# Madrileña Red de Gas

## CY 2024 Annual Results

June, 2025

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# Executive summary

| | |
|---|---|
| **General context** | ▪ **2024: +3.2%YoY increase of conventional Gas demand in Spain.**<br>▪ **Demand recovery from 2023 volume** despite warm temperatures.<br>▪ The **trend in gas prices continues to decline** since the peak reached in 2022. |
| **2024 Performance** | ▪ **Recovery of FY natural gas demand** compared to previous year, being **+4% higher**.<br>▪ **Sustainable cash** generated **from operations amounting to €83m** in line with previous year**.**<br>▪ **Total 906.8k Natural gas connection points reached** (904.6k the previous year). |
| **Key initiatives**<br><br>**“Commited to Energy Transition”** | ▪ **Active participants in Biogas and Green Hydrogen projects.**<br>▪ **Natural gas for mobility**: 10 gas stations in service, plus 6 gas stations ready to operate.<br>▪ **ESG: GRESB score of 100 points** over 100 possible and 5 stars (maximum level). **First position** among its peers in Spain. **The best ESG results in the whole universe of GRESB.**<br>▪ Focused on **reducing fugitive methane (CH4) emissions** from the distribution network: total carbon footprint has been **reduced by 64% in the last four years.**<br>▪ **Good sustainability performance**, leading benefits on the cost of debt of the Sustainability-linked term loan. |
| **Financial Policy & Debt Profile**<br><br>**“Committed to IG rating”** | ▪ **Strong shareholder commitment to investment grade rating.**<br>▪ **Debt restructuring achieved on July 2024:** Elisandra V sole shareholder of MRG, acting as guarantor of the €675m bond debt and borrower of the €225m Term Loan.<br>▪ **Succesful refinancing of €300m 2025 bond on April 2025** through a new bank facility. The bond has been partially refinanced (€180m); the rest of the amount has been amortized leading to €120m of deleverage.<br>▪ **On October, 2024 DBRS upgraded rating** to BBB from BBB (low). **The rating has been reafirmed on June 2025.**<br>▪ **On March, 2025 S&P credit rating reafimed at BBB- and credit outlooks on the three Spanish Gas Distributors revised to negative from stable**, on regulatory reset risk and deleveraging challenges. |

FY: Fiscal Year (January 1st to December 31st year n)

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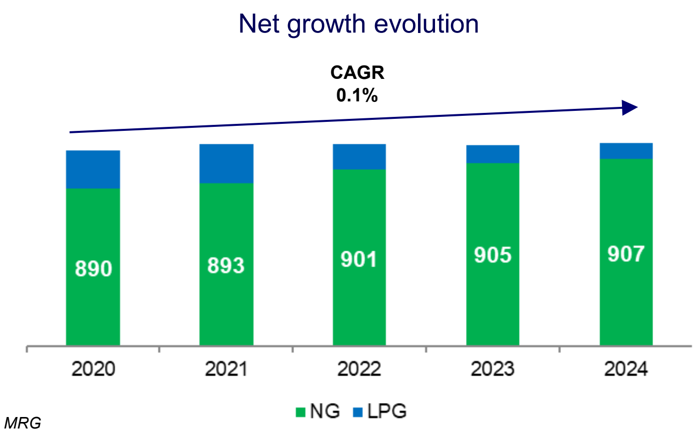
# Operating overview

## Key operating metrics

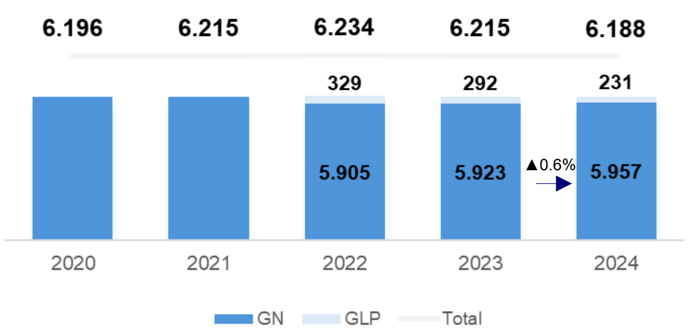
### Connection Points ('000)




*Source: MRG*

*Natural gas and LPG connecion points (MRG and Aliara GLP)*

### Network Length (Km)




Source: MRG

*Natural gas and LPG network (MRG and Aliara GLP)*

## Comments

- Possitive net growth evolution driven by:
  - **Additional 2.200** natural gas connection points in 2024 **on a net basis**.
  - **Successful implementation** of LPG connections points to natural gas **conversion plan**.
  - **Sustainable LPG connection points** base managed by Aliara LPG.

