



Nortegas Energía Distribución, S.A.U.

First Half 2021 - Results

October 2021

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1 Introduction

H1 2021 - Main Milestones

Operational Overview

- Nortegas continues growing at **significant pace in both residential an industrial markets**
- **Solid growth on residential market during H1 – 2021:**
 - ✓ **+8.9k additional gross Connection Points** (+28% YoY increase) (without the Acquisition of CEPESA’s LPG portfolio)
 - ✓ **Acquisition of CEPESA’s canalized LPG portfolio** in the regions where Nortegas operates (c. 4,5k CPs)
- During H1 - 2021, **industrial contracted capacity grew by 153 Gwh, implying +81% over H1 - 2020 and +159% over H1 - 2019**
- **14.9 TWh of aggregate distributed volume** in H1 - 2021 (+14.7% YoY increase)

Financial Overview

- Ordinary Income of **€112.2m** during H1-2021 (+2.2% YoY increase)
- EBITDA of **€89.0m** during H1-2021 (-0.2% YoY decrease)
- Significant increase in CAPEX (+50% YoY), leading to Cash flow from operating and investment activities of **€36.9m** (-29.2% YoY decrease).
- In January 2021 Nortegas carried out the **refinancing of the €550m September 2022 maturing bonds**, issuing a new instrument at a **0.905% coupon rate with a 10 year tenor**. In parallel, Nortegas launched a **tender offer to buy back the outstanding September 2022 maturing bonds in advance**, reaching a 74% acceptance rate (€407m)

ESG

- Focused on being **a reference business in the context of the ongoing energy transition in Spain** (renewable gas, substitution of more polluting fuels)
- Subsequent event: In October 2021, Nortegas has achieved Top Score / 5 stars in GRESB ESG performance assessment with a mark of **92 points**

Additional Updates

- Nortegas has pursued **normal operations during the whole COVID period**
- The **injury frequency rate (IFR) has been zero** for H1 - 2021, meaning **no accidents with downtime have occurred**

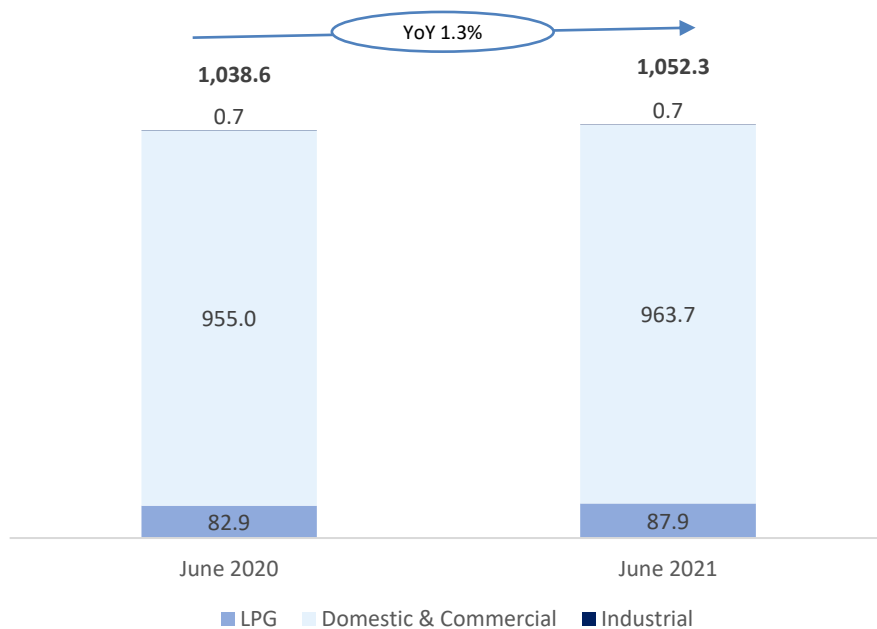
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2 Operational Overview

