



Nortegas Energía Distribución, S.A.U.

2023 First Half Results

November 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

Continued Growth in Connection Points

- Nortegas continues growing in **residential & commercial segments**, proving resilience and long-term prospects of natural gas
 - **+6.0k additional net connection points** compared to H1 2022 results
 - **11.9 TWh of aggregate distributed volume** in H1 2023
- **Remunerated volume evolution** (-12.7% vs. YTD Jun-22)
 - Industrial segment volume decrease impacted by **current macro environment**
 - Domestic & Commercial segment volume affected by **warmer temperatures throughout H1 2023**

Resilient Financial Performance with Strong Cash Generation

- Ordinary income of **€106M** during H1-2023 (-8.9% YoY decrease)
- EBITDA of **€75M** during H1-2023 (-9.1% YoY decrease)
- **Strong cash generation¹** of €64.0M (84.8% conversion ratio)

De-Risked Capital Structure

- **Long-term** maturity profile with **no exposure to market volatility** (100% fixed interest rate)
- **Strong liquidity position**, with €130M of undrawn facilities
 - **€120M at Nortegas Energía Grupo and €10M at Nortegas Green Energy Solutions**
- **No further refinancing** until next regulatory period
- Strong 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**
- **5-star rating and 95 points** out of 100 in **2023 GRESB Assessment**
- **1.052 t CO2 eq emissions avoided** by boilers transformations
- **42% GHG emissions reduction** in comparison with the year 2019
- Continuous update and revision of the DEI to **promote equal opportunity and non-discrimination**

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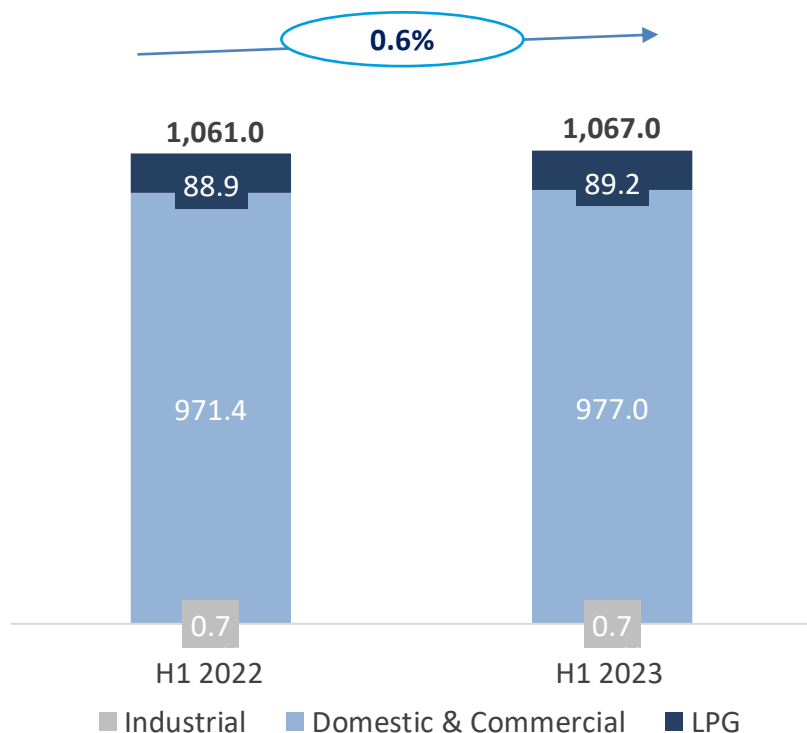
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2 Operational Overview

