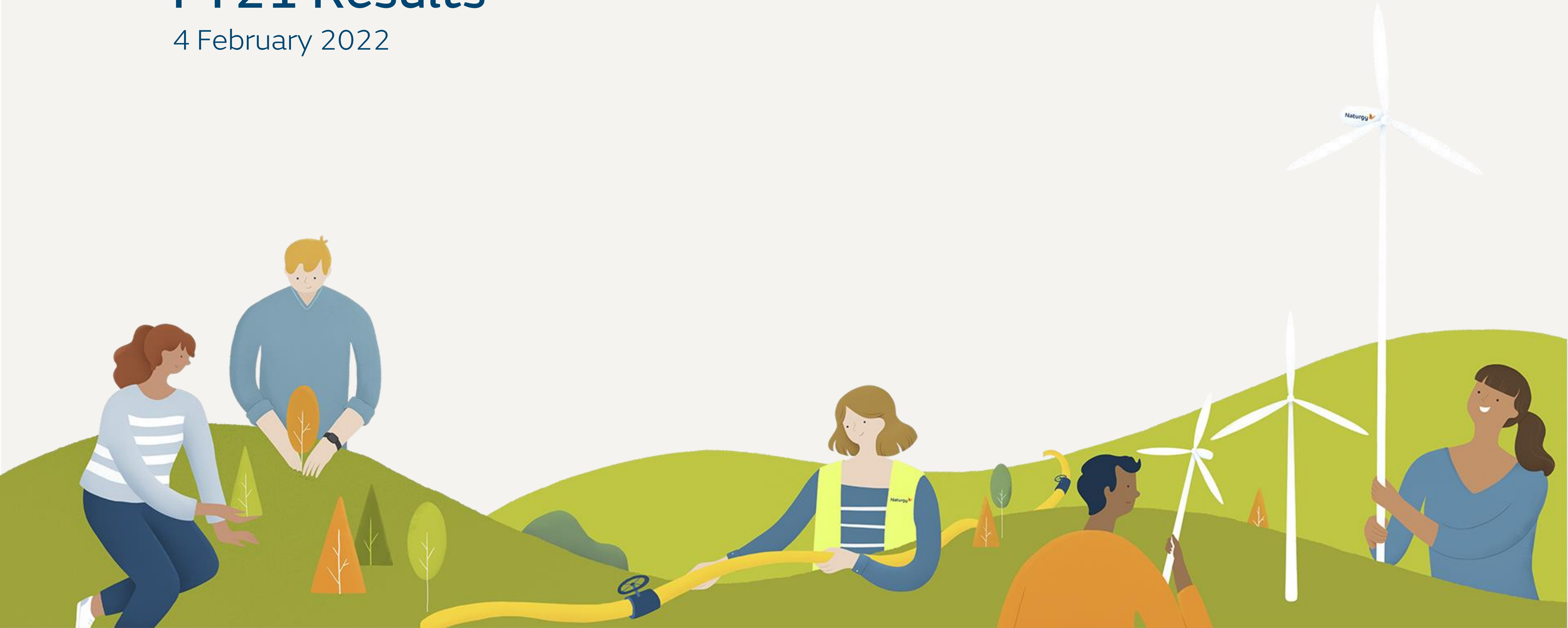
FY21 Results

4 February 2022



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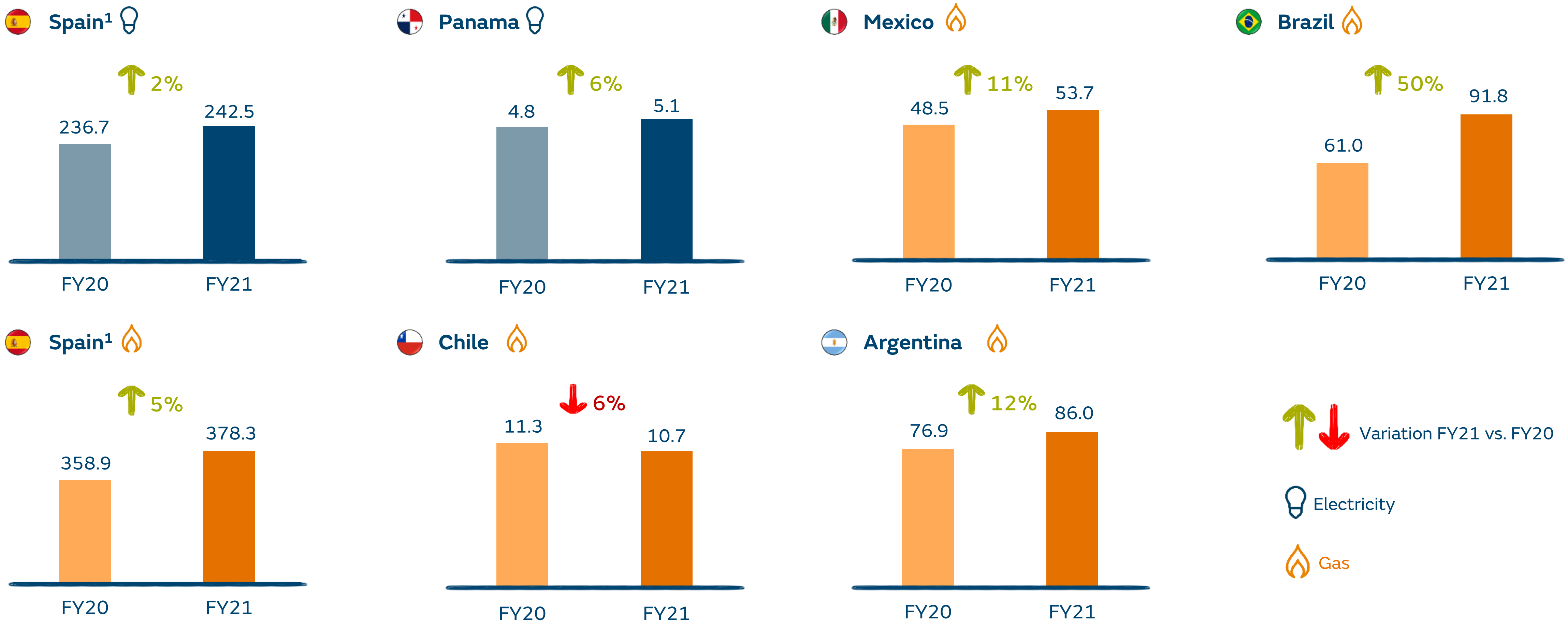
Scenario

