Nortegas Energía Distribución, S.A.U.

First Half 2018 Results

August 2018

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Agenda

1. Introduction

2. Operational Overview

3. Financial Overview

1 Introduction

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 225 are natural gas (NG) and the rest is liquefied petroleum gas (or "LPG").
- Shareholder base is formed by a consortium of infrastructure **investors** with a vocation for **long-term permanence.**

Key Operational Figures

Network length (km) as of June 2018	8,217
Total CPs (#) as of June 2018	1,020,602
Volume[2] (GWh) from January to June 2018	17,218

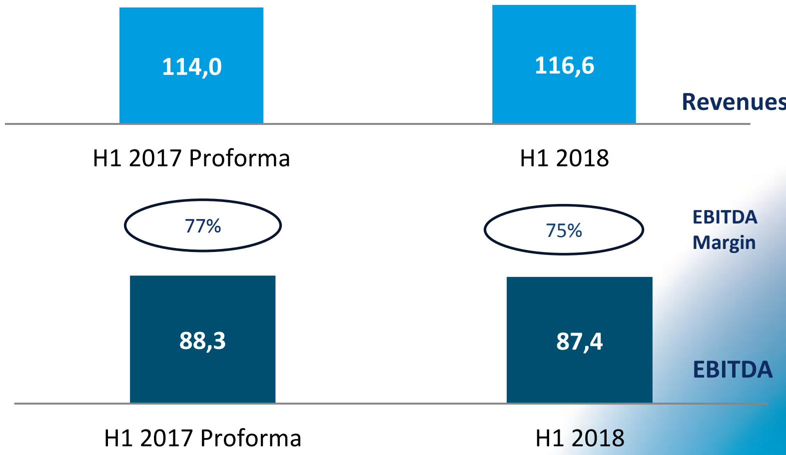
Geographical Footprint

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%

H1 Key Financial Data (€M)

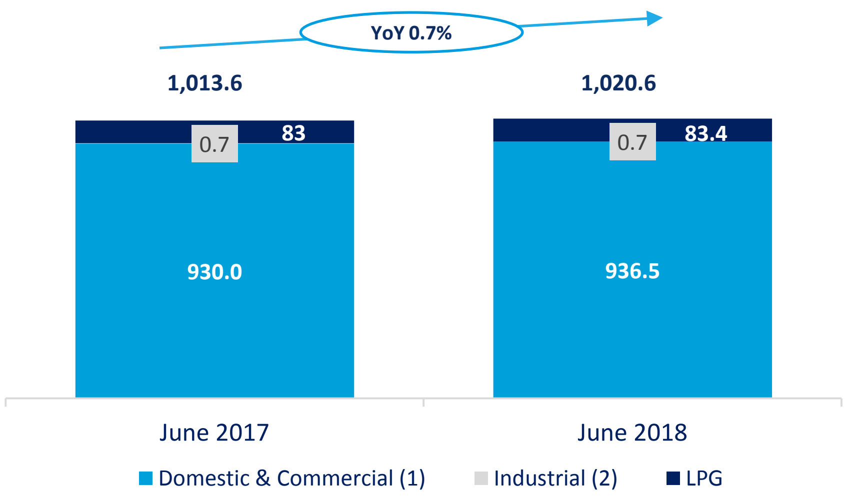


(1) Natural gas Penetration, CNMC data September 2017
(2) Includes LPG and NG volume according to measurement criteria.

Connection Points and Volumes

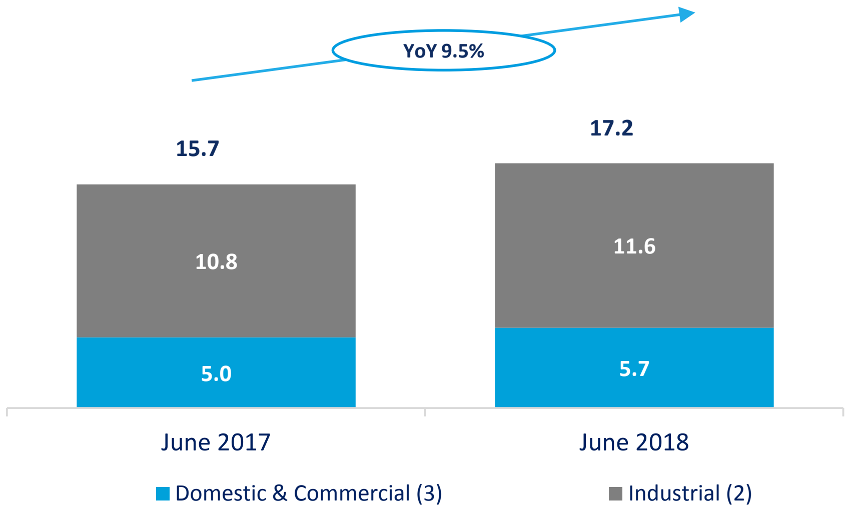
Evolution of Connection Points by Segment

Number of CPs in '000s



Evolution of Volume by Segment

TWh, from 01/01 to 30/06



- Increase in CPs coming mainly from the domestic and commercial segments.
- Increase in volumes in all segments linked to low temperatures during the first half of the year compared to previous years and due to increase in demand in industrial and commercial segment. Volumes increased by 9.5% vs H1 2017.
- The balanced mix of customers allows for a natural hedge in revenues derived from distributed gas volume.

