



Nortegas Energía Distribución S.A.U. and Subsidiaries 2022 Full Year Results

June 2023

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Agenda

1 Key Highlights

2 Operational Overview

3 Financial Overview

4 Environmental, Social and Governance (“ESG”)

5 New Businesses and Renewable Gases Update

6 Closing Remarks

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1 Key Highlights

2022 – Main Milestones

Steady Connection Points Growth Despite Macro Headwinds

- **+16.6k Gross additions** as of December 2022 in Natural Gas and LPG, 7.6% below 2021 (excluding CEPSA's LPG portfolio) in a market negatively impacted by the **evolution of gas prices**
- Domestic & Commercial volumes 15% below 2021 driven by **high prices and warmer temperatures throughout 2022**
- Industrial segment volumes decrease of 21% vs. 2021 (17% excluding cogeneration) impacted by **high prices and macro environment**

Sound Financial Situation with Relevant Cash Generation

- Revenues amounting to **€215M**, -4.6% YoY driven by remuneration adjustment, high gas prices and warm temperatures
- EBITDA of **€155M** during 2022, -12.7% YoY, with lower revenues partially offset by **disciplined cost control**
- **Strong cash generation¹** of €127M (82% conversion ratio) thanks to **discretionary capex**

De-Risked Capital Structure

- **Long-term** maturity profile with **no exposure to market volatility** (100% fixed interest rate with no maturities until 2027)
- **Strong liquidity position**, with €130M of undrawn facilities
- **Early redemption** of the **€143M of the September 2022 bonds** executed in July 2022
- Commitment to maintain **investment grade rating** (BBB-/stable rating reaffirmed by S&P in November 2022)

Fully Committed with Promotion of Renewable Gases and ESG

- Relevant progress to **lead energy transition in renewable gases and ancillary services**:
 - **Development of national biomethane portfolio** with **1 plant under operation** an extensive pipeline of opportunities under development
 - **Hydrogen: leading infrastructure vertical of BH2C**, 10% H2 blending test completed in **H2SAREA**
- **Sustainable qualification** of the undrawn facilities
- **Top Score / 5 stars** in GRESB ESG performance assessment with **95 points** (vs. 92 points in 2021)
- **36% GHG emissions reduction** compared to 2019 and **1.989 t Co2 eq emissions avoided** with boilers transformations
- **43% women in leadership** positions

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2 Operational Overview

Connection Points and Volumes

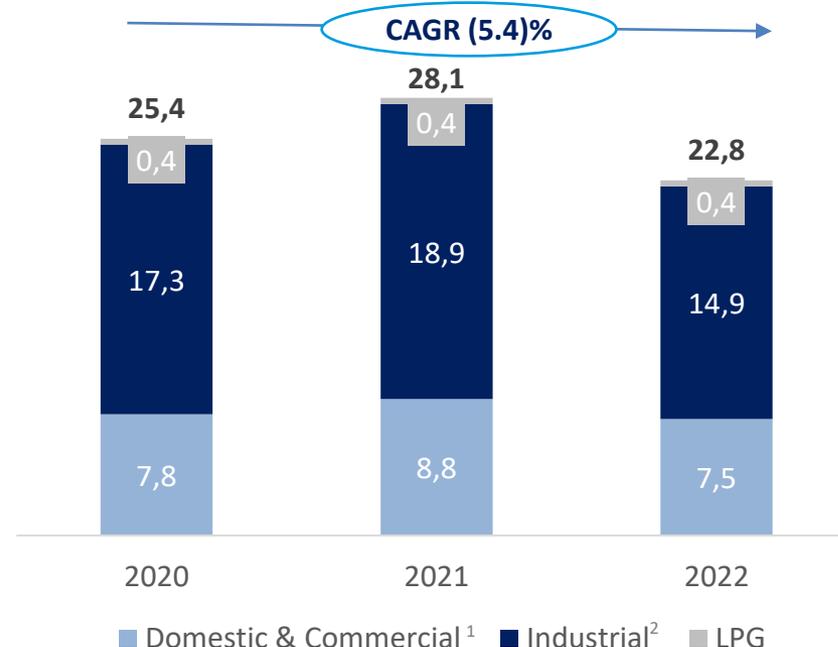
Evolution of Connection Points by Commercial Segment

