1st Half year 2020

Semi-annual Results

October 2020

Disclaimer

NOT FOR DISTRIBUTION IN THE UNITED STATES, CANADA OR JAPAN

This presentation has been prepared by Madrileña Red de Gas, S.A.U. (the "**Company**"). Certain statements in this presentation are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described in this presentation. Forward-looking statements contained in this presentation that refer to past trends or activities should not be taken as a representation that such trends or activities will necessarily continue in the future. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as at the date of this presentation. It should be noted that the Company's auditors have not reviewed the information in this presentation.

This presentation (and its contents) are being made available on the basis that the information contained herein may not be reproduced, disclosed, redistributed or passed on, directly or indirectly, to any other person (unless he or she is affiliated with the recipient and has agreed to comply with these restrictions on redistribution) or published, in whole or in part, for any purpose without the prior written consent of the Company.

The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

This document does not constitute or form part of, and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company in any jurisdiction or an inducement to enter into investment activity. No part of this document, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

The information contained herein is not for publication or distribution in the United States of America (the "United States"), Canada, Japan or any other jurisdiction where the distribution of such information is restricted by law, and does not constitute an offer to sell, or solicitation of an offer to buy, securities in the United States, Canada, Japan or in any other jurisdiction in which it is unlawful to make such an offer or solicitation. Offers and sales of securities in the United States may not be made absent registration under the U.S. Securities Act of 1933, as amended, or an applicable exemption there from. This document does not solicit money, securities or any other type of consideration, and, if any money, securities or other type of consideration is sent in response hereto, it will not be accepted.

Table of contents

Executive Summary

- The first half 2020 evolution, **reflects stable and predictable revenue generation of the company**:
  - ✓ **Revenues amounting to €89MM** which is €3MM less than previous year mainly explained by the inspection low cycle that takes place in 2020
  - ✓ **EBITDA amounting to c. €68.5MM**, increased 1% compared to previous year
  - ✓ **Cash conversion** ratio **above 90%**

- **Free cash flow unaffected by COVID-19. Cash generated c. €90MM** (+24% compared to the preceding year)

- In the first half 2020, COVID-19 has caused a **lower impact in MRG demand** than in the gas sector. **Distributed demand** within the six months period amounted **5.7TWh (5.9TWh the previous year),** on the back of warmer temperatures

- As of June 2020, the company has reached **886.456 connection points (+ 0.4% YoY)**

- MRG group keeps **promoting sustainable mobility** with the construction in second half of 2020 of a new gas station in its network in Alcorcon

- The 3rd of April, 2020, the Official Gazette published the Circular setting **the regulatory framework for the period 2021-2026**. It confirms the current methodology which is based on activity and includes an adjustment to the base remuneration that will be implemented gradually throughout the period. However**, the amount of the adjustment is still pending to be published**. The circular describes the methodology for its calculation:

  - ✓ All the distribution companies will be bound to the **same methodology** to calculate the definitive adjustment to remuneration, which is based on CY2000 Connection Points (CPs) and demand (<4bar >4bar). All the distribution companies, including MRG, have been **requested to provide to the Regulator the information about CPs and associated demand** in order to determine the adjustment.

  - ✓ **Estimated adjustment** to MRG remuneration amounting -€34MM published in January 22nd draft Circular would have an impact of a 13% decrease in remuneration revenues in annual average over the next regulatory period. However, this estimation was calculated under a different methodology (as a share of the adjustment considering connection points < 4 bar in year 2011). According to the methodology published in the final circular, the impact will be lower.

- Financial policy driven by the **commitment to maintain an investment grade rating**:
  - ✓ On August 17th **MRG debt** were publicly **rated by DBRS Morningstar with BBB (low) with stable trend**
  - ✓ On August 25th **S&P solved the credit watch**, setting **the rating on MRG debt to BBB- with negative outlook**
  - ✓ On September 10th **Fitch solved the credit watch,** setting **the rating on MRG debt to BBB- with stable outlook**

