



1Q20 Results

29 April 2020

Agenda

1. COVID-19 company initiatives
2. 1Q20 consolidated results
3. 1Q20 results by business unit
4. Conclusions

01

COVID-19 company initiatives

Environment under COVID-19

- 1 Limited visibility on macroeconomic outlook**
- 2 Unprecedented decline of commodity prices**
- 3 Declining energy demand due to lower economic activity**
- 4 Potential regulatory developments impacting WC**

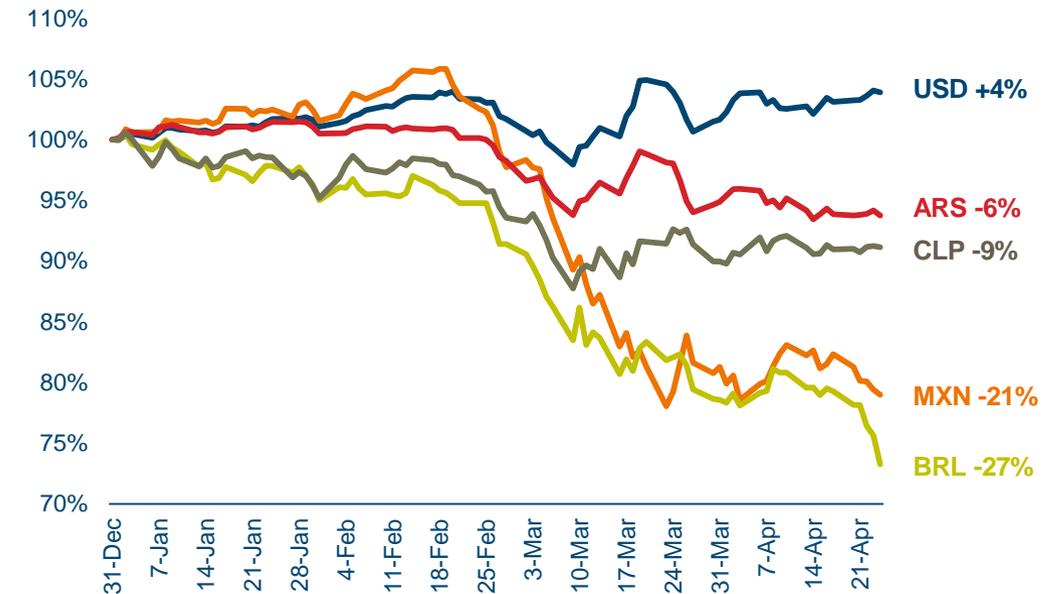
Lack of visibility on depth and duration of crisis

Macroeconomic environment

2020E GDP growth consensus estimates

		W12	W13	W14	W15	W16
Spain		-5.0%	-5.9%	-6.6%	-5.9%	-6.3%
Argentina		-2.8%	-3.4%	-4.1%	-4.6%	-4.4%
Chile		-0.7%	-1.2%	-1.6%	-3.0%	-2.1%
Panama		1.5%	1.5%	-1.0%	-2.3%	-2.0%
Mexico		-3.2%	-4.4%	-5.0%	-5.9%	-5.5%
Brazil		-0.5%	-1.7%	-2.3%	-2.0%	-2.9%

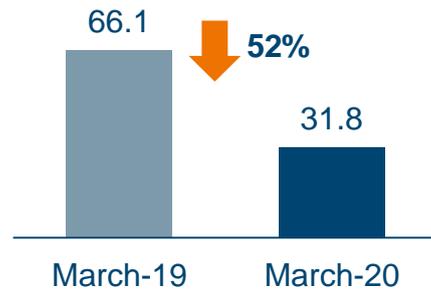
FX evolution¹ (rebased to 100)



Limited visibility on macroeconomic outlook

Commodity prices

Brent (USD/bbl)



Henry Hub (USD/MMBtu)



Spanish electricity market (€/MWh)



CO₂ (€/t)



NBP (USD/MMBtu)



JKM (USD/MMBtu)



Unprecedented decline of commodity prices

Electricity and gas demand

Evolution of electricity demand (% Change vs. 2019 comparable week)

		W12	W13	W14 ¹	W15	W16
Spain		-9.5%	-19.1%	-25.2%	-11.3%	-13.7%
Argentina²		-1.5%	-18.1%	-18.6%	-10.4%	-5.5%
Chile²		-3.1%	-2.4%	-6.1%	2.6%	-2.4%
Panama		-14.8%	-16.6%	-16.9%	-15.6%	-18.0%
Mexico		3.0%	1.5%	-10.7%	-5.1%	-3.9%

Evolution of gas demand (% Change vs. 2019 comparable week)

		W12	W13	W14 ¹	W15	W16
Spain		-2.5%	-16.7%	-31.4%	-12.2%	-21.5%
Argentina²		-41.2%	-33.4%	-32.9%	-20.2%	-30.9%
Brazil²		-30.9%	-43.4%	-37.3%	-41.0%	-42.7%
Chile²		-9.0%	-8.0%	-20.4%	4.0%	-18.8%
Mexico²		-15.7%	-21.4%	-31.2%	-15.4%	-28.0%

Declining energy demand due to lower economic activity

Notes:

1. Demand impacted by Easter
2. Data for demand operated within the Group only

Key company initiatives



Employees



Society



Customers



Suppliers



Liquidity



Shareholder remuneration



Business & portfolio

Employees

01

Prompt creation of a Crisis Committee

Activated 25-Feb.