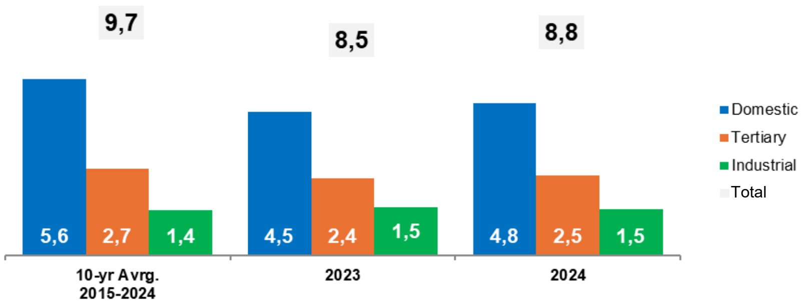
- **Natural gas network length increased by 0.6%** in 2024 from 2023.
- Slight reduction in total network length due to LPG transformation which results in the deactivation on LPG network which leads to a more efficient network.

CAGR: Compound Annual Growth Rate

# Operating overview

## Key operating metrics

### MRG's demand per group tariffs (TWh)




### Natural Gas demand in Spain (TWh)

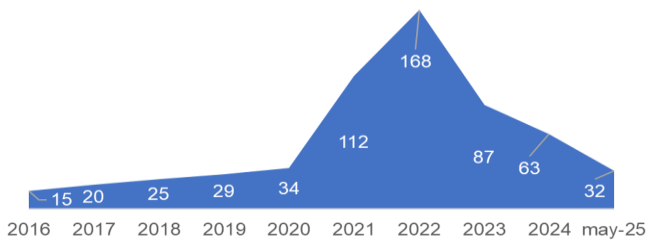
| | Jan-Dec 2024 | Var. vs 2023 |
|---|---|---|
| DEMAND | 311,9 | -4,2% |
| Conventional | 237,1 | 3,2% |
| Electricity generation | 74,7 | -22,0% |

Source: Enagas – "Boletín estadístico diciembre 2024" published on January 2025. Temperature: MRG's database.

## Comments

- Demand recovery within the fiscal year 2024 by +4% compared to previous year with 8.8TWh from 8.5TWh despite higher temperatures than previous year.
- Several events have influenced natural gas prices, triggering a sharp increase to exceptionally high levels in previous years, which in turn affected demand dynamics. The price decline observed in 2024 led to a recovery in demand.
- MRG's demand evolution (+4%) above the conventional natural gas demand observed in Spain (+3.2%).
- Similarly, the performance of the 2024 gas year has been satisfactory, reaching 7% increase on demand.

### MIBGAS prices evolution (€/MWh)




FY: Fiscal Year (January 1st to December 31st year n) / GY:Gas Year (October 1st year n-1 to September 30th year n).

# Key iniciatives

**Green H2 projects**

Generating, supplying and promoting green H2 for all productive sectors in Madrid

- **MRG** partnering with **FRV** (leading global solar energy solutions company) and **Grupo Ruiz** (Spanish passengers mobility group) to develop the Project with the aim of contributing to **decarbonize public urban mobility in the Madrid region** and extending the use of green H2 to other productive sectors.
- **Project scope:** to build a **5 MW electrolyzer (440 H2 ton/year) and 5 Hydrogen Refueling Stations (HRS)** spread throughout the Community of Madrid.
- **Project awarded by EU** though the CEF fund (*Connecting Europe Facility Transport*) managed by CINEA (*European Climate, Infrastructure and Environment Executive Agency)* **with a subsidy of 30% of the project costs (CAPEX).**

**Boilers ready for H2**

MRGs contribution to sustainable climatization and decarbonization through green H2

