



Transforming Together

23 July 2024



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Naturgy



Naturgy



Naturgy
Transforming together

- 
1. 1H24 results
2. Outlook 2024
3. Track record 2021-24
4. Future 2025-30



1

Results 1H24

Naturgy 

Record results amid a more competitive scenario

EBITDA

€2,846m

Net income

€1,043m

Gross investment

€947m

Net debt

€11,838m

> Efficient operational management

- Secured competitive procurement prices
- Higher installed renewable capacity
- Opex reduction despite higher activity and asset base
- Regulatory proactivity

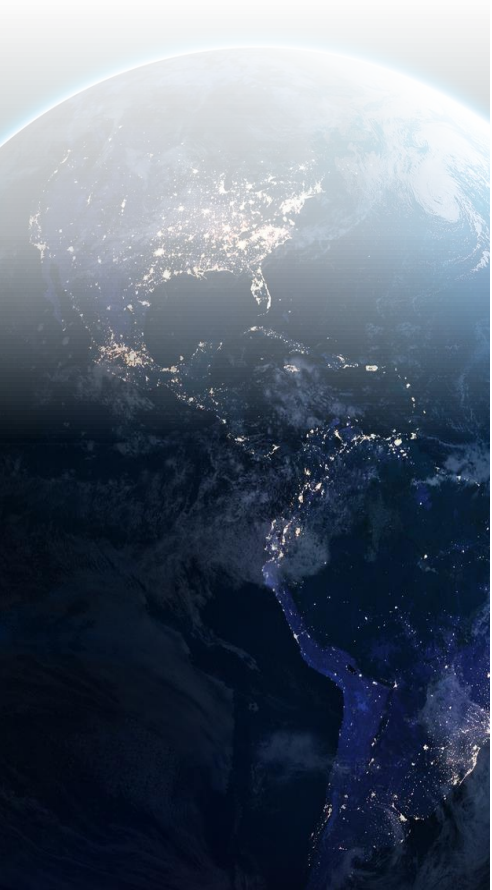
> Forward-looking risk management

- Higher margins in hedged volumes

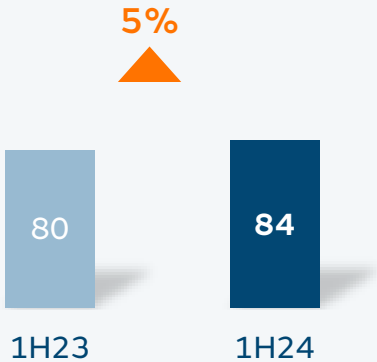
> Capital discipline

- Demanding investment return hurdles
- Efficient debt and liquidity management

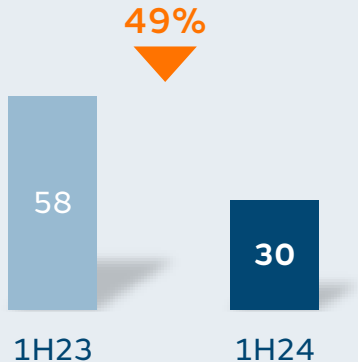
Energy markets evolution



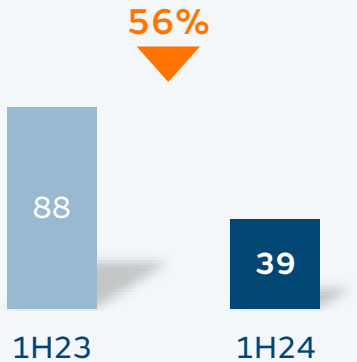
Brent (USD/bbl)



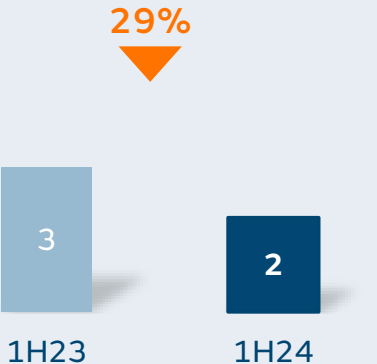
TTF (€/MWh)



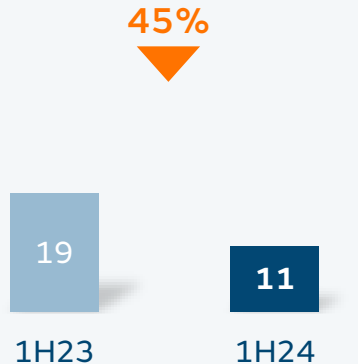
Spanish electricity pool (€/MWh)



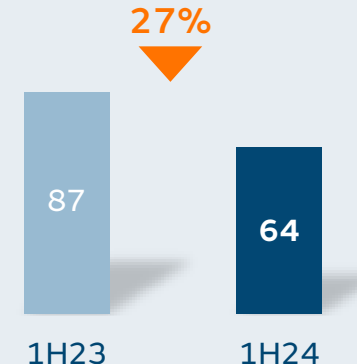
Henry Hub (USD/MMBtu)



JKM (USD/MMBtu)



CO₂ (€/t)



Income statement

€m

	1H24
Net sales	9,071
Procurement	(5,301)
Gross margin	3,770
Opex & levies	(924)
EBITDA	2,846
D&A and others	(990)
EBIT	1,856
Financial result	(159)
Profit before taxes	1,697
Income taxes	(382)
Minorities & others	(272)
Net income	1,043

