

We want to take our energy to the future

ANNUAL REPORT 2018

nortegas

Index

Gas sector prospects	
3.1 Challenges of the system	
3.2 Regulatory Situation	1
3.3 The role of natural gas in the energy transition	1
3.4 Renewable gas and gas for vehicles	1
Nortegas	
4.1 Corporate structure and governing bodies	
4.2 Organisational structure	2
4.3 Mission, Vision	2
4.4 Values	2
	2
4.4 Values	2
4.4 Values 4.4 Ethics • Nortegas in 2018	2
4.4 Values 4.4 Ethics Nortegas in 2018 5.1 Committed to growth	2
4.4 Values 4.4 Ethics Nortegas in 2018 5.1 Committed to growth 5.2 Committed to safety	2
4.4 Values 4.4 Ethics • Nortegas in 2018 5.1 Committed to growth 5.2 Committed to safety 5.3 Committed to quality and the environment	2 2 3 3
4.4 Values 4.4 Ethics Nortegas in 2018 5.1 Committed to growth 5.2 Committed to safety 5.3 Committed to quality and the environment 5.4 Customer satisfaction 5.4 Customer satisfaction	22333
4.4 Values 4.4 Ethics Nortegas in 2018 5.1 Committed to growth 5.2 Committed to safety 5.3 Committed to quality and the environment 5.4 Customer satisfaction 5.5 Commitment to R&D&I	2 2 3 3 3 4
4.4 Values 4.4 Ethics Nortegas in 2018 5.1 Committed to growth 5.2 Committed to safety 5.3 Committed to quality and the environment 5.4 Customer satisfaction 5.4 Customer satisfaction	2 2 3 3 3



1. Message from the Chairman

Following the start of the new Nortegas chapter, in July 2017, with the acquisition of the company by the consortium led by JP Morgan together with Gulf Cooperation Council, Swiss Life and Covalis Capital, 2018 was its first full year as a totally independent firm.

In 2018, we completed the setting up of the corporate governance at our Bilbao headquarters, and the Board of Directors approved a set of good governance codes and rules based on our ethical values of integrity, equity and responsibility.

During the year, we not only created the new framework, but we also successfully consolidated an organisational structure that, amid a corporate culture focused on efficiency, proximity and innovation, helped us continue to boost the scope of our gas distribution business in northern Spain.

Following the period of consolidation as an independent company, we embarked on a new phase leading to a major development and growth project, providing a quality service for the society in which we operate, against a backdrop of energy transition moving forward to 2030-2050 and in which natural gas is, and will be for many years, an essential component. This, undoubtedly, represents new challenges

and opportunities for Nortegas that we are going to harness.

This new position has allowed us to implement new management processes in the financial, purchases, computer services and all other areas to support the LPG and gas distribution business itself. In that same line and to ensure the quality and maximum efficiency of the business, we have bolstered the operations centres in Asturias, Cantabria and the Basque Country, the three Autonomous Regions in which we operate.

The new identity provides us with our own and significant personality on the gas distribution market. In 2018, we therefore embarked on defining the new customer service and growth strategy in all the territories where we operate.

We pay ongoing attention to the stakeholders of the society to which we provide our services in order to address the challenges facing us in the new energy scenario. Furthermore, we do our best to promote excellent understand and cooperation, particularly focusing on our customers, suppliers of capital goods and services, public authorities, R&D&I scientific and academic institutions, and social entities in general, as benchmarks for all Nortegas employees.

The company has one of the best ratios of the sectors and boasts the know-how, access and relational capillarity and

the influence gleaned throughout its history, bolstered by the talent and professionalism of our teams. An ambitious growth plan, driven by the new shareholders and supported by our professionals has led to record business figures for Nortegas.

At year-end 2018 we had an 8,208 km network used to distribute natural gas and LPG to over one million supply points, notching up a 5.1% increase in channelled gas thanks to the company's focus on the industrial sector and also the meteorological conditions during the year. With a market share statewide of 12%, safety and quality in operations are still our priority concern and we are also market leaders in terms of customer service, commitment and assistance.

Given its responsibility as a leading player in the gas system, and within the low-carbon economy defined by the European Union, Nortegas is committed to expanding natural gas as the transformation vector both of the traditional uses and of the new ones associated to transport or to the injection of renewable gas in the distribution networks. In this context, we invested in different R&D&I lines in 2018 and also worked on a project that won an award from the International Gas Union (IGU).

In the regulatory field, our company's challenge is to guarantee stability and a proper environment to develop the

gas distribution business, promoting the use of natural, conventional or renewable gas. Ahead of the period of regulatory changes to be ushered in by 2021, we are working on defining a renumeration framework that will place Nortegas in an optimum position to address the expansion challenges and the new applications associated with natural gas.

In this scenario, Nortegas recently signed up to the United Nations Global Compact, with a solid commitment to help achieve the Sustainable Development Goals (SDGs), an agenda focused on defending human rights and on fostering the necessary innovation to build a sustainable future for both people and planet.

Thanks to our development and diversification strategy, and emphasis on innovation, management excellence, and the dedication of our human resources, the forecasts for 2019 are to progress in improving the natural gas distribution business, with our sights set on the continued deployment of clean, efficient and sustainable energy.

Conrado Navarro



2. Value Chain

Carries out the exploration. investigation and exploitation of hydrocarbon deposits. Producer or Importer.

Liberalized Activity

Producer or Importer



Owner of the natural storage facilities in gaseous state.



Underground storage



Owner of the natural gas distribution infrastructure that connects the transmission system with the consumption points.



DISTRIBUTOR







Dedicated to the commercialization of natural gas to end-users.

Regasifier

Owner of the regasification plants that transform the liquefied natural gas transported in ships and inject it into the system.



Transporter

Owner of the primary and secondary natural gas transmission infrastructure on Spanish territory.





3. Gas sector prospects

Natural gas has been and will be the counterpart of electrification and the penetration of renewable energies in the generation mix, with a local-level network of existing distribution and transport infrastructures that can be used to distribute conventional gas and, in the future, renewable gas, in the form of biomethane, hydrogen and synthetic gas. Therefore, cc. Renewable gas is a transformation vector with multiple tangible externalities in waste management, rural development, the circular economy, supply security and also in the maximising of the contribution of electricity renewables, by means of storing, as hydrogen, the generation surplus from the disparity between electricity supply and demand.



3.1 Challenges of the system

Stability, clarity, predictability and regulatory sufficiency is even more relevant at a time such as this, when both society and the economy as a whole are facing huge challenges. Defining the energy transition, fighting climate change, improving air quality and reinforcing the circular economy set the agenda and it is essential for principles such as energy neutrality or the rationality and optimisation of existing resources to underpin the defining the new environment.

2018 was noted, among others, for the change of government in Spain and the new Ministry for the Ecological

Transition being tasked with energy and the environment. That transformation has further pursued the interaction between both areas in order to define the national climate change and energy transition strategy, and the specific targets in terms of emissions, penetrations of renewables and energy efficiency. In that regard, the first draft of the Climate Change and Energy Transition was submitted to a public hearing at the end of 2018. Along with the draft Integrated National Energy and Climate Plan 2021-2030 and the proposed "Fair Transition Strategy", it is also part of the Energy Package that the Spanish Government submitted to the public consultation stage in February 2019.

The legislative sustainable developments are not only confined to state and European settings. In that regard, the Autonomous Regions and local authorities are defining their strategies and measures regarding sustainability, energy, the environment and mobility. One clear example is the Basque Government launching prior consultations to prepare the Sustainable Mobility Bill and the Circular Economy Strategy at the end of 2018. The Basque Parliament made progress on preparing the Basque Country's Sustainability Act whose final version was published in the Basque Country's Official Gazette of 28 February 2019.

