

9M20 Results

28 October 2020





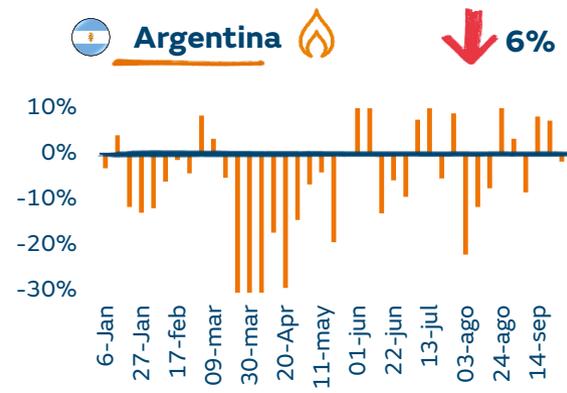
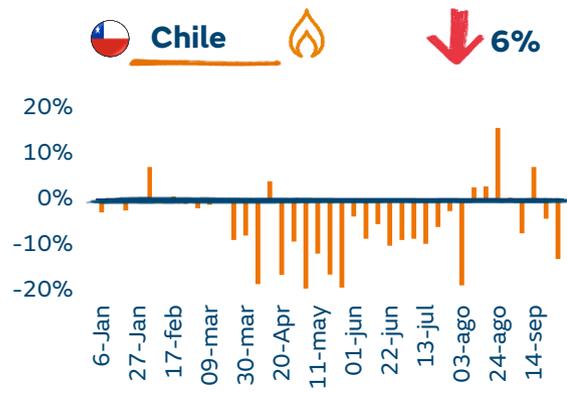
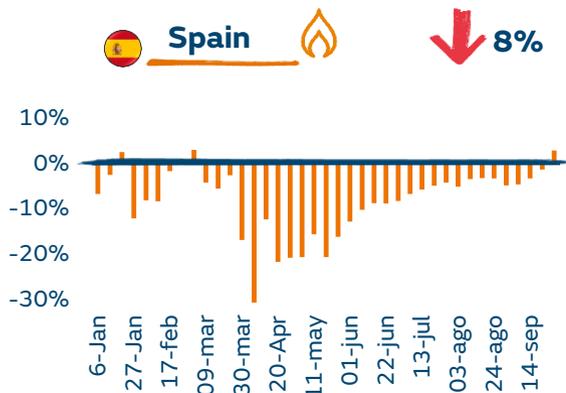
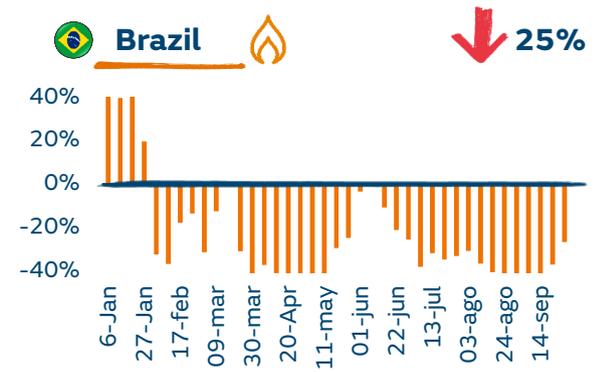
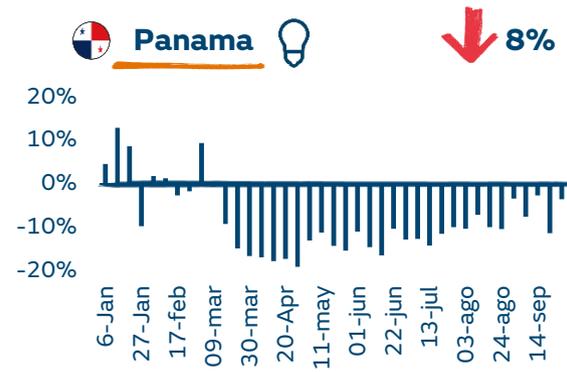
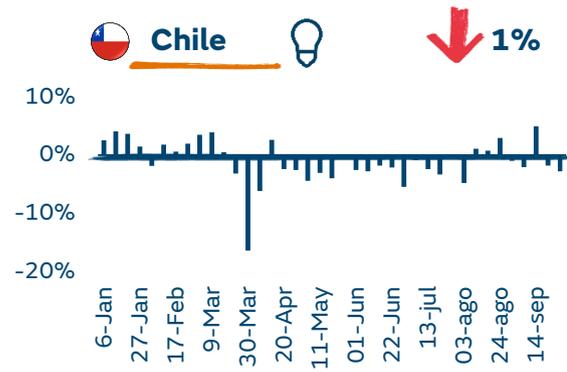
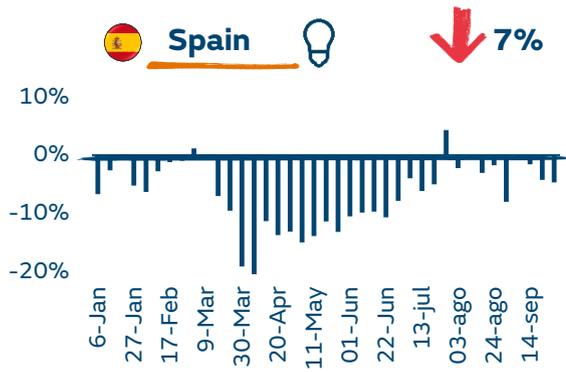
- ① Scenario
- ② Consolidated results
- ③ Results by business unit
- ④ Summary