Connection Points and Volumes

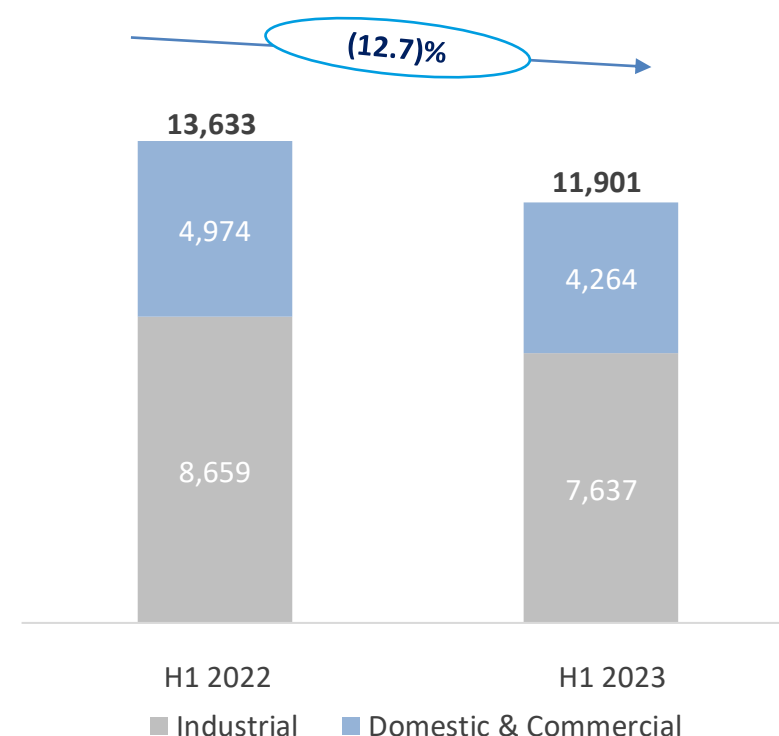
Evolution of Connection Points by Segment

Number of CPs in '000s, as of 30th of June of each year



Evolution of Remunerated Volume by Commercial Segment

TWh, as of 30th of June of each year



- Regarding CPs evolution, Nortegas has experienced a **sustainable growth during the first semester of 2023**. As of end of June 2023, **net growth in CPs has been over 6.0k**
- Regarding **volume evolution**, total volumes for **H1 2023 have diminished (-12.7% vs. H1 2022)** due to the current market situation on **natural gas prices impacting industrial demand and warmer temperatures impacting the Domestic & Commercial segment**

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3 Financial Overview

Consolidated Income Statement

Income Statement for the 6 Months Period Ending June 30th

€M	H1 2022	H1 2023
A Revenues	116	106
<i>Natural gas distribution remuneration</i>	83	78
B LPG regulated revenues	20	15
<i>Other regulated revenues</i>	13	12
<i>Other revenues</i>	1	1
B Supplies	(16)	(14)
Self-constructed assets	3	4
Other Income	1	1
C Operating Expenses ¹	(21)	(21)
EBITDA	83	75
<i>Margin</i>	71.3%	71.2%
<i>Margin ex-LPG²</i>	80.9%	79.6%
Amortisation Expenses	(42)	(42)
EBIT	41	34
<i>Margin</i>	35.2%	31.6%
D Net Financial Expenses	(10)	(9)
Profit before income tax	31	25
Income Tax	(7)	(5)
Profit for the year	24	20

Comments

- A Revenues decrease** due to lower remuneration on natural gas mainly driven by **volumes and prices**:
 - **Lower natural gas prices** driven by ongoing macro environment
 - **Warmer temperatures** throughout H1 2023
- **High percentage of regulated revenues at around 99%.**
- B LPG Business** mainly affected by lower residential demand and lower regulated prices **with no relevant impact on LPG margin**
- C Operating Expenses:** OpEx figure for H1 2023 aligned with H1 2022 figure thanks to disciplined cost management and efficiency plan yielding positive results
- D Net Financial Expenses:**
 - Interest expenses are **in line with last year's results**

3 Financial Overview

Consolidated Cash Flow Statement

Cash Flow Statement as of 30th of June 2022 and 2023

€M	H1 2022	H1 2023
EBITDA	83	75
Corporate Tax payments	(0)	(0)
Change in Current Assets & Liabilities & Others	14	11
A Capex	(14)	(11)
B Interest payments	(5)	(5)
Cash-flow from operating and investing activities	77	70
Debt repayment / issuance	-	-
Cash-flow after third party financing activities	77	70
End of Period Cash and Cash Equivalents	221	60

€M	H1 2022	H1 2023
EBITDA	83	75
Capex	(14)	(11)
C Cash Generation (EBITDA-Capex)	69	64
<i>Cash Conversion</i>	<i>83.6%</i>	<i>84.8%</i>

Comments

A CAPEX:

- **Lower level of CAPEX deployed in H1 2023 (-€3M vs. H1 2022)**
- **Selective commercial policies implemented on expansion**

B Interest payments include mainly bond interests

- ##### **C** Sustained trend on strong cash generation: EBITDA-Capex of €64M (-€5M vs. H1 2022) with a higher rate of cash conversion (84.8%) as compared to H1 2022 figures (83.6%)

3 Financial Overview

Consolidated Balance Sheet

Balance Sheet as of 31st of December 2022 and 30th of June 2023

€M	December 31 st , 2022	June 30 th , 2023
Property, plant and equipment	918	901
Goodwill	46	46
Other intangible assets	1,397	1,384
Rights for use of assets	2	1
Other non-current financial assets	1	1
Deferred tax assets	0	0
Total non-current assets	2,364	2,334
Other current assets	41	17
Cash and cash equivalents	39	60
Total current assets	79	78
Total assets	2,443	2,412
Total equity	992	948
Financial liabilities from issuing bonds	1,121	1,121
Leases	1	1
Other non-current financial liabilities	2	2
Other non-current liabilities	18	20
Deferred tax liabilities	265	263
Total non-current liabilities	1,407	1,407
Current financial liabilities	8	11
Leases	0	0
Debt with group companies and associates	6	15
Other current liabilities	30	31
Total current liabilities	44	57
Total equity and liabilities	2,443	2,412

Comments

- As of 30th of June 2023, total **Cash on Balance Sheet** amounted to **€60M vs €39M in Dec 2022**
- The **equity** as of 30th of June 2023 **amounted to €948M**
- Total **Net Debt as of 30th of June 2023** of **€1,090M** representing a **reduction of €10M**, driven by the **cash position increase**
- Financial policy driven by the shareholder commitment **to maintain an investment grade credit rating**

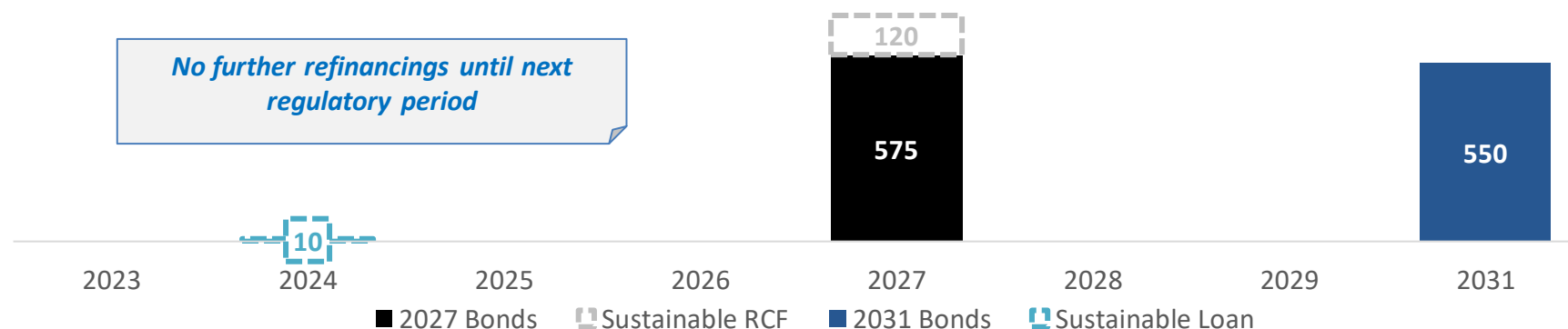
3 Financial Overview

Financial policy and capital structure supporting Investment Grade rating

Debt and Liquidity Position as of 30th of June 2023 (Nortegas Energía Distribución, S.A.U. and subsidiaries)

Instrument	Available (€M)	Drawn (€M)	Coupon
2027 Sustainable RCF	120	--	Euribor + 0.75%
2027 Sustainable Facility	10	--	Euribor + 0.65%
2027 Bonds	--	575	2.065%
2031 Bonds	--	550	0.905%
Cash on Balance Sheet	60	--	--
Total	190	1,125	--

Debt Maturities as of 30th June 2023 (€M)