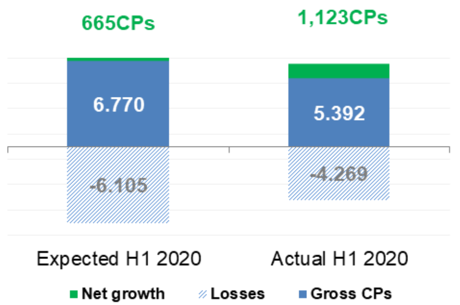
Table of contents

Madrileña RED DE GAS

COVID-19 Follow up

Slight impact of COVID-19 on MRG

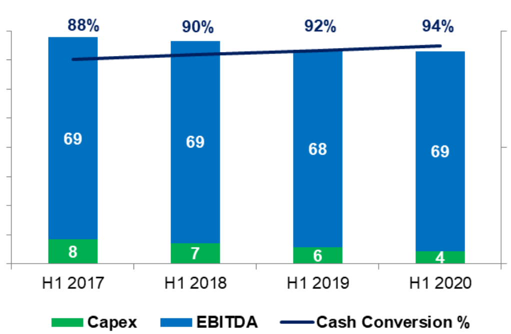
Net connection points H1 2020



Conventional demand	% ▲ H1 2020/2019	% ▲ TAM vs 2019
Gas System	-8.8%	-4.8%
MRG	-2.0%	-2.4%

Source of Gas system figures: Enagas (montly demand evolution report)

Cash conversion (1)



(1) Cash conversion = (EBITDA- Capex) / EBITDA

Comments

- Regardless COVID-19 lockdown 5.392 new connection points have been performed. The growth in gross connection points accompanied by a lower volume of losses, has allowed a higher net growth in connection points than expected.
- Planned investments delay explains lower capital expenditure within the period, compared to preceding year.
- Slight impact in demand variation, being lower than the gas system demand.
- Ample liquidity:
  - High cash conversion rate.
  - Cash position in banks up to €74MM at the end of June 2020.
  - The company holds €75MM of Revolving Credit Facility currently undrawn
  - No significant impact in working capital: DSO remained stable. DPO slightly lower on the back of credit facilities offered to vendors within the COVID-19 lockdown.

Table of contents

H1 2020 Key Financials

Income Statement - €MM

	2019	2020 [1]	% var.
Remuneration	70.6	70.9	1%
Other regulated revenue	9.9	6.4	-36%
Other revenue	11.5	11.6	1%
Total costs	**(24.2)**	**(20.4)**	**-16%**
EBITDA	**67.7**	**68.5**	**1%**
Margin	*74%*	*77%*	*3%*

Comments

- EBITDA increased 1% mainly explained by:
- Slight variation in remuneration driven by adjustment to previous year demand recognized in 2020.
- Other regulated revenues decreasing mainly due to lower volume of planned inspections explained by seasonality factor, and to a lesser extend mobility restrictions delaying planned inspections.
- Improvement of gas balance losses as a result of the investment against fraud made in previous years.

Cash Flow Statement - €MM

6 month period ending 30 June	2019	2020 [1]	Var %
EBITDA post non-cash items [2]	67,7	70,7	4%
Income tax paid	(1,4)	(1,8)	24%
Working capital	(4,3)	7,5	>99%
Tariff Deficit	16,5	17,8	8%
Capex	(5,7)	(4,4)	-24%
Recurring Free Cash Flow	**72,7**	**89,8**	**24%**

(2) EBITDA after non-cash items coming from 2020 remuneration adjustments

Comments

- Recurring free cash flow increased 24%, mainly due to:
- Higher EBITDA.
- Working capital variation mainly driven by cash inflow coming from collection received from the gas system on the back of adjustments to remuneration due to higher demand in 2018.
- Tariff Deficit variation explained by higher tariff surplus coming from previous year.
- Lower Capex explained by delay in planned investments due to COVID-19 lockdown.

Figures under IFRS
(1) Figures are not audited

H1 2020 Key Financials

Balance Sheet - €MM

	Dec. 2019	June 2020
Gas distribution licences	751.0	740.3
Net fixed assets	354.9	355.4
Total Network Fixed Assets	**1,105.8**	**1,095.7**
Goodwill	**57.4**	**57.4**
Deferred Tax Asset	**21.5**	**33.6**
Other Non-Current Assets	**55.7**	**162.2**
Current Assets	**42.3**	**18.8**
Cash and cash equivalents	**103.4**	**74.1**
Total Assets	**1,386.2**	**1,441.8**
Equity	**298.1**	**329.6**
Long Term Debt	**943.8**	**944.4**
Deferred Tax	**60.1**	**79.8**
Other Non-Current liabilities	**37.5**	**36.7**
Current Liabilities	**46.7**	**51.3**
Total Liabilities & Shareholders' Equit	**1,386.2**	**1,441.8**

Comments

- Other non current assets increase explained by the withdrawal of €103MM from the intercompany loan between MRG and its parent company.
- 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.

(1) Figures under IFRS as of December 31st, 2019 are audited.
(2) Figures under IFRS as of June 30th, 2020.are not audited.

Madrileña
RED DE GAS