02

Early ban on domestic and international travel and attendance to external events



03

Resources for effective remote working

100% of non-critical workforce



04

Supply of personal protection equipment and ready access to company medical services



Employees health, safety and well-being as a key priority

Employees: roadmap for a safe return

Prior to workplace return

- 

1 Medical survey to all employees
- 

2 Serological tests to all employees and their immediate family members
- 

3 Return plan based on critical services, groups of risk and medical tests
- 

4 Personal and professional health and safety guidelines

Return to workplace

Work premises

-  > Reinforcement of hygiene measures
- > Compliance with workplace safety
- > Capacity limitation of common areas

Meetings, travels & events

-  > Online meetings
- > Maintenance of initial ban on travels
- > Restrictions on attendance to events

Roadmap for a gradual and safe return to work premises

Society

01

Reinforcement of critical infrastructures to guarantee energy supply



02

“CRUZ ROJA RESPONDE” donation by employees



03

Supply of free gas and electricity to hospitalized hotels, residences and IFEMA

32 hotels & residences



04

Free gas and electricity appliances' inspections to Spain's medical workers, members of Spain's Police, Firemen and Armed Forces

Up to 1 million beneficiaries



Committed to supporting society

Customers & Suppliers

01

12-month bill financing to SMEs, self-employed individuals and municipalities

Up to 250.000 beneficiaries



02

Free telematic medical assistance

Up to 7 million beneficiaries



03

Continuity of energy supply to all vulnerable clients



01

Cash payment advances corresponding to invoices in the 2nd quarter of the year

Up to 11.000 suppliers



Committed to mitigate the impact of the current economic environment

Liquidity

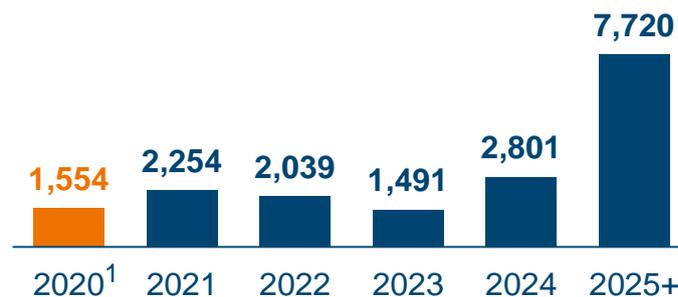
Liquidity resources (€m)

Cash and equivalents	4,151
Undrawn committed financing	5,439
Total	9,590

Comfortable debt maturity profile

- > ~6 years average maturity
- > 80% of debt at fixed rates
- > 68% denominated in EUR

Gross debt maturities (m€)



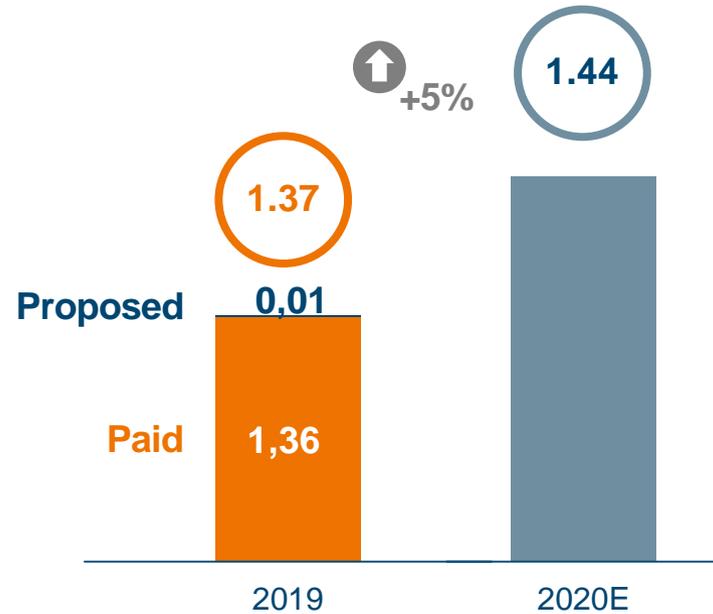
Additional levers

- > Proven access to capital markets
- > Opex & discretionary Capex flexibility
- > WC management optimization
- > Further opportunities to optimize B/S structure and strengthen liquidity (e.g. new credit lines)

Comfortable balance sheet with additional flexibility

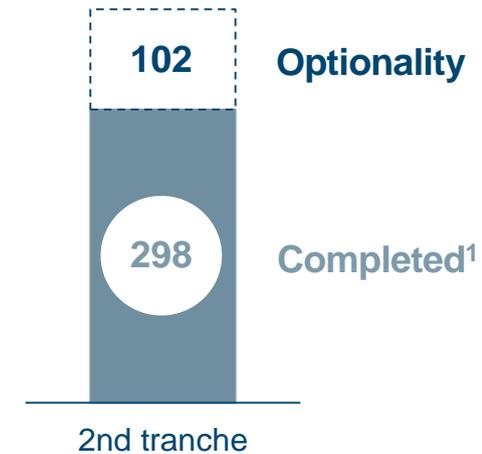
Shareholder remuneration

Dividend commitment (€/sh.)



