1Q21 Results

28 April 2021

Naturgy

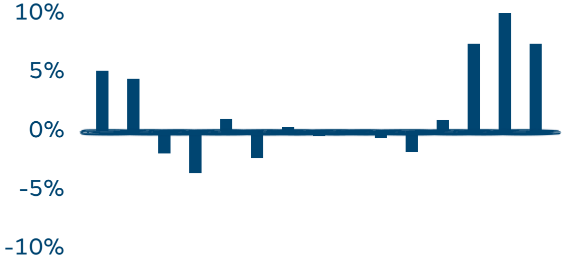
Naturgy

01

Scenario

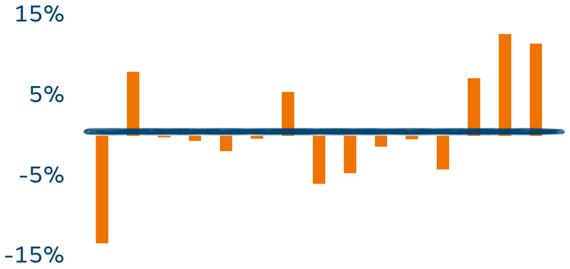
Energy demand evolution

Spain ↑2%

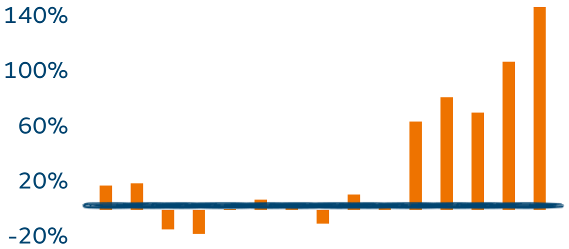


Panama ↓4%

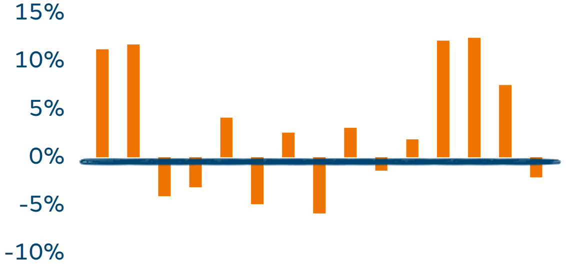
Mexico ↑1%



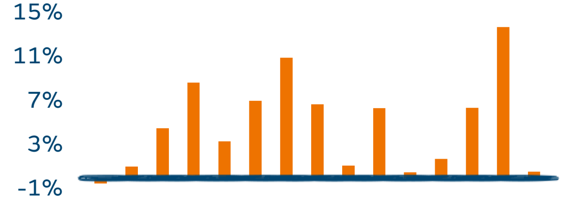
Brazil ↑33%



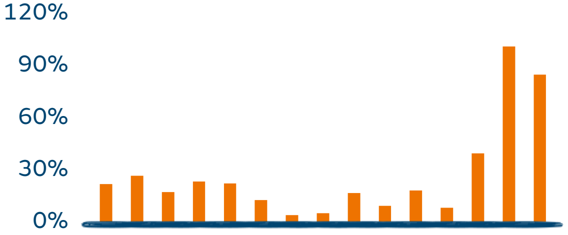
Spain ↑3%



Chile ↑5%



Argentina ↑27%

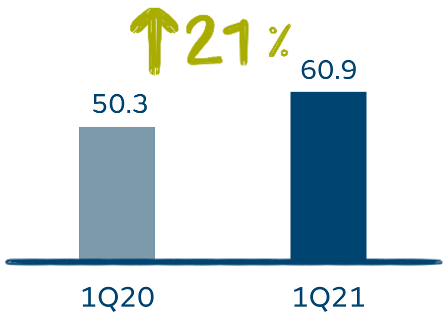


↑↓ Weekly avg. 1Q21 vs. 1Q20 | Electricity | Gas

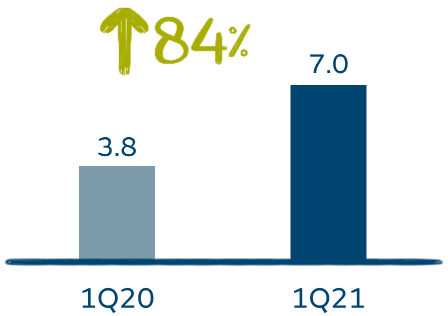
Recovery of energy demand in most of our markets

Energy markets evolution

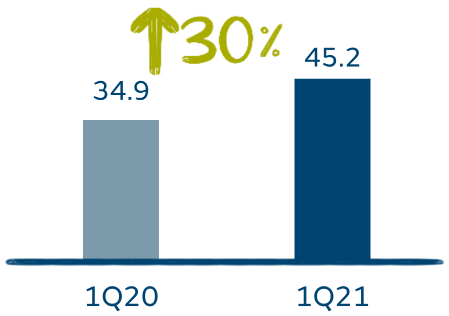
Brent (USD/bbl)



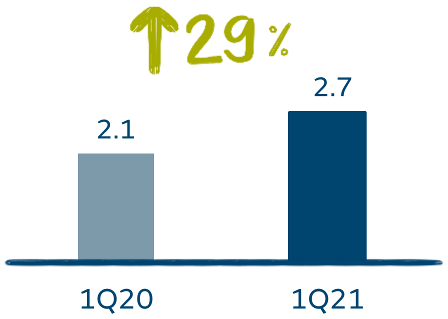
NBP (USD/MMBtu)



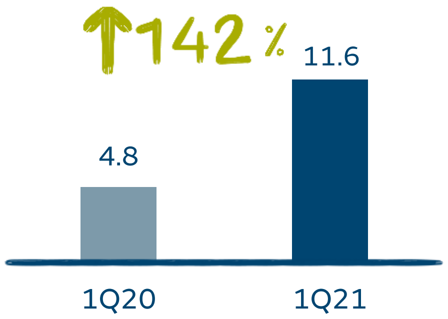
Spanish electricity market (Pool) (€/MWh)