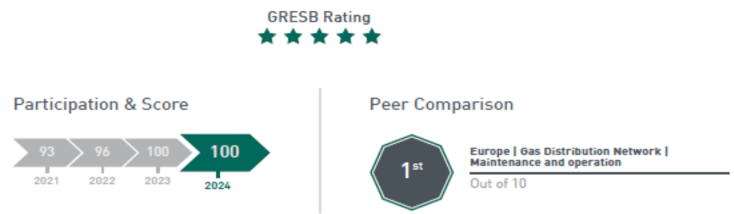
- **MRG** and **Pryconsa** (leading Spanish building company):
  - Agreement signed in September 2022 for the construction of 98 dwellings with a centralized **BOSCH hydrogen ready boiler for heating and hot water** in Valdemoro (Madrid).
  - **Pioneer project:** centralized boiler ready for green hydrogen for domestic use as a good solution to the current space problems of homes where heat pumps cannot be installed. The boiler's configuration can be adapted via software to operate with any proportion of hydrogen and biomethane.
- **Showroom at MRG's facilities featuring a hydrogen boiler**. It serves as a demonstration for stakeholders of the viability of hydrogen boilers as a solution for decarbonization.

**Biomethane**

- **Tracking several projects in different locations in the Madrid region** to inject biomethane into MRG network, although there are limited options available for MRG due to geographical features.
- **HERA - Biomethane plant in Alcalá de Henares**. Contract for MRG's network injection was signed on October 2024.
  - Total Budget €450k targeting a biomethane production of 20 GWh/y. Completion of construction and connection to the gas grid expected in 2026.
- **Butarque:** In collaboration with Grupo Ruiz and Veolia, Aliara is working on the future Wastewater Treatment Plant in Butarque biogas plant, owned by Canal de Isabel II.

# Key iniciatives

- **GRESB infrastructure sector leader in 2024.**

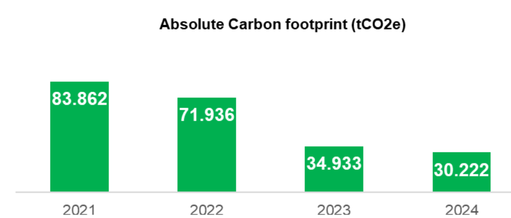



**GRESB 2024 Score**


- GRESB score of **100 points*** over 100 possible and 5 stars (maximum level), which breakdown to:
  - Environmental: 27/27
  - Social: 45/45
  - Governance: 28/28

**Carbon footprint**

- Carbon footprint continues to decrease in 2024.
- Madrileña Red de Gas contributes to combating climate change and addressing the Net Zero challenge by 2050 through its commitments to reducing pollutant gases.
- This includes a particular focus on reducing fugitive methane ($CH_4$) emissions from the distribution network, for instance with LPG connection points conversion to natural gas, as well as $CO_2$ and NOx emissions.



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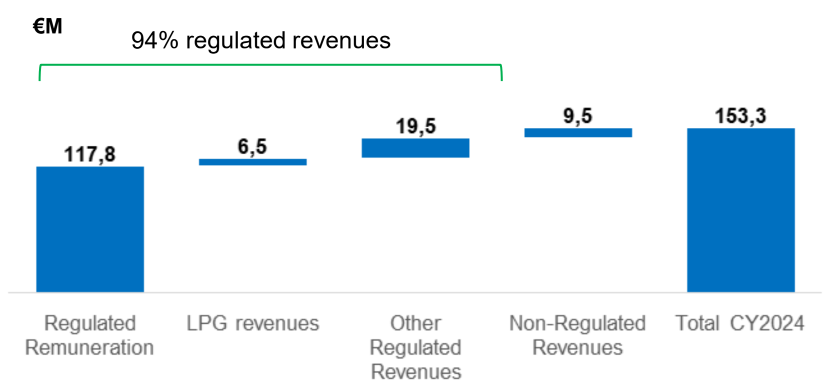
# Key Financials

## Demand recovery and revenue generation stability

### Income Statement – Consolidated figures (M€) (1) (2)

| *12 month period ending December 31st* | 2023 | 2024 | Var.% |
|---|---|---|---|
| Remuneration wo haircut | 133 | 135 | 2% |
| *Haircut* | *(13)* | *(17)* | *30%* |
| Other regulated revenues | 17 | 19 | 15% |
| LPG regulated revenues | 9 | 7 | (26%) |
| Other non-regulated revenues (3) | 11 | 9 | (17%) |
| **Total Revenues** | **157** | **153** | **(2%)** |
| **Recurring EBITDA** | **114** | **113** | **(1%)** |
| *EBITDA Margin (%)* | *73%* | *74%* | |
| *EBITDA margin ex LPG dilution (%)* | *77%* | *77%* | |
| **EBIT** | **81** | **77** | **(5%)** |
| Financial result | (22) | (24) | 8% |
| Income tax expense | (14) | (13) | (7%) |
| **Net Income** | **44** | **40** | **(10%)** |

### Revenue breakdown (M€)




### Comments

- **Recurring EBITDA amounts to €113m**, in line with the same result than the previous year, despite the higher haircut applied to remuneration in 2024 compared to 2023 as it was planned by the regulatory framework and adjustment to previous year remuneration.

