

# Acquisition of Gas Energía Distribución Murcia and additional gas distribution assets

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# 1. Transaction highlights

## Summary



### **Agreement to acquire Gas Energía Distribución Murcia, S.A. (GEDM) and additional gas distribution assets from Naturgás Energía Distribución, S.A. (NED), ultimately owned by Energías de Portugal (EDP)**

- The transaction perimeter includes:
  - All of the shares held by NED in GEDM (99.98% of all the company shares)
  - The credit right held by NED in GEDM
  - Additional distribution assets fully owned by NED in Murcia, Extremadura, Madrid, Catalonia and Castile and Leon
- Enterprise value of €236 million

### **Transaction rationale**

- Opportunity to invest in the gas distribution company operating in the underpenetrated South-Eastern region of Spain
- First-class modern infrastructure
- Complementary business models with clear expansion and network growth rationale
- High complementarity and potential synergies given adjacent networks
- Regulatory visibility after the recent reform of the gas sector

### **Financial logic**

- Attractively priced debt funding through the capex facility with pro-forma leverage in line with existing level
- Strong additional equity commitment from shareholders
- Meaningful operating synergies and cashflow generation

**Closing subject to regulatory approval and expected in January 2015 for GEDM and during H1 2015 for the additional assets (which are subject to additional approvals from local authorities)**

# 1. Transaction highlights (cont')



## Transaction benefits

1

Opportunity to invest in the gas distribution activity in the South-Eastern region of Spain

- GEDM has a long track record in gas distribution in the Murcia region
- Remarkable growth potential:
  - Increase of penetration rate to bring in line with rest of Spain
  - The envisaged full liberalization of propane and butane to incentivize the switch of LPG customers to natural gas
- High and sustainable profitability

2

Entry into three new regions

- Entry in Murcia, Catalonia and Extremadura: further footprint extension

3

Regulatory visibility

- Recent regulatory modifications in the gas sector (July and October 2014) providing visibility on revenue streams for distribution activity
- Recent changes announced by the Regulator are expected to have a relatively small impact on GEDM

4

Well invested and managed first-class infrastructure

- Strong safety standards and performance
- Proven track record of operating and maintenance expenses (O&M) and profitability improvement, with further potential
- Long track record of network reliability supported by strong O&M know-how

5

Resilient business with a solid and credible growth plan

- Proven resiliency during recent challenging macroeconomic backdrop
- Credible growth plan supported by:
  - Longstanding and proven experience obtaining required authorizations for the network development
  - Strong visibility on near term projects
  - Further expansion of the distribution network supported by additional gas transmission pipeline
  - High natural entry barriers in the region for third parties

6

High complementarity and potential synergies with adjacent networks

- Despite limited maintenance costs and high operating efficiencies, there is room for further efficiency gains for GEDM's infrastructure through integrating in a network which includes assets in neighbouring regions
- Synergies of scale with assets in adjacent regions to Murcia lead to further cost efficiencies

## 2. Strategic rationale

### Redexis Gas overview



- One of the leading companies in the **development and operation of natural gas transmission and distribution in Spain**
- Operates its **own gas networks** of over 5,500 kilometers throughout seven regions provide access to this source of safe, convenient and efficient energy to over three million and a half residential customers and industrial clients, in a total of 183 municipalities
- The Company, **owned by Goldman Sachs Infrastructure Partners and co-investors**, has a solid plan to continue expanding the network for the purposes of constantly creating value in the regions in which it operates, where it has already invested €1 billion



Operating data	Unit	2012	2013
CPs	'000	375	384
Provinces served	#	19	19
Municipalities served	#	181	183
Network length	km	5,382	5,581
Energy distributed	GWh	9,503	10,018

■ Areas where Redexis Gas operates

## 2. Strategic rationale (cont')

### GEDM and additional assets overview



- GEDM operates in the regulated natural gas **transmission and distribution businesses in Murcia** (Spain)
  - **Well established network** in the region, benefiting from visible growth potential:
    - Network of 1,982 km in 22 municipalities in 2013
  - Carries out its activities through **own infrastructure**, with a track record of reliability and security
- In addition, there are gas distribution networks in 5 other regions of Spain which are included in the transaction perimeter:
  - Additional distribution assets owned by NED and located in Murcia, Extremadura, Madrid, Catalonia and Castile and Leon



