FY20 Results

4 February 2021

Contents

Voluntary and unsolicited offer on 22,689% of Naturgy's share capital

Naturgy learned on 26 January 2021, through the relevant information disclosed to the CNMV by Global Infraco O (2) S.À.R.L., wholly owned by IFM GIF, the terms and conditions of the voluntary and unsolicited offer made on 22,689% of Naturgy's share capital. Naturgy's Board of Directors will comment on the offer when it deems it appropriate and, in any event, when it is legally required. The company will continue to operate in the best interest of its shareholders, taking into account any implications derived from the offer process.

This document refers only to Naturgy's FY20 results. Accordingly, it does not constitute, and should not be considered, an opinion or position of the company on the mentioned offer.

1. Executive summary

	reported			ordinary		
(€m)	**FY20**	**FY19**	**Change**	**FY20**	**FY19**	**Change**
EBITDA	3,449	4,252[1]	-18.9%	3,714	4,348[1]	-14.6%
Net income	-347	1,401	-	872	1,378	-36.7%
Capex	1,279	1,685	-24.1%	-	-	-
Net debt	13,612	15,268	-10.8%	-	-	-
Free cash flow after minorities	1,626	1,958	-17.0%	-	-	-

Note:
1. Restated

Summary – FY20 results

COVID-19 impacted operating performance in 2020 mainly in the form of lower gas and power demand in Spain and LatAm, a more challenging scenario in International LNG and relevant FX depreciation in key LatAm regions.

The energy scenario remained challenging during the fourth quarter of 2020, with continued pressure on gas prices and the loss of competitiveness in gas procurement conditions in the liberalized activities which were also affected by one-off costs linked to the recent gas procurement contract renegotiations. Some of these challenges remain structural. The FY20 results were also impacted by the new regulatory framework and lower remuneration in electricity distribution Spain, as well as by the volume capacity step down in the EMPL, effective since February 2020.

The FY20 results herein presented have been restated according to the new organizational structure i) Energy management and networks, ii) Renewables, new businesses and innovation, and iii) Supply. Moreover, results have also been restated to reflect the agreement to sell our Chilean electricity networks subsidiary, Compañía General de Electricidad S.A in Chile (CGE), to State Grid International Development Limited (SGID). As a result, and for comparability purposes, Chile CGE has been classified as held for sale in the consolidated accounts for both 2019 and 2020.

Ordinary EBITDA stood at €3,714m in 2020, down 14.6% vs. previous year. At constant perimeter ordinary EBITDA would have reached €3,964m, hence meeting the €4.0bn ordinary EBITDA guidance provided for 2020 despite the challenging scenario.

Reported Net Income has been affected by the asset valuation review completed during the 4Q20, which translated into an impact of €1,019m, in an effort to provide a more transparent and realistic value of our asset base, mainly impacting Spain conventional generation. Excluding this effect, ordinary Net Income reached €872m in 2020, down 36.7% vs. 2019.

Total capex amounted to €1,279m in the period, down 24.1% vs. previous year. This reduction was mainly due to the lower growth investments in networks as a result of months of confinement and a temporary slowdown in renewable developments in Spain.

As of 31 December 2020, Net debt amounted to €13,612m, not yet reflecting the pre-tax proceeds of €2,570m expected on completion of the disposal of CGE Chile, although it considers the deconsolidation of €1,316m of net debt of CGE Chile after its reclassification as held for sale. Net debt / LTM EBITDA stood at 3.9x compared to 3.6x as of 31 December 2019.

2020 review

FY20 has continued to build on the foundations established in the Strategic Plan 2018-2022, including significant progress on simplicity & accountability, business optimization, and capital discipline.

Simplicity & accountability

Naturgy has completed a reorganization of its business around the three strategic areas which will usher in a new period of profitable growth in networks, the expansion of our renewable footprint, and the buildup of a world-class retail brand, amongst others. To lead these areas, Naturgy has attracted three managers with a proven track record and relevant entrepreneurial experience.

Naturgy has continued to reinforce the autonomy and accountability of its business units together with greater transparency, as evidenced in a new asset valuation review, to reflect a realistic value of our asset base consistent with the current scenario.

Naturgy has also taken decisive steps to further its ESG commitments. In its Environmental Plan, Naturgy has set new targets to reduce its greenhouse gas (GHG) emissions, reduce CO_2 intensity in power generation and increase the share of its generation capacity from renewable sources. The recent shutdown of the company's coal power plants and the plans to replace them with new renewable developments will contribute towards the above goals. In addition, a Sustainability Committee has been established at the Board of Directors level to supervise the Company's progress and role in the energy transition along with all its environmental, health and safety, and social responsibility aspects and indicators.

