Results
24 July 2023

1H 23

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1. Scenario

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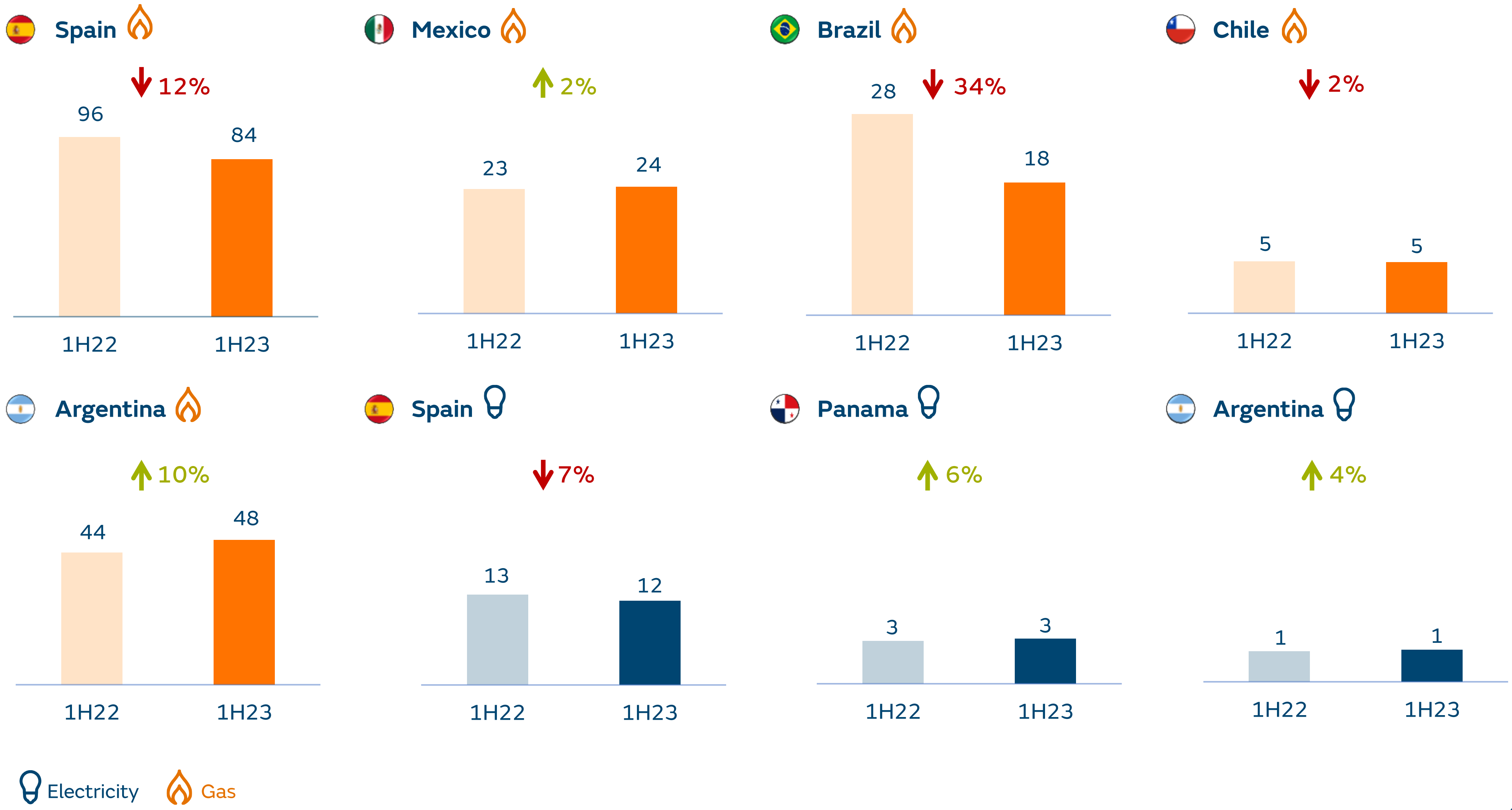
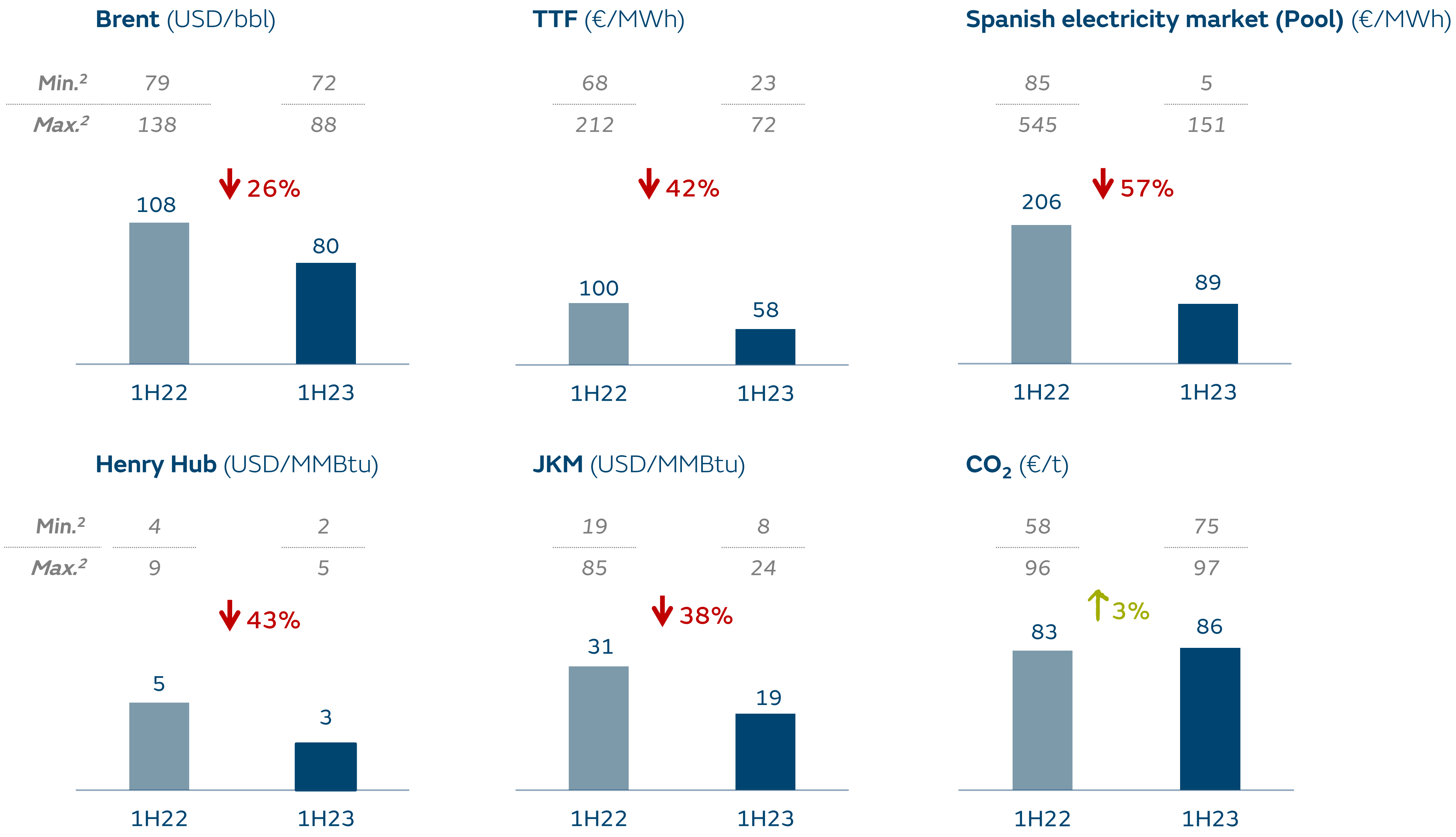
Naturgy's energy demand evolution (TWh)