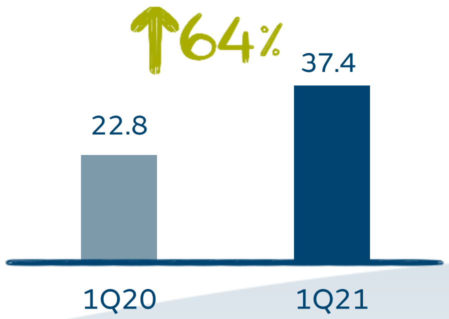
Henry Hub (USD/MMBtu)



JKM (USD/MMBtu)



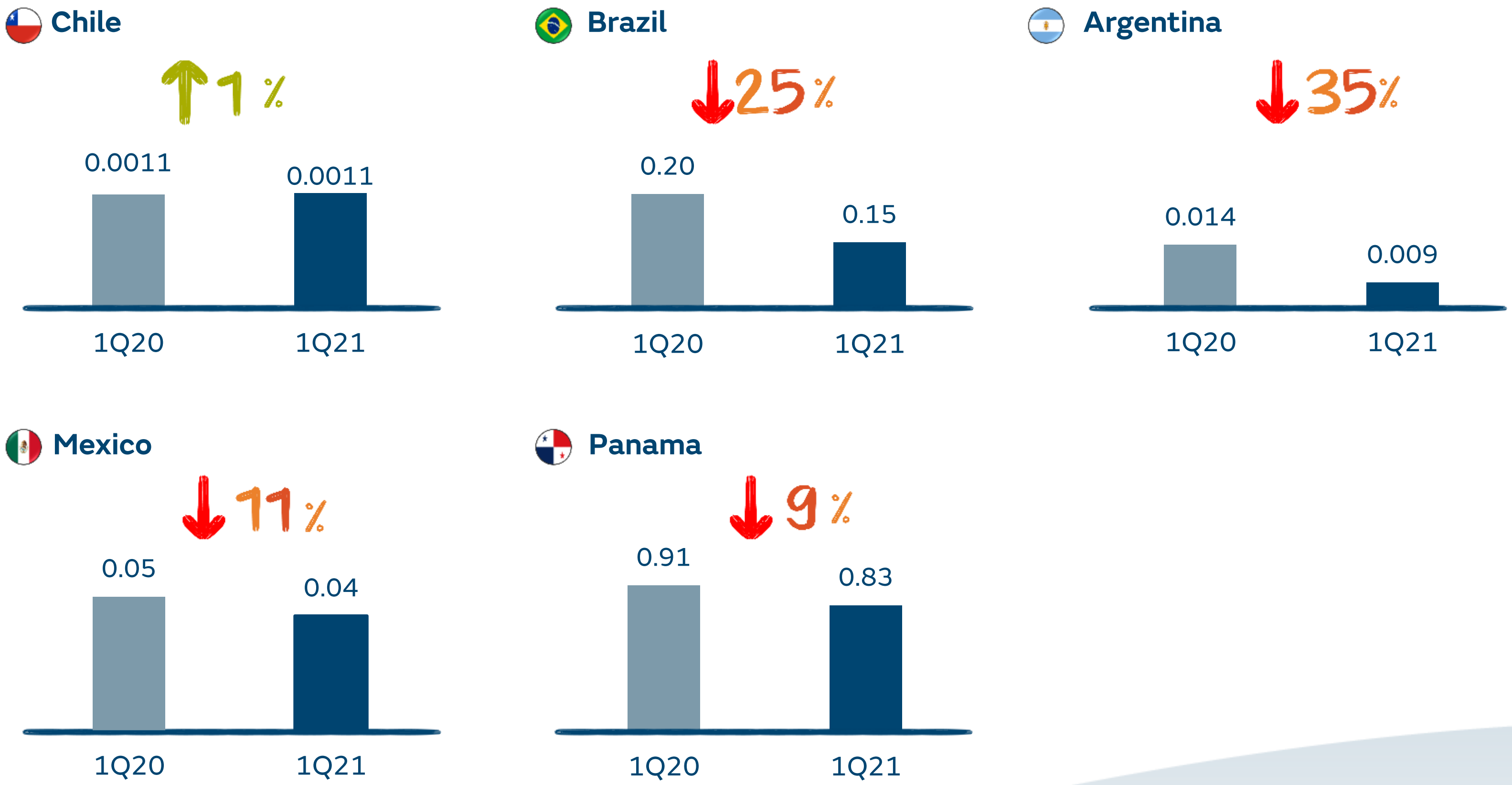
CO_2 (€/t)



Improvement of energy scenario

Source: Bloomberg, OMIE

FX evolution



Ongoing devaluation of main currencies

Source: Bloomberg

02

Recent developments

IFM offer process

Up to 220,000,000 shares, equivalent to 22,689% of Naturgy's share capital

- Offer price of 23 €/share adjusted downwards to 22.37 €/share by the dividend of 0.63 €/share paid on 17 March 2021
- Retail benefits from priority allocation on up to 25% of the offer (i.e. 55,000,000 shares)
- Price will be adjusted for future dividend payments

Required regulatory approvals

- Spanish Council of Ministers ☐
- CNMV ☐
- Mexican Federal Economic Competition Commission (COFECE) ☑

Spanish Council of Ministers has maximum 6 months timeline to rule on the offer since its filing

Other developments

1 Solution to UFG

- Completion of the agreement between Naturgy, the Government of Egypt and ENI
- Values UFG for a total consideration of US$1.5bn
- Naturgy has received the majority of the US$0.6bn expected proceeds and most of the assets outside Egypt (excluding commercial activities in Spain)

2 CGE Electricidad

- Progress on the sale of Naturgy's entire equity shareholding (96.04%) to China State Grid
- Total Enterprise value of €4,312m of which €2,570m correspond to purchase price (Equity value)
- The Chilean National Economic Prosecutor's Office has unconditionally approved the concentration operation consisting of the transaction
- Completion expected in 2Q21

