Naturgy

1H | 22

Results

11 August 2022

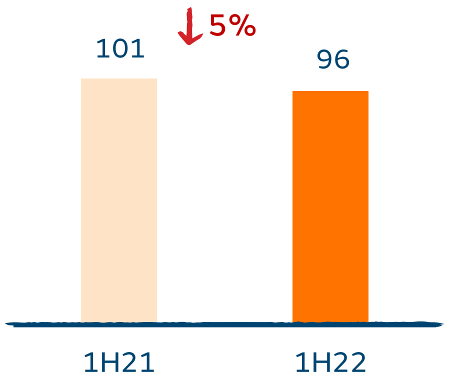
Naturgy

1H | 22
Results

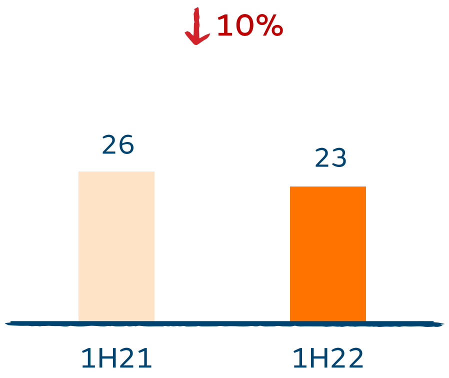
1. Scenario

Naturgy's energy demand evolution (TWh)

