Redexis

Full Year Results 2020

Madrid, April 2021

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2. Operational review
3. Financial review
4. COVID-19 update
5. Conclusions

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Highlights

Resilient business model	• +2,6% growth in residential CP's and demand. Added 31k new CPs by attuning expansion activity to lockdown circumstances • +2,2% YoY industrial volumes growth, yet tertiary segment volumes challenged by COVID-19 situation (-20% YoY) • EBITDA -1,6% due to lower demand, mainly offset by an efficiency and operating expense control plan • Safe and reliable operation: health and safety protocols, 100% network availability, 100% planned maintenance works executed
Solid cash generation and financial position	• Strong Free Cash Flow (+62,7%) driven by growth CAPEX adjusted to mobility restrictions context as a result of COVID-19 pandemic • Prudent CAPEX allocation, remaining 95% discretionary • Investment grade affirmed by S&P on May 2020 (BBB-, outlook stable)
Debt management executed, fully funded in the medium term without any debt maturity	• Completed the refinancing of € 650m notes maturing 2021, cancelled the 8th January 2021 – Bond issue €500m-5yr, 1,875% coupon, ~6x oversubscribed – €156m 2021 notes repurchased and cancelled through a tender offer to reduce cost of carry – ESG-linked term loan € 150m-3yr (club deal format) at highly competitive conditions • Sound liquidity position (€ 892m available), long term maturity (+6yrs) and low financial cost (1,57%)
Promoting sustainable mobility and renewable gas	• Deployment of the gas refuelling station plan initiated in 2019: 12 new premises • Active promotion of projects aimed at renewable gases use in gas networks • Publication of "Hydrogen, the key to a sustainable energy model" by Fundación Redexis
Committed to ESG	• Redexis Foundation enabled aid lines to fight COVID-19 health emergency and promoted clean energy • Improved both GRESB and Vigeo Eiris ratings, evidencing Redexis commitment to ESG matters • Published II Sustainability Report in July 2020

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Operational review

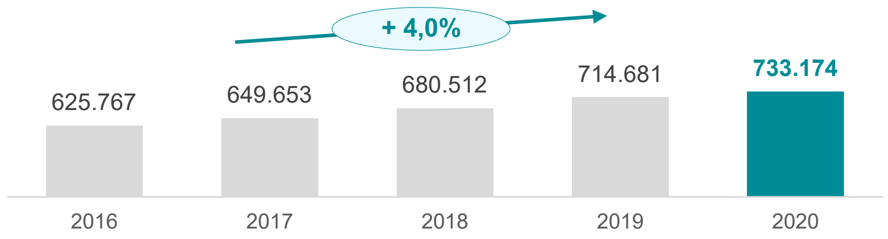
Sustained growth track record across residential and industrial segments

Operating highlights	Unit	FY 2019	FY 2020	%change
Distribution Connection Points				
Natural Gas (P<4b)	#	618.183	632.677	2,3%
LPG(*)	#	96.188	100.190	4,2%
Natural Gas (P>4b)	#	310	317	2,3%
Total	**#**	**714.681**	**733.174**	**2,6%**
Municipalities served (*)	**#**	**830**	**864**	**4,1%**
Network length	Km			
Distribution network	Km	9.498	10.073	6,1%
Transmission network	Km	1.643	1.643	-
Total	**Km**	**11.140**	**11.715**	**5,2%**
Energy distributed				
P<4b	GWh	6.125	5.714	(6,7%)
LPG	GWh	435	424	(2,5%)
4b<P<60b	GWh	9.109	9.265	1,7%
P>60b	GWh	19.974	20.856	4,4%
Total	**GWh**	**35.643**	**36.260**	**1,7%**