3 Hamel Renewables acquisition in the US

- Acquisition of 100% of Hamel Renewables, LLC in the US
- It comprises:
  - 8GW solar projects
  - 4.6GW of energy storage projects
- 5 year development agreement with Candela Renewables

UFG agreement completed and CGE Electricidad disposal completion expected in 2Q21

03

Consolidated results

Key highlights

1. Solid results in Networks Spain supported by operational improvements
2. FX depreciation continued weighing in LatAm activities
3. Structural challenges persist in energy management amid signs of improvement in scenario
4. Growth in renewable installed capacity in stable geographies with strong currencies
5. Roll out of transformation initiatives in supply to regain competitiveness

Key figures (€m, % vs. 1Q20)

Ordinary EBITDA
1,029 -2%

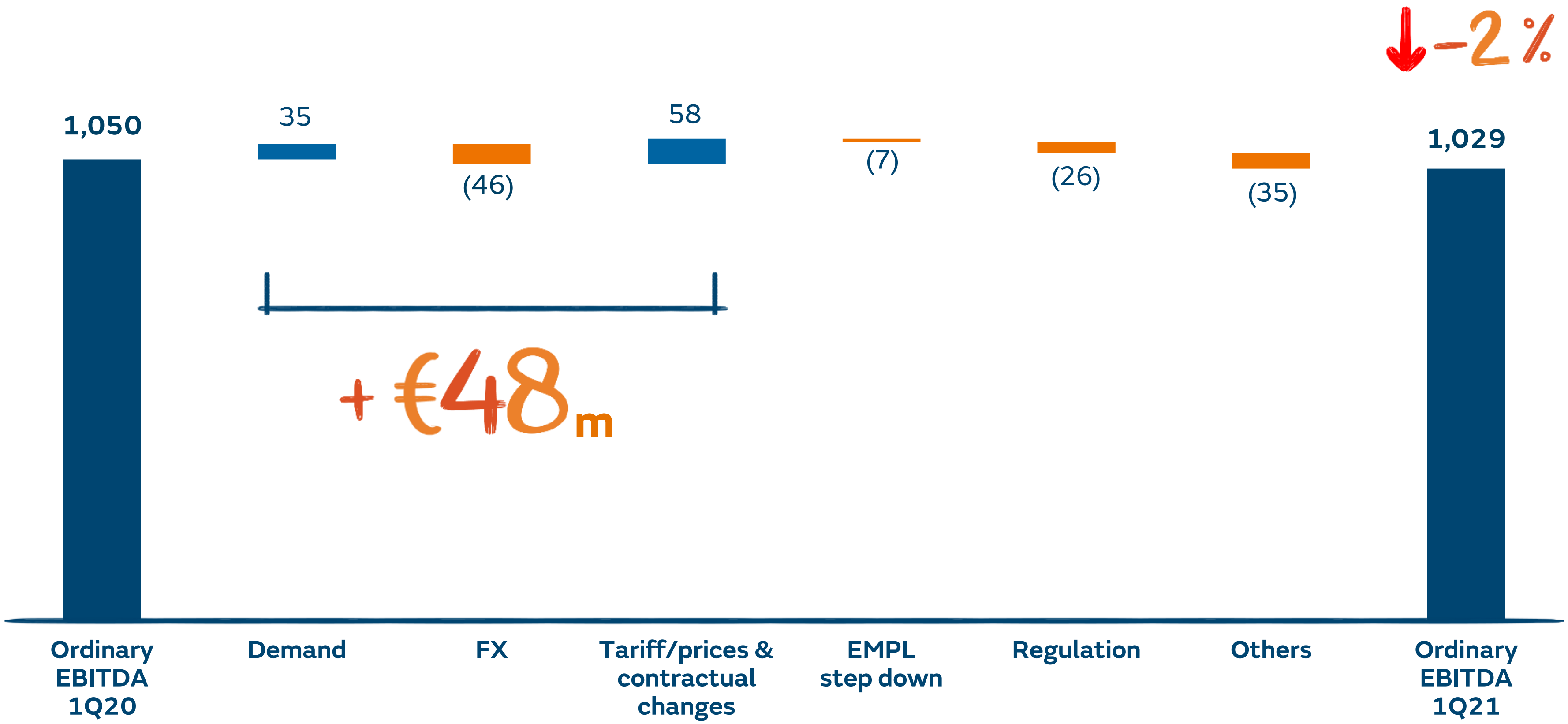
Ordinary Net income
323 +4%

Capex
196

CF from operations
770

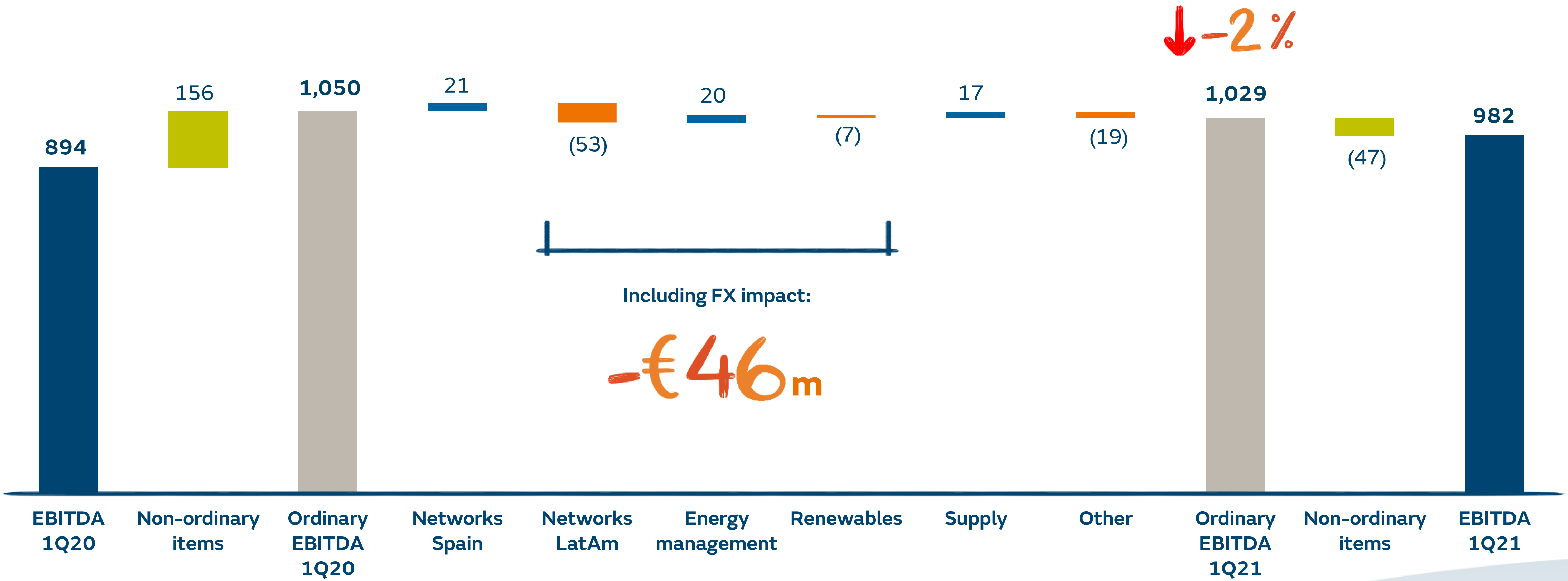
Resilient results despite ongoing FX weaknesses

