



# **Nortegas Energía Distribución, S.A.U.**

## **2022 First Half Results**

October 2022

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## Table of Contents

<b>1</b>	<b>Key Highlights</b>
<b>2</b>	<b>Operational Overview</b>
<b>3</b>	<b>Financial Overview</b>
<b>4</b>	<b>ESG Review</b>
<b>5</b>	<b>New Businesses and Renewable Gases Update</b>
<b>6</b>	<b>Closing Remarks</b>
	<b>Appendix: Legal Chart</b>

## Table of Contents

<b>1</b>	<b>Key Highlights</b>
2	Operational Overview
3	Financial Overview
4	ESG Review
5	New Businesses and Renewable Gases Update
6	Closing Remarks
	Appendix: Legal Chart

## Continued Growth in Connection Points

- Nortegas continues growing in **residential & commercial segments**, proving resilience and long-term prospects of natural gas
  - **+8.7k additional net connection points** compared to H1 2021 results
  - **13.6 TWh of aggregate distributed volume** in H1 2022
- **Remunerated volume evolution** (-8.8% vs. YTD Jun-21)
  - Industrial segment volume decrease impacted by **current high prices and macro environment**
  - Domestic & Commercial segment volume affected by **warmer temperatures throughout H1 2022**

## Resilient Financial Performance with Strong Cash Generation

- Ordinary income of **€116M** during H1-2022 (3.7% YoY increase)
- EBITDA of **€83M** during H1-2022 (-6.7% YoY decrease)
- **Strong cash generation<sup>1</sup>** of €69.4M (83.6% conversion ratio)

## De-Risked Capital Structure

- **Long-term** maturity profile with **no exposure to market volatility** (100% fixed interest rate)
- **Strong liquidity position**, with €120M of undrawn facilities
- **Early redemption** of the **€143M of the September 2022 bonds** executed in July
- Commitment to maintain current **investment grade rating**

## Fully Committed and Delivering on ESG Agenda

- Focused on being a **reference business** in the context of the ongoing **energy transition in Spain**
  - **New 5 NGV<sup>2</sup> stations in operation, with 2 under construction**
  - **First biomethane<sup>2</sup> project under construction**, with additional opportunities being analysed
  - **Hydrogen: BH2C first H2 pipe** under construction, **H2SAREA inaugurated** in 2021, **BENORTH2 permitting launched**
- **Sustainable qualification** of the RCF at Nortegas Energía Grupo
- Achieved a **Top Score / 5 starts** in GRESB ESG performance assessment with **95 points** (vs. 92 points in 2021)

## Table of Contents

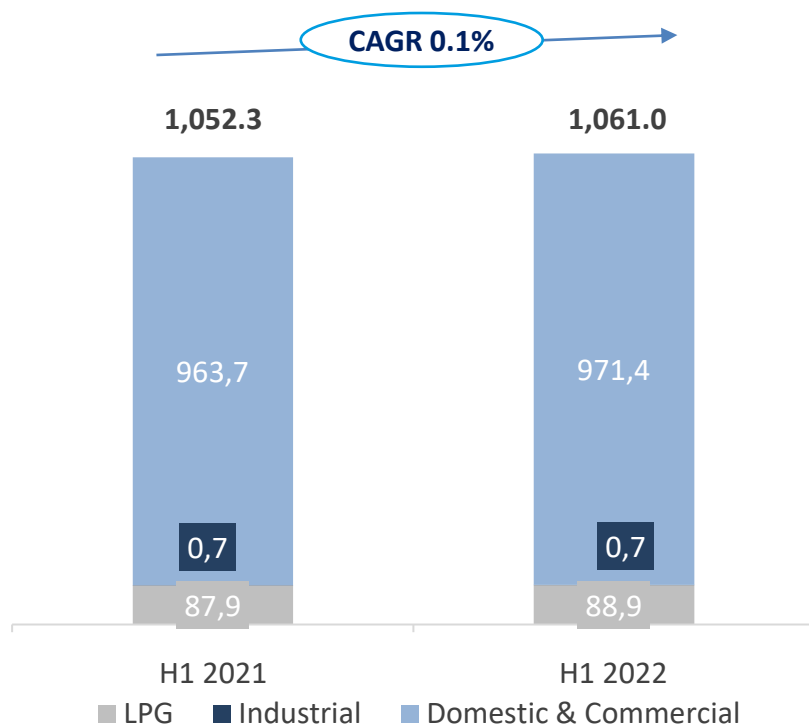
1	Key Highlights
<b>2</b>	<b>Operational Overview</b>
3	Financial Overview
4	ESG Review
5	New Businesses and Renewable Gases Update
6	Closing Remarks
	Appendix: Legal Chart

