

# 1H20 Results

22 July 2020





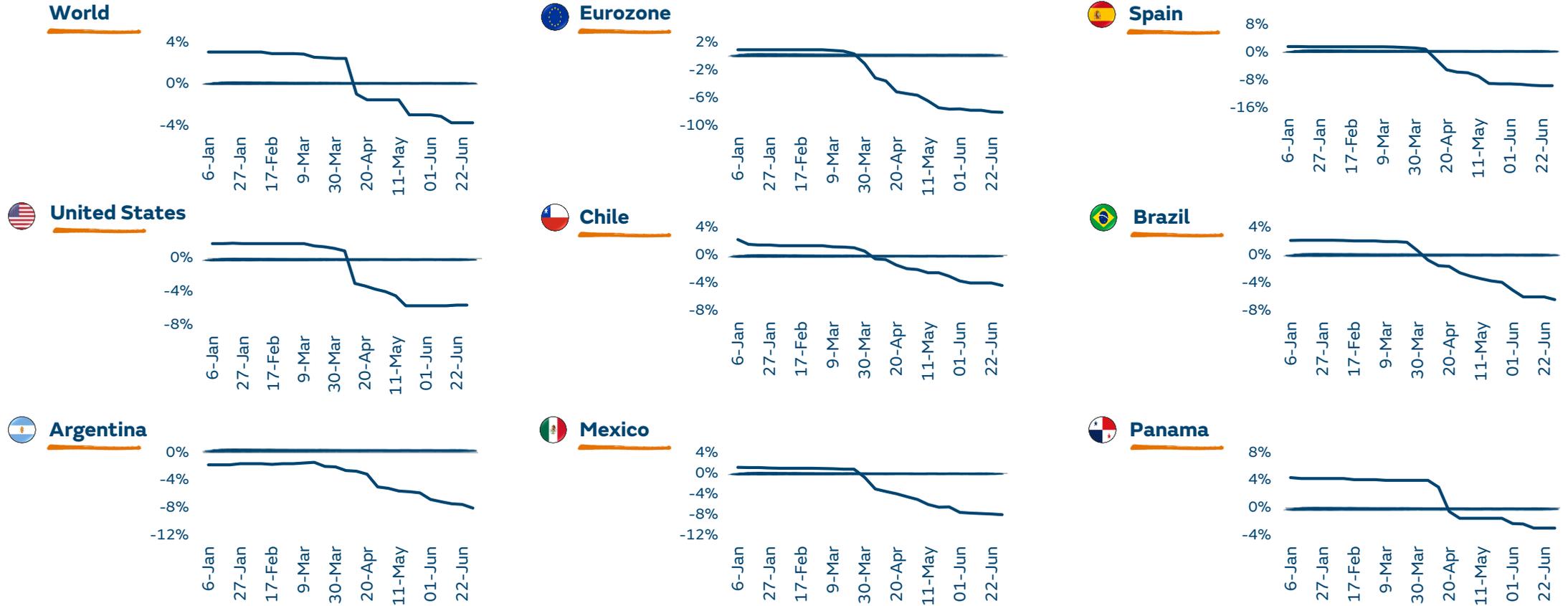
- ① COVID-19 challenges and response
- ② 1H20 consolidated results
- ③ 1H20 results by business unit
- ④ Summary 1H20 and Outlook
- ⑤ Accelerating the transformation