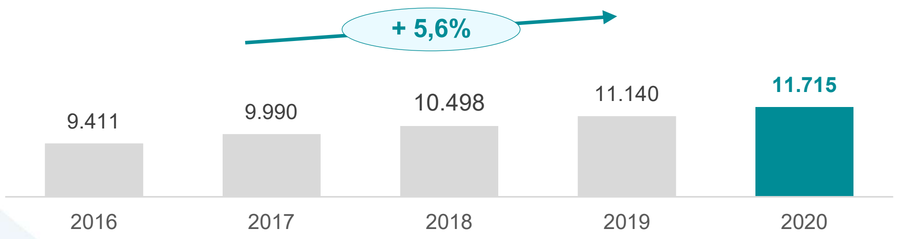
(*) · FY2019: Including CEPSA LPG acquisition
· FY2020: REPSOL LPG acquisition in 2020 (4.230 CPs in 35 municipalities)

- Residential recovery on H2 2020 resulting +2,6% growth in residential CP's demand. H1 mild weather offset by H2 low temperatures
- New 31k connection points added in a context of lockdown limitations to the gas installation activity
- +2,2% YoY industrial volumes growth on the back of solid contracting
- Tertiary segment volumes -20% YoY, due to leisure activity limitations specially related to tourism (e.g. hotels in Baleares)
- 864 municipalities (including those on integration) + 99 authorised
- 4 new municipalities commissioned in natural gas and 1 in LPG in 2020

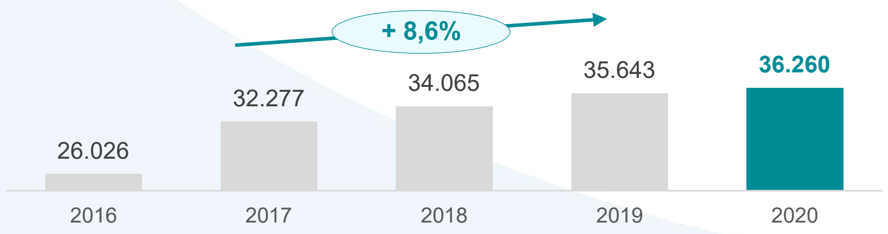
Connection points (CPs)



Network length (Km)



Energy distributed (GWh)

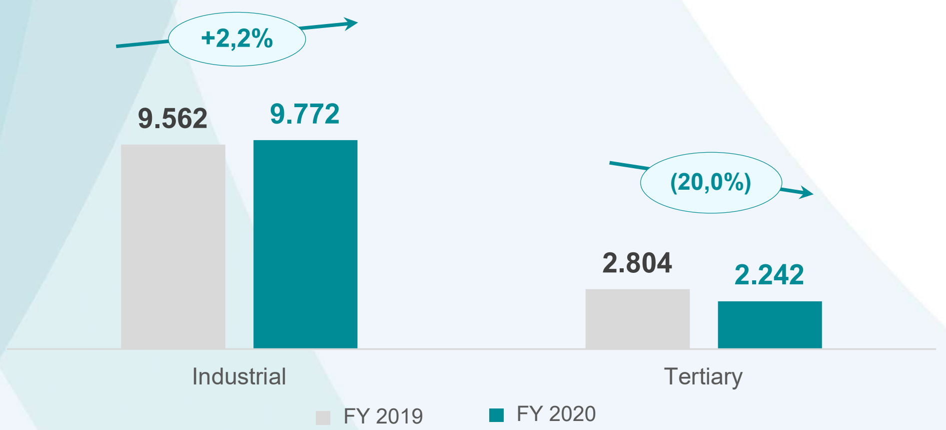


x,x% CAGR

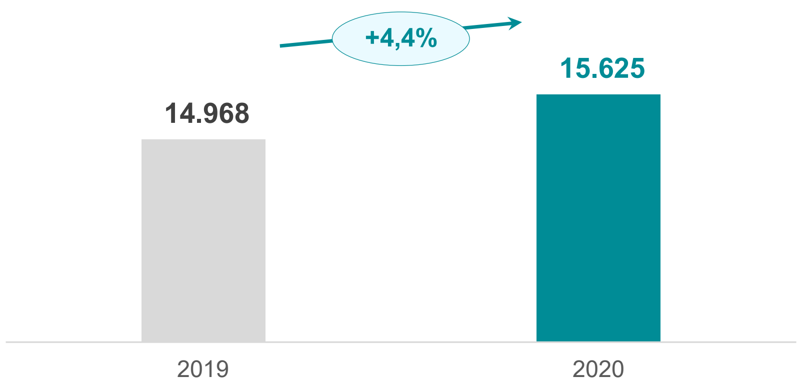
Operational review

Resilient growth in the industrial segment, while tertiary segment volumes challenged by COVID-19 restrictions