Business optimization

FY20 saw an acceleration of the 2018-2022 efficiency plan. Naturgy completed €545m efficiencies, above its initial efficiency target and two years ahead. These efforts have helped to partially compensate for the challenging energy scenario and the impact of the COVID-19 outbreak. Also during 2020, Naturgy completed gas procurement contract renegotiations for an aggregate volume of 15bcms with its gas suppliers in order to reduce its risk profile, increase its flexibility and improve its price indexation parameters to bring the gas procurement contracts closer to the current market conditions and improve its commercial competitiveness.

Furthermore, Naturgy, ENI and The Arab Republic of Egypt reached a new agreement to resolve the disputes affecting Union Fenosa Gas (UFG), the 50%/50% partnership between Naturgy and ENI. The parties are working towards completion of the transaction during the first months of 2021, once customary conditions precedent are met, including the restart of operations in Damietta planned in the first quarter of 2021, solving a complex situation which had lingered since 2012, consuming significant time and resources.

Capital discipline

Naturgy made solid progress on its renewable development plans and reached three attractive agreements in Australia. First, a 218MW wind farm located at Victoria State which will start operations in 2H22, consisting of a 15 year PPA contract with the retailer Snow Hydro. Second, the award of a 107MW wind farm and a 20MWh battery energy storage system by the Australian Capital Territory (ACT) at a regulated tariff, expected to start operations in 2H22. Third, a 97MW wind farm located at Hawkesdale in Victoria, approximately 270 km from Melbourne, consisting of a 15 years power purchase agreement (PPA) for the energy equivalent to 97MW capacity. With the new projects, Naturgy will increase its installed capacity in Australia by more than 50% above 700MW and confirms its commitment to renewables growth.

The company has reached an agreement to sell its 96.04% equity shareholding in CGE for an implied EV (100%) of €4,312m, which demonstrates Naturgy's ability to execute transactions which maximize value for its shareholders.

In this respect, Naturgy has recently acquired 100% of a portfolio consisting of 8GW solar projects together with 4.6GW of co-located energy storage projects spanning 9 states in the U.S., of which 25 projects totaling 3.2GW of solar and 2GW storage could be operational before 2026. As part of the transaction, Naturgy also entered into a 5 year development agreement with Candela Renewables, a first in class team holding over 20 years of experience in the development of solar and energy storage projects in the U.S. This transaction represents Naturgy's first investment in the U.S. renewable energy market and demonstrates Naturgy's commitment to growing in renewables, focusing on stable geographies and early stage of development projects.

Shareholder remuneration

During 2020, Naturgy completed the cash payment of 1.41 €/share including the final payment of 2019 corresponding to 0.6 €/share and the 1st and 2nd interim dividends for 2020 amounting to 0.31 €/share and 0.50 €/share respectively. Moreover, and further to its commitment with shareholders, Naturgy completed the cancellation of 14,508,345 shares, with a nominal value of 1€ each. As of today, the share capital of the company stands at 969.613.801 shares of 1 euro of face value each.

COVID-19 update

Macroeconomic growth and energy demand

The COVID-19 has posed significant challenges to business activities and introduced a high degree of uncertainty on economic activity and energy demand on a global scale.

Throughout 2020, the evolution of GDP estimates for 2020 together with the recovery perspectives have gradually deteriorated as a result of the spread of COVID-19 and the subsequent economic lockdown measures undertaken on a global scale. According to the latest available consensus estimates, 2020 GDP growth is expected to experience a contraction of -3.8%, -7.3% and -3.5% for the World, the Eurozone and the USA respectively, while 2021 forecasts reflect also a slower recovery than initially expected.

The slowdown in economic activity has had a significant impact on the evolution of electricity and gas demand globally and thereby on the various regions where the Group operates. In particular, electricity and gas demand in Spain decreased on average by 5.5% and 6.2% respectively during 2020 compared to 2019. Similarly, electricity and gas demand across the Latin American regions where the Group operates experienced a decrease on average of 2.8% and 8.3% respectively during 2020 compared to 2019.

Furthermore and since the appearance of the COVID-19, LatAm currencies have significantly depreciated against EUR and its evolution from here remains uncertain. This had a negative effect of €175m and €53m on the consolidated Group ordinary EBITDA and Net Income respectively during 2020 and compared to 2019.