- **The EBITDA is mainly explained by:**
  - **Higher remuneration** compared to previous year, driven by demand recovery.
  - **Higher revenues from Periodical Inspections**, driven by the 5 year execution cycle.
  - **Cost reductions** achieved through improved gas balance loss management and enhanced efficiencies across other operational areas.
  - The modest year-over-year decline in EBITDA is primarily attributable to an increased haircut on remuneration, partially mitigated by performance enhancements across other operational areas.

- **One-off expenses related to the debt restructuring process, along with restructuring costs, reduced EBIT by 5%**

- **Net Income amounts to c.€40m**. The variations compared to previous year are explained by higher financial costs due to the debt restructuring, partially offset by the financial income from bank deposits.

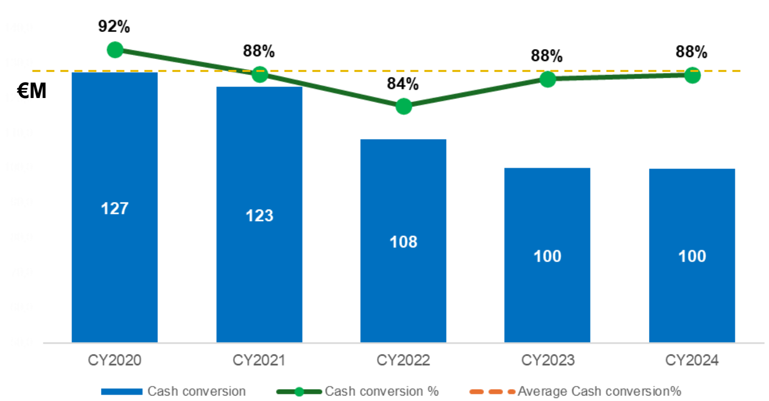
(1) Audited under IFRS
(2) Consolidation perimeter: MRG, Aliara Energía, Aliara GLP, Elisandra V and MRG Finance BV.
(3) Non-regulated revenues coming from MRG non-regulated activities plus Aliara Energia.

# Key financials

## Cash Flow statement – Consolidated figures [1] (M€)

| *12 month period ending December 31st* | 2023 | 2024 | Var.% |
|---|---|---|---|
| EBITDA | 114 | 113 | (1%) |
| Income tax paid | (4) | (1) | (86%) |
| Tariff Deficit | (15) | 4 | <99% |
| Working capital | 2 | (16) | >99% |
| Capex | (14) | (13) | (5%) |
| *Organic growth* | *(12)* | *(11)* | *(7%)* |
| *Maintenance* | *(2)* | *(2)* | *6%* |
| **Free Cash Flow** | **83** | **87** | 5% |
| **Free Cash Flow** [2] | **82** | **83** | 1% |
| Debt repayment | (20) | - | <99% |
| Interests [2] | (21) | (24) | 19% |
| **FCFE** | **41** | **59** | 42% |

## Cash conversion




Cash conversion = Consolidated EBITDA – Capex

Source: MRG

## Comments

- **Sustainable cash generated from operations amounting to €83m**, which is slightly higher than the previous year.

The main variances are explained by:

- **EBITDA** result.
- **The lower deficit generated by the system** as of December 31st, 2024, compared to the same period of the previous year, led to an **increase in cash compared to 2023**. This effect was offset by a **reduction in cash received as remuneration**, due to downward adjustments made by the CNMC to the amounts initially recognized for 2023 and 2024, as a result of lower-than-expected demand.
- **MRG has invested a total of €13m in expanding its network and executing the LPG conversion plan into natural gas,** in line with its sustainable and profitable Expansion strategy.
- **Investments remained at levels similar to the previous year**, focused on network maintenance, fraud prevention, digitalization, and the development of information systems, with the aim of improving operational efficiency and customer service quality.
- **Total Cash Flow amounts €59m** capturing the variances on debt repayment made in 2023, and higher interest payments made in 2024 due to the one-off costs associated to the liability management.
- **Cash conversion ratio of 88%** in 2024, remains within the historical range. MRG's capex is largely discretionary.

