1H21 Results

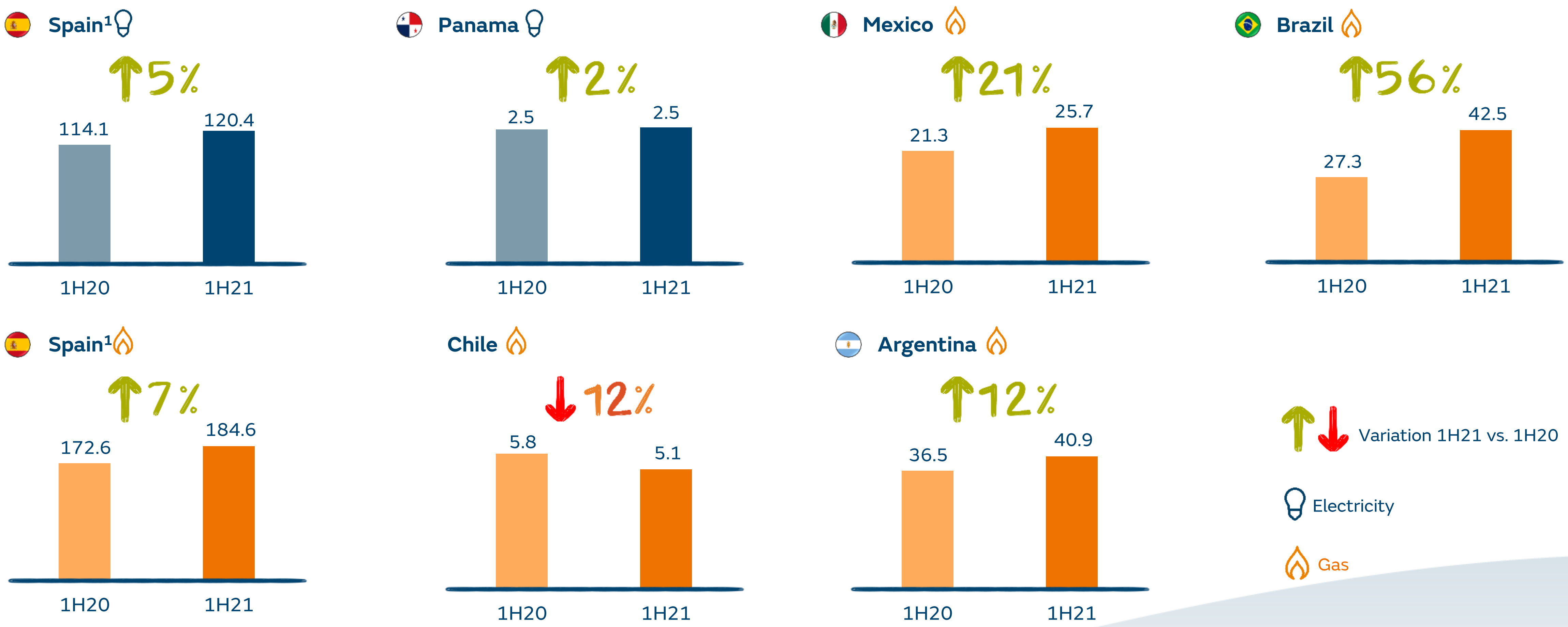
28 July 2021

Naturgy

1

Scenario

Energy demand evolution (TWh)

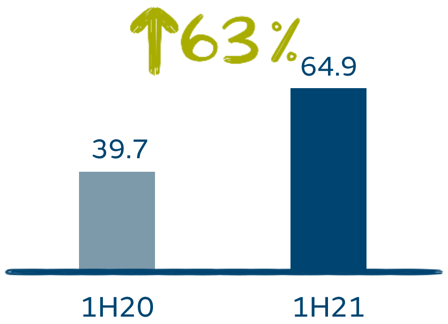


Ongoing recovery of energy demand in most of our markets

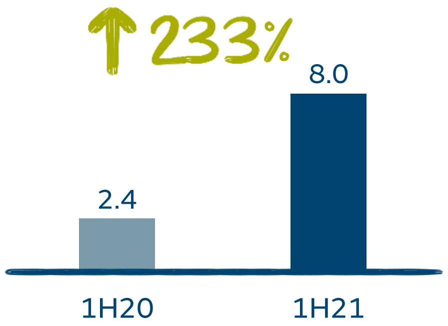
Source: Company data.
Note:
1. Based on total demand of the country

Energy markets evolution

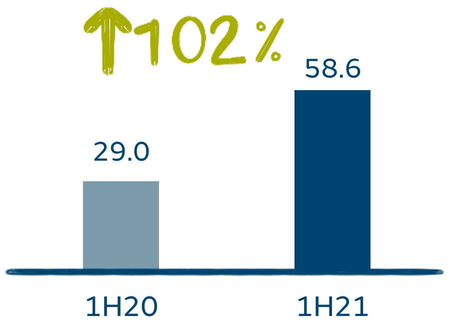
Brent (USD/bbl)



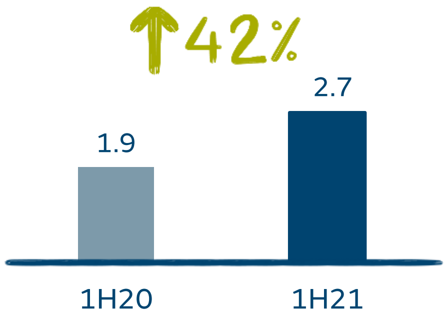
NBP (USD/MMBtu)



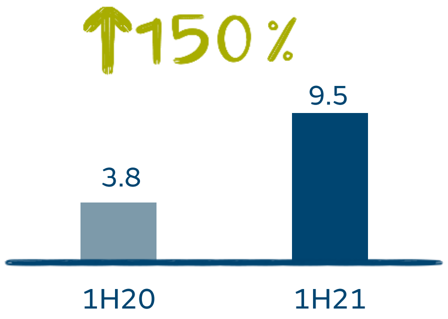
Spanish electricity market (Pool) (€/MWh)



