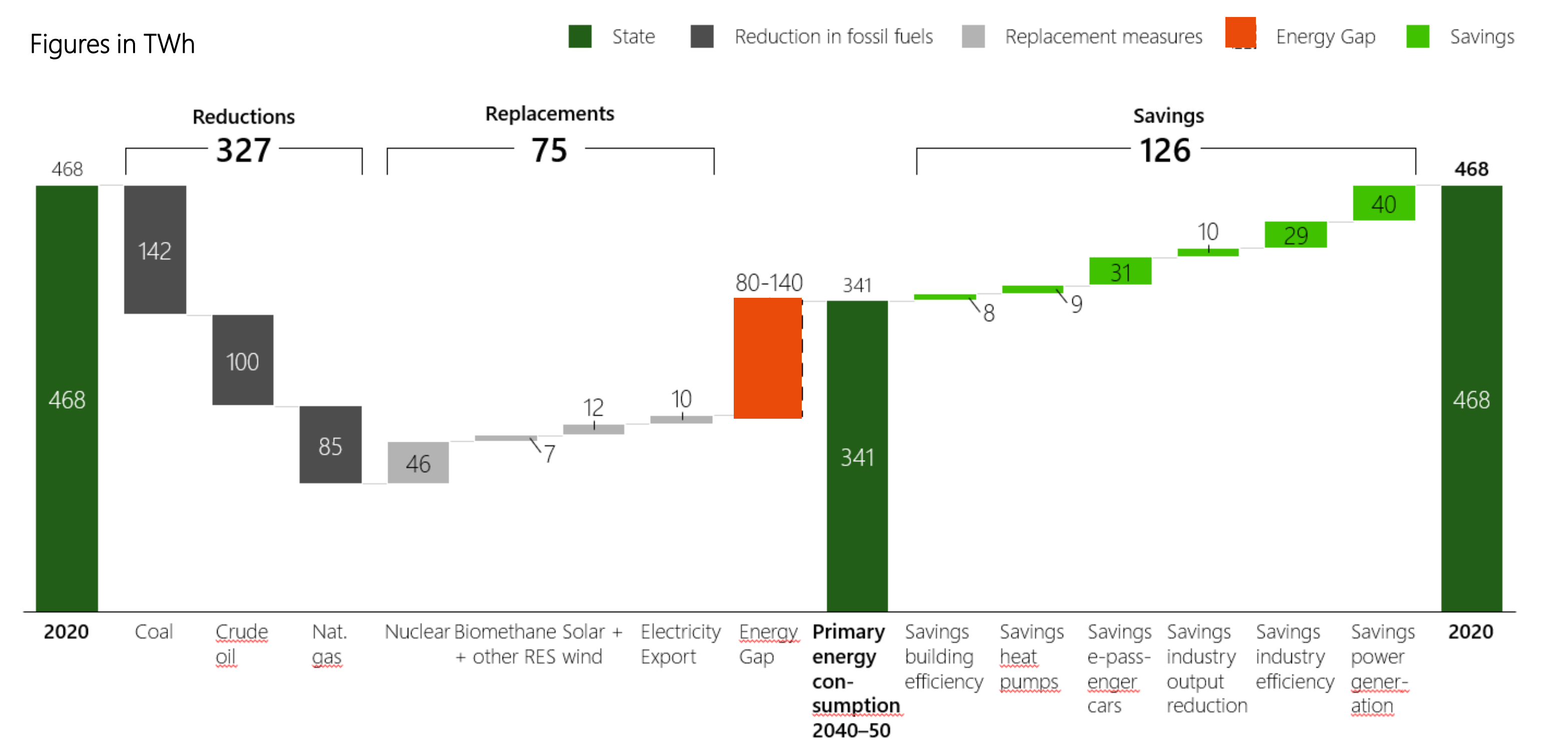
50%



Emission profile

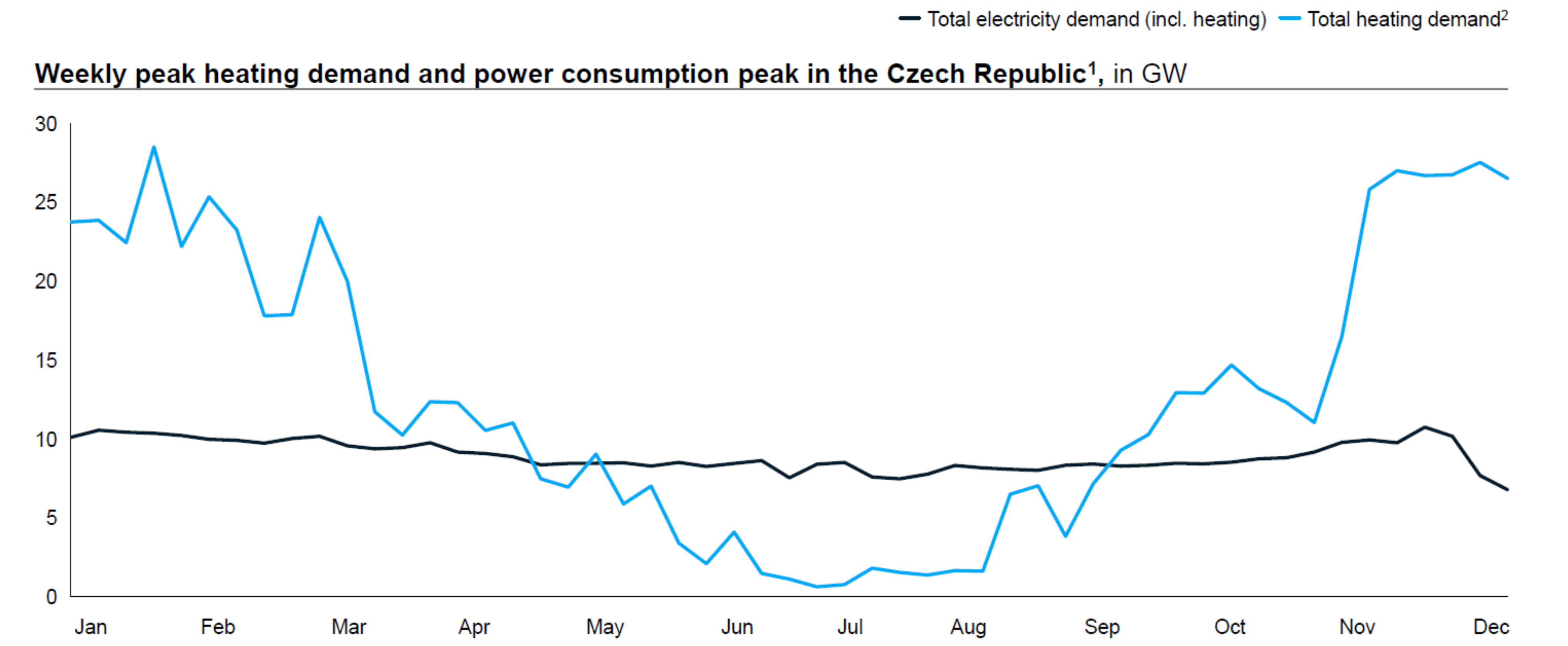
80%





6

Given the climate in CZ, the energy system needs to be able to handle heating demand peaks of up to 28GW on cold winter days



1. Calculated as maximum hourly peak of the week for heating demand and power consumption