Evolution of Connection Points and Volumes

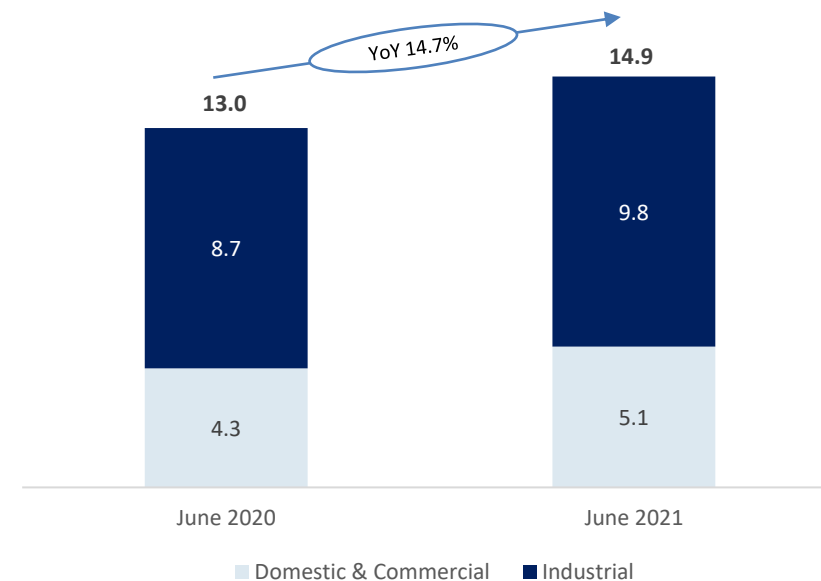
Evolution of Connection Points by Segment

Number of CPs in '000s



Evolution of Volume by Segment

TWh, from 01/01/2021 to 30/06/2021



- **Nortegas experienced a significant organic growth during the first semester of 2021 despite COVID-19 restrictions**
- Additionally, Nortegas has achieved an increase in LPG CPs mainly resulting from the **acquisition of CEPSA's canalized LPG portfolio** in the regions where Nortegas operates (c. 4,5k CPs)
- The Domestic & Commercial segment experienced a **+18.4% YoY increase in volumes** in H1 – 2021
- **Industrial sector continues recovering** and remains a key **driver of consumption increase**, showing a YoY growth of +13%

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3 Financial Overview

Nortegas Consolidated Income Statement

Income Statement for the 6 Months Period Ending 30th June

€m	H1 2020	H1 2021
A Ordinary income	109.8	112.2
Supplies	(9.3)	(10.4)
Self-constructed assets	3.6	3.4
Other income	6.8	5.8
Personnel Expenses	(6.4)	(6.9)
B Other Expenses	(15.4)	(15.1)
EBITDA	89.2	89.0
Amortisation expenses	(41.9)	(42.2)
Results from operating activities	47.2	46.8
C Net financial expenses	(11.1)	(18.1)
Profit before income tax	36.2	28.6
Income tax	(8.7)	(6.9)
Profit for the year	27.4	21.7

Comments

- A** H1 2021 ordinary income higher than H1 2020 (+2.2%) mainly due to the significant recovery in demand
- B** Efficiency plan in place, implying increased savings from 2021 onwards
- C** Net financial expenses increased because of one-off costs related to the September 2022 maturing bonds refinancing completed in January of 2021

- Includes €1,1m one-off costs (Early retirement plan)
- Includes €8,5m one-off costs (2022 Bonds buy back)

3 Financial Overview

Nortegas Consolidated Cash Flow Statement

Cash Flow for the 6 Months Period Ending 30th June

€m	H1 2020	H1 2021
EBITDA	89.2	89.0
Corporate tax payments	(0.3)	(0.2)
A Change in Current Assets & Liabilities	(25.4)	(31.3)
Change in Tariff Deficit + Others	2.3	1.3
B CAPEX	(13.5)	(20.3)
C Interest payments	(0.2)	(1.7)
Cash-flow from operating and investing activities	52.1	36.9

