Redexis

2021 First Half Results

Madrid, 30 July 2021

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1. Highlights
2. Operational review
3. Financial review
4. Conclusions

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Highlights

Resilient business model and activity recovery

- EBITDA +8,4% YoY, driven by growth on both CPs and volumes in all segments (residential, industrial and tertiary) vs 2020, on the back of the progressive recovery of the business activity and underpinned by neutral impact of remuneration reform in H1 2021
- +13,4% residential volumes increase, being 2021 colder vs milder weather 2020
- Industrial segment maintains its sustained growth on volumes, +4,4% YoY
- Efficiencies developed on H2 2020 contribute to improve EBITDA margin (ex LPG dilution)

Solid cash generation, flexible capex allocation allowing solid financial position

- Sustained high cash conversion from EBITDA net of system settlements one-off
- CAPEX remains 95% discretionary, tailored to current commercial activity and prevailing saturation investments
- Financial cost savings from refinancing exercise (ex last one-off of c.€10m)
- Investment grade affirmed by S&P on May 2020 (BBB-, outlook stable)

Excellent liquidity position and long-term debt profile

- Refinancing exercise completed, fully funded with no relevant upcoming debt maturities
- Redexis ESG rating improvements drove ESG-linked facilities interest rate reduction
- Liquidity position of € 383m euros covering business strategy financial needs

Committed to ESG and carbon neutrality projects promotion

- Redexis scored 57 in Vigeo Eiris ESG rating, accumulating a +54% improvement since 2018
- 15 NGV refuelling stations in service, NGV connections incentivized by the new regulatory framework
- Development of new renewable gases and hydrogen projects in the context of EU Energy policy, Next Generation EU funds, and recent regulatory developments in Spain on biogas and hydrogen

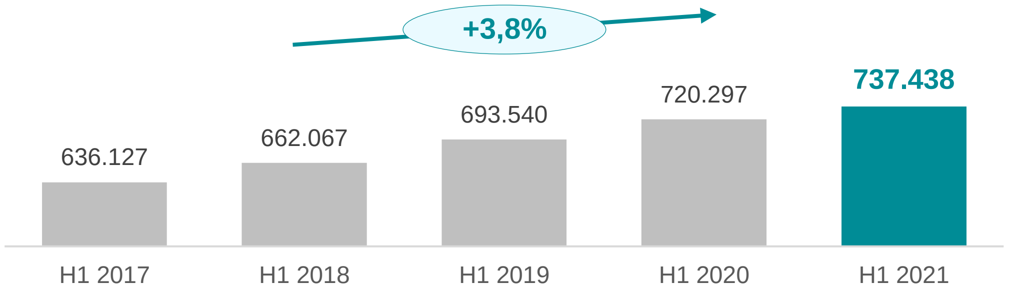
Agenda

Operational review

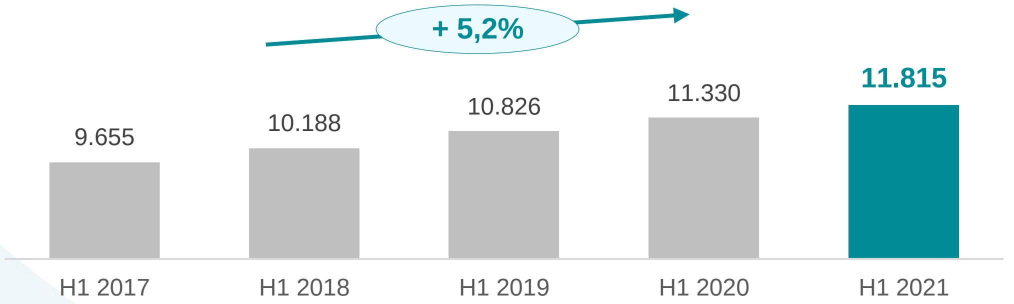
Operating highlights (H1)	Unit	2020	2021	%change
Distribution Connection Points				
Natural Gas (P<4b)	#	623.711	636.704	2,1%
LPG	#	96.286	100.410	4,3%
Natural Gas (P>4b)	#	300	324	8,0%
Total	**#**	**720.297**	**737.438**	**2,4%**
Municipalities served	**#**	**831**	**865**	**4,1%**
Network length				
Distribution network	Km	9.688	10.172	5,0%
Transmission network	Km	1.643	1.643	-
Total	**Km**	**11.330**	**11.815**	**4,3%**
Energy distributed				
P<4b	GWh	3.174	3.600	13,4%
LPG	GWh	241	303	25,8%
4b<P<60b	GWh	4.612	4.768	3,4%
P>60b	GWh	10.005	9.795	(2,1%)
Total	**GWh**	**18.033**	**18.468**	**2,4%**