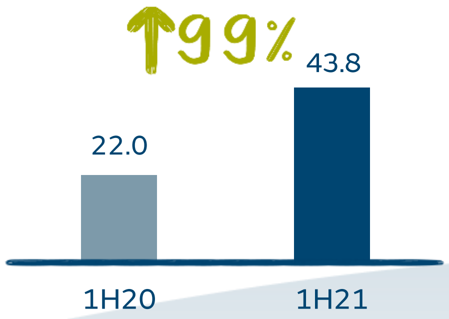
Henry Hub (USD/MMBtu)



JKM (USD/MMBtu)



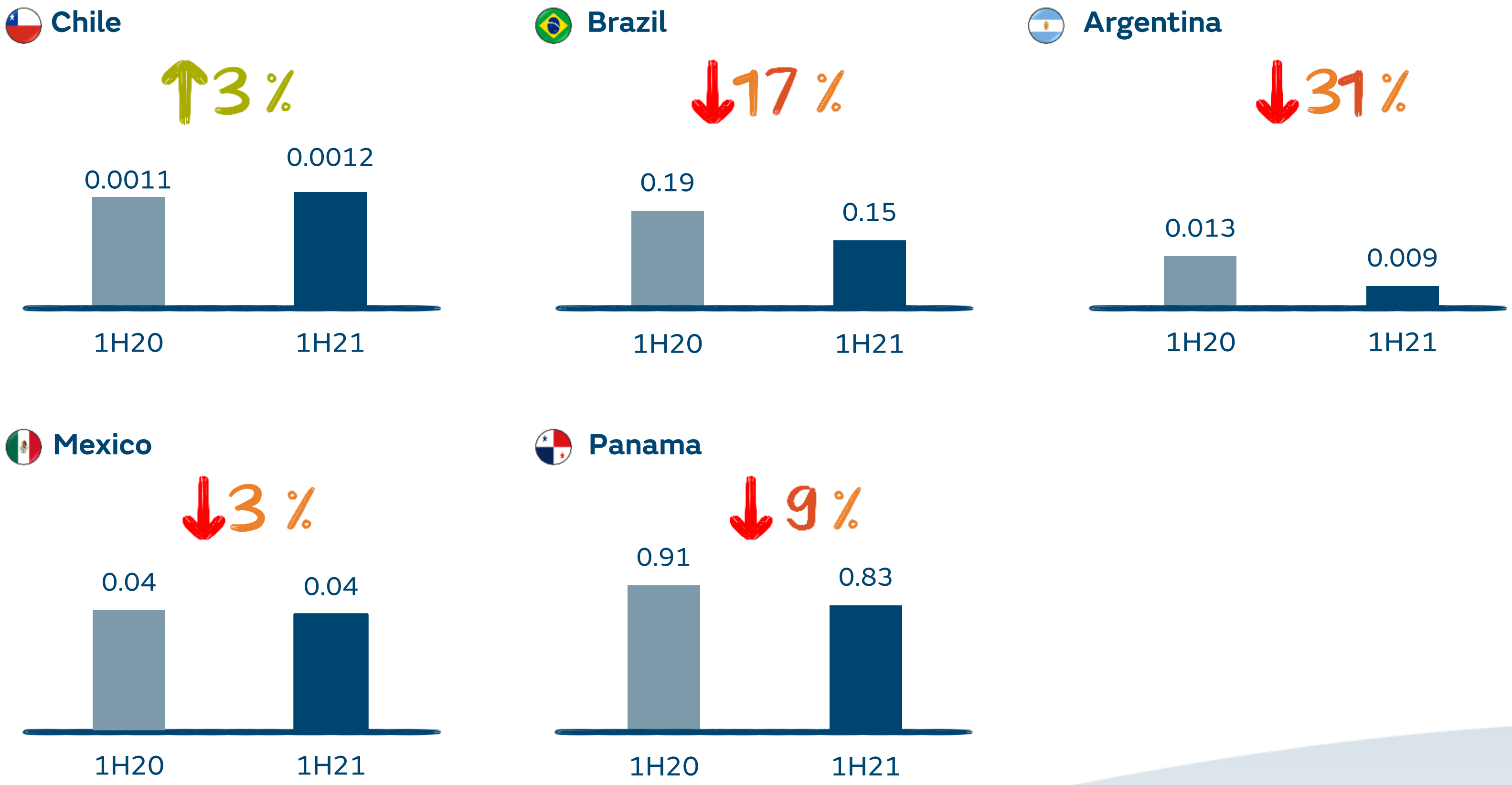
CO_2 (€/t)



Significant rise of commodity prices

Source: Bloomberg, OMIE

FX evolution



Ongoing devaluation of main currencies

Source: Bloomberg

2

Consolidated results

Key highlights

1 Positive results in Networks Spain supported by recovery of energy demand and operational improvements

2 LatAm activities negatively impacted by ongoing FX depreciation

3 Liberalised activities mainly supported by contract renegotiations leading to improved margins

4 Employee voluntary departure plan incurring ~€300m of restructuring costs in 1H21

Key figures (€m, % vs. 1H20)