Comments

A Change in Current Assets & Liabilities, main impacts:

- Mainly related to an increase in accounts receivable vs H1 - 2020

B CAPEX:

- **Nortegas continues investing in growth:**
 - Expansion investments to sustain the development of Natural Gas and LPG CPs
 - Acquisition of CEPSA's canalized LPG portfolio (~5k CPs) in the regions where Nortegas operates
- CAPEX also includes:
 - Investments related to works for network substitution as part of the maintenance programme
 - Investment in IT as part of the digital transformation strategy of the Company

C Interest Payments:

- Higher interest payments in the H1 - 2021 due to the anticipated buy back of the September 2022 maturing bonds

Nortegas Consolidated Balance Sheet

Balance Sheet as of 31 December 2020 and 30th June 2021

€m	31 st December 2020	30 th June 2021
Property, plant and equipment	972	963
Goodwill	46	46
Other intangible assets	1,449	1,436
Rights for use of assets	2	2
Other non-current financial assets	1	1
Deferred tax assets	9	7
Total non-current assets	2,479	2,455
Other current assets	23	27
Cash and cash equivalents	127	185
Total current assets	149	212
Total assets	2,629	2,667
Total equity	1,132	1,042
Financial liabilities from issuing bonds	1,121	1,264
Leases	2	2
Other non current financial liabilities	2	2
Other non current liabilities	13	13
Deferred tax liabilities	277	274
Total non-current liabilities	1,414	1,555
Current financial liabilities	5	10
Leases	1	--
Debt with group companies and associates	1	2
Other current liabilities	76	57
Total current liabilities	82	69
Total equity and liabilities	2,629	2,667

Comments

- The **equity** as of 30th June 2021 **amounted to €1,042m**
- Total **Net Debt as of 30th June 2021 is €1,096m**
- Financial policy driven by the shareholder commitment **to maintain an investment grade credit rating**

Note: Financial figures as of 30 June 2020 and 30 June 2021 are not audited

Financing Structure, Liquidity and Rating (1/2)

Refinancing of September 2022 maturing bonds

January 2021 Bond Issuance

- To buy the outstanding bonds in advance at favourable terms, Nortegas issued **€550m of Senior Unsecured Bonds**:
 - **Coupon 0.905%**
 - **10 years tenor**

January 2021 Tender Offer

- On 13th January 2021, Nortegas announced a **Cash Tender Offer for up to €550m nominal for the September 2022 maturing bonds**
- **Tender resulted in buying back €407m of the September 2022 maturing bonds, implying a 74% acceptance**

Revolving Credit Facility – Refinancing

- Refinancing of the Revolving Credit Facility:
 - Facility **size increased from €100m to €120m**
 - **Maturity extended to January 2024** with two additional 1yr extensions
 - Transferred from Nortegas Energía Distribución, S.A.U. to Nortegas Energía Grupo, S.L.U. ⁽¹⁾
 - Interest: EURIBOR + 0.75%

(1) Legal chart in Appendix

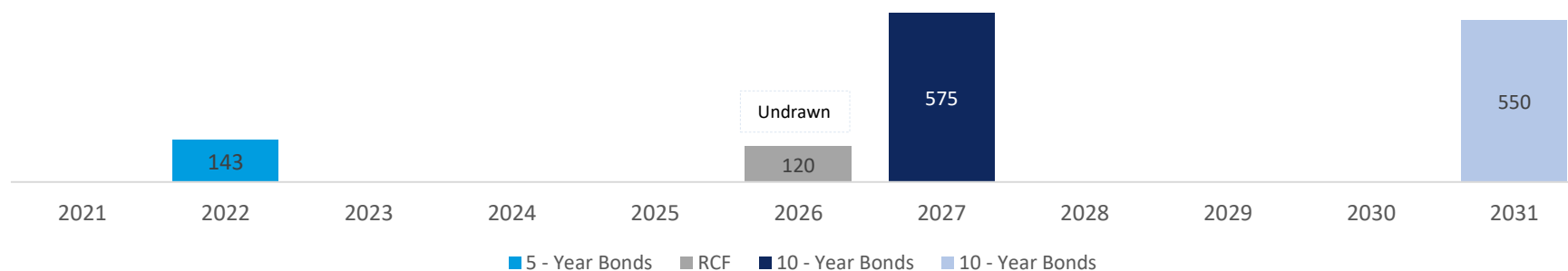
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Financing Structure, Liquidity and Rating (2/2)

