Madrileña Red de Gas

CY 2021 Annual Results

May 2022

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Executive summary

General context	▪ MRG has shown **high resilience**, **financial strength** and **revenue generation stability** during the year 2021 despite the uncertainty and high volatility in markets. ▪ **98% revenues from regulated activities** ▪ Solid liquidity position, long-term debt profile and fixed-rate debt ▪ MRG activities are not directly affected by the Russian-Ukrainian conflict: ▪ All activities are carried out in Spain and main suppliers are national ▪ **Spanish gas system is very flexible and has the largest capacity to receive LNG.** Low dependence on Russian gas supply of the Spanish gas system.
2021 Performance	▪ **Higher natural gas demand in Madrid region** compared to previous year **due to colder temperatures** and higher economic activity is the main driver of higher revenues and higher EBITDA margin in 2021 vs 2020. ▪ **Sustainable cash** generated **from operations amounting to €126m** ▪ The company **continues to increase its customer base** with 915,209 connection points (+0.4% YoY)
ESG	▪ **GRESB** score for the year 2021 showed a remarkable improvement reaching **93 points** out of 100 possible. Also, MRG has achieved 2nd European place in **sustainability** in the gas sector ranking.
Key initiatives	▪ **Renewable gases.** Focus on developing the potential of MRG's network to support all types of renewable gases, such as **hydrogen** and **bio methane**. Development of hydrogen projects in the context of Next EU Funds to contribute to carbon neutrality in the Madrid region. ▪ Acceleration of **LPG conversion plan**, with the goal of converting 15 thousand connection points to natural gas in the next two years. ▪ Promotion of **natural gas for mobility**: NGV demand in MRG zone increases by 15.8% compared to the previous year ▪ **Customer satisfaction:** more transparent, digital and easy communication with clients.
Financial policy and Financing structure	▪ **Strong shareholder commitment to investment grade rating** ▪ On June 2021 S&P has affirmed MRG's rating in BBB- and has revised outlook to stable from negative ▪ On August 2021 DBRS reaffirmed rating at BBB- ▪ Recent renewal of € 75 m Revolving Credit Facility in February 2022 supports liquidity

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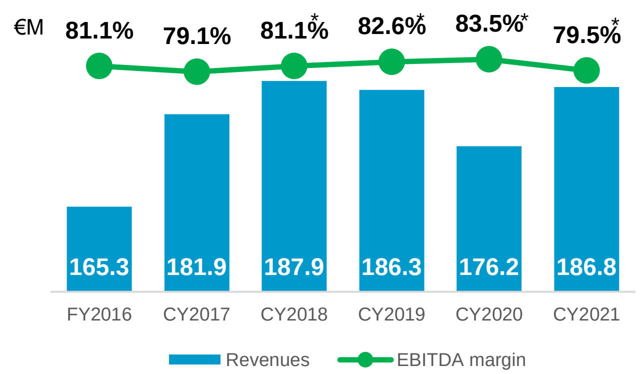
MRG Corporate Overview

Madrileña RED DE GAS

Results continue to show MRGs strong track record of historic financial and operating performance

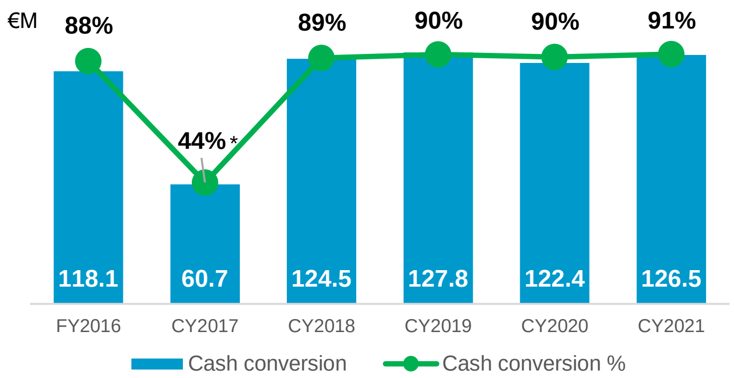
EBITDA margin Evolution (2016-2021)