- > Payment of 3rd interim dividend of 0.593€/sh. on 25-Mar
- > Payment of final 0.01 €/sh. dividend on 3 June subject to AGM's approval on 26-May

Share buy-back optionality (€m)



- > Temporary halt until visibility improves

Delivering on dividend commitments



1 Gas procurement contract revisions and renegotiations:
Price arbitrage decisions expected between 2020 and 2021



2 Ongoing transformation initiatives
Rethinking of operations to increase efficiency and flexibility (remote work, digitization, etc.)
Adapting organization: internal and external talent



3 Portfolio rotation opportunities:
Ongoing analysis to maximize value and de-risking

02

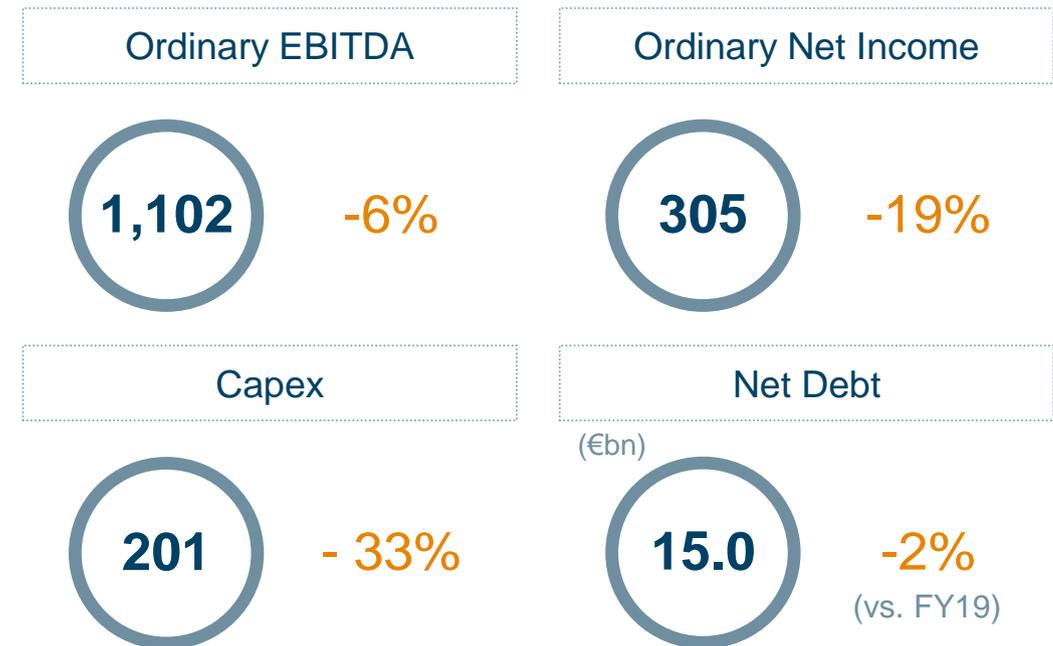
1Q20 consolidated results

Key highlights

- 1** Lower energy demand and commodity prices
- 2** New electricity networks regulation and step down in EMPL
- 3** FX depreciation in LatAm
- 4** Reinforced liquidity and dividend commitment

