

## NET4GAS, s.r.o.

The downgrade of Net4gas, s.r.o.'s Long-Term Issuer Default Rating (IDR) to 'BB-' reflects our downward revision of the company's transit-related profits in the short and medium term. This mainly stems from continuing Russian gas transit towards Ukraine and the Turkish Stream corridor, which limits the transit potential for Net4Gas and is only mitigated by our preliminary expectations of increased regulated revenues. The senior unsecured rating has also been downgraded to 'BB-' with a Recovery Rating of 'RR4'.

The Evolving Outlook on the IDR reflects that rating evolution would depend on the above developments, especially on the regulatory part, compared with our central expectations, while liquidity remains adequate for 2023-2024.

## Key Rating Drivers

**Expected Reduction of Alternative Flows:** We have revised down our expectations of non-Russian gas transited through Net4gas's pipelines to 18 billion-19 billion cubic metres (bcm), including the needs of national demand, from 33bcm forecast in October 2022. This is in light of continuing Russian gas transit through Ukraine and Turkish Stream routes and gas export to Germany from France and Belgium, which directly reduce the gas transit routed through the Czech gas network.

**Regulatory Upside:** Net4gas's discussion with the Czech regulator to "account for the unprecedented change in the transit flows through the Czech gas transmission system" presents upside opportunities that are difficult to quantify. We see potential for a significant increase of Net4gas's regulatory asset base (RAB) and understand that legal grounds for such an increase exist.

However, there is uncertainty about the estimates of the portion of existing infrastructure that would ultimately be included in the RAB. As such, we conservatively factor in only a limited increase in revenue, which is also compatible with our depressed medium-term view of west-to-east alternative flows.

**Lower, but Increasingly Regulated EBITDA:** Our new projections indicate materially lower EBITDA over 2024-2026 on average, at slightly more than CZK3 billion, versus the CZK5.5 billion in our October 2022 estimates. However, our current assumptions imply the share of regulated EBITDA at around 70% (historically 20%-25%), due to the potential increase of regulated revenues and relatively depressed transit estimates.

**Leverage Peak in 2023:** We forecast 2023 EBITDA at slightly more than CZK2.2 billion, due to limited transit activity, and free cash flow (FCF) to be potentially eroded by large tax advances to be only reversed in 2024 (treated below FFO). This will lead to double-digit funds from operations (FFO) net leverage in 2023, before it stabilises at around 8.5x in the following three years, mainly on EBITDA normalisation and positive annual pre-dividend FCF estimated at more than CZK1.3 billion.

**Upside and Downside to Forecasts:** The key downside to our forecasts is represented by only small positive regulatory developments (potentially in the form of a RAB increase), which would impair debt capacity at the current rating and require material equity injections to preserve the rating. However, higher-than-expected recognition of regulated assets and revenues could sustain a higher rating assessment and potential notching up from the IDR for the senior unsecured rating instruments.

## Ratings

## Foreign Currency

Long-Term IDR BB-

## Outlook

Long-Term Foreign-Currency IDR Evolving

## Debt Rating

Senior Unsecured Debt - Long-Term Rating BB-

2035 Climate Vulnerability Signal: 45

[Click here for the full list of ratings](#)

## Applicable Criteria

[Country-Specific Treatment of Recovery Ratings Criteria \(March 2023\)](#)[Corporate Rating Criteria \(October 2022\)](#)[Corporates Recovery Ratings and Instrument Ratings Criteria \(April 2021\)](#)

## Related Research

[Global Corporates Macro and Sector Forecasts](#)

## Analysts

Nicolò Meroni  
+39 02 9475 8265  
[nicolo.meroni@fitchratings.com](mailto:nicolo.meroni@fitchratings.com)Jaime Sierra  
+49 69 768076 275  
[jaime.sierrapuerta@fitchratings.com](mailto:jaime.sierrapuerta@fitchratings.com)

A further reduction or even the cessation of Russian gas flow through the Ukrainian and Turkish Stream corridors should benefit Net4gas's gas transit flow, all else being equal. Net4gas may also be entitled to some form of compensation from the filed arbitrations proceedings towards Gazprom, but given the large uncertainty, any development in this respect would represent an upside to our forecast.