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



Evolution of Remunerated Volume by Commercial Segment

TWh, as of 31st of December of each year



- **Nortegas experienced a sustainable growth during 2022** driven mainly by the favourable increase in CPs. As of December 2022, **net growth in CPs has been over 7.1k**, largely centred on the Domestic & Commercial segment growth
- Nevertheless, the **Domestic & Commercial segment** experienced a **(15)% YoY decrease in volumes** in 2022 given the warmer temperatures, while the **Industrial sector slowed down due to high prices and macro environment**, showing a YoY growth of (21)%

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3 Financial Overview

Nortegas Consolidated Income Statement

Income Statement as of 31st December 2022

€M	2021	2022
A Revenues	225	215
<i>Natural gas distribution remuneration</i>	173	159
<i>LPG regulated revenues</i>	28	31
<i>Other regulated revenues</i>	23	23
<i>Other revenues</i>	2	2
B Supplies	(21)	(26)
Self-constructed assets	7	7
Other Income	11	2
C Operating Expenses ¹	(44)	(43)
EBITDA	178	155
<i>Margin</i>	<i>78.9%</i>	<i>72.1%</i>
<i>Margin ex-LPG²</i>	<i>84.9%</i>	<i>80.0%</i>
Amortisation Expenses	(84)	(84)
EBIT	93	70
<i>Margin</i>	<i>41.3%</i>	<i>32.8%</i>
D Net Financial Expenses	(28)	(19)
Profit before income tax	65	52
Income Tax	(14)	(11)
Profit for the year	51	40

Comments

- A Revenue decrease** due to a lower remuneration on distributed natural gas mainly driven lower **volumes** :
 - **High natural gas prices** driven by 2022 energy context
 - **Warm temperatures** throughout the year
- **99.0% of regulated revenues vs. 99.3% in 2021**
- B Supplies** mainly derived from increased LPG costs due to current macro environment **without relevant impact in LPG margin**
- C Operating Expenses:** OpEx figure for 2022 aligned with 2021 figure thanks to the **disciplined cost management**
- D Net financial expenses:**
 - 2021 includes €8.5M of one-off costs related to the 2022 bond repurchase 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

(1) Includes Early Retirement Plan on-off costs (€1,4M in 2021 and €0,2M in 2022)

(2) Deducing the cost of the LPG from LPG Revenues to show the net margin of the LPG in the revenues (similar to natural gas distribution remuneration)

3 Financial Overview

Nortegas Consolidated Cash Flow Statement

Cash Flow Statement as of 31st December 2022

€M	2021	2022
EBITDA	178	155
Corporate Tax payments	(14)	(15)
A Change in Current Assets & Liabilities & Others	(49)	(10)
C Interest payments	(15)	(18)
Cash-flow from operating activities	100	112
B CapEx	(35)	(28)
Free Cash Flow (FCF)	66	83
Debt repayment / issuance ¹	131	(141)
Cash-flow after third party financing activities	197	(58)
Cash position at Year End	164	39

€M	2021	2022
EBITDA	178	155
CapEx	(35)	(28)
D Cash Generation (EBITDA-Capex)	143	127
<i>Cash Conversion</i>	<i>80.3%</i>	<i>82.0%</i>

Comments

- A** **Change in current Assets & Liabilities & Others:** 2021 impacted by strong cash position of €164M.
- B** **CapEx:**
 - Gross investment of **€28M in 2022 (-€7M vs. 2021), including:**
 - Expansion Investments to sustain the development of Natural Gas and LPG CPs
 - Maintenance 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
 - 2021 capex includes the acquisition of CEPSA's canalized LPG portfolio (c. 5k CPs)
- C** **Interest payments** include mainly bond interests, including interests from the 2022 bonds early redeemed in July 2022.
- D** **Strong cash generation:** EBITDA-CapEx of €127M in 2022 (vs. €143M in 2021) deriving in a cash conversion ratio of 82% (vs. 80% in 2021)

(1) Debt repayment / issuance include one-off costs related to the 2022 maturing bond repurchase and 2031 bond issuance (€10.1M) in 2021.