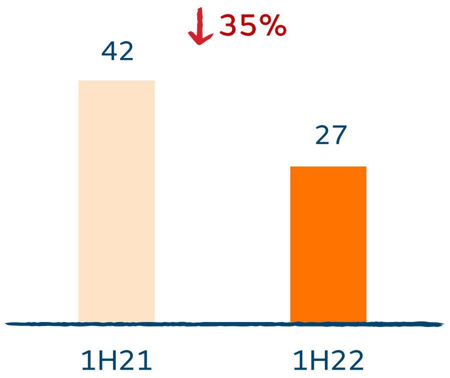
Spain



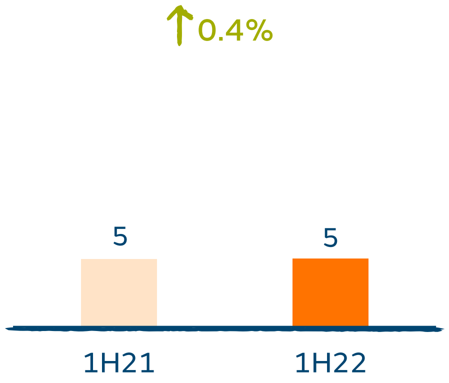
Mexico



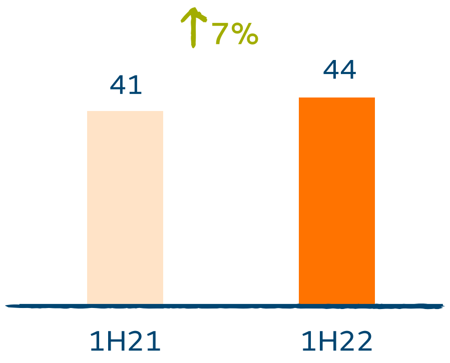
Brazil



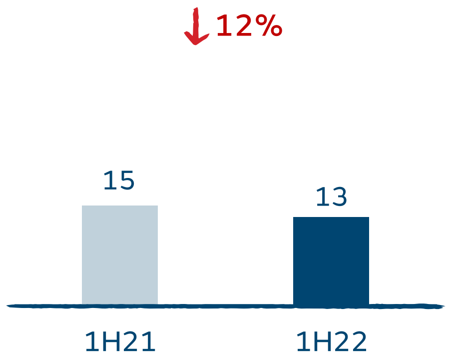
Chile



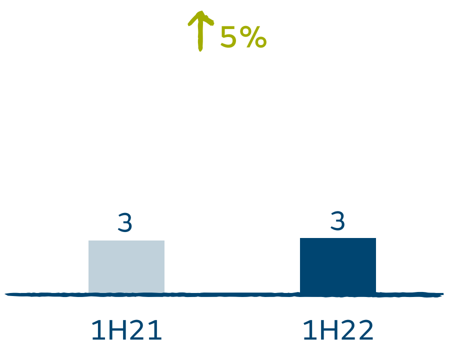
Argentina



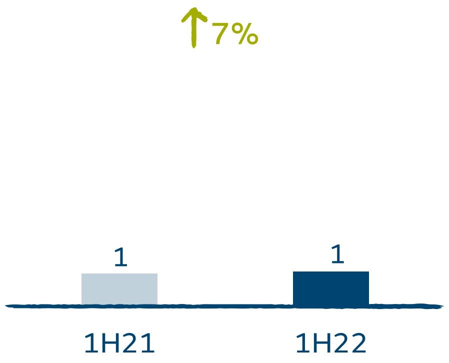
Spain



Panama



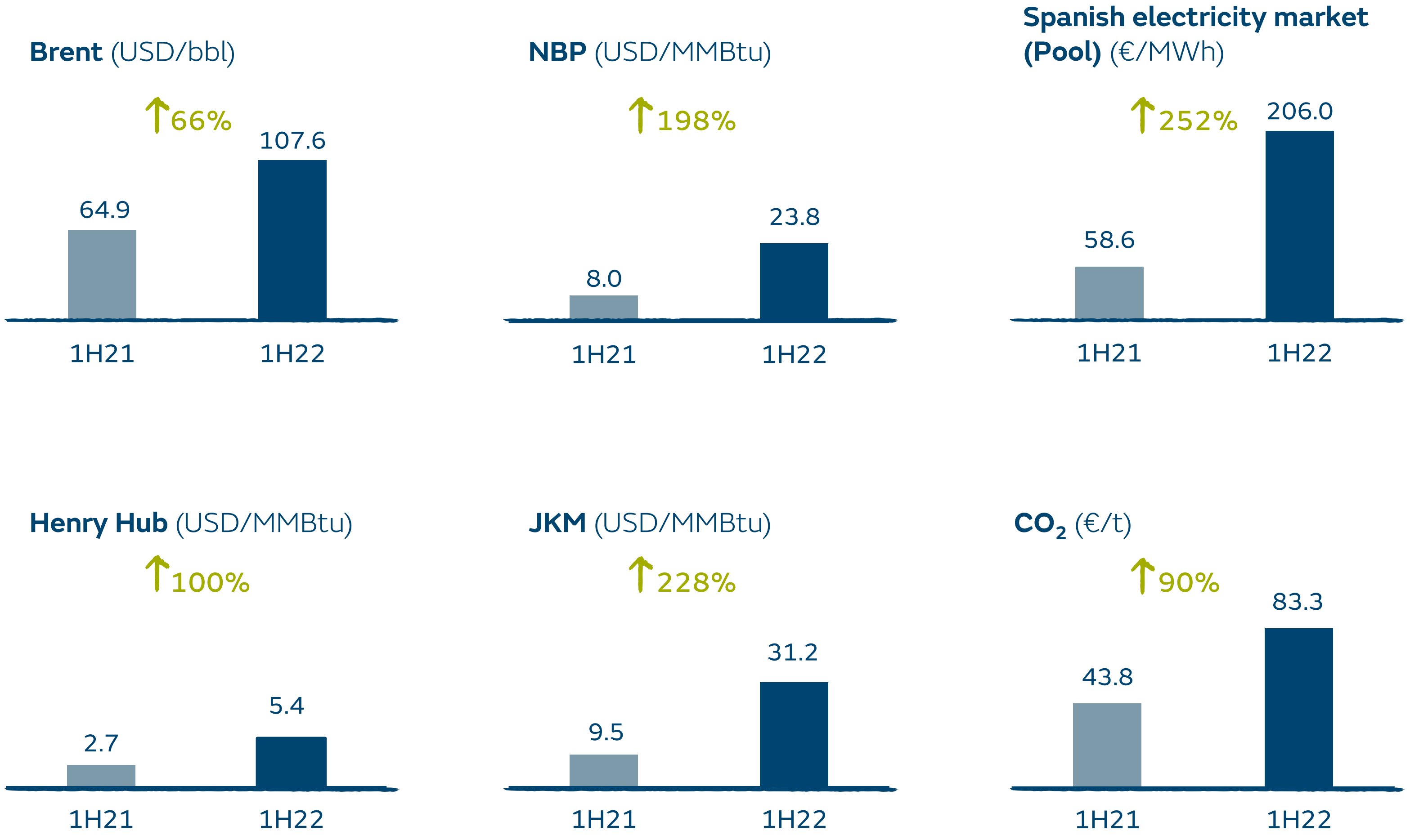
Argentina



Electricity Gas

Demand decline in Spain, Brazil and Mexico

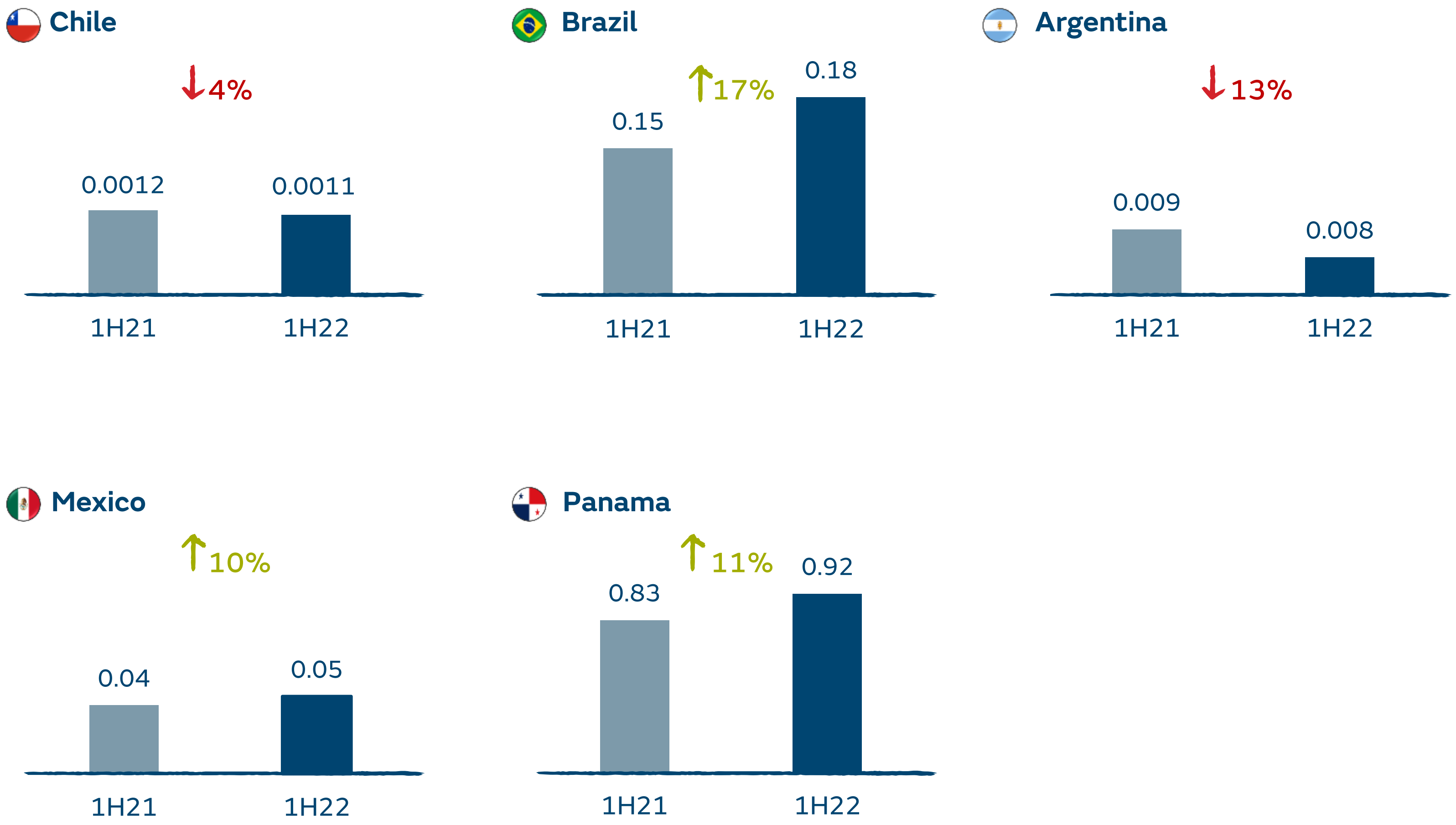
Energy markets evolution



> Volatile commodity price environment

Source: Platts, Bloomberg, OMIE

FX evolution



Positive FX impact from USD, MXN and BRL

Source: Bloomberg

2. Consolidated results

Key highlights

1 Volatile commodity price environment

2 Networks growth driven by LatAm operations

3 Performance in Markets supported by International LNG

4 Ongoing margin pressure in Supply activities in Spain

5 Net debt reduction supported by cash flow generation

Key figures (€m)

