Nortegas Energía Distribución, S.A.U.

Full Year 2017 Results

April 2018

Disclaimer

The materials in this document are provided for information purposes only and is not in particular intended to confer any legal rights on any recipient. None of the information contained in this document constitutes an offer of, or an invitation to purchase, any security, nor any investment advice or services.

Statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future and there can be no assurance that future results will not be materially different from those described herein. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the document. Any forward-looking statement involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. There may be material risks that are currently not considered to be material or of which the Company, and its respective advisors or representatives are unaware.

This document does not constitute an offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any securities, and nothing contained herein shall form the basis of any contract or commitment whatsoever. This document does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company in any jurisdiction or an inducement to enter into investment activity. No part of this document, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. no representation or warranty, express or implied, is made or given by or on behalf of the Company or any of the Company's or shareholders, directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this document. None of the Company, nor any of the Company's shareholders, directors, officers, employees or affiliates nor any other person accepts any liability (in negligence or otherwise) whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.
In providing this document, neither the Company nor its respective advisers and/or agents undertake any obligation to provide the recipient with access to any additional information or to update this document or any additional information or to correct any inaccuracies in any such information which may become apparent.

The information and opinions contained herein are provided as at the date of the document. We assume no obligations to update the forward-looking information contained herein to reflect actual results, changes in assumptions or changes in factors affecting this information.

Agenda

Nortegas Corporate Overview

Second largest gas distribution network in Spain with a c.12% market share at a national level and 100% market share in natural gas distribution in Asturias, Cantabria and the Basque Country

Nortegas Business Overview

- Founded in 2003 through the merger of local companies and headquartered in Bilbao, Nortegas is the **second largest gas distributor in Spain** with:
  - Perpetual licenses to serve 384 municipalities in the autonomous communities of Asturias, Cantabria and the Basque Country, of which 224 are natural gas and the rest is liquefied petroleum gas (or "LPG")
- Consortium of infrastructure **investors** with a vocation for **long-term permanence**, formalised the purchase of Nortegas Energía Distribución, S.A.U. ("Nortegas"), formerly Naturgas, to the EDP group, acquiring 100% of its distribution business of natural gas and LPG in Spain
- Nortegas employs **c.243 people**

Key Operational and Financial Figures as of December 2017

Network length (km)	8,194
Total CPs[3] (#)	1,016,530
Natural gas distributed (GWh)	29,728
2017 Revenues (€m)	222.8 [4]
2017 EBITDA (€m)	169.1 [4]

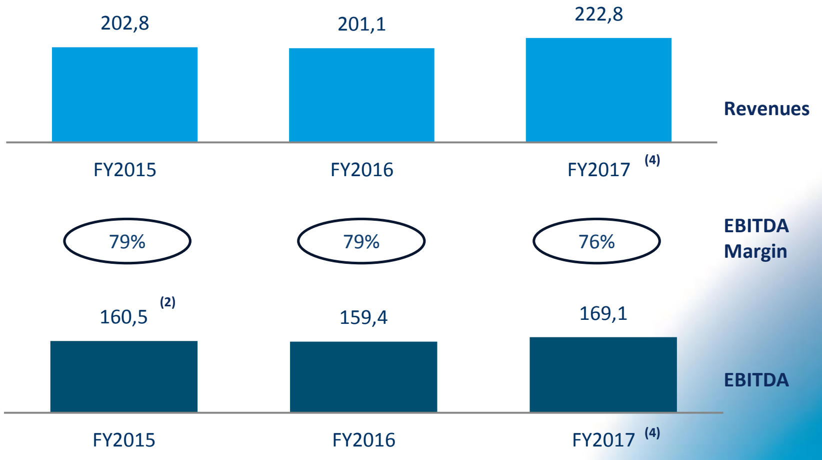
Geographical Footprint

Asturias
- Population: 1.0mn
- Gas penetration[1]: 35%

Cantabria
- Population: 0.6mn
- Gas penetration[1]: 49%

Basque Country
- Population: 2.2mn
- Gas penetration[1]: 51%

Key Financial Data (€m)