3 Financial Overview

Nortegas Consolidated Balance Sheet

Balance Sheet as of 31st December 2022

€M	2021	2022
Property, plant and equipment	949	918
Goodwill	46	46
Other intangible assets	1,423	1,397
Right-of-use assets	2	2
Other non-current financial assets	1	1
Deferred tax assets	4	0
Total non-current assets	2,425	2,364
Other current assets	29	41
Cash and cash equivalents	164	39
Total current assets	193	79
Total assets	2,618	2,443
Total equity	1,021	992
Financial liabilities from issuing bonds	1,120	1,121
Leases	1	1
Other non-current financial liabilities	2	2
Other non-current liabilities	15	18
Deferred tax liabilities	270	265
Total non-current liabilities	1,409	1,407
Current financial liabilities	151	8
Leases	0	0
Debt with group companies and associates	5	6
Other current liabilities	31	30
Total current liabilities	188	44
Total equity and liabilities	2,618	2,443

Comments

- Total **Cash on Balance Sheet** at 2022 year-end amounted **€39M vs €164M in Dec 2021** following the early redemption of €143M of outstanding September 2022 bonds
- Total **Equity at year end 2022 amounted to €992M**
- Total **Net Debt at year end 2022 amounted to €1,100M**
- Financial policy committed to **maintain an investment grade credit rating**

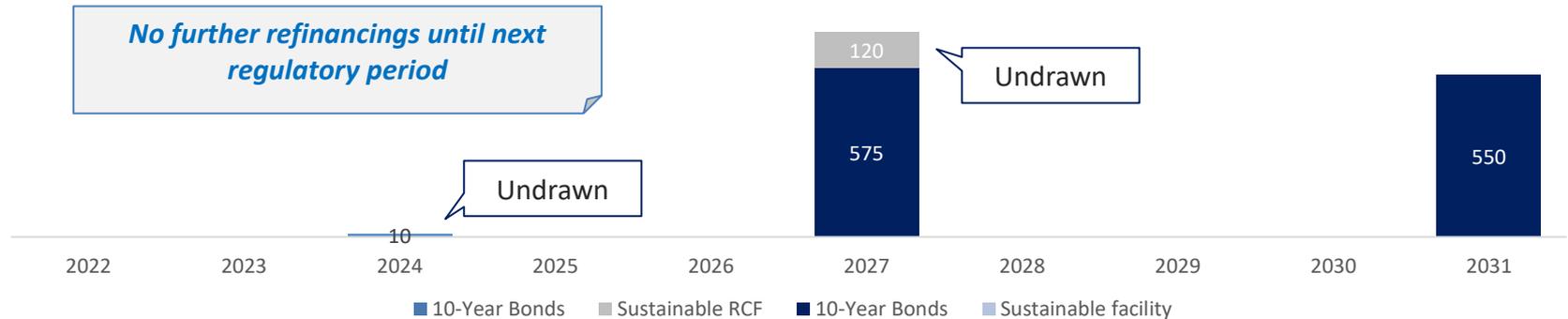
3 Financial Overview

Financial Policy and Capital Structure Supporting Investment Grade Rating

Debt and Liquidity Position as of 31st December 2022 (Nortegas Energía Distribución, S.A.U. and subsidiaries)

Instrument	Available (€M)	Drawn (€M)	Coupon
2027 Bonds	--	575	2.065%
2031 Bonds	--	550	0.905%
Sustainable Revolving Credit Facility	120	--	Euribor + 0.75%
Sustainable Facility	10	--	Euribor + 0.65%
Cash on Balance Sheet	39	--	--
Total	169	1,125	--

Debt Maturities as of 31st December 2022 (€M)



Key Data Points

Net Debt €1,100M	ND/EBITDA 7.1x	Rating S&P ¹ BBB- Stable outlook (November 2022)	Average Maturity 6.5 yrs	Average Financial Cost 1.36%
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Strong ESG Commitment

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

Environmental excellence: Towards neutrality

- **Climate Risk assessment update according to TCFD**
- Climate change mitigation and adaptation plan:
 - Support the development of biomethane and green hydrogen and enable injection into the gas distribution network
 - Carbon footprint 2022 obtained and registered in the Spanish office of Climate Change. Verification of GHG completed according to ISO 14064:2018 in its scope 1, 2 and 3
 - Low CO2 emissions on vehicle fleet
 - Good practices for the reduction of the CO2: Environmental awareness and efficient consumption of resources
- **Certification ISO 14001:2015 renovation**

Social & Impact Stakeholder focus

- **HSE fully integrated in business activities and in the supply chain: ISO 45001:2014 renovation**
- Certification as a **Family Responsible Company**
- ImplicAcción: Corporate volunteering program
- Promote **technology R&D** in collaboration with regional & national development authorities

Transparency, integrity, ensuring sustainable growth in the business

- **Ethics code** review approved by the Board of Directors (“BoD”)
- Focus on **ESG training**: BoD and all the employees
- **Risk management system reviewed**
- **Accountability and Transparency**:
 - Clients' satisfaction surveys
 - Employees working environment survey
 - Nortegas' plan is to align its sustainable linked loan with the Loan Market Association's (LMA) Sustainability Linked Loan Principles (SLLP)
 - The Sustainability Indicators are largely recognized, comply with the principles of the SLLP and are aligned with the sustainability strategy and objectives of Nortegas