*EBITDA Margin excluding LPG business dilution

Source: MRG

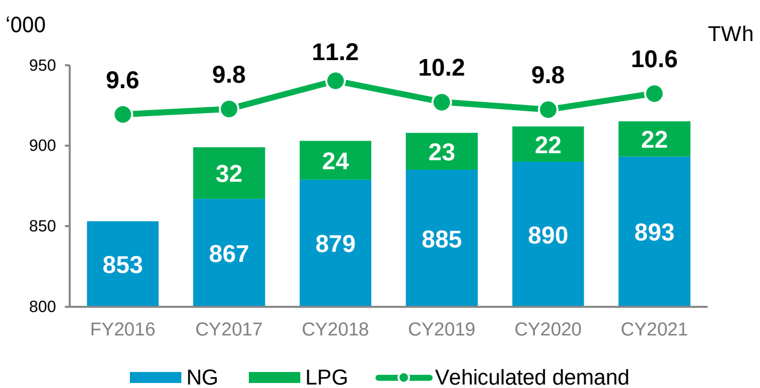
Cash conversion Evolution (2016-2021)



*Includes the acquisition of LPG connection points in 2017.

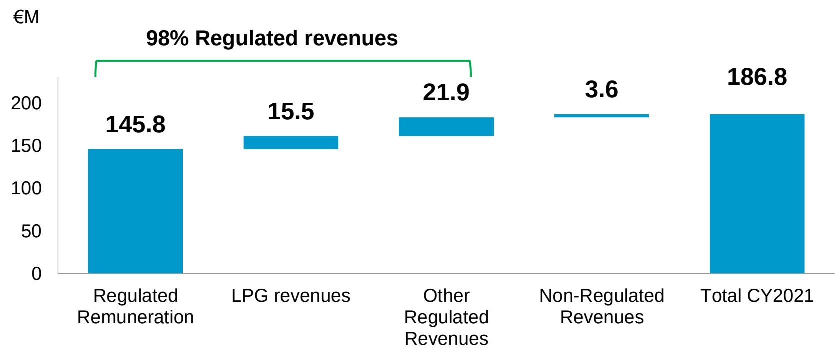
Source: MRG

Connection Points and Distributed demand (2016-21)



Source: MRG

Revenue Breakdown (CY2021)



Source: MRG

YE 30 June for FY figures
YE 31 December for CY figures

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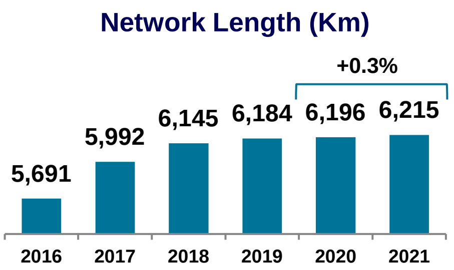
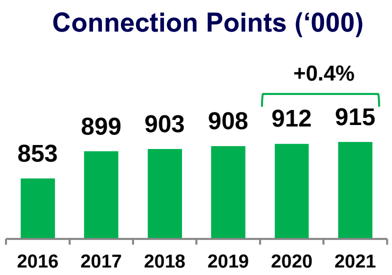
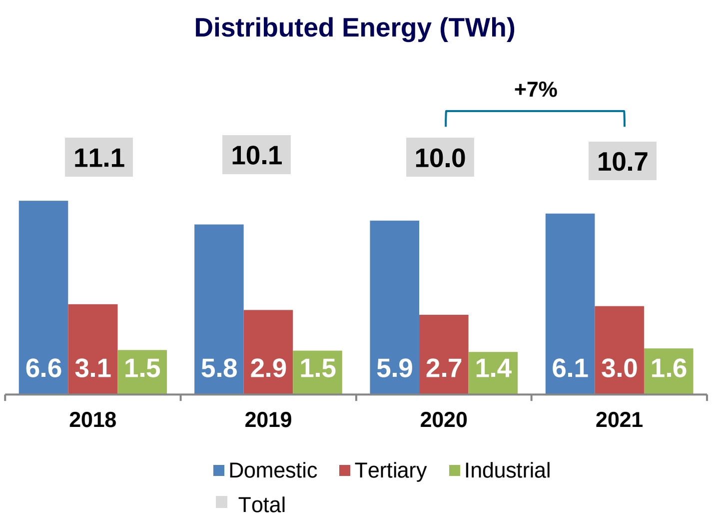
Operating overview