- Residential volumes recovery resulting +13,4% growth in residential CP's demand, colder weather in H1 2021 vs milder H1 2020
- New 17k connection points added in a context of lockdown limitations to the gas installation activity
- +4,4% YoY industrial volumes growth on the back of solid contracting of new industrials and volumes recovery
- Tertiary segment volumes +19,6% YoY, but not yet completed due to leisure activity partial recovery (e.g. hotels in Baleares)
- 865 municipalities (including those on integration) + 99 authorised
- 2 new municipalities commissioned in natural gas and 1 in LPG in 2021

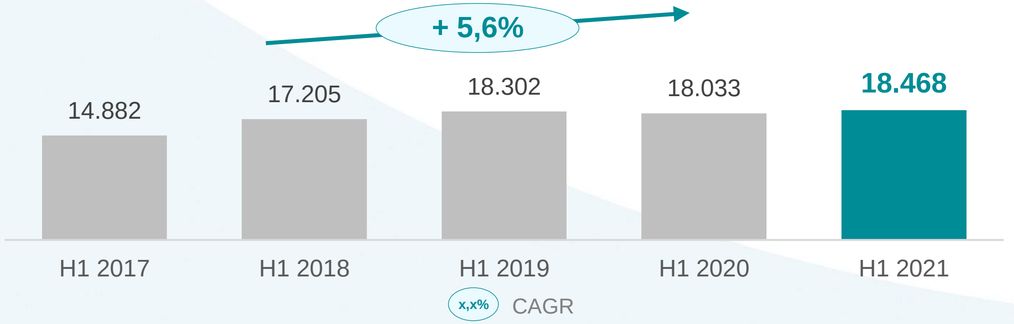
Connection points (CPs)



Network length (Km)

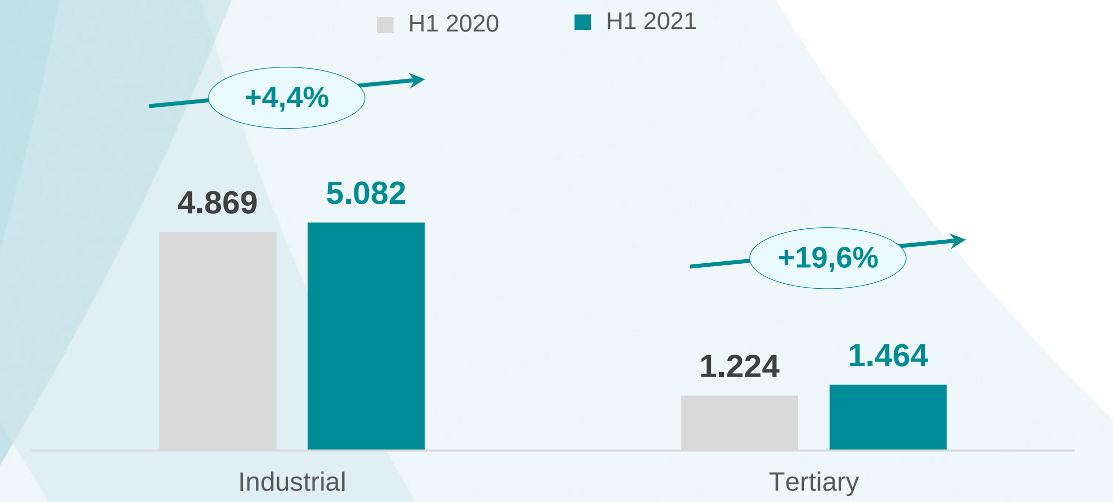


Energy distributed (GWh)