Energy distributed[1] (in GW/h)



Industrial and tertiary portfolio [2] (# of CPs)



Comments

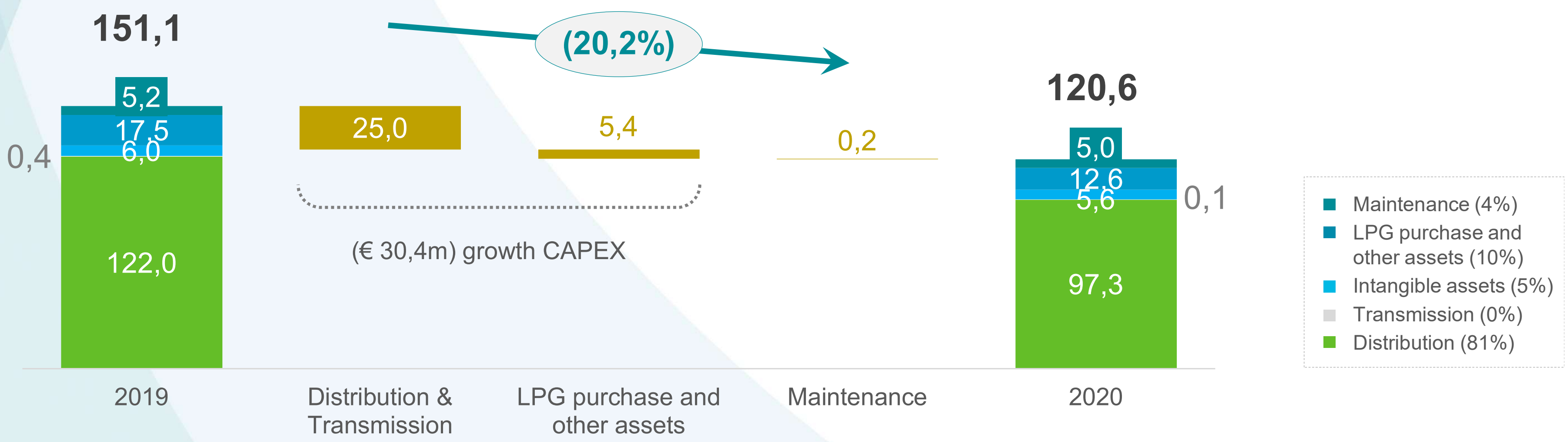
- +2,2% industrial energy distributed, underpinned by strong contracting and reaching 9.772 GWh
- -20% tertiary energy distributed as a result of restricted tourism activity due to COVID-19
- Overall tertiary and industrial client base growth of 4,9%, despite challenging context

(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

- Discretionary CAPEX. -€30,4m growth capex YoY driven by the lower operational activity due to COVID-19 mobility restrictions
- Maintenance expenditure remains flat below the 5% of total CAPEX
- The bulk of the LPG purchase come from CEPSA's LPG acquisition signed on 2019 and integrated throughout the year

Operational review
Promoting sustainable mobility and hydrogen projects

Promoting sustainable mobility

GNV

- On 2020 Redexis inaugurated 12 gas refuelling station in Madrid, Zaragoza, Murcia y Baleares
  - 2 LNG refuelling station within the Redexis-CEPSA agreement aimed at long haul traffic: Puerto Lumbreras (Murcia) and Mercazaragoza (Zaragoza)
  - 7 CGN refueling 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)