**Solid Regulatory Framework:** Gas transmission in the Czech Republic is fully regulated within a transparent and supportive framework and is in its fifth regulatory period until end-2025. Net4gas's regulatory framework shields the company from any reduction in intra-state transmitted volumes arising from warmer temperatures or a lack of supply, through regulatory compensation is with a two-year time lag.

Furthermore, in the case of a state emergency, transmission system operators (TSOs) are allowed to ask for compensation in the same year directly from the state budget for any intra-state capacity fees lost. This would also smooth cash flow volatility arising from the risk of gas supply curtailments to Czech industrial sectors.

## Financial Summary

(CZKm)	2020	2021	2022	2023F	2024F	2025F
EBITDA	8,801	8,813	11,266	2,278	3,059	3,143
Funds flow from operations	7,007	7,378	8,860	1,155	2,066	2,191
Free cash flow	-4,402	-394	5,332	—	—	—
FFO interest coverage	11.6	11.7	6.8	1.6	2.3	2.7
FFO net leverage	3.5	4.0	2.9	13.7	8.9	8.2

F = Forecast

Source: Fitch Ratings, Fitch Solutions

## Rating Derivation Relative to Peers

eustream, a.s. (BBB/Negative; 'bbb-' Standalone Credit Profile) is Net4gas's closest rated peer, as both companies own and operate gas transit pipelines in Slovakia and the Czech Republic, respectively. eustream's gas transit displays more resilience as one of the few routes still being used by Russia to Europe (even if at much depressed levels), with regular payments as of now. In addition, the Standalone Credit Profile differential is explained by the historically low leverage of the Slovakian company (net debt/EBITDA below 2.5x). Positively, Net4gas benefits from a higher share of domestic business with more supportive regulation. For both companies, liquidity is adequate, having implemented a zero dividend policy.

Net4gas is in a weaker competitive position than fully regulated national TSO peers, such as Snam S.p.A. (BBB+/Stable), REN - Redes Energeticas Nacionais, SGPS, S.A. (BBB/Stable) and pure gas distributor, Czech Gas Networks Investments S.a r.l (BBB/Stable). The latter shares the same country, regulator and a supportive fifth regulatory period as Net4gas, but its almost fully regulated earnings allow for a higher debt capacity than ship-or-pay contracts, especially if the latter are short term.

## Navigator Peer Comparison

	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Positioning	Regulatory Environment	Asset Base	Operational Profile	Profitability and Cash Flow	Financial Structure	Financial Flexibility
NET4GAS, s.r.o.	BB-/Evolving	bb+	a-	bbb	bbb+	bbb	bb	bbb-	b+	bbb-
eustream, a.s.	BBB/Negative	bb+	bbb+	bbb+	bbb	a	b	bbb	a	bbb
REN	BBB/Stable	a+	a-	a	bbb+	bbb+	a-	bbb	bb+	a
Snam S.p.A.	BBB+/Stable	a-	a	a	a-	bbb+	a	bbb+	bbb	a-
SNTGN TRANSGAZ SA	BBB-/Stable	bbb-	bbb	bbb	bbb-	bbb	bbb	bb+	bbb+	bbb-

Source: Fitch Ratings. Relative Importance of Factor  Higher  Moderate  Lower

Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Positioning	Regulatory Environment	Asset Base	Operational Profile	Profitability and Cash Flow	Financial Structure	Financial Flexibility
NET4GAS, s.r.o.	BB-/Evolving	+2	+6	+4	+5	+4	+1	+3	-1	+3
eustream, a.s.	BBB/Negative	-2	+1	+1	0	+3	-6	0	+3	0
REN	BBB/Stable	+4	+2	+3	+1	+1	+2	0	-2	+3
Snam S.p.A.	BBB+/Stable	+1	+2	+2	+1	0	+2	0	-1	+1
SNTGN TRANSGAZ SA	BBB-/Stable	0	+1	+1	0	+1	+1	-1	+2	0