(1) Audited under IFRS.
(2) Including €2 million in one-off expenses and €4.7 million in one-off financial costs, both associated with liability management.

# Operating performance

## MRG Balance Sheet Statement (Consolidated) [(1)] – M€

| *At December 31st* | 2023 | 2024 |
|---|---|---|
| Gas distribution licences | 1.573 | 1.573 |
| Net fixed assets | 326 | 308 |
| Total Network Fixed Assets | 1.899 | 1.881 |
| Deferred Tax Asset | 14 | 14 |
| Other Non-Current Assets | 3 | 3 |
| **Total non-current Assets** | **1.917** | **1.898** |
| Current Assets | 53 | 48 |
| Cash and cash equivalents | 70 | 127 |
| **Total current Assets** | **123** | **175** |
| **Total Assets** | **2.039** | **2.073** |

| | | |
|---|---|---|
| **Equity** | **752** | **788** |
| Long Term Debt | 897 | 597 |
| Deferred Tax | 317 | 327 |
| Other Non-Current liabilities | 29 | 30 |
| **Total non-current Liabilities** | **1.244** | **953** |
| **Total Current Liabilities** | **43** | **332** |
| **Total Liabilities & Shareholders' Equity** | **2.039** | **2.073** |

## Comments

- Cash generation, leading to €127m of available cash.
- Short term debt for c.€300m from the 2025Bond. The Bond matured on April 2025 and has been successfully repaid through the disposal of €180m bank facility and available cash.
- In addition, MRG holds a RCF amounting €75m maturing on February 2027.

(1) Audited under IFRS

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# Capital structure

| | Apr-29 Note | Mar-31 Note | RCF | Bank debt | Bank debt |
|---|---|---|---|---|---|
| **Issuer** | MRG Finance, B.V. | MRG Finance, B.V. | MRG, S.A.U. | Elisandra Spain V, S.L.U. | Elisandra Spain V, S.L.U. |
| **Guarantee** | Elisandra Spain V, S.L.U. | Elisandra Spain V, S.L.U. | - | - | - |
| **Issuance amount** | €300m | €75m | €75m (1) | €225m | €180m |
| **Maturity** | April 2029 | March 2031 | February 2027 | August 2027 | October 2027 (2) |
| **Pricing** | Fixed 2.25% | Fixed 3.50% | Euribor + margin | 55% Fixed<br>45% Eur + margin | Euribor + margin |
| **Ranking** | Senior | Senior | Senior | Senior | Senior |

(1) Undrawn.
(2) Two years extension (1+1) is available

**S&P : BBB- (negative)** (1)

**DBRS : BBB (stable)** (2)

- ✓ **Investment grade bonds** issued under MRG's €2bn EMTN Program **with different tenors**. **Reduced refinancing risk** by spreading maturities.
- ✓ **Deleverage ongoing to meet Investment Grade thresholds** targeted by credit rating agencies.
- ✓ **Long-term and flexible financing** totaling **€780m plus €75m RCF**, reinforcing **the company's strong financial capacity**.
- ✓ **ESG-linked to GRESB score financing** (€225m Term Loan).
- ✓ **Flexible financial policy** in place that strongly supports investment grade commitment.
- ✓ **Flexible dividend distribution policy**.

(1) On March, 2025 S&P credit rating reafimed at BBB- and credit outlooks on the three Spanish Gas Distributors revised to negative from stable, on regulatory reset risk and deleveraging challenges.
(2) On October, 2024 DBRS upgraded rating to BBB from BBB (low). On June, 2025 DBRS reaffirmed the rating.

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# Main takeaways

1. **High resilience**, **financial strength** and **revenue generation predictability**
2. Highly focused on **cost efficiencies** and fast reaction and adaptability to **customer needs** to improve **customer satisfaction**
3. Network suitable for **renewable gases** such as hydrogen and biomethane
4. Actively **promoting green H2 and** closely **tracking** several **key Biomethane initiatives** of the Madrid Region
5. Strong financial and liquidity position. **Commitment with Investment Grade qualification**
6. **Committed with ESG**: the best ESG results in the whole universe of GRESB

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# 1: Corporate structure

# Corporate structure (as of June, 2025)