



# 1<sup>st</sup> Half year 2022

# Semi-annual Results

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November 2022

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<b>1</b>	<b>Executive Summary</b>
<b>2</b>	<b>Key Financials</b>
<b>3</b>	<b>Key initiatives</b>

<p><b>General context</b></p>	<ul style="list-style-type: none"> <li>▪ <b>High resilience, financial strength and revenue generation stability</b> during the first half of the year 2022, despite the uncertainty and high volatility in markets</li> <li>▪ No impact in financials due to Russia – Ukraine conflict</li> </ul>
<p><b>First Half 2022 Performance</b></p>	<ul style="list-style-type: none"> <li>▪ As of June 2022, the company has reached <b>909,834 total connection points, of which 897,104 are natural gas (+ 0.6% YoY) and 12,730 are LPG</b>. The Community of Madrid region has the greatest economic activity among all the Spanish regions and is one of the regions with greatest population growth.</li> <li>▪ Positioned as <b>the second largest distributor in terms of net growth in connection points</b> in June 2022 <sup>(1)</sup></li> <li>▪ <b>EBITDA amounting to c. €67M</b>, -9% compared to previous year, mainly explained by remuneration haircut and positive adjustments to 2020's demand recognized in 2021, and the inspections cycle that takes place in 2022.</li> <li>▪ <b>Cash conversion ratio above 90%</b></li> <li>▪ <b>Free cash flow €74.3M</b>, €13.7M lower than preceding year mainly explained by lower tariff surplus compared to previous year (€12M). Excluding this gas system effect, free cash flow remains in line with previous year.</li> </ul>
<p><b>Key initiatives</b></p>	<p><b>Committed to Energy Transition:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Natural gas for mobility:</b> 11 gas stations in service plus additional 3 gas station expected by the end of 2022.</li> <li>▪ <b>LPG conversion plan into natural gas:</b> 3,000 connection points converted into natural gas within the period.</li> <li>▪ <b>Active participants in H2 and Biogas projects:</b> First to engage in the development of green hydrogen for residential heating.</li> <li>▪ <b>Sustainable Loan</b> formalized on August 2022.</li> <li>▪ <b>ESG score:</b> 5 stars and 96 points in GRESB (93 points in 2021). First position among its peers in Spain and second in Europe.</li> </ul>
<p><b>Financial policy and Financing structure</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Strong shareholder commitment to investment grade rating</b></li> <li>▪ <b>Strong liquidity profile;</b> €75M Revolving Credit Facility available, maturing in April 2025</li> <li>▪ <b>Five year Term Loan</b> has been formalized on August 2022 amounting €225M, aimed at refinancing the €275M bond maturing in December 2023</li> <li>▪ <b>Early redemption of 2023 bond</b> executed on November 14<sup>th</sup></li> <li>▪ <b>Low exposure to market volatility</b> – 89% of debt at fixed rate</li> </ul>

(1) Source: CNMC reports: "Boletín trimestral de supervisión del mercado minorista de gas natural en España" published on September 8th and October 27th, 2022

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## Income Statement - €MM

6 month period ending 30 June	2021	2022	% var.
Remuneration	72,8	68,6	-6%
Other regulated revenue	10,1	9,3	-9%
Other revenue	13,2	14,3	9%
<b>Total Revenues</b>	<b>96,1</b>	<b>92,2</b>	<b>-4%</b>
<b>Total costs</b>	<b>(22,1)</b>	<b>(25,1)</b>	<b>14%</b>
<b>EBITDA</b>	<b>74,0</b>	<b>67,0</b>	<b>-9%</b>
<i>Margin excl. LPG</i>	<i>81%</i>	<i>80%</i>	<i>-1%</i>

## Comments

- EBITDA decreased 9% mainly explained by:
- Variation in remuneration mainly driven by remuneration haircut and positive adjustments to 2020's demand recognized in 2021.
- Other regulated revenues decreasing mainly due to lower volume of planned inspections explained by seasonality factor.
- Increase in other revenue mainly due to higher LPG sales, on the back of higher gas prices, which also reflects on total costs.

## Cash Flow Statement - €MM

6 month period ending 30 June	2021	2022 <sup>(1)</sup>	Var %
EBITDA	71,0 <sup>(2)</sup>	67,0	-6%
Income tax paid	(1,6)	(1,4)	-10%
Working capital	(8,4)	(4,4)	-48%
Tariff Deficit	31,0	19,0	-39%
Capex	(4,0)	(5,9)	47%
<b>Recurring Free Cash Flow</b>	<b>87,9</b>	<b>74,3</b>	<b>-16%</b>

## Comments

- Recurring free cash flow variation is -16%, mainly due to:
- Working capital variation mainly driven by negative adjustments to remuneration coming from previous years that were paid in 2021.
- Tariff Deficit variation explained by lower tariff surplus compared to previous year (€12M).
- Higher capex explained by conversion of LPG connection points to NG.