- Areas where GEDM operates
- Location of the additional assets

Operating data	Unit	2013
CPs	'000	116
Provinces served	#	5
Municipalities served	#	34
Network length	km	2,433
Energy distributed <sup>(1)</sup>	GWh	22,754

<sup>(1)</sup>Energy distributed of GEDM include high consumption industrial customers

## 2. Strategic rationale (cont')

### Overview of the new Redexis Gas



#### Redexis Gas

- Main activity: transmission and distribution of natural gas in 7 regions in Spain
- Has its own gas networks with a commitment to continued network expansion - invested €1 billion
- Network of 5,500km, with presence in 183 municipalities and a total CPs of 384 thousand in 2013



#### GEDM

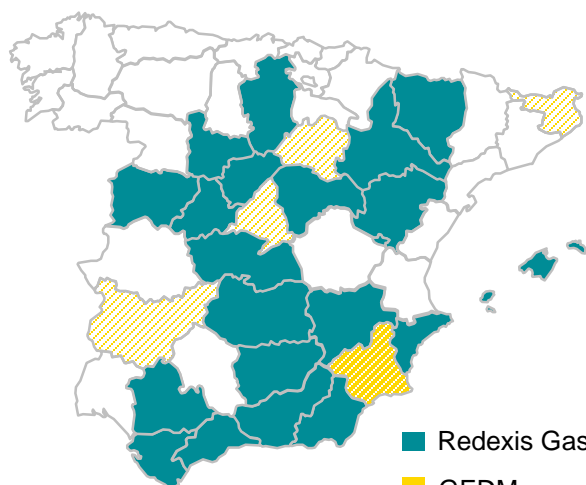
- Main activity: transmission and distribution of natural gas in Murcia (Spain)
- Own gas networks that are modern and well maintained
- Well established network in the region
- Low penetration rate allows for strong growth potential



#### Additional assets

- Other assets located in 5 regions of Spain:
  - Murcia
  - Extremadura
  - Madrid
  - Catalonia
  - Castile and Leon

Data as of 31st December 2013



- Redexis Gas operates
- GEDM
- ▨ Additional assets

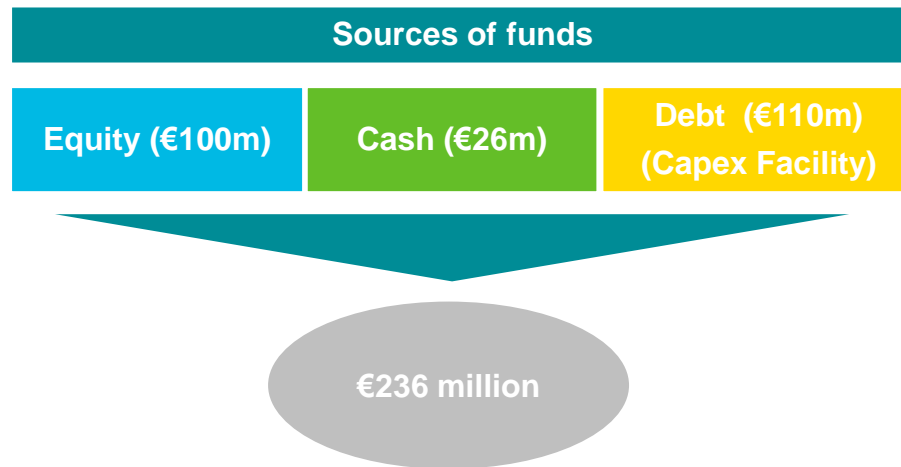
Operating data	Unit	Proforma New Redexis Gas
CPs	'000	501
Provinces served	#	24
Municipalities served	#	217
Network length	km	8,014
Energy distributed <sup>(1)</sup>	GWh	32,772

Financial data	Unit	Proforma New Redexis Gas
Revenue	€m	176.7
EBITDA	€m	126.4
EBITDA Margin	%	71.5%

<sup>(1)</sup>Energy distributed of GEDM include high consumption industrial customers  
Source: Redexis Gas and proforma data for GEDM and additional assets



# 3. Transaction financing



# 4. Conclusions



- Clear strategic rationale
- Resilient business with a solid growth plan
- Regulated business benefitting from supportive and established regulatory framework
- Diversification of geographic operations
- Significant run-rate synergy potential with adjacent networks
- Strong, well invested and supportive shareholders
- Committed management team to effect a seamless combination and transitional service agreement for the interim period
- Strengthened competitive positioning in the Mediterranean area

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