Ordinary EBITDA

1,959

vs. 1H20 +3%

vs. 1H19 -14%

Ordinary Net income

557

vs. 1H20 +17%

vs. 1H19 -20%

Capex

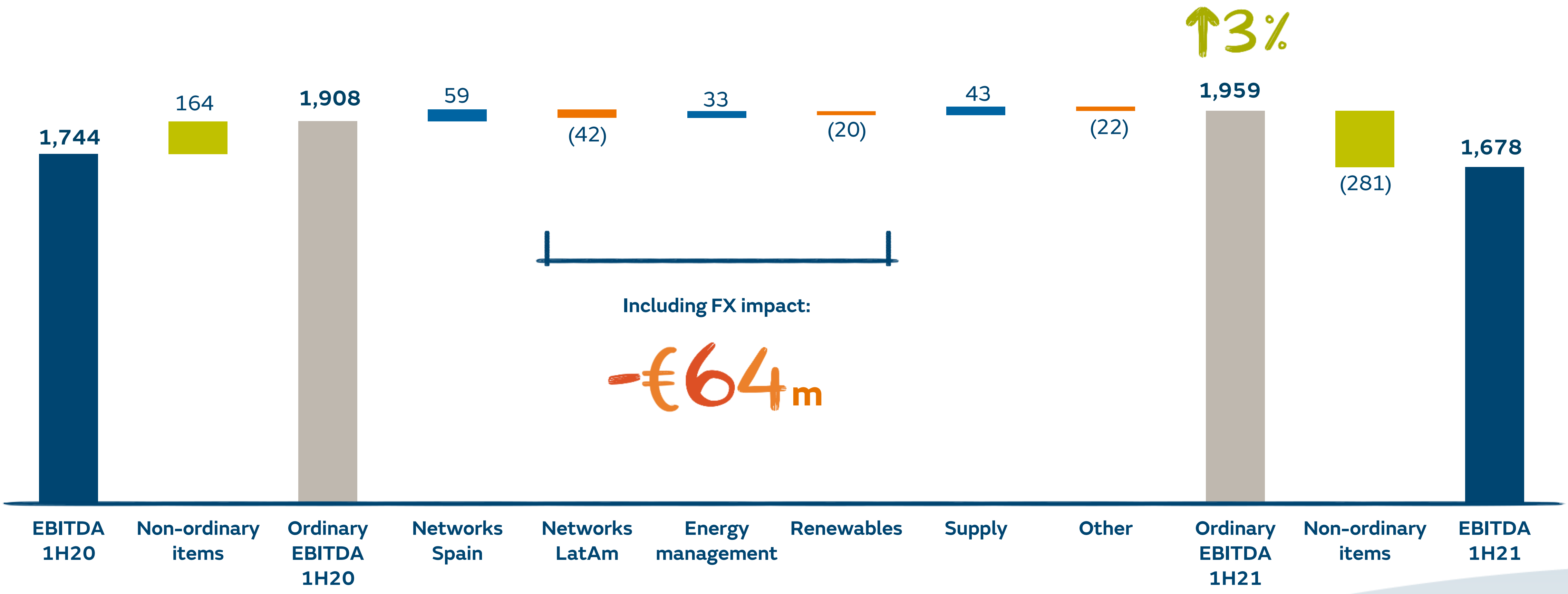
439

CF from operations

1,287

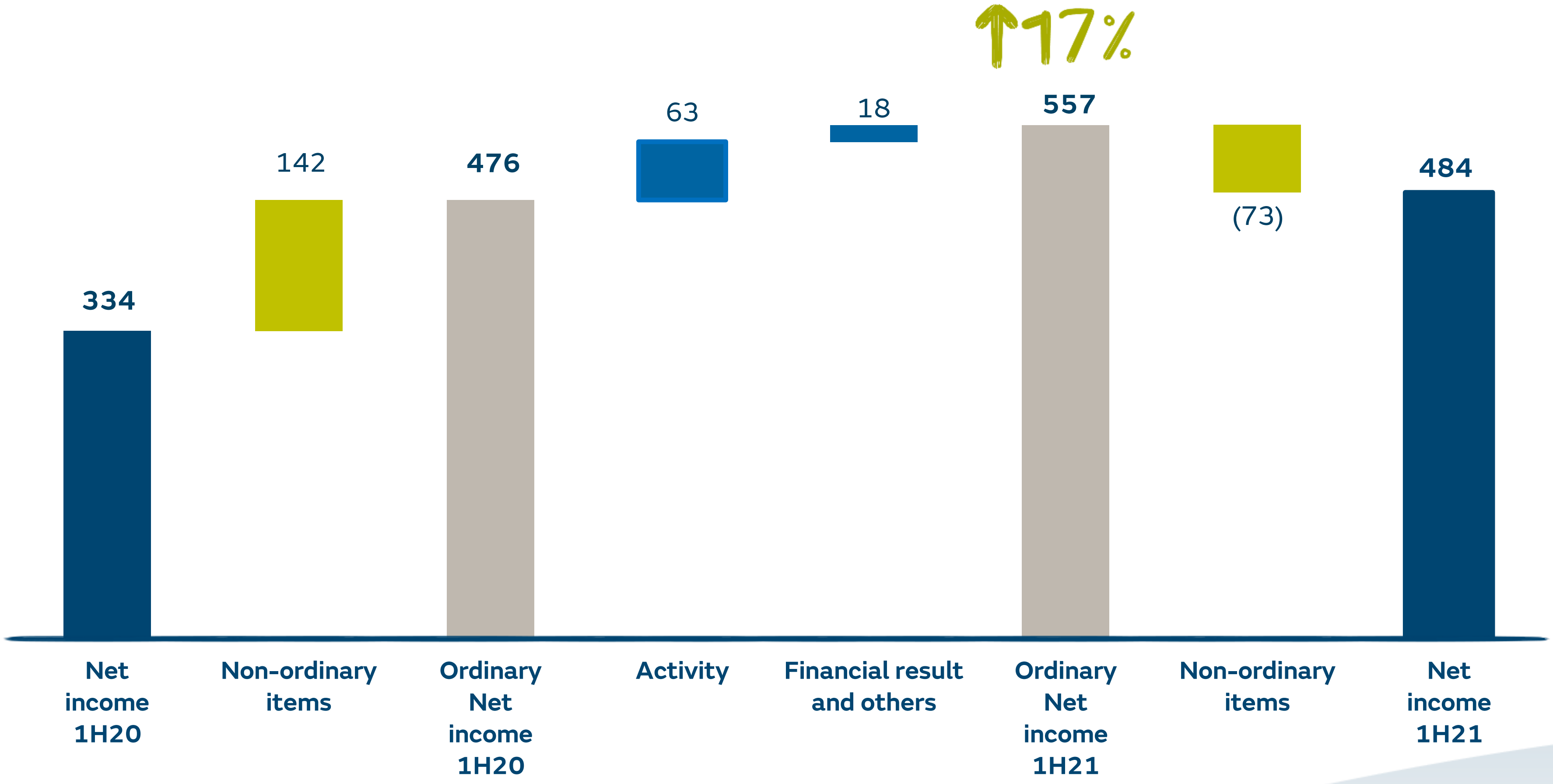
Operations recovering in line with pandemic evolution