Scenario



1.1 Electricity and gas demand evolution (% weekly variation vs. previous year)

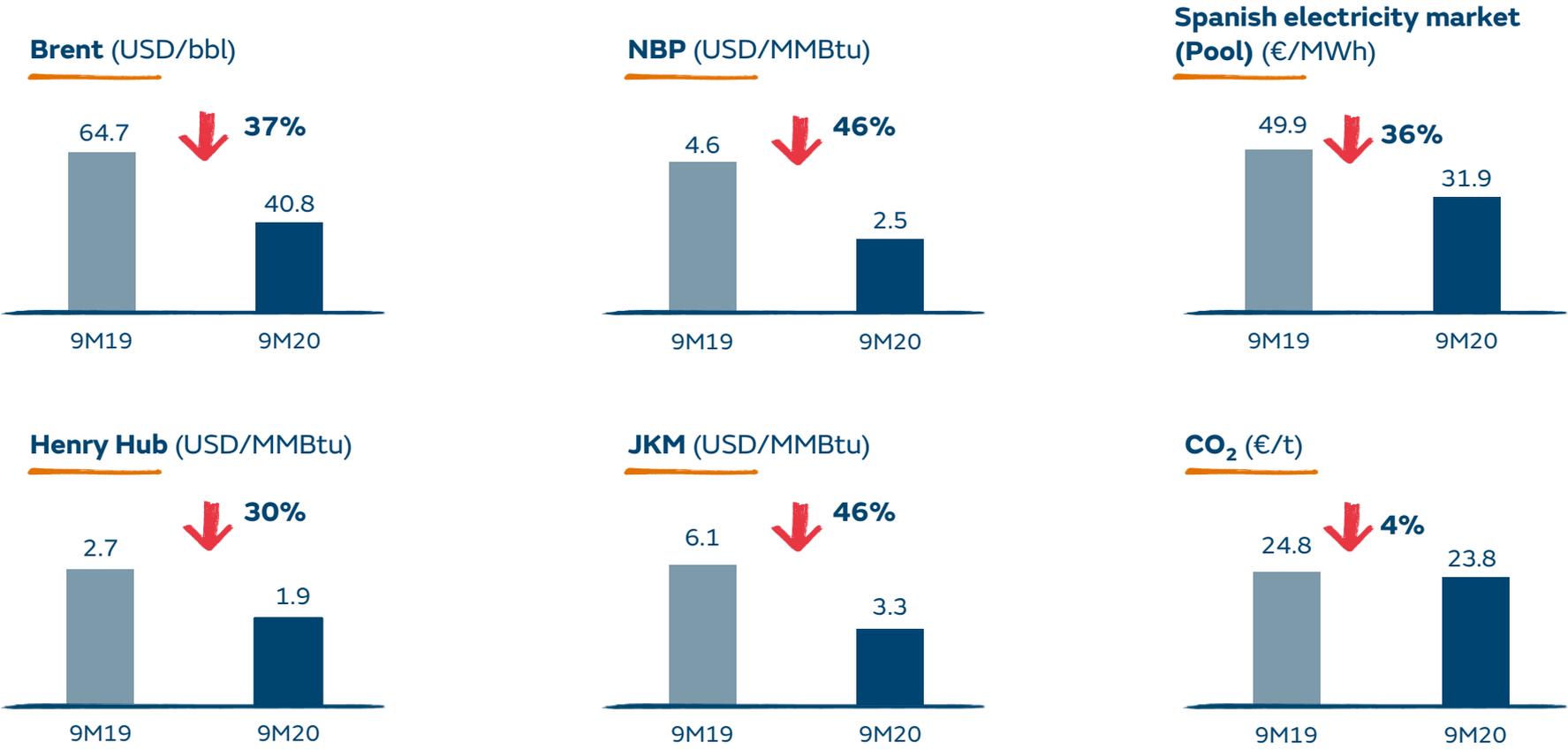
Weekly avg. 9M20 vs. 9M19



Electricity Gas

First signs of demand recovery

1.2 Energy markets evolution (avg. 9M20 vs. 9M19)



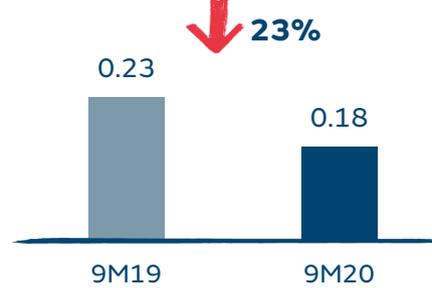
Challenging energy scenario with recent signs of improvement