Key Operating Metrics







Comments

- **Strong operational capabilities and successfully managed to activate a large number of new customers in 2021:**
  - 2,494 additional net connection points (+0.4% Y-o-Y) were added to MRG's network
  - 30 new boiler rooms (equivalent to approximately 2,300 dwellings) that replace diesel or coal boilers, reducing polluting emissions (c. 0.42 Tons of CO_2 by client per year)
  - Continued growth of CNG stations in MRGs network reaching 17 stations (public and private)
- **Total distributed energy** during 2021 reached **10.7 TWh** (+7% Y-o-Y), growing in all three segments:
  - Domestic (+4% Y-o-Y),
  - Tertiary (+11% Y-o-Y) and,
  - Industrial (+9% Y-o-Y).

Domestic: Tariffs 3.1-3.2, Tertiary: Tariffs 3.3-3.4, Industrial: Tariffs 3.5-2.x

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MRG Key Initiatives

Expansion

- **Focus on developing the potential of MRG's network** to support all types of renewable gases, such as **hydrogen** and **bio methane**.
    - Network simulation systems are being adapted for incorporating those gases to our day-to-day operation.
    - Capacity analysis needed to incorporate renewable gases is being carried on.
- Acceleration of LPG connection points conversion to natural gas network. MRG plans to convert 15 thousand connection points in the next two years. The remaining LPG connection points have been sold to a new group company dedicated to the LPG activity in 2022.
- Actions to **strengthen our commercial channels** through new strategic collaboration agreements and development of new tools that improve potential market identification, based on Google maps technology.

Increased commitment with customer satisfaction and digitalization

- **Complete digitalization of first-level call-center calls,** using artificial intelligence.
- The company has a **4.1/5 stars valuation in Google My Business**, achieving the best valuation compared to its peers.
- During 2021 a **new section of MRG webpage "Commitment"** has been launched, where CSAT, CES, NPS and GMB KPIs as well as claims ratios and other information related to customer satisfaction are published. The goal is to be a **transparent** and **competitive** company within the gas sector.
- Added value to different communication channels with customers to make it easier for them to interact with the company and provide them with information to have a more efficient energy consumption.
- Implementation of our **own platform IOGAS,** used for information exchanges with natural gas suppliers, and which has allowed for greater control, process efficiencies and increased cyber security, as well as greater quality in customer service, especially increasing *First Call Resolution.*
- **Virtual Office** is now widely used by our domestic customers and expanding to offer installation companies and commercial collaborators new services, such as signing up for different campaigns and commercial plans for customer acquisition and connection points activations.

MRG Key Initiatives – Renewable gases

MRG group participates in the key projects for the energy future of the Community of Madrid

inspira MADRID

Generating, supplying and promoting green H2 for urban transport in Madrid

- MRG group is partnering with FPTM (Madrid Taxis association), FRV (renewable energies), Toyota Spain and Grupo Ruiz (urban buses) in the most important hydrogen mobility project in the Madrid Region, awarded with "100 best ideas for 2022" by Actualidad Económica (El Mundo).
- The project promotes the decarbonisation of public urban mobility fleets through the use of green hydrogen.
- Contribution to the full value chain: from the infrastructure for the generation and supply of hydrogen to the promotion of its consumption by the transport sector.
- First phase: installation of an electrolyser (5MW) fed by a photovoltaic plant (10MW, expandable) from the Community of Madrid and other renewable sources. The resulting hydrogen will be supplied by 5 public access hydrogen stations (200-300 kg/day). Main off-taker will be Madrid's taxis fleet (650 vehicles), also MRG's will contribute with its own company fleet.
- Second phase: increasing capacity of the electrolyser to 10MW doubling hydrogen stations capacity. Expected conversion of 1,000 taxis and 20 buses.

