



Nortegas Energía Distribución S.A.U. and Subsidiaries Full Year 2020 Results

July 2021

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Agenda

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

1 Introduction

2020 Key Highlights

Solid performance in 2020. Business resilience despite COVID.

Operational Review

- +9,181 additional connection points (0.9% YoY growth, for a total base of 1,044K connection points)
- 25.4 TWh of remunerated volume (0.7% YoY decline) driven by COVID impact and warm weather
- Strong focus on Health and Safety. Zero accidents with downtime in 2020⁽¹⁾

Financial Review

- Revenues of €216M (2.8% YoY decrease), due to less favourable weather conditions and COVID impact
- EBITDA of €174M (80.5% margin; 1.9% YoY decrease), as efficiency plan starts yielding positive results
- Capex increased to €28M (+€2M vs 2019), driven by solid demand for gas solutions.
 - Strong cash conversion of 84%⁽²⁾
- Leverage ratio of 5.8x Net Debt/EBITDA
- BBB-/Stable rating from S&P (November 2020). Financial policies consistent with IG rating
- Efficient management of our capital structure, extending maturities from 4.6 to 7.7 years and reducing our average cost of debt from 1.83% to 1.39%:
 - July 2020: successful execution of a €175M bond buyback to reduce gross debt and optimise our balance sheet
 - Subsequent Events (January 2021): issuance of €550M 10-year bond at 0.905% to refinance our existing 2022 bond. Simultaneous launch of a tender offer for the 2022 bond, reaching a 74% acceptance rate (€407M)

ESG

- Top Score / 5-stars in the GRESB ESG performance assessment, evidence of our commitment to ESG

2020 Key Highlights (Cont'd)

Solid performance in 2020. Business resilience despite COVID.

Regulation

- Regulatory framework for gas distribution approved in March 2020, providing full visibility from 2021 until 2026 and reaffirming the activity-based regulatory framework
- Gradual reduction in remuneration between 2021 and 2026, starting with c.€5M impact in 2021 and up to c. €30m in 2026
- New incentives to reach populations with no access to gas networks, new industrial customers, and developing NGV (natural gas for vehicles) and renewable gases

Covid-19

- Maintaining business operations and H&S have been Nortegas' priorities throughout the pandemic period
- Active support of clients, suppliers and local communities
- Limited financial impact in 2020, reinforcing our resilient business model

M&A

- On 31 July 2020, the Company signed a framework agreement with CEPSA for the acquisition of certain LPG supply points in our regions, for a total maximum amount of up to €6.1m
- As of 31st December 2020 no supply point had been acquired yet, but we expect the transaction to be completed in 2021

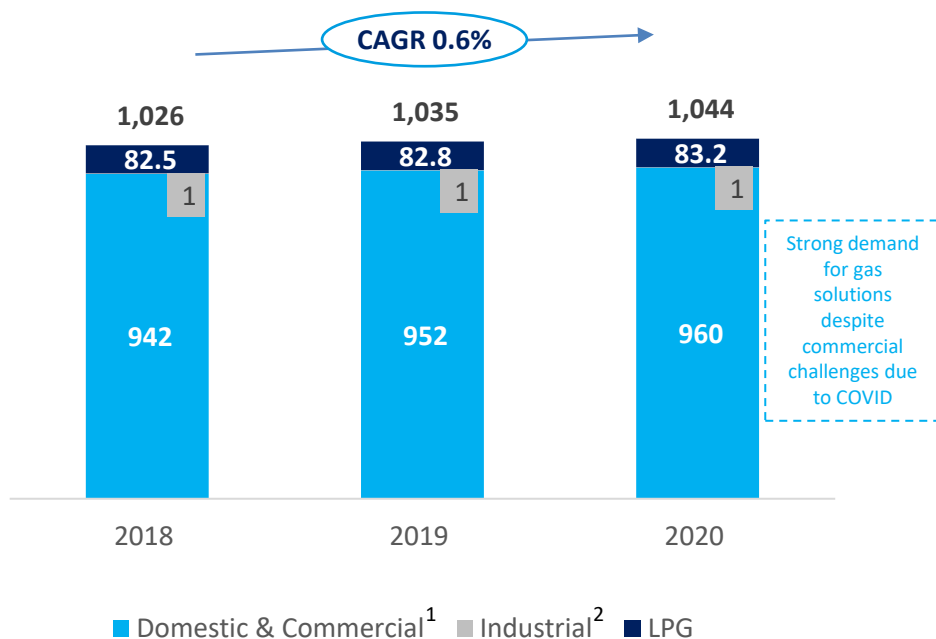
2 Operational Overview

Connection Points and Volumes

Connection points increased by 9.2k in 2020. Total remunerated volume amounted to 25.4TWh, lower than last year due to COVID impact and warmer weather in 2020.