Mixed demand across markets with declines mainly in Spain and Brazil



Energy markets evolution[1]

Decrease of gas and power prices following extraordinary 2022



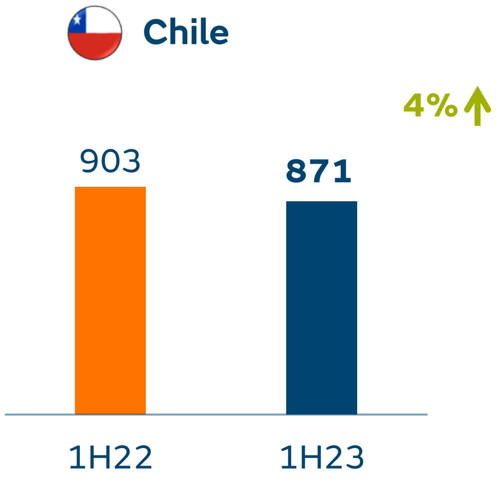
Source: Platts, Heren, Bloomberg, ICE, OMIE

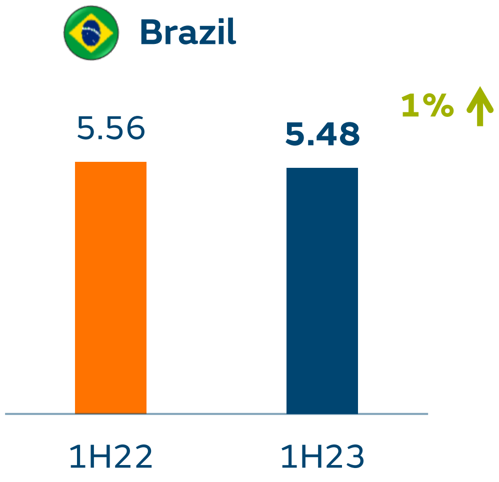
Note:

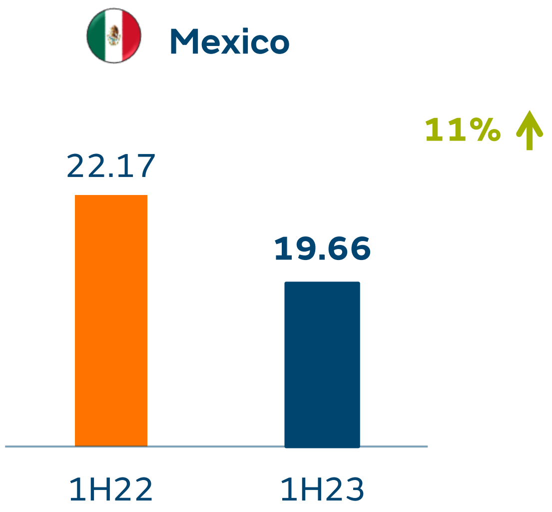
1. Average prices for the period
2. Minimum and maximum daily prices during the period

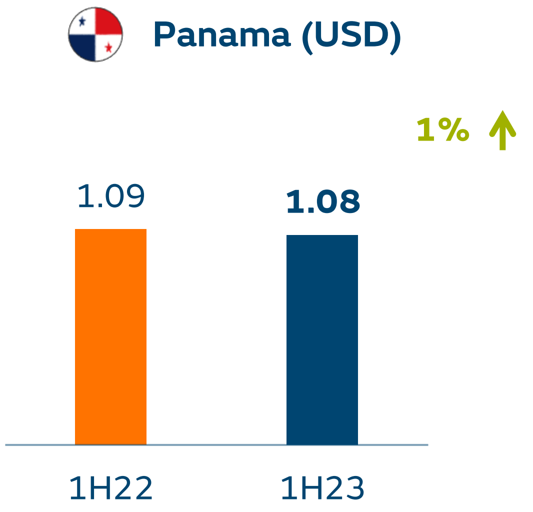
FX evolution[1,2]

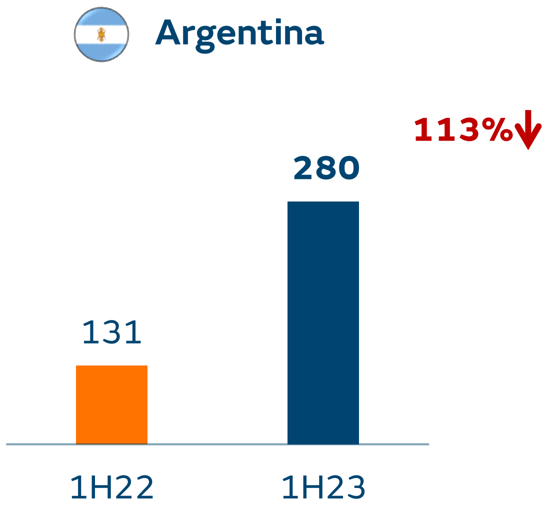
All currencies appreciated moderately vs. EUR except ARS











Soruce: Bloomberg

Notes:
1. Variation with opposite sign to highlight currency appreciation
2. Average currency prices except for Argentina as hyperinflationary economy

2. Consolidated results

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Key highlights

Solid results amid stabilization of energy scenario

Key figures

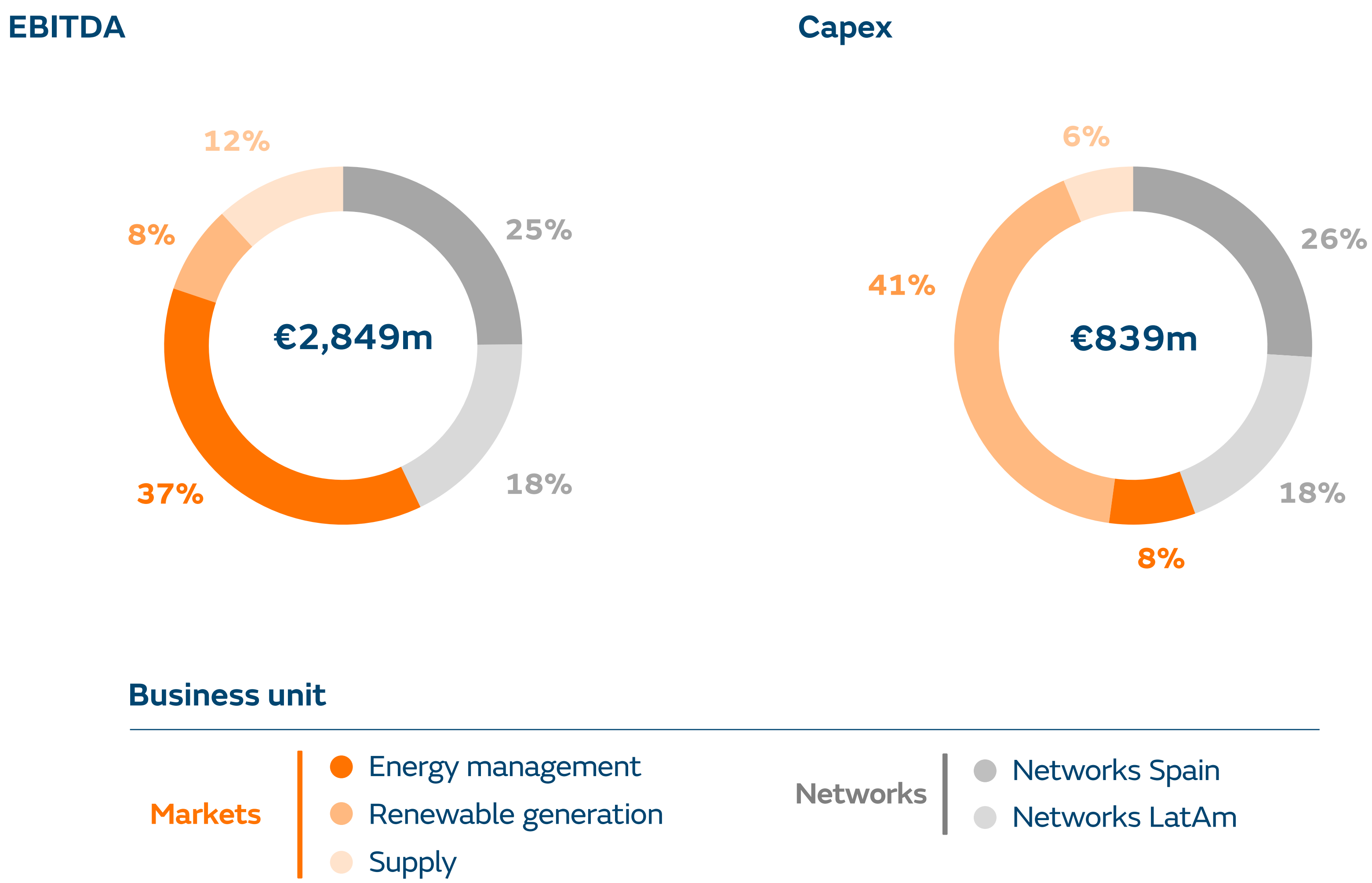
EBITDA		Net Income	
2,849	↑ 39%	1,045	↑ 88%
Total capex		**Net debt**	
839	↑ 16%	10,752	↓ 11%