Ordinary EBITDA evolution by key drivers (€m)



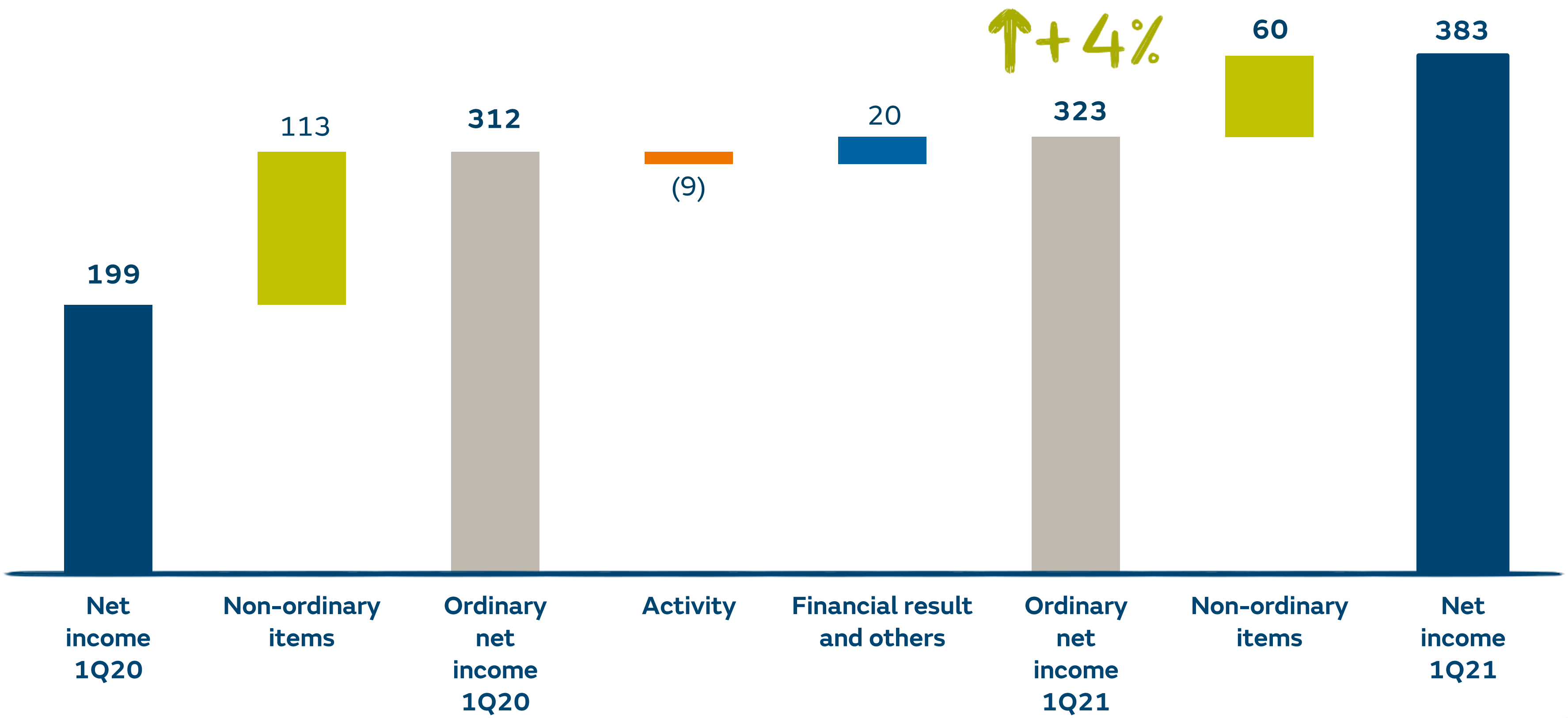
Stable results despite ongoing pandemic

EBITDA evolution by business unit (€m)



Recovery slightly held back by LatAm and FX

Net Income evolution (€m)