1.3 FX evolution (avg. 9M20 vs. 9M19)

 **Chile**



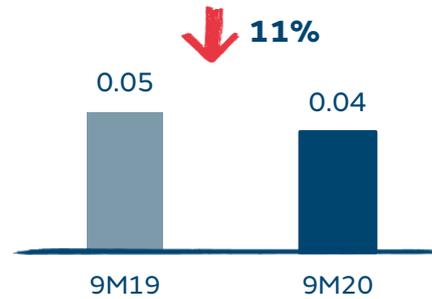
 **Brazil**



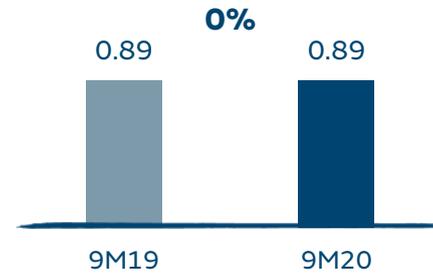
 **Argentina**



 **Mexico**



 **Panama**



Ongoing FX weakness

Consolidated results

2

2.1 Key operating highlights

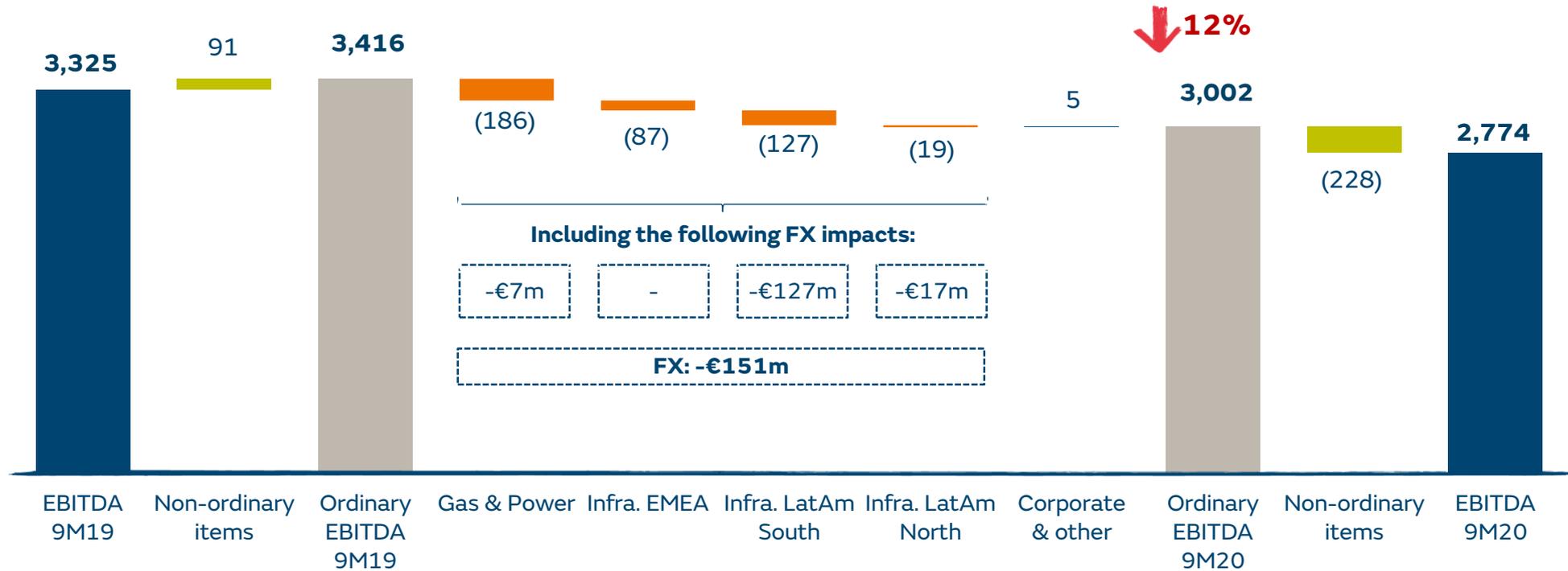
- 1 **Liberalised activities impacted by continued pressure on gas prices**
 - > Regaining competitiveness through contract renegotiations
- 2 **Growing renewable exposure and ambitions**
 - > Becoming one of the largest renewable players in Australia
- 3 **Resilient results in Infra EMEA despite scenario, regulation and EMPL step-down**
- 4 **Energy demand & FX impact in LatAm businesses**