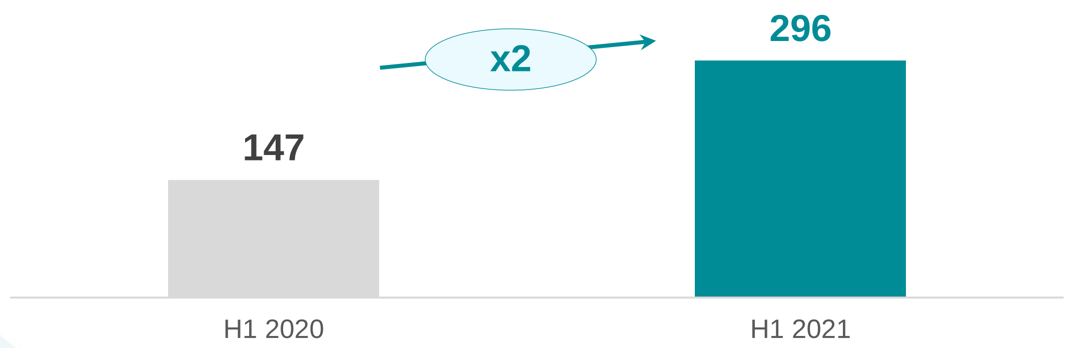


Operational review
Industrial and tertiary segments

Energy distributed(1) (in GW/h)



Industrial and tertiary CPs growth (2) (# of CPs)



Comments

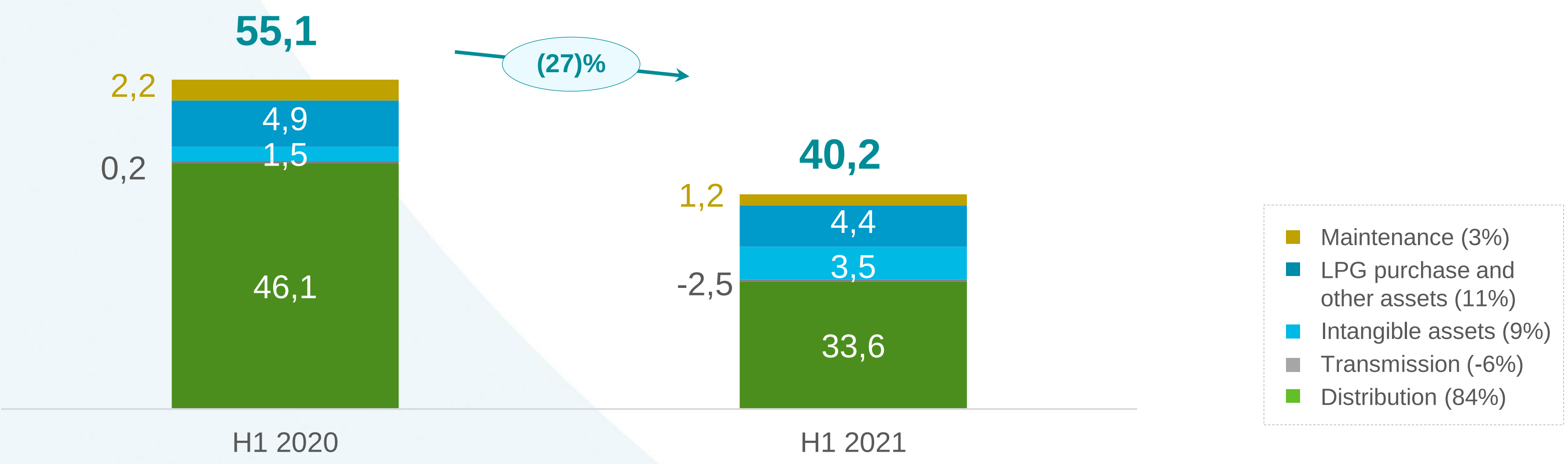
- +4,4% industrial energy distributed reaching 5.082 GWh, underpinned by the recovery of the activity and the strong contracting of new industrials
- Tertiary recovery performing +19,6%, with headroom to improve as the limitations on tourism activity are still in place in certain regions (i.e., Balearic islands)
- Strong contracting performance, x2 in number of new CPs and +129% (946 GWh) on volumes: tertiary 92 GWh (+49%) and industrial 854 GWh (+143%)

