Strategic Plan
2021-2025

28 July 2021
New Strategic Plan initially planned for 4Q20

- Agreement to dispose CGE Electricidad in November amid COVID-19 uncertainty recommended postponement
- Ongoing uncertainty during 1H21 around COVID-19 developments

Increased visibility now allows for a new Strategic Plan to further the Company's transformation started in 2018

- Plan unanimously approved by Board of Directors on 27 July

The Plan strengthens the Company's commitment and alignment with all stakeholders

- Naturgy remains committed to continue providing visibility to financial markets, stakeholders and rating agencies
1 Vision
Vision / Strategic pillars

1 Growth
- Mainly organic, maintaining capital discipline
- Consistent with the energy transition
- Opportunistic asset rotation to accelerate transformation

2 Focus
- Renewables and Networks
- Stable geographies and regulatory frameworks
- Reducing volatility in procurement commitments

3 Best-in-class
- Continuous improvement
- Increasing digital footprint
- Reinventing customer relationships

4 ESG
- Embedded at the core
- Aligned with SDGs
- Tangible targets to meet commitments

5 Culture
- Fueling passion on our employees
- Solidifying core values
- Aligned with stakeholders

Solid pillars to accelerate our transformation
**Vision / Key investment objectives**

**Total Capex**

€14.0bn

- Focus on projects with predictable returns
- Financial discipline as a cornerstone
- 80% eligible investments according to Taxonomy

<table>
<thead>
<tr>
<th>Renewables</th>
<th>Networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>€8.7bn</td>
<td>€4.1bn</td>
</tr>
</tbody>
</table>

- Proven generation technologies
- Focus on attractive geographies
- Commitment to innovation
  - Distributed generation
  - Biogas and hydrogen
  - Sustainable mobility

- Focus on solid frameworks with proactive regulatory management
- Ongoing projects to achieve full automation and remote operation
- Adapting existing infrastructures to play a key role in energy transition

**Investments aligned with energy transition**
## Vision / ESG at the core of our vision

### Environment
- Emissions reduction: 16% in 2020, 24% in 2025
- Biodiversity: 265 in 2020, >350 in 2025

### Net Zero by 2050
- Reduction of tCO₂ (scopes 1+2+3): 2020, 2025

### Social
- Enhance diversity: 27% in 2020, >40% in 2025
- Extending ESG throughout supply chain: 70% in 2020, 95% in 2025

### Gender Parity by 2030
- Women in management positions: >40%
- Suppliers ESG audited: 95%

### Governance
- ESG targets as a part of management incentives: 3% in 2020, 10% in 2025
- Climate change risks and taxonomy reporting: Partial in 2020, 100% in 2025

### Management compensation aligned with ESG
- Variable pay ESG linked: 10%
- TCFD & Taxonomy implementation: 100%

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**Note:**
1. vs. 2017. Scopes 1+2 aligned with 1.5°C scenario and Scope 3 aligned with WB2D scenario
2 Roadmap
Roadmap / Renewables

Installed capacity (GW)

- 2020: 4.6 GW
- 2025: 14.0 GW

By technology

- Hydro: 9.4 GW (47%)
- Wind onshore: 24.8 GW (71%)
- Solar PV: 8.7 GW (32%)
- Storage: 0.7 GW (9%)
**Roadmap / Renewables**

Growth strategy focused on:

1. **Stable geographies**
   - Low risk and hard currency
   - Solid regulatory frameworks
   - Long-term visibility

2. **Proven technologies**
   - Solar PV, onshore wind and storage
   - 14 GW in operation by 2025
   - Tangible pipeline with visibility

3. **Customer base as a natural hedge**
   - Balancing risks with new capacity

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**Financial estimates**

<table>
<thead>
<tr>
<th></th>
<th>EBITDA (€m)</th>
<th>Capex (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2025</td>
</tr>
<tr>
<td>CAGR 22%</td>
<td>360</td>
<td>990</td>
</tr>
<tr>
<td></td>
<td>Avg. annual 2018-2020</td>
<td>Avg. annual 1</td>
</tr>
<tr>
<td></td>
<td>470</td>
<td>1,730</td>
</tr>
</tbody>
</table>

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**A defined roadmap for renewables growth**

Note:
1. Of which €1,546m renewables growth capex
Roadmap / Additional investment opportunities eligible under Next Gen EU program

**€13.8bn**

- Sustainable mobility
- Renewable gases
- Just Transition
- Energy efficiency
- Digitalization
- Renewable linked opportunities

**Focus on renewable gases €3.0bn**

**Selected projects:**

**Developing renewable gas projects**

- Target of >1TWh by 2025

**La Robla** - Largest hydrogen plant in Spain

- 9,000 Ton/year based on 400MW of solar capacity and 60MW electrolysis (scalable to 200MW)

**Meirama**

- 7,500 Ton/year based on 150MW of onshore wind capacity and 50MW electrolysis (scalable to 200MW)

**Network of hydrogen stations**

- Blending of hydrogen

**Uses:**

- Decarbonization and circular economy in Galicia, Asturias, Cantabria, Cataluña, Valencia and Castilla y León
- Blending of hydrogen into existing gas networks with origin certificates
- Export to northern Europe in liquid form
- Mobility and industry
- Port infrastructure
- Green hydrogen supply throughout key Spanish heavy transport routes
- Blending of hydrogen and natural gas into turbines and CHP engines

**Taking firm steps in innovation**
Key transformation initiatives

1. **Spain electricity networks**
   - At the forefront of electricity networks digitalization
   - Increasing investment commitments in line with sector requirements