EBITDA contribution



Distribution	51%
Energy management, Generation and Supply	49%

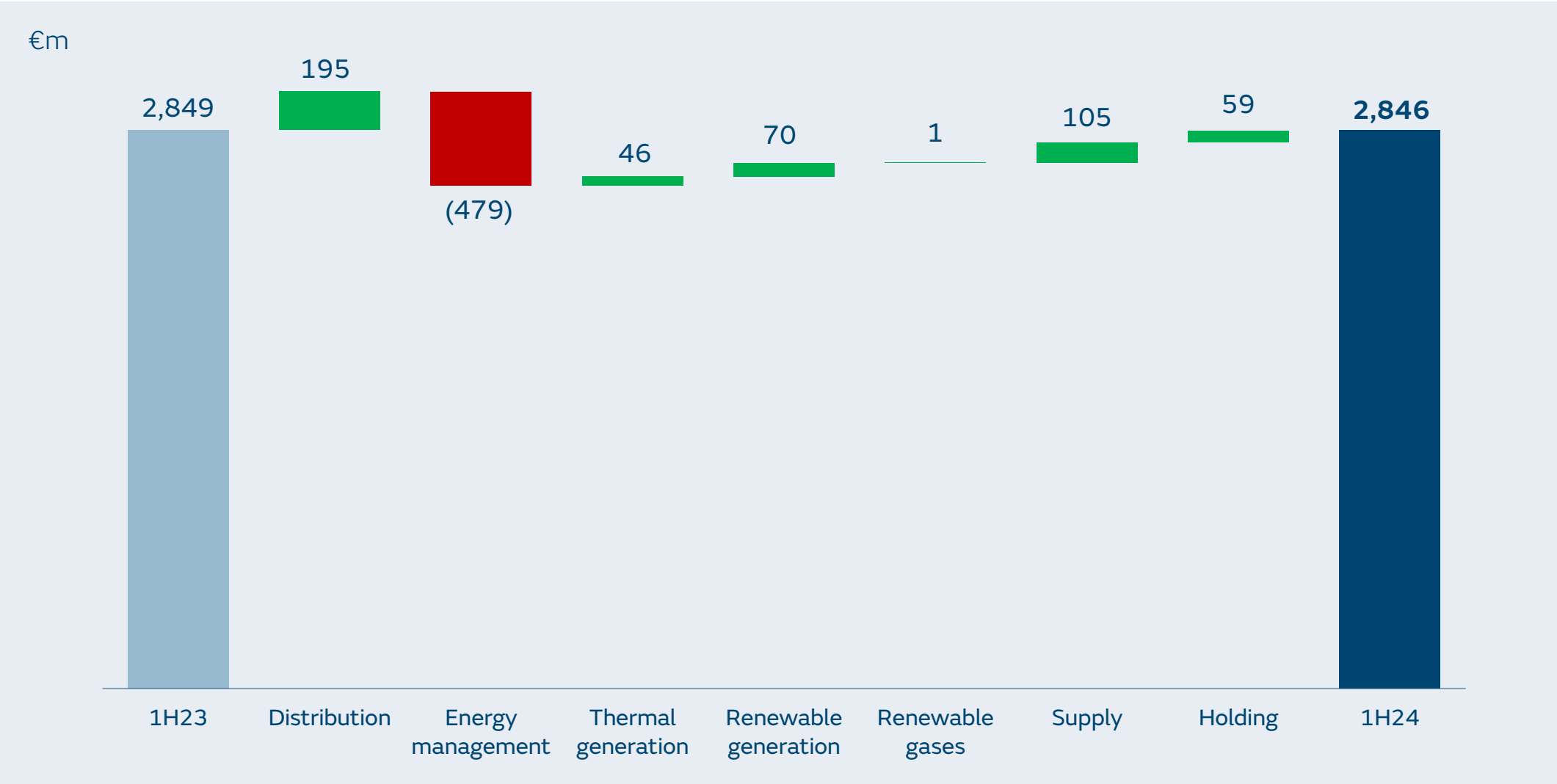


Gas	55%
Electricity	45%



Spain	54%
Rest	46%

EBITDA evolution by business unit



EBITDA evolution by key drivers

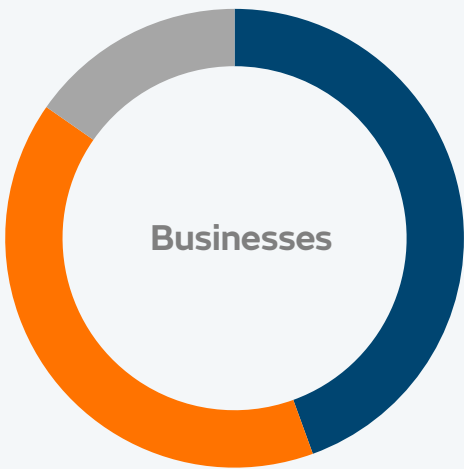


Cash flow evolution

€m

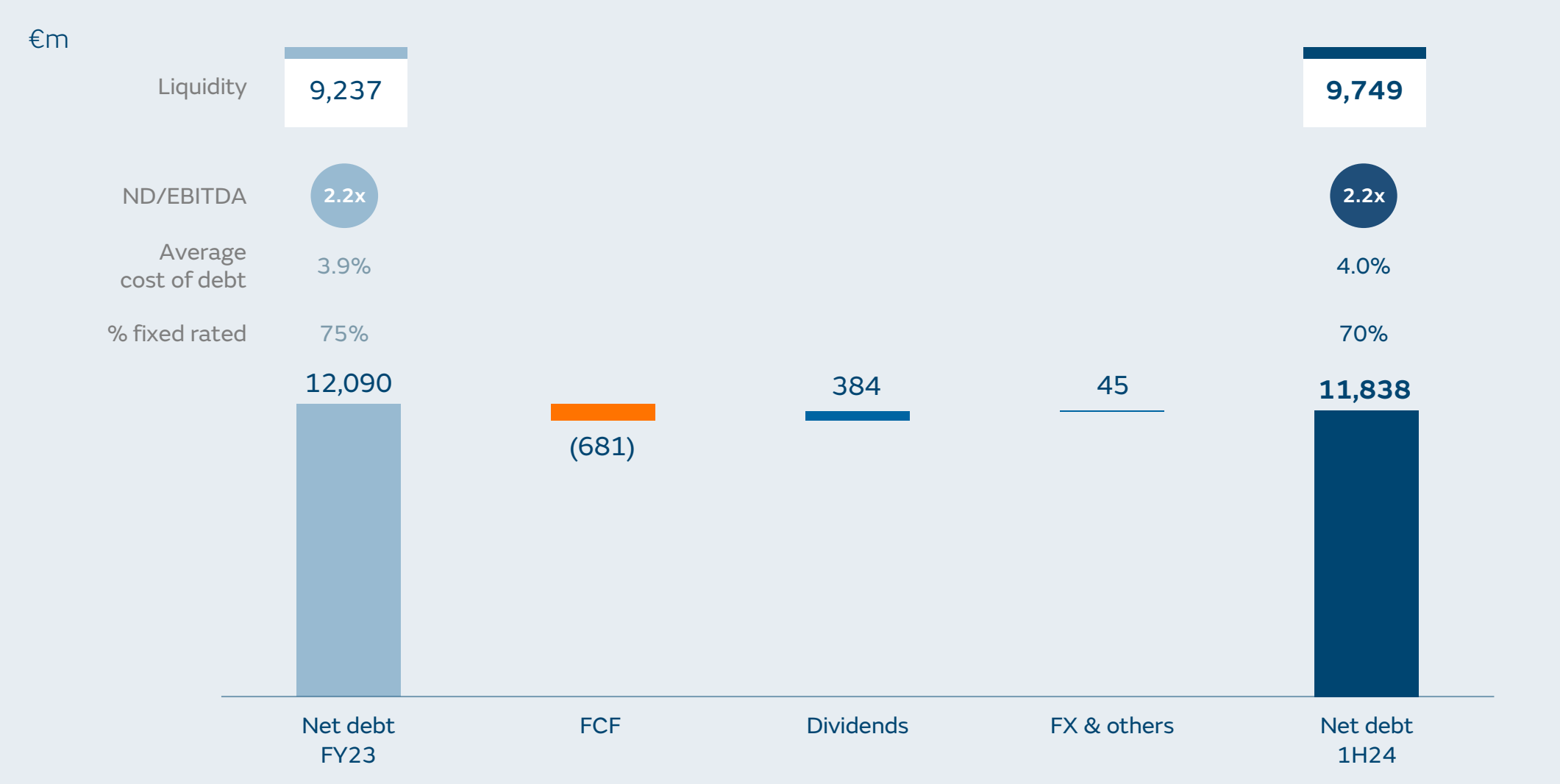
	1H24
EBITDA	2,846
Taxes	(229)
Financial costs	(215)
Non-cash items	(302)
Funds from operations	2,100
Change in working capital	(99)
Cash flow from operations	2,001
Gross investment	(947)
Tax equity, contributions & subsidies	246
Hybrid redemption	(500)
Dividends to minorities & others	(119)
Free cash flow after minorities	681

Gross investment mix



Renewable generation	44%
Distribution	40%
Rest	15%

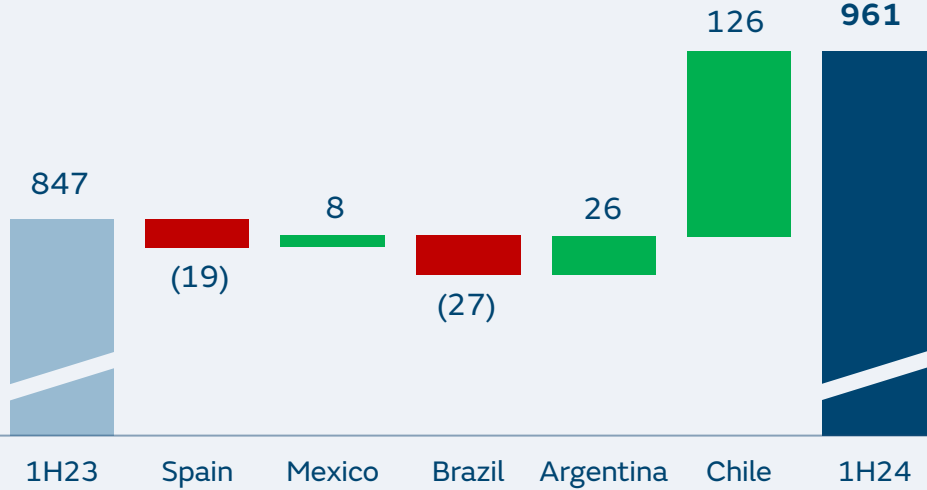
Liquidity and Net debt evolution



Gas networks



EBITDA (€m)



Gross investment (€m)