2. Coldest winter in 20-year period in 2010; including individual residential, commercial, and district heating

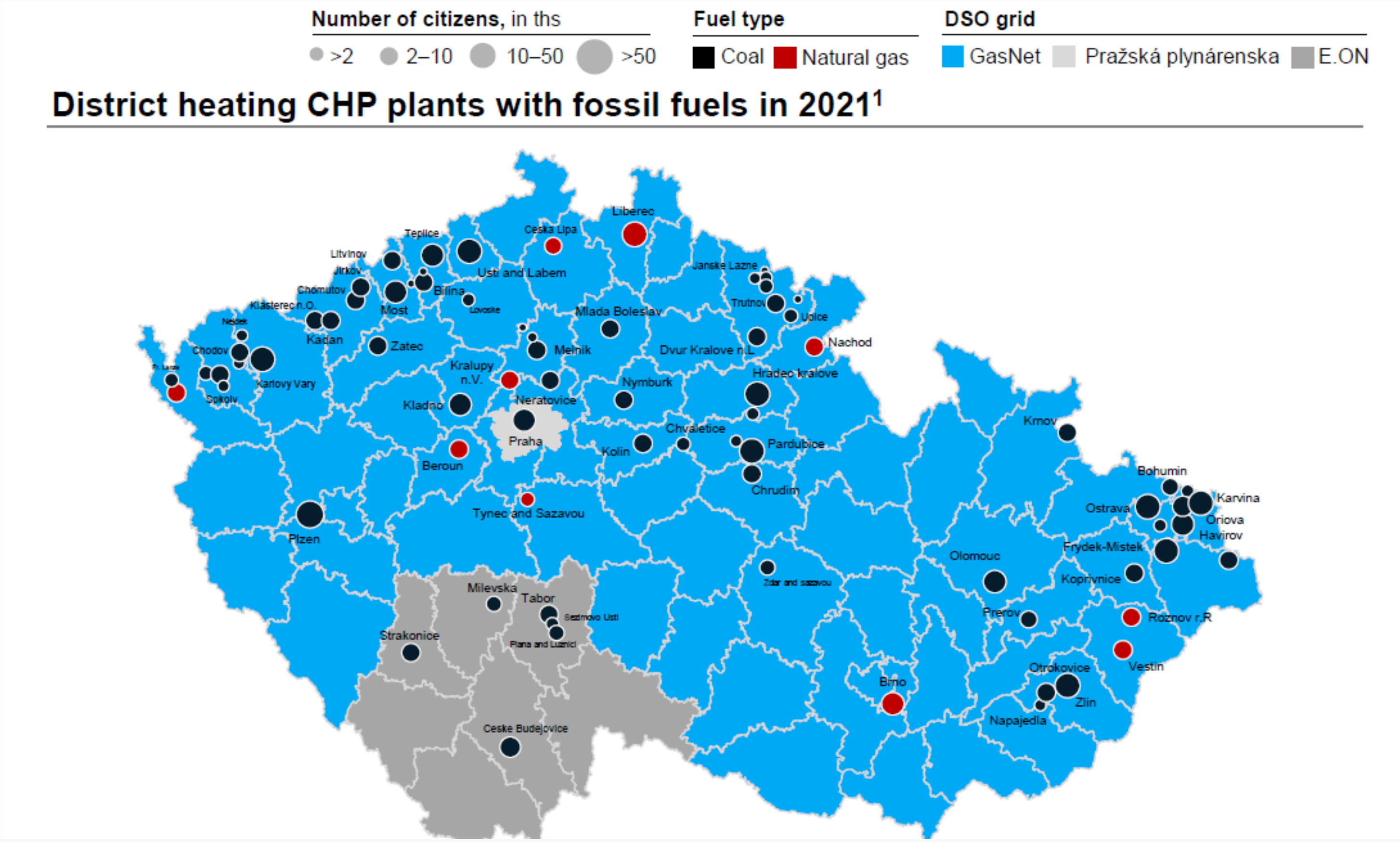
6

In the short to mid term, natural gas is expected to play a major role as transition fuel; GasNet's grid can take on a significant role when replacing other fossil fuels