# COVID-19 challenges and response



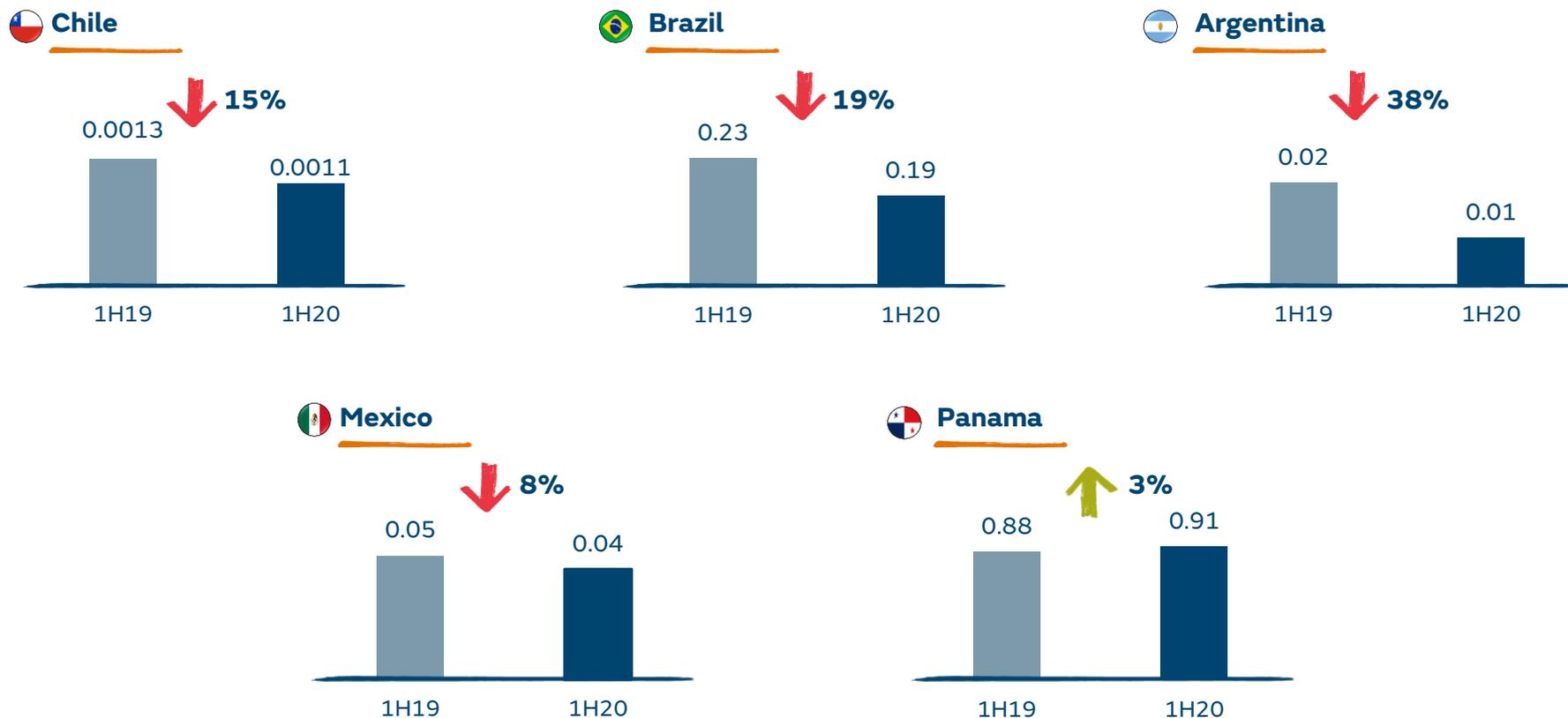
1.1

## Evolution of 2020 GDP estimates



Significant expected economic impact and uncertainty across company's geographies

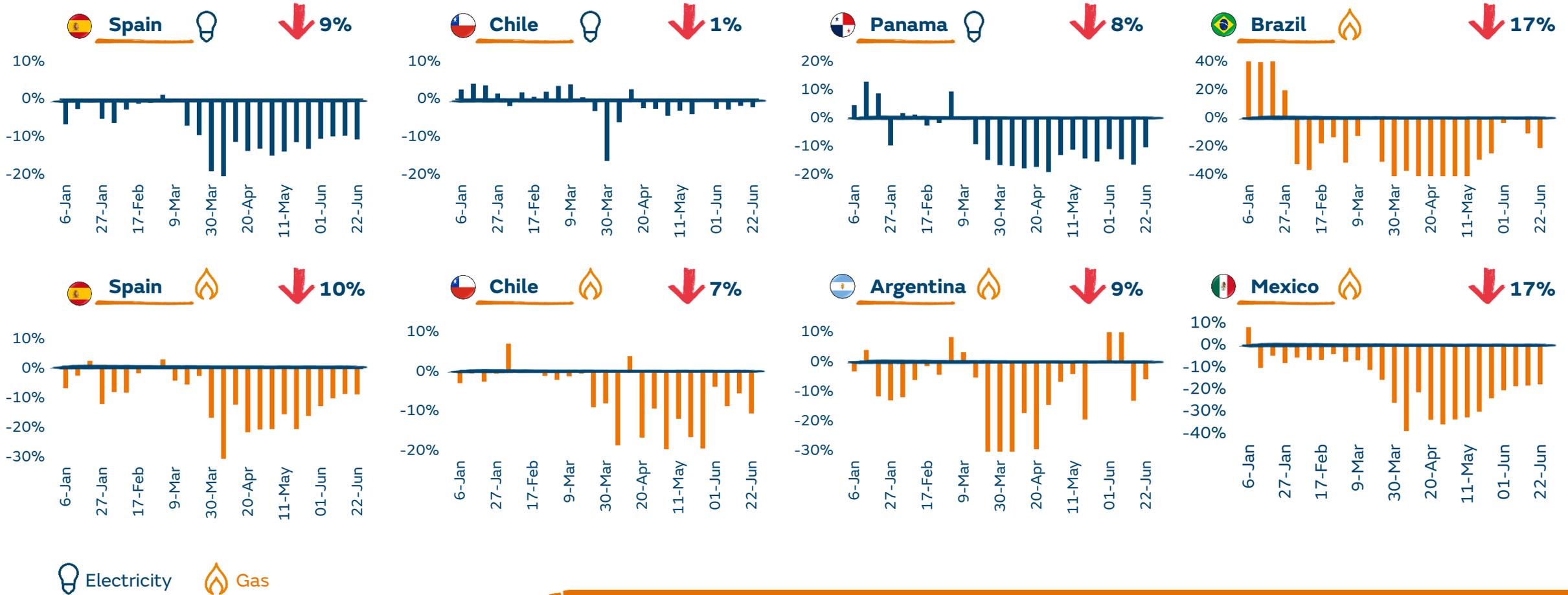
## 1.2 Evolution of EUR vs. FX (avg. 1H20 vs. 1H19)



COVID-19 has had an important effect on FX

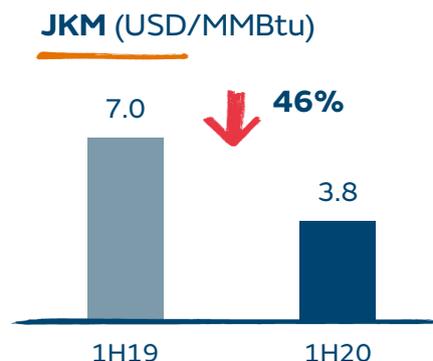
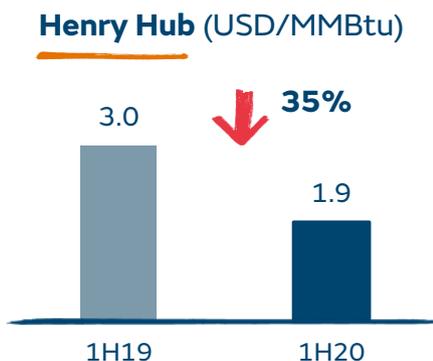
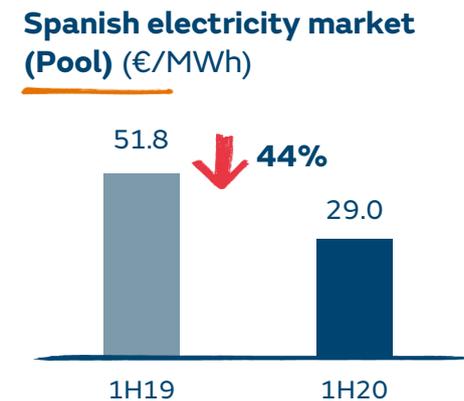
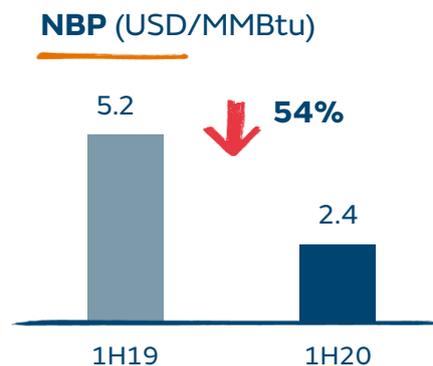
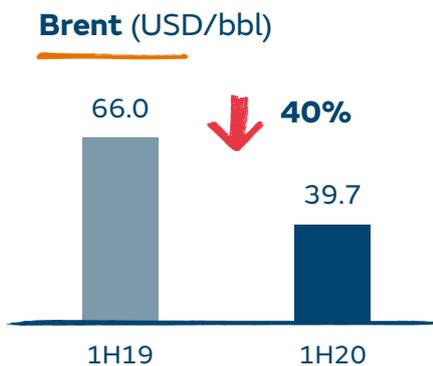
### 1.3 Evolution of electricity and gas demand (% weekly variation vs. previous year)