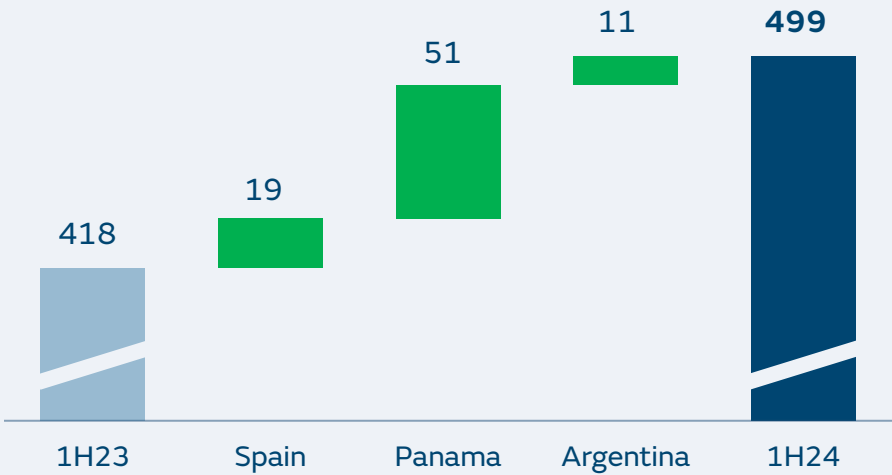
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- > **Spain:** remuneration adjustments from 2021 regulatory framework as well as demand affected by mild temperatures
- > **Mexico:** regulatory tariff updates and positive FX impact
- > **Brazil:** regulatory tariff updates in a negative inflation environment as well as lower demand in vehicle and residential segments
- > **Argentina:** regulatory tariff updates and higher demand with negative FX impact
- > **Chile:** higher tariffs and demand in distribution as well as positive impact from TGN litigation, partly offset by negative FX

Electricity networks



EBITDA (€m)



Gross investment (€m)

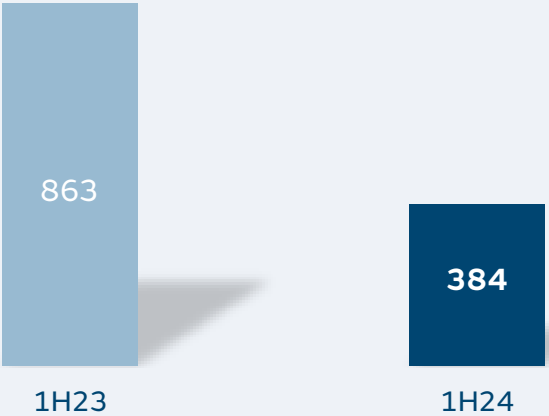
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- > **Spain:** higher remunerated RAB as well as improvement of the impact on energy losses
- > **Panama:** positive impact from regulatory review and higher demand due to rise in temperatures
- > **Argentina:** regulatory tariff updates and higher demand partly offset by FX impact

Energy management



EBITDA (€m)



Gross investment (€m)

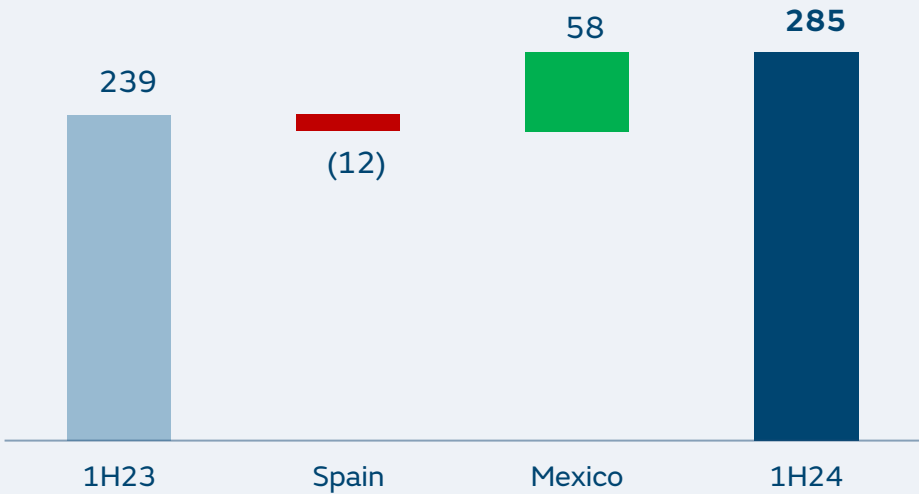
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- > 2024 price agreement reached with Sonatrach
 - Confirms the solid relationship between Sonatrach and Naturgy
 - Ensures prices reflect current market conditions
 - Underlines commitment to security of supply
- > Active management of hedged LNG volumes, resulting in improved target margins
- > 2023 results affected by the reversal of the financial hedging ineffectiveness registered in 2022

Thermal generation



EBITDA (€m)



Gross investment (€m)

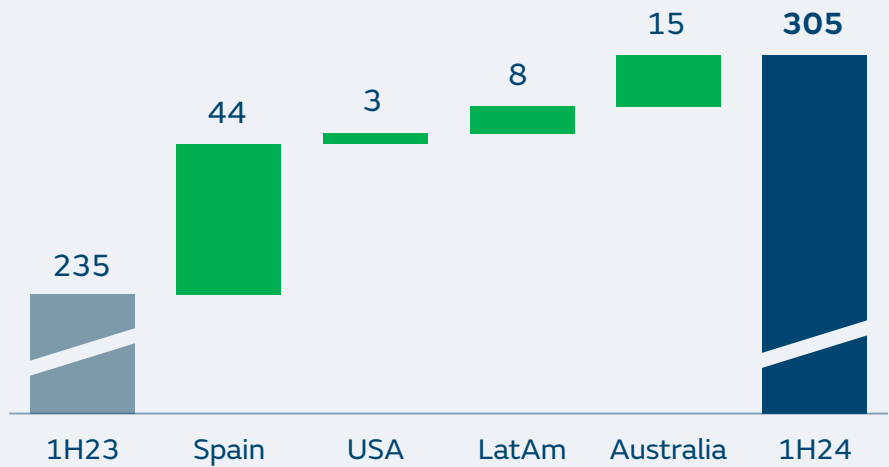
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- > **Spain:** lower thermal gap due to higher renewable resource led to lower production and lower margins; progress on EU regulatory process to introduce capacity payments in 2025
- > **Mexico:** higher revenue driven by higher availability and production; ongoing negotiations for extension of PPAs beyond 2027

Renewable generation



EBITDA (€m)

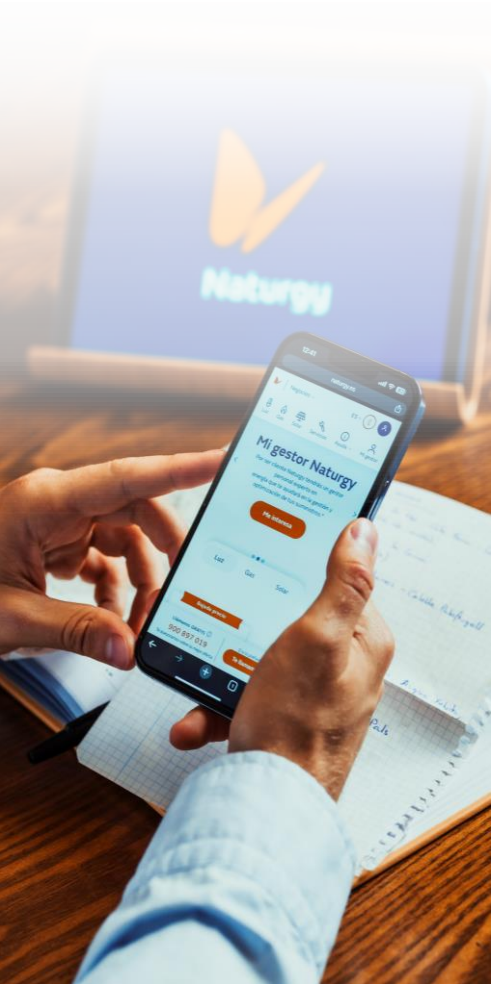


Gross investment (€m)