Key figures (€m, % vs. 9M19)

Ordinary EBITDA	Ordinary Net Income
3,002 -12%	696 -31%
Capex	Net Debt
827	(€bn) 14.7

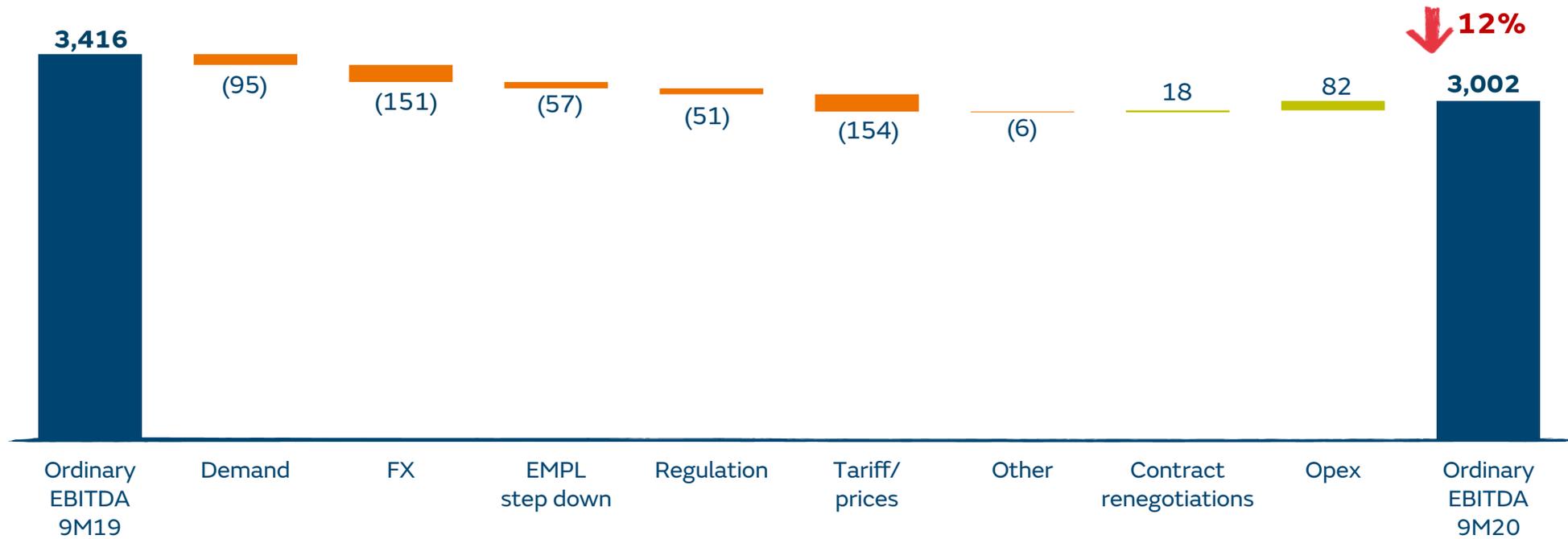
On track to deliver €4.0bn ordinary EBITDA guidance for 2020