Weekly avg. 1H20 vs. 1H19



Energy demand impacted by slowdown in economic activity but recovery underway

## 1.4 Evolution of energy markets (avg. 1H20 vs. 1H19)



Challenging energy scenario

## 1.5 Key company social responses



### Employees

- ✓ Focus on health, safety and wellbeing
- ✓ Remote work except critical services
- ✓ Roadmap for a safe return to work



### Society

- ✓ Free supply to **36** hospitalized hotels and residences
- ✓ Free repairs for up to **1.3m** beneficiaries (frontline workers)



### Customers and suppliers

- ✓ Deferral of invoice payments for up to **4m** customers
- ✓ Free online medical care for up to **7m** customers
- ✓ Cash payment of invoices for up to **11,000** suppliers



Supporting all our stakeholders in critical moments

## 1.6 Key company operating responses



### Reinforce financial structure

✓ **Increased liquidity** by ~€2bn from Dec-19

Liquidity (€bn)	Jun-20
Cash and equivalents	~4
Undrawn credit lines	~6
<b>Total</b>	<b>~10</b>



### Enhance opex control

- ✓ Alignment of opex with business evolution
- ✓ Identification of additional opex improvements



### Operations review

- ✓ Analysis of ongoing programs
- ✓ Delay of certain discretionary not remunerated capex programs