EBITDA evolution by business unit (€m)



EBITDA growth driven by energy scenario

Net income evolution (€m)



Net income growth driven by activity and financial results

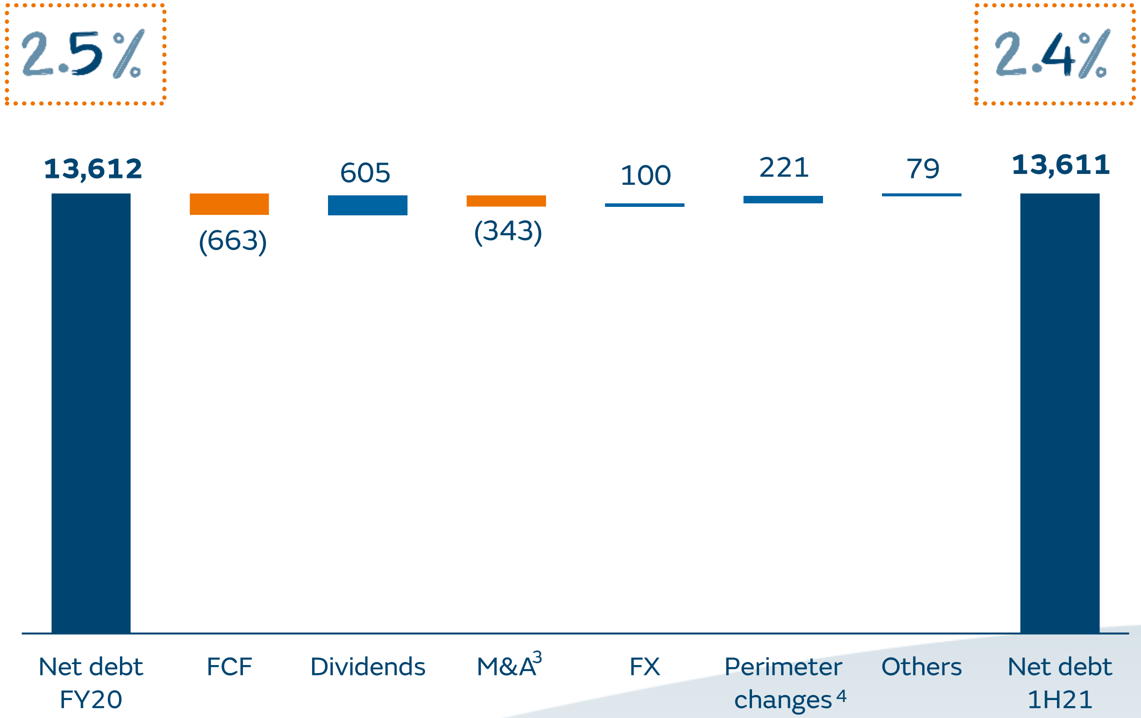
Cash flow and Net debt evolution (€m)

Cash flow

	1H21	vs. 1H20
Ordinary EBITDA	**1,959**	**+3%**
Non-ordinary items	(281)	
EBITDA	**1,678**	**-4%**
Taxes	(204)	
Net interest cost	(236)	
Other non-cash items	(48)	
Funds from operations	**1,190**	**-8%**
Change in working capital	97	
Cash flow from operations	**1,287**	**-36%**
Capex[1]	(413)	
Dividends to minorities	(211)	
Divestments & Other	-	
Free cash flow	**663**	**-40%**

Net debt

(%): avg. cost of debt[2]



Stable net debt not yet reflecting CGE disposal

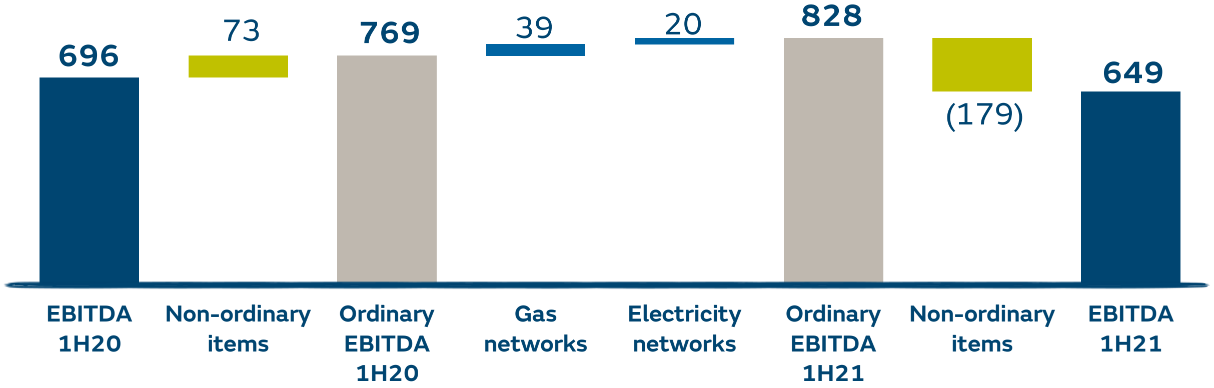
Notes:
1. Net of cessions and contributions
2. Does not include cost from IFRS 16 debt
3. Includes the acquisition of Renewables US (€49m) and UFG (-€392m)
4. Mainly related to UFG agreement completion