Source: Fitch Ratings. Factor Score Relative to IDR  Worse positioned than IDR  Within one notch of IDR  Better positioned than IDR

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- Evidence of materially improved international gas transit prospects or materially better positive regulatory developments than expected
- FFO net leverage below 7.7x, with a business mix comprising about 70% of EBITDA from regulated activities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- No materially positive regulatory updates for the domestic gas transport business amid continuously weak alternative gas transit and absent significant shareholder support
- FFO net leverage above 8.5x, with a business mix comprising about 70% of EBITDA from regulated activities
- Reinstatement of dividend distribution

## Liquidity and Debt Structure

**Adequate Liquidity:** Cash on balance sheet was around CZK6.8 billion at end-2022, which is sufficient to cover 2023 and 2024 operating expenses (of about CZK1.2 billion a year), financial charges (about CZK1.5 billion a year) and expected capex (cumulatively about CZK2.1 billion), even with the sole support of the current TSO business (about CZK2.2 billion in revenues a year). We expect the first significant debt maturity only from mid-2025 at almost CZK10 billion.

## ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

## Climate Vulnerability Considerations

Fitch Ratings has published a Criteria Exposure Draft describing its approach to assessing Climate Vulnerability for Corporates. In this report, we describe our proposal to use Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. [Click here for the Criteria Exposure Draft.](#)

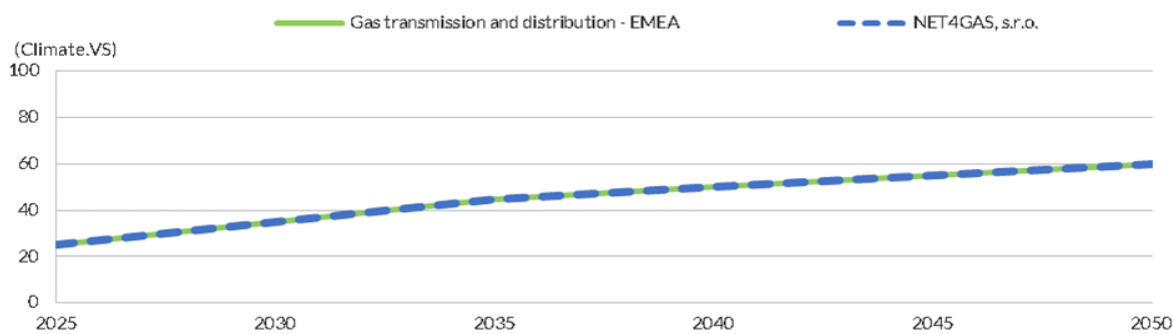
The FY22 revenue-weighted Climate Vulnerability Signal (Climate.VS) for 2035 is 45 out of 100, which is our sector score for gas transmission and distribution companies. For further information on how Fitch perceives climate-related risks in the Utilities sector see [Utilities - Long Term Climate Vulnerability Signals.](#)

Key transition risks for the gas transmission and distribution sector arise from potential reduction in demand for natural gas in the long term, which could gradually increase regulatory uncertainty and force companies to invest in the redeployment of the infrastructure to service demand for green hydrogen or green gases (biomethane), although we believe such a transformation would entail high costs and execution risk.

These risks are mitigated by the supportive regulatory framework in Czech Republic, which underpins the visibility of Net4gas's regulated revenues. We see a higher risk in the commercial gas transit business, which is more exposed to the evolution of gas supply and demand dynamics in Europe.