HENARES CORRIDOR

Production of green hydrogen in the Henares corridor for the decarbonisation of the local industrial and mobility consumption

- MRG group is part of the consortium integrated by ENAGAS Renovables, AENA and Q-Energy which intents to pioneer in the deployment of green hydrogen production capacity through the combination of solar an wind energies produced in the Henares corridor.
- Strategic location: the Henares corridor is located in the main logistic enclave of central Spain including Adolfo Suarez Madrid Barajas Airport (most important Spanish airport).
- Adolfo Suarez Madrid Barajas decarbonisation will be the main destination of the produced green hydrogen through the existing co-generation plant and also through hydrogen batteries for airport machinery.
- Hydrogen stations will also be installed in the area mainly destined to urban and long and medium distance heavy transport.

BIO GAS

Several projects under study for biogas injection into the network

ready4H2

Combination of the hydrogen expertise and experiences across European gas distribution companies.

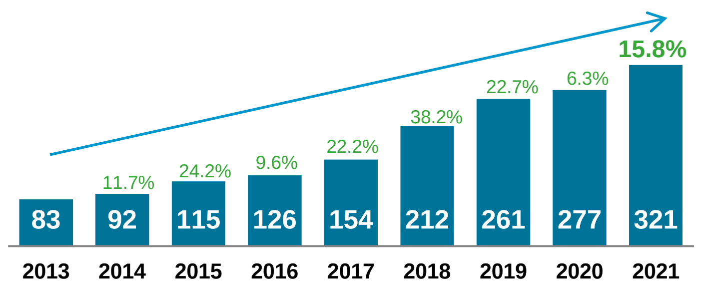
- MRG group is part of the initiative that gathers 90 gas distribution companies from 17 European Union countries.
- Aims to give way to the creation of a state of opinion and a regulatory framework for the development of hydrogen. The first phase has already been finished. A report (DNV) has been issued including a roadmap showing key actions and milestones for European local DSOs. Next phase will work on communication and to make the role of DSOs in H2 more visible to key stakeholders.

MRG Key Initiatives – Natural gas for transport

NGV continues to grow: 17 gas stations in MRG's network

Continued promotion of Natural Gas for transport. Demand maintains a sustained growth:

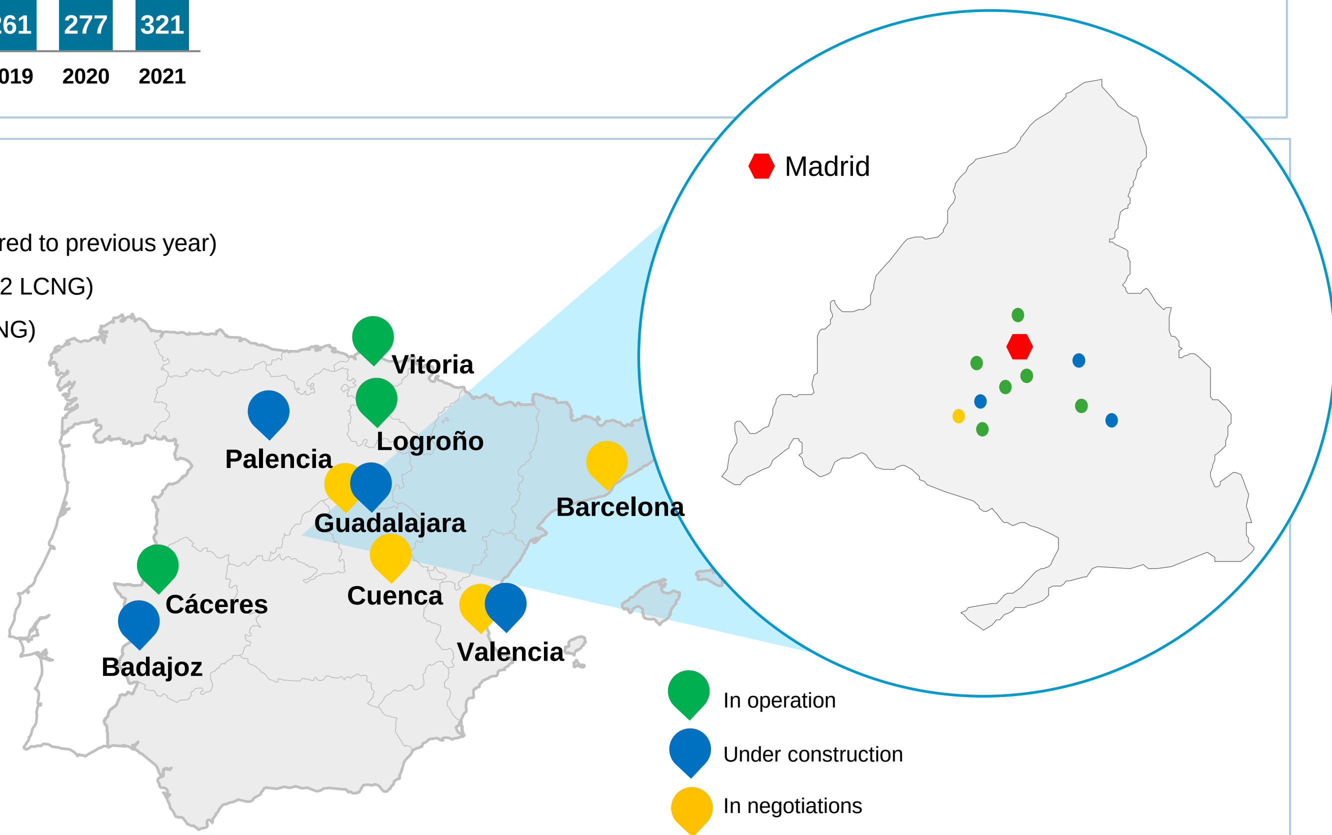
NGV Demand in MRGs Network (GWh)