3

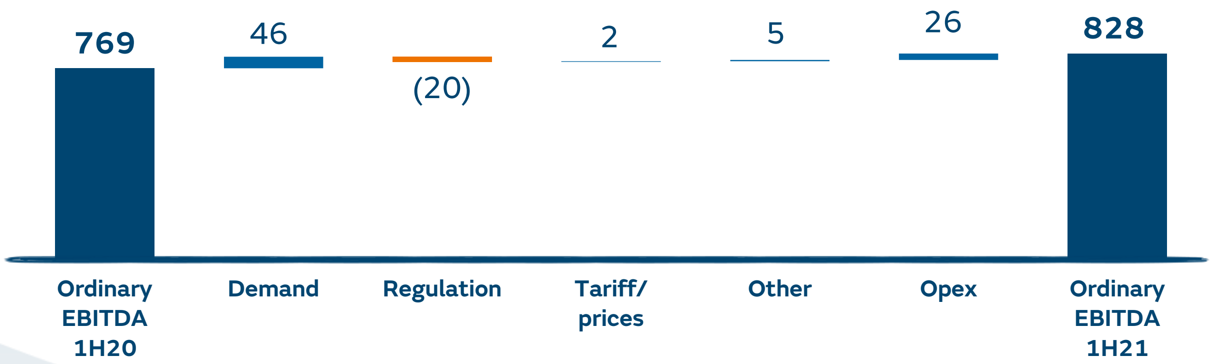
Results by business unit

Networks Spain

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

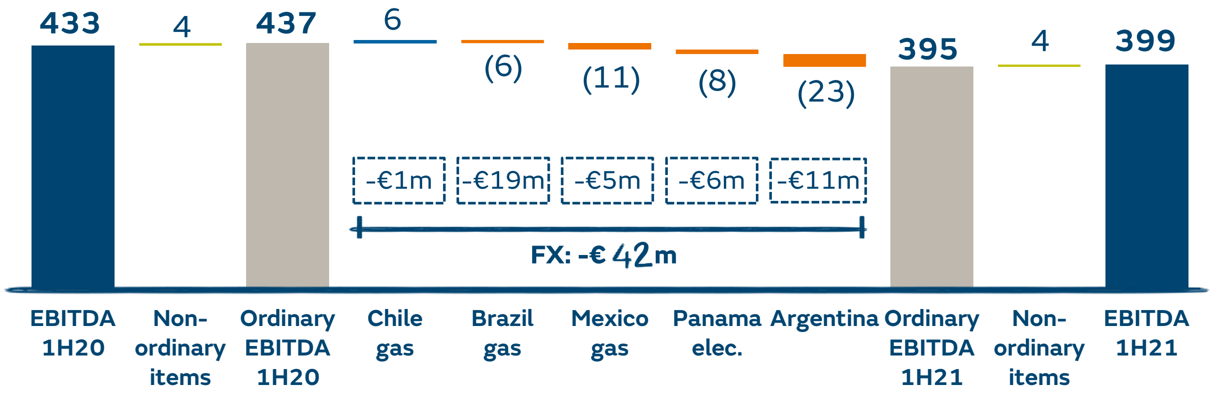
- **Gas networks:** higher sales and operational improvements partially offset by new regulatory framework
- **Electricity networks:** growth driven by investment and efficiencies partially offset by the second year financial remuneration adjustment included as part of the regulatory period 2020-25

€134m capex, of which **~85%** remunerated

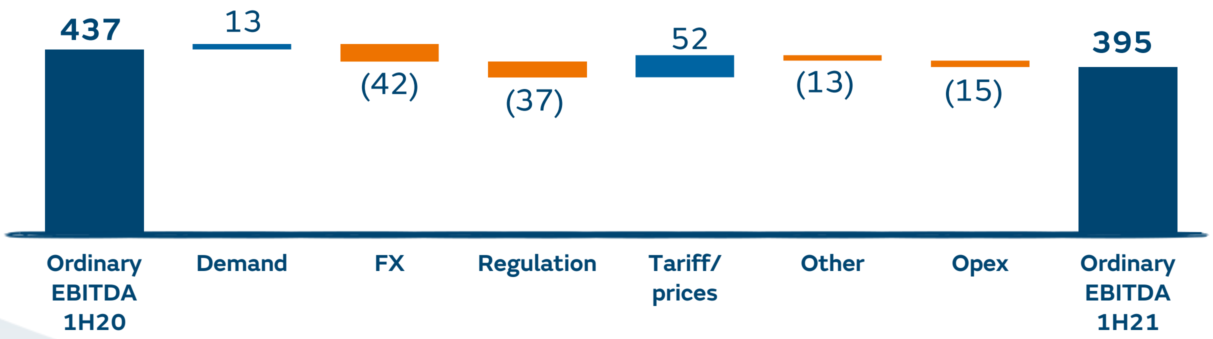
Results supported by recovery of energy demand and operational improvements