**Focus on financial management and operations**

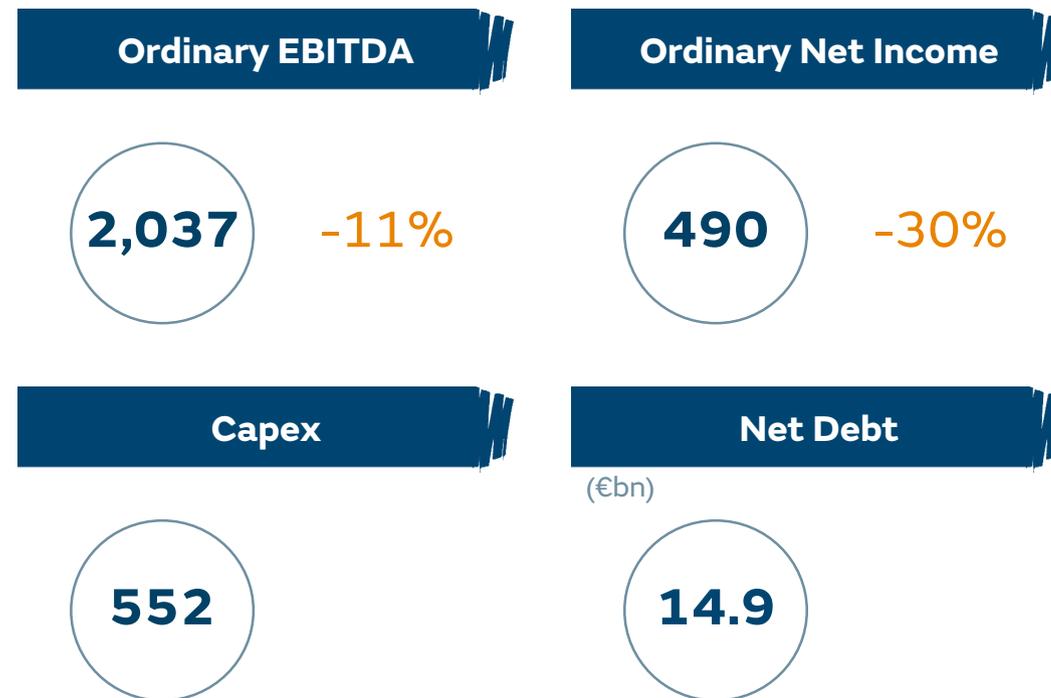
# 1H20 consolidated results



## 2.1 Key highlights

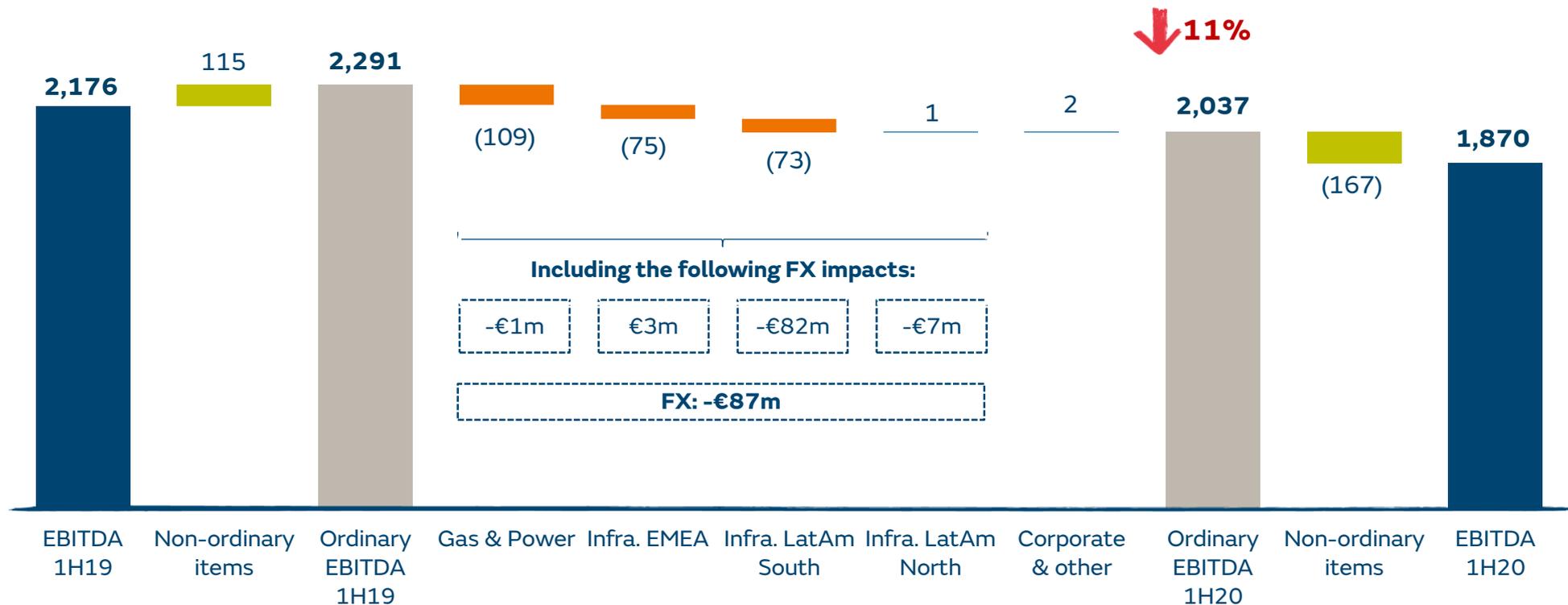
- 1 Results impacted by overall environment: energy demand, commodity prices and FX
- 2 New regulatory framework in electricity distribution Spain and volume step down in the EMPL
- 3 Cash flow and liquidity management as a priority
- 4 Swift company response at the operating and stakeholder levels

### Key figures (€m, % vs. 1H19)



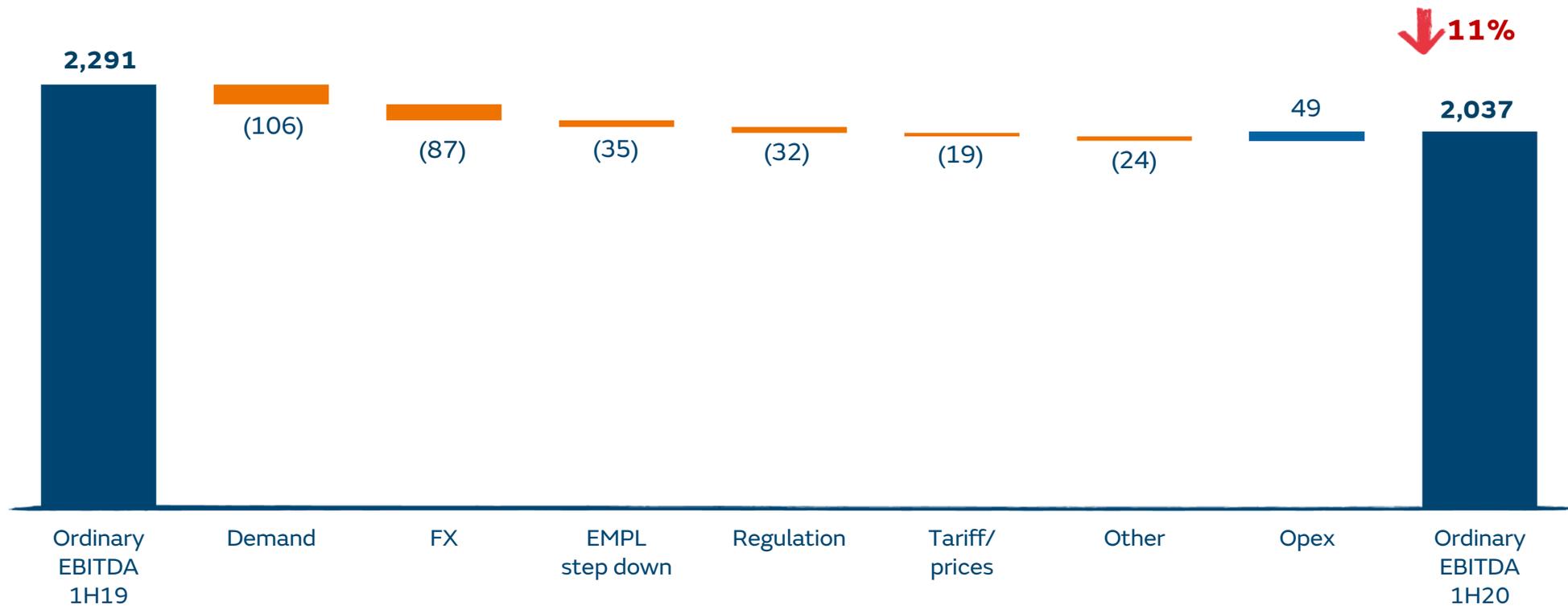
Adapting the company and managing the risks