## 2 Operational Overview

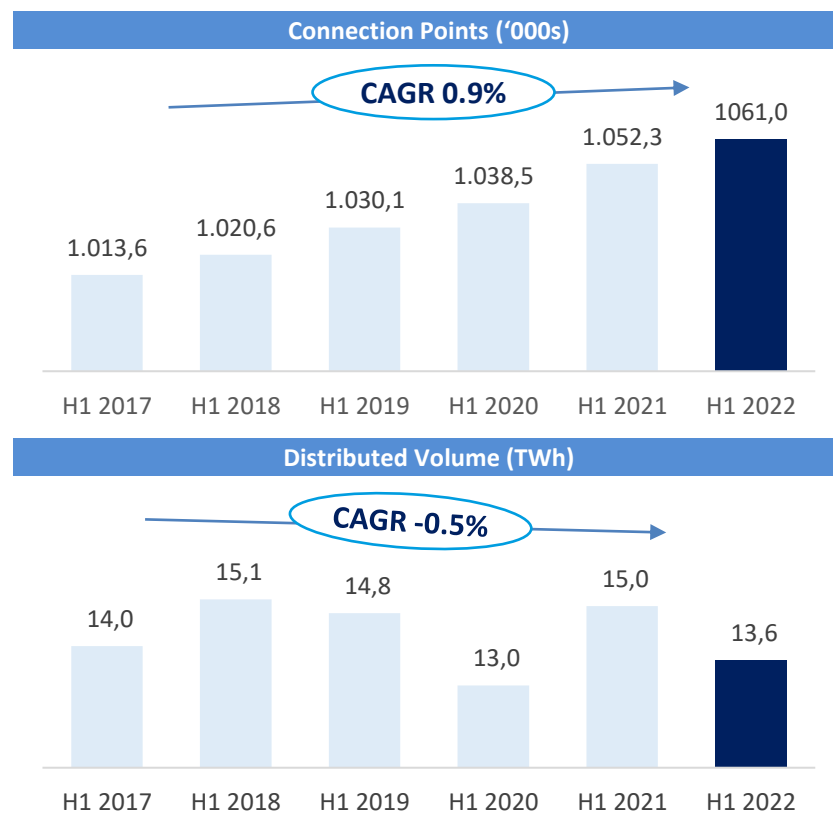
### Connection Points and Volumes

#### Evolution of Connection Points by Segment

Number of CPs in '000s, as of 30<sup>th</sup> of June of each year



#### Evolution of Connection Points and Volume (H1 2017 – H1 2022)



- Regarding CPs evolution, Nortegas has experienced a **sustainable growth during the first semester of 2022**. As of end of June 2022, **net growth in CPs has been over 8.7k**
- Regarding **volume evolution**, total volumes for **H1 2022 have diminished (-8.8% vs. H1 2021)** due to the current market situation on **natural gas prices impacting industrial demand and warmer temperatures impacting the Domestic & Commercial segment**

## Table of Contents

1	Key Highlights
2	Operational Overview
<b>3</b>	<b>Financial Overview</b>
4	ESG Review
5	New Businesses and Renewable Gases Update
6	Closing Remarks
	Appendix: Legal Chart



# 3 Financial Overview

## Consolidated Income Statement

### Income Statement for the 6 Months Period Ending June 30<sup>th</sup>

€M	H1 2021	H1 2022
<b>A</b> Revenues	112.2	116.4
Supplies	(10.4)	(16.3)
Self-constructed assets	3.4	3.3
Other Income	5.8	0.9
Operating Expenses <sup>1</sup>	(22.0)	(21.2)
<b>B</b> EBITDA	<b>89.0</b>	<b>83.0</b>
Amortisation Expenses	(42.2)	(42.1)
EBIT	<b>46.8</b>	<b>41.0</b>
<b>C</b> Net Financial Expenses	(18.1)	(9.8)
<b>Profit before income tax</b>	<b>28.6</b>	<b>31.2</b>
Income Tax	(6.9)	(7.5)
<b>Profit for the year</b>	<b>21.7</b>	<b>23.7</b>

### Comments

#### **A** Revenues:

- H1 2022 ordinary income was higher than H1 2021 (+3.7% YoY) mainly due to **higher commodity prices affecting LPG business revenues** (offset by an increase in COGS and negatively impacting margins as % of revenues)