↑↓ Variation 1H23 vs. 1H22; Net debt vs. FY22

1. Solid first half results
2. Continued Net debt reduction supported by strong cash flow generation
3. Lower energy demand and decrease of energy prices after extraordinary 2022
4. Organic capex increased by 16% mainly in renewables and networks
5. 2022 final dividend of 0.50 €/sh. paid on April 2023; first 2023 interim dividend of €0.5/sh. payable on 7 August 2023 as part of revised 2023-25 annual dividend policy

EBITDA and Capex contribution by business unit

Markets businesses contributed 57% of the Group's EBITDA; Networks and renewables represented 85% of total Capex



Cash flow and Net debt evolution

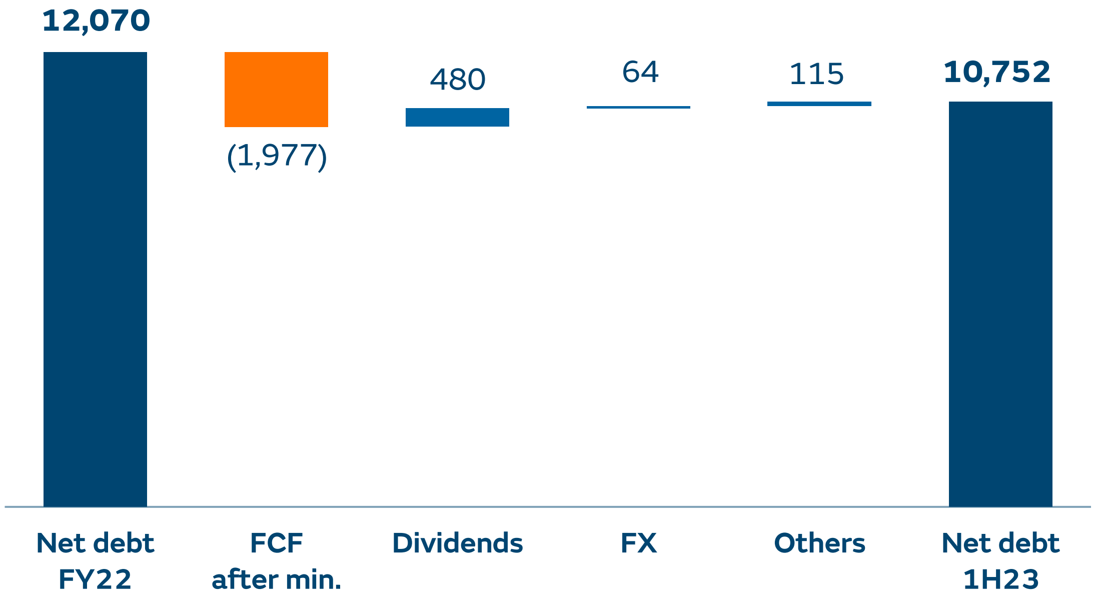
Net debt reduction supported by strong cash flow generation

Cash flow

	1H23
EBITDA	**2,849**
Taxes	107
Net interest cost	(250)
Other non-cash items	(548)
Funds from operations	**2,158**
Change in working capital	993
Cash flow from operations	**3,151**
Capex[1]	(799)
Dividends to minorities & other	(375)
Free cash flow after minorities	**1,977**

Net debt

	Net debt FY22	Net debt 1H23
Avg. cost of debt[2]	3.0%	3.8%
ND/ LTM EBITDA	2.4x	1.9x
% fixed rated[3]	80%	79%



Notes:
1. Net of cessions and contributions
2. Does not include cost from IFRS 16 debt
3. % fixed rated of gross debt

3. Performance by business unit

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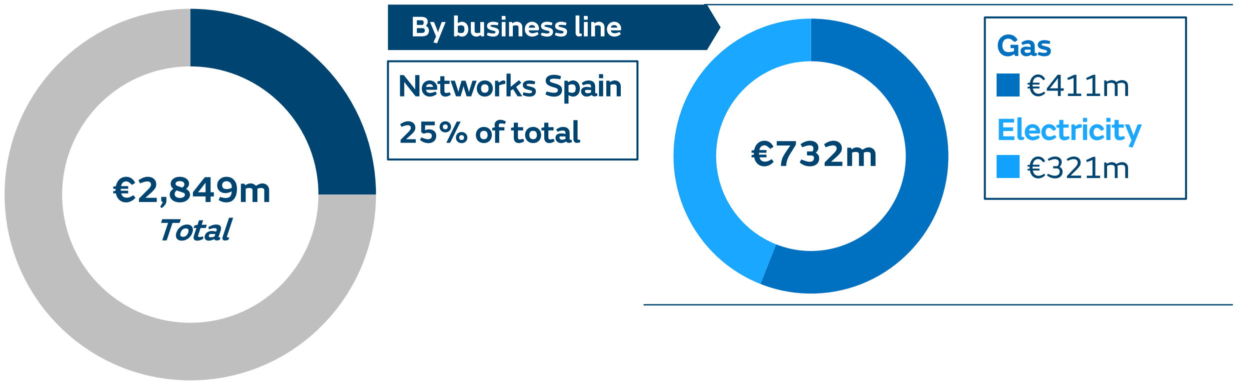
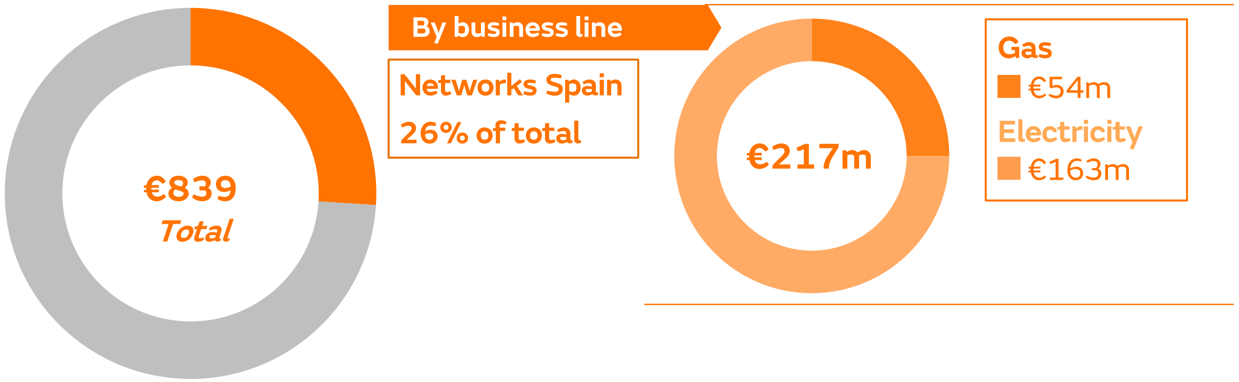
Networks Spain