### Climate.VS Evolution

As of Dec. 31, 2022



Source: Fitch Ratings

## Liquidity and Debt Maturities

(CZKm)	2023F	2024F	2025F	2026F
<b>Available liquidity</b>				
Beginning cash balance	6,812	4,120	7,912	-615
Rating case FCF after acquisitions and divestitures	-2,692	3,792	1,313	1,483
<b>Total available liquidity (A)</b>	<b>4,120</b>	<b>7,912</b>	<b>9,225</b>	<b>868</b>
<b>Liquidity uses</b>				
Debt maturities	0	0	-9,840	-5,119
<b>Total liquidity uses (B)</b>	<b>0</b>	<b>0</b>	<b>-9,840</b>	<b>-5,119</b>
<b>Liquidity calculation</b>				
Ending cash balance (A+B)	4,120	7,912	-615	-4,251
Revolver availability	0	0	0	0
<b>Ending liquidity</b>	<b>4,120</b>	<b>7,912</b>	<b>-615</b>	<b>-4,251</b>
Liquidity score (x)	Not meaningful	Not meaningful	0.9	0.2

F - Forecast

Source: Fitch Ratings, Fitch Solutions, NET4GAS, s.r.o.

### Scheduled debt maturities

(CZKm)	31 December 2022
2023	0
2024	0
2025	9,840
2026	5,119
2027	0
Thereafter	18,723
<b>Total<sup>a</sup></b>	<b>33,682</b>

<sup>a</sup>excluding EUR 1.4 billion of cross currency swap liabilities

Source: Fitch Ratings, Fitch Solutions, NET4GAS, s.r.o.

## Key Assumptions

- Alternative transit gas flows run on short-term bookings up to 10 bcm in the medium term (on top of domestic consumption)
- TSO revenues based on the current regulatory framework, plus upsides related to additional asset recognition into RAB from 2024
- Annual operating expenditure of CZK1.2 billion, assuming some cost rationalisation
- Potential cash tax advance payment in 2023 to fully reverse in 2024
- No working-capital absorption to 2026
- Cumulative capex of CZK3.7 billion in 2023-2026 (in a decreasing trend), assuming some spending rationalisation
- No dividend payments from 2022

## Financial Data

(CZKm)	Historical			Forecast		
	2020	2021	2022	2023F	2024F	2025F
<b>Summary income statement</b>						
Gross revenue	10,029	10,373	12,950	3,227	4,258	4,342
Revenue growth (%)	24.5	3.4	24.8	-75.1	31.9	2.0
EBITDA (before income from associates)	8,801	8,813	11,266	2,278	3,059	3,143
EBITDA margin (%)	87.8	85.0	87.0	70.6	71.8	72.4
EBITDAR	8,801	8,836	11,266	2,278	3,059	3,143
EBITDAR margin (%)	87.8	85.2	87.0	70.6	71.8	72.4
EBIT	6,440	6,309	8,800	-516	280	340
EBIT margin (%)	64.2	60.8	68.0	-16.0	6.6	7.8
Gross interest expense	-643	-780	-1,664	-1,420	-1,305	-1,168
Pretax income (including associate income/loss)	5,241	4,696	7,685	-1,599	-673	-536
<b>Summary balance sheet</b>						
Readily available cash and equivalents	2,226	1,352	6,812	4,169	8,010	4,672
Debt	29,232	33,782	35,014	35,014	35,014	30,314
Lease-adjusted debt	29,232	33,782	35,014	35,014	35,014	30,314
Net debt	27,006	32,430	28,202	30,845	27,004	25,642
<b>Summary cash flow statement</b>						
EBITDA	8,801	8,813	11,266	2,278	3,059	3,143
Cash interest paid	-659	-686	-1,450	-1,420	-1,305	-1,168
Cash tax	-1,056	-806	-1,454	0	0	0
Dividends received less dividends paid to minorities (inflow/(out)flow)	–	–	–	0	0	0
Other items before FFO	-87	46	68	-25	-25	-25
Funds flow from operations	7,007	7,378	8,860	1,155	2,066	2,191
FFO margin (%)	69.9	71.1	68.4	35.8	48.5	50.5
Change in working capital	-11	-1,119	272	0	0	0
Cash flow from operations (Fitch defined)	6,996	6,259	9,132	1,155	2,066	2,191
Total non-operating/nonrecurring cash flow	–	–	–	–	–	–
Capex	-6,563	-2,669	-3,800	–	–	–
Capital intensity (capex/revenue) (%)	65.4	25.7	29.3	–	–	–
Common dividends	-4,835	-3,984	–	–	–	–
Free cash flow	-4,402	-394	5,332	–	–	–
Net acquisitions and divestitures	24	1	–	–	–	–
Other investing and financing cash flow items	42	44	31	–	–	–
Net debt proceeds	-1	6,325	97	0	0	-4,700
Net equity proceeds	4,401	-6,850	–	0	0	0
Total change in cash	64	-874	5,460	-2,643	3,841	-3,338
<b>Leverage ratios (x)</b>						
EBITDA leverage	3.3	3.8	3.1	15.4	11.4	9.6
EBITDA net leverage	3.1	3.7	2.5	13.5	8.8	8.2
EBITDAR leverage	3.3	3.8	3.1	15.4	11.4	9.6
EBITDAR net leverage	3.1	3.7	2.5	13.5	8.8	8.2
EBITDAR net fixed charge coverage	13.5	12.7	11.0	2.1	3.2	3.4
FFO adjusted leverage	3.8	4.2	3.5	15.5	11.5	9.7
FFO adjusted net leverage	3.5	4.0	2.9	13.7	8.9	8.2
FFO leverage	3.8	4.2	3.5	15.5	11.5	9.7
FFO net leverage	3.5	4.0	2.9	13.7	8.9	8.2
<b>Calculations for forecast publication</b>						
Capex, dividends, acquisitions and other items before FCF	-11,374	-6,652	-3,800	-3,847	1,726	-878
Free cash flow after acquisitions and divestitures	-4,378	-393	5,332	-2,692	3,792	1,313
Free cash flow margin (after net acquisitions) (%)	-43.7	-3.8	41.2	-83.4	89.1	30.2

