EP Infrastructure

Regulated Information

Publication of Results for the year ended 31 December 2021

7 April 2022

The Board of Directors of EP Infrastructure, a.s. ("**EPIF**" and together with its subsidiaries, the "**Group**") approved the consolidated financial statements of the Group for the year ended 31 December 2021. The consolidated annual report and the related results presentation for the year ended 31 December 2021 are available on EPIF's website. For more information, please visit https://www.epinfrastructure.cz/en/investors/results-centre/.

The Group's core activities remain the transmission, distribution and storage of natural gas, the distribution of electricity and district heating. The Group owns and operates:

- the gas transmission pipeline through Slovakia, one of the largest corridors for supplies of Russian gas to Western, Central and Southern Europe
- the natural gas distribution network in Slovakia
- the electricity distribution network in Slovakia as one of the country's three main distributors of electricity
- the largest gas storage capacities in Central Europe and gas storage operations in Bavaria, Germany, acquired in 2018
- significant heat distribution networks and heat production plants in the Czech Republic

The Group reported EBITDA[i] and Adjusted EBITDA[ii] of EUR 1,279 million and EUR 1,277 million, respectively, for the year ended 31 December 2021, which represents a decrease in Adjusted EBITDA of EUR 249 million (-16%) compared to the year ended 31 December 2020. For further details see the attached summary of the financial results.

The decrease in Adjusted EBITDA compared to the year 2020 was caused by a combination of the decline in the Gas Transmission segment driven by a lower volume of flows and disposal of assets from the Heat Infra segment in the last quarter of 2020. This was partially offset by the positive weather impact on the Heat Infra segment and the Gas and Power Distribution segment. In particular:

- The Gas Transmission segment recorded a decline in its Adjusted EBITDA by EUR 199 million in the year ended 31 December 2021, which was primarily driven by exceptionally low reverse gas flows to Ukraine and lower flows in general due to the fact that overall flows of Russian gas to Europe were reduced during 2021 with limited flows on top of long-term booked shipments.
- The Gas and Power Distribution segment improved its Adjusted EBITDA by EUR 20 million in the year ended 31 December 2021, which was to a major extent driven by favorable weather patterns as well as higher household consumption during COVID-19 induced lockdowns which resulted in higher distributed volumes.
- The Gas Storage segment recorded a decline in its Adjusted EBITDA by EUR 35 million in the year ended 31 December 2021. After the extraordinary performance of the Gas Storage segment in 2020 driven by a price effect on short term storage

contracts, the rates charged for storage declined and confirmed an inverse relationship between gas storage and gas commodity price. While gas storage facilities were unusually stocked after the warm winter in 2019/2020, the colder weather coupled with reduced flows of Russian gas in 2021 resulted in unusually low levels of stored gas across Europe.

- The Heat Infra segment improved its Adjusted EBITDA by EUR 37 million in the year ended 31 December 2021 (compared to Pro-forma Adjusted EBITDA[vii] of EUR 68 million in 2020), which was primarily driven by favorable weather patterns and development of simple spread leading to higher power generation.

  In the last quarter of 2020, the Group disposed of its ownership in (i) Pražská teplárenská a.s., its subsidiaries and associates, and PT Transit, a.s. (collectively, the "**PT Group**"), a major heat distributor in Prague, and (ii) Budapesti Erömü Zrt. ("**BERT**"), a key producer of heat in Budapest. The disposed entities cumulatively generated EUR 69 million of Adjusted EBITDA in the year ended 31 December 2020.

The Group's results in the year ended 31 December 2021 continued to benefit from the fact that operating performance is primarily driven by long-term contracts and regulatory-based payments. Revenues from these contracts represented the majority of the Group's operating profit, thus making them a stable component even in a year affected by a decline in reverse gas flows to Ukraine and related short-term bookings on relevant exit points. The Group continues to hedge the commodity price risk namely relating to its gas transmission, gas and power supply and heat and power generation activities. As of 31 March 2022, the hedging policy for the period 2022 – 2024 covers primarily substantial volumes of gas relating to its gas transmission activities, purchase of gas and power for supply activities and 3.8 TWh of power and 4.7 million tons of emission allowances relating to heat and power generating activities.