3.2 Regulatory Situation

In 2018, European regulatory activity was noted for the progress in the approval of the regulations that are part of the measures in the Clean Energy for all Europeans package (or Winter Package). a legislative proposal of the European Commission to meet the Paris Agreement climate targets between 2020 and 2030. Special mention should be made of the approval of Directive 2018/2001 on the promotion of the use of energy from renewable sources, which includes renewable gas, along with Directive 2018/2002 amending Directive 2012/27/EU on energy efficiency which, among other aspects, establishes targets of 32% in penetration of renewables and 32.5% in energy efficiency for 2030. Furthermore, Regulation 2018/1999 on the Governance of the Energy Union and Climate Action was approved in order to ensure achieved of European Union targets both for 2030 and in the long-term. According to that Regulation, Member States must prepare and submit to the European Commission their integrated national energy and climate plans, setting out their contribution to the European goals in terms of reducing emissions, penetration of renewables and energy efficiency, among other aspects.

The European Union is thus progressing in the review of its regulatory network, shaping a new framework to allow to continue to take steps towards the decarbonisation of the economy. Once the processing of this first phase, envisaged in the Winter Package, has been completed, the intention is to start reviewing the legislative framework of the natural gas sector, foreseeably in 2020.



The key points to be taken into account in the regulatory model include:

- The legislative framework must create a clear, stable and predictable environment to foster the development of the
 activity, encourage investment and facilitate the expansion of the use of renewable and conventional natural gas, by
 harnessing the benefits of this energy source in terms of the environment, air quality and competitiveness.
- The financial-economic balance recorded in recent years, as the result of the legislative framework arising from Act
 18/2014, is allowing gas companies to focus their endeavours and resources on future and present major challenges,
 expanding the gas network, exploring the development of new uses, such as transport, and opening up the way to the
 injection of renewable gas in the natural gas networks.
- In the case of distribution, it is significant that Act 18/2014 establishes remuneration as per the customers connected to the distributor's network and the gas supplied. It is a payment based on activity, both to determine the initial or basic remuneration and the annual updates, which differs it from the activities of the gas sector and of the electricity sector, whose payment is based on assets. This way of calculating the distributor remuneration has been shown in recent years to be beneficial for the sector overall, insofar as it steers the distributor's activity towards efficient growth and contributes to the sustainability of the system. Distributor investments are paid only to the extent that they contribute income to the system, thus linking the evolution of the remuneration or the distribution costs to the system's income. Consequently, in contrast to other regulated activities, the distributor's profitability is at risk, linked to the very commercial growth and not to such an extent to the investment value. This variable approach allows the system to retain the coherence between income and regulated costs.

Pursuant to Settlement 14 for 2018, the year ended with a surplus of €30 million. Furthermore, the Ministry for the Ecological Transition's 2019 toll and remuneration forecasts also envisage a positive trend for 2019.



3.3 The role of natural gas in the energy transition

It is clear that the path to an emission-neutral society guaranteeing the wellbeing and development of society involves the natural gas pathway. We are moving towards a new energy model that is more sustainable, efficient and competitive. Natural gas and renewable energies have a key role to play not only in the transition, but are also part of the future. International Energy Agency reports show that natural gas could be the fastest-growing traditional fuel in the world, as its consumption could increase by 50% by 2040.

Gas infrastructures are a mainstay in the energy transition and in the decarbonisation process ahead. Natural gas is a reliable and efficient ally in all transformation processes, mainly as an available, affordable and green solution to face the major challenges involved in this green goal, by leaving behind the use of more polluting fuels in terms of emissions and air quality, such as coal and diesel in boilers or petroleum products in sea and land transport. At the same time, it is backup power for more efficient renewables.

As a key player in this energy metamorphosis, natural gas aspires to be fundamental beyond the European goals to 2030, because, in practice, a 100% electrified economy is not possible. There are industrial processes that would not be technologically viable without natural gas, a versatile and clean energy supply for which where is no alternative.

Renewable Gas.

Compatible with natural gas in any proportion, which allows a balance of CO₂=0 to be achieved



3.4 Renewable gas and natural gas for vehicles

Renewable gas is technically viable. A regulatory framework and incentives making renewable gas profitable and driving it as a long-term strategic commitment are necessary for its development. Furthermore, the traction levers include:

The circular economy, where the biogas generated by organic waste from livestock farming, agriculture, industry or landfills and wastewater treatment plants is processed and turned into biomethane, which can subsequently be injected into the traditional gas networks and reach the same versatility of use as natural gas, but with a carbon-neutral framework.

Sedentary electricity storage, meaning it can be injected into the network or directly used in transport once turned into hydrogen or into natural gas.

"The sector must not only resolutely showcase the role of gas in an emission-free economy, but also technologically commit to consolidating the renewable gas industry".



"Trailer trucks with ranges of up to 1,700 km and 460 CV dual motors".

"Alternative fuel with potential for the taxi sector".

"NGV bus fleet grew by nearly 20% in 2017 and 2018".

"The number of NGV vehicle registrations was up 146% in 2018".

Natural gas for vehicles

Natural gas for vehicles (NGV) is part of the future. As regards transport, natural gas is more economically competitive and also offers a trail-blazing competitive edge over electric vehicles: gas engines are compatible with current ones and can therefore immediately substitute them. Apart from being a real alternative to traditional fuels (diesel and petrol), the use of natural gas means nitrogen oxide emissions can be cut by over 85% and suspended particulates nearly completely. Vehicles are quieter and the emissions of CO2, the main greenhouse gas effect, are cut by 20% as well.

Spain has a great potential to develop the natural gas for vehicles market. According to data from Sedigas, the employers' association for the sector, the number of NGV whicle registrations was up 146% in 2018 on the previous year. There are already around fifteen NGV car models with the relevant ECO environmental label on the market, along with trailer trucks with ranges of up to 1,700 km and 460 CV dual motors. Furthermore, natural gas is an alternative with potential for the taxi sector, as it means annual savings of nearly \$3,000, while the NGV bus fleet grew by nearly 20% in 2017 and 2018

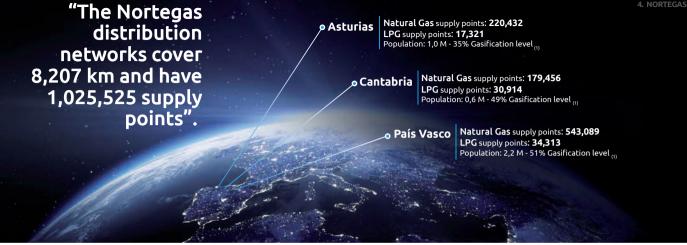


On the other hand, experts stress that natural gas also has a future in maritime transport as the result of the environmental constraints established by the International Maritime Organisation. Something similar could happen in the case of railways and the natural gas could start to be used for trains that have so far been powered by petroleum products. Natural gas is already a real and clean alternative for trains compared to the expensive electrical infrastructures needed to replace the more polluting fuels. In this field, tests with a railway powered by liquefied natural gas have already been conducted with a view to its possible commercial exploitation.

Gas, as a transport fuel, can help to improve the air in cities. The first step would be to have a regulator initiative – not as much as in economic as in environmental regulatory terms – similar to what happened with petrol. In this regard, the Basque Government has set the example with sustainability legislation banning diesel for thermal uses after 2030.







(1) Source: CNMC - Figures as of December 2018





Nortegas is the second gas operator of the Spanish market and operates in the Basque Country, Asturias and Cantabria, autonomous communities where its distribution networks cover 8,207 kilometres and which have 1,025,525 supply points.

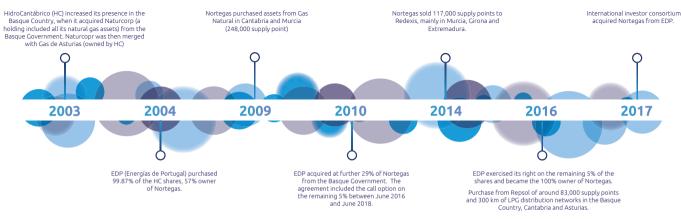
The company's operations

The company's operations are, mainly, focused on managing natural gas assets on the regulated distribution market, including promoting new infrastructures, their development and construction, along with the operation, maintenance and continuous improvement of its networks.