(CZKm)	Historical			Forecast		
	2020	2021	2022	2023	2024	2025
<b>Coverage ratios (x)</b>						
FFO interest coverage	11.6	11.7	6.8	1.6	2.3	2.7
FFO fixed charge coverage	11.6	11.4	6.8	1.6	2.3	2.7
EBITDAR fixed charge coverage	13.4	12.5	7.8	1.6	2.3	2.7
EBITDA interest coverage	13.4	12.8	7.8	1.6	2.3	2.7
<b>Additional metrics (%)</b>						
CFO-capex/debt	1.5	10.6	15.2	-0.5	3.7	4.3
CFO-capex/net debt	1.6	11.1	18.9	-0.6	4.8	5.1
CFO/capex	106.6	234.5	240.3	85.7	266.9	249.5

Source: Fitch Ratings, Fitch Solutions, NET4GAS, s.r.o.

#### How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

## Ratings Navigator

FitchRatings

NET4GAS, s.r.o.

ESG Relevance:

Corporates Ratings Navigator  
EMEA Regulated Networks



**Bar Chart Legend:**

Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	↑ Positive
■ Higher Importance	↓ Negative
■ Average Importance	↕ Evolving
■ Lower Importance	□ Stable



### Operating Environment

bbb-	Economic Environment	b	Weak combination of countries where economic value is created and where assets are located.
bb+	Financial Access	bbb	Average combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
b-	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
ccc+			

### Sector Positioning

a-	Operation Type	a	National or regional monopolies, transmission or distribution asset owners.
bbb+	Non-Regulated Earnings (% of Total Earnings)	b	up to 25%
bbb			
bbb-			
bb+			

### Asset Base

a-	Diversification	bbb	Limited diversification by geography without regulatory diversification; regional utility.
bbb+	Critical Mass	a	Critical mass in one regulated asset; does not affect efficiency of operations (cost base, customer base, key personnel).
bbb	Asset Quality and Residual Life	bbb	Mid-range asset quality not affecting opex and capex requirements compared with peers. The residual life of regulatory assets is average.
bbb-			
bb+			