(1) Tertiary includes tariff groups 3.3, 3.4, and industrial 3.5 and G.2
(2) Tertiary and industrial clients considering all tariffs

Operational review

Capex

CAPEX breakdown



Comments

- Distribution Capex programme adjusted for COVID-19 mobility restrictions, specially in the residential segments, where homeowners' community meetings faced restrictions conditioning the approval of new community installations. However, H1 residential gross additions and contracting are above 2020 levels, as a result of intensified focus on connecting Redexis available potential of residential clients not requiring a community installation
- Capex to connect tertiary and industrial clients above pre-COVID levels, reflecting contracting momentum
- Maintenance capex remains below 5% of total capex
- Intangible capex increase to 3,5MEUR reflects the execution of remunerated IT projects to enhance transmission operational efficiency

Operational review

Example projects

Building Redexis contribution for long term carbon neutrality through renewable gases and hydrogen

Galivi biomethane injection

- **Located in the agri-industrial biogas plant of Galivi Solar in Lorca (Murcia).**
- The plant has **3 digesters** of 1,500m3 that produce a flow of biogas of up to 500Nm3/h.
- It also has a biogas storage gasometer that can hold 2,350 m3.
- GALIVI will install an upgrading unit with capacity to **generate** 400 Nm3/h of **biomethane.**
- **Redexis will build the feeder and biomethane injection unit in Redexis networks.**

Green hysland – full hydrogen value chain infrastructures

- Selected by *"Fuel Cells and Hydrogen Joint Undertaking"* (FCH JU) of the **European Commission** for its goal of creating the first **green hydrogen ecosystem** in the **Balearic Islands.**
- It will produce, generate and distribute **300 tons of renewable hydrogen per year** using **solar energy, reducing CO2 emissions** by 20,700 ton/year.
- Green hydrogen will have multiple **applications** on the island:
  - *Decarbonisation of transport: supplying the fleet of buses and rent vehicles.*
  - *Supply of decarbonised gas: injection of green hydrogen in the islands gas pipelines network.*
- It forms part of the **"Hydrogen roadmap"** recently approved by the Spanish Government.
- **Redexis will build**, among others, the **first hydrogen pipeline in Spain.**

Gas for vehicles stations

- Total 15 gas refuelling station in service in Madrid, Zaragoza, Murcia, Baleares, Cáceres and Castilla la Mancha
  - 4 LNG refuelling station within the Redexis-CEPSA agreement aimed at long haul traffic: Puerto Lumbreras (Murcia) Mercazaragoza (Zaragoza), Trujillo (Cáceres) y Castillejo de Iniesta (Castilla la Mancha)
  - 7 CGN refuelling stations for the ambulance fleet of Murcia's Health Service, around 400 vehicles,
  - 2 CGN refuelling station in the intermodal transport station in Mallorca, (partnership with Consortium Transport of Mallorca)
  - First gas refuelling station in Madrid (Alcorcón) CGN
  - 1 CGN refuelling station for the Cooperativa del Taxi (Zaragoza)

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Financial review

Business Income Statement

P&L account (H1)	2020	2021	%change
Figures in € million			
Distribution - regulated	55,0	58,1	5,5%
Other regulated distribution income	11,2	13,6	21,5%
Transmission - regulated	29,6	29,1	(1,6%)
LPG regulated business	13,1	17,5	33,8%
Other Operating Income	1,9	3,4	74,9%
Self-constructed non-current assets	7,8	7,6	(2,3%)
Total Revenues and other income	**118,6**	**129,3**	**9,0%**
Supplies	(10,3)	(12,6)	22,3%
Personnel expenses	(14,4)	(14,0)	(2,9%)
Other Operating expenses	(11,5)	(13,4)	15,9%
EBITDA	**82,4**	**89,4**	**8,4%**
EBITDA margin (%)	69,5%	69,1%	(0,5%)
EBITDA Margin ex LPG dilution (%)	75,7%	76,1%	0,6%
Depreciation and amortisation	(44,4)	(46,7)	5,0%
Impairment on non-current assets	(0,2)	(0,2)	(7,5%)
Restructuring and other non-recurring expenses	(0,7)	(0,2)	(73,4%)
EBIT	**37,1**	**42,3**	**14,2%**
Net financial result	(20,8)	(14,7)	(29,6%)
EBT	**16,2**	**27,6**	**70,5%**
Income tax	(33,3)(1)	(6,9)	(79,3%)
Net result for the period	**(17,1)**	**20,7**	**-**
Result for the period attributable to owners of the Parent	(17,1)	20,7	-
Result for the period attributable to non-controlling interests	0,0	0,0	-