As a result, natural gas consumption is expected to remain high at approx. 100 TWh in 2030 (versus 99TWh in 2021) despite efficiency gains across all sectors. This is driven by:

- Residential: Individual gas heating is expected to remain a key pillar of heat supply with heat pumps primarily deployed in new dwellings or to replace higher emitting fuels (projected decrease of less than 0.2m connection points and around 5TWh natural gas consumption driven by efficiency gains due to refurbishment by 2030)
- Industry : Coal based heating processes are expected to be converted to run on natural gas and later shift to hydrogen, esp. in the steel and chemical sectors (volumes of around 30TWh in 2030 despite efficiency gains)
- Transport : Lower carbon intensive fuels like BioLNG/CNG are expected to partly decarbonize heavy duty transport (around 2TWh vs. 1TWh gaseous fuel consumption in 2021
- Power: In the short to medium term the level of gaseous fuels is expected to remain constant (around 13TWh of natural gas in 2030) the EU taxonomy recognizes new natural gas power plants built before 2030 as 'transitional energy source', if they are used to replace more emissions heavy fossil fuel s such as oil and coal
- District heating : Coal fired CHPs (accounting for approx. 60% of residential heat delivered in district heating 2021) are expected to be replaced by natural gas CHPs by 2033 (increase of over 15 TWh natural gas consumption vs. 2021)

6 Extensive district heating network run on CHPs remains essential for heating in the future

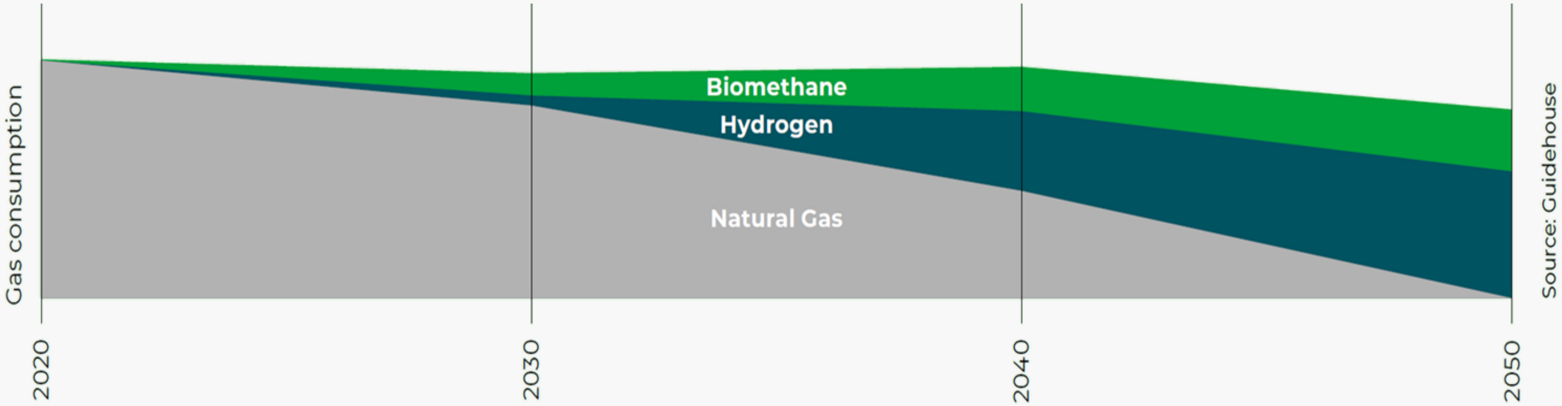


Key takeaways

Today's widespread district heating network based on CHPs remains major component of future heating strategy of Czech Republic

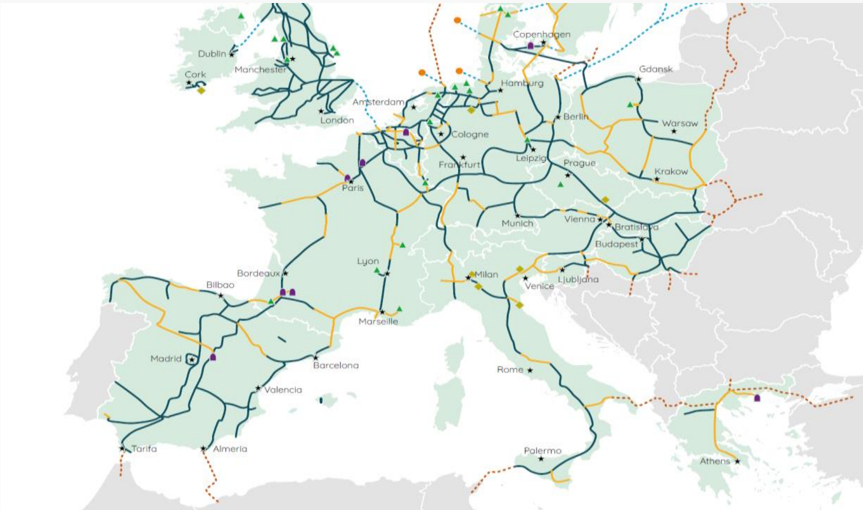
Connection of new gas fueled CHP plants to DSO or TSO network is subject to economic assessment (esp. distance to current pipelines). Most gas fired CHPs (<1TWh) were connected to the DSO grid.