Ordinary EBITDA

€2,184m

Ordinary Net income

€717m

Cash flow from operations

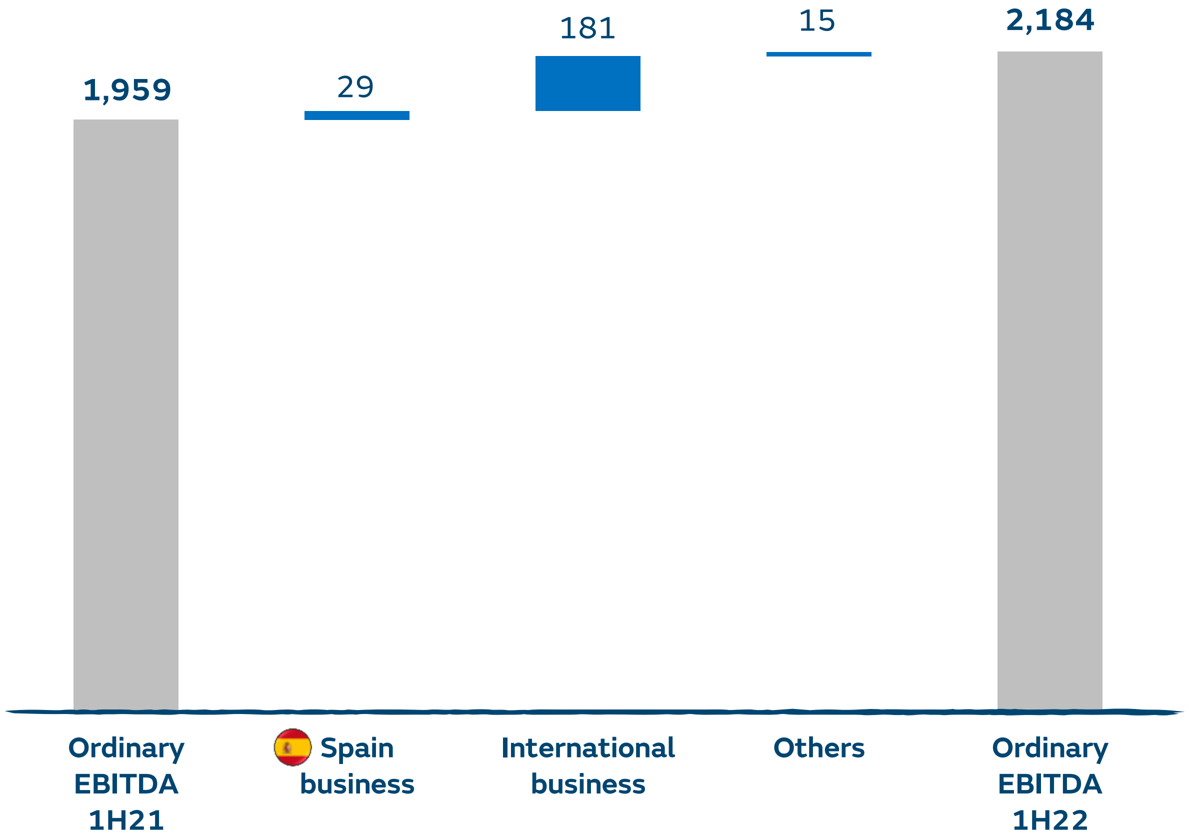
€2,429m

Net debt

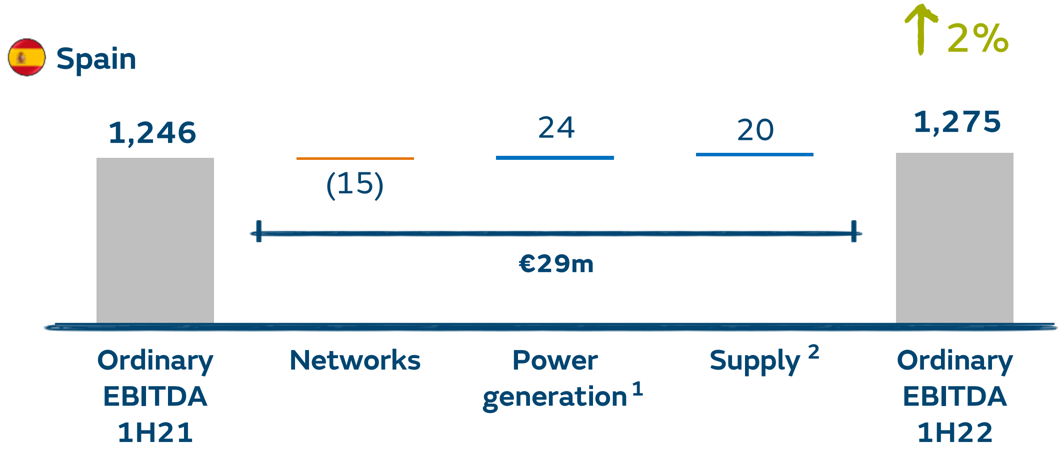
€11,976m

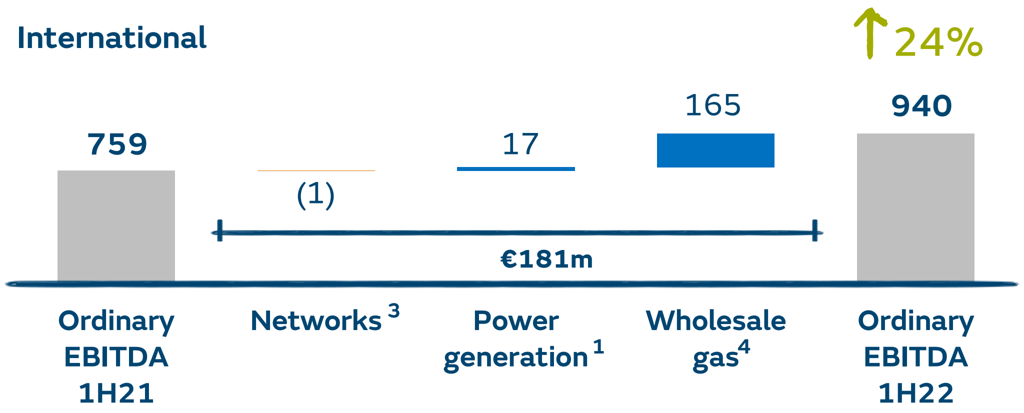
Solid results amid ongoing volatility

Ordinary EBITDA evolution by geography (€m)