Lower remuneration and demand, particularly in gas

EBITDA



Capex



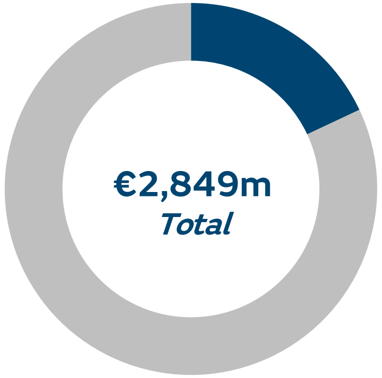
Highlights

- **Gas networks:** lower demand due to mild temperatures and volatile gas price environment coupled with lower remuneration
- **Electricity networks:** lower remuneration in incentives for energy losses and remuneration in O&M which should improve in 2H23, in addition to higher operational expenses due to higher activity

Networks LatAm

Growth driven by tariff updates; demand held up except in Brazil

EBITDA

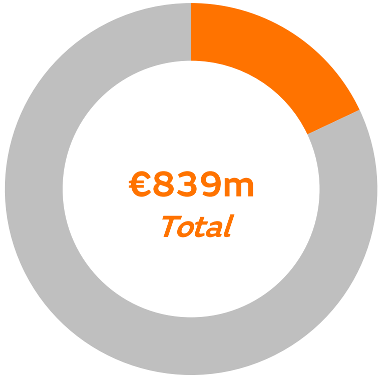


By business line

Networks LatAm
18% of total

Chile gas
€117m
Brazil gas
€165m
Mexico gas
€140m
Panama elec.
€76m
Argentina
€31m

Capex



By business line

Networks LatAm
18% of total

Chile gas
€24m
Brazil gas
€29m
Mexico gas
€29m
Panama elec.
€52m
Argentina
€19m

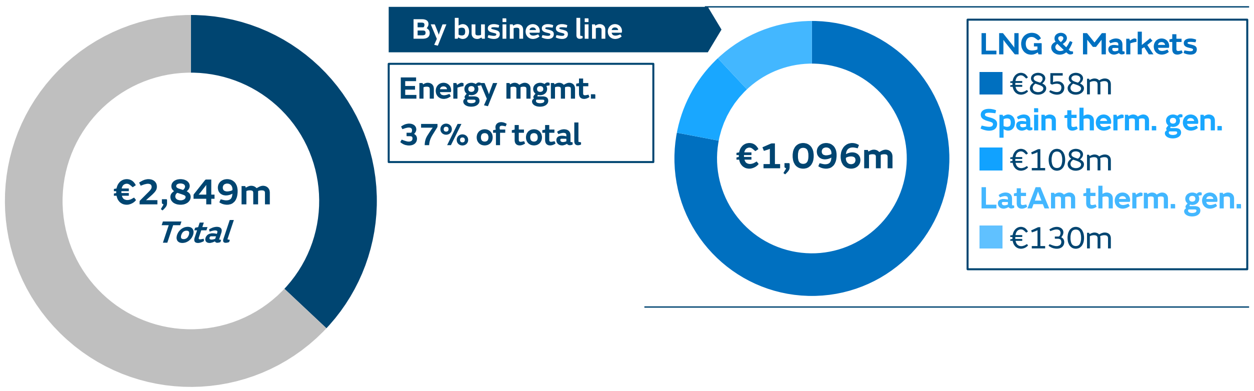
Highlights

- **Chile gas:** positive comparison vs. 1H22 due to the TGN provision registered in 1H22. Positive performance in the distribution activity, benefiting from tariff updates, offset by lower contribution from the supply activity, which experienced some margin compression
- **Brazil gas:** tariff updates partially offset by lower demand, particularly in the power generation segment, due to abundant hydro resource in the year
- **Mexico gas:** positive FX evolution and demand growth partially offset by lower supply margins due to adjustments from previous years
- **Panama electricity:** higher sales and tariff updates
- **Argentina:** higher sales and tariff updates offset by negative FX impact

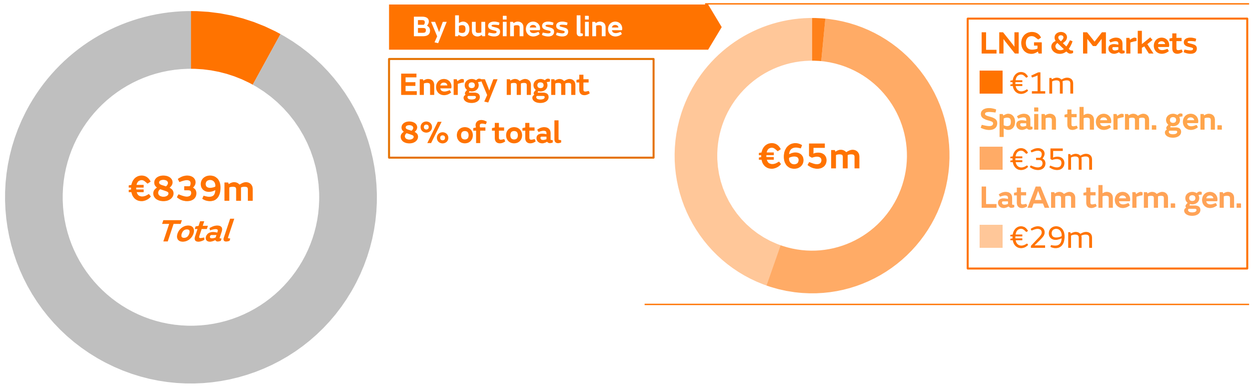
Energy management

LNG & Markets increase mainly due to reappraisal of the financial hedging ineffectiveness accounted for in 2022

EBITDA



Capex



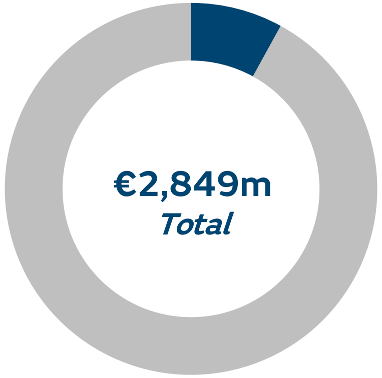
Highlights

- **LNG & Markets:** increase mainly due to reappraisal of the financial hedging ineffectiveness accounted for in 2022. Lower sales and a decrease in gas prices compensated by the termination in 2022 of less profitable sales commitments in EU and Iberia, and the expiry of negative financial hedging contracts present in 2022
- **Spain thermal generation:** higher CCGT margins partially offset by lower production
- **LatAm thermal generation:** higher production as well as higher margins on merchant sales of energy production surpluses on top of energy produced for existing PPAs in Mexico

Renewable generation

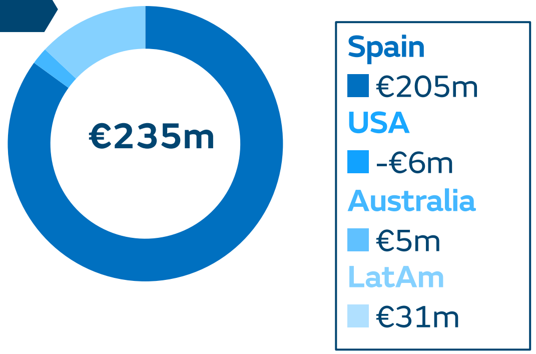
Higher installed capacity and production