(1) Includes T.3.
(2) Includes T.1. and T.2
(3) Includes T.3. and LPG

Nortegas Consolidated Income Statement

Income Statement for the 6 Months Period Ending 30 June

(€M)	H1 2017 proforma [1]	H1 2018
Ordinary Income	**114.0**	**116.6**
COGS	(13.9)	(16.0)
Opex	(17.1)	(18.0)
Other Costs - Revenues	5.3	4.9
EBITDA	**88.3**	**87.4**
D&A Expenses	(46.4) [2]	(40.8)
EBIT	**41.9**	**46.6**
Net Financial Expenses[4]	(10.1)	(13.9)
Profit Before Income Tax	**31.7**	**32.7**
Income Tax	(9.0) [3]	40.8
Profit for the year	**22.8**	**73.5**

NOTE: Financial figures are not audited.

Comments

- H1 2018 ordinary income higher than H1 2017 (+2.2%) due to increase in distribution remuneration and LPG revenues partially compensated by Meter Rental Price reduction.
- COGS increase in H1 2018 vs. H1 2017 mainly due to higher LPG prices with no material impact on margins, due to selling prices increase in similar amount.
- H1 2017 EBITDA positively affected by revenues from capital grants (€1.3m, non cash item), that is no longer included in H1 2018.
- Income tax shows in H1 2018 positive one-off effect of €49M (decrease of the Deferred Tax Liability, no cash impact) due to CIT tax rate reduction in Bizkaia from 28% to 26% in the 2018 fiscal year and 24% from 2019 onwards (new law in place since March 2018).

(1) See notes (2) and (3) bellow for proforma adjustments included.
(2) Calculated as if the purchase price allocation performed for the acquisition of Nortegas and the reverse merger (both events occurred in 2017), would have taken place on January 1, 2017.
(3) Calculated by applying to the result before taxes the corresponding tax rate according to tax jurisdictions.
(4) Includes Financial Income and Result of the equity method (+€0.3m in H1 2017 and +0.2€m in H1 2018).

Nortegas Consolidated Cash Flow Statement

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Cash Flow for the 6 Months Period Ending 30 June

(€M)	H1 2017 proforma	H1 2018
EBITDA	88.3	87.4
Net Capex	(8.8)	(7.6)
Change in Working Capital (1) and other	32.9	17.0
Cash flow available for debt service and distribution to shareholders	**112.4**	**96.8**

NOTE: Financial figures are not audited.

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
- **Change in Working Capital**
  - Seasonal change in WC due to colder months at the beginning of the year, that led to a positive working capital effect in H1 2017 and H1 2018
  - H1 2017 WC includes positive effect of €24m coming from the VAT linked to the acquisition of LPG assets to Repsol paid out in H2 2016 and collected back in H1 2017

(1) Excluding from Change in Working Capital in H1 2017 a negative one-off of VAT recoverable linked to the restructuring process performed in H1 2017 by the former owner in the amount of -€268.2m, that was finally recovered in H2 2017.

Nortegas Consolidated Balance Sheet

Balance Sheet as of 31 December 2017 and 30 June 2018

(€m)	As of 31 December 2017	As of 30 June 2018
Property, plant and equipment	1,065.8	1,047.1
Goodwill	45.9	45.9
Other intangible assets	1,527.3	1,514.8
Other non-current financial assets	7.2	7.1
Deferred tax assets	24.7	22.0
Total non-current assets	**2,670.9**	**2,636.9**
Other current assets	103.0	97.6
Cash and cash equivalents	130.5	111.4
Total current assets	**233.5**	**209.0**
Total assets	**2,904.4**	**2,845.9**
Total equity	**1,031.3**	**991.9**
Financial liabilities from issuing bonds	1,291.9	1,292.5
Debt with group companies	127.3	127.3
Other non current financial liabilities	2.3	2.2
Other non current liabilities	9.8	11.1
Deferred tax liabilities	348.6	294.9
Total non-current liabilities	**1,779.9**	**1,728.0**
Current financial liabilities	5.6	15.7
Debt with group companies and associates	3.2	3.4
Other current liabilities	84.4	106.9
Total current liabilities	**93.2**	**126.0**
Total equity and liabilities	**2,904.4**	**2,845.9**

NOTE: Financial figures as of 30 June 2018 are not audited.

Financing in Place

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

- During H1 2018, the Revolving Credit Facility remained undrawn.
- In January 2018 the Company has distributed €112.9m of dividends, of which €53m correspond to an extraordinary distribution due to 2014 tariff deficit securitization.
- Total Net Debt as of 30 June 2018 is €1,199.7m with:
  - Strong cash position of €111.4m in June 2018 compared to €130m in December 2017.