Breakdown

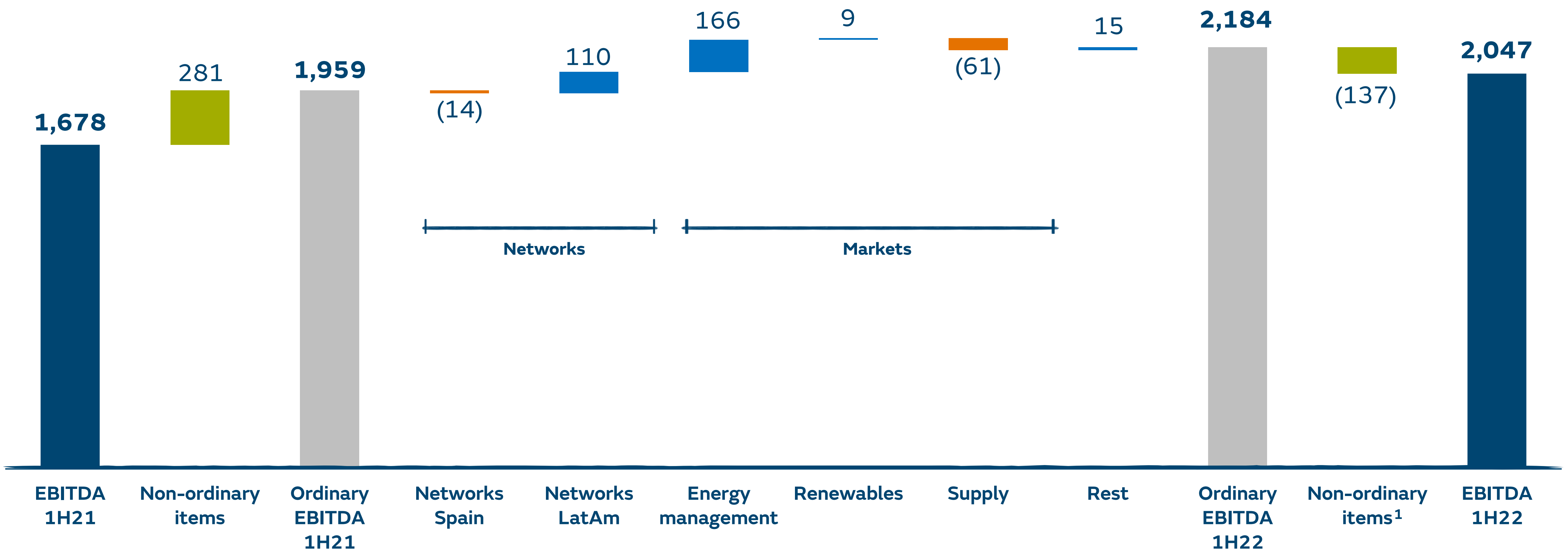




Growth driven by international activities

Notes:
1. Including Renewables and Thermal generation
2. Including retail Supply as well as exship and industrial gas sales in Spain reported under Markets & procurement unit
3. Including EMPL whose concession terminated in October 2021
4. Including International LNG and Markets & procurement units excluding exship and industrial gas sales

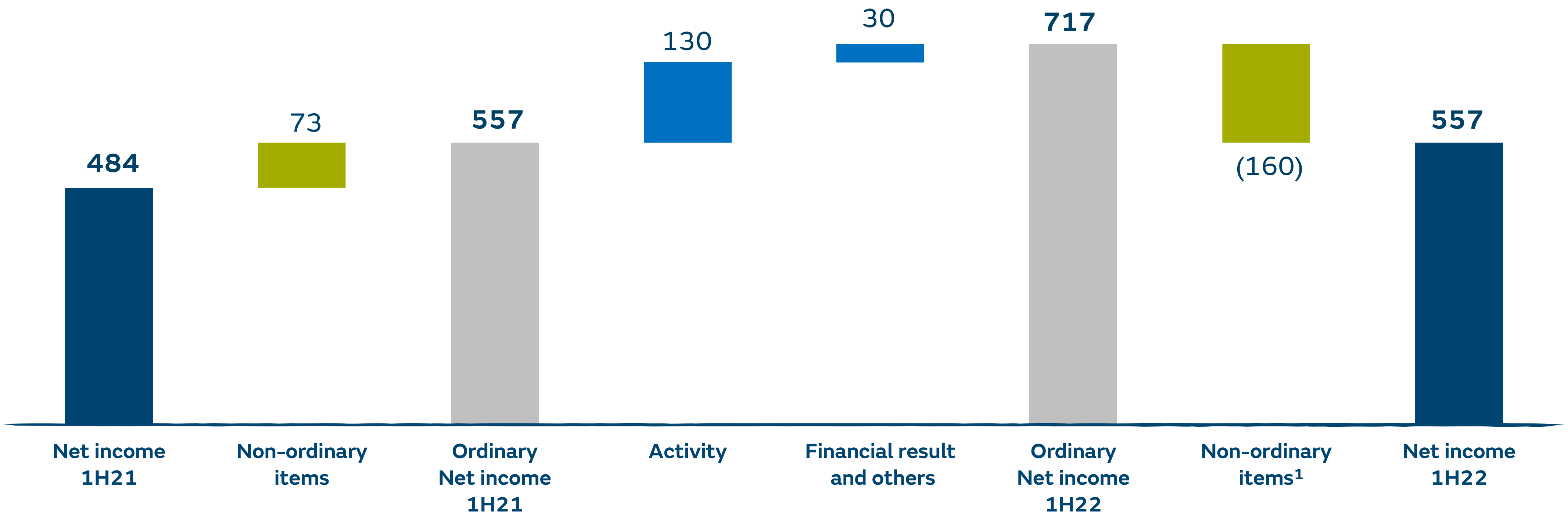
Ordinary EBITDA evolution by business unit (€m)



Growth in Networks LatAm and Energy management, partially offset by Supply and networks activities in Spain

Note:
1. Of which €108m provisions related to the first instance conviction sentence against Naturgy's Chilean subsidiary Metrogas S.A. in favor of Transportadora de Gas del Norte, S.A. (TGN)

Net income evolution (€m)



Net income growth driven by international activities

Note:
1. Of which €126m provisions related to the first instance conviction sentence against Naturgy's Chilean subsidiary Metrogas S.A. in favor of Transportadora de Gas del Norte, S.A. (TGN)