(1) Natural gas Penetration, CNMC data
(2) 2015 EBITDA calculated before special items, excludes the gains on disposal of fixed assets (€125,4 million) from the sale of Gas Energía Distribución Murcia, S.A. and the physical gas distribution assets located outside the autonomous regions of Asturias, Cantabria and the Basque Country, which the Group considers outside their normal business
(3) 933,263 NG CPs and 83,267 LPG CPs
(4) Pro-forma 12 months 2017. See explanation on slide 11

2017 Main Milestones

Corporate Transaction	▪ On July 27, 2017, an **international consortium of infrastructure investors with a vocation for long-term permanence**, formalised the purchase of Nortegas Energía Distribución, S.A.U. ("Nortegas"), formerly Naturgas ▪ With accounting effect on **27 July 2017, a reverse merger** was carried out with Nortegas Energía Distribución, S.A.U., absorbing its parent company Nature Gasned XXI, S.L.U
Bond and Credit Rating	▪ During the third quarter of the year, Nortegas Energía Distribución closed an **inaugural bond issuance worth 1,300 million euros** (5yrs tranche of €550m and 10yrs tranche of €750m) becoming the largest inaugural issuance carried out by a Spanish company since 1999 ▪ The success of this issuance highlights the quality of the company, as well as the stability of the business ▪ The proceeds were fully used to refinance the existing mid-term bank debt under a solid long-term financial structure ▪ **Standard & Poor's** granted a **BBB- rating** (stable outlook) to both the company and the bonds issued
Operations	▪ The latest stage of development, aimed to **secure** a **stable future for Nortegas' operations** is marked, among others, by the **integration of around 82,000 LPG customers** acquired from Repsol at the end of 2016 ▪ With the integration of the new LPG connection points, **Nortegas surpasses 1 million customers**, cementing its position as the **main gas distribution company in the north of Spain** ▪ The Group is as of now **operating on a standalone basis**, with the carve-out starting to bring cost savings to Nortegas. Transformation plan and value creation initiatives are in place and the focus is now on growth and efficiency programs. A new corporate identity was also launched
Financial Performance	▪ Nortegas' FY2017 **revenues were €222.8m**[1] (YoY growth of 10.8% compared to 2016 mainly because of LPG business integration) and **EBITDA of €169.1m**[1], with an YoY growth of 6.1% compared to 2016 ▪ In Dec. 2017 the Company approved the change of fiscal year **starting on the 1st of January and ending on the 31st of December** of each year ▪ In December 2017 the **sale of the credit right** over the 2014 accumulated deficit of the gas system amounting to €53m was performed at par
Regulation/ Taxes	▪ During 2017 no **adjustments were made to Nortegas' core distribution remuneration in the** interim period window the regulation has to modify certain parameters ▪ As planned, the **next regulatory review is in 2020,** which will set the distribution remuneration for 2021-26 ▪ In December 2017 a reduction to the **gas meter rentals** remuneration was announced, starting in 2018 ▪ New Corporate Income Tax Law in Bizkaia reducing tax rate from former 28% to 24% from 2019 onwards (26% 2018). It does not affect 2017 Accounts

No changes to the financial policy, with shareholders committed to maintain investment grade rating