### Profitability and Cash Flow

bbb+	Return on Capital	bb	Return on capital below the regulatory benchmark.
bbb	Volatility of Profitability	bb	Less stability and predictability of profit than utility peers.
bbb-	Investment Cycle	a	Investment cycle position and dividend policy leading to broadly neutral free cash flow. High flexibility in smoothing capex plans.
bb+			
bb			

### Financial Flexibility

bbb+	Financial Discipline	bbb	Financial policies less conservative than peers but generally applied consistently.
bbb	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well spread debt maturity schedule but funding may be less diversified.
bbb-	FFO Interest Coverage	bbb	3.5x
bb+	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging.
bb	Dividend Cover	n.a.	

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

### Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective checks and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure has some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	bbb	Good-quality reporting without significant failings. Consistent with the average of listed companies in major exchanges.
bbb			

### Regulatory Environment

a	Independence, Transparency, Predictability	bbb	Less transparent frameworks, with emerging track record and multi-year tariffs; exposed to political risk. Medium-term predictability.
a-	Licensing, Ring-Fencing, Concessioning	bbb	Less demanding licensing and ring-fencing provisions; moderate concession renewal risk.
bbb+	Cost and Investment Recovery	bbb	Tariff setting with challenge mechanisms that may limit efficiently incurred cost and investment recovery, with moderate regulatory lag.
bbb	Volume and Price Risk	a	High insulation from price and volume risk, little revenue under-recovery.
bbb-			

### Operational Profile

bbb-	Performance Measures	a	Key performance measures in line with or above sector average and/or regulatory target.
bb+	Counterparty Risk	bb	High counterparty risk; water suppliers with high doubtful debt levels. Structurally challenged economy in area served.
bb			
bb-			
b+			

### Financial Structure

bb	FFO Leverage	b	8.0x
bb-	FFO Net Leverage	b	7.5x
b+	Adjusted Net Debt/Asset Base (or Regulated Asset Base)	b	90%
b	Cash PMCR	n.a.	
b-	Nominal PMICR	n.a.	

### Credit-Relevant ESG Derivation

				Overall ESG
NET4GAS, s.r.o. has 9 ESG potential rating drivers				
key driver	0	issues	5	
driver	0	issues	4	
potential driver	9	issues	3	
not a rating driver	3	issues	2	
not a rating driver	2	issues	1	

For further details on Credit-Relevant ESG scoring, see page 3.

**Credit-Relevant ESG Derivation**

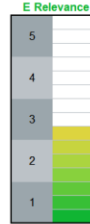
NET4GAS, s.r.o. has 9 ESG potential rating drivers

- ➔ NET4GAS, s.r.o. has exposure to extreme weather events but this has very low impact on the rating.
- ➔ NET4GAS, s.r.o. has exposure to access/affordability risk but this has very low impact on the rating.
- ➔ NET4GAS, s.r.o. has exposure to customer accountability risk but this has very low impact on the rating.
- ➔ NET4GAS, s.r.o. has exposure to labor relations & practices risk but this has very low impact on the rating.
- ➔ NET4GAS, s.r.o. has exposure to social resistance but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
	3	issues	2
not a rating driver	2	issues	1

**Environmental (E) Relevance Scores**

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Profitability and Cash Flow
Energy Management	2	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Profitability and Cash Flow
Water & Wastewater Management	1	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Operations; Profitability and Cash Flow; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management, Ecological Impacts	2	Impact of waste including pollution incidents; discharge compliance; sludge disposal	Operations; Profitability and Cash Flow; Financial Flexibility
Exposure to Environmental Impacts	3	Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)	Operations; Profitability and Cash Flow; Financial Flexibility



**How to Read This Page**

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

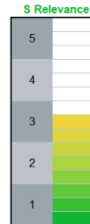
The **Environmental (E), Social (S) and Governance (G)** tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The **Credit-Relevant ESG Derivation** table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.