2. **Spain gas networks**
   - Networks digital transition to ensure best-in-class operations
   - Commercial repositioning
   - Accelerating contribution to decarbonization

3. **LatAm networks**
   - Portfolio management
   - Investments to guarantee maintenance and safety standards

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**Financial estimates**

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (€m)</th>
<th>Capex (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2,470</td>
<td>830</td>
</tr>
<tr>
<td>2025</td>
<td>2,730</td>
<td>820</td>
</tr>
</tbody>
</table>

**Average annual**

- **2018-2020**: 830
- **2021-2025**: 820

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**Regulatory management, digitalization and best-in-class operations to lower risk and increase cash flow predictability**
Roadmap / Energy management

Key transformation initiatives

1 Markets and procurement
   - Progressive downsizing of procurement commitments
   - Ongoing review and optimization of procurement contracts (oil to hub indexation transition)

2 International LNG
   - Risk management to ensure predictable cash flows
   - Downsizing of LNG tanker fleet under time charter
   - Exploring value alternatives

3 Spain thermal generation
   - Remote operation and bottom-up process review of CCGT fleet
   - Mothballing of non-performing CCGTs
   - Working in hybridization alternatives
   - Proactive regulatory management (system back-up)

4 LatAm thermal generation
   - Cost and investment efficiency
   - New opportunities for excess capacity above PPA
   - Exploring value alternatives for Mexico CCGTs

Financial estimates

Initiatives to improve competitiveness and reduce risk throughout the portfolio
Roadmap / Supply

Key transformation initiatives

1. Boost competitiveness
   - Market repositioning
   - Integrated energy offering
   - Refocusing of distribution channels strategy including additional third party agreements
   - Enhance profitability

2. Reinvent customer relationships
   - Redefined customer service
   - Enhanced data analytics and customer segmentation
   - Increased loyalty through customer value management

3. Accelerate digital transformation
   - Transition to a new simpler and integrated digital platform
   - Enhanced efficiency in every single operating process

Financial estimates

- EBITDA (€m)
  - 2020: 360
  - 2025: 650
  - CAGR 13%

- Capex (€m)
  - Avg. annual 2018-2020: 70
  - Avg. annual 2021-2025: 140
  - Total 2021-2025: €0.7bn

A clear roadmap for growth
Summary
Summary / Business overview

Ordinary EBITDA (€bn)

- **2020**: 3.7
- **2025**: 4.8

**CAGR 5.1%**

Capex (€bn)

- **SP 2018-2022**: 8.4
- **x1.7**: 14.0

- **SP 2021-2025**: 14.0

### Note:
1. Of which €7.7bn renewables growth capex, €0.2bn maintenance capex and €0.8bn new businesses
Summary / Dividend policy and capital allocation

Dividend policy

▷ Solid BBB rating throughout the period
▷ 1.20 €/share per year
▷ To be reassessed in 2023 depending on performance and transformation execution
▷ Calendar:
  • After 1H: 0.30 €/share
  • After 3Q: 0.40 €/share
  • After AGM: 0.50 €/share

Capital allocation 2021-2025

~€20bn

Sustainable capital allocation
Summary / Key figures (€bn)

**Ordinary EBITDA**  CAGR 5.1%
- 2020: 3.7
- 2025: 4.8

**Ordinary Net income**  CAGR 12.0%
- 2020: 0.9
- 2025: 1.5

**Dividends**  1.20 €/sh.
- Pay-out on ordinary Net Income
- Avg. 2018-22: 120%
- Avg. 2021-25: 85%
- Reassessment in 2023

**Leverage**  FFO/ND
- 2020: 17.1%
- 2025: 20.7%

**Capex**  x1.7
- SP 2018-22: 8.4
- SP 2021-25: 14.0

**Net debt**
- 2020: 13.6
- 2025: 16.8

**BBB rating**
- CAGR 5.1%
- CAGR 12.0%

**ESG**
- Remuneration linked to ESG 2021
- Gender parity 2030
- CO₂ Neutrality 2050
Summary / Closing remarks

**Strategic Plan 2018-2022**

- Simplicity and accountability
- Efficiency
- Non core disposals
- Financial discipline

**Changes in environment**

- Energy scenario
- Economic outlook
- Energy transition acceleration
- Regulatory changes
- COVID-19 outbreak

**Strategic Plan 2021-2025**

**Investment focus**

- Renewables and networks
- Financial discipline
- Hard currency markets

**Opportunistic asset rotation**

**ESG**

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**Growth to accelerate transformation rebalancing capital allocation**
Appendix / FX and inflation evolution

FX (vs. EUR, end of year)

Chile

Mexico

Brazil

Argentina

United States

Inflation

Source: Forwards, Bloomberg, FMI, EIU and others

Notes:
1. FX variation (2017-2020, 2021-2025) expressed with opposite sign to highlight currency devaluation
2. Inflation used as a proxy of the tariff index used in each country (ex Brazil IGPM)
Appendix / Networks demand evolution

Gas (TWh)

Spain

Mexico

Brazil

Argentina

Chile

Panama

Electricity (TWh)

Spain

Recovery to levels prior to the COVID-19 crisis does not take place until 2022

Note:
1. Demand in Naturgy’s gas distributions networks in residential, commercial, NGV and industrial segments
Appendix / Energy markets evolution

Gas prices (USD/MBtu)

Hub as % of Brent gas prices

Henry Hub (USD/MBtu)

Brent (USD/bbl)

Spain Pool price average (EUR/MWh)

CO₂ (EUR/ton)

Source: Forwards, HIS, Platts

Recovery of commodity prices in 2021
Thank you

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