- **3 new gas stations** connected to MRG's network in 2021: 2 with public access in municipalities with 200k inhabitants and close to the capital with ECO mobility needs and 1 for taxi drivers.
- In 2021, **3,177 natural gas vehicles** matriculated in Spain, half of which are in the Community of Madrid.

MRG group currently has :

- **9 CNG** stations **in operation** (+5 compared to previous year)
- **7** stations **under construction** (5 CNG, 2 LCNG)
- **5** stations in negotiations (2 CNG, 3 LCNG)



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Key Financials

Madrileña RED DE GAS

Income Statement - €m

12 month period ending Dec 31st	2020	2021	Var.	Var.
Remuneration	142.9	145.8	2.8	2%
Other regulated revenue	29.8	37.4	7.6	26%
Other revenue	3.5	3.7	0.2	6%
Recurring EBITDA	**139.7**	**141.3**	**1.6**	**1%**
EBITDA Margin (%)	*79.3%*	*75.7%*		*-5%*
EBITDA Margin ex LPG dilution (%)	*83.5%*	*79.7%*		*-5%*
EBIT	**106.8**	**106.7**	**(0.1)**	**0%**
Margin	*60.6%*	*57.1%*	*-3.5%*	*-6%*
Interest expense	(20.8)	(13.3)	7.4	-36%
Income tax expense	(21.2)	(23.1)	(1.8)	9%
Net Income	**64.8**	**70.3**	**5.5**	**8.5%**

Source: MRG
(Audited under IFRS)

Breakdown Natural Gas – LPG - €m

12 month period ending Dec 31st	Natural Gas	LPG	Total
Remuneration	145.8	0.0	145.8
Other regulated revenue	21.9	15.5	37.4
Other revenue	3.6	0.0	3.7
Recurring EBITDA	**136.6**	**4.8**	**141.3**
EBITDA Margin (%)	*79.7%*	*30.7%*	*75.7%*

Source: MRG

Comments

- The Company obtained solid financial results in 2021 with an EBITDA of €141.3m, +1% Y-o-Y mainly due to:
  - Despite Remuneration haircut applied in 2021 the company has achieved higher revenues from remuneration, due to higher customer demand caused by colder temperatures in 2021 compared to 2020.
  - Higher LPG revenues due to increase in volume sold and selling price.
  - Higher other regulated revenues, explained by the higher volume of planned periodical inspections to be executed within the five years cycle
  - Higher costs derived from a one-off effect in gas balance losses mainly due to a change in the measurement period and the rise in the cost of gas. This effect will be compensated in the following year.

* Interest income are interests generated by an intercompany credit line.