Energy demand evolution (TWh)



Ongoing recovery of energy demand

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

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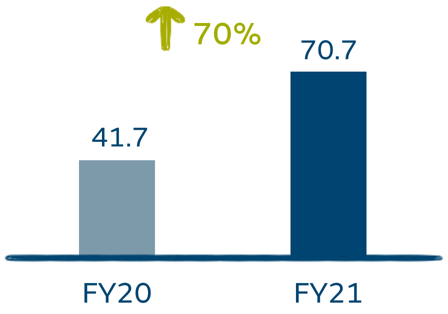
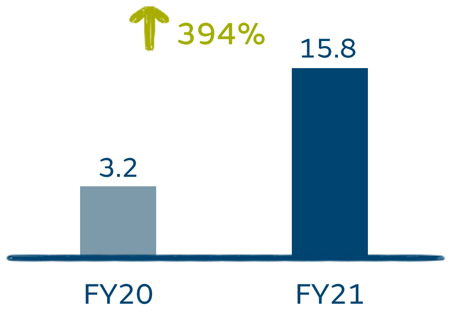
Energy markets evolution

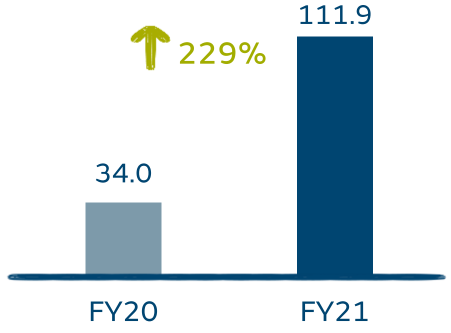
Brent (USD/bbl)



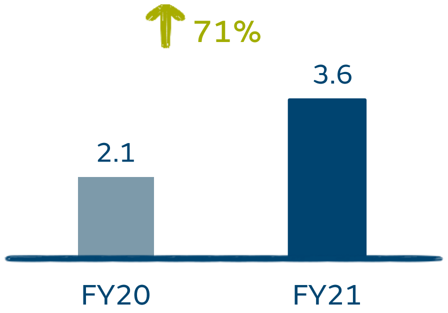
NBP (USD/MMBtu)



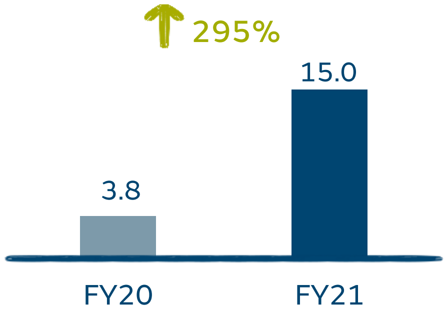
Spanish electricity market (Pool) (€/MWh)



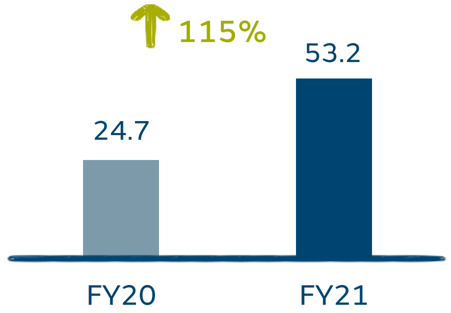
Henry Hub (USD/MMBtu)



JKM (USD/MMBtu)



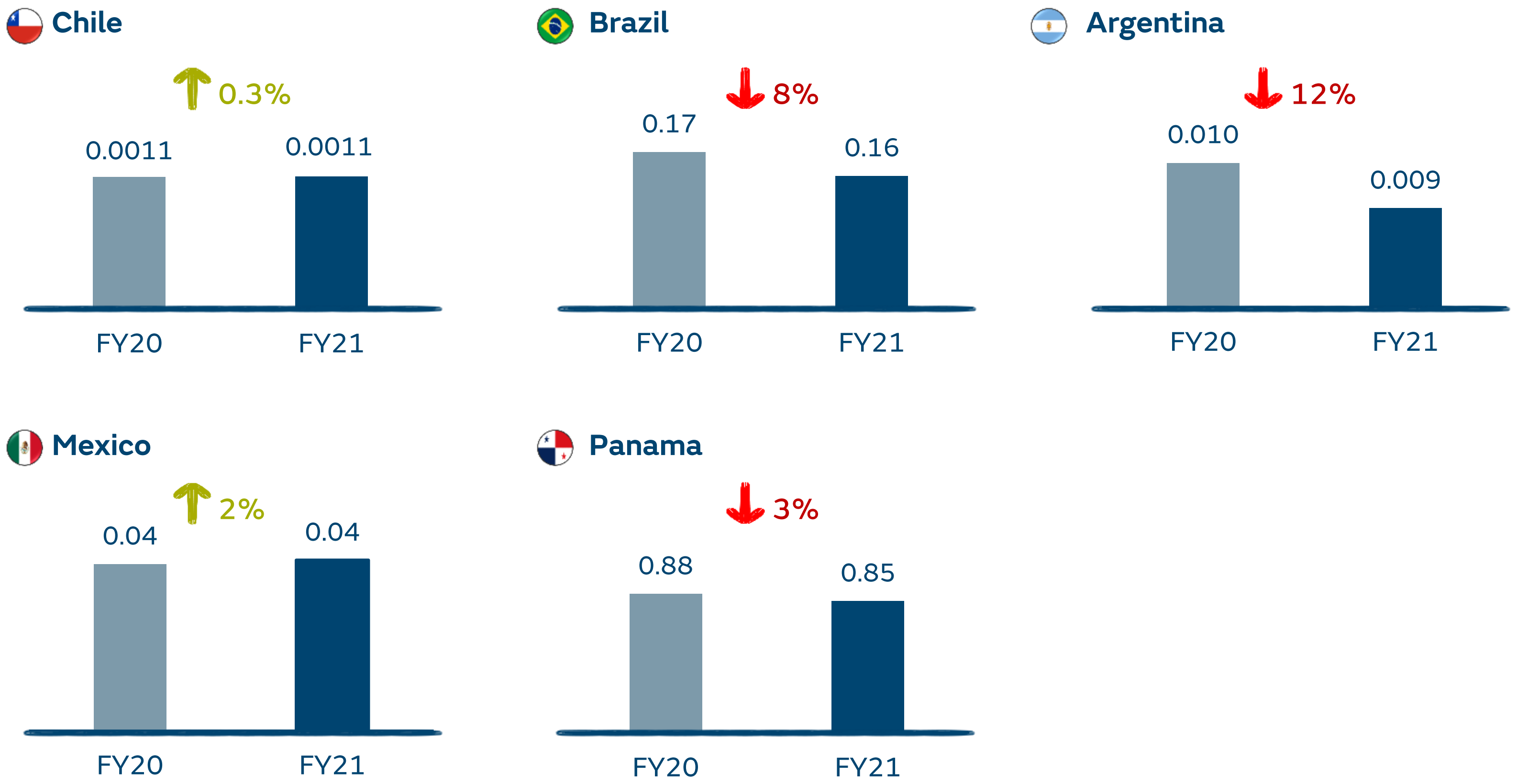
CO_2 (€/t)