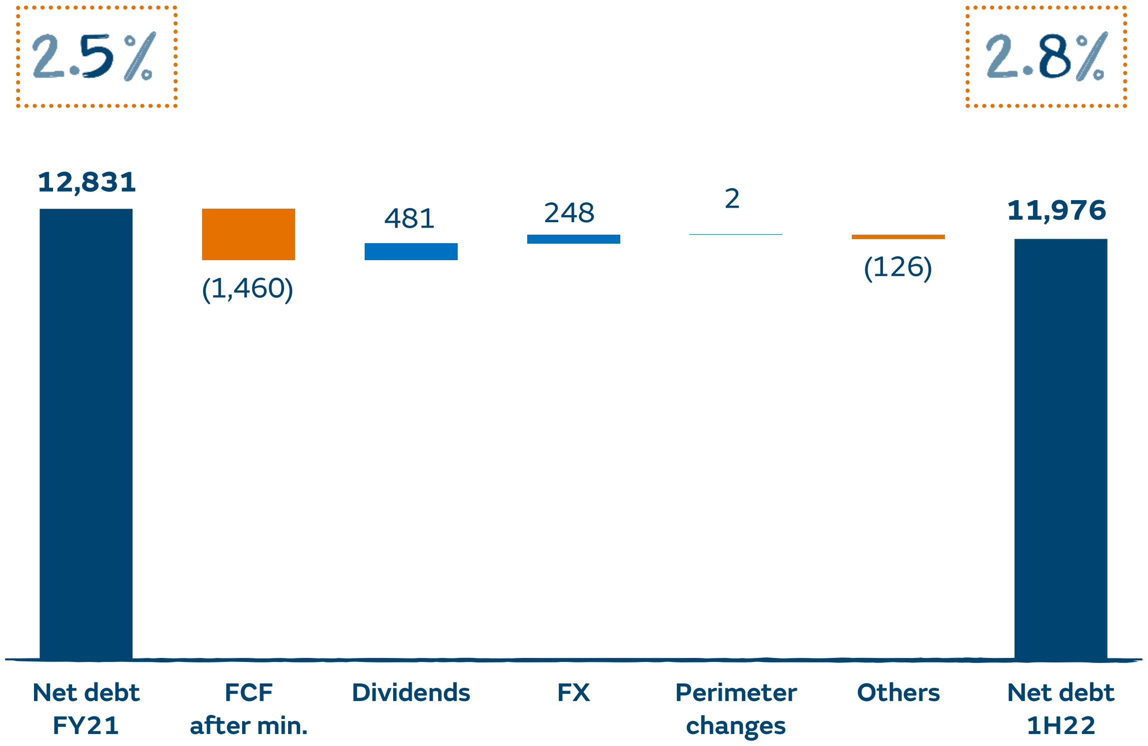
Cash flow and Net debt evolution (€m)

Cash flow

	1H22
Ordinary EBITDA	**2,184**
Non-ordinary items	(137)
EBITDA	**2,047**
Taxes	(194)
Net interest cost	(336)
Other non-cash items	44
Funds from operations	**1,561**
Change in working capital	868
Cash flow from operations	**2,429**
Capex[1]	(684)
Dividends to minorities	(166)
Divestments[2]	7
Other	(126)
Free cash flow after minorities	**1,460**

Net debt

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



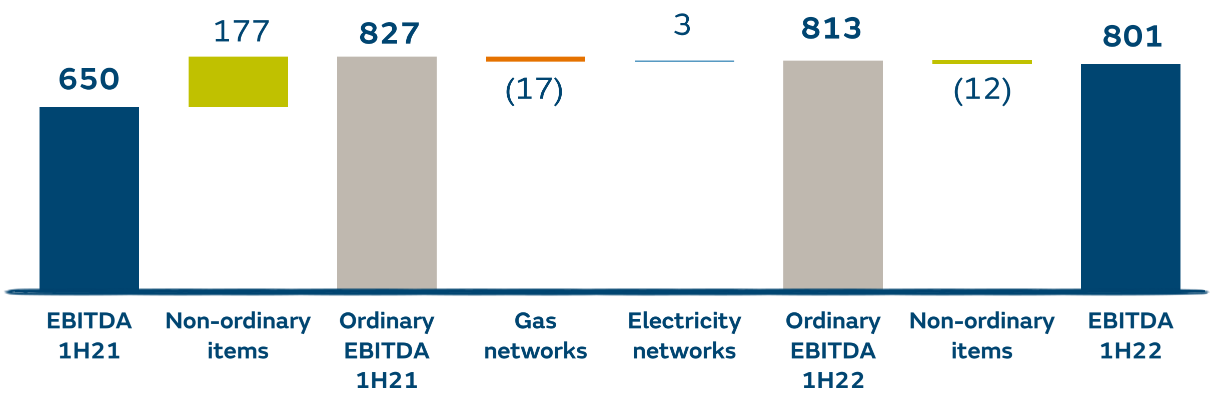
Net debt reduction supported by cash flow generation

Notes:
1. Net of cessions and contributions
2. Cash flows from disposals or divestments in group companies or business units
3. Does not include cost from IFRS 16 debt

