



Nortegas Energía Distribución, S.A.U. First Half 2020 Results

November 2020

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Agenda

- 1. Introduction**
- 2. Operational Overview**
- 3. Financial Overview**
- 4. COVID 19 Update**
- 5. Subsequent Events**

1H 2020 Main Milestones

Operational Overview

- 8,407 additional connection points (0.8% YoY growth, up to 1,039k connection points)
- 14.4 TWh of distributed volume (16.3% decline) driven by COVID 19 impact and warmer temperatures
- During H1 2020 **Iñaki Alzaga and Juan Villar** were **appointed as Chairman and CFO** of Nortegas, respectively
- The Company keeps working on several **operational initiatives to improve vertical saturation and horizontal expansion**

Financial Overview

- Ordinary Income of 110M (1.7% YoY decrease), mainly due COVID 19 impact
- EBITDA increased to 89M (1.5% YoY growth), as efficiency plan starts yielding positive results
- Cash flow generation of 52M (19.2% YoY decrease), mainly driven by changes in working capital
- Solid LTM leverage ratio 5.5x ND EBITDA

COVID 19 Update

- Maintaining business operations and H&S are Nortegas priorities
- A set of initiatives to support clients, suppliers and local communities have been launched
- Limited financial impact expected in the short term, with long term impact depending on overall economic recovery

Subsequent Events

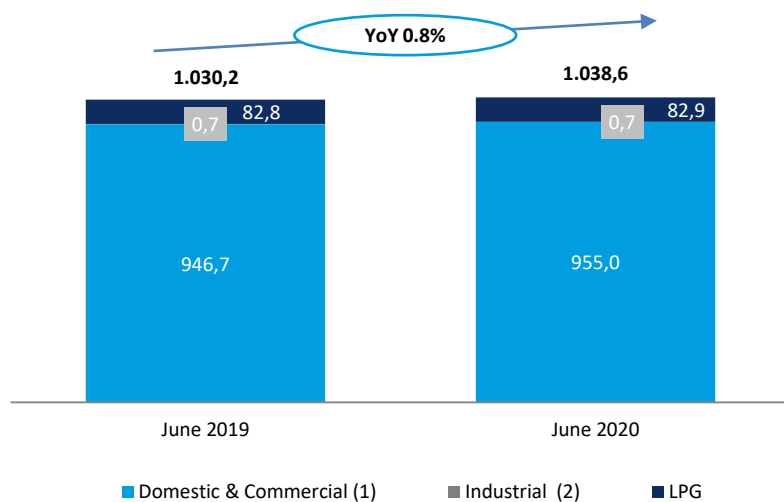
- In July 2020, Nortegas bought back **€175m of 2027 Notes at a pricing of 108.575%** through a cash tender offer. The objective of the transaction was to use excess cash to reduce gross debt and interest expenses, and optimise balance sheet.
- **On 2nd November, S&P published a note on Nortegas where it confirms our rating levels (BBB-, Stable).**
- Nortegas has recently obtained a **5 star rating** and has been ranked the **#4 European and International gas distribution company on ESG by GRESB.**

2 Operational Overview

Connection Points and Volumes

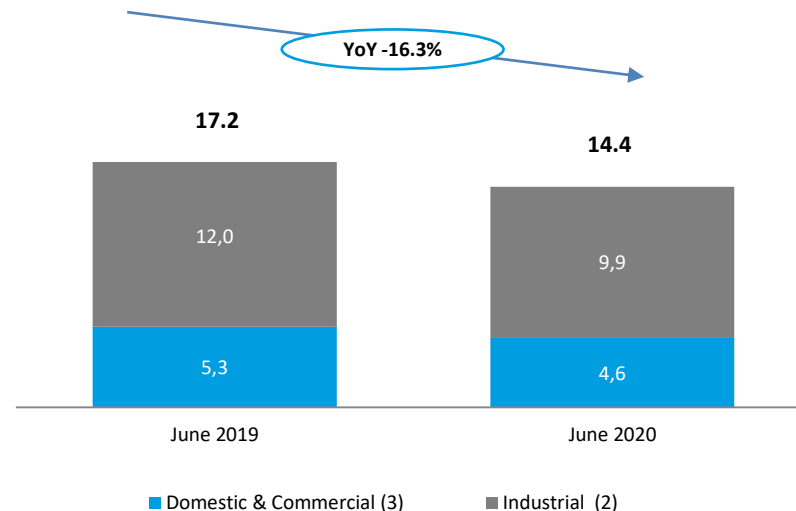
Evolution of Connection Points by Segment