4 ESG Review

Key Indicators



- **1.989 t Co2 eq** emissions avoided by boilers transformations



- **36%** GHG emissions reduction in comparison with the year 2019



- **0** accidents own personnel



- **43%** women in leadership positions



- **5 stars** rating and 95 out of 100 in 2022 GRES assessment



- **10%** compensation incentives linked to ESG criteria



- **78** volunteers have dedicated a total of **167** hours to our volunteering activities

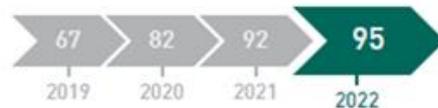
2022 GRESB Assessment (October 2022)

2022 GRESB Infrastructure Asset Benchmark Report

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

GRESB Rating
★★★★★

Participation & Score



Peer Comparison



Europe | Gas Distribution Network |
Maintenance and operation
Out of 9



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

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5 New Businesses and Renewable Gases Update

Integrated infrastructure company with new ancillary energy services..

... supporting the distribution of renewable gases through our network

LPG Individual Boilers

Significant growth in the **A Punto maintenance service**, with **10,522 LPG customers** signed up for the service as of 2022

Increase in market share up to 12% in Nortegas service areas



Biomethane¹

Ongoing development of a national biomethane portfolio:

- **1 fully plant in operation and injecting in the gas network since April 2023**
- Attractive project pipeline



Natural Gas for Vehicles¹

Successful agreement with **Repsol for the development of NGV stations**

- 8 Fully operational stations



Hydrogen Distribution Infrastructure

Basque Hydrogen Corridor (BH2C):

- BH2C has achieved the European H2 Valley of the year award.
- Nortegas is the Transport, Distribution and Storage vertical lead initiative
- **First 100% H2 hydroduct completed in 2022**, connecting a refinery with the final consumption point



H2SAREA:

- Replica of the gas distribution network to test H2 / natural gas blending
- **5% and 10% blending tests successfully completed**. 15% tests expected to finalize in July 2023



Boiler Rooms¹

30 renting operations sold, +1,900 Tonnes of CO2 emission avoided and inorganic growth process completed to set Nortegas as a key player in northern Spain

(1) outside of the Bonds' Perimeter, Legal chart in Appendix

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

Objectives

- Blending H₂ & Natural Gas: Blending ranges of 5%-20%
- Specific tests for higher H₂ % up to 100%
- Domestic Pilot project: gas installation, including kitchen and boiler tested for blended H₂/NG
- Specific analysis of H₂ impact on certain industrial processes
- Safety procedures for Hydrogen operations

Status

- Testing of 5% and 10% H₂ fully completed
- Testing at 15% H₂ started in April 2023
- Gas network elements and residential appliances work perfectly, tests ongoing
- Industrial case studies viable up to 30% H₂

Components and systems tested:

- Domestic burners and domestic installations
- Non welded metallic joints
- PRS (Pressure Reduction Station)
- Compressors
- Hydrogen separators and sensors
- Hydrogen injection system



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Market Context

- 2022 market by **macro and geopolitical headwinds**
- **No disruption on supply security** throughout the year
- Volumes impacted by **higher natural gas prices and warmer temperatures**

Business Model

- Resilient business model with **99.0% of regulated revenues** and a **balanced customer profile**
- Continued **growth in CPs** despite market headwinds and focus on **efficiencies and digitalization**
- Market volatility not affecting **strong cash conversion rate of 82% in 2022**

Capital Structure

- **Optimised** financial structure **with no maturities expected until the next regulatory period**
- All drawn debt at **fixed interest rates, mitigating impact of current macro environment**
- **Strong liquidity position**

IG Rating

- Financial policy driven by the shareholder commitment to **maintain an investment grade credit rating**
- **Confirmation of BBB- / Stable rating** from S&P's (December 2022)

ESG

- **ESG factors are continuously promoted**, targeting responsible investments and a **better management of risk** for more sustainable long-term returns

New Businesses

- Delivering on Nortegas Group's vision to become a **leading player in the Spanish energy transition and reinforce the role of our distribution network to decarbonize the economy**
- Promotion of **renewable gases, including biomethane⁽¹⁾ and hydrogen**

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Appendix

Appendix: Simplified Legal Chart