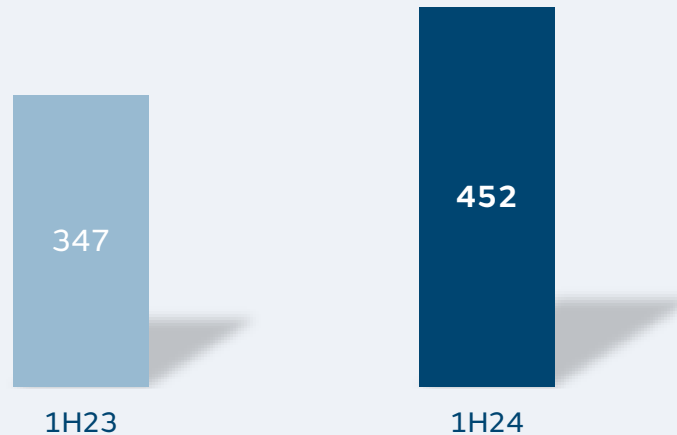
421

- > **Spain:** higher installed capacity and higher production, notably increased hydro and wind generation
- > **USA:** start of operation of the first solar plant developed in Texas; higher expenses for the start of operations and the management of the development platform
- > **LatAm:** higher production and prices
- > **Australia:** positive evolution of the mark-to-market valuation of existing PPAs

Supply



EBITDA (€m)



Gross investment (€m)

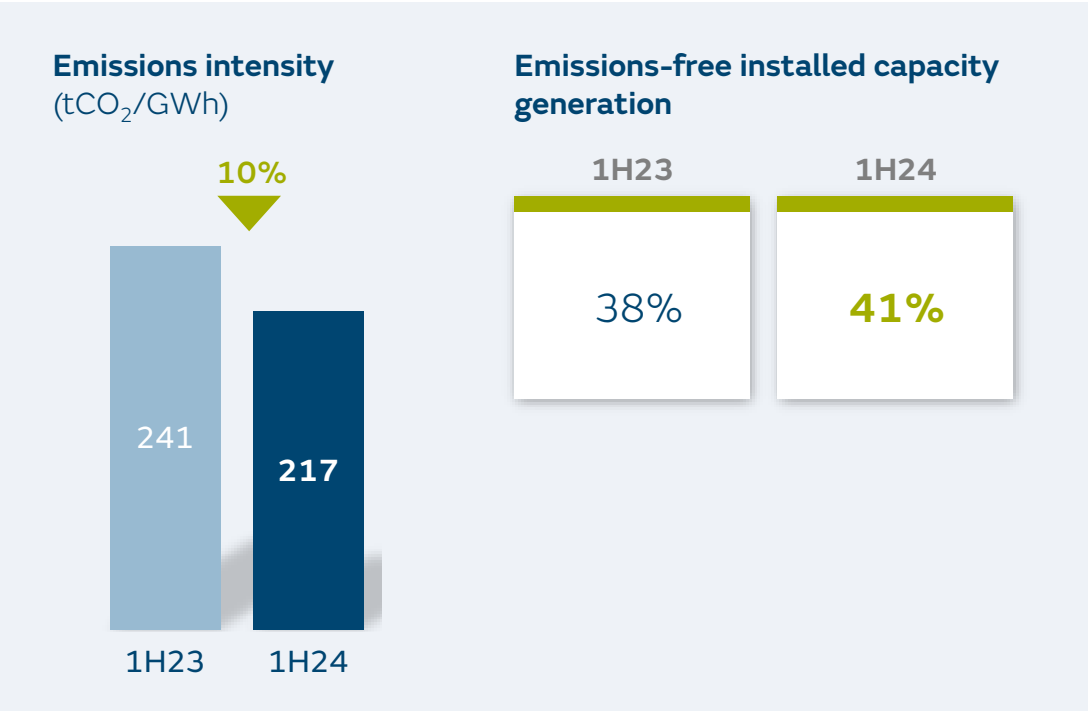
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- Final favorable judicial ruling on the collection of the electricity subsidies for liberalized customers in 2016-21 period
- **Power:** lower prices and margins due to scenario compensated by the termination of regulatory price caps (RDL)
- **Gas:** margins resiliency supported by higher visibility on procurement costs; growth in service contracts
- Launch of digital platform “NewCo” to transform client interactions, with new AI tools
- First company to redeem energy efficiency certificates in Spain

Sustainability



Environment



Social



Steady progress on our transformation

Record results amid a more competitive scenario

Continuous improvement of operational and risk management

Capital discipline and optimization of capital structure

Responsible progress on the energy transition with a clear commitment to investment





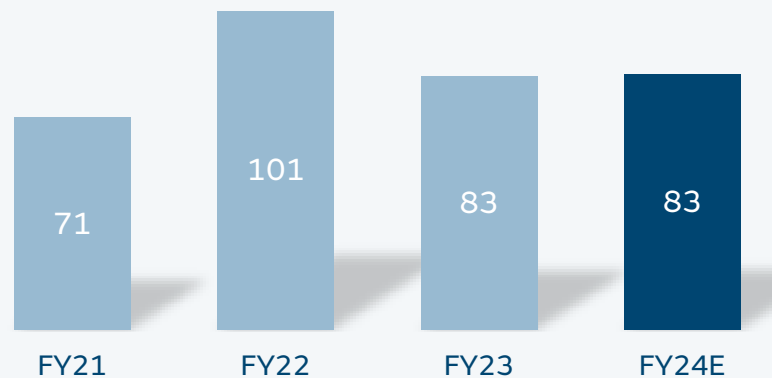
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Outlook 2024

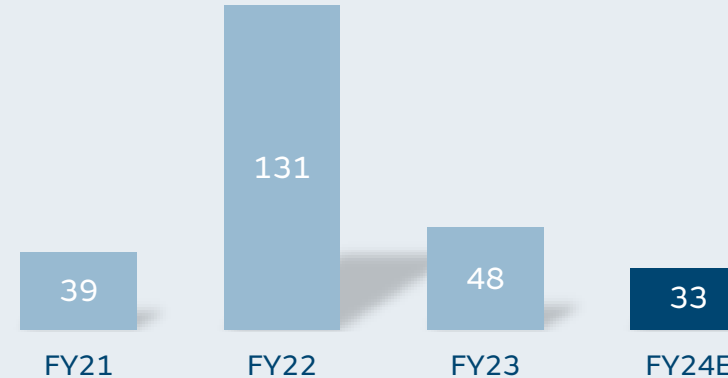
Naturgy 

Energy commodities moderation after 2 years

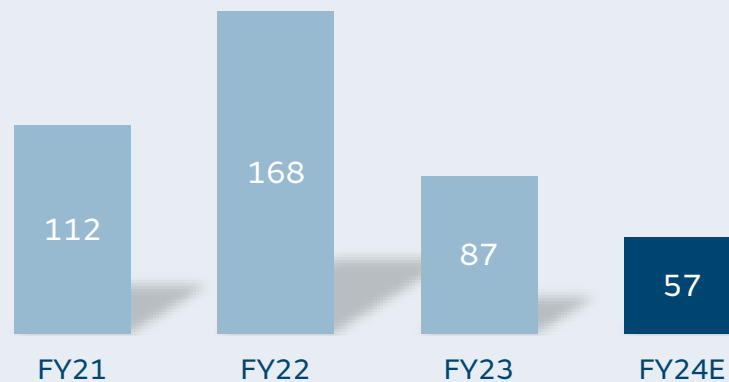
Brent (USD/bbl)



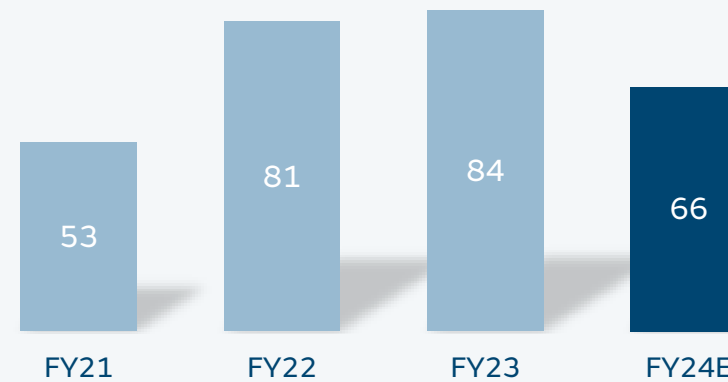
TTF (€/MWh)



Spanish electricity pool (€/MWh)