2.2 EBITDA evolution by business unit (€m)



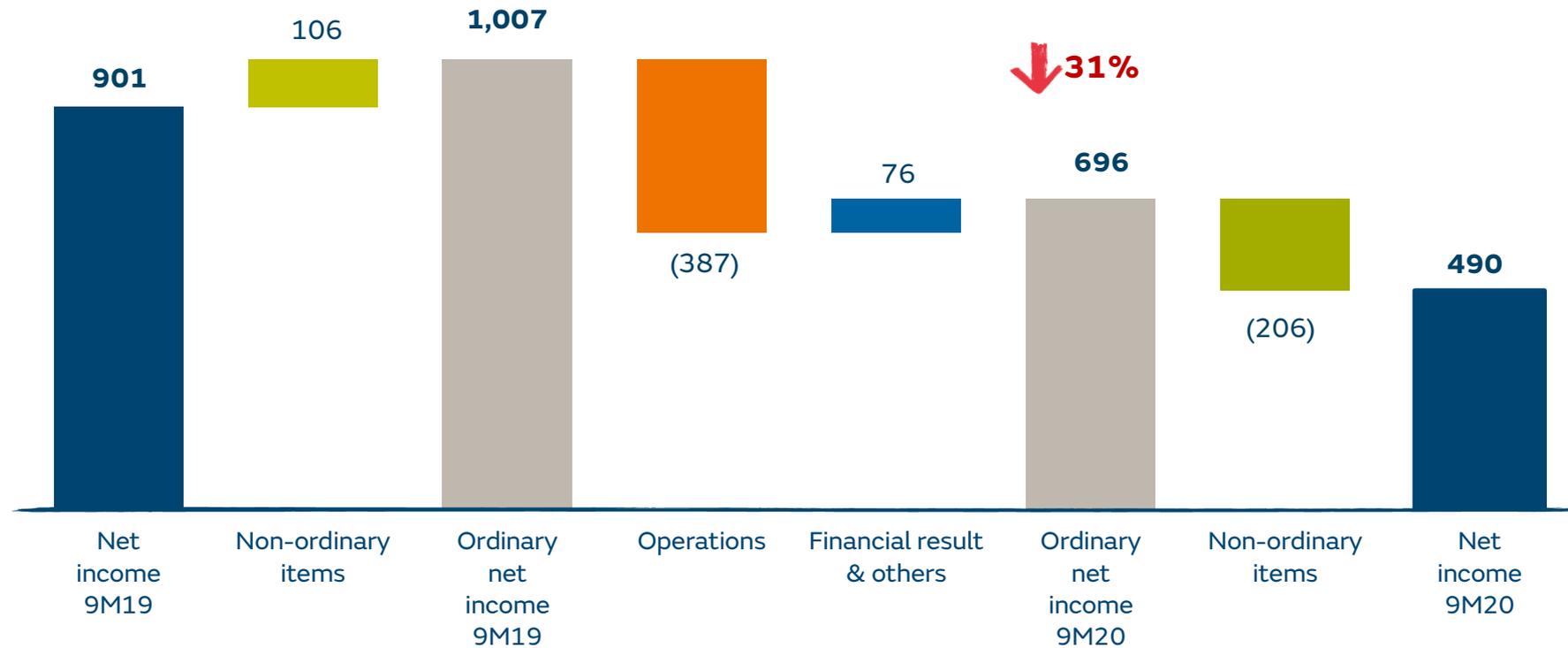
Energy scenario remained challenging during 9M20

2.3 Ordinary EBITDA evolution by key drivers (€m)



Demand, FX and energy scenario drive down EBITDA

2.4 Net Income evolution (€m)



Improved financial results offset by weaker operations

2.5 Cash flow and net debt evolution (€m)

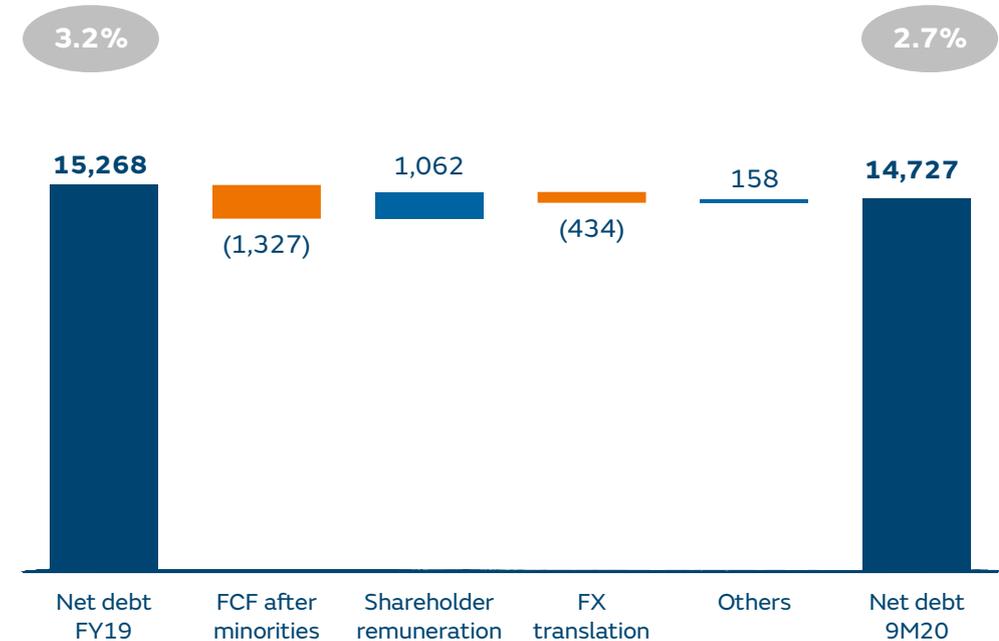
Cash flow

	9M20	vs. 9M19
Ordinary EBITDA	3,002	-12%
Non-ordinary items	(228)	
EBITDA	2,774	-17%
Taxes	(94)	
Net interest cost	(423)	
Other non-cash items	(210)	
Funds from operations	2,047	-22%
Change in working capital	554	
Cash flow from operations	2,601	-18%
Capex ¹	(792)	
Dividends to minorities	(242)	
Divestments & Other	(240)	
Free cash flow after minorities	1,327	-15%

- ✓ Completed payment of 1st interim dividend of €0.31/share as well as cancellation of 14.5m shares
- ✓ 2nd interim dividend payment of €0.50/share on 11-Nov-2020