**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

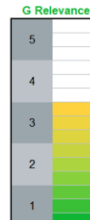
**Social (S) Relevance Scores**

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulatory Environment
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Financial Structure; Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Operations; Profitability and Cash Flow



**Governance (G) Relevance Scores**

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

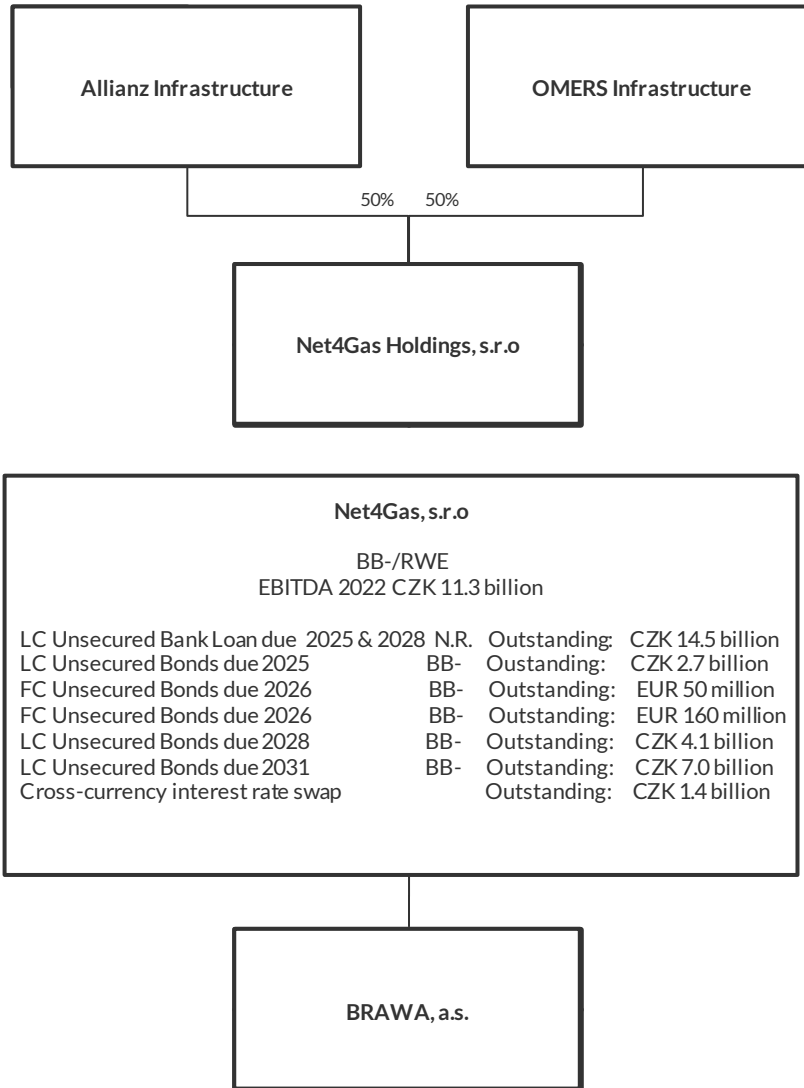


**CREDIT-RELEVANT ESG SCALE**

**How relevant are E, S and G issues to the overall credit rating?**

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



Source: Fitch Ratings, Fitch Solutions, NET4GAS, s.r.o.. as at end-2022

## Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	EBITDA (EURm)	Funds from operations (EURm)	Free cash flow (EURm)	FFO interest coverage (x)	FFO net leverage (x)
NET4GAS, s.r.o.	BB-						
	BB+	2022	467	367	221	6.8	2.9
	BBB	2021	351	294	-16	11.7	4.0
	BBB	2020	334	266	-167	11.6	3.5
eustream, a.s.	BBB						
	BBB	2022	478	343	173	11.7	2.4
	A-	2021	547	350	20	11.9	2.7
	A-	2020	677	481	184	11.7	2.1
SNTGN TRANSGAZ SA	BBB-						
	BBB-	2021	97	88	-58	19.9	3.5
	BBB-	2020	86	74	-230	18.8	3.8
	BBB-	2019	112	124	-163	135.2	0.5
EP Infrastructure, a.s.	BBB-						
	BBB-	2021	1,265	1,084	458	10.1	3.0
	BBB-	2020	1,453	1,090	-202	9.4	3.1
	BBB-	2019	1,642	1,308	485	11.4	3.0
Snam S.p.A.	BBB+						
	BBB+	2022	2,187	1,698	2,314	14.8	6.2
	BBB+	2021	2,237	1,909	-391	17.4	6.9
	BBB+	2020	2,158	1,828	-354	12.7	6.6
Czech Gas Networks Investments S.a r.l	BBB						
	BBB	2021	408	329	-520	9.1	5.9
	BBB	2020	339	267	5	7.2	5.2
REN - Redes Energeticas Nacionais, SGPS, S.A.	BBB						
	BBB	2021	454	320	410	9.0	6.6
	BBB	2020	463	368	89	7.8	6.6
	BBB	2019	477	348	-3	6.8	6.9

Source: Fitch Ratings, Fitch Solutions, Net4Gas, s.r.o.

## Fitch Adjusted Financials

(CZKm) 31 December 2022	Reported values	Sum of adjustments	Lease treatment	Other adjustments	Adjusted values
<b>Income statement summary</b>					
Revenue	12,950				12,950