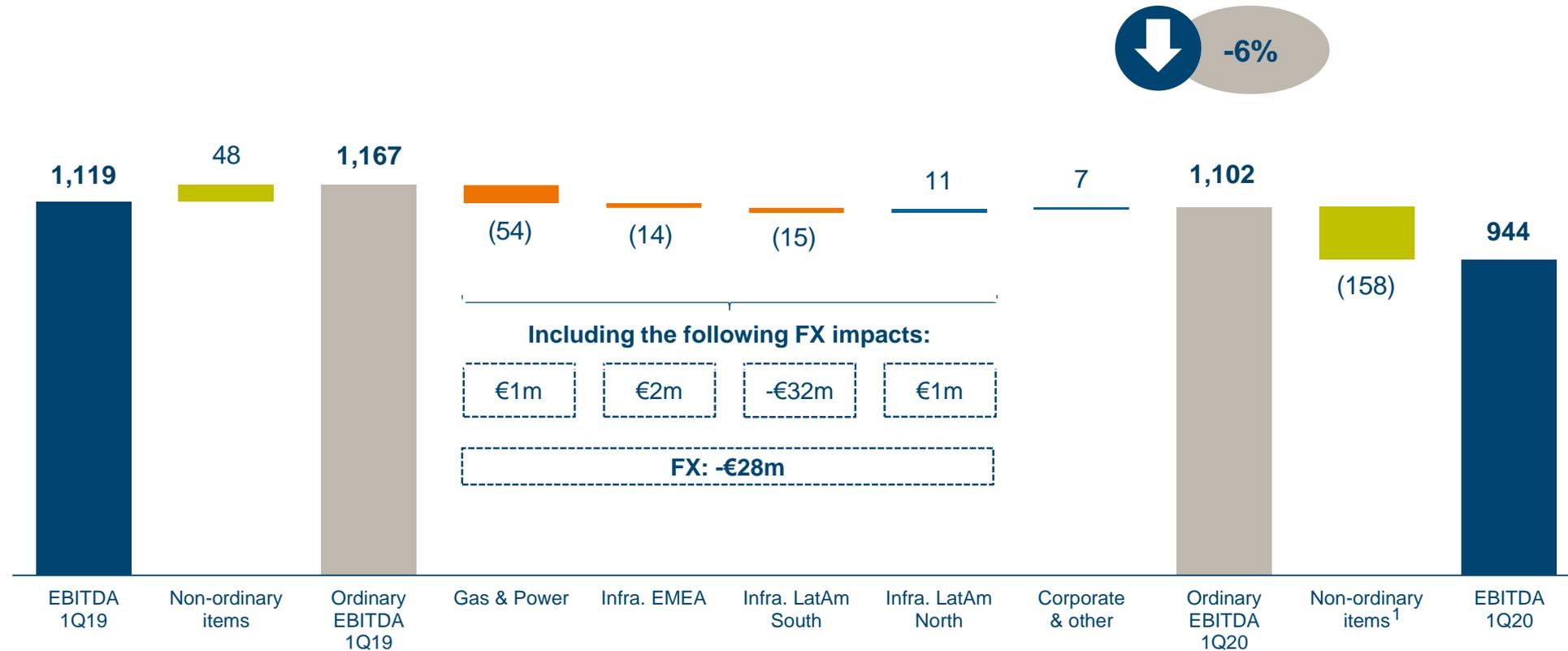


Key figures (€m, % vs. 1Q19)



Limited impact of COVID-19 on first quarter results

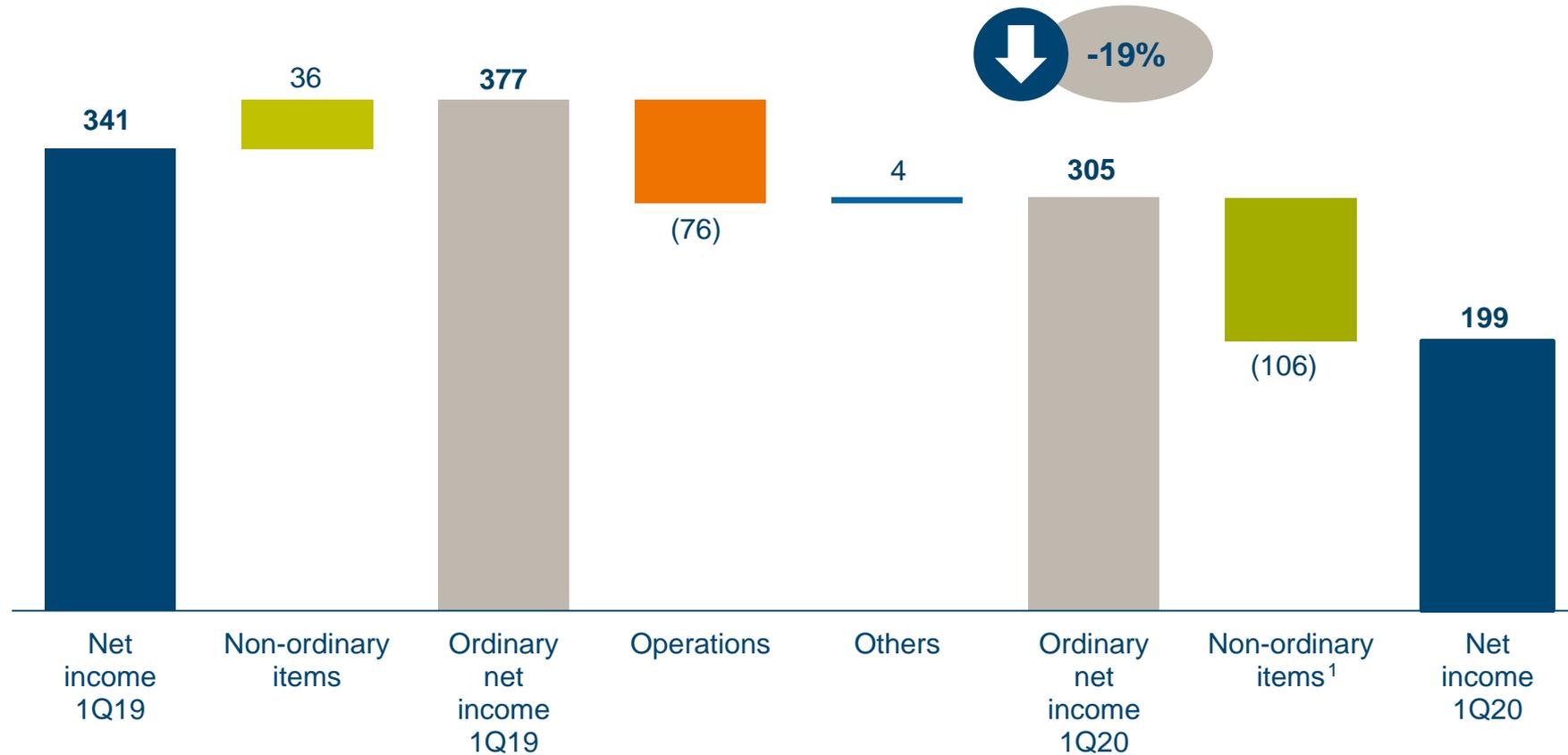
EBITDA evolution (€m)