#### **B** EBITDA:

- EBITDA impacted mainly by **remuneration adjustment**
- Efficiency plan** continues yielding positive results

#### **C** Net Financial Expenses:

- H1 2021 includes €8.5M of one-off costs related to the 2022 bond buyback of €407M and the 2031 bond issuance of €550M
- Excluding the 2021 one-off costs, **interest expenses are in line with last year's results**

### 3 Financial Overview

## Consolidated Cash Flow Statement

### Cash Flow Statement as of 30<sup>th</sup> of June 2021 and 2022

€M	H1 2021	H1 2022
EBITDA	89.0	83.0
Corporate Tax payments	(0.2)	(0.2)
<b>A</b> Change in Current Assets & Liabilities & Others	(30.0)	13.5
<b>B</b> Capex	(20.3)	(13.6)
<b>C</b> Interest payments	(1.7)	(5.3)
<b>Cash-flow from operating and investing activities</b>	<b>36.9</b>	<b>77.4</b>
Debt repayment / issuance <sup>1</sup>	132.5	-
<b>Cash-flow after third party financing activities</b>	<b>169.4</b>	<b>77.4</b>
<b>Cash position at Year End</b>	<b>184.6</b>	<b>220.8</b>

€M	H1 2021	H1 2022
EBITDA	89.0	83.0
Capex	(20.3)	(13.6)
<b>D</b> <b>Cash Generation (EBITDA-Capex)</b>	<b>68.7</b>	<b>69.4</b>
<i>Cash Conversion</i>	<i>77.2%</i>	<i>83.6%</i>

### Comments

- A** **Change in current Assets & Liabilities & Others:** relevant YoY change driven by **efficient working capital management policy**
- B** **CAPEX:**
  - **Lower level of CAPEX deployed in H1 2022 (-€7M vs. H1 2021).** Considerable CAPEX variability due to last year's CEPSA CAPEX
  - **Selective commercial policies implemented on expansion**
- C** **Interest payments** include mainly bond interests
- D** **Sustained trend on strong cash generation:** EBITDA-Capex of **€69.4M (+€0.7M)** and a higher rate of cash conversion (**83.6%**) as compared to **H1 2021 figures (77.2%)**

# 3 Financial Overview

## Consolidated Balance Sheet

### Balance Sheet as of 31<sup>st</sup> of December 2021 and 30<sup>th</sup> of June 2022

€M	December 31 <sup>st</sup> , 2021	June 30 <sup>th</sup> , 2022
Property, plant and equipment	949	934
Goodwill	46	46
Other intangible assets	1,423	1,410
Rights for use of assets	2	2
Other non-current financial assets	1	1
Deferred tax assets	4	1
<b>Total non-current assets</b>	<b>2,425</b>	<b>2,394</b>
Other current assets	29	32
Cash and cash equivalents	164	221
<b>Total current assets</b>	<b>193</b>	<b>253</b>
<b>Total assets</b>	<b>2,618</b>	<b>2,646</b>
<b>Total equity</b>	<b>1,021</b>	<b>1,026</b>
Financial liabilities from issuing bonds	1,120	1,121
Leases	1	1
Other non current financial liabilities	2	2
Other non current liabilities	15	16
Deferred tax liabilities	270	267
<b>Total non-current liabilities</b>	<b>1,409</b>	<b>1,407</b>
Current financial liabilities	151	155
Leases	0	0
Debt with group companies and associates	5	8
Other current liabilities	31	50
<b>Total current liabilities</b>	<b>188</b>	<b>213</b>
<b>Total equity and liabilities</b>	<b>2,618</b>	<b>2,646</b>

### Comments

- As of 30<sup>th</sup> of June 2022, total **Cash on Balance Sheet** amounted to **€221M vs €164M in Dec 2021**
  - Early repayment of the **2022 Bond (-€142.6M) in July** financed with existing cash
- The **equity** as of 30<sup>th</sup> of June 2022 **amounted to €1,026M**
- Total **Net Debt as of 30<sup>th</sup> of June 2022 of €1,066M** representing a **reduction of €50M**, driven by the **cash position increase**
- Financial policy driven by the shareholder commitment **to maintain an investment grade credit rating**