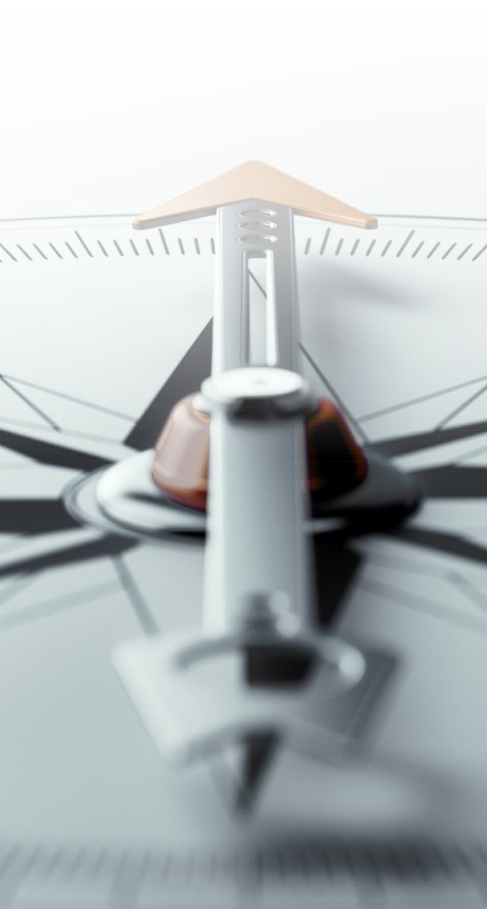
CO₂ (€/t)



Source:
Real prices up to June and current
forwards to year end



Positive outlook for 2024



Networks

- Spain: growth in electricity and stability in gas
- LatAm: positive regulatory reviews

Energy management

- 2024 price agreement with Sonatrach
- All LNG volumes sold or hedged

Shareholder remuneration policy

- Annual dividend floor of 1.40 €/share subject to BBB rating
 - 0.50 €/sh. 1 August 2024
 - 0.50 €/sh. November 2024
 - 0.40 €/sh. March 2025

Thermal generation

- Spain: lower production due to lower thermal gap
- LatAm: higher availability and production in Mexico

Renewable generation

- Higher production due to new installed capacity in Spain, USA and Australia

Renewable gases

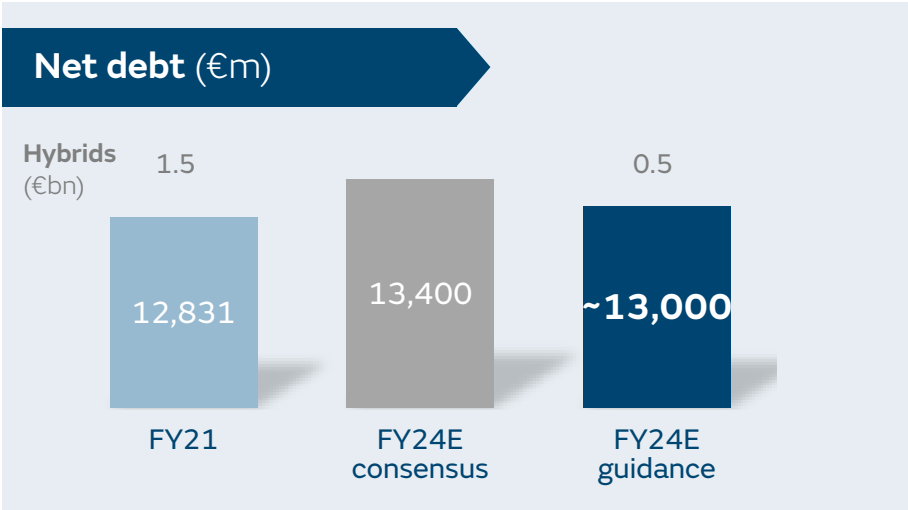
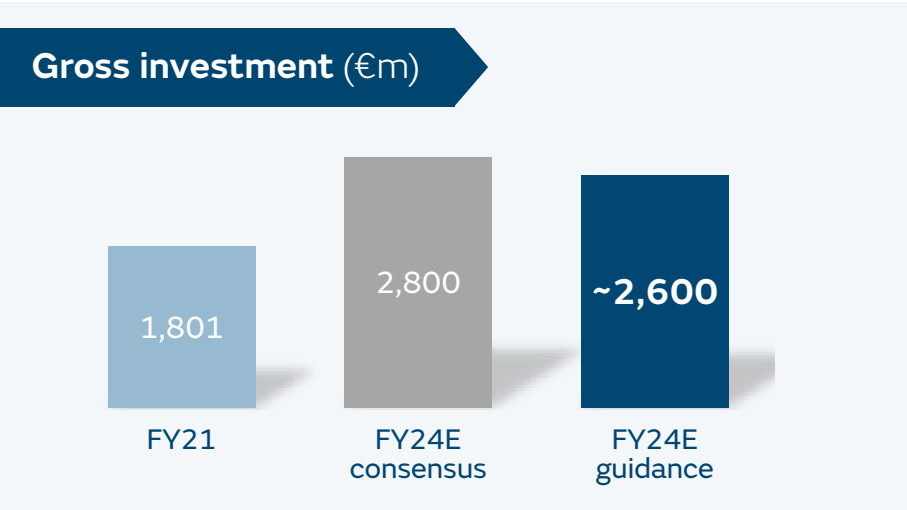
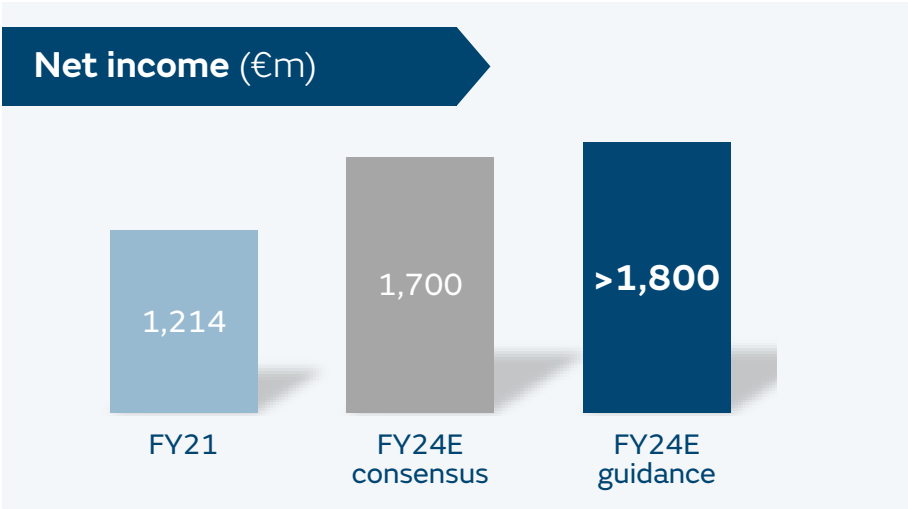
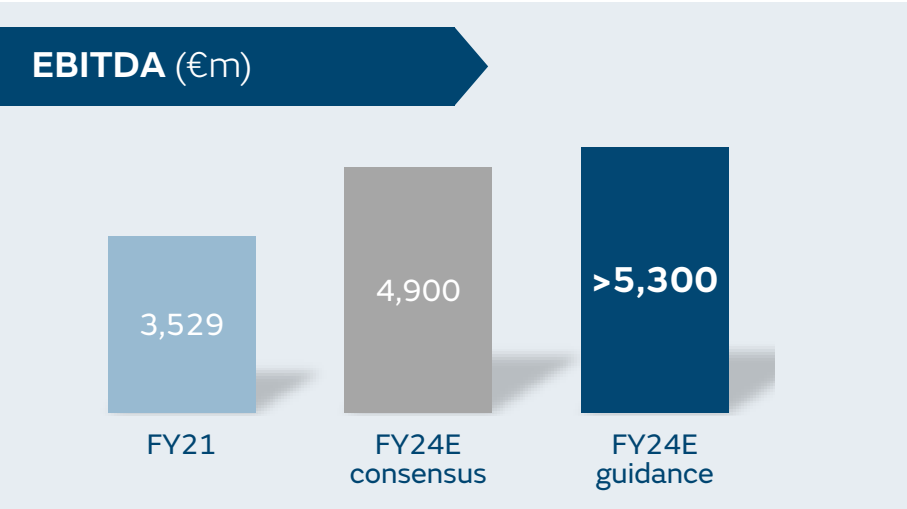
- Progress on biomethane contracts portfolio development