Evolution of commodity prices

Lower energy consumption caused by the coronavirus pandemic and uncertainty around Brent production cuts of major producers globally has translated into significant volatility and an unprecedented decline of commodity prices across key references, including a decrease of gas prices on major gas hubs (HH and NBP have decreased on average by 22% and 29% respectively during 2020 vs. 2019) as well as a decrease in wholesale electricity prices (Spanish pool has decreased by 29% on average during 2020 compared to 2019).

Company initiatives

Naturgy has proactively taken a number of key measures to address and mitigate the impacts of the COVID-19 pandemic on their operations and performance, as well as to support and protect the interests of all its stakeholders. On 25 February 2020, less than 24 hours following the first confirmed COVID-19 case in the Iberian Peninsula, Naturgy activated its Crisis Committee and started taking steps to support its stakeholders.

Measures to preserve employee health, safety and wellbeing were quickly introduced, including the prompt suspension of travel and attendance to external events, the activation of resources to guarantee effective remote work, or individual protection and support by Naturgy's medical services. Relevant measures were also introduced to support society as well as customers and suppliers, including the reinforcement of key infrastructures to ensure the stability and quality of electricity and gas supply, free gas and electricity supply to hotels, residences and other hospitalized centers, or free of charge repairs for health workers and security forces and bodies, armed forces and fire fighters, involved in supporting society during the pandemic. Our SMEs and self-employed customers are also benefiting from the deferral of invoice payments for 12 months to support their short term financing needs, while some of our suppliers have benefited from cash payment advances in respect of their invoices.

2. Key comparability factors and non-ordinary items

New reporting structure

The FY20 results have been restated according to the new organizational structure i) Energy management and networks, ii) Renewables, new businesses and innovation, and iii) Supply. It is worth noting the following changes vs. the former reporting structure:

- Networks includes all networks businesses including Spain gas and electricity networks as well as networks LatAm, including Chile Gas, Brazil gas, Mexico gas, Panama electricity and Argentina gas and electricity
- Energy management is composed of: i) markets & procurement, ii) International LNG, iii) pipelines (EMPL), iv) Spain thermal generation and (v) LatAm thermal generation
- Markets and procurement includes all gas procurement and internal and external sales (except from International LNG and gas sales to end customers <500GWh in Spain)
- Renewables, new businesses and innovation includes all renewable generation activities (including hydro) previously reported as part of European power generation and International power generation, together with new businesses
- Supply includes all power sales to end customers in Spain as well as gas sales to end customers < 500GWh in Spain

Perimeter changes

Coal generation in Spain (June), gas distribution activity in Peru (April) and electricity distribution in Chile (November) are reported as **discontinued operations**.

The **main transactions completed in 2020 with an impact in comparability** in the FY20 vs. FY19 results are the following:

- On January 2020 Naturgy completed the sale of 47.9% of Ghesa Ingeniería y Tecnología, S.A.
- On July 2020, Naturgy completed the transaction to acquire a 34.05% stake in Medgaz.
- On April 2020, Naturgy completed the sale of Iberafrica Power in Kenya.
- On November 2020, Naturgy reached an agreement to sell its 96.04% equity shareholding in its Chilean electricity networks subsidiary, Compañía General de Electricidad S.A. Following this agreement the activity has been classified as "Non-current assets available for sale".

The **main transactions completed in 2019 with an impact in comparability** in the FY20 vs. FY19 results are the following:

- On April 2019 Naturgy completed the sale of 45% of its interests in its associated affiliate Torre Marenostrum, S.L. to Inmobiliaria Colonial, generating capital gains of €20m.
- On July 2019, CGE, Naturgy's subsidiary in Chile, completed an asset swap in Argentina, whereby CGE now controls and consolidates 100% of the gas distribution subsidiary and the associated commercialization, while formerly co-controlled electricity distribution subsidiaries are no longer within Naturgy's consolidation perimeter.
- On October 2019, the group completed the disposal of Transemel, an electricity transmission subsidiary in Chile.

Non-ordinary items

Non-ordinary items are summarized below:

	EBITDA		Net income	
(€m)	FY20	FY19	FY20	FY19
Restructuring costs	-197	-150	-144	-112
Asset write-down	-	-	-1,019	-23
Regulatory fines	-1	-20	-	-20
Provisions reversal	37	49	28	33
Sales of land and buildings	7	16	5	15
Procurement agreement	-94	-	-76	-
Interest in companies sales	-	-	10	25
Liability management cost	-	-	-	-73
Medgaz valuation	-	-	-	101
Discontinued operations	-	-	17	88
Other	-17	9	-40	-11
Total non ordinary items	**-265**	**-96**	**-1,219**	**23**

At the EBITDA level, non-ordinary impacts in FY20 amounted to -€265m, corresponding mostly to restructuring costs derived from the implementation of the efficiency plan (-€197m) and upfront costs from gas contract renegotiations (-€94m), partially offset by provisions reversals (+37m€).