## 2.2 EBITDA evolution by business unit (€m)



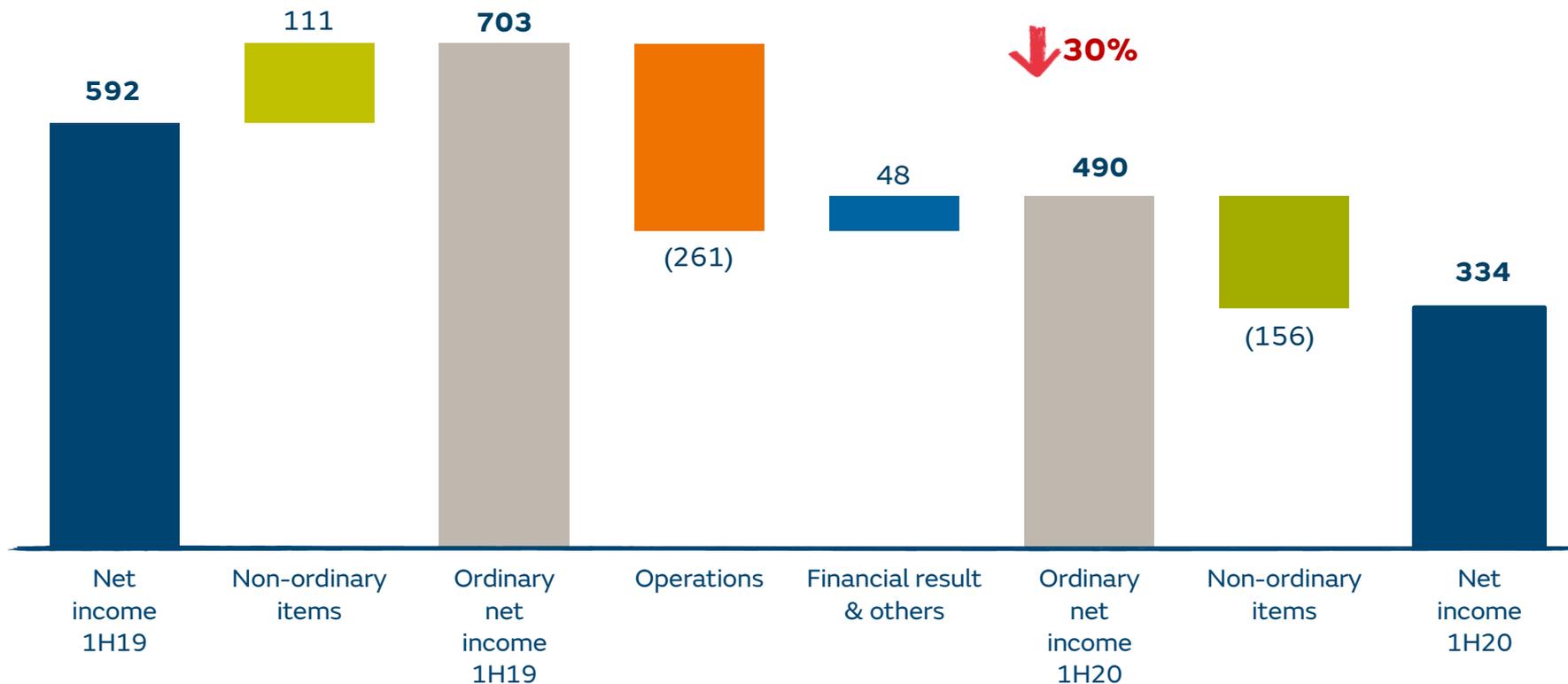
Results driven by overall scenario, new regulation and EMPL

## 2.3 Ordinary EBITDA evolution by key drivers (€m)



Results mainly impacted by energy demand, regulatory changes and FX

## 2.4 Net Income evolution (€m)



Net Income also impacted by additional provisions

## 2.5 Cash flow and net debt evolution (€m)

### Cash flow

	1H20	vs. 1H19
<b>Ordinary EBITDA</b>	<b>2,037</b>	<b>-11%</b>
Non-ordinary items	(167)	
<b>EBITDA</b>	<b>1,870</b>	<b>-14%</b>
Taxes	(61)	
Net interest cost	(279)	
Other non-cash items	(231)	
<b>Funds from operations</b>	<b>1,299</b>	<b>-21%</b>
Change in working capital	720	
<b>Cash flow from operations</b>	<b>2,019</b>	<b>-18%</b>
Capex <sup>1</sup>	(527)	
Dividends to minorities	(151)	
Divestments & Other	(240)	
<b>Free cash flow after minorities</b>	<b>1,101</b>	<b>-24%</b>

### Net debt

(%): avg. cost of debt<sup>2</sup>



Proactive cash flow management and lower net debt

## 2.6 ESG results

### Accidents with lost time (units)



### GHG Emissions (M tCO<sub>2</sub> e)



### Emission factor (t CO<sub>2</sub>/GWh)



### Emissions-free installed production (%)



### ➔ Closure of coal plants in Spain

- Supporting decarbonization efforts
- Developing new renewables instead



### ➔ Launch of Sustainability Committee

- Board of Directors level
- Primarily composed of independent Directors (3 out of 5)
- Launch of new Global Environmental Policy Plan and objectives