EBITDA

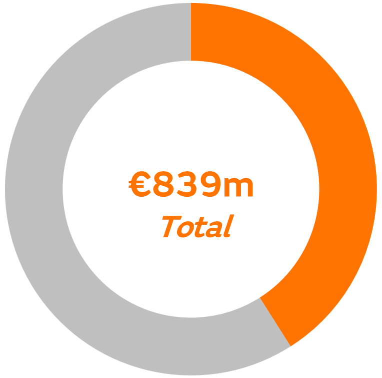


By business line

Renewables
8% of total

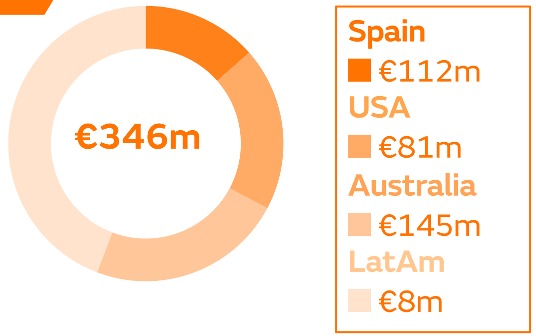


Capex



By business line

Renewables
41% of total



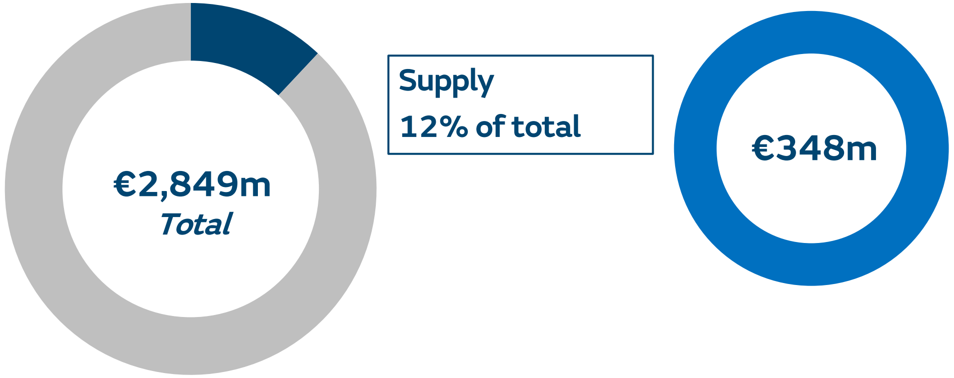
Highlights

- **Spain:** new capacity and higher production, notably on conventional hydro, partly offset by lower regulated revenues and overall selling prices
- **USA:** still no assets in operation
- **Australia:** higher production and positive evolution of the mark-to-market valuation of existing PPAs
- **LatAm:** lower production across regions, notably in Mexico and Panama due to lower resources. Higher opex due to repairs and conservation

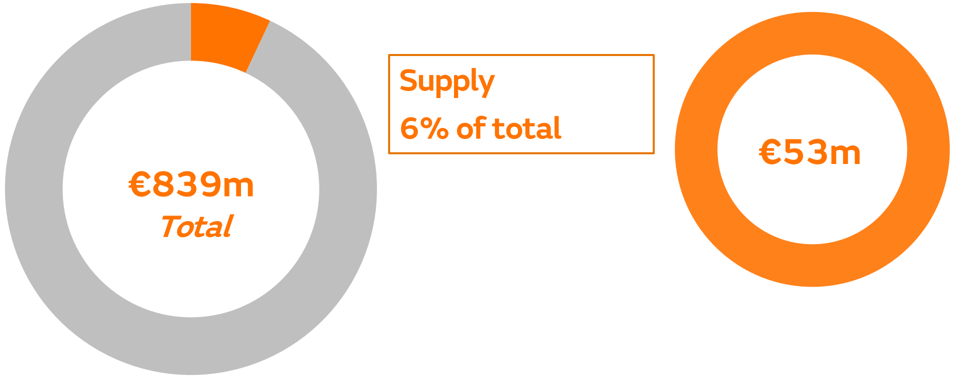
Supply

Higher margins, mainly in power supply

EBITDA



Capex



Highlights

- **Gas supply:** slight margin improvement offset by lower sales and the transfer of customers from liberalized to regulated tariffs in the residential segment
- **Power supply:** margin recovery supported by growing fixed priced contracts as well as lower costs compared to 1H22, which was affected by the cost of energy sales not covered via own inframarginal generation

4. Summary of 1H23

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Summary

2023E EBITDA now expected to exceed €5bn

1. Solid first half results
2. Continued Net debt reduction supported by strong cash flow generation
3. Lower energy demand and decrease of energy prices after extraordinary 2022
4. Naturgy continued to play a key role in guaranteeing energy supply for the system
5. Revised annual dividend policy to 1.4 €/sh. for the period 2023-25

5. Strategic Plan 2021-25 review

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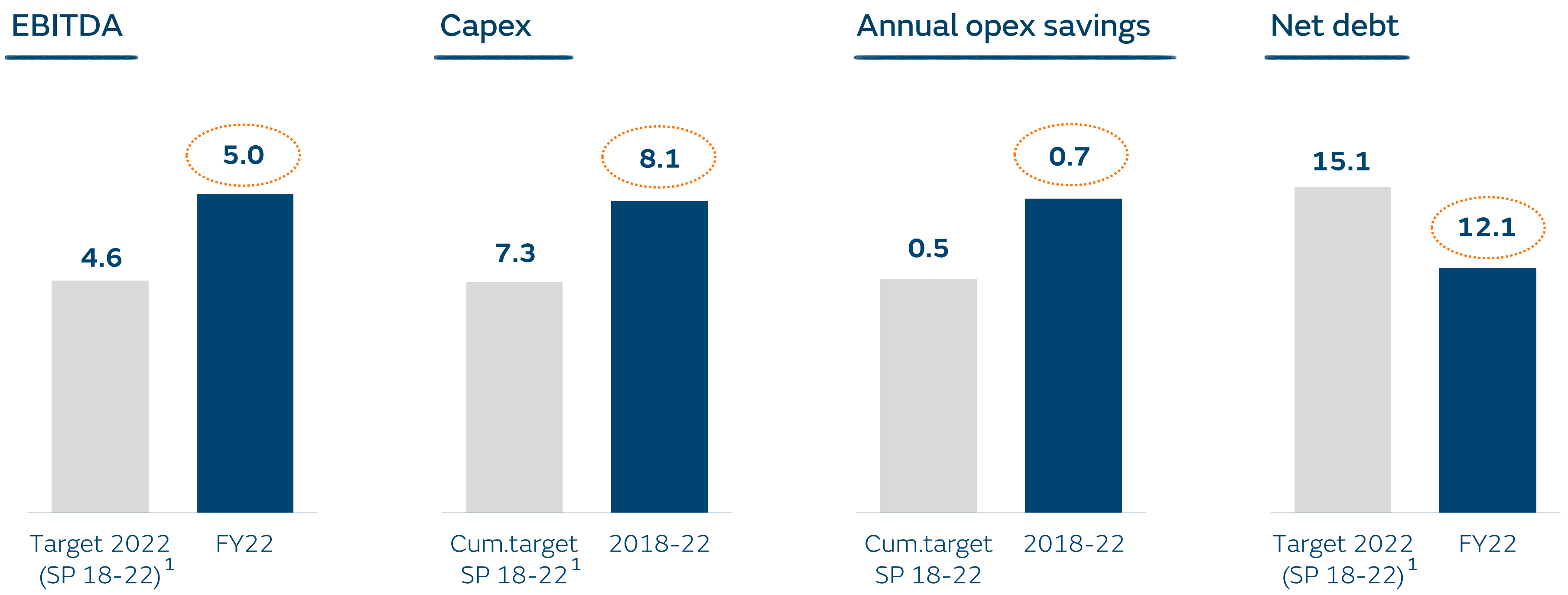
Strategic Plan 2018-22 delivery (€bn)

Exceeded all 2018-22 Strategic Plan committed targets



Note:
1. Adjusted for perimeter changes in the period (mainly the disposal of Compañía General de Electricidad S.A. in Chile)

Macroeconomic and energy sector changes since July 2021

Revised plan reflects macro and sector developments

- Acceleration of energy transition (new fiscal stimulus plans in USA & EU)
- High inflation / interest rates and uncertain economic outlook
- Regulatory changes and uncertainty
- Unprecedented volatility in energy scenario
- Security of supply and affordability at the forefront
- Increasing trends towards self-consumption