6 While ensuring natural gas supply in the short to medium term, GasNet is progressing to i) increase share of biomethane, and (ii) to prepare the network to deliver hydrogen to industrial, commercial, and residential consumers in the long run.

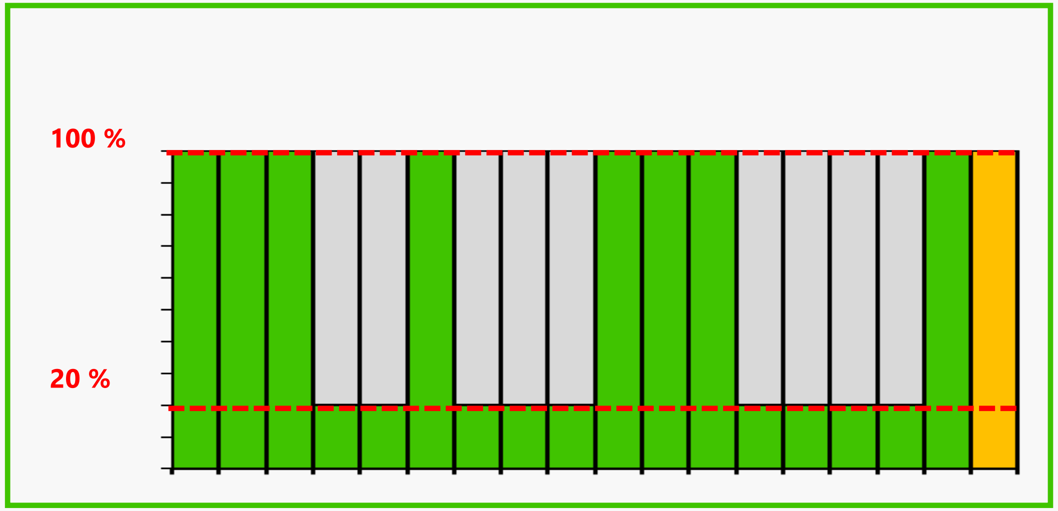


- Today, our network is already able to carry up to 20 % of hydrogen blends
- GasNet's asset management strategy includes an upgrade of the network to prepare the grid for 100% hydrogen in the next 10 to 15 years to come

Pan-European Hydrogen Backbone addresses hydrogen transport in existing infrastructure



Hydrogen readiness of individual parts of our distribution network



6

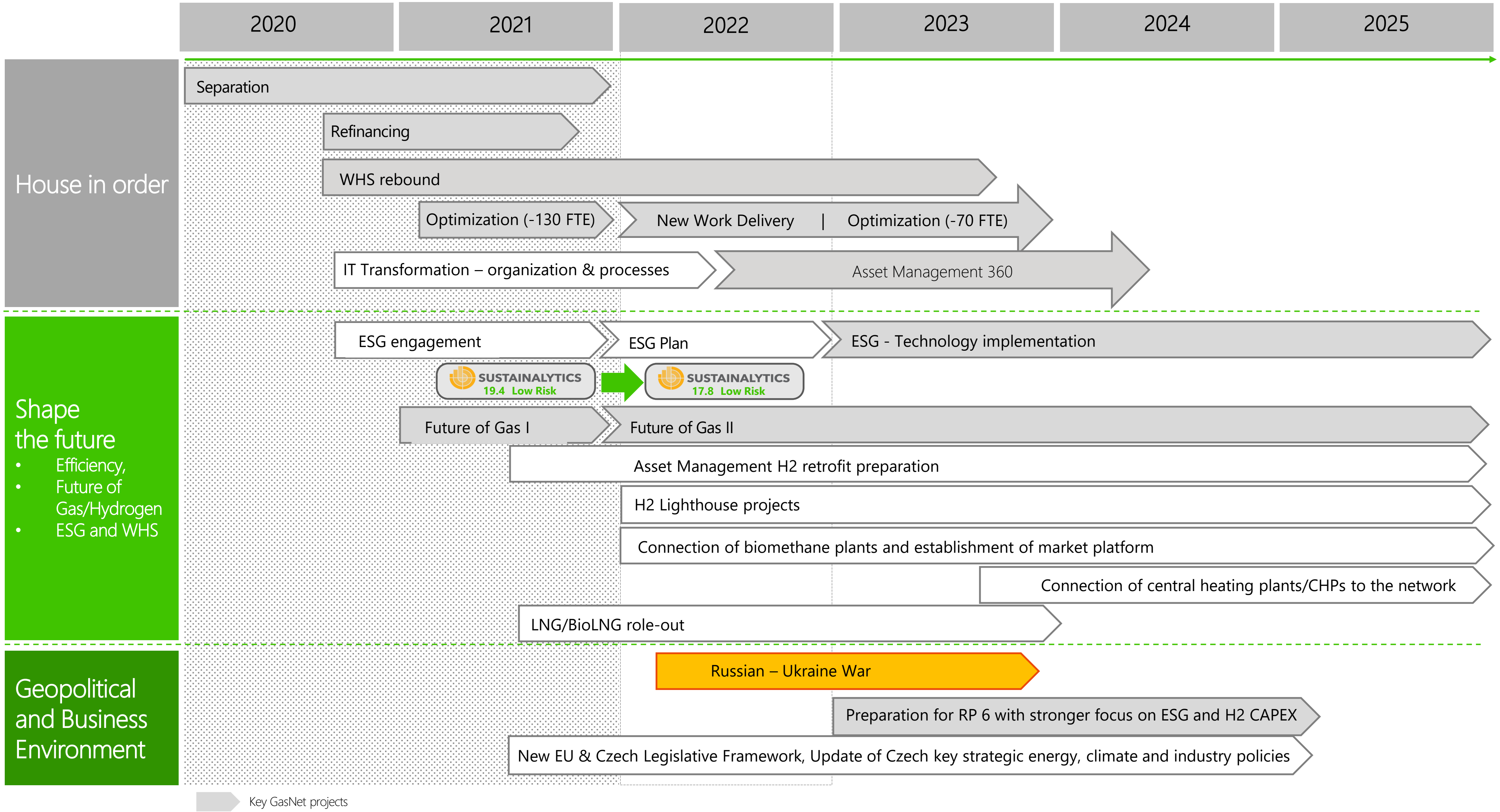
Analyses show that the potential for hydrogen in the Czech Republic may reach 50-60 TWh per year between 2040 and 2050, which is 50-60% of the expected energy shortage (80-140 TWh).