### ➔ Progress on gender parity in the Board

- 25% women present in the Board of Directors

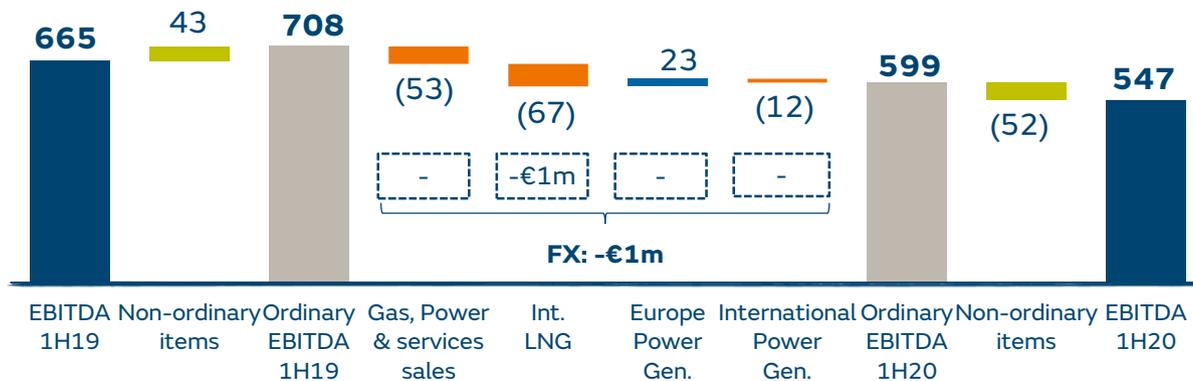
Significant progress on ESG metrics impacted by COVID-19

# 1H20 results by business unit



## Gas & Power

### EBITDA evolution by business line (€m)



### Highlights

- > **Gas, Power & services sales:** lower sales and margin pressure in gas prevail over higher power margins
- > **International LNG:** temporary increase of shorter term sales due to ongoing contract renegotiations
- > **Europe Power Generation:** higher renewables production and coal plants shutdown partly offset by lower pool prices
- > **International Power Generation:** lower merchant activity in Dominican Republic and Mexico on top of lower demand and prices linked to COVID-19

### Ordinary EBITDA evolution by key drivers (€m)

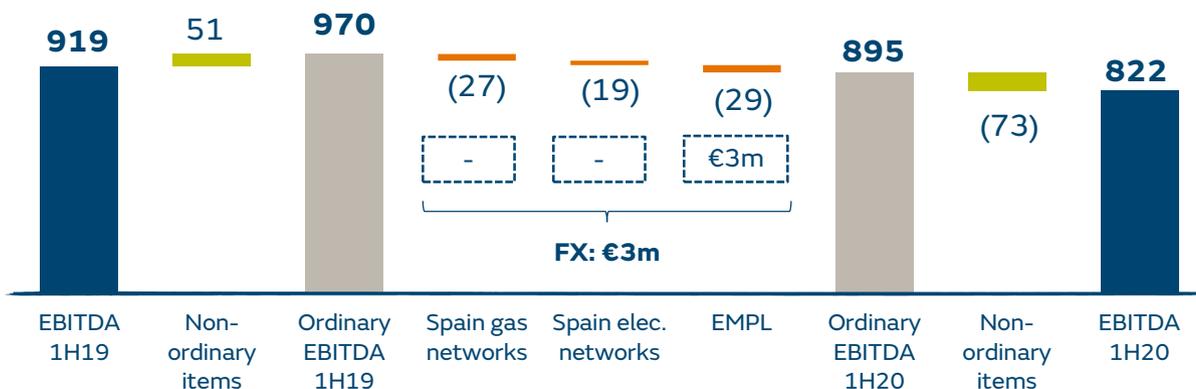


**€228m capex**, of which **~80%** remunerated

Challenging environment deepened by COVID-19

## Infrastructure EMEA

### EBITDA evolution by business line (€m)



### Highlights

- > **Spain gas networks:** lower regulated revenues due to mild weather
- > **Spain electricity networks:** lower financial remuneration due to new regulatory period
- > **EMPL:** step-down of EMPL capacity as expected

### Ordinary EBITDA evolution by key drivers (€m)

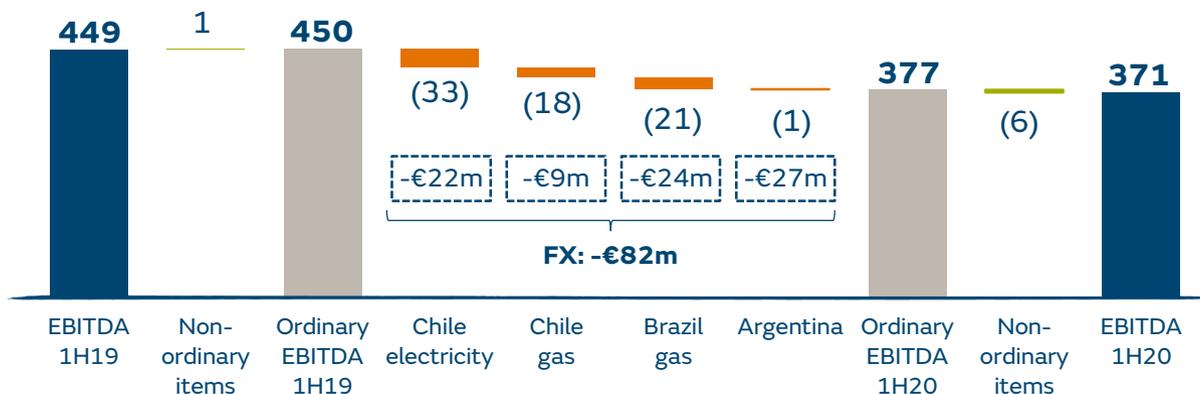


**€114m capex**, of which **~90%** remunerated

Lower gas demand, new regulatory period in electricity and step-down of EMPL capacity

## Infrastructure South LatAm

### EBITDA evolution by business line (€m)



### Highlights

- > **Chile electricity:** lower demand and perimeter changes
- > **Chile gas:** lower supply sales compensated by tariff indexation
- > **Brazil gas:** lower demand compensated by lower energy losses and tariff indexation in RJ
- > **Argentina:** tariff updates offset by lower demand