Supply

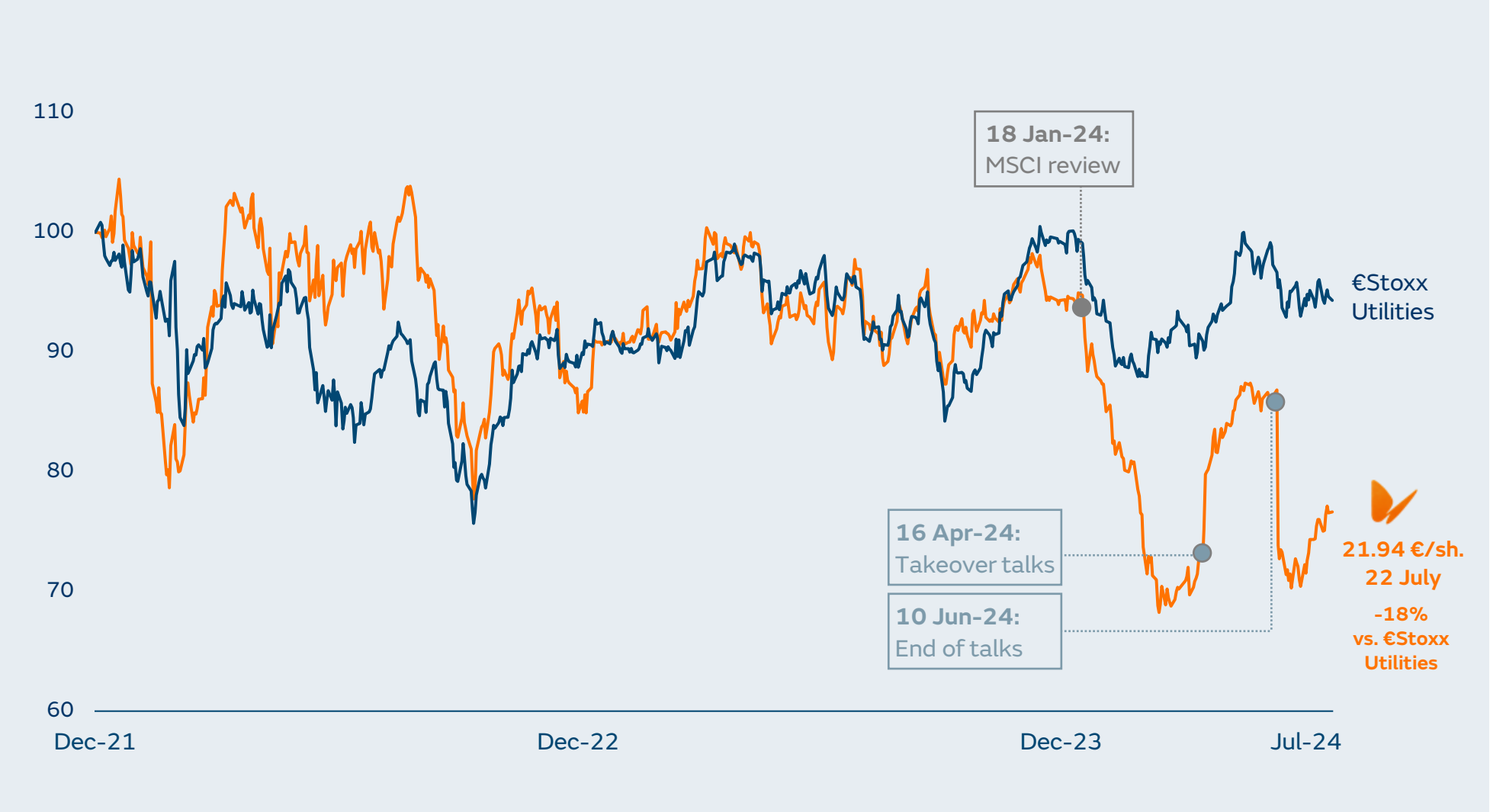
- Margins resilience
- Subsidies for electricity clients favorable resolution



Guidance for the year



Share price performance evolution since 2021 closing





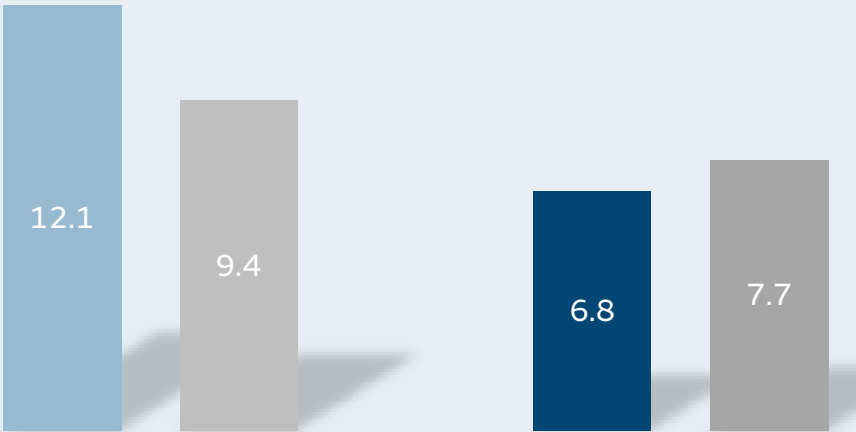
Market valuation Naturgy vs. Iberian peers



EV/EBITDA¹ (x)

29% premium

12% discount



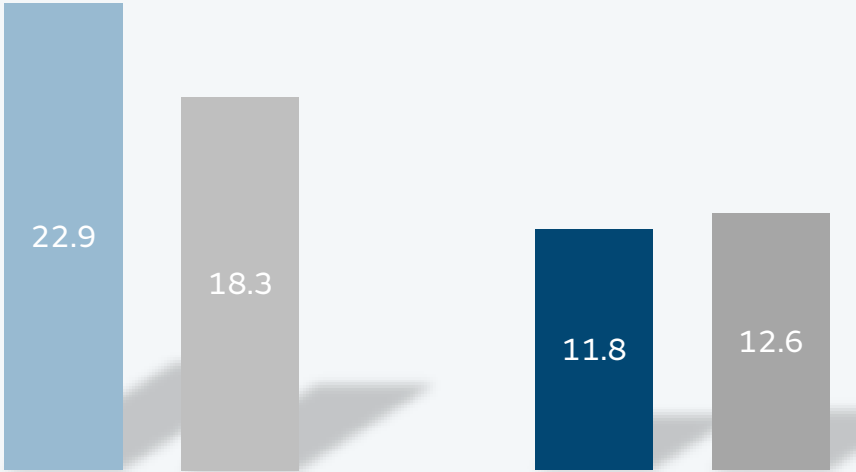
FY21 Naturgy 12.1
FY21 Iberian peers² 9.4

FY24E guidance 6.8
FY24E Iberian peers^{1,2} 7.7

P/E¹ (x)

25% premium

6% discount



FY21 Naturgy 22.9
FY21 Iberian peers² 18.3

FY24E guidance 11.8
FY24E Iberian peers^{1,2} 12.6

Notes:
1. FY21 multiples based on market prices as of 30 December 2021 and reported FY21 financials; FY24E multiples based on market prices as of 22 July 2024 and peers' consensus estimates
2. Iberian peers comprising Iberdrola, Endesa and EDP



3

Track record
2021-24

Naturgy 

2021 Strategic Plan achievements



Capital discipline

- > Net debt reduction (including hybrids): €2bn
- > Investment 2021-24E: €8.4bn
- > Dividend 2021-24E: €5.3bn
- > Opex efficiency

Decarbonization

- > Increase of renewable capacity in Spain, USA and Australia
- > Creation of a growth platform for renewable gases
- > Boost of self-consumption installations

Risk management

- > Risk management and hedging through unprecedented volatility
- > Optimized risk/return via physical sales and financial hedging
- > Additional flexibility via LNG fleet

Regulatory management

- > Proactivity in the face of exceptional measures derived from the 2022 energy crisis
- > Greater visibility in networks: Panama, Mexico, Argentina and Chile
- > Processing capacity payments in Spain