It is also present on the liquefied petroleum gas market, where it supplies fuel in addition to the aforementioned activities.

On the natural gas market, the Nortegas customers are the retailers, an activity performed by nearly 180 companies in Spain, according to the Spanish National Commission on Markets and Competition (CNMC) as of May 2019. The retailers are tasked with transporting the natural gas through their networks which supply to their own customers, while, in the liquefied petroleum gas (LPG) business, Nortegas works with the end users. In both cases, the gas offers diverse uses to both the households and industries supplied.





Nortegas is the result of the merger of the natural gas distribution companies in the Basque Country, which were privatised in 2003. Gas de Asturias and Gas Cantabria were subsequently brought into the company.

Nortegas is a totally consolidated company on the natural gas distribution market. Its origins date back to the 1980s, when it was set up as a state-owned company in order to provide an alternative to the oil crisis by distributing natural gas. The initiative gathered momentum from the year 2000 onwards, when the four main state-owned natural gas distributors in the Basque Country (Naturcorp, Bilbogas, Gasnalsa and Donostigas) joined the company as part of global project aimed

at concentrating assets to then embark on a privatisation process that was finally completed in 2003. The group was consolidated by means of acquisitions such as Gas Natural Cantabria or Gas de Asturias. In recent years, the company faced important changes that ended in July 2017 with its leaving an international group. This split has allowed Nortegas to become an independent company and strengthen its position as Spain's second natural qas distributor.

Nortegas is currently continuing to develop its activity, by committing to natural gas as the best alternative for increasingly more users to enjoy the advantages of using convenient, competitive, environmentally-friendly and clean energy. In short, by driving its energy to provide wellbeing and contribute to the economic development of society.

4.1 Corporate structure and governing bodies



On 27 July 2017, the international consortium comprising the Infrastructure Investments Fund advised by JP Morgan, Gulf Cooperation Council Sovereign Wealth Fund, Swiss Life Asset Management and Covalis Capital acquired 100% of the company.

The Nortegas Group's corporate government structure incorporate the best governance practices of listed companies, and is based on internal control, corporate responsibility, transparency, and the maximum professionalism and rigour, thus seeking to generate value, improve economic efficiency and build the confidence of shareholders and investors.

NORTEGAS ENERGÍA GRUPO, S.L.U NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U NED España Distribución S.A.U NED Suministro GLP S.A.U

Board of Directors

The administration of the company group has been entrusted to a Board of Directors consisting of 6 members and a non-executive secretary to the Board:

President	Conrado Navarro Navarro
Board Member	John Edmund Lynch
Board Member	Mark William Mathieson
Board Member	Michael Marcel Vareika
Board Member	Francisco Javier Contreras García
Board Member	Adolfo Pardo de Santayana Montes
Board Secretary (non-Board Member)	Lara Hemzaoui Rodrigo

Committees

Nortegas has set up two committees as bodies to support the Board of Directors in key decision making, as well as when preparing documents and reports:

Audit: It assists the Board of Directors in overseeing the process to prepare and control the financial information of the company, along with auditing the effectiveness of the internal control and of the risk management systems, including the tax aspects.

Health & Safety & Environment: It assists the Board of Directors in the preparation and monitoring of the health & safety and environment strategies, policies, goals and resources.

4.2 Organisational structure

The Nortegas corporate headquarters is located in Bilbao and has work centres in the three autonomous communities in which it operates, where its operations are run by the 241 people who make up the company's workforce.



As of the date of publishing this report



4.3 Mission and Vision



MISSION

WE are a gas distributor which, complying with its legal obligations, distributes gas in an efficient and uninterrupted way to our customers and promotes its general use as a clean and sustainable fuel, providing well-being, competitiveness, security and environmental quality to all of society, rewarding investors in a sustainable and reasonable manner, and promoting the professional and personal development of its employees.

VISION

WE want to be known as a modern, ethical, intelligent and open organisation, a catalyst for socio-economic development and digitally united with our communities and their members to confront the global challenges we face, and as a leading Company that decisively contributes to the sustainable development and progress of society as a whole.

4.4 Values



Integrity

Understood as prefessional behaviour for all regulations and legislation in decision-making at all levels, to contribute positively to the growth of the Company with complete transparency whilst always protecting information.



Intelligence

Understood as the way in which the Company is organised and how decisions are made, being swift, decisive, open to talent and ideas, and trusting people.



Innovation

Understood as the search for new ways of acting and thinking, open to than get to take advantage of opportunities, promoting creativity and entrepreneurship - key elements for competitiveness -, training workers to create value, and promoting collaboration, cooperation and trust, for knowledge sharing and self-learning.



Responsibility

Understood as a professional form of behaviour, respecting occupational health and safety regulations, objectively making decisions and being efficient with the use of available resources, managing risks and informing the organisation in a reimely manner about deviations to attain continued improvement, and avoiding harming the company's image in external actions.



Connectivity

Understood as the resolute implementation of the technologies that allow us to interact online, with no distance or time restrictions, with our stakeholders so that we understand their concerns and needs and are capable of responding to them.



Equality

Understood as the fair, equal and respectful treatment of all stakeholders that interact with the business, not tolerating any type of abusive behaviour.



4.5. Ethics

The commitment of the Nortegas Board of Directors to ethics can be seen from the approval, in November 2018, of the new Nortegas code of ethics which covers a compliance management system.

A fundamental aspect of the compliance programmes is the approval of a code of ethics that clearly reflects the ethical values and the principles of action that have to underpin the different activities of the company. In that regard, it is the basic standard of the company or the first document which establishes the compliance criteria, i.e., to which mandatory (laws) or voluntary (ethical values) standards the organisation adheres.

The following are envisaged in that single document: its approval and updating mechanism, the purpose, the sphere of application (geographical, relational, staff and corporate sphere), the corporate values and behaviour principles, behaviour guidelines, monitoring, control and sanction, communication, dissemination, training and assessment and the updating and acceptance of the code.

Furthermore, there is an ethical committee made up of five Nortegas employees whose duties include the following:

- 1. Disseminating the code of ethics.
- 2. Interpreting the code in the case of gueries or disputes.
- 3. Making the "Ethical Channel" available.
- 4. Processing complaints and proposing remedial, punitive, corrective measures, etc.
- 5. Reporting to the audit committee on a half-yearly basis.
- **6.** Proposing corporate ethical targets, policies and instruments, including the two-yearly review of the Code of Ethics to the Audit Committee.



5. Nortegas in 2018

NORTEGAS IN 2018



5. Nortegas in 2018

2018 was the first year of Nortegas operating alone. During the year, the company completed the implementation of the management process as an independent company. It set up the business and corporate divisions at its Bilbao headquarters, which is fundamental for the Group's strategic decision-making, and has implemented robust corporate government.

Furthermore, it was a year of great challenges that the company successfully overcame to meet the growth and development targets envisaged in all its areas of activity.







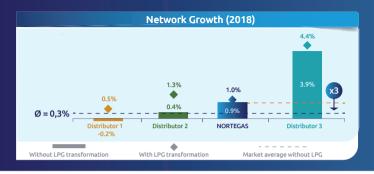
A new brand to decisively forge ahead to the future

The year's most important milestone was the emergence of Nortegas as a brand, along with the launch of a new corporate identity to be showcased to society and to continue growing as an independent and approachable company. The company has therefore been reinvented, has come full circle and has focused its past strength in order to decisively embrace the future.

A more approachable, visual and user-friendly corporate website

The birth of the Nortegas brand has not only driven the adaptation of all the external and internal media, but also the launch of the corporate website www.nortegas.es. The site showcases the company to all its stakeholders, from investors to users and potential customers, to provide them with a digital interaction arena that is more user-friendly, visual and approachable than ever.

On the other hand, and likewise aimed at improving its outreach and relationship with its stakeholders, Nortegas stood out for two customer-oriented milestones in 2018. The first, for the investment made to reinforce and improve its telephone hotline service, by means of training and appropriate procedures. The second, with the launch of the YoLeoGas mobile app and which is shared with Spain's main distributors. The app, using digitalisation, makes the meter reading process easier and more convenient for the users, offers greater efficiency for all the stakeholders involved and greater transparency in the formalities associated to billing the service.