Key Financials

Cash Flow Statement - €m

12 month period ending Dec 31st	2020	2021
EBITDA	139.7	141.3
Income tax paid	(7.1)	(5.6)
Working capital	13.9	(9.9)
Tariff Deficit (1)	(12.9)	13.3
Castor Project payments	(14.5)	-
Gas system tariff deficit	1.6	13.3
Capex	(14.3)	(13.1)
Organic growth	(8.7)	(8.1)
Maintenance	(4.2)	(3.4)
Others	(1.4)	(1.6)
Free Cash Flow	**119.4**	**126.0**
Free Cash Flow excluding one-off effects (1)	**133.9**	**126.0**

(1) One-off effect

Comments

- Sustainable cash generated from operations amounting to €126.0m, which represents a -6% result compared to previous year (after excluding year 2020 one-off effects).
- Working capital position is the main variation and is derived from:
  - Adjustments to remuneration in 2020 represented a cash inflow in said year, whereas in 2021 those adjustments coming from previous years, were negative
  - Settlements: improved deficit position with Gas system with respect to previous years which partially offset the negative effect of remuneration adjustments.
- MRG has invested a total of €8.1m in expanding its network, in line with its sustainable and profitable Expansion strategy.
- Similar level of maintenance and other investments which include digitalization, process automation and system's development aiming at costs efficiency and customer satisfaction.

(*) Castor project consisted in the creation of a natural gas underground storage deposit. The project was not achieved and a reimbursement was made to gas system companies in 2019 following a Constitutional Court sentence. MRG sold the receivables corresponding to the Castor financing which were collected in 2019. In 2020 MRG returned the amounts to the owners of said deficit.

Source: MRG
Audited under IFRS

Key Financials

Balance Sheet - €m

At December 31st	2020	2021
Gas distribution licences	751.0	751.0
Net fixed assets	339.2	318.1
Total Network Fixed Assets	**1,090.1**	**1,069.1**
Goodwill	**57.4**	**57.4**
Deferred Tax Asset	**17.9**	**14.7**
Other Non-Current Assets	**212.1**	**339.2**
Current Assets	**47.7**	**34.5**
Cash and cash equivalents	**46.6**	**33.5**
Total Assets	**1,471.8**	**1,548.4**
Equity	**362.5**	**432.8**
Long Term Debt	**945.2**	**944.6**
Deferred Tax	**70.0**	**79.9**
Other Non-Current liabilities	**38.6**	**36.1**
Current Liabilities	**55.6**	**54.9**
Total Liabilities & Shareholders' Equity	**1,471.8**	**1,548.4**

Comments

- **N**on-current assets variance is explained by the intercompany loan between MRG and its parent company Elisandra V
- The long term debt balance of MRG captures the on-loan agreements with MRG Finance BV (issuer of outstanding unsecured notes):
  - €275MM 4,500% due December 2023
  - €300MM 1,3750% due April 2025
  - €300MM 2,250% due April 2029
  - €75MM 3,500% due March 2031
- In addition, MRG holds a RCF amounting €75m which as of December 31st , 2021 remains fully undrawn. The RCF has been refinanced in February 2022 maturing in 2025.

Source: MRG
Audited under IFRS

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Madrileña RED DE GAS

Capital Structure

	Bonds				Revolving Credit Facility
Size	€ 275M	€ 75M	€ 300M	€ 300M	€75M (undrawn)
Coupon / Margin	4,500%	3,500%	1,375%	2,250%	Euribor+55bps
Maturity	10 years (December 2023)	15 years (March 2031)	8 years (April 2025)	12 years (April 2029)	3 years (February 2025)
Rating	BBB- (S&P) BBB- (DBRS)	BBB- (S&P) BBB- (DBRS)	BBB- (S&P) BBB- (DBRS)	BBB- (S&P) BBB- (DBRS)	N/A

1 Investment grade bonds issued under MRG's €2bn EMTN Program with different tenors and size. Current structure reduces refinancing risk by spreading maturities

2 Revolving credit facility optimized to reduce cost and reinforce liquidity position with total flexibility. It has been refinanced in February 2022, maturing in the year 2025.