Significant rise of commodity prices, notably during 2H21

Source: Bloomberg, OMIE

FX evolution



LatAm currencies depreciation pace moderated in 2021

Source: Bloomberg

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Consolidated results

Non-ordinary items & FX impact

Non-ordinary items

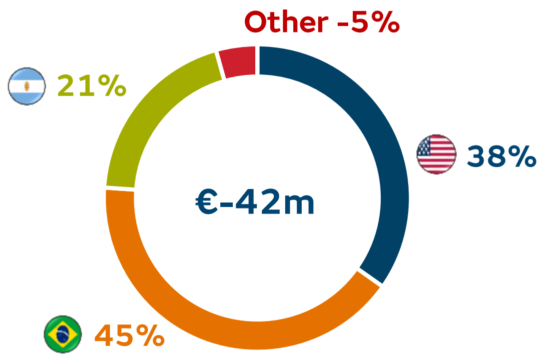
EBITDA

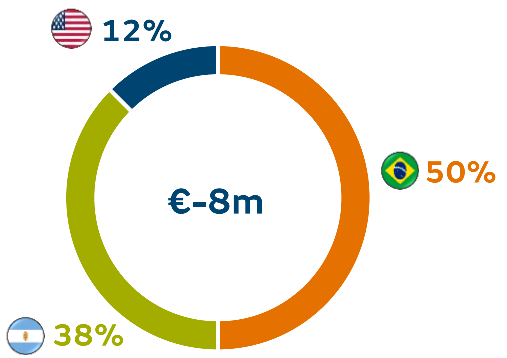
€m	FY21	FY20
Restructuring costs	(410)	(197)
Regulatory fines	-	(1)
Provisions reversal	6	37
Sales of land and buildings	5	7
Procurement agreement	36	(94)
Lean transformation costs	(39)	-
Taxes (hydro canon sentence)	188	-
Withdrawal costs of onerous contracts (gas clients)	(234)	-
Other	(6)	(17)
Total	**(454)**	**(265)**

Net income

€m	FY21	FY20
Restructuring costs	(291)	(144)
Asset write-down	(11)	(1,019)
Provisions reversal	4	28
Sales of land and buildings	3	5
Procurement agreement	28	(76)
Lean transformation costs	(27)	
Taxes (hydro canon sentence)	164	
Withdrawal costs of onerous contracts (gas clients)	(176)	
UFGas agreement	127	
Interest sales and corporate transactions	4	10
Discontinued operations	113	17
Other	45	(40)
Total	**(17)**	**(1,219)**

FX impact





Non-ordinary items corresponding mostly to restructuring costs

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Key highlights

1. Gradual recovery of energy demand and significant rise of commodity prices, most notably during 2H21
2. Regulated activities remained stable supported by ongoing recovery of energy demand
3. Merchant activities affected by the volatile scenario and rising energy prices with transitory impacts
4. Net debt reduction offset by above average working capital consumption amid volatile scenario
5. UFG agreement and CGE Electricidad disposal completed

Key figures (€m)

Ordinary EBITDA	Ordinary Net income	Capex	CF from operations
3,983	1,231	1,484	1,001

2021 Ordinary EBITDA above guidance

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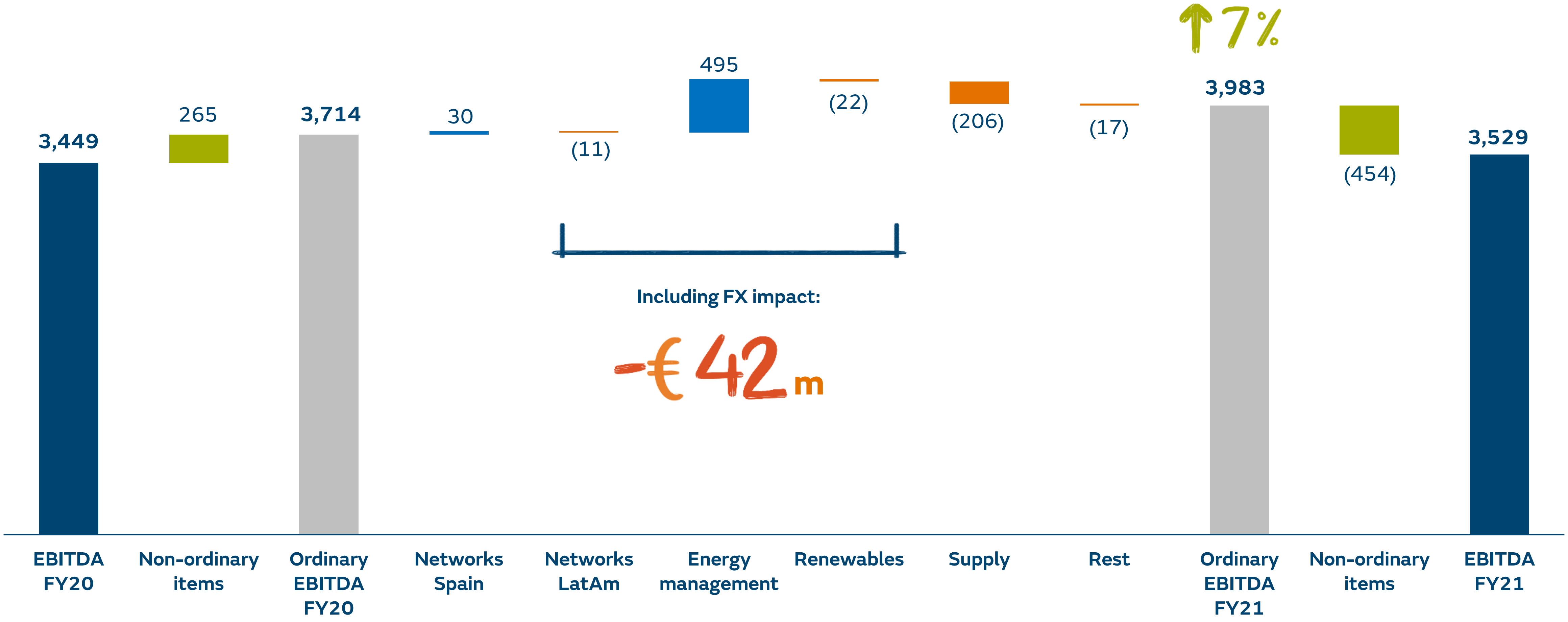
EBITDA evolution by business unit (€m)