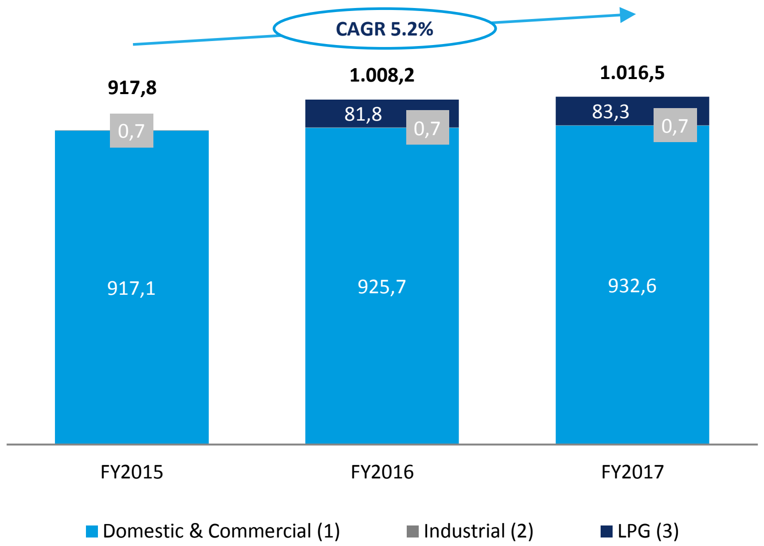
(1) Pro-forma 12 months 2017. See explanation on slide 11

Agenda

Operational Overview
Connection Points and Volumes

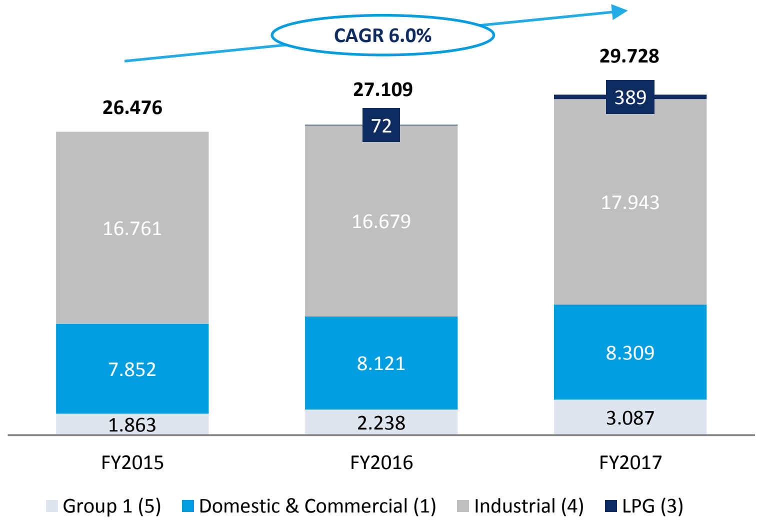
Evolution of Connection Points by Commercial Segment

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



Evolution of Distributed Volume by Commercial Segment(6)

GWh, as of 31st of December of each year



- **After the incorporation of LPG assets in 2016, organic growth** in connection points in 2017 is largely related to new **household customers**
- **Volumes increased by 9.6% vs 2016**, mainly driven by higher consumption from **industrial clients**
- The **balanced mix of customers** allows for a natural **hedge in revenues** derived from distributed gas volume

Source: Nortegas
(1) Includes T.3. (2) Includes T.1. and T.2. (3) Includes LPG (4) Includes T.2. (5) Includes T.1.
(6) Distributed volume is according to measurement criteria, not invoiced criteria. Note that invoiced volumes could be slightly different (in timing and amount) from measured volumes.

Health and Safety

Safety is a Priority

- Promotion of a **culture of safety** and risk management
- Some specific **initiatives** include annual Awareness Campaigns with suppliers and employees, and the Security Prevention Observations (O.P.S), where management is involved
- **Continuous assessment** of network conditions and excellence at addressing incidents
- Last external **audit on OHSAS** 18001 with a compliance ratio in line with utilities sector average ratio (April 2018)

Health and Safety Committee

- In compliance with Occupational Risks Prevention Law 31/1995, and according to the Company's commitment, there is an **internal Health and Safety Committee** and the **Board Committee for Health and Safety topics**

	Certification	Last Audit	Next Renovation
Health and Safety	OHSAS 18001	2018	2021
Environment	ISO 14001	2017	2018 in compliance with Norm 2015 2020 Renovation
Quality	ISO 9001	2017	2018 in compliance with Norm 2015 2020 Renovation