Security of supply at competitive prices

- > Three agreements with Sonatrach to reflect market conditions
- > Ensured power supply (essential role of CCGTs)
- > Introduced “Tarifa compromiso” to smoothen price volatility on clients

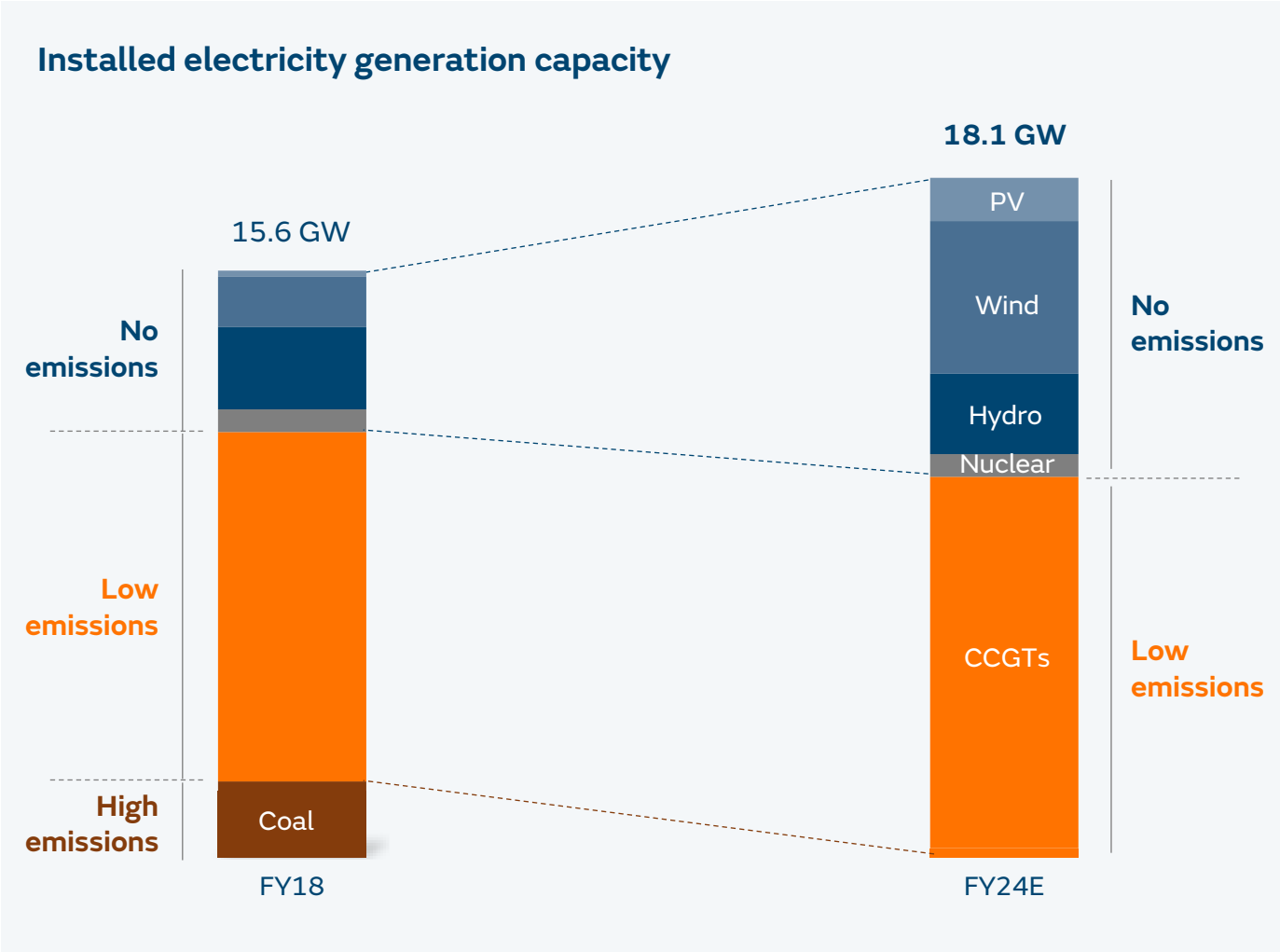
Progress on ESG

- > CO₂ emissions reduction: 15%¹
- > 41% emissions-free installed capacity
- > Women hold 37% of management positions
- > Employees Net Promoter Score: 29 (good perception)

Note:
1. Emission factor (tCO₂/GWh) vs. FY21



Advancing in energy transition



Renewable pipeline

2.2 GW
Under construction

15 GW
With grid access

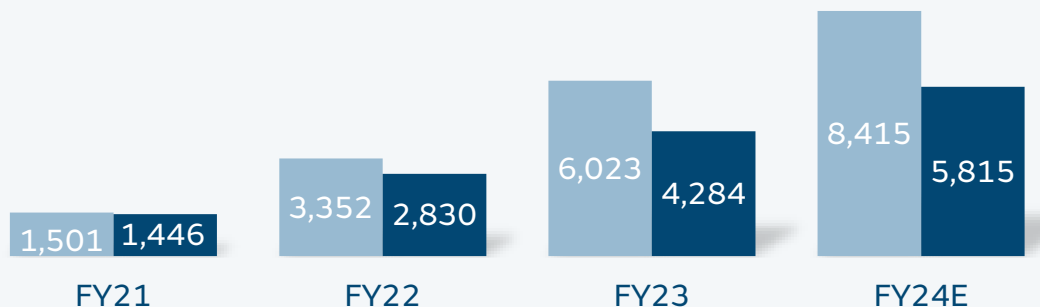
> 100 additional own development projects under analysis

Value creation through balanced capital allocation



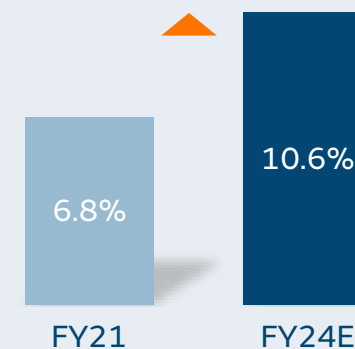
Investment and D&A evolution (€m)

- Accumulated investment
- Accumulated D&A



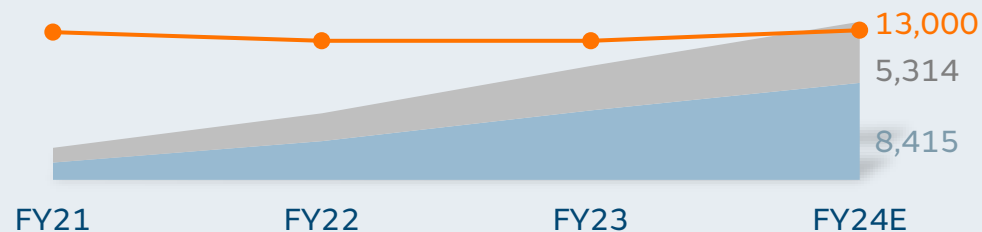
ROIC¹

+380 bps



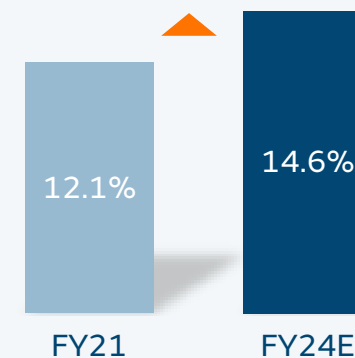
Investment, dividends and net debt evolution (€m)

- Accumulated investment
- Accumulated dividends
- Net debt



ROE²

+250 bps



Notes:

Consolidated ratios based on book values

1. ROIC estimated as EBIT after taxes divided by average invested capital (Equity + Net debt)

2. ROE estimated as Net income divided by average Equity in the period



4

Future 2025-30

Naturgy 

Decarbonization is unstoppable requiring all available resources and technologies

Decarbonization must address:

Sustainable
growth



Energy
security



Price
competitiveness



Action vectors

Adaptation of
distribution
infrastructure



Investment in renewable
electricity generation



Introduction of
biomethane & hydrogen
at competitive prices



Assurance of flexible
back-up capacity
(CCGTs)



Guarantee of
competitive & flexible
gas procurement



Development of storage
solutions (batteries &
renewable gases)