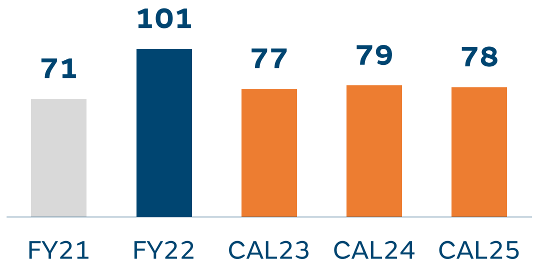
Key sector trends

Updated scenario

Convergence of energy prices towards historical levels

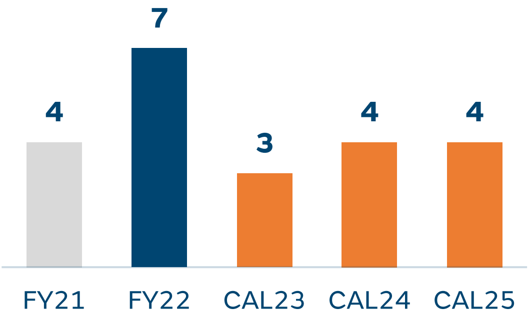
Brent[1]

USD/bbl



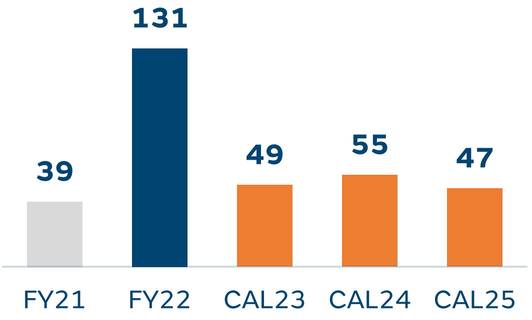
HH[1]

USD/MMBtu



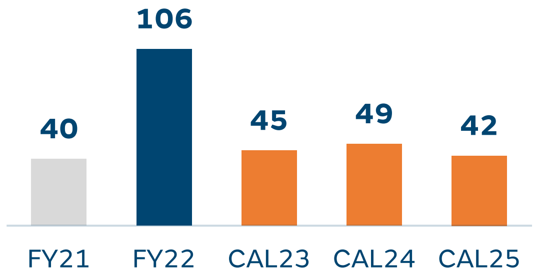
TTF[1]

€/MWh



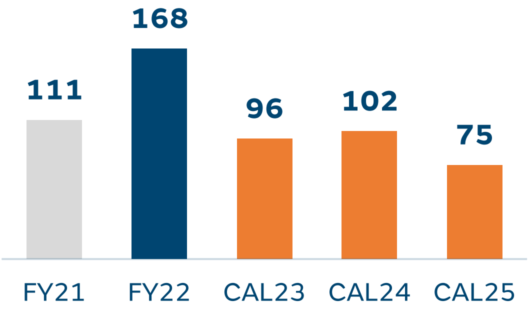
PVB[1]

€/MWh



Spanish electricity market (Pool)[1]

€/MWh



FX prices

	FWD23	FWD24	FWD25
ARS/EUR	564	1,226	2,133
BRL/EUR	5.66	5.71	5.82
CLP/EUR	909	910	925
MXN/EUR	20.4	20.2	20.6
USD/EUR	1.09	1.10	1.11

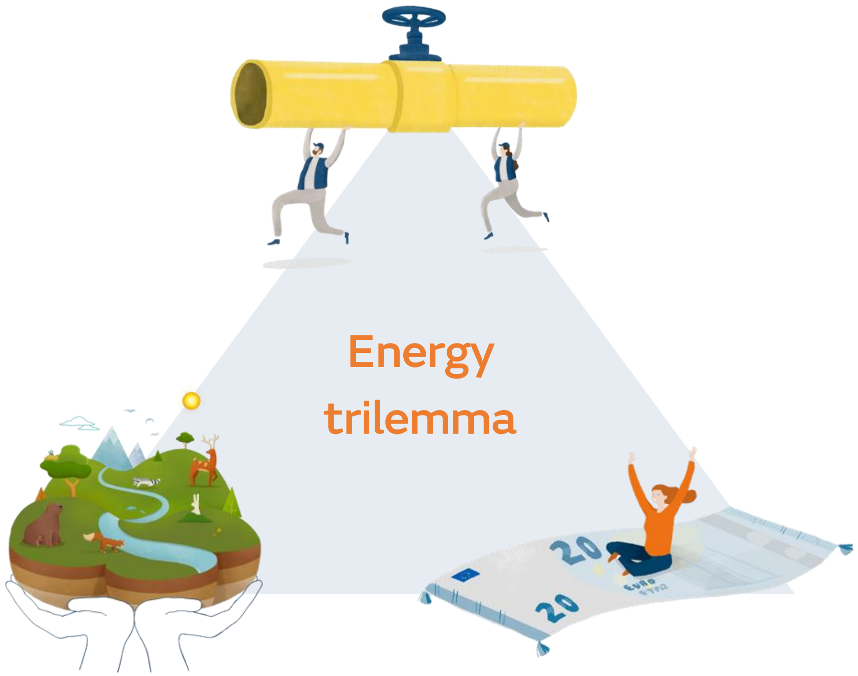
Note:
1. Average annual prices

The energy transition must balance the trilemma

Naturgy will continue to play a key role in addressing the energy trilemma

Security of supply

- Essential role in procuring gas to the Spanish economy (>30% of imported gas)
- Take or pay risk in gas procurement contracts
- CCGTs increased activity / higher baseload needs



Sustainability

- Renewable installed capacity as % of total by 2025: ~50%
- Increased focus on renewable gases

Competitive and affordable prices

- 60% of customers benefited from Naturgy's long-term price initiatives in 2022
- Measures to support shift to gas regulated tariffs

Vision / strategy remains intact

Naturgy is well positioned to support the energy transition and contribute a balanced solution to the energy trilemma

European and global energy sector trends

- Gas and power infrastructure to play a key role in the energy transition
- Rise of renewables with gas as a key contributor
- Security of supply and flexibility remain critical

1 Strategic focus aligned with the energy transition

- Renewables and networks in stable geographies
- Security of supply and transition of gas infrastructures
- Alignment of key managers with stakeholders and ESG

2 Best in class

- Efficiency via continuous improvement
- Increasing digital footprint
- Committed to supporting society and consumers

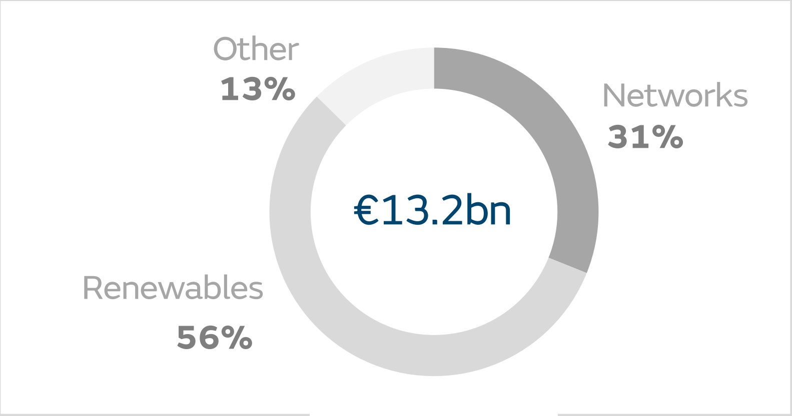
3 Sustainable capital allocation

- Strong balance sheet to finance attractive growth
- Financial discipline as a cornerstone
- Strong commitment to BBB rating
- Focus on organic growth with opportunistic asset rotation