"In 2018, the net growth at supply points posted by Nortegas was three times greater than that obtained by the other companies of the sector and than the company's historical data".

5.1 Committed to growth





2018 was a year marked by Nortegas's commitment to growth, thanks to the implementation of an ambitious expansion plan driven by its new shareholders. Therefore, thanks to its reinforcing its team and its commercial strategy, the company has managed to increase the number of supply points connected to its networks, maintain its investment commitment and thus contribute to the financial and economic sustainability of the gas system.

Thanks to its development and strategic commitment, Nortegas had 1,025,525 supply points and 8,207 km of network in the three autonomous regions where it operates at year end. Furthermore, the volume of gas transported by its

distribution networks was up 5.1% on 2017, mainly due to the weather and to the company's commitment to the industrial sector. Nortegas therefore consolidated its position yet again as the second company in Spain in the gas distribution sector, with a market share of 12%. according to CNMC data.

On the other hand, in 2016, NORTEGAS acquired 83,000 liquefied petroleum gas (LPG) supply points from Repsol in the Basque Country, Cantabria and Asturias. Without taking into account the transformation of those LPG facilities to natural gas, the net supply point growth posted by Nortegas in 2018 was three times higher than that of the sector's other companies and the company's historical data.

Furthermore, that net growth data show that the company is the only one of the sector that posted steady growth in 2018 despite operating in areas where the market saturation is much higher than the country's average.



Source: CNMC, INE, Nortegas analysis



One-off Projects

The following projects stand out in the Nortegas development and growth plan in 2018:

- 1) The arrival of natural gas to the municipalities of Labastida and Elciego in Álava, and to Arenas de Iguña in Cantabria.
- 2) Fuel oil being replaced by natural gas at the Aboño II thermal generation plant in Asturias.
- 3) The implementation of the natural gas distribution network in the historic centre of Laguardia in Álava.

1) The arrival of natural gas to the municipalities of Labastida and Elciego in Álava, and to Arenas de Iguña in Cantabria, to offer all its advantages to the inhabitants of those towns. Nortegas has therefore set up LNG (Liquefied Natural Gas) satellite plants with a system to regularly fill up the tank to guarantee users continuity of supply and the convenience of the service. LNG is the liquefied form of natural gas which considerably reduces its volume, meaning manageable and affordable transport and storage. The projects undertaken in Álava and Cantabria are part of Nortegas's commitment to bringing the natural gas supply to population centres away from its distribution networks. The company is assuming all the costs arising from the changes to the individual facilities of the customer, who can also therefore benefit from access to the deregulated market and opt to more competitive joint packages in the supply of electricity and natural gas.

"LNG plants are an ideal and safe solution for those facilities and areas that the natural gas distribution network does not reach".



"The Nortegas strategy is focused on continuing to prioritise constructing and extending the distribution infrastructures, in order to expand the deployment of natural gas so that more and more people and companies can enjoy all its advantages".

2) Completion of the works on the Aboño II thermal generation plant in Asturias, that is already using natural gas in its start-ups. This change has eliminated fuel oil as the plant's fuel, which, given that natural gas is more manageable and its combustion more stable, implies operating and maintenance advantages, but, mainly, provides environmental benefits, as CO2 emissions per energy unit used, along with the nitrogen oxides, sulphur compounds and particulates, are minimised. 3) The implementation of the natural gas distribution network in the historic centre of Laguardia in Alava, land with low areas such as caves and cellars where, from a safety perspective, it can only use natural gas as a channelled fuel as it tends to dissipate in the air. Furthermore, and as part of the awareness-raising and measures to drive the commitment to the environment, work has been carried out while reducing as far as possible the visual impact of the facilities on this protected historic centre. "In 2018, Nortegas successfully renewed the Health and Safety Management System according to OHSAS 18001:2007".





5.2 Committed to safety

Nortegas's priority and fundamental goal is for the natural gas circulating through its distribution networks to reach its customers without any interruption and in optimal conditions, while applying the highest quality and safety requirements. Therefore, safety, both of the infrastructures and activities and of people. is always the company's strategic priority.

As part of this commitment, the new Health and Safety at Work Policy, approved in December 2017, came into force in 2018, following the changes to the shareholding structure. On the other hand, in April, after the relevant external audit, Nortegas, as an independent company, successfully renewed the Health and Safety Management System according to OHSAS 18001:2007.

From a global perspective, Nortegas has consolidated a prevention and safety culture in all its operations to thus provide its own employees and external partners with a healthy and safety work environment by means of strict legal compliance and preventing workplace risks. It therefore encourages the participation, communication and involvement as regard safety both of employees and of service providers and suppliers, and fosters a culture integrating prevention in the general system of the organisation, by means of training and informing its employees on the inherent risks of their activities.

2018 Safety Training Actions

cforce

In addition to the training actions for its own workforce, in 2018 Nortegas ran sessions at Arkaute - the Basque Emergency and Police Academy (Álava) to 83 members of the fire brigades of the Bizkaia and Álava Provincial Councils.



the year.

The management of the transport of hazardous

goods throughout the year, for the different plants or tanks, with no incident being registered.

Use of the Safety Preventive Observations (OPS) plan during the year. The goals of the whole operational teams include conducting checks "with safety eyes" and 665 actions took place in that field in 2018, double the figure in 2017.

Conducting sixteen drills at facilities with the generation of corrective actions practically already fully implemented.

- 116 drills in 2018.
- 5 Offices.
- 8 LPG plants.
- 3 LNG plants.

"Nortegas conducts a meticulous control and assessment of the accidents and incidents recorded. In 2018, special mention should be made of the drop in accidents and the sick leave days as the result of those occurrences".

STAFF	2017	2018
OWN STAFF		
Accidents WITH DOWNTIME	1	0
Accidents WITH DOWNTIME "In itinere"	0	1
Accidents WITHOUT DOWNTIME	11	1
Accidents WITHOUT DOWNTIME "In Itinere"	2	0
CONTRACTORS		
Accidents WITH DOWNTIME	5	2
Accidents WITH DOWNTIME "In itinere"	1	0
Accidents WITHOUT DOWNTIME	1	3
Accidents WITHOUT DOWNTIME "In Itinere"	0	0

We should end by noting that the Company continues to steadily work to fully adapt and implement the Health and Safety Management System in all the processes and at all levels, adjusting it to the new organisational structure and taking steps for its adaptation to the new ISO 45001:2018. The latter is the first international standard for occupational health and safety management standards, whose main new feature is that the company is required to consult and involve the workers. The directive includes processes such as identifying risks and opportunities for the gas distribution activity, by means of both assessing the context external to

the organisation (environmental, social and macroeconomic variables that condition its activity) and its internal characteristics (strengths and weaknesses arising from the Nortegas specific features). It also takes into account the expectations of the key stakeholders by means of analysing direct and indirect information sources (surveys and publications on important themes for each group). Those two processes will lead to the plans of action needed to minimise risks and threats and exploit opportunities and strengths.







5.3 Committed to quality and the environment

The changes that the company assumed after it began operating as Nortegas meant that the quality and environmental management system needed to be adapted, in 2018, to the new business and organisational reality. Therefore, a plan was prepared to pinpoint and establish the actions to respond to the new requirements, changes that were determined taking into account the external and internal aspects relating to the context of the organisation, identifying the stakeholders their demands, the significant environmental aspects, legal requirements and their processes. Thus, and after the relevant external audits. the ISO 9001:2015 and ISO 14001:2015 certificates were renewed and the whole organisation was informed of the changes resulting from the new reference.