At the Net Income level, non-ordinary items in FY20 amounted to -€1,219m. In addition to the aforementioned items and its corresponding impact at Net income level (-€144m, -€76m and +28m€ respectively), the write-down had an impact of a -€1,019m, mainly affecting Spain conventional generation (-€858m) and gas activities in Argentina (-€152m).

Foreign exchange impact

Exchange rate fluctuations in the period are summarized below:

	Avg. FY20	Change (%)	FX effect (€m)	
			EBITDA	Net income
USD/€	1.14	1.8%	-15	-6
MXN/€	24.41	13.2%	-29	-8
BRL/€	5.86	32.9%	-69	-17
ARS/€[1]	102.85	52.9%	-37	-16
CLP/€	900.34	14.4%	-21	-4
Other	-	-	-4	-2
Total	**-**	**-**	**-175**	**-53**

Note:
1. Exchange rate as at 31 December 2020 as a consequence of considering Argentina as an hyperinflationary economy

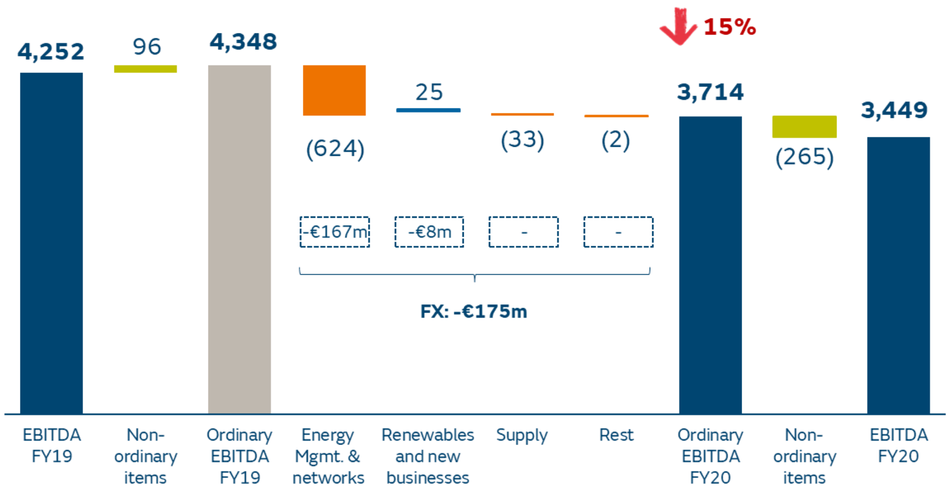
3. Consolidated results

	reported			ordinary		
(€m)	**FY20**	**FY19**	**Change**	**FY20**	**FY19**	**Change**
Net sales	15,345	20,761	-26.1%	15,345	20,739	-26.0%
EBITDA	**3,449**	**4,252**	**-18.9%**	**3,714**	**4,348**	**-14.6%**
Other results	12	25	-52.0%	-	-	-
Depreciation, amortisation and impairment expenses	-2,839	-1,534	85.1%	-1,478	-1,477	0.1%
Impairment of credit losses	-156	-109	43.1%	-156	-109	43.1%
EBIT	**466**	**2,634**	**-82.3%**	**2,080**	**2,762**	**-24.7%**
Financial result	-538	-585	-8.0%	-502	-523	-4.0%
Profit/(loss) of companies measured under the equity method	36	75	-52.0%	29	48	-39.6%
Income tax	-19	-426	-95.5%	-374	-483	-22.6%
Income from discontinued operations	24	98	-75.5%	-	-	-
Non-controlling interest	-316	-395	-20.0%	-361	-426	-15.3%
Net income	**-347**	**1,401**	**-**	**872**	**1,378**	**-36.7%**

Ordinary Net sales totaled **€15,345m** in FY20, **26.0%** below FY19, mainly as a result of lower energy demand caused by the COVID-19 outbreak, as well as lower energy prices in the period. Furthermore, macro uncertainty caused by COVID-19 continued to have a negative impact on the evolution of LatAm currencies as exhibited in previous page.

As a result of the above, consolidated ordinary **EBITDA reached €3,714m** in FY20, **down 14.6%**. The difficult global energy and macro scenario have translated into significant headwinds in Energy management and LatAm networks, in addition to FX depreciation. Supply suffered a small decrease, driven by the negative gas performance, while renewable power generation grew supported by higher production and despite lower pool prices compared to 2019.