Comments

- EBITDA improved by 8,4% YoY on the back of reinvigorated business activity, driven by the recovery of (i) the energy volumes, (ii) the commercial expansion activity and (iii) the field activities like inspections
- Distribution remuneration grew by 5,5%, supported by energy volumes growth, +4,4% in industrial demand and +13,4% in residential demand, and +17k connection points
- Neutral impact of remuneration reform in H1 2021
- LPG business performed +34% YoY by the recovery on volumes and integration of last add-on purchases,
- Costs increase aligned with activity recovery
- Efficiency plan developed on H2 2020 reflects on an improvement of the EBITDA margin (ex LPG dilution)
- Financial savings resulting from lower average interest rate and leaving behind the effect of the refinancing exercise
- Income tax in line with 2018 and 2019 expense, once the one-off impact of 2020 has been isolated
- Net result of €20,7, +77% higher than the recurring net result of H1 2020 (+ €11,7m), that is, excluding the one-off impact on corporate income tax due to the recognition of unapplied tax credits

Note: Unaudited figures
(1) See Note 13 in 2020 Consolidated Annual Accounts (audited) for detailed disclosure. Redexis has filed a new appeal but has decided to de-recognize in light or revised probability estimation

Financial review

Business Cash Flow

Business Cash Flow (H1)	2020	2021	%change
Figures in € million			
EBITDA	**82,4**	**89,4**	**8,4%**
Adjustment for non-cash items (included in EBITDA):			
Change in provisions	(1,5)	(0,0)	-98,5%
Government grants taken to income	(0,4)	(0,6)	45,8%
Rents	(1,3)	(1,1)	(15,4%)
Others	0,1	0,2	282,5%
Net change in working capital	32,4	(20,7)	-
Cash flow from operating activities	**111,7**	**67,3**	**(39,7%)**
Acquisition of GLPs	(1,7)	(1,0)	(42,4%)
Acquisition of property, plants and equipment	(74,0)	(44,8)	(39,4%)
Income tax paid	(2,2)	(2,2)	2,3%
Free Cash Flow	**33,8**	**19,3**	**(43,0%)**
Interest paid	(29,7)	(33,9)	14,3%
Interest received	0,1	0,1	191,2%
Finance income	(29,6)	(33,8)	14,0%
Cash flow ex financing activities	**4,2**	**(14,5)**	**-**
Acquisition financial assets	-	-	
Proceeds / (Repayment) of EIB	74,3	-	(100%)
Proceeds / (Repayment) of bonds	337,5	(494,1)	-
Proceeds / (Repayment) of Dividends	(30,0)	-	(100%)
Proceeds from other financial liabilities	-	0,2	-
Restructuring and other non-recurring expenses	(0,2)	(0,2)	17,4%
Net increase / decrease in cash and cash equivalents	**385,8**	**(508,6)**	**-**
Cash and cash equivalents BOP	74,9	591,7	690,2%
Cash and cash equivalents EOP	460,7	83,1	-82,0%

Comments

- +8,4% EBITDA growth YoY
- WC impacted by the inclusion of the one-off Castor effect on the system's settlements, impacting on c. €-14m
- Sustained high cash conversion from EBITDA 90% excluding the above system's settlements one off
- CAPEX tailored to current commercial activity: focused on saturating existing installations, as mobility restrictions limit neighbourhood meetings
- Interest payment included the last impact of the bond refinanced of c.€-10,5m
- Positive cash flow ex-financing activities, excluding system settlements and interest payments one offs.
- Redemption of the notes remaining from 2021 bond, amounting € 494,1m