Energy management in international markets offset by supply activities in Spain

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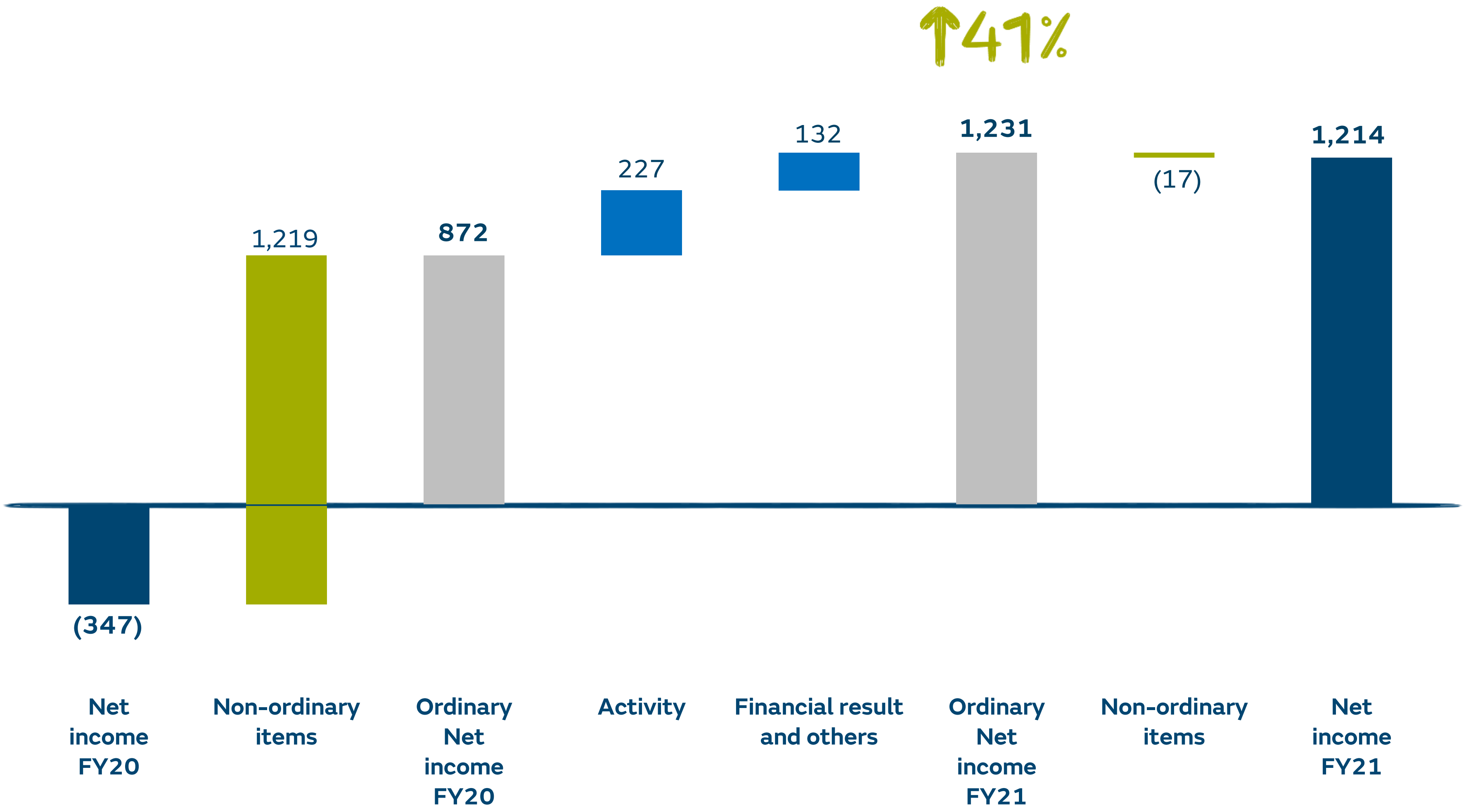
Net income evolution by business unit (€m)