Consumption segment	2050 TWh	2050 ths. tons
Industry	20	595
Transport	10	307
Heat and power production	11	335
Households	12	372
Services	8	226
Hydrogen Consumption total	61	1 835

Source: ENTSO-G a ENTSO-E TYNDP 2022, Global Ambition Scenario

Agenda

7 Strategic framing 2022 - 25



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9 CGH's core business is the distribution of natural gas throughout the Czech Republic, a regulated business with 81% country coverage.

CGH Snapshot

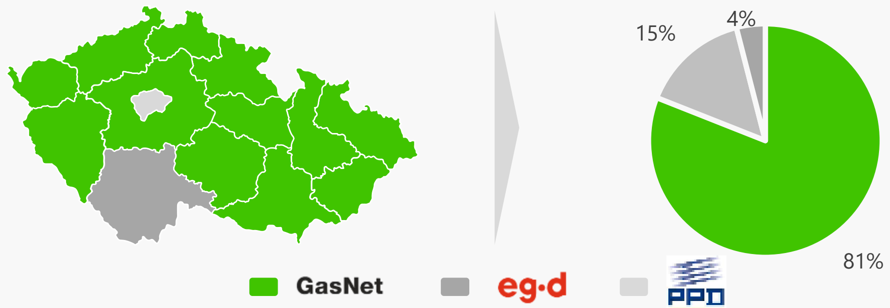
- Largest distribution operation (DSO) in the country by both grid length and number of connections
- First fully unbundled utility in the Czech Republic after the successful separation from innogy in 2020
- Standard European RAB-based regulation with 5-year regulatory periods (RP) with strong track-record of tariff stability. The 5th RP began in 2021 and ends in 2025
- Strategically positioned to support the transition of the Czech Heating sector from lignite to gas
- Received a Sustainalytics rating of 19.4 "Low Risk", ranked 3rd out of 83 Gas Utilities
- The Czech Republic is AA-rated and the Company has a Senior Unsecured Rating: S&P BBB+ (stable) / Fitch BBB (stable). Senior Unsecured Notes issued by the Company are notched up to BBB+ by Fitch.

65,000km of gas pipelines	c. 2.3m off-take points	c. 70TWh / year distributed gas

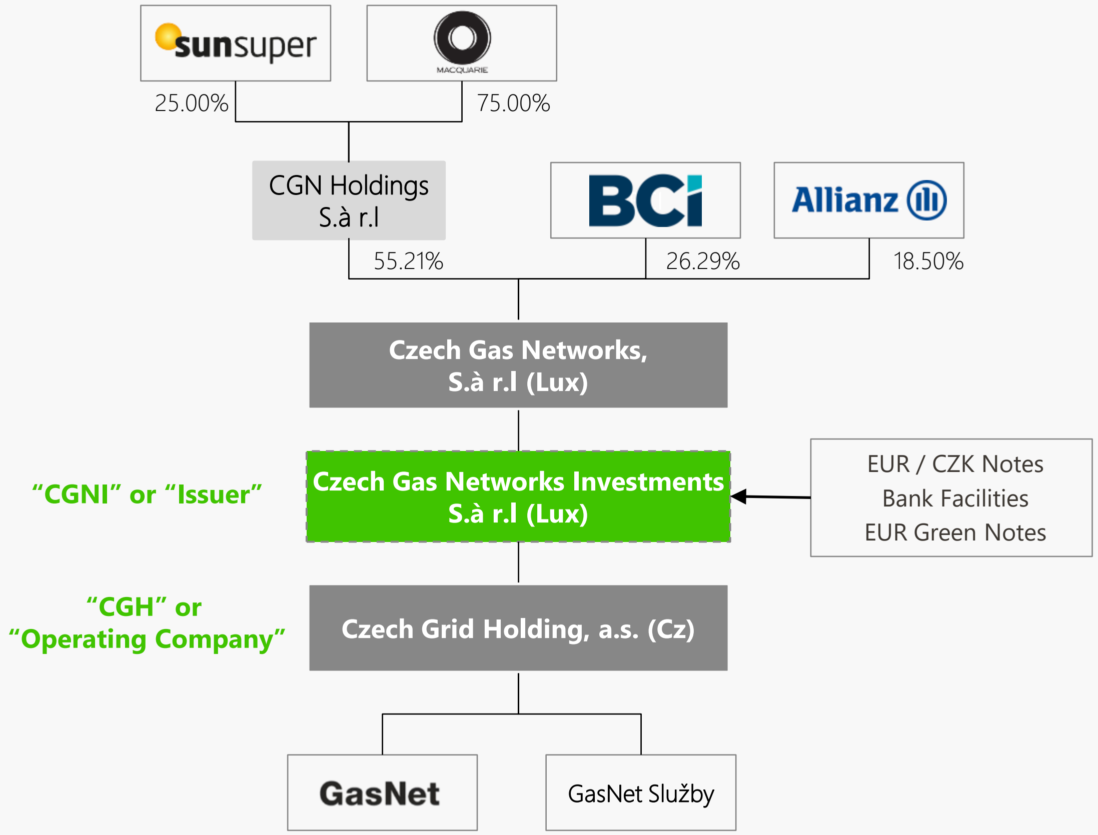
Geographic Footprint & Market Presence

Czech Gas Distribution Regions by Company / Operator

Market Shares by customers coverage (YE2020)



Current Shareholding & Corporate Structure



Source: Company Information.