From the cash generation perspective, the Group generated Adjusted Free Cash Flow[iii] of EUR 785 million for the year ended 31 December 2021. Thanks to its high-quality structure of assets and highly efficient operational management, EPIF was able achieve the above-average rate of converting operating profits into free cash flows.

In anticipation of deterioration in operating performance in 2021, the Group focused on decreasing its indebtedness accordingly to maintain Proportionate Net Leverage Ratio[iv] of the Group at management's target of 4.3x.

- In March 2021, EPIF issued a new 10-year EUR 500 million notes priced at 1.816% amid favourable market conditions. Proceeds of the notes were used for early repayment of EPIF's term loan of EUR 400 million originally due in January 2025. In addition, EPIF made early repayments of two Schuldschein facilities totalling EUR 182.5 million, which were originally due in 2024 and 2026, and of EUR 70 million privately placed notes with original maturity in 2027.
- The Group has also successfully refinanced the EUR 500 million notes due in June 2021 issued by SPP – distribúcia, a.s., with the issue of new EUR 500 million notes priced at 1.0% and due in June 2031.
- During 2021, other loans and borrowings within SPPI Group were repaid or partially repaid in the amount of EUR 245 million using own cash.

The Group's Proportionate Net Leverage Ratio of 4.26x as at 31 December 2021 (31 December 2020: 4.05x) confirmed the Group's commitment to a stable and predictable capital structure and remained in line with and below the aforementioned target of the Group.

In light of the current market situation and increased business risks, EPIF was placed on Rating Watch Negative by Fitch Ratings Ireland Limited on 4 March 2022 and CreditWatch Negative by S&P Global Ratings Europe Limited on 10 March 2022, while Moody's Deutschland GmbH downgraded Corporate Family Rating of EPIF by one notch (from Baa3 to Ba1) and EPIF's bonds by two notches (from Baa3 to Ba2) on 23 March 2022. In the context of the ongoing military invasion in Ukraine and associated sanctions targeting the Russian Federation, EPIF and its subsidiaries keep monitoring the current situation on the market on an ongoing basis, including the current geopolitical risks that are outside of their control. As a preventive response, EPIF's shareholders have announced their intention to exercise their voting rights in a way that will not lead to any dividend distributions from EPIF or to any acquisitions being undertaken by the EPIF Group until the situation stabilizes.

The Group has once again confirmed its position as a leading Central European player operating traditional energy infrastructure assets. Václav Paleček, EPIF's Finance Director, stated that *"After reporting exceptional results in years 2019 and 2020, the EPIF Group experienced a rather expected decline in its operational performance stemming mainly from a lower volume of gas shipped through our network in 2021. When it comes to the impact of the ongoing military invasion in Ukraine and associated sanctions against the Russian Federation, currently, there has not been any interruption in the gas flows from Russia and no indications that the major Russian shipper would not honor its contractual obligations. Moreover, no sanctions against the Russian Federation over the invasion are presently resulting in pressure on EPIF's liquidity. The Group's financial results have been strong thanks to the Group's strategic positioning together with regulated and long-term contracted businesses backed up by a well-managed funding strategy and the restated support from its shareholders*".