Promoting hydrogen projects

Hydrogen

- Redexis joined the **European Clean Hydrogen Alliance (ECH2A)**, an organization promoted by the European Commission with the aim of deploying and developing projects based on renewable hydrogen, in line with the EU's climate neutrality target set for 2050
- Redexis participates in the **Green Hysland Project**, EU-funded project consisting in the deployment of a fully-integrated and functioning H2 ecosystem in the island of Mallorca producing green hydrogen from solar energy and injecting it into Redexis networks
- Redexis participates in the **Ocean H2 Project** aimed at renewable hydrogen production, transport and storage from offshore wind and solar
- For the first time in Spain, Redexis installed of a hydrogen cell in a Regulation and Measurement Station (ERM) for the generation of electricity and heat, thanks to **AutoERM Project** funded by CDTI (Centre for Industrial Technological Development)
- Redexis plays an active role in **Higgs Project**, an EU-funded international cooperation project aimed to test existing natural gas infrastructure readiness to different hydrogen blending levels and operating conditions

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Financial review

Business Income Statement

P&L account *(in € m)*	FY 2019	FY 2020	%change
Distribution – regulated	109,6	106,8	(2,5%)
Other regulated distribution income	28,6	25,4	(11,2%)
Transmission - regulated	62,9	59,6	(5,3%)
LPG regulated business	22,3	22,6	1,1%
Other Operating Income	6,8	11,4	67,6%
Self-constructed non-current assets	15,7	16,1	(2,0%)
Total Revenues and other income	**245,9**	**241,7**	**(1,7%)**
Supplies	(18,6)	(20,9)	12,4%
Personnel expenses	(29,4)	(26,7)	(9,2%)
Other operating expenses	(25,6)	(24,6)	(3,9%)
EBITDA	**172,3**	**169,5**	**(1,6%)**
EBITDA margin (%)	70,1%	70,1%	0,0pp
EBITDA Margin ex LPG dilution (%)	75,1%	75,1%	0,0pp
Depreciation and amortisation	(87,9)	(91,8)	4,4%
Impairment on non-current assets	(0,4)	(1,1)	166,6%
Restructuring and other non-recurring expenses	(0,1)	(3,8)	3.676,3%
EBIT	**83,9**	**72,8**	**(13,2%)**
Finance income	0,2	0,3	72,6%
Finance costs	(34,3)	(43,6)	27,1%
Net financial result	(34,1)	(43,3)	26,9%
EBT	**49,8**	**29,5**	**(40,7%)**
Income tax	(12,3)	(36,3)	195,4%
Net result for the period	**37,6**	**(6,8)**	**(118,1%)**
Result attributable to owners of the Parent	37,6	(6,8)	(118,1%)
Result attributable to non-controlling interests	0,0	0,0	-

Note: Unaudited figures
(1) See Note 13 in 2019 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

Comments

- Regulated revenue decrease explained by lower demand (tertiary and RCS) but also by mobility restrictions limiting new connections
- Personnel expenses containment as a result of administrative tasks automation.
- Operating expense control and efficiency plan deployed, to continue in 2021
- Financial cost increased due to the temporal effects of the refinancing exercise (new debt issue + liability management)
- Income tax increase explained by non-cash derecognition in balance sheet of tax credit assets after negative ruling by Supreme Court in June rejecting admission of PPL appeal(1). No material cash payment related, as tax credits were not used yet, and no sanction is implied