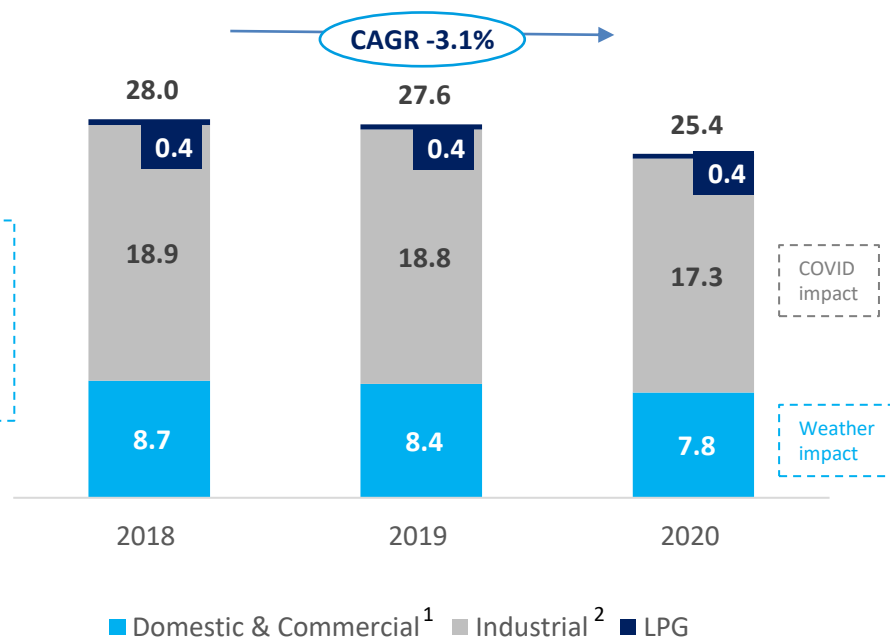
Evolution of Connection Points by Commercial Segment

Number of CPs in '000s, as of 31st of December of each year



Evolution of Remunerated Volume by Commercial Segment³

TWh, as of 31st of December of each year



Notes: 1. Includes T.3.; 2. Includes T.2.; 3. Remunerated volume according to measurement criteria, not invoiced criteria. Note that invoiced volumes might be slightly different (in timing and amount) from measured volumes.

2 Operational Overview



Nortegas' BoD and Management Team Committed to ESG

Environmental, social and governance factors are continuously promoted, targeting responsible investments and a better management of risk for more sustainable long-term returns.

General	<ul style="list-style-type: none">▪ Focused on being a reference business in the context of the ongoing energy transition in Spain (renewable gas, substitution of more polluting fuels)▪ Top Score / 5-stars in the GRESB ESG performance assessment, evidence of Nortegas commitment to ESG
Environment	<ul style="list-style-type: none">▪ Certified in new standard ISO 14001:2015▪ Improvement of environmental indicators: carbon footprint analysis has been deepened including fugitive emissions of natural gas in own facilities/users, consumption in offices and LPG plants, as well as considering other Green House Gases
Social	<ul style="list-style-type: none">▪ HSE fully integrated in business activities: (i) OSHAS 18001:2007 certification (NED, NED España and Tolosa); (ii) zero accident objective (Certified in ISO 45001:2018 obtained in February 2021)▪ DEI (Diversity, Equity and Inclusion) Strategy implemented▪ Community development initiatives: collaboration agreement with universities and professional training centres, and with the Food Banks of Asturias, Cantabria and the Basque Country▪ Promote technology R&D in collaboration with regional & national development authorities▪ UN Global Compact: committed to comply with the 17 sustainable development goals
Governance	<ul style="list-style-type: none">▪ Risks Management system▪ Strong culture of ethics and compliance▪ Financial policies driven by BoD and Management team commitment to maintain investment grade credit rating

Nortegas Consolidated Income Statement

Summary Income Statement

€M	2019	2020
Revenues	223	216
Supplies	(18)	(17)
Self-constructed assets	7	7
Operating Expenses	(34)	(33)
EBITDA	178	174
<i>Margin</i>	<i>79.7%</i>	<i>80.5%</i>
Amortisation Expenses	(83)	(84)
EBIT	94	90
<i>Margin</i>	<i>42.3%</i>	<i>41.5%</i>
Net Financial Expenses	(22)	(37)
Profit before income tax	72	53
Income Tax	(15)	(11)
Profit for the year	57	41