Lower commodities, new regulation in Spain, EMPL and FX

Note:
1. The entire amount corresponds to restructuring costs

Net Income evolution (€m)



Better financial result not sufficient to offset weaker activity

Note:

1. Of which: -€119m corresponds to restructuring costs and €13m to interest in companies sales

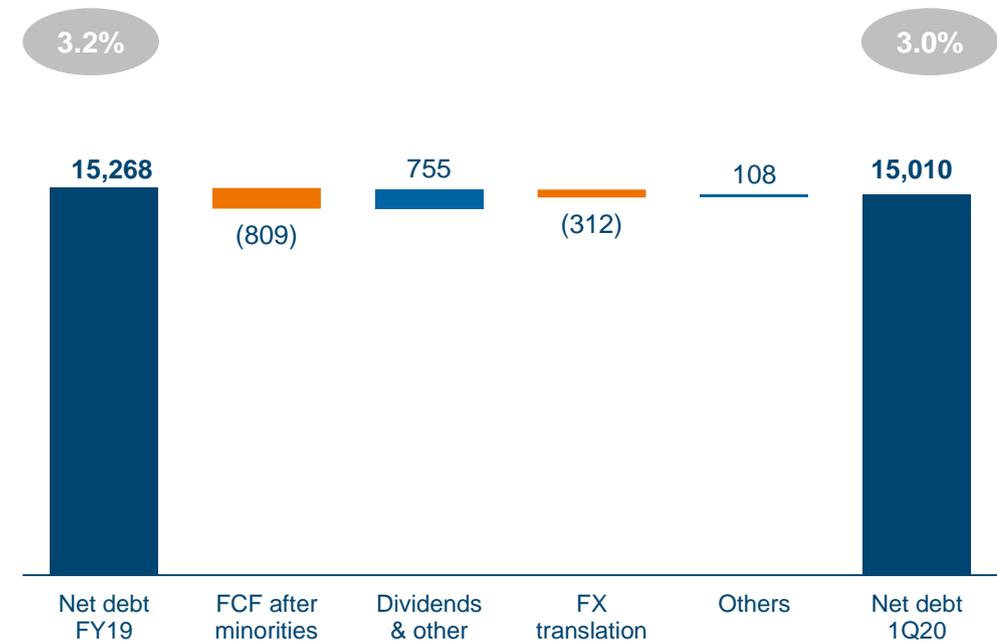
Cash flow and Net debt evolution (€m)

Cash flow

	1Q20	vs. 1Q19
EBITDA	944	-16%
Taxes	(8)	
Net interest cost	(138)	
Other non-cash items	(139)	
Funds from operations	659	-23%
Change in working capital	616	
Cash flow from operations	1,275	-22%
Growth capex ¹	(100)	
Maintenance capex ¹	(90)	
Divestments	24	
Dividends to minorities	(48)	
Other	(252)	
Free cash flow after minorities	809	-18%
Dividends and other	(755)	
Free cash flow	54	

Net debt

(%): avg. cost of debt²



Stable net debt after shareholder remuneration

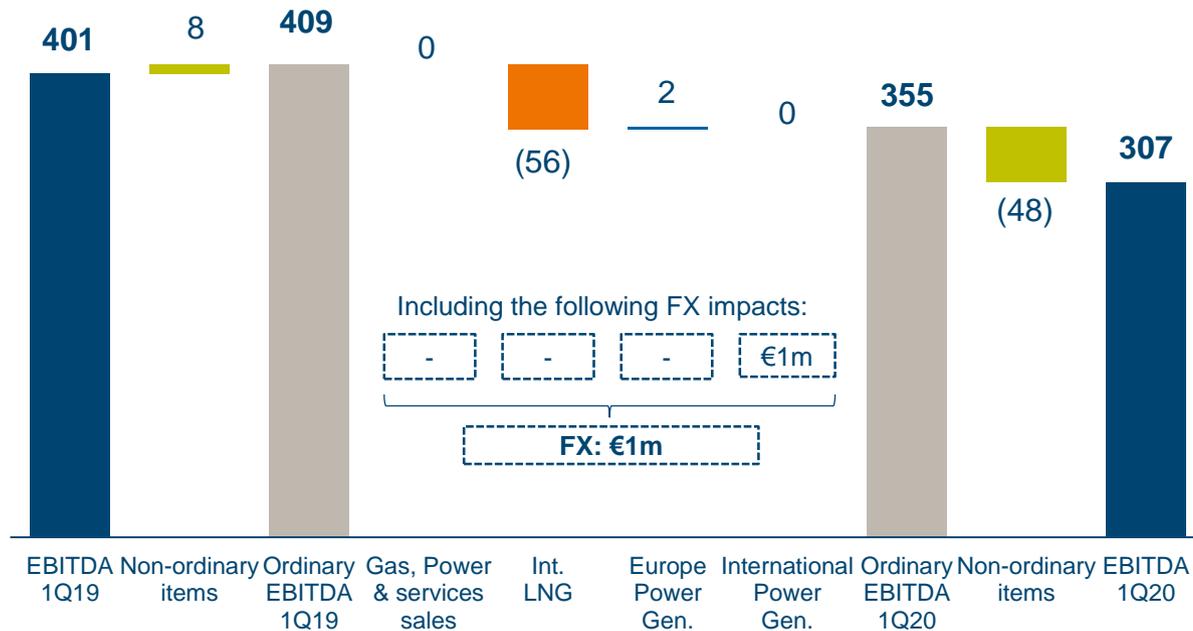
Notes:

1. Net of cessions and contributions
2. Does not include cost from IFRS 16 debt

03

1Q20 results by business unit

EBITDA evolution (€m)



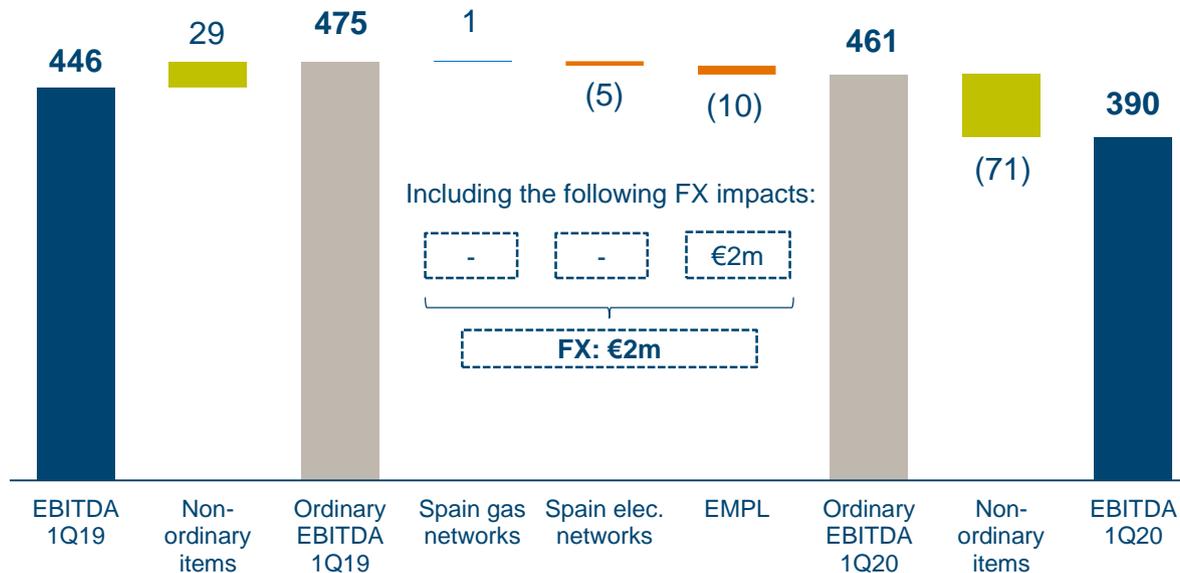
Highlights

- ✓ **Gas, Power & services sales:** higher power margins and business optimization offset by lower sales and gas margins
- ✓ **International LNG:** contract renegotiations cause a transitory increase of shorter term sales in depressed price environment
- ✓ **Europe Power Generation:** higher renewable and hydro production offset by higher taxes, lower CCGTs production and pool prices
- ✓ **International Power Generation:** efficiencies and higher margins in PPA offset by lower sales and margins in merchant production

€49m capex, of which ~70% growth & remunerated

Challenging energy scenario

EBITDA evolution (€m)