Net debt

(%): avg. cost of debt²



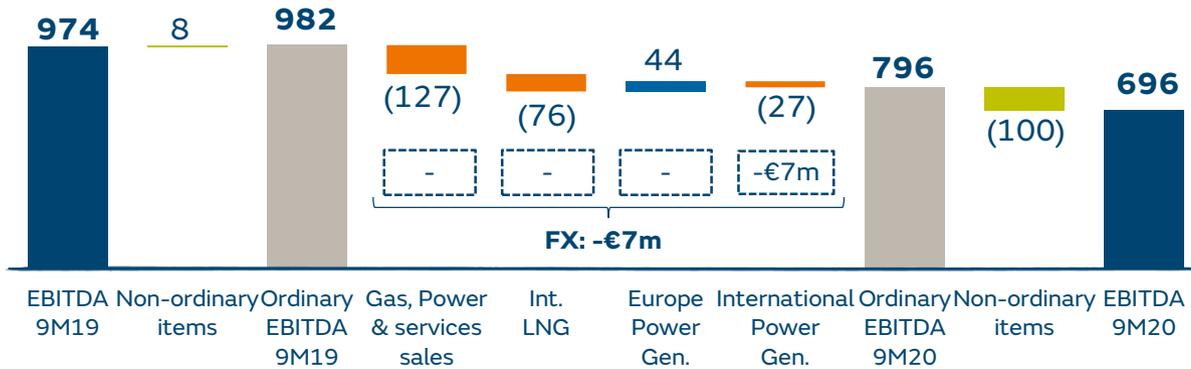
Lower net debt driven by free cash flow and FX

Results by business unit



Gas & Power

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- > **Gas, Power & services sales:** higher power margins offset by lower demand and margin pressure in gas
- > **International LNG:** depressed price environment not yet benefiting from recent contract renegotiations
- > **Europe Power Generation:** new renewable capacity and efficiencies offset by lower pool prices
- > **International Power Generation:** lower merchant activity in Dominican Republic and Mexico together with negative FX

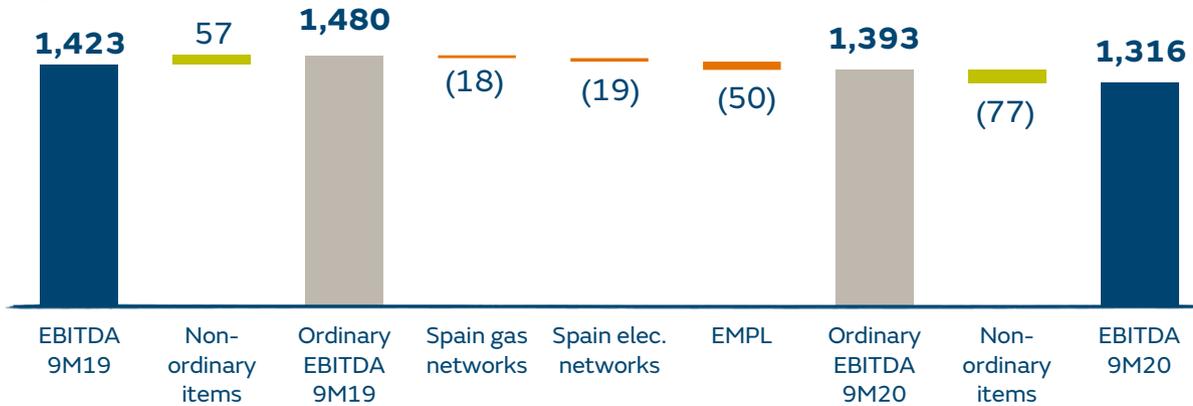
€343m capex, of which ~80% remunerated

Ongoing contract renegotiations to mitigate gas scenario



Infrastructure EMEA

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- › **Spain gas networks:** lower demand as result of mild weather and economic slowdown linked to COVID-19
- › **Spain electricity networks:** lower financial remuneration due to new regulatory period
- › **EMPL:** step-down of EMPL capacity as expected