Key Operational Initiatives in 2017

Main Achievements

- **Transformation plan ensuring standalone business continuity and value creation is in place**
- **Efficiency analysis in operations performed:** identification of main measures to be implemented during 2018 improving construction, maintenance, logistics, etc.
- **Cast Iron replacement plan is progressing** in San Sebastian, Santander, Gijon and Oviedo municipalities, totalling 5.4km within 2017

Growth Initiatives

- Nortegas' **long term strategy focuses on increasing natural gas penetration** and growing its customer base. The company has launched several initiatives to enhance **vertical saturation** and **horizontal expansion, thus unveiling new potential for growth**
- Among others, **natural gas for fleets of public vehicles** is a strategic target for Nortegas' future
- The company is analysing the **advantages of Smart Meters** which could improve the ability to monitor customers' behaviours and allowing Nortegas to **remotely control and manage the equipment**

Agenda

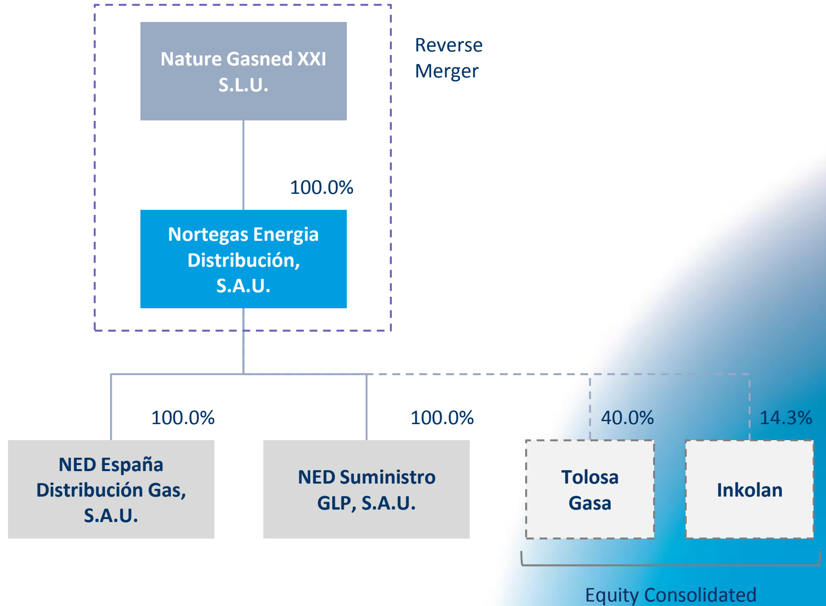
Introduction

Introduction

- With the aim of facilitating the comprehension of the results in the year 2017, the Company produced financial **pro-forma information** for the 12 months period ended December 31, 2017
- The previous owner had changed the fiscal year to a May – April period. After the acquisition, the Company has changed the **fiscal year** back to January – December. For this reason in 2017 there are two fiscal periods each of them with its audited accounts and reports[1]:
  - January – April 2017
  - May – December 2017
- Due to the reverse merger through the absorption of Nature Gasned XXI S.L.U., parent of Nortegas, with effects from 27 July 2017, the consolidated annual accounts and explicative notes for the period May-December incorporate **Nortegas' results exclusively from 27 July**
- Lastly, the May-December consolidated annual accounts has been prepared **under IFRS**, having the previous January-April been prepared under Spanish GAAP. In order to adhere to the highest accounting standard possible, IFRS will be the new accounting GAAP for the company

Transaction Accounting

- The **reverse merger has improved the equity position** of the company reflecting the fair value of the assets and equity injection by the shareholders
- On July 27, 2017 Nature Gasned XXI, S.L.U. acquired Nortegas shares, therefore the assets and liabilities of Nortegas are included in the consolidated annual accounts at their **fair value** at the date of the transaction closing
- The 1st December the reverse merger of Nortegas absorbing its parent company Nature Gasned XXI, S.L.U. has been registered with **accounting effects the 27 July 2017**
- From an accounting perspective, the Merger is considered a **reverse acquisition** through which Nature Gasned XXI, S.L.U. is the *merger-acquirer* (from the legal perspective *merger-acquiree*) and Nortegas Energia Distribucion, S.A.U. the *merger-acquiree* (legal perspective *merger-acquirer*)