## Balance Sheet - €MM

	Dec. 2021	June 2022
Gas distribution licences	740,8	701,2
Net fixed assets	329,2	311,6
<b>Total Network Fixed Assets</b>	<b>1.069,9</b>	<b>1.012,8</b>
<b>Goodwill</b>	<b>57,4</b>	<b>54,5</b>
<b>Deferred Tax Asset</b>	<b>44,1</b>	<b>45,1</b>
<b>Other Non-Current Assets</b>	<b>339,2</b>	<b>410,0</b>
<b>Current Assets</b>	<b>38,4</b>	<b>10,8</b>
<b>Cash and cash equivalents</b>	<b>33,5</b>	<b>40,1</b>
<b>Total Assets</b>	<b>1.582,6</b>	<b>1.573,3</b>
<b>Equity</b>	<b>434,5</b>	<b>438,3</b>
<b>Long Term Debt</b>	<b>946,4</b>	<b>947,0</b>
<b>Deferred Tax</b>	<b>109,9</b>	<b>109,5</b>
<b>Other Non-Current liabilities</b>	<b>35,8</b>	<b>35,5</b>
<b>Current Liabilities</b>	<b>55,9</b>	<b>43,0</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>1.582,6</b>	<b>1.573,3</b>

## Comments

- Gross debt remains stable. Financing structure underpinned by different tenors and bond size, spreading maturities and reducing refinancing risk.
- Undrawn Revolving Credit Facility available up to €75MM, reinforces cash reserves.
- Cash returns to shareholders will be in line with the overall leverage and rating maintenance policy, and always subject to maintaining an adequate investment grade rating.
- MRG is committed to a resilient and flexible financial policy framework that supports an investment grade rating, to maintain investor, creditor and market confidence and to ensure the sustainability of future business.
- On July 2022 S&P has affirmed MRG's rating in BBB- and outlook stable. On August 2022 DBRS reaffirmed rating at BBB-

(1) Figures under IFRS as of December 31st, 2021 are audited.

(2) Figures under IFRS as of June 30<sup>th</sup>, 2022, are not audited.

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- The group, through Aliara Energía, has continued to foster growth in efficiency and alternative energies, following the strategy to play a key role in the energy transition

## Energy Transition



### Energy solutions for Domestic and Industrial customers



Clean boiler rooms



Sustainable buildings

**The pace of growth is maintained with new customers**



### Natural Gas for Transport



CNG/LNG for transport

**Ongoing promotion. Investment in new gas stations in different locations in Spain**

### Renewable gases



Blending H<sub>2</sub>+NG



Biomethane

H<sub>2</sub>

Hydrogen

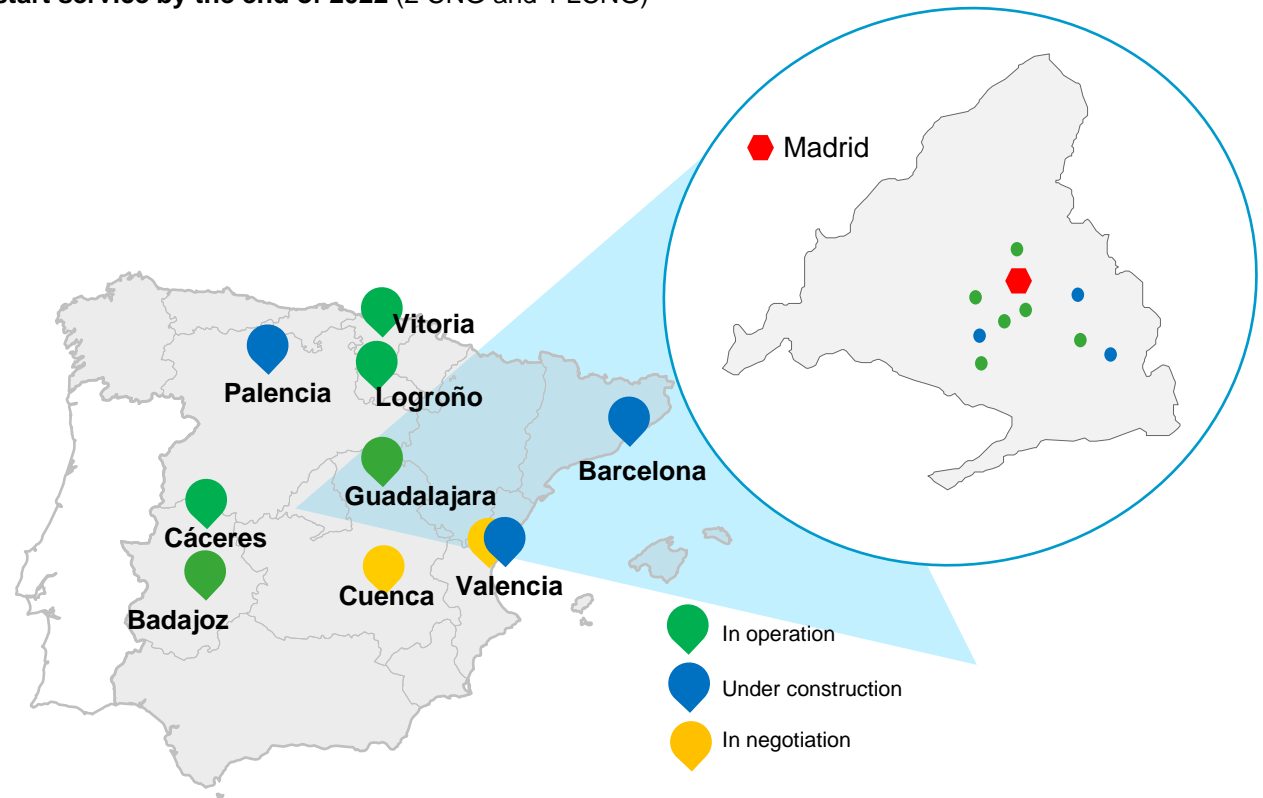
**Developing the potential of MRG network to support all types of renewable gases, such as hydrogen and bio methane.**