### Ordinary EBITDA evolution by key drivers (€m)

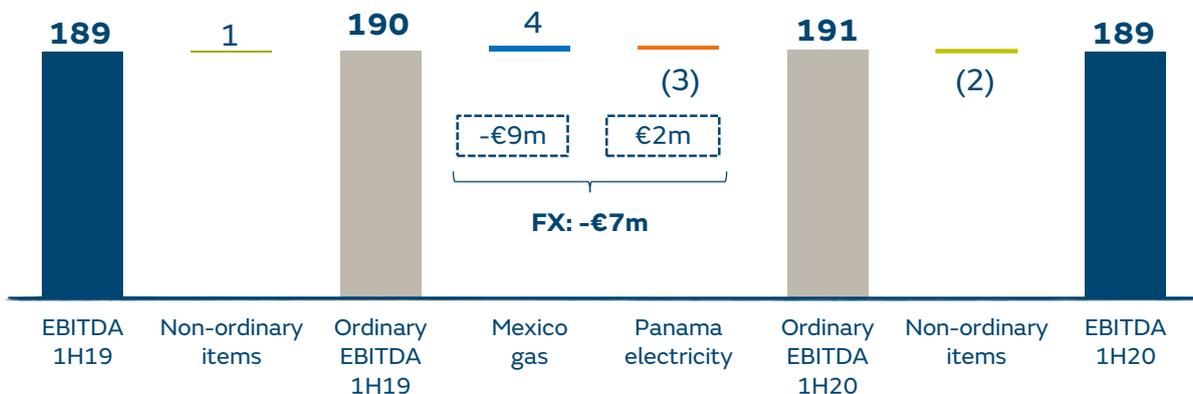


€129m capex, of which ~70% remunerated

COVID-19 weighs on energy demand and FX movements

## Infrastructure North LatAm

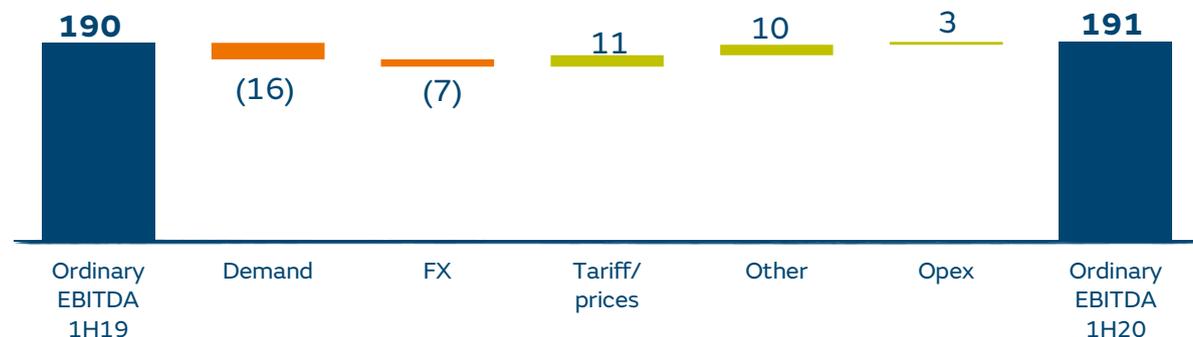
### EBITDA evolution by business line (€m)



### Highlights

- > **Mexico gas:** lower demand and FX compensated by tariff updates
- > **Panama electricity:** lower demand partially compensated by FX and operational improvements