Highlights

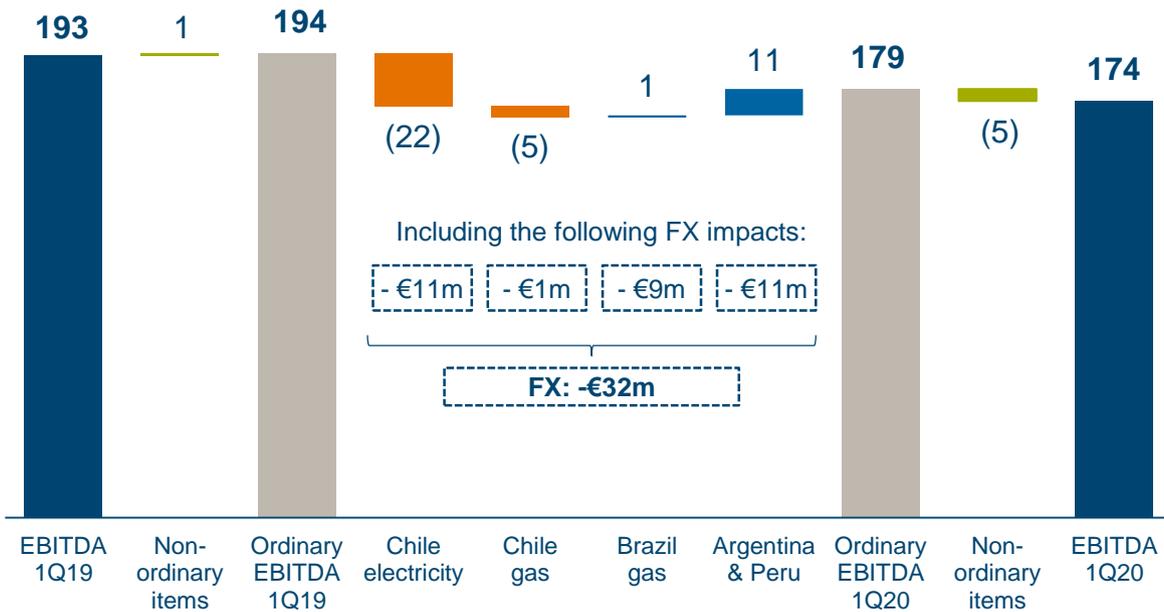
- ✓ **Spain gas networks:** business optimization offset by lower sales
- ✓ **Spain electricity networks:** lower regulated revenues due to new regulatory period compensated by business optimization
- ✓ **EMPL:** step-down of EMPL capacity compensated by annual tariff increase and FX

€53m capex, of which ~90% growth & remunerated

New regulatory period in electricity networks and step-down of EMPL capacity



EBITDA evolution (€m)



Highlights

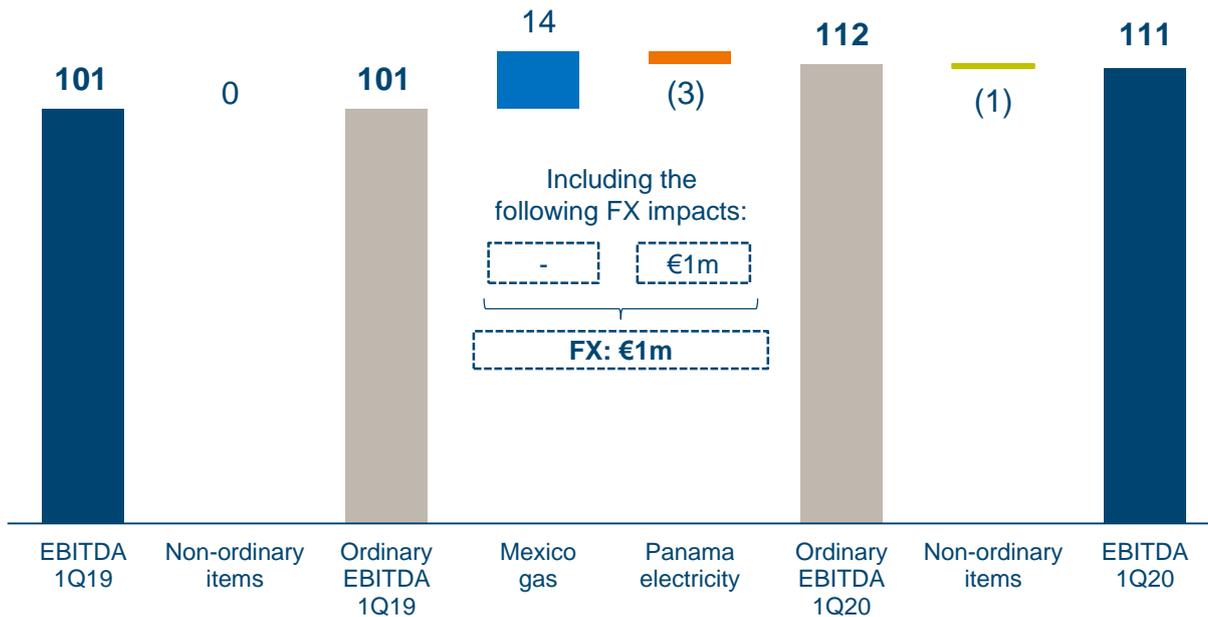
- ✓ **Chile electricity:** FX, tariff freeze in transmission activities, higher losses and perimeter changes
- ✓ **Chile gas:** mainly impacted by lower supply sales
- ✓ **Brazil gas:** tariff indexation and lower losses offset by FX
- ✓ **Argentina:** tariff update in April-19 offset by lower demand and FX

€64m capex, of which ~70% growth & remunerated

All businesses negatively impacted by FX



EBITDA evolution (€m)



Highlights

- ✓ **Mexico gas:** margins improvement and tariff update offset by lower sales
- ✓ **Panama electricity:** lower margins partially compensated by higher sales