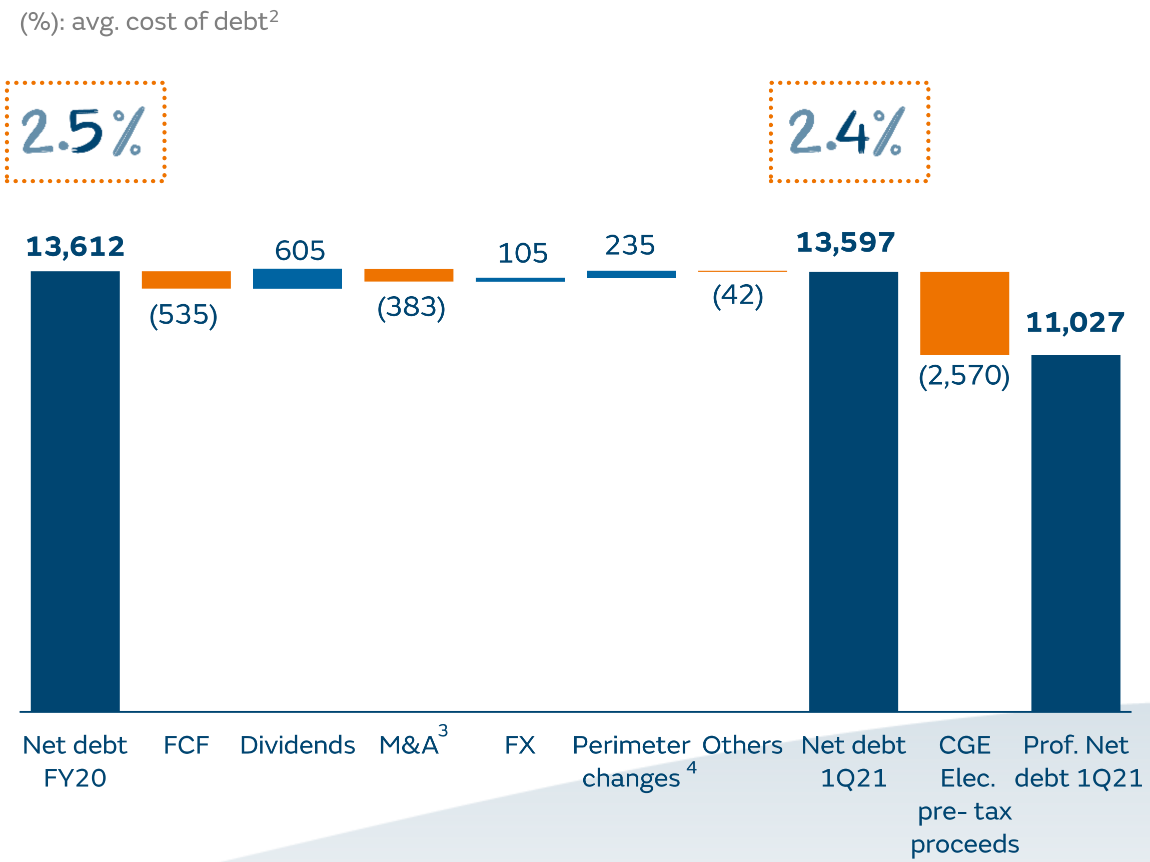
Stable activity coupled with continued financial optimization

Cash flow and net debt evolution (€m)

Cash flow

	1Q21	vs. 1Q20
Ordinary EBITDA	**1,029**	**-2%**
Non-ordinary items	(47)	
EBITDA	**982**	**-10%**
Taxes	58	
Net interest cost	(122)	
Other non-cash items	(37)	
Funds from operations	**881**	**+34%**
Change in working capital	(111)	
Cash flow from operations	**770**	**-40%**
Capex[1]	(187)	
Dividends to minorities	(23)	
Divestments & Other	(25)	
Free cash flow	**535**	**-34%**

Net debt



Stable net debt after dividend payment

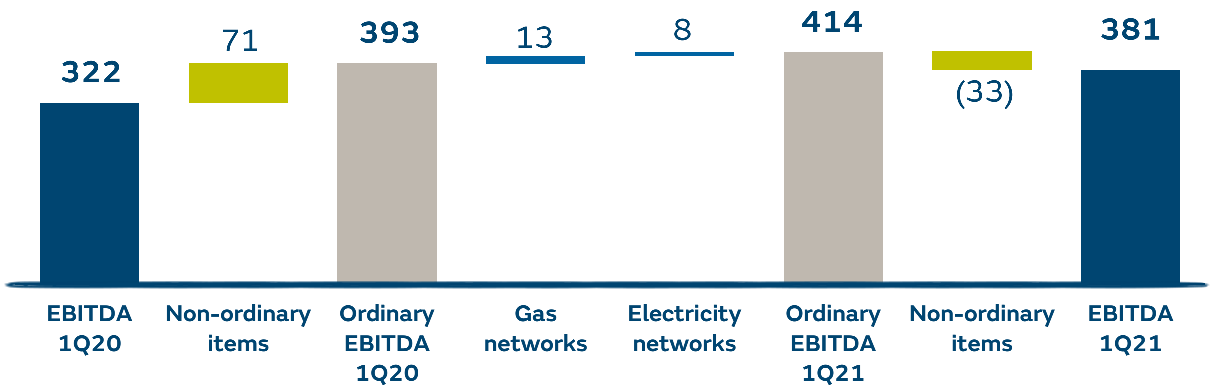
Notes:
1. Net of cessions and contributions
2. Does not include cost from IFRS 16 debt
3. Includes the acquisition of Renewables US (€49m) and UFG (-€432m)
4. Mainly related to UFG agreement completion