Financial review

Balance sheet

Balance Sheet (H1)	2020	2021
Figures in € million		
ASSETS		
Property, plant and equipment	1.310,0	1.314,9
Goodwill	219,2	219,2
Other intangible assets	557,5	560,1
Right of Use Assets	12,5	12,1
Deficit of the system	-	5,8
Non-current financial assets	4,0	1,5
TOTAL NON-CURRENT ASSETS	**2.103,1**	**2.113,5**
Inventories	6,1	6,2
Trade and other receivables	41,4	44,7
Other current financial assets	0,1	0,1
Other current assets	8,0	6,4
Cash and cash equivalents	460,7	83,1
TOTAL CURRENT ASSETS	**516,4**	**140,6**
TOTAL ASSETS	**2.619,4**	**2.254,1**

Balance Sheet (H1)	2020	2021
Figures in € million		
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent	614,5	611,4
Non-controlling interest	0,0	0,0
TOTAL EQUITY	**614,5**	**611,4**
Deferred income	20,8	21,5
Long term liabilities (Bonds)	989,1	990,3
Loans and borrowings (Banks)	272,9	413,8
Other financial liabilities	13,6	13,1
Deferred tax liabilities	95,6	100,9
Provisions for employee benefits	6,0	0,4
Other provisions	1,1	0,9
TOTAL NON-CURRENT LIABILITIES	**1.399,1**	**1.541,0**
Short term liabilities (Bonds) (Accrued interests)	498,8	3,4
Loans and borrowings (Banks) (Accrued interests)	11,9	11,9
Fixed asset suppliers	41,3	36,0
Trade and other payables	48,1	42,9
Current income tax liabilities	2,1	2,8
Provisions for employee benefits	0,0	–
Other current liabilities	3,6	4,6
TOTAL CURRENT LIABILITIES	**605,8**	**101,6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2.619,4**	**2.254,1**

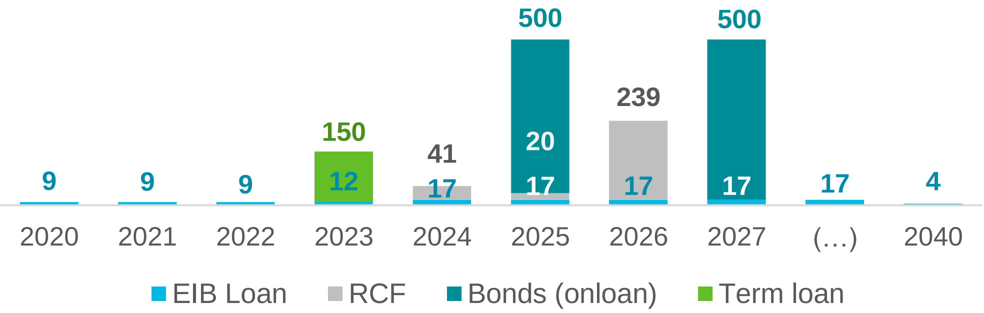
Financial review

Disciplined investment grade financial policy

Liquidity Position (in € m)

Instrument	Amount	Drawn	Available
Bonds (on-loan agreement)	1.000,0	1.000,0	-
RCF (ESG-linked)	300,0	-	300,0
EIB loans	275,6	275,6	-
Term Loan (ESG-linked)	150,0	150,0	-
Cash & Eq	83,1	-	83,1
	1.808,7	**1.425,6**	**383,1**

Maturity profile (in € m)



Rating S&P
BBB–
stable outlook
(Affirmed on May 2020)

Available liquidity
€ 383,1m

Avg. Financial cost
1,56%

Avg. debt maturity
5,2y

2021 Financing Milestones

- ✓ Successfully completed the debt management exercise initiated in 2019, avoiding relevant maturities in the next 3-5 years, lengthening the average debt maturity and reducing the financial cost. Last milestones:
  - Early redemption of the notes maturing in 2021 executing the 3 months issuer call at par
  - Finalized the tenor extension request of the RCF, becoming final
- ✓ Vigeo Eiris recognized the improvement of Redexis in ESG matters, allowing to improve the financial cost of the ESG-linked financing
- ✓ S&P rating affirmed on May 2020: BBB- outlook stable, complying with Redexis financial policy