€33m capex, of which 100% growth & remunerated

Positive evolution supported by better margins in Mexico

04

Conclusions

Summary 1Q20 results

- 1** Lower energy demand and commodity prices
- 2** New electricity networks regulation in Spain and capacity step down in EMPL
- 3** FX depreciation in LatAm
- 4** Reinforced liquidity and dividend commitment

Limited impact of COVID-19 on first quarter results

COVID-19 uncertainties & management focus

COVID-19 uncertainties

- > Duration and depth of crisis and speed of recovery
- > Commodity prices
- > Energy demand
- > FX in LatAm
- > Potential regulatory developments impacting WC



Management focus

- > Stakeholder support
 - Employees, society, customers, suppliers...
- > Liquidity maximization
 - Managing cash outlays: opex and discretionary capex
 - Balance sheet headroom: new credit lines, WC management
- > Delivery of dividend commitment
- > Gas procurement contracts revision
- > New transformation initiatives
 - Rethinking of operations to increase efficiency and flexibility (remote work, digitization, etc.)
 - Adapting organization: internal and external talent
- > Portfolio rotation evaluation

Actively addressing the developing scenario

1Q20 Results

Q&A

Appendix

Alternative Performance Metrics

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 2020	31 March 2019	
Ebitda	Operating profit	Euros 944 million	Euros 1,119 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items	1,102 = Euros 944 million + 158	1,167 = Euros 1,119 million + 48	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 305 million = 199 + 106	Euros 377 million = 341 + 36	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 201 million = 26 + 175	Euros 301 million = 31 + 270	Realized investments in property, plant & equipment and intangible assets.
Net Investments	CAPEX + Financial investments net of the cash received from divestments - Other proceeds/(payments) of investments activities	Euros 166 million = 201 - 24 - 11	Euros 289 million = 301 - 0 - 12	Total investments net of the cash received from divestments and other investing receipts.
Gross financial debt	Non-current financial liabilities + "Current financial liabilities"	Euros 17,859 million = 15,744 + 2,115	Euros 17,987 million (1) = 15,701 + 2,286	Current and non-current financial debt

Notes:

1. As of 31/12/2019

Alternative Performance Metrics

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		31 March 2020	31 March 2019	
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets"	Euros 15,010 million = 17,859 - 2,813 - 36	Euros 15,268 million (1) = 17,987 - 2,685 - 34	Current and non-current financial debt less cash and cash equivalents and derivative financial assets
Leverage (%)	Net financial debt / (Net financial debt + "Net equity")	53.2% = 15,010 / (15,010 + 13,224)	52.2% (1) = 15,268 / (15,268 + 13,976)	The ratio of external funds over total funds
Cost of net financial debt	Cost of financial debt - "Interest revenue"	Euros 141 million = 147 - 6	Euros 156 million = 161 - 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	6.7x = 944 / 141	7.3x (1) = 4,562 / 626	Ratio between Ebitda and net financial debt
Net financial debt/LTM Ebitda	Net financial debt / Last twelve months Ebitda	3.4x = 15,010 / 4,387	3.3x (1) = 15,268 / 4,562	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 809 million = 54 + 571 + 184 + 0	Euros 983 million = 280 + 560 + 135 + 8	Cash flow generated by the Company available to pay to the shareholders (dividends or treasury shares), the payment of inorganic investments and debt payments.
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 54 million = 1,275 - 413 - 690 - 118	Euros 280 million = 1,628 - 625 - 493 - 230	Cash flow generated by the Company available to pay the debt.

Notes:

1. As of 31/12/2019

ESG metrics

ESG metrics		1Q20	1Q19	Change	Comments
Health and safety					
Accidents with lost time ⁽¹⁾	units	1	8	-87.5%	Significant improvement following Plan Naturgy 2019
LT Frequency rate ⁽²⁾	units	0.04	0.27	-85.2%	Reflects the reduction in accidents, although slightly adjusted by a lower number of working hours
Environment					
GHG Emissions	M tCO ₂ e	3.8	4.3	-12.0%	Higher renewable and lower CCGT production in the period
Emission factor	t CO ₂ /GWh	294	318	-7.6%	
Emissions-free installed capacity	%	30.1	28.1	7.1%	New renewable capacity coming into operation in Spain
Emissions-free net production	%	37.8	28.1	34.5%	Higher renewable and hydro production
Interest in people					
Number of employees	persons	11,081	12,330	-10.1%	Perimeter changes and efficiencies
Training hours per employee	hours	4.4	5.6	-21.5%	Reduction in ratio explained by need for a training itinerary overhaul, required after business reorganization
Women representation	%	32.0	30.0	6.7%	Commitment for diversity and gender equality policies
Society and integrity					
Economic value distributed	M€	4,971	6,137	-19.0%	Affected by lower purchases and external services
Notifications received by the ethics committee	units	25	40	-37.5%	Improved oversight and accountability as well as lower activity following Covid-19 crisis

Notes:

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

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CAPITAL MARKETS

tel. 34 912 107 815

e-mail: capitalmarkets@naturgy.com

website: www.naturgy.com