Networks LatAm

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

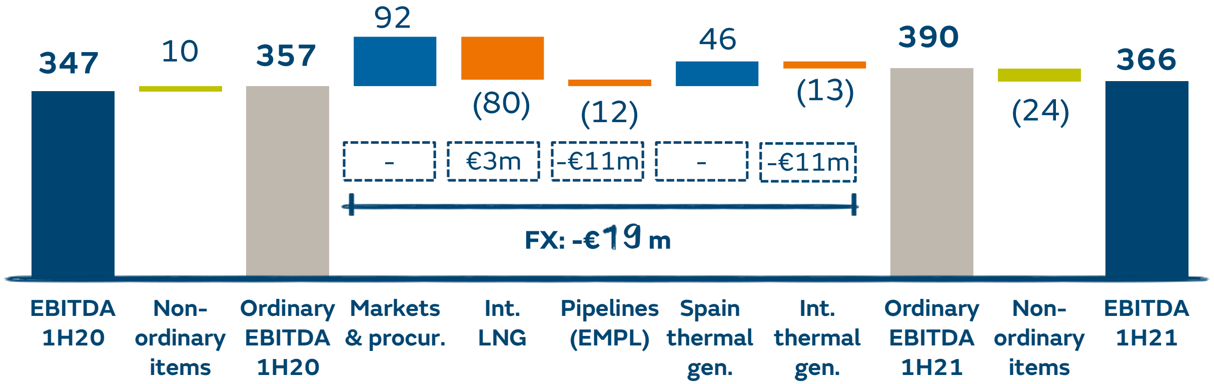
- **Chile gas:** higher distribution sales and efficiencies partially offset by lower sales and margins in supply
- **Brazil gas:** higher demand and positive opex evolution not enough to compensate for FX weakness and the spread of tariff updates throughout the year
- **Mexico gas:** higher sales and margins not sufficient to compensate for delayed tariff updates and lower contribution from energy services
- **Panama electricity:** decrease due to lower temperatures and FX weakness
- **Argentina:** FX and lower margins not compensated with higher volumes

€90m capex, of which **~95%** remunerated

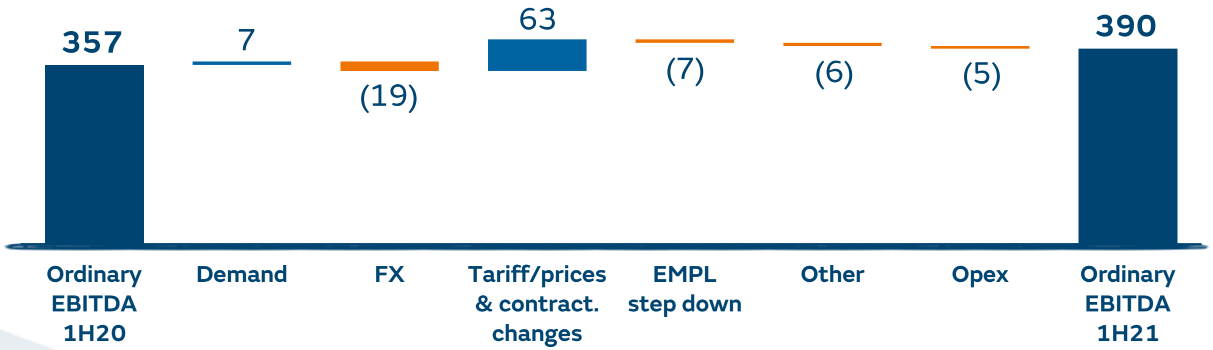
FX depreciation not yet compensated by tariff updates

Energy management

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

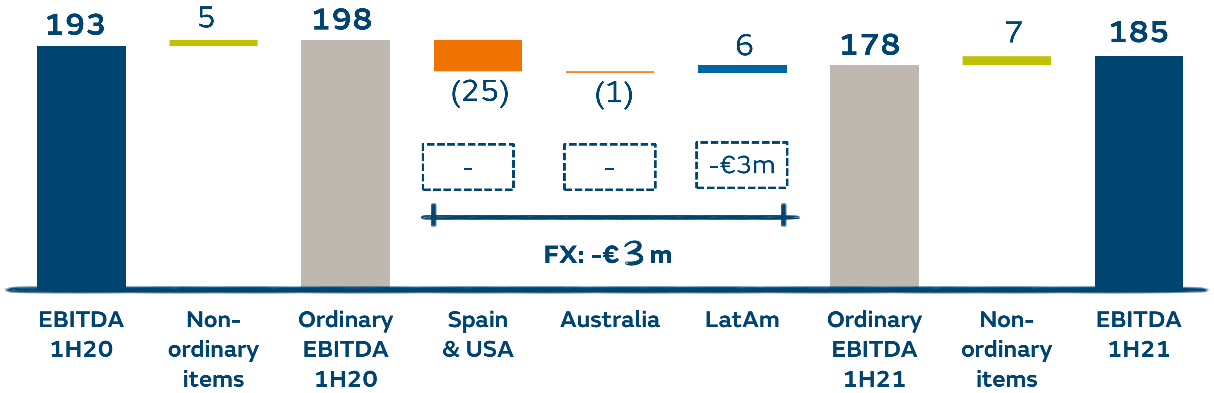
- **Markets and procurement:** higher sales and margins driven by improved gas procurement and higher selling prices
- **International LNG:** price recovery not translated into margins due to significant weight of contracted sales
- **Pipelines (EMPL):** tariff updates offset by capacity step down and US$ depreciation
- **Spain thermal generation:** higher pool prices and CCGTs sales and margins
- **International thermal generation:** higher availability not sufficient to offset FX impact and lower excess sales / margins