(1) Accounts available in Nortegas website: https://nortegas.es/investors/

Nortegas Consolidated Pro-forma Income Statement

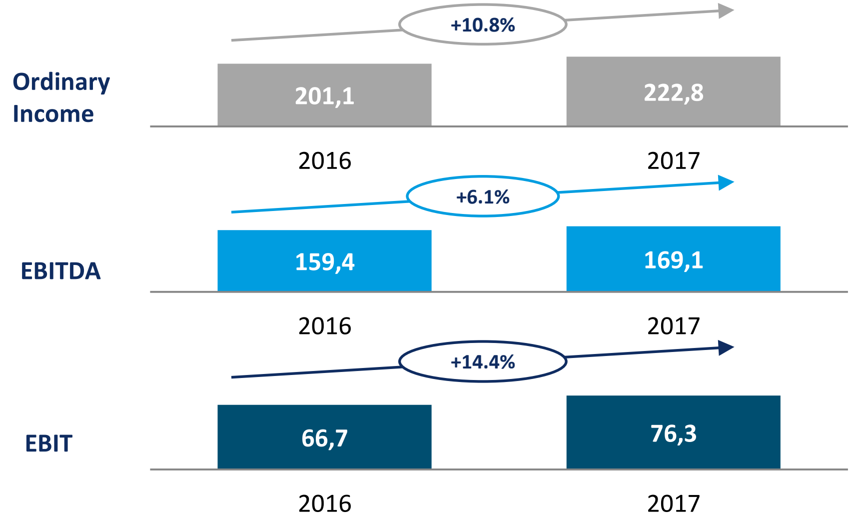
For the period starting the 1st of January to the 31st December 2017

Pro forma Income Statement for the 12 months period ending 31 December 2017

(€m)	Consolidated FY 2017 pro-forma (IFRS)
Ordinary Income	**222.8**
Supplies	(18.8)
Self-constructed assets	5.9
Other Income	12.4
Personnel Expenses	(22.9)
Other Expenses	(30.3)
EBITDA	**169.1**
Amortisation Expenses[1]	(92.9)
Results from operating activities	**76.3**
Net Financial Expenses[3]	(24.1)
Profit before income tax	**52.1**
Income Tax[2]	(14.3)
Profit for the year	**37.9**

Main Comparable Figures

- 2016 figures were under Spanish GAAP, 2017 figures are proforma[4] and under IFRS



Comments

- 2017 Ordinary Income higher than 2016 mainly due to **LPG business incorporation** (impacts mainly in ordinary income and supplies)
- EBITDA figure for 2017 does not reflect material one offs or special items impact and is showing a recurrent base for the future

(1) Calculated as if the purchase price allocation performed for the acquisition of Nortegas and the reverse merger, would have taken place on January 1, 2017
(2) Calculated by applying to the result before taxes to the corresponding tax rate according to the territory
(3) Includes Financial Income +€0.6m and Result of the equity method +€0.2m
(4) Pro-forma 12 months 2017. See explanation on slide 11

Nortegas Consolidated Pro-forma Cash Flow Statement

For the period starting the 1st of January to the 31st December 2017

Pro forma Cash Flow for the 12 months period ending 31 December 2017

(€m)	Consolidated FY 2017 pro-forma (IFRS)
EBITDA	169.1
Net Capex	(22.5)
Tariff Deficit Securitization	53.0
Other: Corporate Tax payments and Working Capital Movements	(34.3)
Cash flow available for debt service and distribution to shareholders	**165.3**