Financial review
Business Cash Flow

Business Cash Flow *(in € m)*	**FY 2019**	**FY 2020**	**%change**
EBITDA	**172,3**	**169,5**	**(1,6%)**
Adjustment for non-cash items (included in EBITDA):			
Change in provisions	1,4	(1,6)	(209,9%)
Government grants taken to income	(1,0)	(1,2)	17,5%
Net change in working capital	18,2	38,7	112,5%
Cash flow from operating activities	**190,9**	**205,4**	**7,6%**
Acquisition of GLPs	(5,3)	(10,8)	102,8%
Acquisition of property, plants and equipment	(139,9)	(124,8)	(10,8%)
Income tax paid	(5,3)	(4,3)	(19,3%)
Free Cash Flow	**40,3**	**65,5**	**62,7%**
Interest paid	(32,4)	(33,7)	4,3%
Interest received	0,2	0,3	72,6%
Finance income	(32,2)	(33,4)	3,9%
Cash flow ex financing activities	**8,1**	**32,1**	**297,1%**
Acquisition financial assets	-	(1,0)	-
Proceeds / (Repayment) of Bank loan/facility	-	149,2	-
Proceeds / (Repayment) of EIB	50,0	65,6	31,2%
Proceeds / (Repayment) of onloan agreement (bonds)	-	336,5	-
Proceeds / (Repayment) of dividends	(30,0)	(60,0)	100,0%
Proceeds from other financial liabilities	(2,8)	(1,7)	(39,7%)
Restructuring and other non-recurring expenses	(0,1)	(3,9)	2.662,1%
Net increase / decrease in cash and equivalents	**25,1**	**516,8**	**1.955,8%**
Cash and cash equivalents BOP	49,7	74,9	50,5%
Cash and cash equivalents EOP	74,9	591,7	690,3%

Comments

- Cash conversion (EBITDA to Cash flow from operating activities) remains robust above 100%
- Improvement in working capital mainly related to the timing of the settlements with the Gas System and collections kept under control
- CAPEX adjustment according to activity limitation context
- Higher interest payments due to the refinancing (payment of accrued coupon of repurchased notes)
- Bank facilities: drawdown of €75m EIB facility and €150m Term loan, and payment of the first instalment of the €160m EIB facility.
- Onloan/Bonds: new issuance proceeds net of repurchase and transaction costs.
- Ordinary dividend payment of €60m against distributable reserves

Financial review

Balance sheet

Assets *(in € m)*	FY 2019	FY 2020
Property, plant and equipment	1.295,8	1.323,3
Goodwill	219,2	219,2
Other intangible assets	558,0	558,7
Right of Use Assets	12,0	11,6
Non-current financial assets	4,0	4,3
Total non-current assets	**2.089,1**	**2.117,0**
Inventories	5,4	5,7
Trade and other receivables	61,5	56,9
Other current financial assets	0,2	0,3
Other current assets	6,6	1,6
Cash and cash equivalents	74,9	591,7
Total current assets	**148,5**	**656,3**
TOTAL ASSETS	**2.237,6**	**2.773,3**

Equity and liabilities *(in € m)*	FY 2019	FY 2020
Equity attributable to equity holders of the parent company	661,7	590,7
Non-controlling interest	0,0	0,0
Total equity	**661,7**	**590,7**
Deferred income	21,2	20,9
Long term liabilities (on-loan/Bonds)	1.141,8	990,1
Loans and borrowings (Banks)	207,9	413,5
Other financial liabilities	0,7	1,2
Lease liabilities	10,0	9,8
Deferred tax liabilities	66,5	97,6
Provisions for employee benefits	5,6	0,1
Other provisions	0,6	0,9
Total non-current liabilities	**1.454,3**	**1.534,1**
Short term liabilities (on-loan/Bonds) (Accrued interests included)	19,5	517,2
Loans and borrowings (Banks) (Accrued interests)	1,5	12,4
Fixed asset suppliers	59,7	42,9
Trade and other payables	35,2	69,6
Current income tax liabilities	0,5	1,2
Provisions for employee benefits	0,1	0,0
Lease liabilities	2,2	2,1
Other current liabilities	2,9	3,1
Total current liabilities	**121,6**	**648,5**
TOTAL EQUITY AND LIABILITIES	**2.237,6**	**2.773,3**

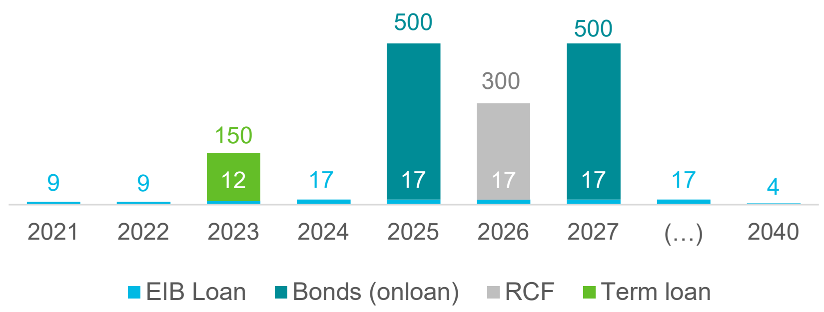
Financial review

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	86,6	-	86,6
	1.812,2	**1.425,6**	**386,6**