Taking advantage of the need to adapt to the new legislation, the company conducted an in-depth review of its stakeholder map, their demands. along with their integration in the management of the systems and in the strategy of the company. In that regard, the Nortegas Board of Directors approved a stakeholder management plan which is in its implementation phase and which includes key objectives, interaction level, responsibilities and main actions with respect to the stakeholders. Consequently, the company updated in 2018 its crisis plan, aimed at preserving the business and at protecting its reputation, by setting criteria to identify complex situations, allocating responsibilities in the management of those situations and establishing strategies and communication processes. The plan also complements the existing Self-Protection and Emergency Plans in the company.



As part of society, Nortegas considers the conservation and improvement of the environment as one of the essential aspects of its strategy, and believes that it must continue to be a benchmark in the development of an effective policy and in the protection of the environment.

The company has identified environmental aspects from the life cycle perspective (design, construction, exploitation, retirement and dismantling) of the activities and services that it can control (direct aspects) and of those where it can influence (indirect), along with the associated environmental impacts.

The majority of Nortegas works occur in urbanised areas, crossing paved or asphalted stretches, and less frequently, though cobblestone areas or natural terrain. Therefore, the company has an infrastructure and network environment visor, a GIS (Geographic Information System) which allows a web environment to have information on all facilities jointly, with data on the most significant environmental layers, as an inventory of potentially contaminated soil, rivers, coast-shoreline boundary, list of wetlands, natural areas, along with other protected habitats, biosphere reserves and Natura network.

Nortegas has set an ambitious target to improve optimisation of natural sources for 2018-2020. The company therefore takes into account all the stages where its activity interferes with the environment and its commitment to this field exceeds legal obligations.

Own vehicle consumption	2017	2018
DIESEL + PETROL (litres)	17,948	15,493
NATURAL GAS (Kg)	82,948	79,373



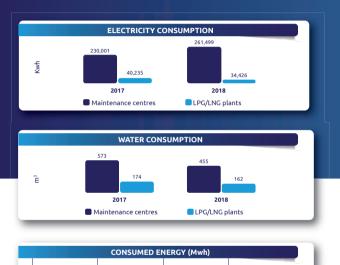
Beyond compliance of its legal obligations, Nortegas has established a plan of action to examine possible environmental risks of all its LNG and LPG plants, in order to obtain a more comprehensive risk map.

As regards the Environmental Liability Act, some of the LNG and LPG plants owned by the company are included as priority level 1, as they fall within the scope of Royal Decree 840/2015, of 21 September, and the Nortegas actions have therefore focused on: conducting an Environmental Risk Assessment (ERA) according to UNE 150008 methodology; estimating the scale of the damage of the Risk Scenarios based on the Environmental Damage Index (EDX) pursuant

to Royal Decree 183/2015, of 13 March; assessing the Financial Guarantee (FG) based on the Environmental Liability Supply Model (MORA); determining the risks associated to the facility to be able to verify the established preventive measures; along with submitting the Affidavit regarding the Creating or Waiving of the Financial Guarantee to the Authorities

As might be expected as part of its environmental commitment, the whole Nortegas vehicle fleet uses natural gas. The CO₂ emissions associated to the company's use of vehicles are calculated according to the recorded fuel consumption and both the

global emissions and by kilometre were found to have decreased. In this vein, in 2018, the company worked with an external auditor to verify the data and methodology used to calculate the carbon footprint for the vehicle fuel consumption, along with the amount of water, electricity and natural gas consumed at the maintenance centres and LNG plants, and taking all the necessary measures to improve the process. The clarity, accuracy and well-structuring of the calculation will help Nortegas with future data reviews, while the use of optimum information sources, and a clear justification in line with the international standards, will facilitate the application of improvement actions.



1,435.55

1,377.93

2017

2018



Furthermore, a noise measurement campaign was conducted at 15% of the Nortegas Measurement and Regulation (ERM) Stations and at 100% of its Liquefied Natural Gas (LNG) plants





Satisfaction indexes

| 2017 | 2018 | Emergency hotline service | 8.50 | 8.60

Escala de 1 a 10

Time between reporting the incident and the arrival of the technicians 8.77 8.77

Information provided by the technician regarding the work carried out

2017 2018 e 8.70 8.89

"The global satisfaction index in 2018 regarding emergency management was 8.75 points, up on the 2017 figure".

Emergency management

Emergency management is one of the most important aspects in customer satisfaction. Surveys are used to measure it monthly, taking into account aspects such as the telephone assistance received from the emergency service, the time between reporting the incident and the arrival of the technician to the facilities, and the information provided by that professional. The Nortegas global satisfaction index last year in this section was 8.75 points, up on the 2017 figure.

Furthermore, Nortegas enhances the quality of its activity and the efficiency of its services by means of satisfaction surveys and indicators such as the call filtering index, that shows the alerts generated with respect to the total calls received at the emergency hotline. The calls that are really an emergency are thus controlled and tested in order to optimise the resources and response times. Another key aspect to be measured to improve customer service is the average time between the call to the emergency service and the arrival of the technician to the place of the incident, which is 26.45 minutes, better than the set target of 28 minutes



Customer relations

The changes faced in 2018 also allowed the quality levels to be reinforced and adapted in order to introduce improvements to the customer service by means of specific training and appropriate procedures. Nortegas has a million supply points where it does not have a direct contractual relationship with the customer, but it provides the legally required services, such as activating the users contracts, making modifications or allowing access to the network, through the different natural gas retailers.

All these operations are the basis for each natural gas retailer to subsequently interact with its customer.

Customer service is provided through an LPG and natural gas distribution specialist telephone platform for those obligations that Nortegas assumes, basically technical aspects such as meter readings, regular inspections and emergencies. At the same time, the company has a service for the queries or claims received through different channels, such as the website (3%), post and email (2%), the remote platform for suppliers (13%) or the customer service centre (82%).



The Nortegas Customer Relations Department has in direct and close contact with the retailers with which it operates. The overall score was 9.6 out of 10 in the 2018 satisfaction survey within the companies that accumulate 92% of the supply points connected to the Nortegas infrastructure.

Furthermore, the service provided to those retailers, in contracting and ATR (third-party access to networks) management, toll billing and payments, was tested in 2018.



Technical Management of the Supply Point

On the other hand, Nortegas conducts a monthly assessment of the global satisfaction of users as regards the regular inspection and supply registration process, fields where in 2018 its overall scores were 8.03 and 7.79 out of 10, respectively, a level that it maintained despite it being its first year operating as an independent company. The quality control of the companies providing this service is by means of audits, with a total of 223 regular inspections and 225 of registration inspections in 2018. Thus, Nortegas staff again carried out the work, by checking the absence of serious defects in the initial inspection and using two measurement quality indicators whose target, set at 95%, was exceeded in both cases.

As part of its continuous improvement process, in 2018 Nortegas established a programme of medium-term targets that includes the setting up of the VAI tool for the formalities and contact with the installers; the optimising of access for the retailers to the network information and communication; expanding the information related to the regular inspection and customer relations; or driving the efficiency of the outsourced processes by means of deploying mobility solutions.





5.5 Commitment to research, development and innovation

Nortegas has always prioritised projects that provide quality and competitive solutions in order to advance towards the new European energy scenario of an environmentally more sustainable and energy more efficient society. In order to progress towards that new scenario, the company's R&D&I activity has steadily increased and gained the confidence of the bas sector, both nationally and internationally.

As a gas company, Nortegas is striving to give meaning to all its activity with a focus on the decarbonisation of the economy. In that regard, and from its distributor role. Nortegas is present in the development of four priority research and innovation lines, endorsed by the European gas industry:

Keep It Running, aimed at guaranteeing that the existing gas networks, which are the core business of the distribution operators, continue to perform optimally in the future by means of innovation projects focused on obtaining better and more cost-effective operation, maintenance and safety activities of the gas infrastructures.

Environmental Performance focused on improving the environmental and energy efficiency of the gas distribution, by means of innovation projects that reduce the impact of the gas activity on the environment and its adaptation to the coming European environmental legislation.

Market Development Support to ensure that the natural gas networks are prepare to transport more energy. That will



mean they are ready for the new emerging markets, such as natural gas for vehicles.