EP Infrastructure, a.s., is an issuer of the following notes:

€500,000,000 1.816% Senior Notes due 2031, ISIN: XS2304675791
€500,000,000 2.045% Senior Notes due 2028, ISIN: XS2062490649
€600,000,000 1.698% Senior Notes due 2026, ISIN: XS2034622048
€750,000,000 1.659% Senior Notes due 2024, ISIN: XS1811024543

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This communication contains forward-looking statements. All statements other than statements of historical fact included in this communication are forward-looking statements. Forward-looking statements give the Company's current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "estimate," "plan," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company and its subsidiaries (collectively, the "**Group**") to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate in the future. Many factors may cause the Group's results of operations, financial condition, liquidity, reserves and the development of the industry in which the Group competes to differ materially from those expressed or implied by the forward-looking statements. These factors include, among others (i) negative or uncertain global and regional economic conditions, including the potential impact of the COVID-19 pandemic, (ii) further escalation of geopolitical conflicts, including the ongoing crisis in Ukraine and resulting in, among others, fluctuations in commodity prices, supply outages, expansion of sanctions regimes and other financial or business restrictions (iii) failure to implement the Group's key strategies, (iv) shortage in the supply of, or the unexpected increase in the price of, fuel and other raw materials, as well as transportation costs, (v) reliance on a small number of suppliers in the Group's power and heat business, (vi) failure to successfully integrate and manage acquired companies, and (vii) changes in laws or regulatory schemes. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

This communication contains certain measures that are not measures defined by International Financial Reporting Standards, namely, EBITDA, Adjusted EBITDA, Pro-forma Adjusted EBITDA, Cash Generation, Adjusted Free Cash Flow, Cash Conversion Ratio, Group Cash Conversion Ratio, Gross Debt, Net Debt, Net Leverage Ratio (either on fully consolidated or proportionate basis). These measures do not represent the measures of the same or similar names as may be defined by any documentation for any financial liabilities of the Group.

This communication should be read in conjunction with the consolidated annual report for the year 2021 as published on www.epinfrastructure.cz.

A credit rating is not a recommendation to buy, sell or hold any securities and may be revised, suspended or withdrawn by the rating agency at any time.

This communication contains inside information as defined in article 7(1) of Regulation (EU) 596/2014 of 16 April 2014 (the Market Abuse Regulation).

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[i] EBITDA represents the profit (loss) for the year before income tax expense, finance expense, finance income, profit (loss) from derivative financial instruments, share of profit of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates, depreciation of property, plant and equipment and amortisation of intangible assets, and negative goodwill. EBITDA corresponds to Underlying EBITDA presented in EPIF's consolidated annual report for the year 2021

[ii] Adjusted EBITDA represents EBITDA adjusted by (a) excluding impairment charges relating to property, plant and equipment and intangible assets (2021: EUR 3 million; 2020: EUR 2 million), (b) Gain from sale of unused non-operational land and other assets and other selected non cash gains related to assets (2021: EUR 0 million; 2020: EUR 4 million) (c) adding back (if negative) or deducting (if positive) the difference between (i) compensation for the expenses for mandatory purchase and off-take of energy from renewable sources pursuant to the Slovak RES Promotion Act and the Decree recognised in revenues in the relevant period and (ii) net expenses accounted for the mandatory purchase of energy from renewable resources in accordance with the Slovak RES Promotion Act, in each case inclusive of accruals (2021: EUR -1 million; 2020: EUR 90 million).

The Slovak RES Promotion Act means the Slovak Act No. 309/2009 Coll., on promotion of renewable energy sources and high-efficiency cogeneration and on amendments to certain acts (*zákon o podpore obnoviteľných zdrojov energie a vysoko účinnej kombinovanej výroby a o zmene a doplnení niektorých zákonov*).

Decree means the Slovak Decree of the Regulator No. 18/2017 Coll. (or any other applicable decree or law replacing it).