### 3 Financial Overview

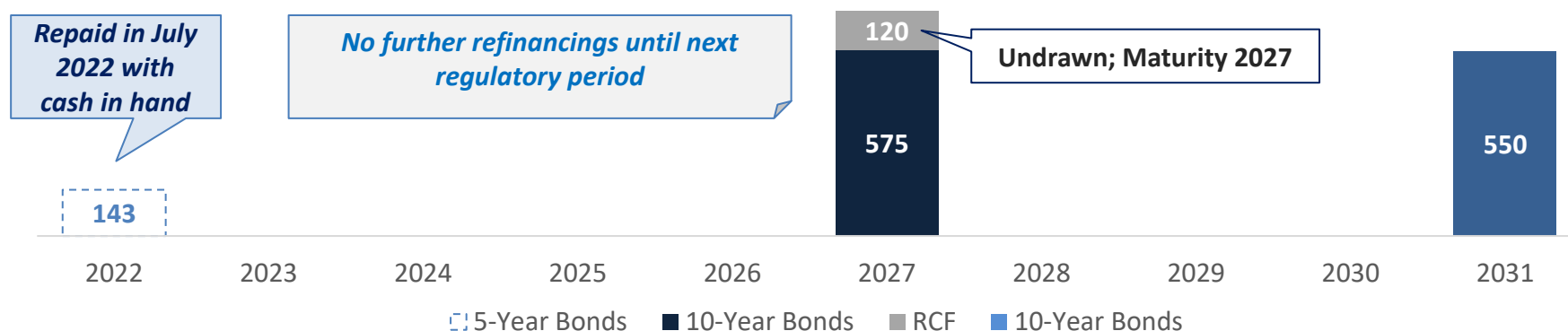
## Financial policy and capital structure supporting Investment Grade rating

### Debt and Liquidity Position as of 30<sup>th</sup> of June 2022 (Nortegas Energía Distribución, S.A.U. and subsidiaries)

Instrument	Available (€M)	Drawn (€M)	Coupon
2022 Bonds	--	143	0.918%
2027 Sustainable RCF	120	--	Euribor + 0.75%
2027 Bonds	--	575	2.065%
2031 Bonds	--	550	0.905%
Cash on Balance Sheet	221	--	--
<b>Total</b>	<b>341</b>	<b>1,268</b>	--

Repaid in July 2022 with cash in hand

### Debt Maturities as of 30<sup>th</sup> June 2022 (€M)



### Key Data Points

Net Debt <b>€1,066M</b>	ND/EBITDA LTM <b>6.2x</b>	Rating S&P <sup>1</sup> <b>BBB-</b> Stable outlook	Average Maturity <b>6.1 years</b>	Average Cost of Debt <b>1.36%</b>
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## Table of Contents

1	Key Highlights
2	Operational Overview
3	Financial Overview
<b>4</b>	<b>ESG Review</b>
5	New Businesses and Renewable Gases Update
6	Closing Remarks
	Appendix: Legal Chart

2022 GRESB Assessment (October 2022)

# 2022 GRESB Infrastructure Asset Benchmark Report

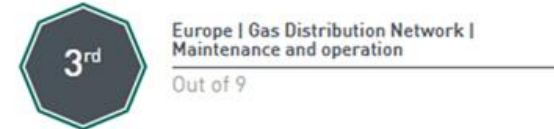
Nortegas Energía Distribución, S.A.U | Nortegas Energía Distribución, S.A.U

GRESB Rating  
★★★★★

### Participation & Score



### Peer Comparison



#### GRESB Score

Out of 649



#### GRESB Score within Network Utilities: Gas Distribution Companies / Europe / Private

Out of 10



#### GRESB Score within Network Utilities: Gas Distribution Companies

Out of 13



#### Management Score

Out of 652



#### GRESB Score within Network Utilities: Gas Distribution Companies / Europe

Out of 10



#### Management Score within Network Utilities: Gas Distribution Companies

Out of 13



#### Performance Score

Out of 649



#### GRESB Score within Private

Out of 470



#### Performance Score within Network Utilities: Gas Distribution Companies

Out of 13


# 4 ESG Review

Strong ESG commitment materialized through a continuous promotion of environmental, social and governance factors, targeting responsible investments and a better management of risk for more sustainable long-term returns

ESG  
commit.