04

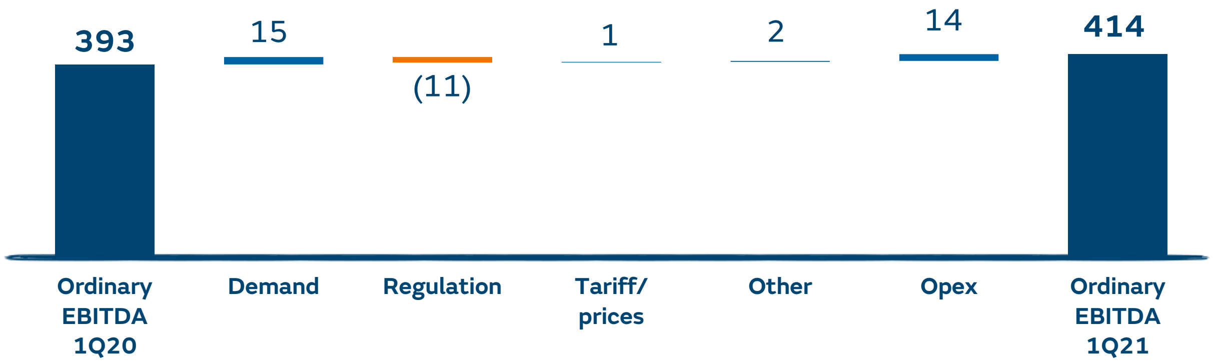
Results by business unit

Networks Spain

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

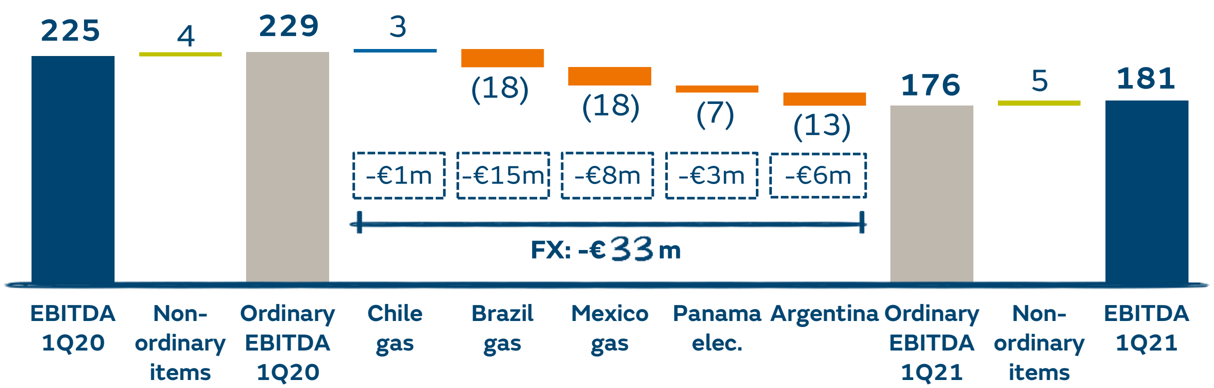
- **Gas networks:** operational improvements partially offset by new regulatory framework
- **Electricity networks:** growth driven by investment and efficiencies

€48m capex, of which **~90%** remunerated

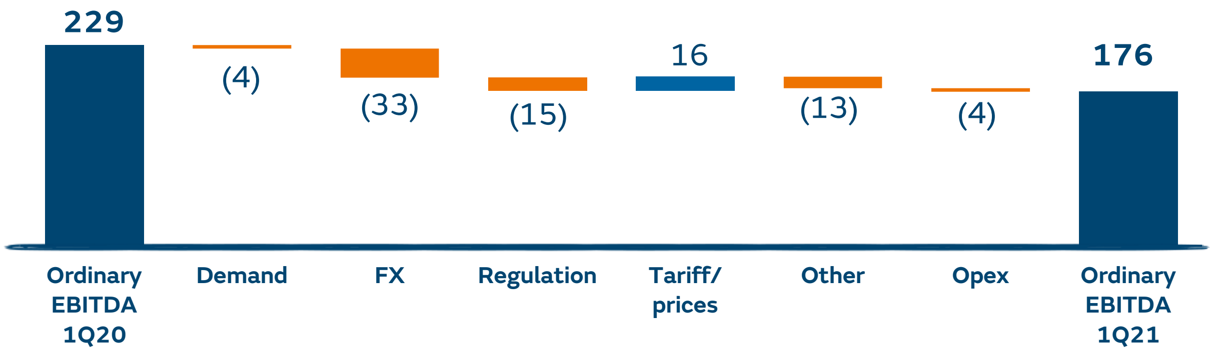
Operational improvements partly offset by new regulatory frameworks

Networks LatAm

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

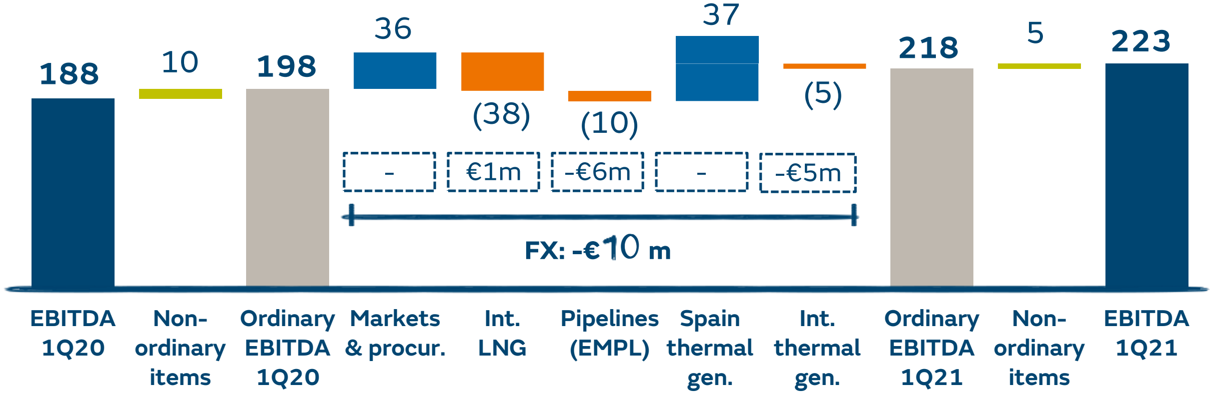
- **Chile gas:** higher demand in gas distribution partly offset by lower margins in supply
- **Brazil gas:** tariff updates staggered throughout the year, not compensating FX weakness
- **Mexico gas:** delayed tariff updates and lower margins vs. 1Q20
- **Panama electricity:** lower demand due to extended confinement measures and lower temperatures
- **Argentina:** FX not compensated with tariff updates