Future Energy Systems, a priority for Nortegas in order to quarantee that the natural gas networks will continue to be used in the future. Nortegas is committed to developing projects based on transporting renewable infrastructures, which is going to imply the technological development of "Smart Grids", Power to Gas and "Big Data Systems". This last strategic line includes a project for inject renewable source gas or biomethane in the natural gas distribution network. an initiative that was recognised at the World Gas Conference 2018, held in Washington DC (USA) with the IGU Innovation Award in the Gas & Renewables category.

Last year. Nortegas continued to drive strategically important research projects and participated as a partner in:

Funding entity



HyGrid: funded by the EU H2020 programme. Its aim is the scaled design and demonstration in industrially relevant conditions of a new
hybrid technology based on membranes for the direct separation of hydrogen from the natural gas networks



• Smart Green Gas: the aim is to obtain high quality biomethane that can be injected in the natural gas network or used as motor fuel.

NORTEGAS is leading one of the three activities of the project, which will develop breakthrough techniques and new biogas recovery and purification systems. In 2018, the work focused on completing the Biogas upgrading prototype and test it at the Lapatx landfill (Azpeitia, Gipuzkoa), along with the smart biogas injection prototype at the Santurtzi Measurement and Regulation Station (Bizkaia)



• Sinatrah: focused on driving advanced solutions for the transport and use of hydrogen. It is subsidised by the Basque Government's Hazitek programme, in conjunction with Tecnalia and Siemens Engines. The aim is to develop key components for two links in the hydrogen value chain, as are the transport and use of natural gas mixes with high hydrogen content.



• Dinegas: an initiative also subsidised by the Basque Government's Hazitek programme, in conjunction with CEIT IK4 and Lot Water. The project will continue until December 2020 and will focus on developing a miniaturised sensor using micro-manufacturing techniques to integrate it in a gas sampling system to extract gas samples at stipulated measurement points and for it to be taken to a reaction chamber allowing the GCV to be measured. In tandem, it will also develop a communications circuit and implement a multiplatform software to monitor and manage the data obtained.

Furthermore, the company has signed agreements with different entities and institutions to showcase the advantages of Natural Gas for Vehicles and drive its use in a sustainable mobility scenario.



5.6 Presence in the gas sector

In order to mentor and participate proactively and collaboratively in the legislative developments impacting the gas system and activity of the company, Nortegas is an active player in the interrelationship with the regulatory authorities, Ministry for the Ecological Transition, Autonomous Regions and the Spanish National Commission on Markets and Competition (CNMC). It represents the natural gas distribution sector on regulatory bodies that assess, discuss and prepare legislative proposals as the task force to update, review and amend the operating standards of the gas system, the CNMC working group for the change of retailers or the working group of the General Hydrocarbon Sub-Directorate for the development of the injection of biomethane in the natural gas network.



Apart from the direct interaction, Nortegas is a leading member of the main sectoral associations in the energy sector. It is a member of Sedigas, the gas sector employers' association, where along with being on the governing bodies, it is on the Distributors committee and the other associated cross-cutting committees (mobility, renewable gas, building, environmental, tax or legal). It also belongs to Gasnam, an association that brings together the different sectoral interests around natural gas for vehicles and involving all the stakeholders in the chain, from vehicle manufacturing to developing the filling points and the natural gas supply.

Internationally, Nortegas is a member of the Eurogas Distribution Committee as the Sedigas representative, as well as on different committees of the European Gas Research Group (GERG) and the International Gas Union (IGU).

Furthermore, Nortegas maintained an active presence in the cutting-edge innovation forums in which it participates:

- European Gas Research Group (GERG): the Board & Plenary held at the Nortegas Headquarters in Bilbao, acting as the hosts, and in Brussels (Belgium).
- International Gas Union (IGU), in the Utilization Committee working group, held in Barcelona.
- "CIC energiGUNE" Alternative Energy Cooperative Research Centre Foundation.. Member of its Board.
- As regards Sedigas, meetings on biomethane injection into gas networks.
- Nortegas Learning Centre: final presentation of the five projects developed at the Bilbao School of Enginnering during the 2017-2018 academic year and promotion of four new gas projects for the 2018-2019 academic year.
- Participation in the Official University Master's Degree in Sustainable Energy Engineering at the Bilbao School of Engineering during the 2018/19 academic year. Lecturing on Natural Gas Markets.
- Joined CIC Venture Café Biscay Start Up Bay, a project in the seed stage driven by a group to companies to set up a business innovation hub in Bilbao.



5.7 People





Nortegas considers people development as a key and necessary aspect of its future and present plan. Therefore, the priority mission of its Human Resources is to attract, drive integrate talent, by facilitating professional development and alignments of the interests of the employees with the company's strategic objectives in all the processes.

Its firm commitments also include compliance of the legal frameworks and the code of ethics, along with respecting diversity, ensuring equal opportunities and non-discrimination. As part of its social commitments, the company is committed to the integration of the disabled by means of direct recruitment to the workforce and through companies that are Special Employment Centres.

Nortegas maintains a stable level of quality employment. The workforce, as of the date of publishing this report, is made up of 241 people. In 2018, driving professional development involved fostering and stimulating internal promotion to cover vacancies or newly-created jobs. Impetus was also given to bringing onboard external talent in order to develop expertise in the new areas that are generated from driving strategic and technological projects.



Nortegas has measures in place to safeguard gender equality and the work-life balance. The principle of equal treatment of women and men means a lack of discrimination on the grounds of sex, particularly as regards motherhood, assumption of family obligations and civil status. In Nortegas, a joint committee ensures that women and men enjoy equal opportunities in terms of employment, training, promotion and their job development, by monitoring and implementing active policies to eliminate any possible discriminations on the grounds of sex, civil status, age, territorial provenance and other circumstances that could. lead to discrimination or the breach of the equal opportunities principle.

As a means to promote employment, and to facilitate women entering the workplace, Nortegas give preference when covering an advertised job to unemployed women – with the same merits and professional profile as another candidate -, who have had a child or been declared victims of gender violence during the year prior to the date of contracting.

Nortegas has a Flexible Benefits Plan where the worker can contract services such as meal or nursery vouchers, purchase computer equipment or a private health insurance. It also offers its workforce grants and subsidies and 99% of the workforce have signed up to a pension plan.



In 2018, the company embarked on the negotiation of the first collective agreement as an independent company, a process that ended successfully with the signing of the agreement in May 2019. Nortegas has worked with the workers' representatives to develop an agreement that better regulates the framework of relations within the gas distribution activity.

In October 2018, Nortegas conducted its first employment climate survey as part of its commitment to drive the satisfaction and motivation of its professionals and implement improvement actions. With a participation rate of 84%, the survey analysed seven aspects of strategic importance for the company, where the overall satisfaction levels obtained was 7.29 (scale 1 to 10).

The assessment of the climate survey results associated to each of the 7 aspects has underpinned the design and implement of a plan of improvement actions to be implemented during the second half of 2019 and throughout 2020.

Degree of Satisfaction (%)

LEADERSHIP	78,8
LABOR CONDITIONS	74,0
TEAMWORK / COLLABORATION	72,8
ORGANISATION AND STRATEGY	71,8
DEVELOPING	71,3
COMMUNICATION	70,8
IDENTITY AND COMMITMENT	69.0

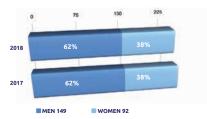
73% Global Satisfaction Social indicators 5. NORTEGAS IN 20







At the end of 2018 there were 241 staff members, all of whom were on permanent contract and distributed in the following manner:







Nortegas continues to progress in its ongoing vocational training, aimed at consolidating the strategic adaptation of its human capital to the requirements of a constantly changing market. Furthermore, the company is aware that, thanks to its training courses, it is driving team motivation and satisfaction, enhancing reputation and retaining talent, Consequently, before the end of each year, the company's management prepares an Annual Training Plan aimed at the refresher training and continuous improvement the workforce, at bringing the professional expertise in line with the changes to the work position, and at the professional promotion of the workers.