Net income growth mainly driven by scenario and optimizations

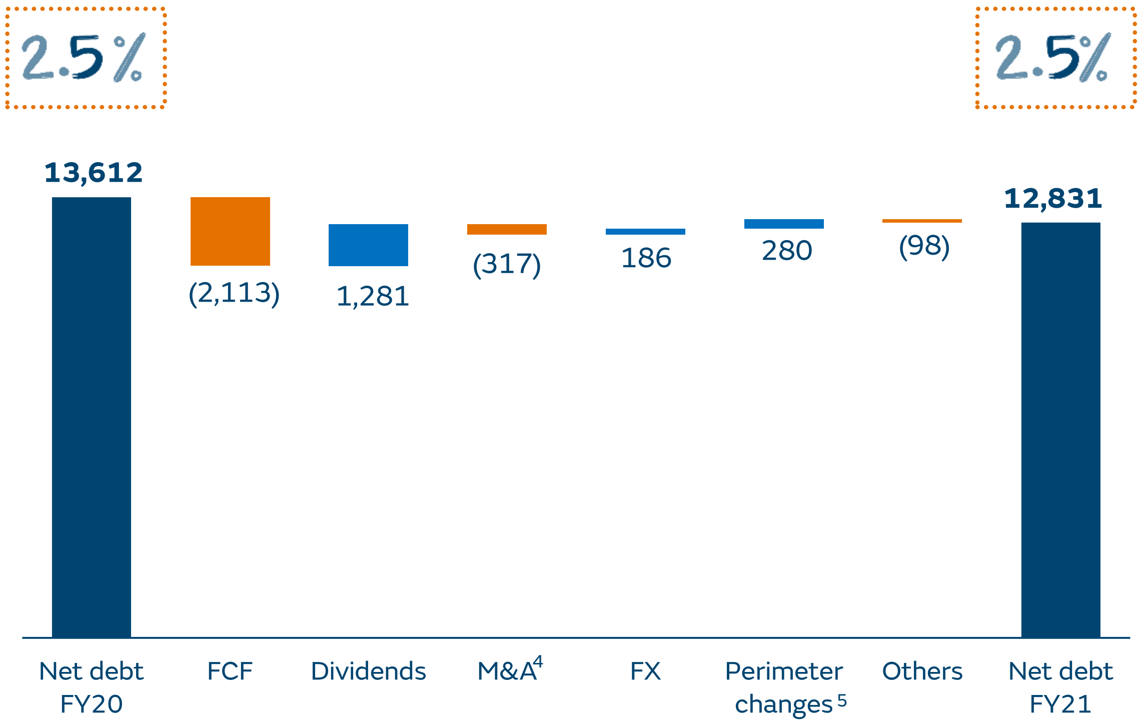
Cash flow and Net debt evolution (€m)

Cash flow

	FY21
Ordinary EBITDA	**3,983**
Non-ordinary items	(454)
EBITDA	**3,529**
Taxes	(864)
Net interest cost	(394)
Other non-cash items	(153)
Funds from operations	**2,118**
Change in working capital	(1,117)
Cash flow from operations	**1,001**
Capex[1]	(1,423)
Dividends to minorities	(429)
Divestments & Other[2]	2,964
Free cash flow	**2,113**

Net debt

(%): avg. cost of debt[3]



Net debt reduction offset by above average working capital consumption in 4Q21

Notes:
1. Net of cessions and contributions
2. Including the disposal of CGE Chile
3. Does not include cost from IFRS 16 debt
4. Includes mainly the acquisition of Renewables US (-€49m) and the proceeds from the agreement on UFG (€395m)
5. Mainly related to UFG agreement completion

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Shareholder remuneration FY 2021

DPS (€/sh.)

1st int. 2021	2nd int. 2021	2021 final[1]
August-21	November-21	AGM-22
0.3 Paid	0.4 Paid	0.5 Proposal

Total 2021 dividend: 1.20

Final dividend against 2021 to be paid in 1Q22

Note:
1. Subject to AGM approval

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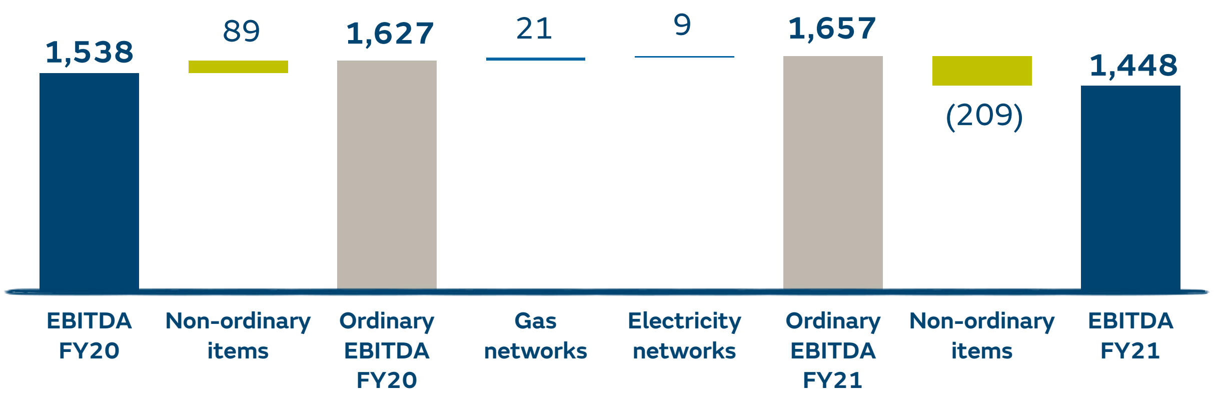
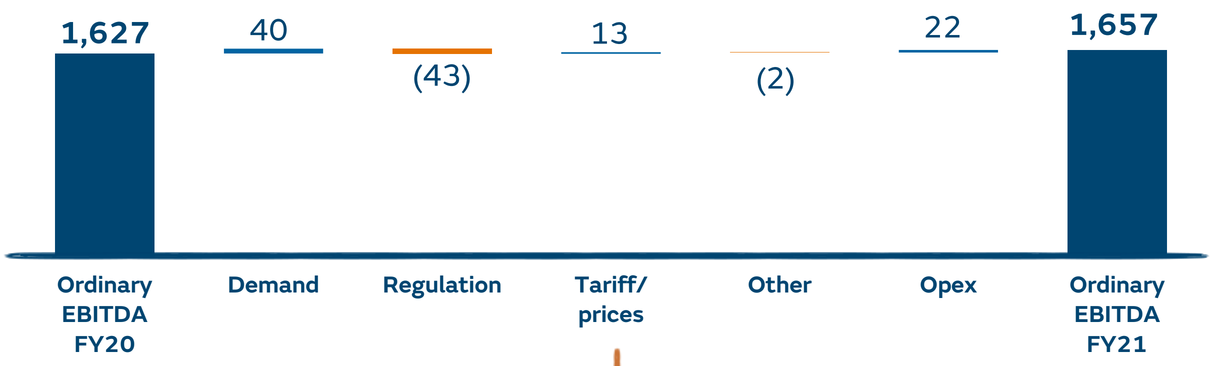
Results by business unit