Number of CPs in '000s



Evolution of Volume by Segment

TWh, from 01/01 to 30/06



- Increase in CPs coming mainly from the domestic and commercial segments
- Decrease in volumes in residential, commercial and industrial segments linked to the COVID 19 impact and warmer temperatures in H1

(1) Includes T.3.
 (2) Includes T.1. and T.2
 (3) Includes T.3. and LPG

Nortegas Consolidated Income Statement

Income Statement for the 6 Months Period Ending 30 June

€M	H1 2019	H1 2020
Ordinary income	111.7	109.8
Supplies	-10.4	-9.3
Self-constructed assets	3.4	3.6
Other income	6.7	6.8
Personnel Expenses	-7.1	-6.4
Other Expenses	-16.5	-15.4
EBITDA	87.8	89.2
Amortisation expenses	-41.5	-41.9
Results from operating activities	46.3	47.2
Net financial expenses	-10.9	-11.1
Profit before income tax	35.4	36.2
Income tax	-8.6	-8.7
Profit for the year	26.8	27.4

NOTE: Financial figures are not audited.

Comments

- H1 2020 ordinary income lower than H1 2019 (-1.7%) mainly due to COVID 19 impact and warmer temperatures than in H1 2019 (only affecting residential segment)
- Supplies below H1 2019 (-11.0%) as a result of lower LPG prices with no material impact on margins and lower LPG distributed volumes due to high temperatures during H1 2020
- An efficiency plan was defined and launched in 2019 to increase recurrent EBITDA, as reflected in the lower operating expenses in H1 2020
- H1 2020 Income tax in line with the yearly recurrent amount

Nortegas Consolidated Cash Flow Statement

Cash Flow for the 6 Months Period Ending 30 June

€M	1H 2019	1H 2020
EBITDA	87.8	89.2
Corporate tax payments	-0.1	-0.3
Change in Current Assets & Liabilities	-11.7	-25.4
Change in Tariff Deficit + Others	0.9	2.3
Additions in Fixed Assets	-9.5	-13.5
Interest payments	-2.9	-0.2
Cash-flow from operating and investing activities	64	52

NOTE: Financial figures are not audited.

Comments

- **“Corporate Tax Payments”**: During H1 2020 and H1 2019 no corporate tax payment have been made. Payments will be as planned executed during H2
- **“Change in Current Assets & Liabilities”, main impacts:**
 - Advanced payments to support suppliers during COVID 19 period partially compensated by lower customer balance due to lower tolls invoiced.
 - Working capital associated to the suppliers’ initiative indicated above is expected to be reversed and normalised before year-end.
- **“Additions in Fixed Assets”** includes mainly:
 - Expansion investments to sustain the development of natural gas and LPG CPs
 - Investments related to works for network substitution as part of the maintenance programme and to the implementation of the priority items identified
 - Investment in IT

Nortegas Consolidated Balance Sheet

Balance Sheet as of 31 December 2019 and 30 June 2020

(€M)	As of 31 December 2019	As of 30 June 2020
Property, plant and equipment	1,001	986
Goodwill	46	46
Other intangible assets	1,476	1,462
Rights for use of assets	4	3
Other non-current financial assets	1	1
Deferred tax assets	14	11
Total non-current assets	2,542	2,511
Other current assets	25	25
Cash and cash equivalents	367	334
Total current assets	392	359
Total assets	2,933	2,869
Total equity	1,252	1,194
Financial liabilities from issuing bonds	1,294	1,294
Debt with group companies	--	--
Leases	3	2
Other non current financial liabilities	3	3
Other non current liabilities	9	11
Deferred tax liabilities	285	281
Total non-current liabilities	1,592	1,591
Current financial liabilities	5	16
Leases	1	1
Debt with group companies and associates	5	7
Other current liabilities	78	60
Total current liabilities	89	84
Total equity and liabilities	2,933	2,869

Comments

- The equity as of 30 June 2020 amounted €1,194m
- Total Nortegas Net Debt as of 30 June 2020 is €990M
- Strong cash position in June 2020 of €334M
- During 1H 2020 the revolving credit facility remained undrawn
- Financial policy driven by the shareholder commitment to maintain investment grade credit rating

NOTE: Financial figures as of 30 June 2020 are not audited. These figures do not include the impact of the liability management transaction executed in July 2020.