9 The Czech regulation for Gas Distribution is stable, attractive and predictable, in full alignment and compliance with EU directives and international practices.

ERO's Key Principles & Objectives

- Stability and sustainability of tariffs
- Predictability of regulation
- Interest of all stakeholders guaranteed
- Objective and transparent decision making
- Consistency with legislation

Key Elements of the Czech Gas Distribution Regulation

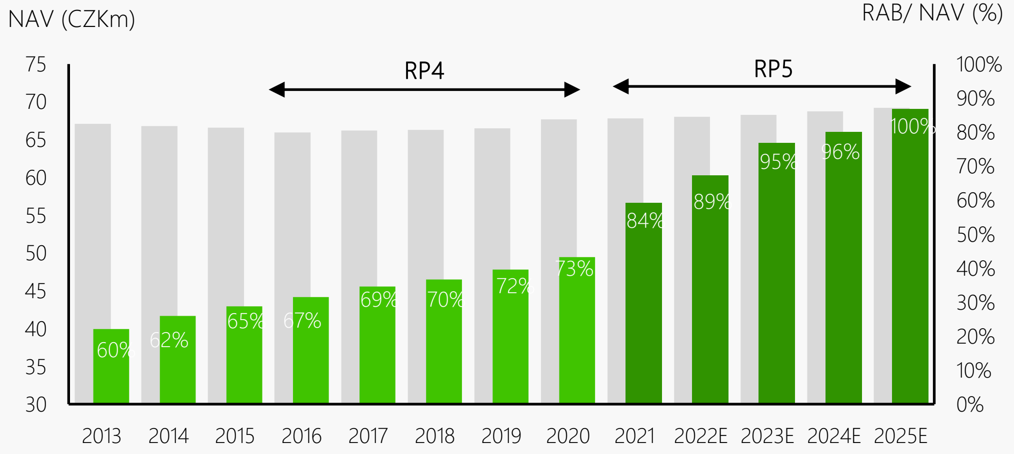
- Standard RAB-based revenue-cap model
- Current grid infrastructure regulation in place since 2002
- Currently in the 5th RP, which started in 2021 and ends in 2025
- Regulator traditionally opted for stable tariffs across regulatory periods
- "This framework provides stability, transparency, and predictability to operators' cash flows." (S&P, 2020)

Allowed Revenue Breakdown

Allowed Profit (RAB x WACC) + **Allowed D&A** + **Allowed Opex** = **Allowed Revenue**

- RP5 WACC was set to 6.43% (pre-tax)
- Opex level based on the average of 2017-2019 actuals, with under- / outperformance sharing at the level of GasNet set at 50% / 50%