Networks Spain

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

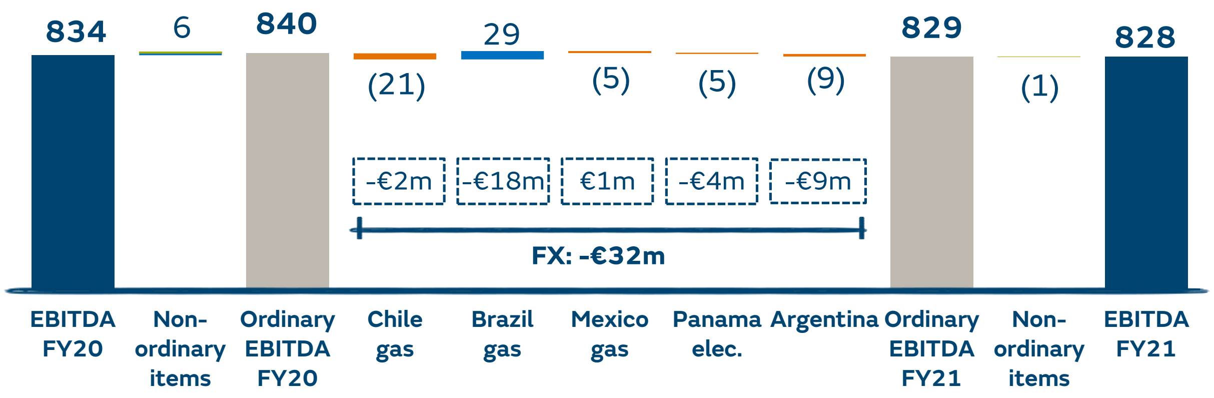
- **Gas networks:** growth driven by higher demand in the industrial segment and operational improvements
- **Electricity networks:** growth supported by investment and efficiencies offset by second year financial remuneration adjustment included in regulatory period 2020-25

€374m capex, of which **~84%** remunerated

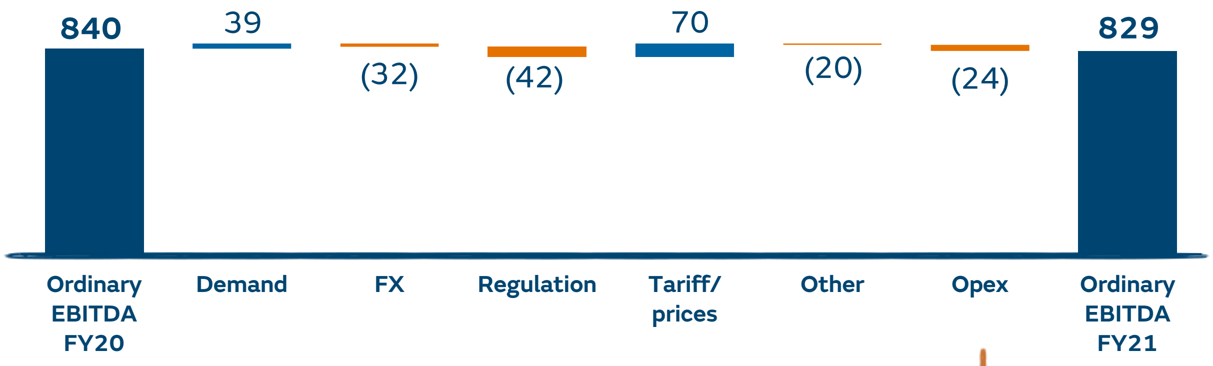
Results supported by recovery of energy demand and operational improvements

Networks LatAm

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

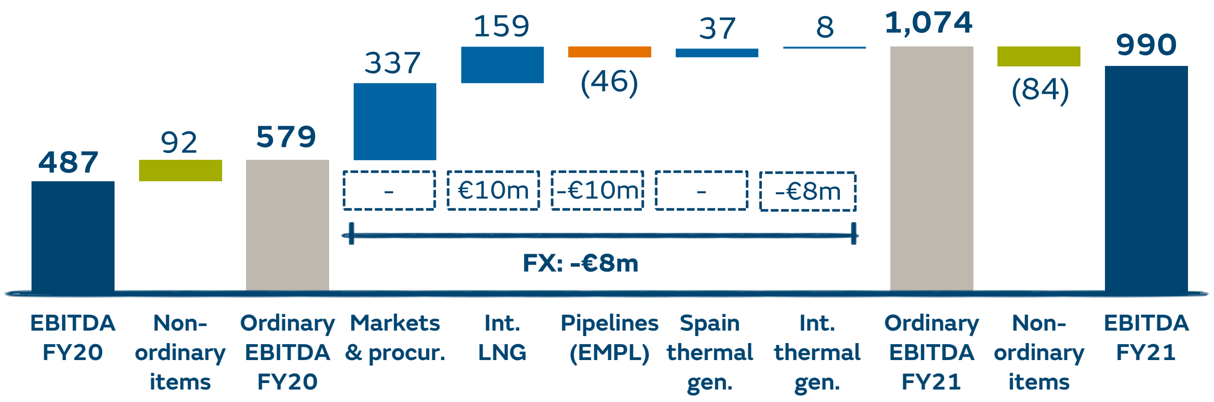
- **Chile gas:** stable results in distribution offset by margin pressure in supply, due to insufficient pass-through of higher gas costs to customers
- **Brazil gas:** higher demand, tariff updates and operational improvements partially offset by FX
- **Mexico gas:** demand recovery offset by delayed tariff updates and FX
- **Panama electricity:** demand recovery despite lower temperatures, offset by tariff decrease per indexation and US$ depreciation
- **Argentina:** demand recovery and tariff updates not enough to compensate for impacts of inflation and FX

€246m capex, of which **~96%** remunerated

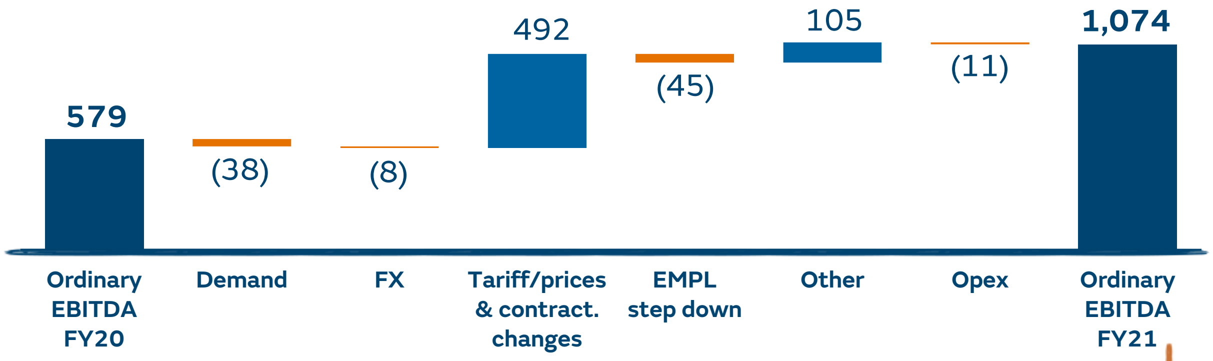
Recovery underway albeit weakness persisting in some regions