€40m capex, of which **~95%** remunerated

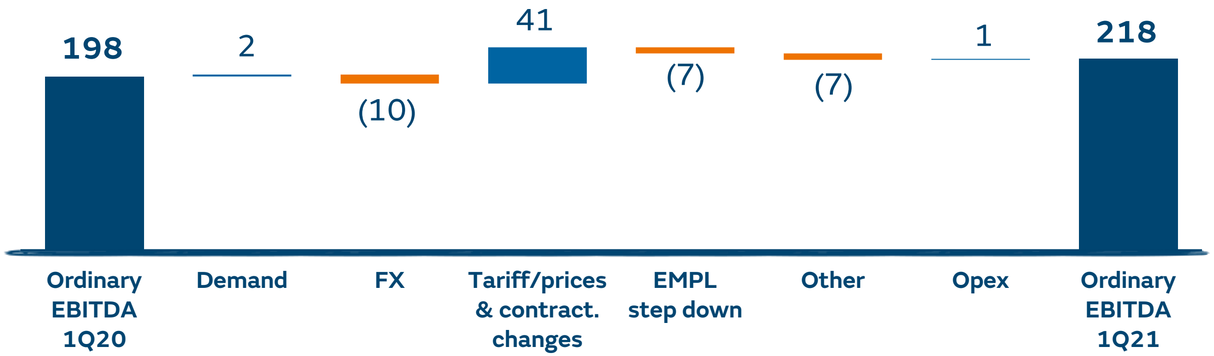
Tariff updates not enough to compensate for FX and demand weakness

Energy management

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

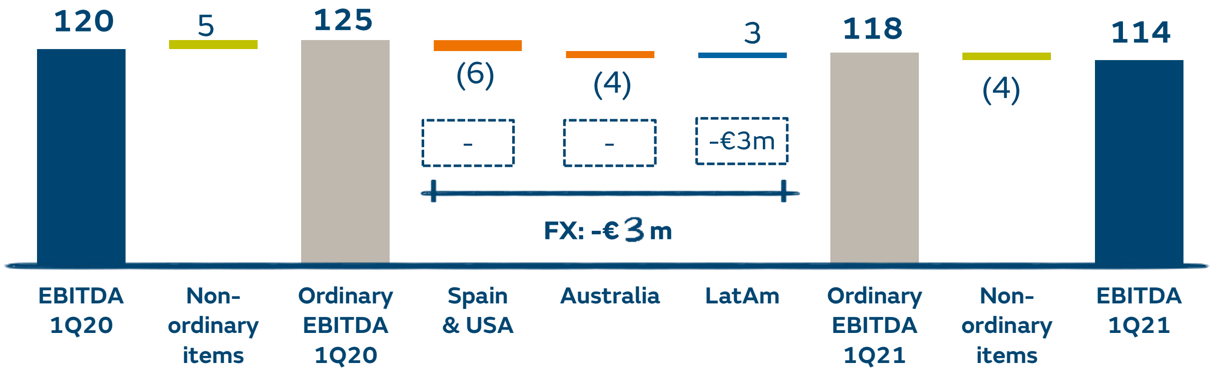
- **Markets and procurement:** improved gas procurement and scenario
- **International LNG:** price recovery not translated into margins due to significant weight of contracted sales
- **Pipelines (EMPL):** tariff updates offset by capacity step down and US$ depreciation
- **Spain thermal generation:** higher margins in CCGTs mainly driven by higher gas prices
- **International thermal generation:** lower margins on PPA production due to lower availability in Mexican CCGTs, as well as lower excess sales

€18m capex, of which **~15%** remunerated

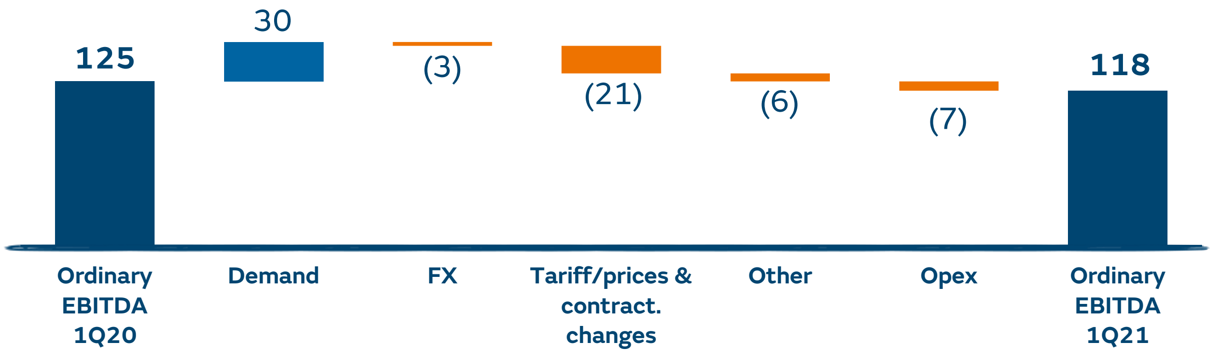
Structural challenges persist amid signs of improvement in scenario

Renewables

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

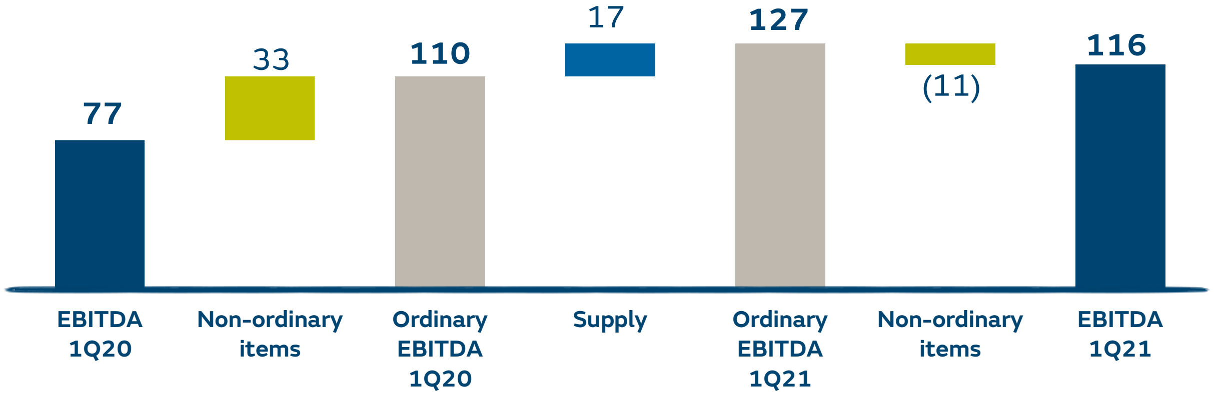
- **Spain:** higher wind and hydro resource offset by higher taxes
- **Australia:** lower margins on quarterly mark to market of existing PPAs vs. 1Q20
- **LatAm:** new wind and solar projects coming into operation in Chile, offset by lower wind resource in Mexico
- **USA:** progressing on greenfield PV/batteries project developments