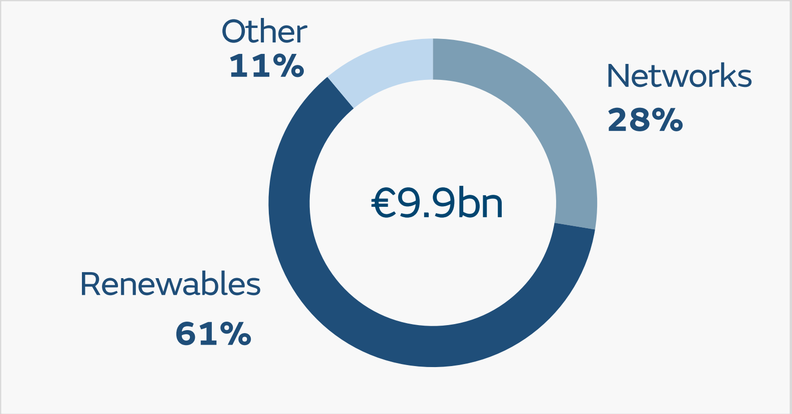
Investment plan 2021-25E

Investments aligned with the energy transition and a strict financial discipline

Capex plan 2021-25E



Capex plan 2023-25E



Networks

- Proactive regulatory management
- Automation and remote operation
- Adapting existing infrastructures to play a key role in energy transition

Renewables

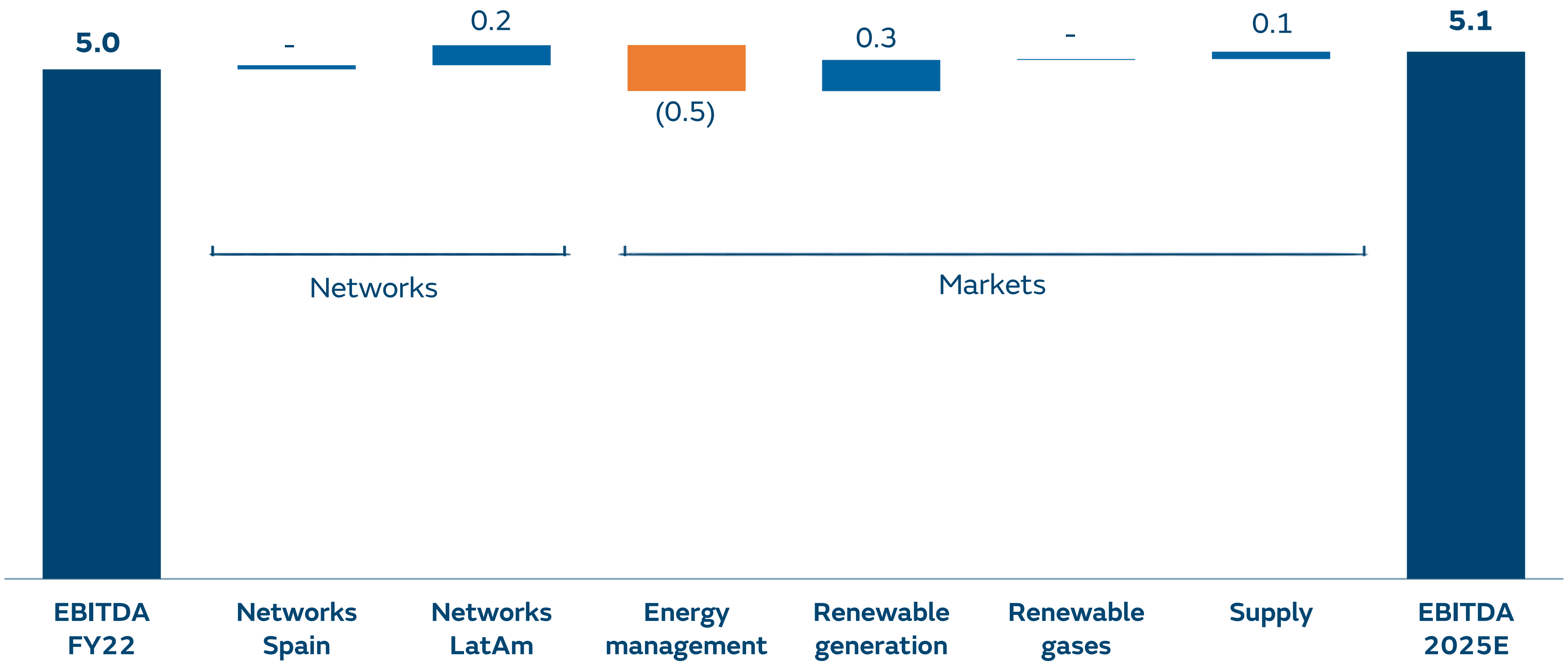
- Revised 2025 capacity target to ~10GW, with higher unitary capex (€/MW) due to inflation
- Strict financial discipline and minimum return criteria

Other

- Growing customer base and digitization
- Maintenance capex in Spanish CCGTs per increased activity / baseload needs
- Development of a renewable gases platform in Spain to capture significant growth opportunities

2022-25E EBITDA evolution (€bn)

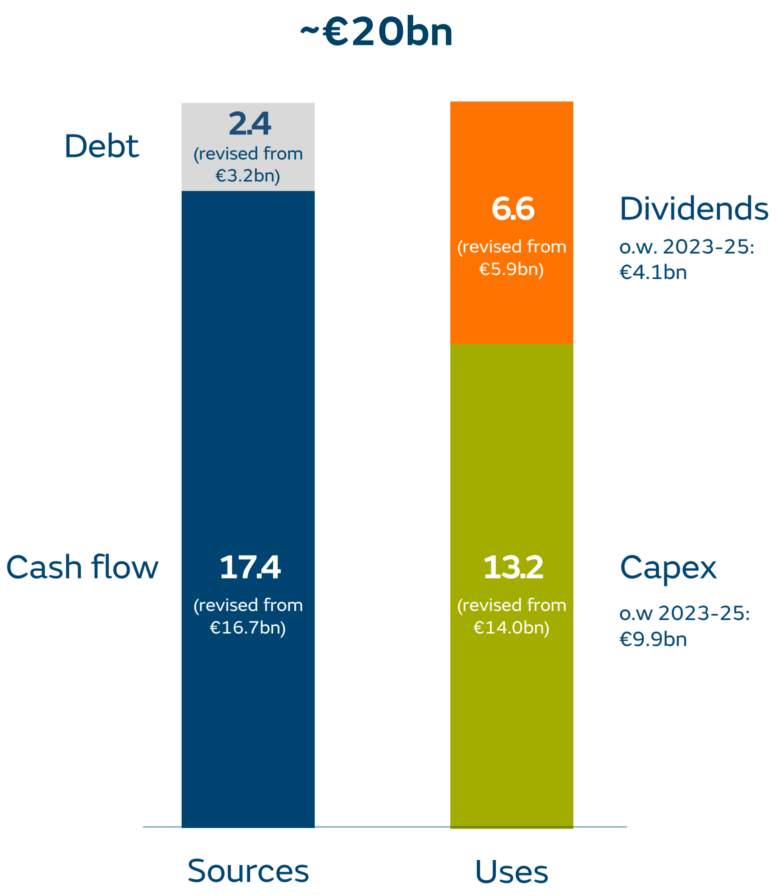
Renewables growth and improved FX scenario offset by lower gas volumes and profits



Sustainable capital allocation

Strong balance sheet and cash flow to fund attractive growth and dividend policy

Capital allocation 2021-25E



Dividend policy

- Annual dividend floor revised to **€1.40/sh.** for 2023-25 subject to maintaining a **BBB rating** through the period
- Consistent with an **average payout of ~85%**
- Calendar:
  - After 1H: 0.50 €/share
  - After 3Q: 0.50 €/share
  - After AGM: 0.40 €/share