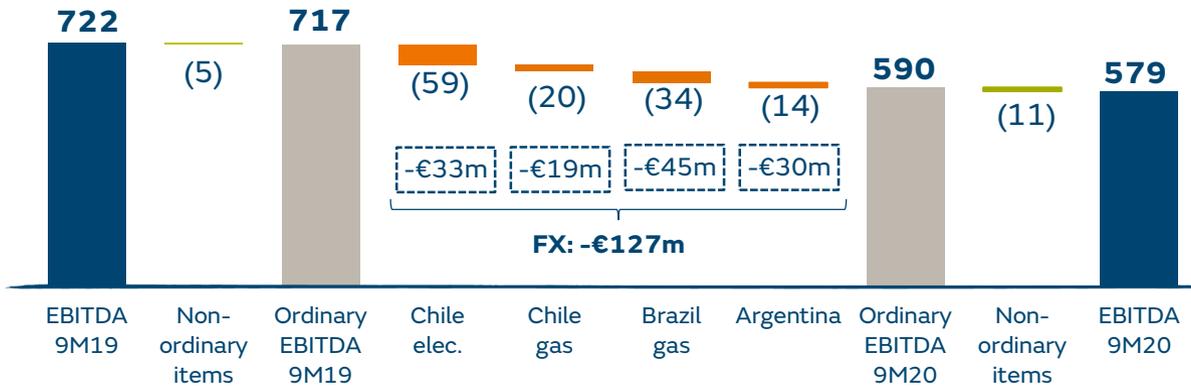
€190m capex, of which ~90% remunerated

Resilient results despite scenario, regulation and EMPL step-down



Infrastructure South LatAm

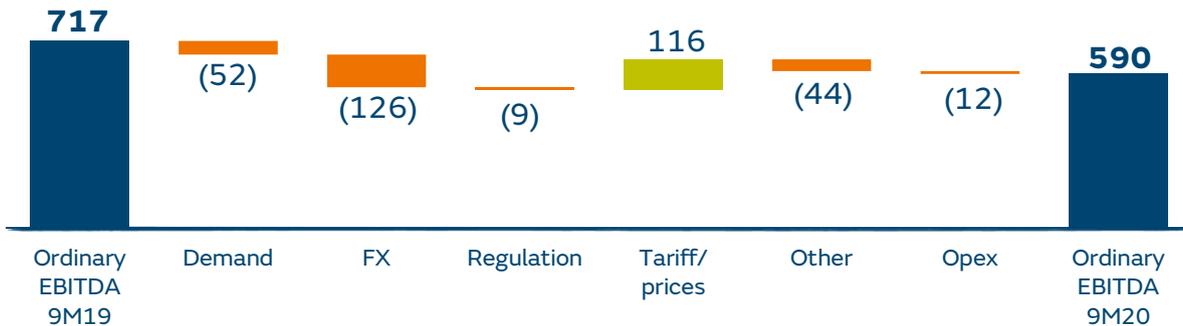
EBITDA evolution by business line (€m)



Highlights

- > **Chile electricity:** tariff indexation not enough to compensate lower demand and energy losses
- > **Chile gas:** tariff indexation offset by lower demand
- > **Brazil gas:** lower opex and tariff indexation offset by FX and demand
- > **Argentina:** electricity tariff update offset by lower gas sales

Ordinary EBITDA evolution by key drivers (€m)