€41m capex, of which **~15%** remunerated

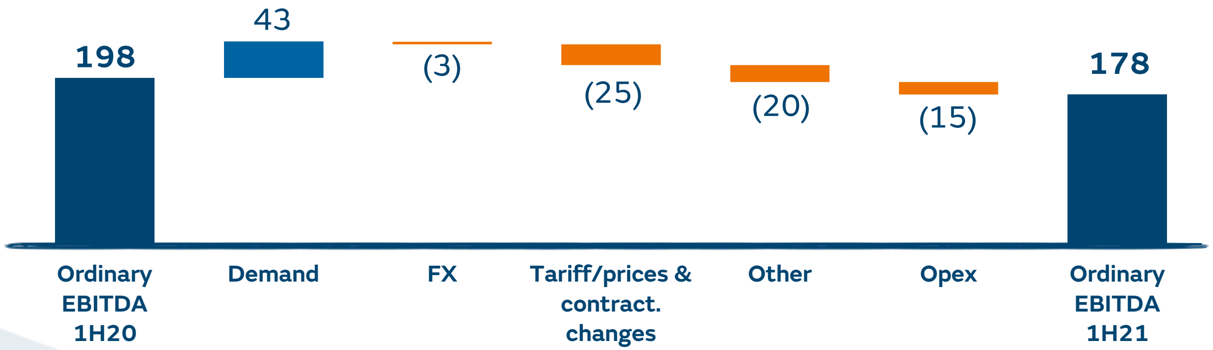
Contract renegotiations leading to improved margins

Renewables

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

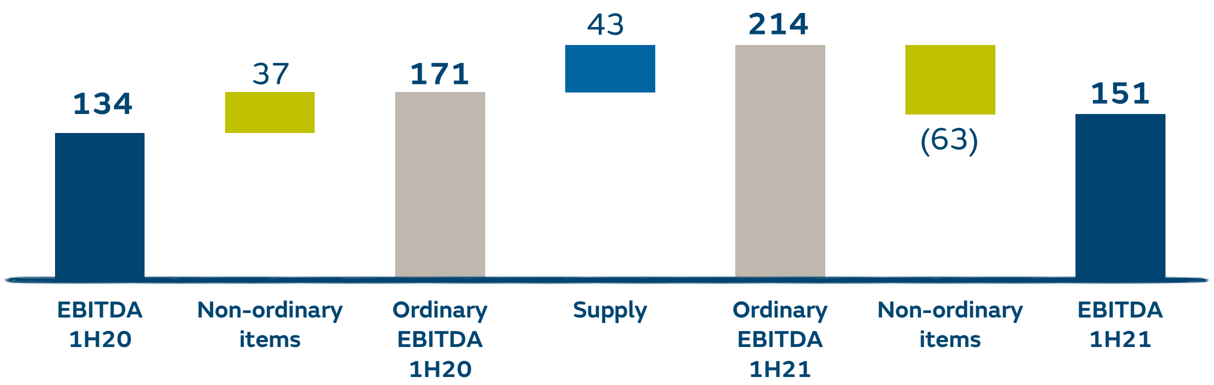
- **Spain:** lower solar production due to temporary weather damage repairs and higher opex from activity expansion
- **Australia:** lower margins on quarterly mark to market valuation of existing PPAs
- **LatAm:** new capacity coming into operation in Chile

€119m capex, of which **~95%** remunerated

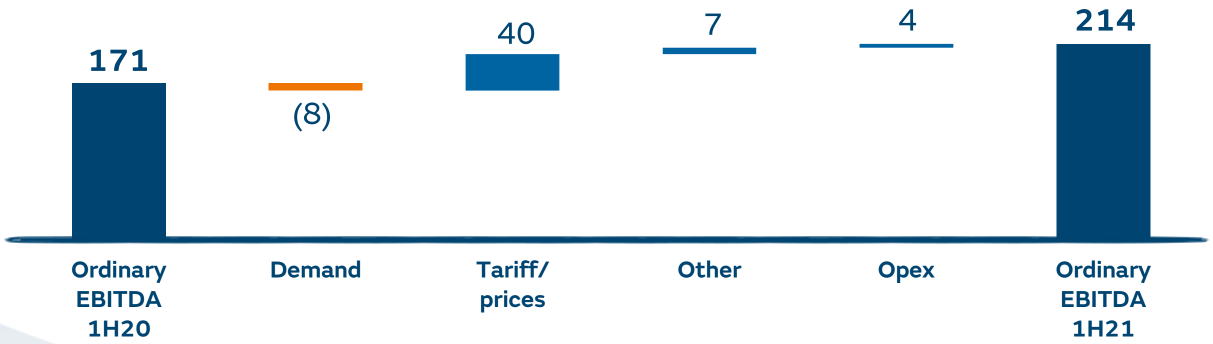
Results impacted by temporary repairs and higher opex in Spain

Supply

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- **Gas supply:** higher margins and sales in the retail and industrial segments partially offset by lower sales to wholesale Europe
- **Power supply:** higher margins in the retail and S&ME segments offset by lower sales and margin compression in the industrial segment

€45 m capex, of which **~95%** remunerated

Improvement mainly supported by higher gas sales and margins

4

Summary

Summary

1. Positive results in Networks Spain supported by recovery of energy demand and operational improvements
2. LatAm activities negatively impacted by ongoing FX depreciation
3. Liberalised activities mainly supported by contract renegotiations leading to improved margins
4. Current trading and scenario supportive of a 2021 ordinary EBITDA of around €3.9-4.0bn

Appendix

Alternative Performance Metrics (i/ii)

Naturgy's financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS.

The chosen APMs are useful for persons consulting the financial information as they allow an analysis of the financial performance, cash flows and financial situation of Naturgy, and a comparison with other companies.

Below is a glossary of terms with the definition of the APMs. Generally, the APM terms are directly traceable to the relevant items of the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows or Notes to the Financial Statements of Naturgy. To enhance the traceability, a reconciliation is presented of the calculated values.