199 1.170 6.454

CROSS-DISCIPLINARY TRAINING	TRAINING ACTIONS		TOTAL HOURS
Health and safety training	80	470	1.568
Language training	17	33	1.233
Corporate training	48	474	1.990
TOTAL CROSS-DISCIPLINARY	145	977	4.791
SPECIFIC TRAINING			
SPECIFIC TOTAL	54	193	1.663
(1) FEED			

CROSS-DISCIPLINARY AND SPECIFIC TOTAL

The 2018 plan included training sessions aimed at both the Nortegas Board of Directors and management team in order to drive from their leadership a culture focused both on equality and the safety of the business, aspects included in the company's values.

Specifically, there was a course focused on identifying and managing prejudices in the decision-making related to people management, in order to raise awareness and avoid any discriminatory influences. On the other hand, and as part of the strategy to reinforce the safety of the business, a training session was run for the Board of Directors regarding prevention in the use of computer tools with respect to the risks associated to improper use, such as phishing or identity theft.

As part of its firm commitment to the professional and personal development of the employees. Nortegas launched its new talent management platform, BE TALENT, in 2018. During the year, training actions were run for nearly the whole workforce, both on specific themes of each area of activity and in cross-disciplinary training. The launch of the E-tico: Mission, Vision, Values and Code of Ethics programme, including training in skills development and health and safety was particularly important in that field.



Thanks to the **e-tic^o**: **Mission, Vision, Values and Code of Ethics** programme, the whole workforce had the opportunity to work as a team on the ethical commitments and values that Nortegas wants its employees to embrace and transmit, uniformly, along with the premises making up its business philosophy.

e-tic ^o Programme	TOTAL HOURS	PEOPLE
e-tic ^o Programme: Mission, Vision, Values and Code of Ethics	1,146	191
e-tic ^o Programme: Mission, Vision, Values and Code of Ethics – Managers	228	38
e-tic ^o Programme Mentoring Session: Mission, Vision, Values and Code of Ethics	376	188
e-tic ^o Programme shorter session: Mission, Vision and Values	10	5
General total	1,760	422

In order to establish actions to underpin the continuous improvement, Nortegas also uses surveys to measure the efficiency of the training, with a high degree of satisfaction by its teams obtained in 2018.

Degree of training satisfaction

Specific training courses degree of sadsfaction (affilial accum)

Degree of satisfaction of the managers regarding the training received by their staff with respect to the implementation of the Training Plan (Annual accum) 8.66

Degree of satisfaction of the managers regarding the training received by their staff with respect to the knowledge acquired (Annual accum)



5.8 Social action



Nortegas seeks to contribute to the socio-economic development of the local communities in which it operates by means of sustainable social action models. It maximises the positive social impact of its initiatives using dialogue and cooperation with the stakeholders. During 2018, Nortegas worked through its volunteering programmes with different groups in a situation of social exclusion and implemented different actions, such as donating toys and preparing activities and workshops for children in that situation; collecting plastic capsules as part of a campaign to finance research and treatment of rare diseases; with the donation to an NGO by means of employees buying computer equipment, or the sponsoring of the Bilbao Children's Christmas Playground when it gifts entrance tickets to different associations.



Summary Income Statement

€M	Consolidated FY 2017 pro-forma (IFRS)	2018
Ordinary Income	222.8	229.7
Supplies	(18.8)	(21.7)
Self-constructed assets	5.9	6.5
Other Income	12.4	9.5
Personnel Expenses	(22.9)	(16.8)
Other Expenses	(30.3)	(35.5)
EBITDA	169.1	171.6
Amortisation Expenses	(92.9)(1)	(81.9)
Results from operating activities	76.3	89.7
Net Financial Expenses	(24.1)	(28.1)
Profit before income tax	52.1	61.7
Income Tax	(14.3)(2)	33.5
Profit for the year	37.9	95.2

MAIN COMPARABLE FIGURES Ordinary Income 2017 2018 FRITDA 2017 2018 **EBIT** 2017 2018

- 2018 Ordinary Income is above 2017 figure due to more favourable weather conditions, organic growth and higher LPG consumption
- Supplies: Mostly related to LPG gas supply. 2018 supplies above 2017 as a result of the higher LPG consumption
- In 2018 shift from personal expenses to other expenses due to movement of employees from Nortegas to NEC (as service provider company) and charged back to Nortegas. Jointly both items remain approx. the same
- Amortization Expenses: Reduction in 2018 vs. 2017 due to the increase of assets' useful life by approx. 3 to 5 years
- Income Tax: In 2018 positive one-off effect of €49M (decrease
 of the Deferred Tax Liability, no cash impact) due to CIT tax rate
 reduction in Bizkaia from 28% to 26% in 2018 and 24% from
 2019 onwards (new law in place since March 2018)

Calculated as if the purchase price allocation performed for the acquisition of Nortegas and the reverse merger, would have taken place on January 1, 2017

⁽²⁾ Calculated by applying to the result before taxes to the corresponding tax rate according to the territory

Nortegas Consolidated Balance Sheet

BALANCE SHEET A	BALANCE SHEET AS OF 31ST DECEMBER		
€M	2017	2018	
Property, plant and equipment	1,066	1,031	
Goodwill	46	46	
Other intangible assets	1,527	1,502	
Other non-current financial assets	7	3	
Deferred tax assets	25	20	
Total non-current assets	2,671	2,602	
Other current assets	103	65	
Cash and cash equivalents	131	157	
Total current assets	234	222	
Total assets	2,904	2,824	
Total equity	1,031	1,141	
Financial liabilities from issuing bonds	1,292	1,292	
Debt with group companies	127		
Other non current financial liabilities	2	2	
Other non current liabilities	10	11	
Deferred tax liabilities	349	291	
Total non-current liabilities	1,780	1,596	
Current financial liabilities	6	7	
Debt with group companies and associates	3	7	
Other current liabilities	84	73	
Total current liabilities	93	87	
Total equity and liabilities	2.904	2.824	

- Total Cash on Balance Sheet at 2018 year end amounted €157M vs €131M in Dec 2017
- Total Equity at year end 2018 amounted €1,141M
- In 2018 the €127M shareholder loan from Nature was capitalised
- Total Net Debt at year end 2018 amounted €1,151M
- Financial policy driven by the shareholder commitment of maintenance of strong financial credit ratios to sustain the investment grade credit rating

Subsequent events after closing:

- On the 21st of March 2019, the CNMC published the resolution confirming the compliance of Nortegas and NED España with the Explanatory Plan of 18th May 2017
- In the context of the discussions a significant shareholder contribution has been received by Nortegas
- Nortegas notes that <u>such contribution is not expected to</u> <u>affect the ratings of the Notes</u>

Financing Structure and Liquidity Policy

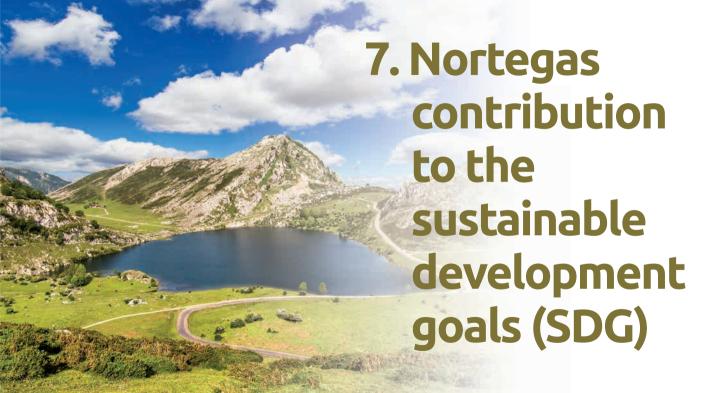
	FINANCING FAC	NANCING FACILITIES IN PLACE		
Instrument	Drawn amount (€M)	Tenor	Coupon	
5 years bond	550	5 years Sept 2022	0.918%	
10 years bond	750	10 years Sept 2027	2.065%	
Total drawn debt	1,300	8 years	1.580%	
Revolving Credit Facility available amount €100N		5 years April 2022	Ratchet: • 0m - 33.3m: 0.075% • 33.3m - 66.6m: 0.150 • Above 66.6m: 0.3009	

- Nortegas continues to be financed through bond financing worth €1,300M (Syrs tranche of €550M and 10yrs tranche of €750M)
- Current structure reduces refinancing risk by spreading maturities
- Step-up for NIG in bonds, and a clearly communicated policy to investors that dividends will be adjusted to support investment grade at Nortegas
- Additionally, Nortegas capitalised the €127M shareholder loan from Nature (Luxembourg group mother company)

Liquidity policy

- Total **Cash on balance** sheet at year end amounted to €157M
- No cash is trapped in any of the subsidiaries nor in Nortegas
- The Company could also draw from a €100M RCF (undrawn to date)

INVESTMENTS			
Investments (€m)		2017	
NG Distribution	21.5	24.9	
LPG Distribution	0.7	0.5	
Total	22.2	25.4	



By signing up to the UN Global Compact, Nortegas acquired a firm commitment to the Sustainable Development Goals (SDGs), as a master plan to be followed to help to construct an inclusive, sustainable and resilient future for everyone and the planet.