Ratings

Stable IG credit rating, sustained improvement on ESG rating

CREDIT RATING

S&P Global Ratings

BBB–

stable outlook

Our stable outlook on Redexis captures:

- *Our view that the company will continue to adhere to its **disciplined financial policy that prioritizes its investment grade rating and growth** over shareholder remuneration.*
- *Our expectation of a **resilient financial performance over 2020 and 2021**, with an FFO to debt and debt to EBITDA above 9% and below 8.0x, respectively, thanks to the vast majority of Redexis' earnings coming from fully regulated gas distribution and transmission segments, which are less exposed to the macroeconomic consequences of the current pandemic.*
- ***Redexis being able to more-than-compensate for the recent cuts in remuneration** through organic growth over the next regulatory period, mainly in its distribution segment.*
- *Importantly, our expectation that Redexis will be able to refinance its €650 million maturity due in April 2021, at the latest six months before maturity.*

May 2020

ESG RATING

vigeoeiris

Rating grade: **Robust**

57 / 100

2018	2019	2020
37	51	57

ESG Breakdown

Environment	52/100	Sector average 47
Social	50/100	Sector average 45
Governance	53/100	Sector average 49

GRESB ★ ★ ★ ★ ★ 2020

82 / 100

2018	2019	2020
63	74	82

ESG Breakdown

Environment	24/29
Social	33/40
Governance	24/31

ISO 14001

ISO 45001

ISO 50001

2020

Empresa Saludable

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Conclusions

- Recovery of business activity and volumes under supportive regulation
- High cash generation, flexible CAPEX allocation aligned to growth strategy
- Solid liquidity position, fully funded in the long term
- Sustained growth on ESG rating, stable investment grade credit rating
- Development of new projects on mobility, renewable gases and hydrogen

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Cashflow IFRS

Cash Flow IFRS H1 (in € m)	2020	2021	%change
Cash flows from operating activities			
Profit for the year before tax	16,2	27,6	70,5%
Adjustments for:			
Depreciations and Amortisations	44,4	46,7	5,0%
Impairment losses on non-current assets	0,2	0,2	(7,5%)
Change in provisions	1,4	(0,0)	-
Government grants taken to income	(0,5)	(0,6)	7,2%
Finance income	0,0	(0,1)	-
Finance costs	20,9	14,8	(29,1%)
Cash generated from operations	**82,6**	**88,6**	**7,3%**
Changes in working capital	**29,1**	**(20,4)**	**(170,4%)**
Inventories	(0,7)	(0,5)	(27,4%)
Trade and Other Receivables	19,2	9,8	(49,2%)
Other current assets	(1,4)	(4,6)	235,7%
Trade and other payables	10,8	(26,7)	-
Other current liabilities	0,7	0,5	(32,7%)
Other non-current assets and liabilities	0,4	1,2	173,0%
Cash generated from operations	**111,6**	**68,2**	**(38,9%)**
Interest and commissions paid	(29,7)	(33,9)	14,3%
Interest received	0,0	0,1	191,2%
Income tax paid	(2,2)	(2,2)	2,3%
Net cash from operating activities	**79,8**	**32,2**	**(59,7%)**
Cash flows from investing activities			
Payments for purchases of distribution and LPG assets in use	(1,7)	(1,0)	(42,4%)
Payments for acquisition of property, plant and equipment and intangible assets	(74,0)	(44,8)	(39,4%)
Net cash used in investing activities	**(75,7)**	**(45,8)**	**(39,5%)**
Cash flows from financing activities			
Payments for acquisition of financial assets	0,0	0,0	-
Proceeds from loans and borrowings	75,0	0,0	(100,0%)
Payments from the on loan agreement / bonds and other marketable securities	337,8	(494,1)	-
Payments of lease liabilities	(1,1)	(0,9)	(20,3%)
Dividends paid	(30,0)	0,0	(100,0%)
Net cash from financing activities	**381,7**	**(495,0)**	**-**
Net increase (decrease) in cash and cash equivalents	385,8	(508,6)	-
Cash and cash equivalents BOP	74,9	591,7	690,2%
Cash and cash equivalents at EOP	460,7	83,1	(82,0%)