Energy management

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- **Markets and procurement:** higher gas prices compared to 2020
- **International LNG:** supportive scenario in recent months limited by contracted sales and hedging
- **Pipelines (EMPL):** termination of EMPL concession in October 2021
- **Spain thermal generation:** limited profitability amid volatile scenario and surging gas prices
- **International thermal generation:** higher margins in Mexico as a result of PPAs and higher electricity prices, offset by US$ depreciation

€98m capex, of which **~11%** remunerated

Supportive scenario for gas sales particularly in 2H21

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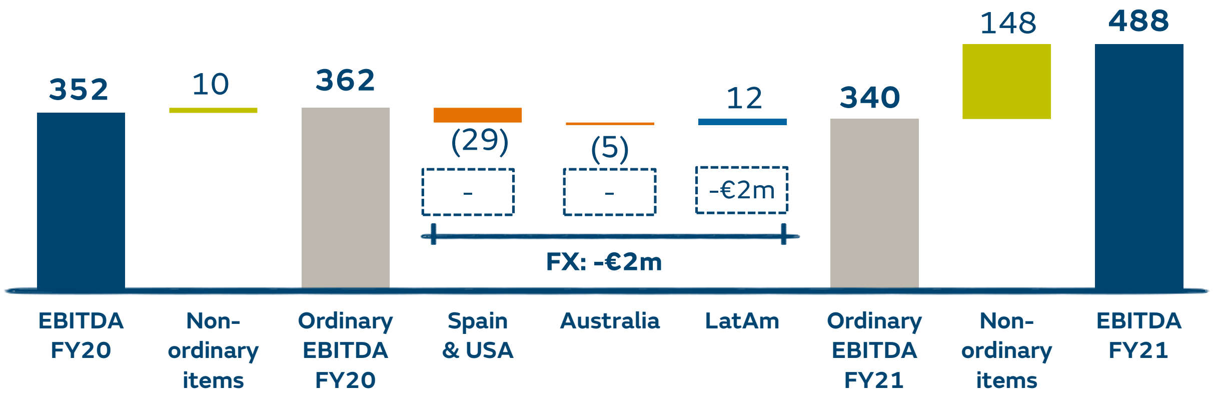
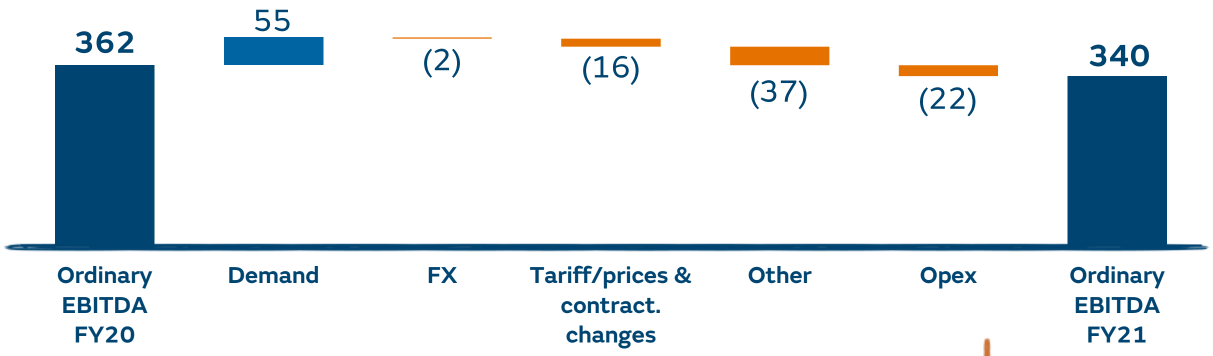
Renewables

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- **Spain:** reduction in bilateral sales price to our supply business
- **Australia:** higher capacity offset by lower margins on mark-to-market of existing PPAs
- **LatAm:** additional capacity into operation in Chile during 2021
- **USA:** proprietary developments underway

€606m capex, of which **~95%** remunerated

New renewable capacity to gradually increase its contribution

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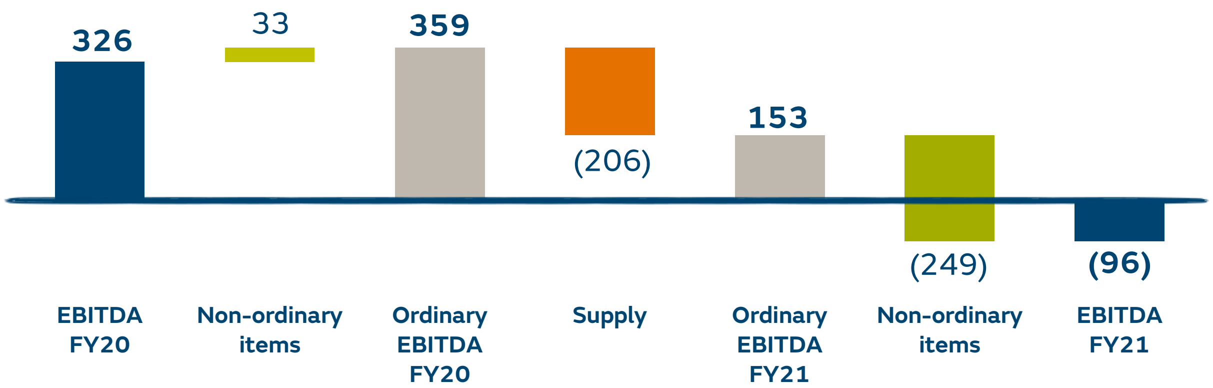
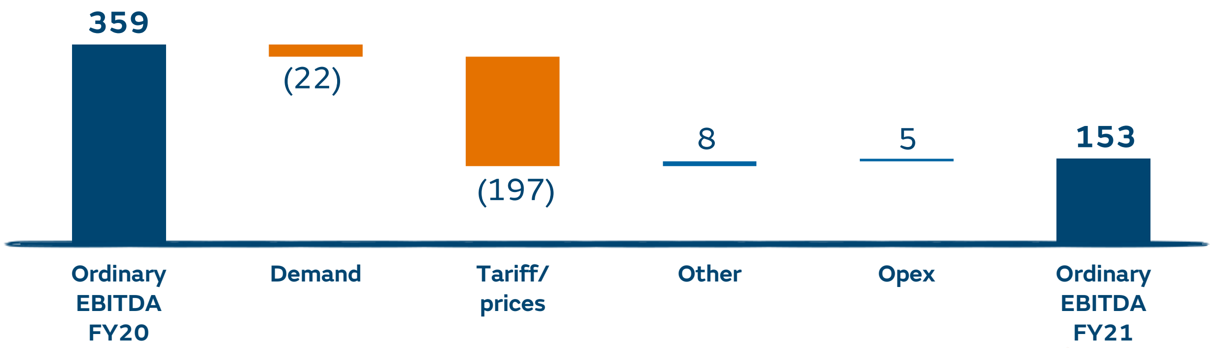
Supply