Key Data Points

Net Debt €1,090M	ND/EBITDA LTM 7.4x	Rating S&P ¹ BBB- Stable outlook (as of Nov. 2023)	Average Maturity 6.0 years	Average Cost of Debt 1.30%
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2023 GRESB Assessment (October 2023)

2023 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

Nature of Ownership:

Private (non-listed)
entity

Sector:

Gas Distribution
Network

Location:

Spain

Rankings

Guidance



GRESB Score

Out of 681



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

Out of 9



GRESB Score within Network Utilities: Gas Distribution Companies

Out of 14



Management Score

Out of 685



GRESB Score within Network Utilities: Gas Distribution Companies / Europe

Out of 9



Management Score within Network Utilities: Gas Distribution Companies

Out of 14



Performance Score

Out of 683



GRESB Score within Private

Out of 530



Performance Score within Network Utilities: Gas Distribution Companies

Out of 14

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 – SECOND YEAR CARBON FOOTPRINT VERIFICATION ACCORDING TO THE ISO 14064:2018:
 - Reduction of Nortegas carbon footprint in scope 1 - fugitive emissions
 - Reduction of uncertainty (transport indirect emissions from ING & LPG transport)
 - Employee “in itinere” emissions – first survey with 86% response
 - 100% business travels emissions
 - Good practices for the reduction of the CO2: Environmental awareness and efficient consumption of resources
- Certification ISO 14001:2015 renovation

*Social Impact &
Stakeholder focus*

- Award on the annual COASHIQ security management awards – for having recorded zero lost-time accidents involving employees for three consecutive years
- Approval of the new Health & Safety policy
- DEI training itinerary
- Promote technology R&D in collaboration with regional & national development authorities
- We are signatories of the Diversity Charter in Spain, an initiative promoted by the European Commission
- Raising awareness of the Sustainable Development Goals through audiovisual material for all employees.
- Promotion of corporate volunteering with 8 actions and 53 volunteers in the first half of 2023, dedicating 129 hours (thanks to the alliances created with more than 10 social entities)

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

- Ethics code approved by the Board of Directors (“BoD”)
- Focus on ESG training: BoD and all the employees
- Integration of the risks from environmental and quality systems into the risk and compliance risk management system
- 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



- **1.052 t CO₂ eq** emissions avoided by boilers transformations



- **42%** GHG emissions reduction in comparison with the year 2019 (*Nortegas Annual Report - Scope 1 and 2*)



- **0** accidents own personnel



- **37%** women in leadership positions



- **5 stars** rating and 95 out of 100 in **2023** GRESB assessment (*the results are published the 1st October*)



- **53** volunteers have dedicated a total of **129,5** hours to our volunteering activities

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5 New Businesses and Renewable Gases Update

Integrated infrastructure company with ancillary energy services...

LPG Individual Boilers

Significant growth in the **A Punto maintenance service**, with **12,258 LPG customers** signed up for the service as of June 2023



Natural Gas for Vehicles¹

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

- 8 Fully operational stations
- 1 station in **construction**
- 2 Stations under permitting and construction

Ongoing works for private NGV stations



Boiler Rooms¹

Strong commercial focus on boiler rooms segment

19 boiler room contracts signed in H1 2023



... supporting the energy transition through complementary green energy investments

Biomethane¹

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

- **Start of operations and injection** into the distribution network in **Biolvegas** since Q1 2023
- **Significant project pipeline under development**



Hydrogen Distribution Infrastructure

Basque Hydrogen Corridor:

- Initiative jointly with Petronor to promote green H₂ use and increase its presence in the market



Full replica of distribution network with **15% H₂ Blending with Natural Gas tests successfully finished**



Hydrogen Generation Projects under Development¹

First 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



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

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Market Context

- H1 2023 characterized by **macro and geopolitical developments and warmer temperatures**
- **Gas prices returning to normalized levels since start of the year**, moving away from 2022 peak
- **Secured gas supply in Spain** thanks to **geographically diversified sources** and existing **regasification and LNG infrastructure**

Business Model

- **Resilient business model with 99% of regulated revenues 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**
- **Confirmation of BBB- / Stable rating** from S&P (November 2023)

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**⁽¹⁾
- Continued delivery on **renewable gas, hydrogen and natural gas for vehicles** initiatives⁽¹⁾

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Appendix: Legal Chart

Appendix: Legal Chart