Comments

- **Net capex** (net of subsidies) includes:
  - Expansion investments to sustain the development of natural gas and LPG CPs
  - Maintenance investments related to works for network substitution as part of the maintenance programme and to the implementation of the priority items identified
  - Other IT investments for the carve-out process
- In December, the company sold, on a non-recourse basis, the **2014 Tariff Deficit** (credit right over the nominal amount and interest) amounting to €53m
- **Other** includes corporate tax payments and working capital movements that in the 12-months 2017 **do not reflect recurrent figures**. Both items are including positive and negative effects coming from the one-offs linked to transaction, the change of the fiscal year, restructuring process and LPG assets acquisition
- In January 2018 the Company distributed **dividends** amounting to approx. €113m of which approx. €53m was related to the tariff deficit securitization and the rest coming from annual cash generation

Nortegas Consolidated Balance Sheet

nortegas

Balance Sheet as of 31 December 2017

(€m)	As of 31 Dec 2017
Property, plant and equipment	1,065.8
Goodwill	45.9
Other intangible assets	1,527.3
Other non-current financial assets	7.2
Deferred tax assets	24.7
Total non-current assets	**2,670.9**
Other current assets	103.0
Cash and cash equivalents	130.5
Total current assets	**233.5**
Total assets	**2,904.4**
Total equity	**1,031.3**
Financial liabilities from issuing bonds	1,291.9
Debt with group companies	127.3
Other non current financial liabilities	2.3
Other non current liabilities	9.8
Deferred tax liabilities	348.6
Total non-current liabilities	**1,779.9**
Current financial liabilities	5.6
Debt with group companies and associates	3.2
Other current liabilities	84.4
Total current liabilities	**93.2**
Total equity and liabilities	**2,904.4**

Comments

- The Purchase Price Allocation has been performed following the IFRS accounting rules
- As a result of that, Nortegas' assets and liabilities are accounted at fair value
- Total Equity at yearend amounts €1,031m
- For the Net Debt calculation, the shareholder loan and its interest are not included due to is subordinated characteristics and is treated for the ratios calculation as Non-Common Equity
- Total Net Debt amounts €1,169.6m
- At year end 2017 Nortegas shows a ND/EBITDA[1] ratio of 6.9x
- **Financial policy driven by the shareholder commitment of maintenance of strong financial credit ratios to sustain the investment grade credit rating**

(1) The amount pending payment at 31 December 2017 of the subordinated loan extended by the ultimate parent company Nature Investments S.à.r.l. as well as any accrued interest, is not considered for the calculation of net financial debt, given its classification as non-common equity for credit purposes, which amount to Euros 127,303 thousand (item "debt with group companies" in non current liabilities) and Euros 2,794 thousand (part of item "debt with group companies" in current liabilities).

Financing Structure

Bonds in place

Tranches	Drawn amount (€m)	Tenor	Coupon
5 years	550	5 years Sept 2022	0.918%
10 years	750	10 years Sept 2027	2.065%
Total drawn debt	**1,300**		
Revolving Credit Facility: available amount €100m	0	5 years April 2022	

Key Highlights

- The 28 September 2017, Nortegas closed an **inaugural bond issue worth 1,300 million euros** (5yrs tranche of €550m and 10yrs tranche of €750m)
- The proceeds were used to assure the establishment of a **healthy long-term financial structure** based on investment grade bonds issued with split maturities
- Current **structure reduces refinancing risk** by spreading maturities
- The company and the bonds are rated **BBB-/Stable by S&P**

Agenda

Main Takeaways

- **Nortegas: a new stand alone company,** second largest gas distributor in Spain
- New ambitions with improved **growth targets in all areas of business activity and cost efficiencies plans**
- **Revenue increase of 11% vs. 2016** driven by the incorporation of the LPG business and organic growth in Natural Gas
- **EBITDA increase of 6% led by LPG and management improvements introduced** despite the one off costs linked to the transaction
- **An inaugural bond issue worth 1,300 million euros,** ensuring a long-term stable capital structure
- **Strong and stable Free Cash Flow generation**
- **Sound Balance Sheet with strong Equity position and long term debt**

nortegas