Debt and Liquidity Position as of 30th of June 2021

Instrument	Available (€m)	Drawn (€m)	Coupon
5 - Year Bond	--	143	0.918%
RCF	120	--	0.075% - 0.3% (depending on use) ⁽¹⁾
10 - Year Bond	--	575	2.065%
10 - Year Bond	--	550	0.905%
Cash on Balance Sheet	185	--	--
Total	315	1,268	--

Debt Maturities as of 30th of June 2021 (€m)



Key Data Points as of 30th of June 2021

<p>Net Debt ⁽¹⁾</p> <p>€1,096m</p>	<p>Rating S&P</p> <p>BBB-</p> <p>Stable outlook</p>	<p>Average Maturity</p> <p>7.2 years</p>	<p>Average Financial Cost</p> <p>1.35%</p>
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(1) Details on calculation of Net Debt in page 11

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4 Environmental, Social and Governance (“ESG”)

Nortegas’ BoD and Management Team Committed to ESG

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)▪ In October 2021, Nortegas has achieved Top Score / 5 stars in GRESB ESG performance assessment with a mark of 92 points, evidence of Nortegas commitment to ESG▪ ESG Scorecard developed to monitor our progress on sustainability-related matters
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, with the Food Banks of Asturias, Cantabria and the Basque Country▪ Advanced payments to suppliers and foodbank contribution during the pandemic▪ 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

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5 New Businesses: Growth and Alignment with Energy Transition (1/2)

Nortegas' vision is to become a leading player in the Spanish energy transition as an integrated company in the field of energy infrastructure services



Integrated infrastructure company with complementary energy services

- Development and operation of gas infrastructure
 - **Organic growth** plan in underpenetrated areas and network saturation
- Growth through complementary **energy infrastructure services** leveraged in current organization, channels, assets and industry know-how
 - Eg. Natural Gas central heating installation & maintenance, LPG boiler maintenance


Organic Growth

- **Record Growth in Domestic and Industrial**



Boiler Rooms

- **Significant advancements** despite Covid-19 restrictions




LPG Individual Boilers

- Great reception of the **A Punto maintenance service product**, with over 3,192 clients until June 2021



5 New Businesses: Growth and Alignment with Energy Transition (2/2)

Nortegas' vision is to become a leading player in the Spanish energy transition as an integrated company in the field of energy infrastructure services



Nortegas' infrastructure enabling the energy transition

- **Nortegas Energía Grupo, through Nortegas Green Energy Solutions (“NGES”)⁽¹⁾** is investing in **complementary green energy infrastructure**
 - **Investments are made by Nortegas Group outside of the bond perimeter**
 - These investments enhance the role of NED's gas grids in the energy transition, for the mid and long term
- **Renewable gas, Hydrogen, Natural Gas for Vehicles,** are initiatives where Nortegas Green Energy Solutions is already investing on

Natural Gas for Vehicles

- Successful agreement with **Repsol for the development of NGV stations**
- Sestao NGV station in operation for the last months
- 3 public stations under construction and 1 seeking permitting



Biomethane

- **Significant project pipeline developing – Regulatory developments**



Hydrogen Projects



Initiative to promote green H2 use and increase its presence in the market



First green hydrogen generation plant for electricity generation and network injection supplying via virtual PPAs



Boost the safe injection of hydrogen in the natural gas distribution infrastructures and research into the behaviour of materials and components



Green H2 generation facility from mine water and injection into the natural gas distribution grid

(1) Legal chart in Appendix

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