Comments

- 2020 **Revenues** are below 2019 figures mainly due to Covid-19 impact and warmer weather conditions
- **EBITDA margin expansion** from 79.7% (2019) to 80.5% (2020)
- Lower **Operating Expenses** compared to previous year as a result of the cost efficiency plan that has begun to be implemented
- **Net Financial Expenses** include €16.6M of one-off costs related to the bond repurchase carried out in the month of July for an amount of €175M. Bonds were due in 2027
- **Profit before income tax and Profit for the year** negatively affected by €16.6M of one-off costs related to the bond repurchase

Nortegas Consolidated Cash Flow Statement

Summary Cash Flow Statement

€M	2019	2020
EBITDA	178	174
Corporate Tax payments	(18)	(18)
Change in Current Assets & Liabilities	41	-
Change in Tariff Deficit + Others	5	4
Capex	(26)	(28)
Interest payments	(24)	(20)
Cash-flow from operating and investing activities	155	112

€M	2019	2020
EBITDA	178	174
Capex	(26)	(28)
Cash Generation (EBITDA-Capex)	152	146
<i>Cash Conversion</i>	<i>85.2%</i>	<i>83.8%</i>

Comments

- **“Capex”** includes mainly:
 - Investments to further develop the expansion of Natural Gas and LPG CPs
 - Maintenance investments related to works for network substitution as part of the maintenance programme
 - Investment in technology
- **Interest payments** include mainly bond interests
- **Strong Cash generation:** EBITDA-Capex of €146M, showing a high cash conversion (84%)
- **“Change in Current Assets & Liabilities”** in 2019 includes:
 - Improvements in VAT, Account Receivable, Account Payable and other
 - One-off extraordinary Collection of Castor payments of €11M, improving the settlements deficit with the Gas System”

Notes: 1. Interest payments do not include €15.7M One-off costs related to the bond repurchase.

Nortegas Consolidated Balance Sheet

Balance Sheet as of 31st December

€M	2019	2020
Property, plant and equipment	1,001	972
Goodwill	46	46
Other intangible assets	1,476	1,449
Right-of-use assets	4	2
Other non-current financial assets	1	1
Deferred tax assets	14	9
Total non-current assets	2,542	2,479
Other current assets	25	23
Cash and cash equivalents	367	127
Total current assets	392	149
Total assets	2,933	2,629
Total equity	1,252	1,132
Financial liabilities from issuing bonds	1,294	1,121
Leases	3	2
Other non current financial liabilities	3	2
Other non current liabilities	9	13
Deferred tax liabilities	285	277
Total non-current liabilities	1,592	1,414
Current financial liabilities	5	5
Leases	1	1
Debt with group companies and associates	5	1
Other current liabilities	78	76
Total current liabilities	89	82
Total equity and liabilities	2,933	2,629

Comments

- Nortegas made a bond repurchase which was due in 2027 for an amount of €175M.
- Total **Cash on Balance Sheet** at 2020 year-end amounted €127M vs €367M in Dec 2019 mainly explained by the bond repurchase.
- Total **Equity at year end 2020** amounted **€1,132M**
- Total **Net Debt at year end 2020** amounted **€1,004M**
- Financial policy driven by the Nortegas' BoD and Management commitment to **maintain investment grade credit rating**

3 Financial Overview

Financing Structure, Liquidity & Rating

Liquidity Position as of 31st December 2020

Instrument	Available (€M)	Drawn (€M)	Coupon
5-year Bond	-	550	0.918%
10-year Bond	-	575	2.065%
Revolving Credit Facility ⁽¹⁾	100	-	0.075% - 0.300% (depending on use)
Cash on Balance Sheet	127	-	-
Total	227	1,125	-

Financial policy to support investment grade rating

Key Data Points

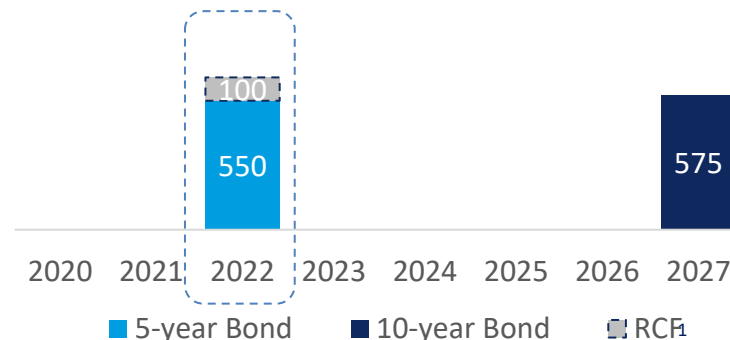
Net Debt
€1,004M

Rating S&P²
BBB-
Stable outlook

Average Maturity
4.6 yrs
(Increased to **7.7 yrs** after the January 2021 refinancing)