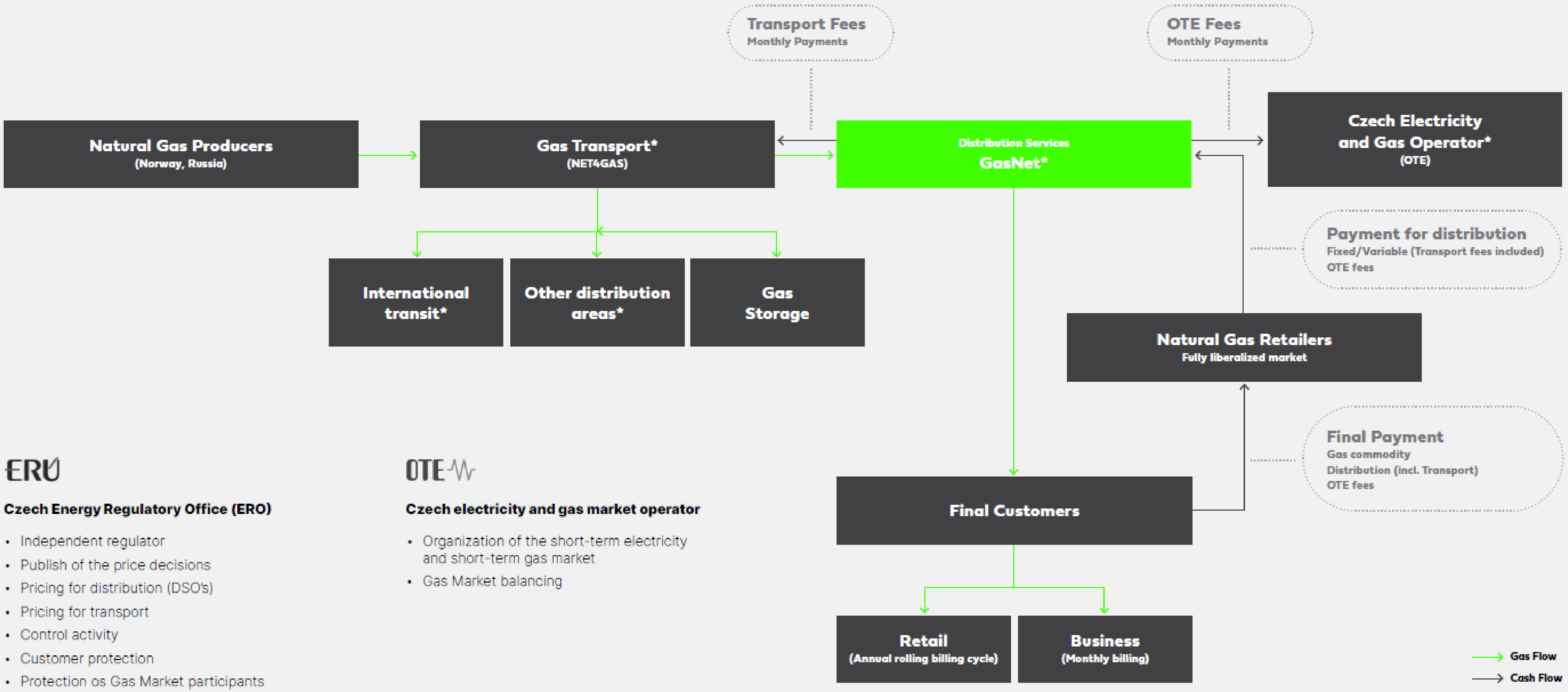
RAB and NAV Reconciliation Schedule



- Upward reconciliation of RAB to match the higher underlying net book value in motion until 2025, with non-binding Capex plans for period 2021-2025 and 2025-2030

Source: Company Information, ERO.

9 GasNet is the regulated owner & operator of the distribution network, with 2.3 million end connections. The transformation process towards a more sustainable energy sector requires significant efforts across the whole energy sector.



ERÚ

Czech Energy Regulatory Office (ERO)

- Independent regulator
- Publish of the price decisions
- Pricing for distribution (DSO's)
- Pricing for transport
- Control activity
- Customer protection
- Protection os Gas Market participants
- Support of renewable energy sources

OTE

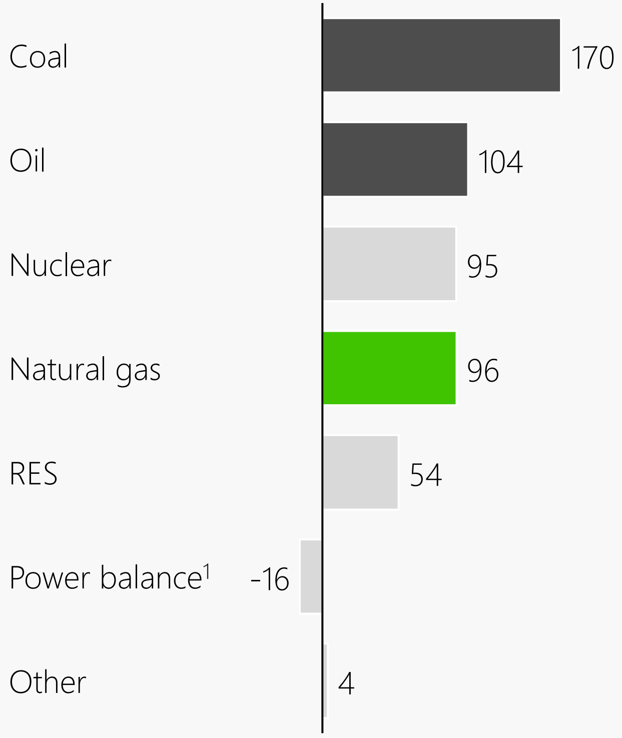
Czech electricity and gas market operator

- Organization of the short-term electricity and short-term gas market
- Gas Market balancing

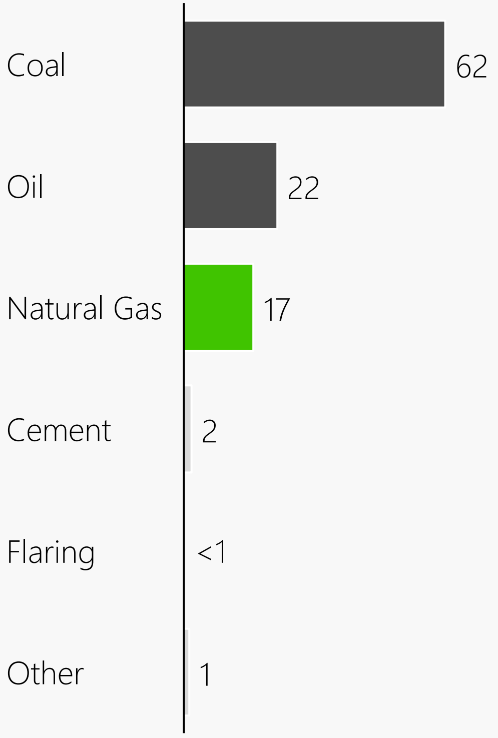
* Subject regulated or partially regulated by ERO