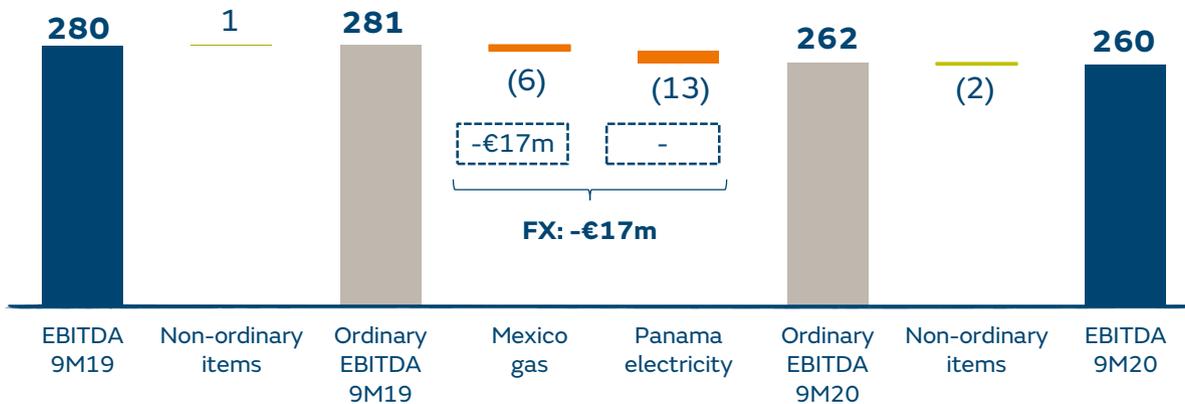
€179m capex, of which ~70% remunerated

Performance impacted by FX and lower demand

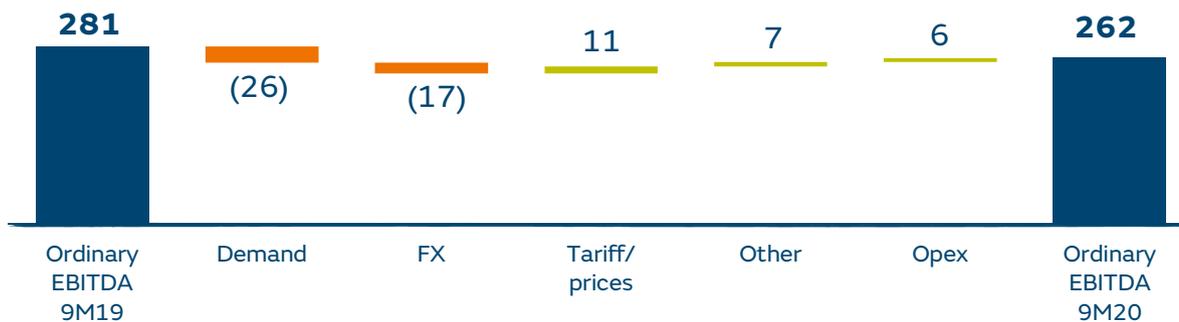


Infrastructure North LatAm

EBITDA evolution by business line (€m)



Ordinary EBITDA evolution by key drivers (€m)



Highlights

- > **Mexico gas:** results mostly impacted by FX and, to a lower extent, by lower demand
- > **Panama electricity:** lower demand as result of confinement

€91m capex, of which **100%** remunerated

Results impacted by lower demand and FX

Summary



4.1 Summary

- 1 Liberalised activities impacted by continued pressure on gas prices**
 - › Regaining competitiveness through contract renegotiations
- 2 Growing renewable exposure and ambitions**
 - › Becoming one of the largest renewable players in Australia
- 3 Resilient results in Infra EMA despite scenario, regulation and EMPL step-down**
- 4 Energy demand & FX impact in LatAm businesses**

On track to deliver €4.0bn ordinary EBITDA guidance for 2020

Appendix

1 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
		30 September 2020	30 September 2019	
Ebitda	Operating profit	Euros 2,774 million	Euros 3,325 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items	Euros 3,002 million = 2,774 + 228	Euros 3,416 million = 3,325 + 91	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 696 million = 490 + 206	Euros 1,007 million = 901 + 106	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 827 million = 100 + 727	Euros 1,120 million = 121 + 999	Realized investments in property, plant & equipment and intangible assets.
Net Investments	CAPEX - Other proceeds/(payments) of investments activities	Euros 792 million = 827 - 35	Euros 1,066 million = 1,120 - 54	Total investments net of the cash received from divestments and other investing receipts.
Gross financial debt	Non-current financial liabilities + "Current financial liabilities"	Euros 19,349 million = 17,029 + 2,320	Euros 17,987 million (1) = 15,701 + 2,286	Current and non-current financial debt

1 Alternative Performance Metrics (ii/ii)

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 September 2020	30 September 2019	
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets"	Euros 14,727 million = 19,349 – 4,581 – 41	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")	53.6% = 14,727 / (14,727 + 12,735)	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 425 million = 446 – 21	Euros 468 million = 489 – 21	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	6.5x = 2,774 / 425	7.4x (1) = 4,605 / 624	Ratio between Ebitda and net financial debt
Net financial debt/LTM Ebitda	Net financial debt / Last twelve months Ebitda	3.6x = 14,727 / 4,053	3.3x (1) = 15,268 / 4,605	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 1,327 million = 265 + 878 + 184 + 0	Euros 1,553 million = 377 + 846 + 322 + 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 265 million = 2,601 – 982 + 402 – 1,756	Euros 377 million = 3,168 – 1,232 – 915 – 644	Cash flow generated by the Company available to pay the debt.

2 ESG Metrics

ESG metrics		9M20	9M19	Change	Comments
Health and safety					
Accidents with lost time ⁽¹⁾	units	3	12	-75.0%	Significant improvement linked to the implementation of the <i>Plan Naturgy 2019</i> , as well as the impact from remote work during 2020
LT Frequency rate ⁽²⁾	units	0.04	0.14	-71.4%	Reflects the reduction in accidents, although slightly adjusted by a lower number of working hours
Environment					
GHG Emissions	M tCO ₂ e	11.2	11.6	-3.4%	Higher hydro and renewable production in the period
Emission factor	t CO ₂ /GWh	291	308	-5.3%	
Emissions-free installed capacity	%	31.4	28.0	12.1%	New renewable capacity coming into operation in Spain, as well as the shutdown of the coal capacity
Emissions-free net production	%	31.7	24.9	27.3%	Higher wind and hydro production
Interest in people					
Number of employees	persons	10,799	11,908	-9.3%	Perimeter changes and efficiencies
Training hours per employee	hours	19.8	16.3	21.6%	Ratio increase shows growing relevance of on-line training, as well as the implementation during the period of specific training dedicated to facilitate the adaptation to post-COVID situation
Women representation	%	32.9	32.1	2.4%	Commitment for diversity and gender equality policies
Society and integrity					
Economic value distributed	M€	11,812	15,607	-24.3%	Affected by lower purchases and external services due to optimization efforts
Notifications received by the ethics committee	units	48	97	-50.5%	Improved oversight and accountability

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