Maturity profile (in € m)



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

Available liquidity
€ 386,6m

Avg. Financial cost
1,56%
vs. 2,2% 2019 FY

Avg. debt maturity
5,7y
vs. 5,03y 2019 FY

2020 Financing Milestones

- ✓ EIB Drawdown of €75m, 20y maturity (amortizing with 3yr grace period), 1,30% fixed interest rate
- ✓ Successful early refinancing of €650m notes maturing 2021 in May 2020, completed the 8th January 2021 by executing the 3 months issuer call at par.
  - New bond issuance from EMTN program: €500m-5yr, 1,875% coupon, ~6x oversubscribed
  - €155,9m of 2021 notes repurchased and cancelled through a tender offer to reduce cost of carry
  - ESG-linked term loan €150m-3yr, club deal, highly competitive interest rates, no covenants, 6-months availability
- ✓ S&P rating affirmed on May 2020: BBB- outlook stable

Note: all figures are excluding bond 2021 (both nominal and accrued interests) redeemed on 8th January 2021

Financial review

Investment Grade rating affirmed in May 2020 with outlook stable

BBB-

Outlook Stable

May 18th, 2020

Key strengths

- Spain's third-largest gas distributor in terms of volume, second-largest gas transmission operator, and second-largest piped liquefied petroleum gas (LPG) business.
- A clearly defined remuneration scheme over the 2021-2026 regulatory period provides visibility and predictability of cash flows.
- Given geographic footprint, Spanish regulation still provides room for Redexis to expand its distribution network, particularly in underpenetrated municipalities and the industrial segment.
- Our expectation that organic growth will more than compensate for a modest remuneration cut over the 2021-26 regulatory period.

Key risks

- Weaker credit metrics than its peers, due to large capital expenditure (capex) program, which, although discretionary, results in negative cash flows.
- Prospects for gas transmission are limited, given centralized and selective project planning, and less need for the expansion of transmission networks in Spain.
- Although limited, in line with other Spanish distribution system operators (DSOs), Redexis' EBITDA is exposed to fluctuations in gas demand.

"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.

Redexis commitment to ESG

Redexis demonstrate its commitment through the continuous ESG rating improvement

ESG Ratings

vigeo eiris

Rating grade: **Robust**

51 / 100

2018	2019	2020
37	51	In progress

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

Redexis commitment to ESG

Redexis Foundation, one of the key-elements in the ESG strategy

Most relevant ESG events during 2020

Fundación Redexis

- Member of the “Fundación para el Desarrollo de las nuevas tecnologías del hidrógeno en Aragón”, which support the development of strategic projects in the field of hydrogen and fuel cell technologies and improve visibility at European and international level through partnerships and cooperation agreements in the hydrogen community.
- Member of the “Fundación de la energía de la Comunidad de Madrid”, which promotes the optimization of the energy resources encouraging the energy efficiency
- Redexis Foundation has centralised all the CSR actions related to COVID-19
  - Donation of medical and technological material to field hospitals such as IFEMA
  - Financial aid line to pay the gas bills of vulnerable groups
  - Donation of more than €100k euros to different public administrations and entities
- Launched the Foundation's first publication ‘Hydrogen, the key to a sustainable energy model’

- Published the II Sustainability Report with the most relevant information from the 2019 financial year
- https://www.redexisgas.es/en/investors/annual-reports/

- Registered the carbon footprint in the ministry, having achieved a 2,26% reduction and having found GHG emissions in compliance with ISO 14064.
- Energy supply switched to 100% renewable in all Redexis’ facilities.
- Redexis has ISO 14001: 2015, environmental management system; ISO 50001: 2018, energy management system, ISO 45001: 2018; occupational health and safety management system, and ISO 50001:2018 in the activities of transport, storage and distribution of natural gas, liquefied natural gas (LNG) and LPG.