### Ordinary EBITDA evolution by key drivers (€m)



€62m capex, of which **100%** remunerated

Tariff updates mitigate lower demand and FX

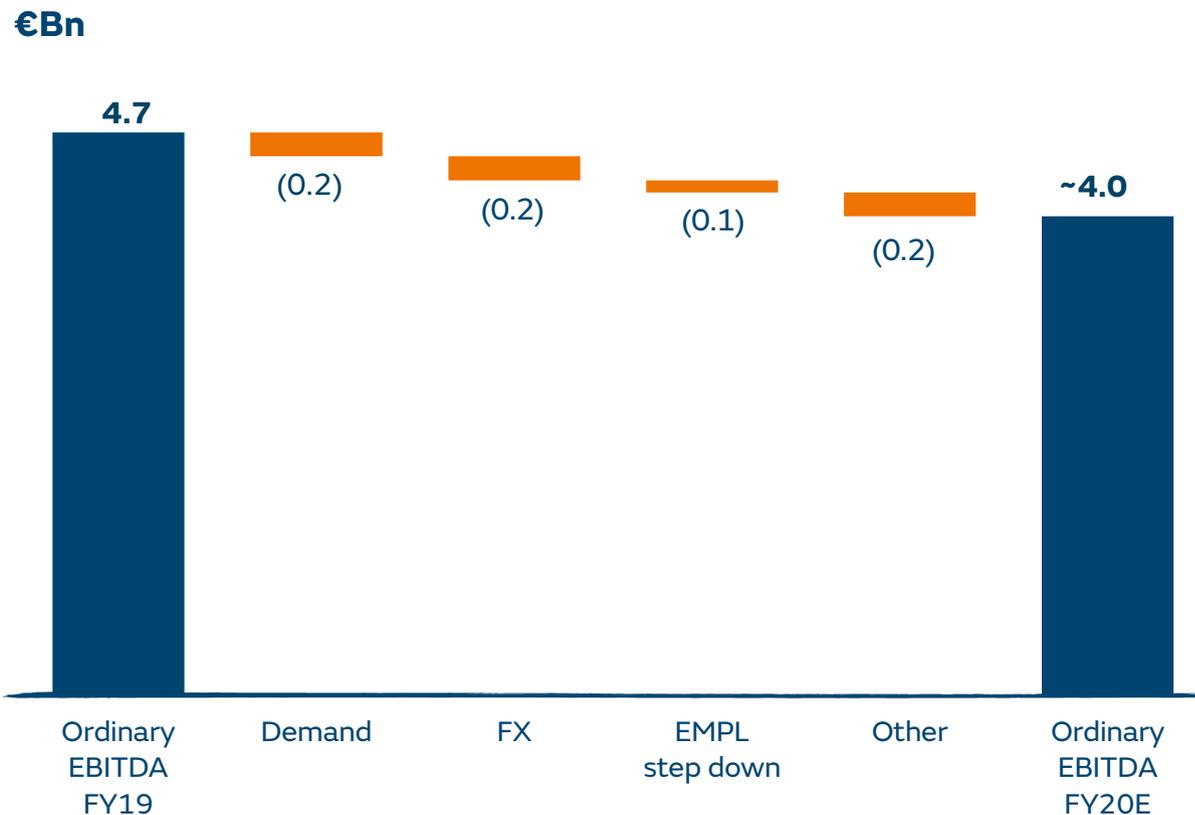
# Summary 1H20 and Outlook

## 4.1 Summary 1H20

- 1 Results impacted by overall environment: energy demand, commodity prices and FX
- 2 New regulatory framework in electricity distribution Spain and volume step down in the EMPL
- 3 Cash flow and liquidity management as a priority
- 4 Swift company response at the operating and stakeholder levels

Adapting the company and managing the risks for the next stage of the transformation

## 4.2 Outlook



### Market assumptions

Average prices	1H20	2H20E
Brent (USD/bbl)	39.7	40.1
Henry Hub (USD/MMBtu)	1.9	2.0
NBP (USD/MMBtu)	2.4	2.7
Spot Asia (USD/MMBtu)	3.8	2.9
Pool (€/MWh)	29.0	35.6
CO <sub>2</sub> (€/t)	22.0	22.1

➔ FX assumptions based on current forward curves

Evolution of key drivers likely impacted by COVID-19 developments

5

# Accelerating the transformation

## 5.1 Achievements in the first stage of the Strategic Plan



### Simplicity & accountability

- ➔ More transparency
- ➔ Organisation with greater accountability
- ➔ Elimination of duplicities



### Optimization

- ➔ Capturing efficiencies: target achieved 2 years in advance
- ➔ Optimization of non-core processes
- ➔ Capex & opex Committee



### Capital discipline

- ➔ Portfolio rebalancing: value over size
- ➔ Investment aligned with the energy transition
- ➔ Progress on debt push-down & liability management



### Shareholder remuneration

- ➔ Delivery on dividend commitments
  - First 2020 interim dividend payment of **€0.31/share** on **29-Jul**
  - Cancellation of 14.5m shares by 30-Jul (SBB second tranche)
  - Temporary suspension of the SBB

Good progress during the first 2 years

## 5.2 Next stage of transformation

### Reduce the risk profile

- › Asset rotation, in line with the energy transition, focus on strong currencies and cash flow visibility
- › Establish win-win relationships with regulatory authorities
- › Renegotiate gas supply agreements

### Strengthen the company's position

- › Reinforce financial structure
- › Consolidate corporate reputation
- › Progress on ESG commitments

### Redefine operations

- › Focus on customers
- › Optimize and digitalize core processes

### Reinforce and adapt the team

- › Adapt the organization to the new challenges
- › Attract and promote talent



Capital Markets Day in 4Q20

# 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 June 2020	30 June 2019	
Ebitda	Operating profit	Euros 1,870 million	Euros 2,176 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items	2,037 = Euros 1,870 million + 167	2,291 = Euros 2,176 million + 115	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 490 million = 334 + 156	Euros 703 million = 592 + 111	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 552 million = 61 + 491	Euros 699 million = 69 + 630	Realized investments in property, plant & equipment and intangible assets.
Net Investments	CAPEX - Other proceeds/(payments) of investments activities	Euros 527 million = 552 - 25	Euros 672 million = 699 - 27	Total investments net of the cash received from divestments and other investing receipts.
Gross financial debt	Non-current financial liabilities + "Current financial liabilities"	Euros 19,431 million = 17,102 + 2,329	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 June 2020	30 June 2019	
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets"	Euros 14,920 million = 19,431 - 4,457 - 54	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")	53.1% = 14,920 / (14,920 + 13,197)	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 285 million = 297 - 12	Euros 306 million = 316 - 10	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	6.6x = 1,870 / 285	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	3.5x = 14,920 / 4,298	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 1,101 million = 337 + 580 + 184 + 0	Euros 1,448 million = 592 + 560 + 288 + 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 337 million = 2,019 - 699 - 738 - 1,721	Euros 592 million = 2,456 - 859 - 172 - 1,177	Cash flow generated by the Company available to pay the debt.

## 2 ESG Metrics

ESG metrics		1H20	1H19	Change	Comments
<b>Health and safety</b>					
Accidents with lost time <sup>(1)</sup>	units	1	8	-87.5%	Significant improvement linked to the implementation of the <i>Plan Naturgy 2019</i> , as well as the impact from remote work during 2Q20
LT Frequency rate <sup>(2)</sup>	units	0.02	0.14	-85.7%	Reflects the reduction in accidents, although slightly adjusted by a lower number of working hours
<b>Environment</b>					
GHG Emissions	M tCO <sub>2</sub> e	6.7	7.8	-14.1%	Higher renewable and lower CCGT production in the period
Emission factor	t CO <sub>2</sub> /GWh	292	309	-5.3%	
Emissions-free installed capacity	%	33.8	27.3	23.8%	New renewable capacity coming into operation in Spain, as well as the shutdown of the coal capacity
Emissions-free net production	%	34.2	26.4	29.6%	Higher wind and hydro production
<b>Interest in people</b>					
Number of employees	persons	10,763	11,706	-8.1%	Perimeter changes and efficiencies
Training hours per employee	hours	14.1	14.2	-0.5%	Stable ratio despite the increase in remote work, showing the growing relevance of on-line training
Women representation	%	32.7	31.7	3.2%	Commitment for diversity and gender equality policies
<b>Society and integrity</b>					
Economic value distributed	M€	8,149	10,687	-23.7%	Affected by lower purchases and external services due to optimization efforts
Notifications received by the ethics committee	units	36	73	-50.7%	Improved oversight and accountability

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