Reconciliation is as follows:

Key Metrics	**Gas Transmission**	**Gas and Power Distribution**	**Heat Infra**	**Gas Storage**	**Total segments**	**Other**	**Holding entities**	**Intersegment eliminations**	**Consolidated financial information**
Year 2021									
Profit (loss) for the year	261	214	44	111	630	(1)	579	(606)	**602**
Income tax expenses	86	70	8	34	198	-	7	-	**205**
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	-	1	-	**1**
Share of profit of equity accounted investees, net of tax	-	-	-	-	-	(1)		-	**(1)**
Finance income	(1)	(3)	(3)	(2)	(9)	-	(657)	627	**(39)**
Finance expense	31	12	3	5	51	1	68	(21)	**99**
Profit (loss) from derivative financial instruments	(14)	2	(2)	2	(12)	2	(8)	-	**(18)**
Depreciation and amortisation	116	226	54	31	427	3	-	-	**430**
EBITDA	**479**	**521**	**104**	**181**	**1,285**	**4**	**(10)**	**-**	**1,279**
Impairment losses (gains) - Property, plant and equipment and intangible assets	-	(1)	-	(2)	(3)	-	-	-	**(3)**
System Operation Tariff surplus / deficit	-	1	-	-	1	-	-	-	**1**
Adjusted EBITDA	**479**	**521**	**104**	**179**	**1,283**	**4**	**(10)**		**1,277**

Key Metrics	Gas Transmission	Gas and Power Distribution	Heat Infra	Gas Storage	Total segments	Other	Holding entities	Intersegment eliminations	Consolidated financial information
Year 2020									
Profit (loss) for the year	374	268	153	140	935	2	1,440	(883)	**1,494**
Income tax expenses	128	91	14	43	276	-	(11)	-	**265**
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	(79)	-	(79)	-	(705)	-	**(784)**
Share of profit of equity accounted investees, net of tax	-	-	-	-	-	(1)		-	**(1)**
Finance income	(1)	(3)	(1)	(2)	(7)	-	(924)	926	**(5)**
Finance expense	40	17	(21)	6	42	-	151	(39)	**154**
Profit (loss) from derivative financial instruments	7	(2)	(2)	-	3	-	40	(4)	**39**
Depreciation and amortisation	130	220	76	31	457	3	-	-	**460**
EBITDA	**678**	**591**	**140**	**218**	**1,627**	**4**	**(9)**	**-**	**1,622**
Impairment losses (gains) - Property, plant and equipment and intangible assets	-	-	-	(4)	(4)	2	-	-	**(2)**
Gain from sale of unused non-operational land and other assets and other selected non-cash gains related to assets	-	-	(4)	-	(4)	-	-	-	**(4)**
System Operation Tariff surplus / deficit[3]	-	(90)	-	-	(90)	-	-	-	**(90)**
Adjusted EBITDA	**678**	**501**	**136**	**214**	**1,529**	**6**	**(9)**		**1,526**

[iii] Adjusted Free Cash Flow represents Cash flows generated from (used in) operating activities, before Interest paid and less Acquisition of property, plant and equipment, investment property and intangible assets, less Purchase of emission rights and disregarding Change in restricted cash as presented in the Consolidated statement of cash flow of the Group, adjusted for: (i) EBITDA effect of the SOT and (ii) working capital impact of SOT

[iv] Net Leverage Ratio represents Net Debt divided by Adjusted EBITDA. Proportionate Net Leverage Ratio represents Net Leverage Ratio, taking into consideration the proportionate ownership of EPIF in its subsidiaries

[v] Net debt represents Gross debt less Cash and cash equivalents (as included in the consolidated financial statements of the Group). Proportionate Net Debt represents Net Debt, taking into consideration the proportionate ownership of EPIF in its subsidiaries

[vi] Gross debt of the Group represents the sum of indebtedness calculated as the total of current and non-current Loans and borrowings, adjusted to exclude unamortized transactions cost, premiums, discounts and adjusted to exclude accrued interest and mark-to-market of hedging instruments, but including lease liabilities

[vii] Pro-forma Adjusted EBITDA equals Adjusted EBITDA in FY 2020 excluding (a) EBITDA of PT Group for the period up until October 2020 as it was disposed as of 3 November 2020, and (b) EBITDA of BERT for the period up until November 2020 as it was disposed as of 2 December 2020, in order to present results as if the aforementioned entities were not part of the EPIF Group in 2020, whereas the 2020 IFRS consolidated financial statements include results of PT Group and BERT up to the date of disposals