In September 2017, the United Nations General Assembly approved the 2030 Agenda for Sustainable Development, the most ambitious global plan adopted by the international community with the aim of eradicating poverty, combatting climate change and reducing inequalities. This initiative led to 17 Sustainable Development Goals (SDGs) whose specific targets must be achieved in the coming 15 years.

After its first year of operating independently, Nortegas has signed up to the Spanish network of the Global Compact, a UN initiative for the business sustainability of the private sector and the catalyst of the endeavours to achieve the SDGs.

As part of the Nortegas strategy, commitments have been undertaken to contribute to the compliance of the UN SDGs that are set out below:







ENSURE HEALTHY LIVES AND PROMOTE WELLBEING.

Nortegas consolidates its health, safety and prevention culture in all its operations in order to provide its employees and external partners with a safe and healthy work environment, by means of strict legal compliance and prevention of workplace-related risks. It therefore fosters the participation, communication and involvement of both its employees and the service providers and suppliers in areas regarding safety. Furthermore, the company integrates prevention in the general system of the organisation by the means of training and informing its employees about the inherent risks of their activities.



SDG 4:

ENSURE QUALITY EDUCATION AND LEARNING OPPORTUNITIES.

Nortegas continues to advance in its human resources policy to foster the development and learning of its professionals. As a lynchpin to align the skills and knowledge with corporate values and business targets, it fosters the adaptation of the employees to the organisational and technological changes and facilitates knowledge transfer within the company. In this vein, it drives the specific training in areas related to environmental, social and corporate governance criteria (Environmental, Social and Corporate Governance or ESG), the three core factors in measuring sustainability and the ethical impact of investment in a company or business.



SDG 5:

ACHIEVE GENDER EQUALITY.

The principle of equal treatment of women and men means a lack of discrimination on the grounds of sex, particularly as regards motherhood, assumption of family obligations and civil status. In Nortegas, a joint committee ensures that women and men enjoy equal opportunities in terms of employment, training, promotion and their job development, by monitoring and implementing active policies to eliminate any possible discriminations.



SDG 7: ENSURE ACCESS TO AFFORDABLE AND SUSTAINABLE ENERGY

The Nortegas goals include the commitment to the expansion of natural gas as a transformation vector both in traditional and new uses associated to transport or the injection of renewable gas in the distribution networks. This strategy is embodied in the use of natural gas for vehicles (NGV) in the vehicle fleet, along with completing the biogas enrichment or upgrading prototype, the running of landfill tests to obtain biomethane or develop a smart biomethane injection prototype.





SDG 8:
PROMOTE SUSTAINED ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL

Thanks to the quality and stable employment at Nortegas, 81.4% of the employees who answered its Employment Climate Survey would recommend that a relative should work there. Professional development, training, knowledge management and the working conditions are an ongoing focus of attention within the Nortegas strategy. On the other hand, the company offers different perks and benefits to the employees coming under the collective agreement, along with the option to obtain advantageous leisure. Social and health



SDG 9:

BUILD RESILIENT INFRASTRUCTURE, PROMOTE SUSTAINABLE AND INCLUSIVE INDUSTRIALIZATION AND FOSTER INNOVATION.

The Nortegas research and innovation lines are endorsed by the European gas industry and are embodied in projects aimed at building, operating and maintaining the natural gas networks fully operational, along with improving the environmental and energy efficiency. The company also drives the development of initiatives based on new mobile and stationary gas applications, increasing the consumption of network natural gas as new final uses of CNG and LNG to achieve different business models. The aim is to guarantee that the natural gas networks continue to be used in the future by means of the circulation of renewable gases and new gases.









SDG 10: REDUCE INEQUALITY.

Contributing to the socio-economic development of the local communities in which the company operates and to foster equal opportunities is a Nortegas commitment which is implemented through the volunteering programme and working with groups in a situation of social exclusion. The company is deploying different actions, such as donating toys, organising activities and workshops for children, collecting plastic capsules as part of a campaign to subsidise the research and treatment of rare diseases, with the donation to an NGO by means of employees buying computer equipment, or the sponsoring of the Bilbao Children's Christmas Playground when it gifts entrance tickets to different associations. As regards social aspects, another of the Nortegas commitments is the integration of people with disability, both by means of direct recruitment into the workforce and of companies that are Special Employment Centres.

SDG 11:

MAKE CITIES INCLUSIVE, SAFE AND SUSTAINABLE.

Supply quality and safety are part of the Nortegas operations strategy for the natural gas to reach its customers without interruption and in optimal conditions. Nortegas, in keeping with its investment commitment, contributes to the financial and economic sustainability of the gas system, by annually increasing the number of natural gas supply points connected to its networks and replacing the most environmentally-harmful fuels.

SDC 12-

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS.

All the waste generated in the Nortegas activities are managed, thus contributing to its reuse in different production processes.

On the other hand, and within its supplier awareness-raising activities, Nortegas establishes health and safety and compliance of its environmental policy within its procurement terms and conditions. The service providers therefore undertake to prioritise compliance with aspects such as waste management, information and communication of any environmental incident or accident that occurs.





TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS.

Decreasing nitrogen oxide emissions, the main cause of acid rain, along with other sulphur emissions and suspended particulates are Nortegas goals. 70% of its vehicle fleet already uses natural gas as a fuel. Furthermore, in 2018, the Company verified with an external auditor the data and methodology used to calculate the carbon footprint in order to improve its emissions calculation. The future data review to establish improvement actions has therefore been optimised.





SDG 15:

PROTECT AND SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS.

Management of the natural capital is integrated in the Nortegas operations, not only by pursuing the mitigation of the adverse impacts that may arise from the projects to build LNG plants and distribution networks, but also as part of its intent to maintain the values of the landscape, and to recover, enrich and even recreate them if they have been modified. Therefore, all Nortegas infrastructures are designed taking the potential risks of the selected site into account. The locations of the facilities and the layouts of the distribution networks are studied, with special attention on the risks relating to floodable areas, overhead pipelines and landslides due to the instability of the soil.





PROMOTE PEACEFUL SOCIETIES FOR SUSTAINABLE DEVELOPMENT, PROVIDE ACCESS TO JUSTICE FOR ALL AND BUILD EFFECTIVE AND ACCOUNTABLE INSTITUTIONS.

Nortegas has an ethical code or code of conduct both covering the professional performance of its workforce and its relationship with all stakeholders. The company considers ethics to be the cornerstone of its culture and has assumed the obligation that all its activities are based on values of integrity, equity and accountability.



SDG 17:
REVITALIZE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE
DEVELOPMENT.

Nortegas has forums, committees and regular monitoring meetings to compile information on the expectations and needs of its customers. In order to mentor and participate proactively and collaboratively in the legislative developments impacting the gas system and activity of the company, Nortegas is an active player in the interrelationship with the regulatory authorities and a leading member of the main sectoral associations in the energy sector and internationally.