€63m capex, of which **~95%** remunerated

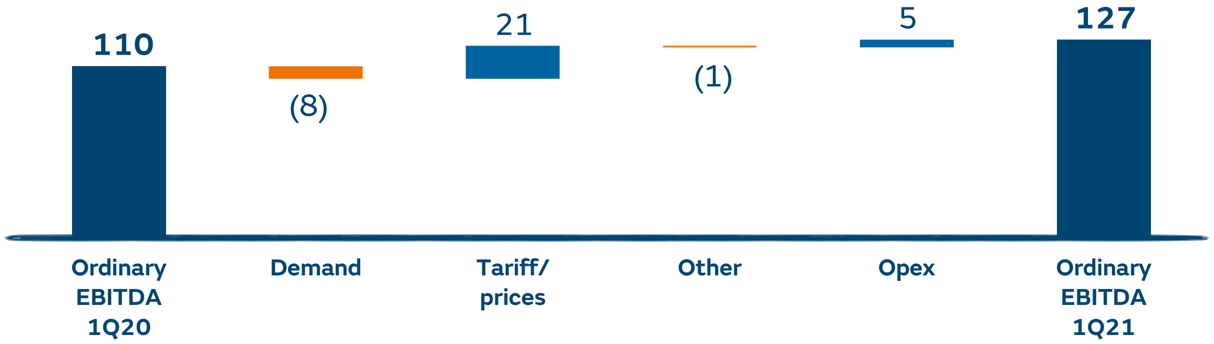
Renewable capacity additions to gradually increase its contribution

Supply

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- **Gas supply:** mild recovery of gas margins offset by lower sales to wholesale Europe
- **Power supply:** lower sales to SMEs and increased margin pressure on industrial segment. Signing of PPAs with Spanish corporates for an aggregate of 600Gwh/year

€22m **capex**, of which **~100%** remunerated

Roll out of transformation initiatives to regain competitiveness

05

Summary

1. Networks Spain remained solid while LatAm and FX weakness persisted
2. Structural challenges persist in energy management amid signs of improvement in scenario
3. Growth in renewable installed capacity in stable geographies with strong currencies
4. Roll out of transformation initiatives in supply to regain competitiveness
5. UFG agreement completed and CGE Electricidad disposal completion expected in 2Q21

Resilient quarter and ongoing portfolio optimization

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
		31 March 2021	31 March 2020	
EBITDA	Operating profit	Euros 982 million	Euros 894 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary EBITDA	EBITDA - Non-ordinary items	Euros 1,029 million = 982 + 47	Euros 1,050 million = 894 + 156	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 323 million = 383 - 60	Euros 312 million = 199 + 113	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 196 million = 39 + 157	Euros 201 million = 26 + 175	Realized investments in property, plant & equipment and intangible assets
Net Investments (net CAPEX)	CAPEX - Other proceeds/(payments) of investments activities	Euros 187 million = 196 - 9	Euros 190 million = 201 – 11	Total investments net of the cash received from divestments and other investing receipts
Gross financial debt	Non-current financial liabilities + "Current financial liabilities"	Euros 17,639 million = 15,234 + 2,405	Euros 17,539 million[1] = 14,968 + 2,571	Current and non-current financial debt

Note:
1. As of 31/12/2020

Naturgy

Alternative Performance Metrics (ii/ii)

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		31 March 2021	31 March 2020	
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets"	Euros 13,597 million = 17,639 – 4,036 - 6	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")	54.7% = 13,597 / (13,597 + 11,243)	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 120 million = 122 - 2	Euros 123 million = 128 - 5	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	8.2x = 982 / 120	6.9x[1] = 3,449 / 498	Ratio between EBITDA and net financial debt
Net financial debt/LTM EBITDA	Net financial debt / Last twelve months EBITDA	3.8x = 13,597 / 3,537	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 535 million = 313 + 605 + 0 - 383	Euros 809 million = 54 + 571 + 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 313 million = 770 + 153 - 810 + 200	Euros 54 million = 1,275 – 413 – 690 – 118	Cash flow generated by the Company available to pay the debt

Note:
1. As of 31/12/2020

ESG Metrics

ESG metrics		1Q21	1Q20	Change	Comments
Health and safety					
Accidents with lost time[1]	units	4	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	0.19	0.04	-	
Environment					
GHG Emissions	M tCO2 e	2.9	3.8	-22.9%	Higher renewable and lower thermal production in the period
Emission factor	t CO2/GWh	229	294	-22.1%	
Emissions-free installed capacity	%	34.4%	30.2%	14.2%	New renewable capacity coming into operation in Chile, as well as the shutdown of the coal capacity in June 2020
Emissions-free net production	%	45.7%	37.8%	21.0%	Higher production in all renewable technologies
Interest in people					
Number of employees	persons	8,372	9,537	-12.2%	Perimeter changes and workforce optimization
Training hours per employee	hours	3.8	4.4	-15.0%	COVID-19 crisis has obliged to restructure the training programs, with a growing relevance of on-line training, with temporary impacts in workforce training
Women representation	%	31.3%	32.0%	-2.2%	Slight reduction as a consequence of higher women representation in companies exiting the consolidation perimeter
Society and integrity					
Economic value distributed	€m	4,906	4,971	-1.3%	Economic value distributed in line with last year's figure, and equivalent to 4.8x ordinary EBITDA
Notifications received by the ethics committee[3]	units	29	25	16.0%	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

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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).

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