3 As of December 31st 2021, MRG's long term financing amounts €950MM, providing strong financial capacity

4 On June 2021 S&P has affirmed MRG's rating in BBB- and has revised outlook to stable from negative.

On August 2021 DBRS reaffirmed rating at BBB-

5 Flexible financial policy in place that strongly supports investment grade commitment

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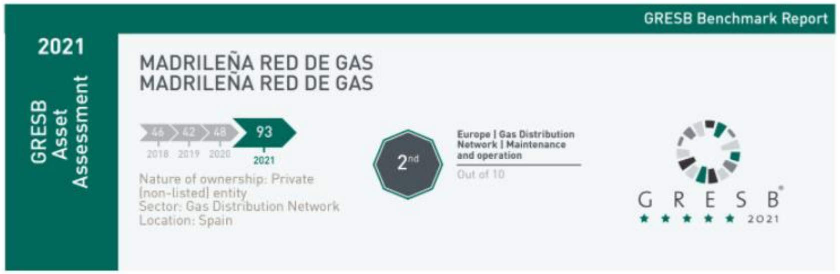
ESG Achievements: GRESB score

GRESB 2021 Score



Comments

- GRESB score of **93 points** over 100 possible and 5 stars (maximum level), which breakdown to:
  - Environmental: 28/28
  - Social: 44/46
  - Governance: 21/26
- MRG has achieved **second** European place in **sustainability** in the gas sector ranking.
- In addition, two mentions have been awarded to MRG as **“Infrastructure asset most improved”** both in its sector and region.

ESG Achievements: Other results

External certifications of the integrated management system for quality, environment, health and safety.

Verification by Bureau Veritas of 2020 Carbon Footprint Report with scope 2 considering the ISO 14064 standard

MITECO - Environmental Spanish Authorities recognition of the Carbon Footprint Report with scope 2


Bureau Veritas Certification

Carbon footprint verification

Awarded to

MADRILEÑA RED DE GAS S.A.U.

C/ VIRGILIO 2 B CENTRO EMPRESARIAL ARCO, 28223, POZUELO DE ALARCON, MADRID ESPAÑA

Bureau Veritas Certification certifies that Carbon Footprint of Organization calculation has been verified and found in accordance with the standard requirements:

STANDARD

ISO 14064-1:2006

(UNE-EN ISO 14064-1:2012)

Carbon Footprint applies to:

SCOPES 1 AND 2 FOR THE FOLLOWING ACTIVITIES: DISTRIBUTION OF NATURAL GAS AND LIQUEFIED PETROLEUM GAS (LPG)

VERIFIED PERIOD: JANUARY 01, 2020 TO DECEMBER 31, 2020

Certificate Number:	ES122017-1
Original approval date:	16-06-2021
Effective date:	16-06-2021

This certificate is valid, subject to the general and specific terms and conditions of certification services

Verification by Bureau Veritas of 2020 Sustainability Report considering the GRI standard.

Sustainability Report registered in the GRI website.


Bureau Veritas Certification

Bureau Veritas Certification

declares that the verification has been performed of the

Sustainability Report 2020 "CORE option"

with regard to its structure, content and information sources of

Madrileña Red de Gas, S.A.

As a result of this verification process, Bureau Veritas Certification states that:

- The content of the information is based and supported by data and records verified as reliable. Likewise, the information, its treatment, calculations and graphics have been duly checked and verified.
- The traceability and relevance between base information and the report content is adequate.
- It complies with the requirements and principles established in the Sustainability Reporting Guidelines, Standards version, developed by Global Reporting Initiative (GRI).

Based on the above information Bureau Veritas Certification establishes for the Sustainability Report 2020 "CORE" of **Madrileña Red de Gas, S.A.** the qualification "In accordance – CORE".

Date of issue: 07 June 2021

Signed by: Dª. Rut Ballesteros Gil

Lead verifier

Corporate Social Responsibility

Bureau Veritas Certification

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Madrileña RED DE GAS

Main takeaways

1	**High resilience**, **financial strength** and **revenue generation stability**
2	Highly focussed in **cost efficiencies** and oriented to **customer service excellence**
3	Network potentially suitable for **renewable gases** such as hydrogen and bio methane
4	Development of gas stations network for **low carbon emissions mobility**. Involved in main H2 initiatives of the Madrid Region
5	Strong financial and liquidity position. **Commitment with Investment Grade qualification**.
6	Committed with **ESG: 5 stars** rating and **2nd European place in sustainability** in the gas sector ranking by GRESB

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