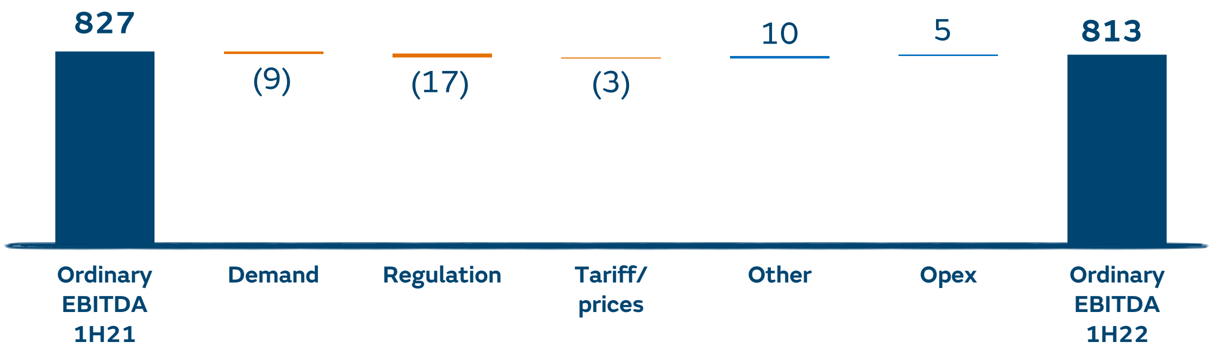
3. Results by business unit

Networks Spain

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

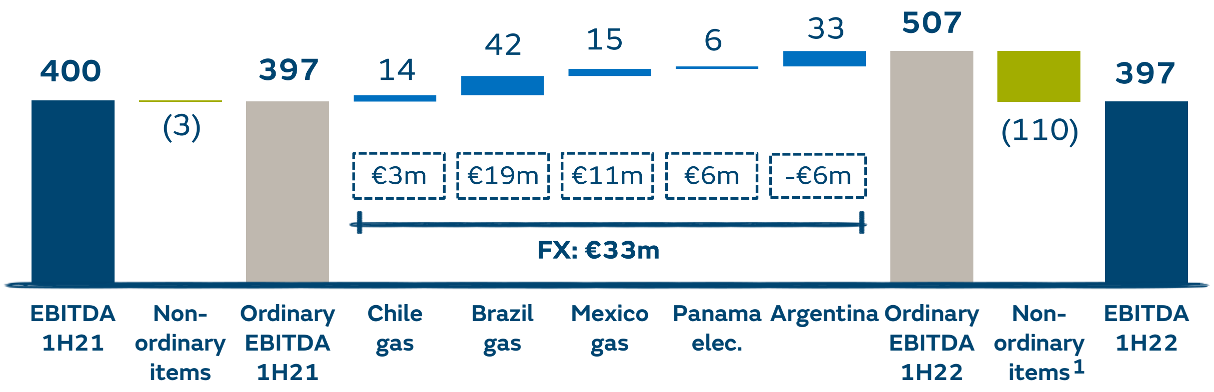
- **Spain gas networks:** lower demand and reduction of regulated remuneration
- **Spain electricity networks:** growth supported by investment

€145m capex, of which **~83%** remunerated

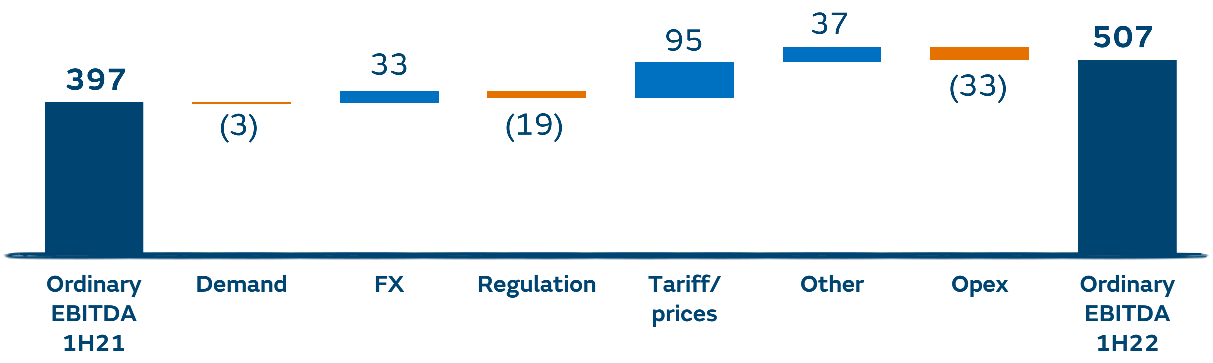
Lower gas demand and regulated remuneration weigh on performance

Networks LatAm

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- **Chile gas:** higher supply margins, partially offset by lower contribution from distribution activities
- **Brazil gas:** tariff updates and positive FX partially offset by lower sales
- **Mexico gas:** higher supply margins and positive FX impact offset by lower sales
- **Panama electricity:** higher sales and positive FX impact
- **Argentina:** higher sales and tariff updates

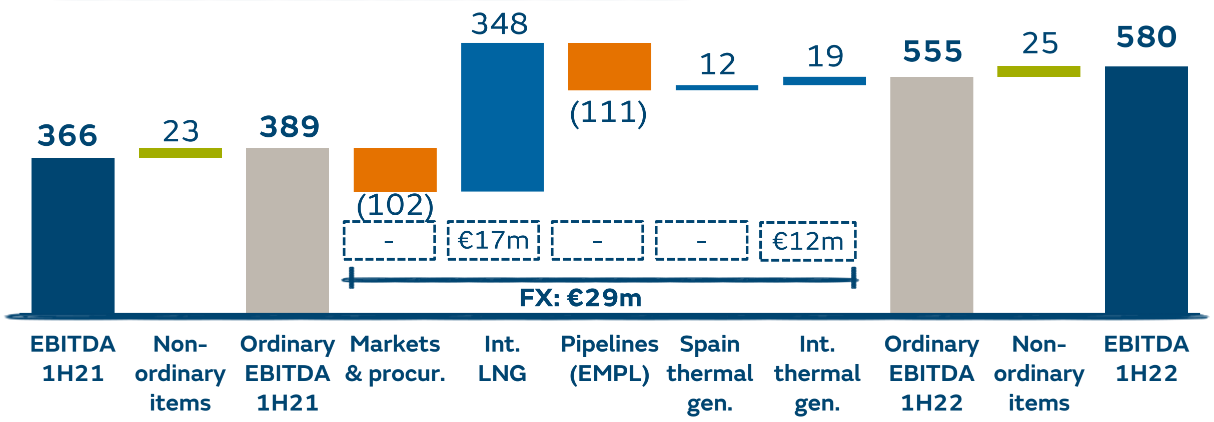
€133m capex, of which **~96%** remunerated

Growth mainly driven by tariff updates and positive FX evolution

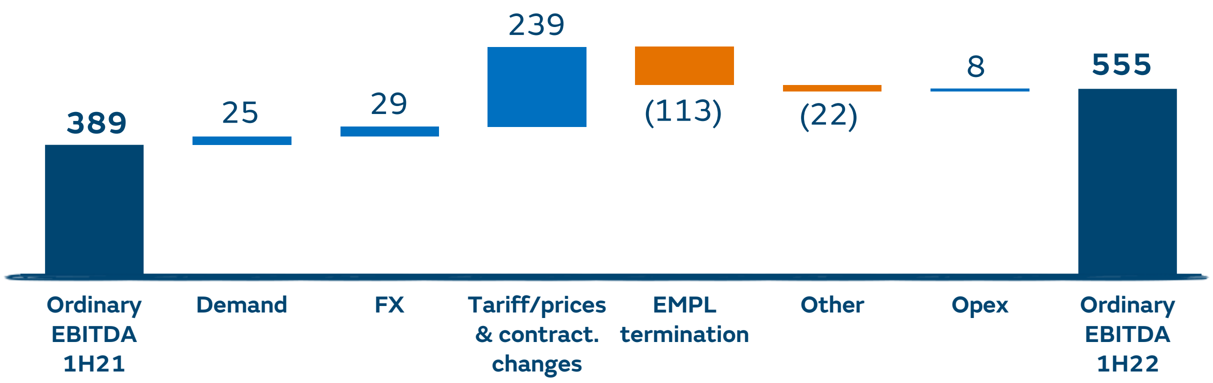
Note:
1. Of which €108m provisions related to the first instance conviction sentence against Naturgy's Chilean subsidiary Metrogas S.A. in favor of Transportadora de Gas del Norte, S.A. (TGN)