3 Financial Overview

Financing Structure, Liquidity & Rating

Liquidity Position as of 30 June 2020

Instrument	Available (€M)	Drawn (€M)	Coupon
5-year Bond	-	550	0.918%
10-year Bond	-	750	2.065%
Revolving Credit Facility	100	-	0.075% - 0.300% (depending on use)
Cash on Balance Sheet	334	-	-
Total	434	1,300	-

Key Data Points as of 30 June 2020

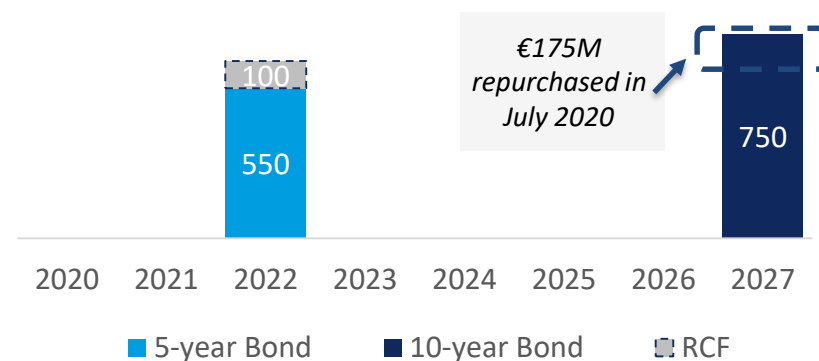
Net Debt
€990M

Rating S&P²
BBB-
Stable outlook
(confirmed by S&P in
November 2020)

Available Liquidity
€434M

Average Financial Cost
1.58%

Liquidity and Financing Structure as of 30 June 2020 (€M)



- ✓ Current **structure reduces refinancing risk** by spreading maturities
- ✓ Marked shareholder financial policy to support **investment grade** at Nortegas
- ✓ **Following the buyback of €175M 2027 bonds in July 2020, the 2027 bonds outstanding are €575M.**

Nortegas Measures

Nortegas has constituted a COVID 19 Monitoring Committee and activated a plan to continue business as usual operations and supply all households while ensuring employees' safety with the implication of the Managers and the HSE department

Contingency Plan

- The Committee prepared a **contingency plan package to address the situation and a series of internal communications** sent to all employees **to ensure awareness of Nortegas' workforce about the situation and preventive measures and protocols to be followed:**
 - **Travel protocol**
 - **Assistance and advise**
 - **Organizational measures**
 - **Hygiene measures**
- **Additional contingency plans have been prepared for each function** involving both employees and contractors

Social Initiatives

- **Advanced the payment terms to its more than 600 suppliers**
- **Donated 52.5 tons of food to the Food Banks of Asturias, Cantabria and the Basque Country**

Financial Impact

- The Company expects a **limited financial impact of COVID 19 due to nature of the business, liquidity position and discretionary capex programme**
- **99% of revenue is regulated - not affected by changes in price and limited exposure to gas demand**

5 Subsequent Events

Nortegas Cash Tender Offer

Transaction Overview

- On 15th July 2020, Nortegas announced a **cash tender offer for up to €175m nominal across Senior Unsecured notes due 2027 and 2022**
- **Structure:** The overall tender cap was set at €175m, of which up to €25m were available for the 2022 notes in case it was not filled with 2027 notes
- **Priority:** 2027 notes were given priority
- **Tender resulted in buying back €175m of 2027 Notes**
- **The transaction was leverage neutral for Nortegas, the €175m were paid with Nortegas' available cash on balance sheet**

Offer Timeline

15-Jul-2020	▪ Offer launch (7 Business Day Offer Period)
23-Jul-2020	▪ Expiration
24-Jul-2020	▪ Indicative Results Announcement ▪ Pricing ▪ Results and Pricing Announcements
27-Jul-2020	▪ Settlement Date