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2021	30 June 2020	
EBITDA	Operating profit	Euros 1,678 million	Euros 1,744 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary EBITDA	EBITDA - Non-ordinary items	Euros 1,959 million = 1,678 + 281	Euros 1,908 million = 1,744+ 164	EBITDA corrected of impacts like restructuring costs and other non-ordinary items considered relevant for a better understanding of the underlying results of the Group
Ordinary Net income	Attributable net income of the period - Non-ordinary items	Euros 557 million = 484 + 73	Euros 476 million = 334 + 142	Attributable Net Income corrected of impacts like assets write-down, discontinued operations, restructuring costs and other non-ordinary items considered relevant for a better understanding of the underlying results of the Group
Investments (CAPEX)	Investments in intangible assets + Investments in property, plant & equipment	Euros 439 million = 90 + 349	Euros 552 million = 61 + 491	Realized investments in property, plant & equipment and intangible assets
Net Investments (net CAPEX)	CAPEX - Other proceeds/(payments) of investments activities	Euros 413 million = 439 - 26	Euros 527 million = 552 – 25	Total investments net of the cash received from divestments and other investing receipts
Gross financial debt	Non-current financial liabilities + "Current financial liabilities"	Euros 17,554 million = 14,746 + 2,808	Euros 17,539 million[1] = 14,968 + 2,571	Current and non-current financial debt

Note:
1. As of 31/12/2020

Alternative Performance Metrics (ii/ii)

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2021	30 June 2020	
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets"	Euros 13,611 million = 17,554 – 3,936 - 7	Euros 13,612 million[1] = 17,539 – 3,927 – 0	Current and non-current financial debt less cash and cash equivalents and derivative financial assets
Leverage (%)	Net financial debt / (Net financial debt + "Net equity")	56.0% = 13,611 / (13,611 + 10,689)	54.7%[1] = 13,612 / (13,612 + 11,265)	The ratio of external funds over total funds
Cost of net financial debt	Cost of financial debt - "Interest revenue"	Euros 240 million = 246 - 6	Euros 248 million = 259 - 11	Amount of expense relative to the cost of financial debt less interest revenue
EBITDA/Cost of net financial debt	EBITDA / Cost of net financial debt	7.0x = 1,678 / 240	6.9x[1] = 3,449 / 498	Ratio between EBITDA and cost of net financial debt
Net financial debt/LTM EBITDA	Net financial debt / Last twelve months EBITDA	4.0x = 13,611 / 3,383	3.9x[1] = 13,612 / 3,449	Ratio between net financial debt and EBITDA
Free Cash Flow after minorities	Free Cash Flow + Dividends and other + Acquisitions of treasury shares + Inorganic investments payments	Euros 663 million = 401 + 605 + 0 - 343	Euros 1,101 million = 337 + 580 + 184 + 0	Cash flow generated by the Company available to pay to the shareholders (dividends or treasury shares), the payment of inorganic investments and debt payments
Net Free Cash Flow	Cash flow generated from operating activities + Cash flows from investing activities + Cash flow generated from financing activities - Receipts and payments on financial liability instruments	Euros 401 million = 1,287 -71 – 1,209 + 394	Euros 337 million = 2,019 – 699 + 738 – 1,721	Cash flow generated by the Company available to pay the debt

Note:
1. As of 31/12/2020

ESG Metrics

ESG metrics		1H21	1H20	Change	Comments
Health and safety					
Accidents with lost time[1]	units	6	1	-	Increase in accident ratio as a consequence of the exceptionally low 1Q20, but improving significantly from previous normalized quarters
LT Frequency rate[2]	units	0.15	0.02	-	
Environment					
GHG Emissions	M tCO2 e	6.1	6.7	-9.0%	Higher renewable (+21.6%) than thermal (+2.3%) production in the period
Emission factor	t CO2/GWh	250	292	-14.4%	
Emissions-free installed capacity	%	36.1	33.8	6.8%	New renewable capacity coming into operation in Chile, as well as the shutdown of the coal capacity in June 2020
Emissions-free net production	%	38.8	34.2	13.5%	Higher renewable production
Interest in people					
Number of employees	persons	8,006	9,496	-15.7%	Perimeter changes and workforce optimization
Training hours per employee	hours	11.1	14.1	-21.3%	COVID-19 crisis and organizational changes have required to overhaul training programs, with a growing relevance of on-line format and temporary impacts in ratio evolution
Women representation	%	31.4	32.7	-4.0%	Slight reduction as a consequence of higher women representation in companies exiting the consolidation perimeter
Society and integrity					
Economic value distributed	€m	10,336	8,149	26.8%	Increase in Economic value distributed following higher activity and taxes
Notifications received by the ethics committee[3]	units	39	36	8.3%	Complaints within normal parameters

Notes:
1. In accordance to OSHA criteria
2. Calculated for every 200,000 working hours
3. Change of criteria in 2020 in order to make the metric more comparable with sector standards

Disclaimer

This document is the property of Naturgy Energy Group, S.A. (Naturgy) and has been prepared for information purposes only.

This communication contains forward-looking information and statements about Naturgy. Such information can include financial projections and estimates, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures or strategy.

Naturgy cautions that forward-looking information are subject to various risks and uncertainties, difficult to predict and generally beyond the control of Naturgy. These risks and uncertainties include those identified in the documents containing more comprehensive information filed by Naturgy and their subsidiaries before the different supervisory authorities of the securities markets in which their secuirities are listed and, in particular, the Spanish National Securities Market Commission.

Except as required by applicable law, Naturgy does not undertake any obligation to publicly update or revise any forward-looking information and statements, whether as a result of new information, future events or otherwise.

This document includes certain alternative performance measures (“APMs”), as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority in October 2015. For further information about this matter please refer to this presentation and to the corporate website (www.naturgy.com).

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October and their implementing regulations. In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, in any other jurisdiction.

The information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein.

CAPITAL MARKETS

Tel. 34 912 107 815

e-mail: capitalmarkets@naturgy.com

website: www.naturgy.com