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- **Gas supply:** margin pressure for gas sales not reflecting rally of gas prices
- **Power supply:** substantially lower margins due to sales which had to be backed by buys in the pool

€136m capex, of which **~83%** remunerated

Supply affected by contracts with customers not reflecting the increase in gas and electricity procurement costs

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Summary

Summary

1. Regulated activities remained stable supported by ongoing recovery of energy demand
2. Energy management in international markets offset by supply activities in Spain
3. Supply impacted by contracts with end customers not reflecting the increase of gas and electricity prices in major hubs
4. Presence across the value chain and risk management were key to navigate ongoing volatility and its transitory impacts on the various activities
5. Net debt reduction offset by above average working capital consumption in 4Q21

2021 Ordinary EBITDA above guidance amid volatile scenario

Appendix

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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 December 2021	31 December 2020	
EBITDA	Operating profit	Euros 3,529 million	Euros 3,449 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary EBITDA	EBITDA - Non-ordinary items	Euros 3,983 million = 3,529 + 454	Euros 3,714 million = 3,449 + 265	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
OPEX	Personnel costs + own work capitalized + other operating expenses (Taxes not included)	Euros 2,171 million = 940 + 77 + 1,315 - 161	Euros 1,682 million = 798 + 77 + 1,180 - 373	Amount registered in the income statement corresponding to operating expenses excluding taxes
Ordinary Net income	Attributable net income of the period - Non-ordinary items	Euros 1,231 million = 1,214 + 17	Euros 872 million = -347 + 1,219	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 1,484 million = 288 + 1,196	Euros 1,279 million = 187 + 1,092	Realized investments in property, plant & equipment and intangible assets
Net Investments (net CAPEX)	CAPEX - Other proceeds/(payments) of investments activities	Euros 1,423 million = 1,484 - 61	Euros 1,228 million = 1,279 - 51	Total investments net of the cash received from divestments and other investing receipts

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Alternative Performance Metrics (ii/ii)

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		31 December 2021	31 December 2020	
Gross financial debt	Non-current financial liabilities + "Current financial liabilities"	Euros 16,812 million = 15,114 + 1,698	Euros 17,539 million = 14,968 + 2,571	Current and non-current financial debt
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets"	Euros 12,831 million = 16,812 – 3,965 – 16	Euros 13,612 million = 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")	59.1% = 12,831 / (12,831 + 8,873)	54.7% = 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 491 million = 510 – 19	Euros 498 million = 515 – 17	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	7.2x = 3,529 / 491	6.9x = 3,449 / 498	Ratio between EBITDA and cost of net financial debt
Net financial debt/EBITDA	Net financial debt / EBITDA	3.6x = 12,831 / 3,529	3.9x = 13,612 / 3,449	Ratio between net financial debt and EBITDA
Market cap	Number of shares (in thousands) outstanding at the end of the period * Price at the end of the period	Euros 27,760 million = 969,614 * Euros 28.63	Euros 18,384 million = 969,614 * Euros 18.96	Total enterprise value based on its market cap
Free Cash Flow after minorities	Free Cash Flow + Dividends and other + Acquisitions of treasury shares + Inorganic investments payments	Euros 2,113 million = 1,149 + 1,278 + 3 – 317	Euros 1,626 million = 79 + 1,359 + 184 + 4	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 1,149 million = 1,001 + 1,896 + 0 – 2,851 + 1,103	Euros 79 million = 3,432 – 1,142 - 190 - 388 – 1,633	Cash flow generated by the Company available to pay the debt

ESG Metrics

		FY21	FY20	Change	Comments
Health and safety					
Accidents with lost time[1]	units	8	4	100.0%	Increase in accident ratio as a consequence of the exceptionally low 2020, notably in 1Q20
LT Frequency rate[2]	units	0.10	0.04	-	
Environment					
GHG Emissions[3]	M tCO2 e	13.5	15.5	-12.9%	Growing renewable production (+12.1%) coupled with lower thermal (-1.9%) production in the period
Emission factor	t CO2/GWh	261	297	-12.1%	
Emissions-free installed capacity	%	33.0	29.0	13.8%	New renewable capacity coming into operation in Chile, as well as the shutdown of the coal capacity in June 2020
Emissions-free net production	%	35.4	32.4	9.3%	Higher renewable production
Interest in people					
Number of employees	persons	7,366	9,335	-21.1%	Perimeter changes and workforce optimization
Training hours per employee	hours	28.8	26.6	8.3%	Reinforced training programs, with a growing relevance of on-line format
Women representation	%	32.4	32.9	-1.5%	Slight reduction as a consequence of higher women representation in companies exiting the consolidation perimeter
Society and integrity					
Economic value distributed	€m	22,494	16,235	38.6%	Increase in Economic value distributed following activity growth
Complaints received by the ethics comittee	units	61	80	-23.8%	Complaints within normal parameters, and aligned with the evolution in the number of employees

Notes:
1. In accordance to OSHA criteria
2. Calculated for every 200,000 working hours
3. Scope 1 and 2

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CAPITAL MARKETS

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