EBITDAR	11,367	-101	-39	-62	11,266
EBITDAR after associates and minorities	11,367	-101	-39	-62	11,266
Lease expense	0				0
EBITDA	11,367	-101	-39	-62	11,266
EBITDA after associates and minorities	11,367	-101	-39	-62	11,266
EBIT	8,870	-70	-8	-62	8,800
<b>Debt and cash summary</b>					
Other off-balance-sheet debt	0				0
Debt <sup>b</sup>	34,006	1,008	-264	1,272	35,014
Lease-equivalent debt	0				0
Lease-adjusted debt	34,006	1,008	-264	1,272	35,014
Readily available cash and equivalents	949	5,863		5,863	6,812
Not readily available cash and equivalents	0				0
<b>Cash flow summary</b>					
EBITDA after associates and minorities	11,367	-101	-39	-62	11,266
Preferred dividends (paid)	0				0
Interest received	430				430
Interest (paid)	-1,450				-1,450
Cash tax (paid)	-1,454				-1,454
Other items before FFO	-2	70	8	62	68
Funds from operations (FFO)	8,891	-31	-31		8,860
Change in working capital (Fitch-defined)	272				272
Cash flow from operations (CFO)	9,163	-31	-31		9,132
Non-operating/nonrecurring cash flow	0				0
Capital (expenditures)	-3,800				-3,800
Common dividends (paid)	0				0
Free cash flow (FCF)	5,363	-31	-31		5,332
<b>Gross leverage (x)</b>					
EBITDAR leverage <sup>a</sup>	3.0				3.1
FFO adjusted leverage	3.4				3.5
FFO leverage	3.4				3.5
EBITDA leverage <sup>a</sup>	3.0				3.1
(CFO-capex)/debt (%)	15.8%				15.2%
<b>Net leverage (x)</b>					
EBITDAR net leverage <sup>a</sup>	2.9				2.5
FFO adjusted net leverage	3.3				2.9
FFO net leverage	3.3				2.9
EBITDA net leverage <sup>a</sup>	2.9				2.5
(Cfo-capex)/net debt (%)	16.2%				18.9%
<b>Coverage (x)</b>					
EBITDAR fixed charge coverage <sup>a</sup>	7.8				7.8
EBITDA interest coverage <sup>a</sup>	7.8				7.8
FFO fixed-charge coverage	6.8				6.8
FFO interest coverage	6.8				6.8

<sup>a</sup> EBITDA/R after dividends to associates and minorities.

<sup>b</sup> Includes Other Off Balance Sheet Debt.

Source: Fitch Ratings, Fitch Solutions, NET4GAS, s.r.o.

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

#### DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.