Energy management

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

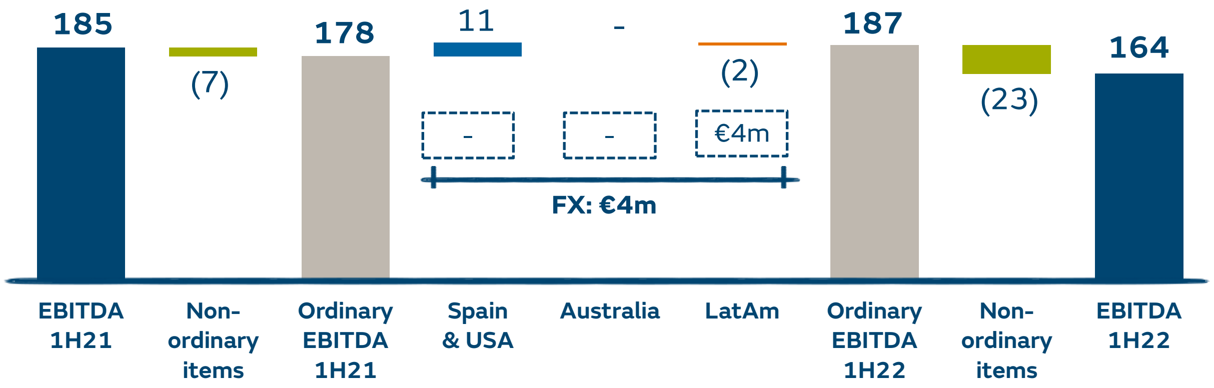
- **Markets and procurement:** higher selling prices offset by higher procurement costs
- **International LNG:** higher margins as a result of supportive scenario and open positions
- **Pipelines (EMPL):** termination of EMPL concession in October 2021
- **Spain thermal generation:** higher production and electricity prices in bilateral contracts
- **International thermal generation:** higher margins as result of PPAs as well as positive FX impact

€95m capex, of which **~1%** remunerated

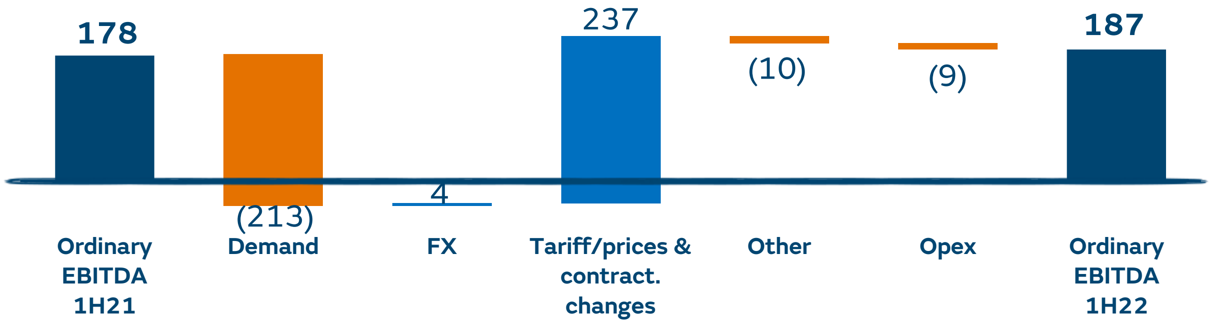
Growth driven by International LNG activities

Renewables

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

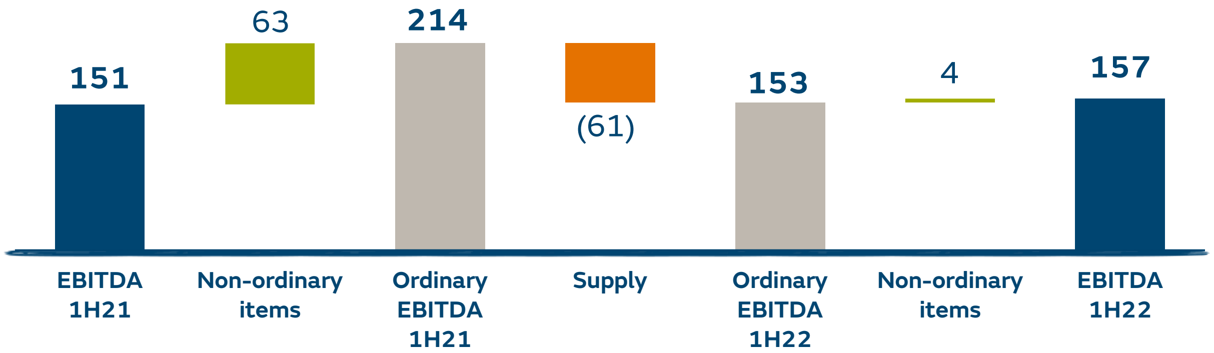
- **Spain:** higher prices and new capacity offset by lower hydro and wind production, as well as regulatory impacts
- **Australia:** higher margins on mark-to-market of existing PPAs offset by higher opex
- **LatAm:** lower production in Mexico and Brazil, partially offset by positive FX impact
- **USA:** proprietary developments underway

€270m capex, of which **~94%** remunerated

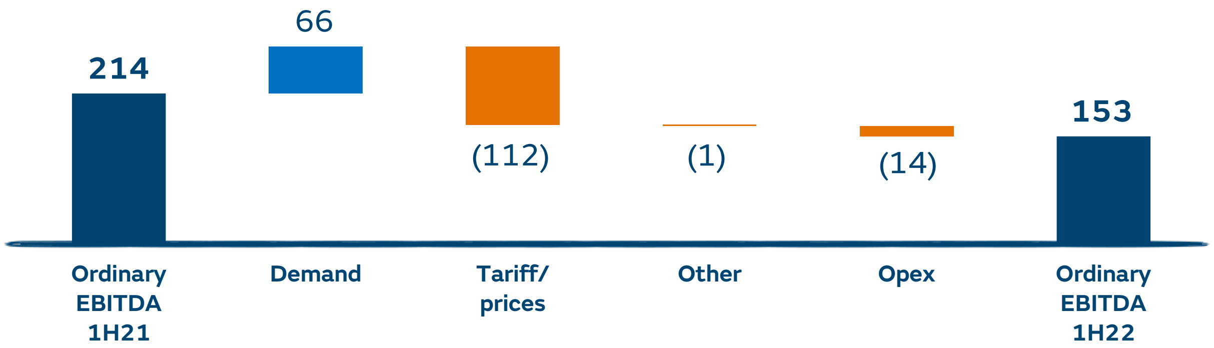
Growth mainly driven by higher prices and contract changes