Average Financial Cost
1.83%
(Decreases to **1.39%** after the January 2021 refinancing)

Debt Maturities as of 31st December 2020 (€M)



Successful Refinancing in January 2021

- €550M bond issuance with a coupon of 0.905% and maturity in Jan. 2031
- 2022 bonds repurchase for an amount of €407.4M through a tender offer
- Refinancing of the Revolving Credit Facility
 - Facility size increased from €100M to €120M
 - Maturity extended to January 2024 with two 1yr optional extensions
 - Transferred from NED to NEG⁽³⁾

Notes: 1. Undrawn as of 31st December 2020; 2. S&P conducts their analysis on Nortegas on a consolidated basis with its parent, Nature. Stand-alone credit profile (SACP) of Nortegas is "bbb", issuer credit rating is "BBB-". 3. NEG stands for Nortegas Energia Grupo, SLU, which is the parent company of Nortegas Energia Distribucion, SAU.

No disruptions due to Covid 19 and limited financial impact. Nortegas created a COVID 19 Monitoring Committee and activated a plan to continue business as usual in operations & maintenance and supply to all households, while ensuring employees' safety.

Contingency Plan

- The Committee activated a contingency plan to ensure normal operations and awareness of Nortegas' workforce about the situation and implement the relevant preventive procedures:
 - Health & Safety measures, adjustments to operational procedures
 - Remote working, attendance to corporate offices
 - Travel policies
- Contingency plans were prepared for each function involving both employees and subcontractors
- No disruptions in operations & maintenance activities

Social Initiatives

- Improved payment terms to its more than 600 suppliers, many of them local contractors
- Donated 52.5 tons of food to the Food Banks of Asturias, Cantabria and the Basque Country

Financial Impact

- Limited financial impact of COVID-19 due to our business model, 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

€550M bond issuance and 2022 bonds tender offer

Transaction Overview

- On January 2021, Nortegas issued a €550M bond at a 0.905% coupon for a 10-year tenor
- Additionally, with the proceeds from the issuance, the Company announced a cash tender offer for the €550M 2022 bonds
 - Tender resulted in buying back €407M of 2022 bonds, implying a 74% acceptance

2031 Bond Term Sheet

Guarantors:	NED España Distribución Gas, S.A.U. and NED Suministro GLP, S.A.U.
Status:	Senior Unsecured Notes
Exp. Issue Ratings:	BBB- by S&P
Trade Date:	14 January 2021
Term of Bonds:	10 years
Notional Amount:	EUR 550,000,000
Maturity Date:	22 January 2031
Coupon Frequency:	Annually
Mid-Swap Yield:	-0.245%
Re-offer Spread to Mid-Swap:	+ 115 bps
Re-offer Yield / Coupon:	0.905%
Listing and Trading:	Irish Stock Exchange
Documentation:	Pursuant to the EMTN Programme (Base Prospectus dated 11 th January 2021)
Governing Law:	English Law
Redemption at the option of the Issuer:	Make Whole Call (B+25bps) / 3-month par call / Clean-up Call (80%)
Investor Put Options:	Change of Control, Restruct. Event, Loss of Licence, Negative Pledge, Cross default, as per the EMTN Programme
Use of Proceeds:	General corporate purposes including the partial refinancing of NorteGas Energia Distribucion, S.A.U. €550m 2022 fixed rate senior unsecured notes
Active Bookrunners:	BBVA, BNP Paribas, CaixaBank, Santander
Coleads	ING, Intesa, Kutxa-Norbolsa



- Sustained **growth**: +0.9% in connection points, **solid market for gas solutions**
- Efficiency plan driving **EBITDA margin expansion to 80.5%** (from 79.7%) and **cash conversion of 84%**⁽¹⁾
- Approval of **2021-26 regulatory framework**, providing revenue visibility and new gas incentives (e.g. NGV, renewable gases)
- **BBB- / Stable rating from S&P's (November 2020)**
- **Optimised financial structure** after the successful issuance of a 10-yr €550M bond @ 0.905% . Maturities extended to 7.7yrs
- **ESG a key strategic priority for Nortegas Board of Directors and Management Team**
- **No operational impact and limited financial impact due to COVID-19**