**Development of hydrogen projects in the context of Next EU Funds to contribute to carbon neutrality in the Madrid region.**

## ❑ Ongoing promotion in different locations in Spain

## ❑ CNG infrastructure ready for Hydrogen

- **Total of 11 public natural gas stations in service** (+7 compared to previous year): 10 CNG and 1 LCNG
- **Located in 5 autonomous communities:** Madrid (6) ; Vitoria (1) , Logroño (1), Cáceres (1), Badajoz (1), Guadalajara (1)
- The gas stations mainly cover public service vehicles (cleaning and waste services of the city council), professional transport (taxis, courier, distribution..) and long distance transporters
- **3 additional gas stations expected to start service by the end of 2022** (2 CNG and 1 LCNG)



## ❑ On the path to further promote the use of renewable gases

### Hydrogen



- **Developer of the First renewable green hydrogen project for residential heating through a** collaboration agreement with Pryconsa in Valdemoro (Madrid), to use 100% hydrogen for heating and hot water.



- **Participation in the backbone and reference project for the decarbonization of urban mobility in Madrid.**
- **Project awarded** as one of the 100 top ideas of the year **by Actualidad Económica.**
- Project well positioned to be **one of the selected projects of the H2 incentive program for pioneering and singular projects by MITECO.**



- **Several technical meetings** have been held throughout the period to share knowledge and experience in the hydrogen area with different players: **Spanish H2 Study, Ready4H2 project, UK Northern Gas Network (DSO) & National Grid (TSO).**

### Biogas



- Under study from an environmental, energy and agronomic point of view, the developing of a **livestock and agro-industrial waste valorization plant in Guadalix de la Sierra.** The project aims to provide a complete solution to more than 20,000 tons per year of cattle slurry generated in the municipality
- **Participation in the biomethane generation project from food waste in Cubas de la Sagra:** 70,000 t/year for the production of 500 m3/h of biomethane. The system will allow injecting the gas from the medium pressure network to the high pressure network.



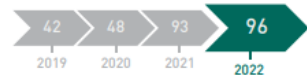
## GRESB 2022 Score

### 2022 GRESB Infrastructure Asset Benchmark Report

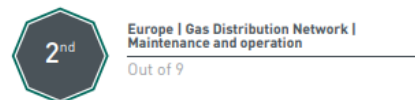
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GRESB Rating  
★★★★★

#### Participation & Score



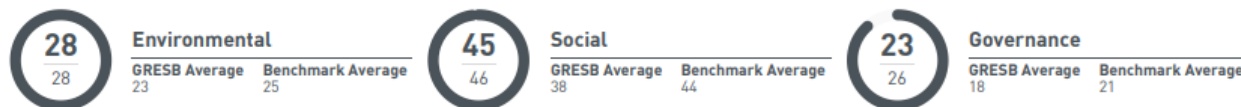
#### Peer Comparison



## Comments

- GRESB score of **96 points** over 100 possible and 5 stars (maximum level), which breakdown to:
  - Environmental: 28/28
  - Social: 45/46
  - Governance: 23/26
- MRG has achieved **second** GRESB score within Network Utilities: Gas distribution Companies / Europe and the **first** position in the management score ratio over the entire ESG score universe.

## ESG Breakdown



## Rankings