Supply

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- **Gas supply:** higher margins offset by lower sales and costs linked to contract withdrawals and repricing
- **Power supply:** lower sales and margins in the industrial segment, impacted by volumes sold and not covered with inframarginal generation

€71m capex, of which **~84%** remunerated

Supply Spain affected by contracts with end customers not yet reflecting the increase of gas and electricity prices in major hubs

4. Summary

Summary

1 Volatile commodity price environment

2 Growth driven by international activities

- Networks growth driven by LatAm operations
- Performance in Markets supported by International LNG
- Higher prices and contract changes in Renewables partially offset by low hydro/wind and regulatory impacts in Spain
- Ongoing margin pressure in Supply activities in Spain

3 Net debt reduction supported by cash flow generation

International activities outperformed Spanish operations

Appendix

Alternative Performance Metrics (i/iii)

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 2022	30 June 2021	
EBITDA	Operating profit = Net sales - Procurements + Other operating income - Personnel expenses - Other operating expenses + Results from the sale of fixed assets + Allocation of grants relating to fixed assets and others	Euros 2,047 million	Euros 1,678 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary EBITDA	EBITDA - Non-ordinary items	Euros 2,184 million = 2,047 + 137	Euros 1,959 million = 1,678 + 281	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 to the parent company - Non-ordinary items	Euros 717 million = 557 + 160	Euros 557 million = 484 + 73	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 721 million = 138 + 583	Euros 439 million = 90 + 349	Realized investments in property, plant & equipment and intangible assets
Net Investments (net CAPEX)	CAPEX - Other proceeds/(payments) of investments activities	Euros 684 million = 721 –37	Euros 413 million = 439 –26	Investments (CAPEX) net of other cash received from investment activities (cessions and contributions)
Gross financial debt	Non-current financial liabilities + "Current financial liabilities"	Euros 16,517 million = 14,418 + 2,099	Euros 16,812 million = 15,114 + 1,698	Current and non-current financial debt

Note:
1. As of 31/12/2021

Alternative Performance Metrics (ii/iii)

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2022	30 June 2021	
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets associated with debt"	Euros 11,976 million = 16,517 - 4,365 – 176	Euros 12,831 million = 16,812 - 3,965 – 16	Current and non-current financial debt less cash and cash equivalents and derivative financial assets
Leverage (%)	Net financial debt / (Net financial debt + "Net equity")	64.4% = 11,976 / (11,976 + 6,625)	59.1% = 12,831 / (12,831 + 8,873)	The ratio of external funds over total funds
Cost of net financial debt	Cost of financial debt - "Interest revenue"	Euros 248 million = 265 - 17	Euros 240 million = 246 - 6	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	8.3x = 2,047 /248	7.2x = 3,529 /491	Ratio between EBITDA and cost of net financial debt
Net financial debt/ EBITDA	Net financial debt / Last twelve months EBITDA	3.1x = 11,976/ 3,898	3.6x = 12,831/ 3,529	Ratio between net financial debt and EBITDA
Free Cash Flow after minorities	Net Free Cash Flow + Dividends controlling company to third parties + Acquisitions of treasury shares + Inorganic investments payments	Euros 1,460 million = 964 + 481 - 0 + 15	Euros 663 million = 401 + 605 + 0 - 343	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 964 million = 2,429 – 801 - 1,386 + 722	Euros 401 million = 1,287 – 71 - 1,209 + 394	Cash flow generated by the Company available to pay the debt

Note:
1. As of 31/12/2021

Alternative Performance Metrics (iii/iii)

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2022	30 June 2021	
Average cost of financial gross debt	Annualized financial expenses of the operations included in gross financial debt , except for those corresponding to IFRS16 debt and other refinancing expenses / weighted monthly average of the gross financial debt (including financial liabilities derivatives instruments and excluding IFRS16 debt)	2.8% = (265-42-13)= 210 * (360/180) / 15,156	2.5% = (510 - 92 – 29) / 15,751	Indicator of financing cost in interest rate
Liquidity	Cash and cash equivalents + Undrawn committed credit lines	Euros 9,898 million = 4,365 + 5,533	Euros 9,424 million = 3,965 + 5,459	Indicator of liquid resources available to meet any payment
Economic value distributed	Procurement + Other operating expenses (including Taxes) + Income tax payments + Personnel costs + Own work capitalized + Financial expenses + Dividends paid by parent company to third parties + Expenses from discontinued operations	Euros 15,923 million = 13,841 + 716 + 194 + 267 + 33 + 391 + 481 + 0	Euros 9,540 million = 6,331 + 642 +204 + 570 + 39 + 286 + 605 + 863	Provides a basic indication of the economic value generated by the activity of the Group for all stakeholders

Note:
1. As of 31/12/2021

ESG metrics

		1H22	1H21	Change	Comments
Health and safety					
Accidents with lost time[1]	units	3	6	-50.0%	Significant reduction of accidents in the period, after an unusually high number of accidents in 1H21
LT Frequency rate[2]	units	0.09	0.15	-40.0%	
Environment					
GHG Emissions	M tCO2 e	6.7	6.1	9.8%	Lower hydro production (-64%) has obliged to cover demand with higher CCGT production in the period. New renewable into operation lowers the increase in terms of emission factor
Emission factor	t CO2/GWh	273	250	9.2%	
Emissions-free installed capacity	%	36.7	36.1	1.7%	New wind capacity coming into operation in Spain
Emissions-free net production	%	32.2	38.8	-17.0%	Lower hydro production in Spain in the period vs. 1H21
Interest in people					
Number of employees	persons	7,203	8,006	-10.0%	Perimeter changes and workforce optimization
Training hours per employee	hours	15.3	11.1	37.8%	Growth explained by more training hours in risk prevention courses, as well as follow up campaigns and new platforms in operation
Women representation	%	32.6	31.4	3.8%	Increase following group's policies to advance in gender parity
Society and integrity					
Economic value distributed	€m	15,923	9,540	66.9%	Increase mostly as a consequence of higher procurement costs
Notifications received by the ethics committee	units	21	39	-46.2%	Good evolution, although partially explained by workforce reduction

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

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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.

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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 (https://www.naturgy.com/en/shareholders_and_investors/investors/quarterly_results).

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