Czech energy consumption is dominated by fossil fuels

Primary energy consumption
2020, TWh



Emissions by source
2017, $MtCO_2$



Decarbonisation will have to focus on replacing coal and oil

Selected key aspects of the Czech energy landscape

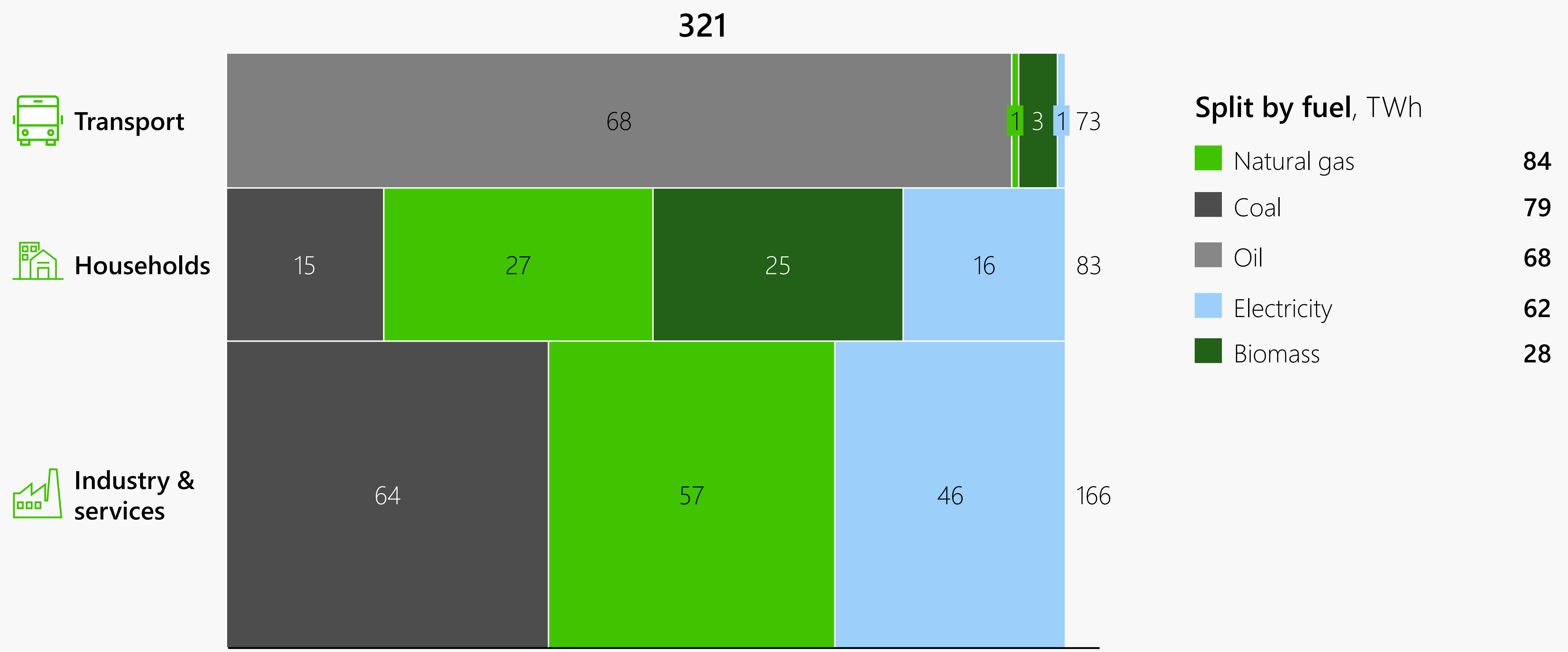
- A Nuclear friendly
- B Self-sufficient power generation
- C Low RES potential
- D Cold winters
- E Importing fuels

1. Electric power is not a primary energy source. Taking the perspective of the Czech Republic, negative balance reflects net exports.

Source: McKinsey DPO and MPM models, CO_2: ourworldindata.org, Statni energeticka koncepce CR

Coal is used mainly in household heating and industry

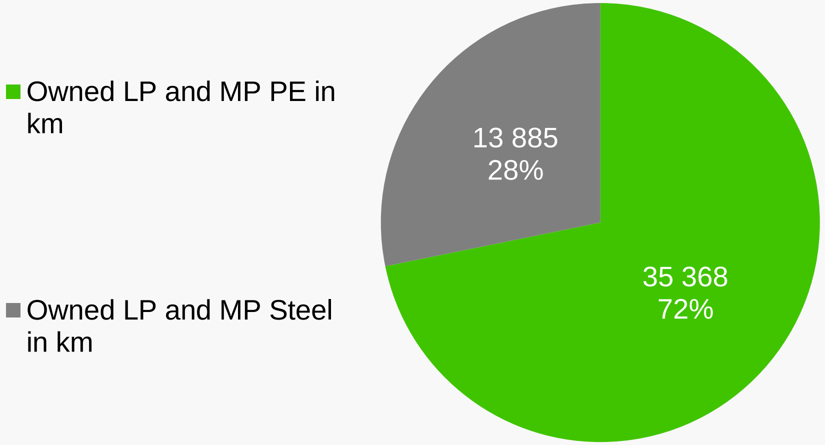
Final energy consumption, 2019, TWh



Source: ERU, Czech Statistical Office, McKinsey analysis

5 Material wise, we are ready to distribute a 20% blend of hydrogen with NG. Specifically, pipeline components are prepared to a large extent for 100% H2 distribution

Current Steel and PE Pipeline Breakdown



- PE mains are crucial for future distribution of blended gases and **hydrogen**
- CGNI is **well-positioned** with its **current pipeline material** mix
  - A significant proportion of ~72% of current, owned local **network length** are already in PE
  - 60% of municipalities have already **a PE pipeline share higher than 99%**
- By replacing legacy materials (steel) with modern materials (PE), the Company also expects to drive **emission** and **cost savings**

Source: GasNet; Marcogaz (EU); NREL (USA); GRTGaz (FR); HyDeploy (UK); Hy4Heat (UK); internal analysis.

9 2021-2050: GasNet to enter a deep transformation process by supporting replacement of coal with natural gas within this decade; while preparing in parallel for sustainable hydrogen distribution after 2030.