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COVID-19 Update

Limited financial impact of COVID-19 on Redexis

- **Regulated revenues not subject to price volatility and limited exposure to gas demand:**
  - Drop in demand and mobility restrictions had limited impact on revenues and EBITDA
  - Cost and efficiency management programme deployed to adjust structure to context
- **Working Capital: not significant impact**
  - **Distribution and transmission business:** no relevant issues related as main counterparties are large NG suppliers and Gas System: average debt in 2020 below 2019 figures
  - **LPG business:** non relevant issues on non-payment balance of LPG clients : debt increased by €0,1m vs 2019
- **Prudent CAPEX allocation, reducing 20% vs 2019 due to commercial restriction under COVID-19 context, with less than 5% of maintenance related.**
- **Solid liquidity position and cash generation**
  - Strong Free Cash Flow generation (+62,5% vs 2019) coming from exhaustive cost management, with positive cash generation ex-financing
  - Sound liquidity position of €0,8bn (€0,4bn post-refinancing)
  - Cancellation of the 2021 bond maturity successfully completed
- **Commitment to investment grade rating**

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Conclusions

- Business and capital structure resilient to adverse conditions
- Exhaustive cost allocation delivering strong free cash flow
- Promoting sustainable mobility and renewable gases
- Developing consistent track record with our ESG commitment
- Robust liquidity position, proactive debt management

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Cashflow IFRS

Cash Flow IFRS (in € m)	FY 2019	FY 2020	%change
Cash flows from operating activities			
Profit for the year before tax	49,8	29,5	(40,7%)
Adjustments for:			
Depreciations and Amortisations	87,9	91,8	4,4%
Impairment losses on non-current assets	0,4	1,1	166,6%
Change in provisions	1,4	(1,6)	(209,9%)
Government grants taken to income	(1,0)	(1,2)	17,5%
Finance income	(0,2)	(0,3)	72,6%
Finance costs	34,3	43,6	27,1%
Cash generated from operations	**172,6**	**162,8**	**(5,6%)**
Changes in working capital	**18,2**	**38,7**	**113,1%**
Inventories	0,6	(0,3)	(155,6%)
Trade and Other Receivables	(5,9)	0,7	(118,6%)
Other current assets	(0,9)	4,8	(663,3%)
Trade and other payables	21,5	31,8	47,9%
Other current liabilities	(0,5)	0,2	-
Other non-current assets and liabilities	3,4	1,5	(55,8%)
Cash generated from operations	**190,7**	**201,5**	**5,7%**
Interest and commissions paid	(32,4)	(33,7)	4,3%
Interest received	0,2	0,3	72,6%
Income tax paid	(5,3)	(4,3)	(19,3%)
Net cash from operating activities	**153,2**	**163,8**	**6,9%**
Cash flows from investing activities			
Payments for purchases of distribution and LPG assets in use	(5,3)	(10,8)	102,8%
Payments for acquisition of property, plant and equipment and intangible assets	(139,9)	(124,8)	(10,8%)
Net cash used in investing activities	**(145,3)**	**(135,6)**	**(6,7%)**
Cash flows from financing activities			
Payments for acquisition of financial assets	-	(1,0)	-
Proceeds from loans and borrowings	49,3	215,3	336,7%
Payments from the on loan agreement / bonds and other marketable securities	-	336,5	-
Payments of lease liabilities	(2,1)	(2,1)	3,0%
Dividends paid	(30,0)	(60,0)	100%
Net cash from financing activities	**17,2**	**488,7**	**2.742,7%**
Net increase (decrease) in cash and cash equivalents	25,1	516,8	1.955,8%
Cash and cash equivalents BOP	49,7	74,9	50,5%
Cash and cash equivalents at EOP	74,9	591,7	690,2%