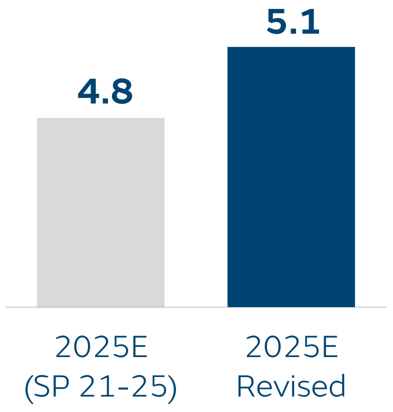
Revised estimates 2025

2025 estimates revised upwards

Annual dividend policy revised to 1.4 €/sh. for the period 2023-25

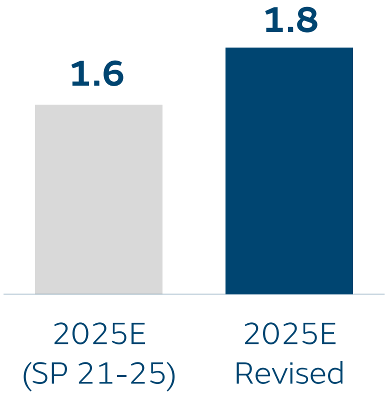
EBITDA

€Bn



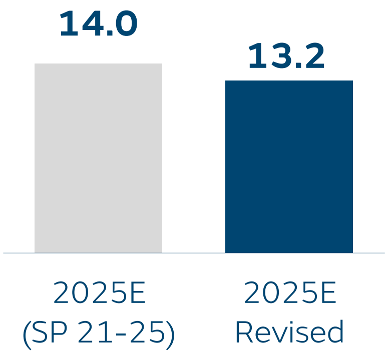
Net income

€Bn



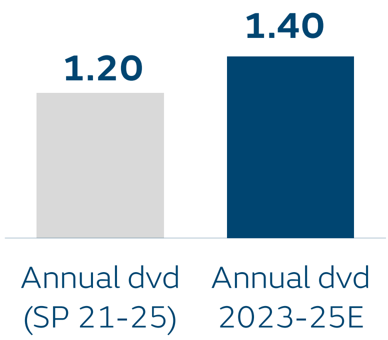
Capex

€Bn



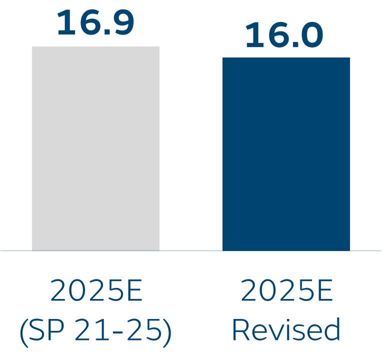
Dividends

€/sh.



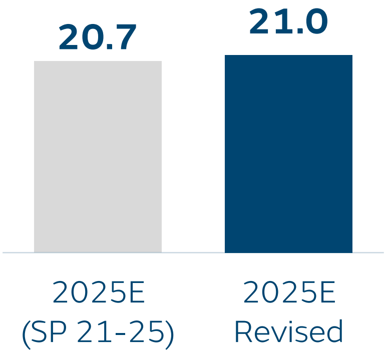
Net debt

€Bn



FFO/ND

%



Appendix

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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 2023	30 June 2022	
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	Euros 2,849 million	Euros 2,047 million	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 (2)+ Own work capitalized + Other operating expenses - Taxes	Euros 962 million = 318 + 35 + 948 – 339	Euros 833 million = 267 + 33 + 716 – 183	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.
Investments (CAPEX)	Investments in intangible assets + Investments in property, plant & equipment	Euros 839 million = 133 + 706	Euros 721 million = 138 + 583	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 (ii/iii)

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2023	30 June 2022	
Net Investments (net CAPEX)	CAPEX- Other investment receipts/(payments)	Euros 799 million = 839 – 40	Euros 684 million = 721 – 37	Measure of the investment effort of each period without considering the assets transferred or contributed by third parties.
Gross financial debt	“Non-current financial liabilities” + "Current financial liabilities"	Euros 15,560 million = 12,778 + 2,782	Euros 16,301 million = 13,999 + 2,302	Measure of the Group's level of financial debt. Includes current and non-current concepts. This indicator is widely used in capital markets to compare different companies.
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets associated with financial liabilities"	Euros 10,752 million = 15,560 – 4,555 – 253	Euros 12,070 million = 16,301 - 3,985 – 246	Measure of the Group's level of financial debt including current and non-current items, after discounting the cash and cash equivalents balance and asset derivatives linked to financial liabilities. This indicator is widely used in capital markets to compare different companies.
Leverage (%)	Net financial debt (5) / (Net financial debt + "Net equity")	48.1% = 10,752 / (10,752 + 11,596)	54.7% = 12,070 / (12,070 + 9,979)	Measure of the weight of external resources in the financing of business activity. This indicator is widely used in capital markets to compare different companies.
Cost of net financial debt	Cost of financial debt - "Interest (financial revenues)"	Euros 246 million = 326 - 80	Euros 248 million = 265 - 17	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	11.6x = 2,849 /248	8.3x = 2,047/248 Comparative information as of December 31 of the previous year: 9.9x = 4,954 /501	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	1.9x = 10,752/5,756	2.4x = 12,070/ 4,954	Measure of the Group's ability to generate resources to meet financial debt payments.

Alternative Performance Metrics (iii/iii)

Alternative performance metrics	Definition and terms	Reconciliation of values: 30 June 2023	Reconciliation of values: 30 June 2022	Relevance of use
Free Cash Flow after minorities	Net Free cash flow + Parent company dividends net of collected by other group companies + Purchase of treasury shares + Investment payments (group companies, associates and business units)	Euros 1,377 million = 3,151 - 1,239 – 1,324 + 789	Euros 964 million = 2,429 - 801 – 1,386 + 722	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 + Cash flows from investing activities + Cash flows from financing activities – Receipts/payments from financial liability instruments	Euros 1,977 million = 1,377 + 480 + 6 + 114	Euros 1,460 million = 964 + 481 + 0 + 15	Measure of cash generation to assess the funds available to debt service.
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)	3.8% = (326-41-14) * (360/180) / 14,446	2.8% = (265 - 42 – 13) * (360/180) / 15,156 Comparative information as of December 31 of the previous year: 3.0% = (568-85-31) / 15,099	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	Euros 10,108 million = 4,555 + 5,553	Euros 9,482 million = 3,985 + 5,497	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	Euros 10,176 million = 8,102 + 948 - 107 + 318 + 35 + 400 + 480 + 0	Euros 15,923 million = 13,841 + 716 + 194 + 267 + 33 + 391 + 481 + 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

		1H23	1H22	Change	Comments
Health and safety					
Accidents with lost time[1]	units	4	3	33.3%	Health and safety metrics show a small increase in accidents compared to 1H22, although within the expected range considering the Group's characteristics
LT Frequency rate[2]	units	0.12	0.09	33.3%	
Environment					
GHG Emissions[3]	M tCO2 e	5.9	6.7	-11.9%	Lower CCGT and higher hydro production in the period
Emission factor	t CO2/GWh	241	273	-11.7%	
Emissions-free installed capacity	%	38.2	36.7	4.1%	New wind and solar capacity coming into operation in Spain, Australia and Latam
Emissions-free net production	%	33.8	32.2	3.7%	Higher hydro production in Spain and increase in wind and solar installed capacity
Interest in people					
Number of employees	persons	7,072	7,203	-1.8%	Perimeter changes and business resizing
Training hours per employee	hours	17.3	15.3	13.1%	Continues the positive response to follow-up campaigns and new platforms and courses in operation
Women representation	%	33.8	32.6	3.7%	Significant women representation in new hirings
Society and integrity					
Economic value distributed[4]	€m	10,176	15,923	-36.1%	Decrease mainly explained by lower procurement costs
Notifications received by the ethics committee	units	46	21	-	Enhanced monitoring and reporting procedures

Notes:
1. In accordance to OSHA criteria
2. Calculated for every 200,000 working hours
3. Scopes 1 and 2
4. As defined in the Alternative Performance Metrics annex

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