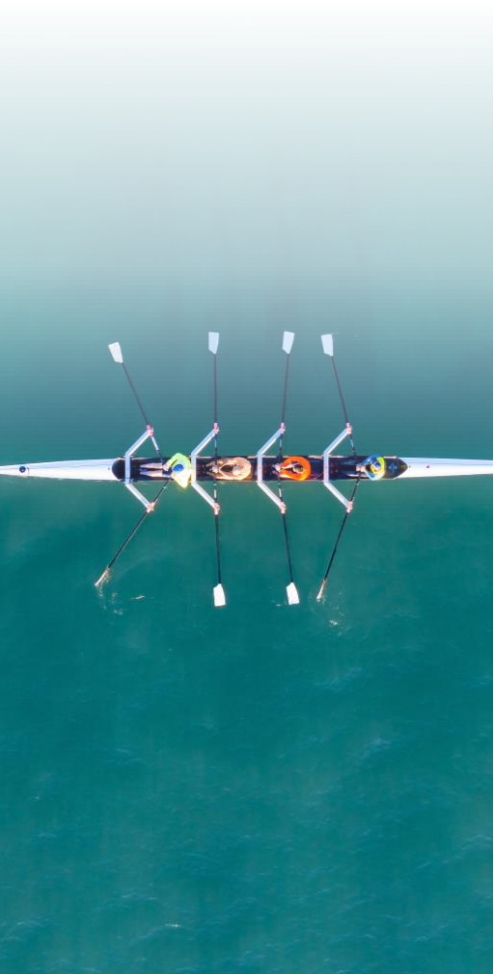


Intensify the commitment with our clients





New 2025-30 Strategic Plan ready by year-end



Objectives

1

Ambitious and attractive for all stakeholders

2

Focused on growth and value creation

3

Committed to responsible decarbonization





Appendix

Naturgy 

Alternative Performance Metrics (i/iv)

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:

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2024	30 June 2023	
EBITDA	EBITDA = Revenue – Procurements + Other operating income – Personnel expenses – Other operating expenses + Gain/(loss) on disposals of fixed assets + Release of fixed asset grants to Income and other	2,846 million euros	2,849 million euros	EBITDA (“Earnings Before Interest, Taxes, Depreciation and Amortization”) measures the Group’s operating profit before deducting interests, taxes, depreciations and amortizations. By dispensing with the financial, tax and accounting expenses magnitudes that do not entail a cash outflow, it allows evaluating the comparability of the results over time. It is an indicator widely used in the markets to compare the results of different companies.
Operating expenses (OPEX)	Personnel expenses + Own work capitalized + Other operating expenses - Taxes	843 million euros = 288 + 38 + 801 - 284	962 million euros = 318 + 35 + 948 - 339	Measure of the expenses incurred by the Group to carry out its business activities, without considering costs that do not involve cash outflows and taxes. Amount allowing comparability with other companies.
CAPEX	Investments in intangible assets + Investments in property, plant & equipment	937 million euros = 137 + 800	839 million euros = 133 + 706	Measure of the investment effort of each period in assets of the different businesses, including accrued and unpaid investments. It allows to know the allocation of its resources and facilitate the comparison of the investment effort between periods. It is made up both of maintenance and growth investments (funds invested in the development or for the expansion of the Group's activities).

Alternative Performance Metrics (iii/iv)

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2024	30 June 2023	
Cost of net financial debt	Cost of financial debt - "Interest (financial revenues)"	253 million euros = 355- 102	246 million euros = 326 - 80	Measure of the cost of financial debt without considering income from financial interests. This indicator is widely used in capital markets to compare different companies.
EBITDA/Cost of net financial debt	EBITDA / Cost of net financial debt	11.2x = 2,846 / 253	11.6x = 2,849 / 246 Comparable information as of 30 June of the previous year: 11.3x = 5,475 / 485	Measure of the company's ability to generate operating resources in relation to the cost of financial debt. This indicator is widely used in capital markets to compare different companies.
Net financial debt/ EBITDA	Net financial debt / EBITDA	2.2x = 11,838 / 5,472	1.9x = 10,752 / 5,756 Comparable information as of 30 June of the previous year: 2.2x = 12,090 / 5,475	Measure of the Group's ability to generate resources to meet financial debt payments.
Free Cash Flow after minorities	Net Free cash flow (5) + Parent company dividends net of those collected by other group companies (4) + Purchase of treasury shares (4) + Investment payments (group companies, associates and business units) (3)	681 million euros = 287 + 384 + 0 + 10	1,977 million euros = 1,377 + 480 + 6 + 114	Measure of cash generation corresponding to operating and investment activities. It is used to evaluate funds available to pay dividends to shareholders, the payment of inorganic investments (acquisitions of companies or businesses) and to attend debt service.
Net Free Cash Flow	Cash flow generated from operating activities (3) + Cash flows from investing activities (3) + Cash flows from financing activities (3) – Receipts/payments from financial liability instruments (3)	287 million euros = 2,001 – 740 - 864 - 110	1,377 million euros = 3,151 – 1,239 - 1,324 + 789	Measure of cash generation to assess the funds available to debt service.

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2024	30 June 2023	
Average cost of financial gross debt	Annualized financial expense of the operations included in the gross financial debt excluding cost of financial lease liabilities and other refinancing expenses / monthly weighted average of the gross financial debt (excluding the debt by lease liabilities)	$4.04\% = (355 - 46 - 10) * (366 / 182) / 14,878$	$3.8\% = (326 - 41 - 14) * (360 / 180) / 14,446$ Comparable information as of 31 December of the previous year:	Measure of the effective interest rate of financial debt. This indicator is widely used in capital markets to compare different companies.
Liquidity	Cash and other equivalent liquid + Undrawn and fully committed lines of credit	$9,749 \text{ million euros} = 4,087 + 5,662$	$3.9\% = (675 - 84 - 29) / 14,325$ $10,108 \text{ million euros} = 4,555 + 5,553$ Comparable information as of 31 December of the previous year:	Measure of the Group's ability to face any type of payment.
Economic value distributed	Procurements + Other operating expenses (includes Taxes) + Income tax payments + Personnel expenses + Work carried out for fixed assets + Financial expenses + Dividends paid by the parent company + Discontinued activities expenses before taxes	$7,500 \text{ million euros} = 5,301 + 801 + 229 + 288 + 38 + 437 + 384 + 22$	$10,176 \text{ million euros} = 8,102 + 948 - 107 + 318 + 35 + 400 + 480 + 0$	Measure of the Company's value considering the economic valuation generated by its activities, distributed to the different interest groups (shareholders, suppliers, employees, public administrations and society).

ESG Metrics

		1H24	1H23	Change	Comments
Health and safety					
Accidents with lost time ¹	units	9	4	-	Significant increase in accidents vs. 1H23, although mostly with minor consequences. Naturgy has launched its 24-25 global plan on Health & Safety with transversal actions that should contribute to reduce accidents
LT Frequency rate ²	units	0.27	0.12	-	
Environment					
GHG Emissions ³	M tCO2 e	5.5	5.9	-6.8%	Lower CCGT production in Spain due to higher rainfall. Emission factor improvement also as a result of higher renewable installed capacity
Emission factor	t CO2/GWh	217	241	-10.0%	
Emissions-free installed capacity	%	41.4	38.2	8.4%	New renewable capacity coming into operation
Emissions-free net production	%	45.7	39.3	16.3%	Higher hydro production and increase in renewable installed capacity
Interest in people					
Number of employees ⁴	persons	6,899	6,944	-0.6%	Stable workforce evolution
Management women representation ⁵	%	37.0	34.9	6.0%	Progressing in the implementation of gender diversity policies
Training hours per employee	hours	20.9	17.3	20.8%	New training for the whole organization, of which the course for the prevention of working and sexual harassment is to be highlighted
Society and integrity					
Economic value distributed ⁶	€m	7,500	10,176	-26.3%	Decrease explained mainly by lower procurement costs
Notifications received by the ethics committee	units	55	46	19.6%	Increase following a new criteria to assign investigations coming through the ethics channel

Notes:

- 1. In accordance to OSHA criteria
- 2. Calculated for every 200,000 working hours
- 3. Scopes 1 and 2
- 4. Managed workforce
- 5. Spain
- 6. As defined in the Alternative Performance Metrics annex



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