**E** 

Active role towards **energy transition and decarbonization**

**S** 

Development of our **people**, and support for our **community**

**G** 

Transparency & integrity, ensuring **sustainable growth in the business**

Selected  
NG's  
ongoing  
initiatives

- **Improvement of environmental indicators:** Scope 1, Scope 2, and Scope 3 GHG emission targets
- **Implementation of the TCFD** and continuous risk assessment
- Promotion of alternative energies through the investment of different projects related to **biogas and hydrogen**
- **Promotion of NGV:** 5 fully operational; new NGV agreement with Repsol underway<sup>1</sup>
- **Pilot projects** to transition from traditional to **smart meters**

- **Next generation program for the future:** **31 new talents** identified through a partnership with Deusto Business School
- **CBA negotiation in motion:** **new mechanisms of salary** increases and **upgraded salary grid** for hiring young and unexperienced professionals
- **50% gender parity** on recruitment processes from 2020 up to today
- **Safe comeback of employees to office afterwork**

- Promotion of strategy to **maximize opportunities** of the energy transition and **minimize the physical and transition-related risks** of climate change
- Disclosure of **Climate-related actions** and progress in the **TCFD dimensions**
- **Development of cybersecurity** policy and related company procedures
- **HSE, S&IC, Auditing, and Remuneration board committees**

### Nortegas SDG Contribution



 SDGs to which Nortegas contributes the greatest

Notes: (1) Through Nortegas Green Energy Solutions ("NGES"), Investments are made by Nortegas Group outside of the bond perimeter

## Table of Contents

1	Key Highlights
2	Operational Overview
3	Financial Overview
4	ESG Review
<b>5</b>	<b>New Businesses and Renewable Gases Update</b>
6	Closing Remarks
	Appendix: Legal Chart



Nortegas' commitment to infrastructures that enables the energy transition remains firm, as demonstrated by the results obtained in new businesses and renewable gases through other group companies and subsidiaries<sup>1</sup>

## LPG Maintenance

LPG maintenance services (**Eficuota**) keeps advancing steadily

8,415 LPG active customers as of June 2022



## Boiler Rooms<sup>1</sup>

Strong commercial focus on boiler rooms segment  
29 new boiler room contracts signed in YTD 2022



## NGV<sup>1</sup>

Successful agreement with Repsol for development of NGV stations:

- 5 fully operating stations
- 2 stations under operation
- 4 stations on permitting process)



## Renewable Gases<sup>1</sup>

### Biomethane

Development of a national biomethane project portfolio, with public and private companies

- **Biolvegas project** signed in March and under construction
- **Significant project pipeline developing**



### Hydrogen



Full replica of distribution network to test **H2 Blending with Natural Gas**



**Pioneer project** focused on developing the **first hydroduct in Spain**



**Green hydrogen generation plant** for electricity generation and network injection supplying via virtual PPAs



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

## Table of Contents

1	Key Highlights
2	Operational Overview
3	Financial Overview
4	ESG Review
5	New Businesses and Renewable Gases Update
<b>6</b>	<b>Closing Remarks</b>
	Appendix: Legal Chart

### Market Context

- H1 2022 characterized by **macro and geopolitical developments**. Business model **not exposed to current volatile commodity prices**
- **Secured gas supply in Spain** thanks to **geographically diversified sources** and existing **regasification and LNG infrastructure**
- **Regulatory measures** set forth by the government to reduce the gas bill and **incentivize gas consumption**

### Business Model

- **Resilient business model and balanced customer profile**, with a considerable weight in industrial segment which has a **lower remuneration impact derived from demand decrease**
- **Solid CPs growth and strong cash generation** despite the highly volatile market environment

### Capital Structure

- **Optimized long-term and fixed-cost capital structure** with **no significant maturities until the next regulatory period**
- **Strong liquidity position** with fully discretionary capex

### IG Rating

- Financial policy driven by the shareholder commitment **to maintain an investment grade credit rating**
- **BBB- / Stable rating** from S&P (December 2021)

### ESG

- **ESG factors continuously promoted**, targeting responsible investments and a **better risk management**
- **Steady delivery** on the ESG strategy with **improved third party recognition (GRESB)**

### New Businesses

- Delivering on Nortegas' vision to become a **leading player in the Spanish energy transition** as an **integrated company in the field of energy infrastructure<sup>(1)</sup>**
- Continued delivery on **biomethane<sup>1</sup>, hydrogen and NGV<sup>1</sup>** initiatives to support to support NED assets

## Table of Contents

1	Key Highlights
2	Operational Overview
3	Financial Overview
4	ESG Review
5	New Businesses and Renewable Gases Update
6	Closing Remarks
	<b>Appendix: Legal Chart</b>

# Appendix: Legal Chart