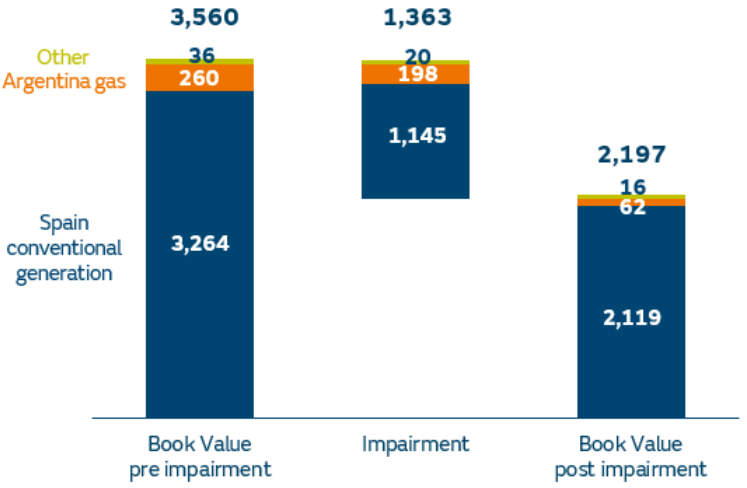
EBITDA evolution (€m)



	reported			Ordinary		
(€m)	FY20	FY19	Change	FY20	FY19	Change
Energy management and networks	2,859	3,619	-21.0%	3,046	3,670	-17.0%
Renewables and new businesses	352	332	6.0%	362	337	7.4%
Supply	326	411	-20.7%	359	392	-8.4%
Rest	-88	-110	-20.0%	-53	-51	3.9%
Total	**3,449**	**4,252**	**-18.9%**	**3,714**	**4,348**	**-14.6%**

Depreciation, amortization and impairment losses reached in the year **-€2,839m, 85.1%** higher than last year. As already stated, this increase is explained by the impairment made in certain assets for a total amount of -€1,363m, mainly affecting Spain conventional generation (mostly CCGTs) for a total of -€1,145m as a consequence of the structural changes in the energy scenario, and gas activities in Argentina for a total of -€198m to reflect macro scenario and hyperinflation. These impacts are summarized in the graph below.

This impairment, with no cash impact in 2020, will allow for future positive P&L impact due to lower D&A for approximately €75m/year.



The **financial result amounted to -€538m,** down 8.0%. The decrease is mainly explained by the continued debt optimization efforts and liability management exercises carried out in the period, as well as the impact of FX and the registration of CGE Chile as held for sale, which has implied €1.316m of net debt deconsolidation. The **average cost of gross financial debt**[1] for FY20 improved to **2.5%** vs. 3.2% in FY19. As at 2020 year end, **83%** of gross debt is at fixed rates and **10%** is denominated in foreign currency.

Financial result (€m)	FY20	FY19	Change
Cost of net financial debt	-498	-547	-9.0%
Other financial expenses/income	-40	-38	5.3%
Total	**-538**	**-585**	**-8.0%**

Note:
1. Cost from IFRS 16 debt not included

Equity-accounted affiliates contributed €36m in FY20 according to the following detail:

Profit/(loss) of companies measured under the equity method	FY20	FY19	Change
UF Gas sub-group	-30	-37	-18.9%
Electricity Puerto Rico	51	73	-30.1%
CGE sub-group	8	22	-63.6%
Renewable Generation and Cogeneration	-2	15	-
Medgaz	6	0	-
Others	3	2	50.0%
Total	**36**	**75**	**-52.0%**

The ordinary **effective tax rate** as of 31 December 2020 stood at **23.3%**, higher than in FY19 (21.1%).

Contribution from **discontinued operations stood at €24m in FY20,** mainly accounting for electricity distribution activities in Chile (€74m) following the sale agreement reached, the negative contribution from coal generation in Spain (-€37m) and gas distribution activities in Peru (-€12m), as shown below:

Income from discontinued operations (€m)	FY20	FY19	Change
Peru	-12	-7	71.4%
Coal generation Spain	-38	-40	-5.0%
Electricity distribution Chile	74	145	-49.0%
Total	**24**	**98**	**-75.5%**

Income attributed to non-controlling interests amounted to -€316m in FY20 as detailed below:

Income attributed to non-controlling interests (€m)	FY20	FY19	Change
EMPL	-41	-61	-32.8%
Nedgia	-76	-83	-8.4%
Other affiliates [1]	-139	-191	-27.2%
Other equity instruments	-60	-60	0.0%
Total	**-316**	**-395**	**-20.0%**

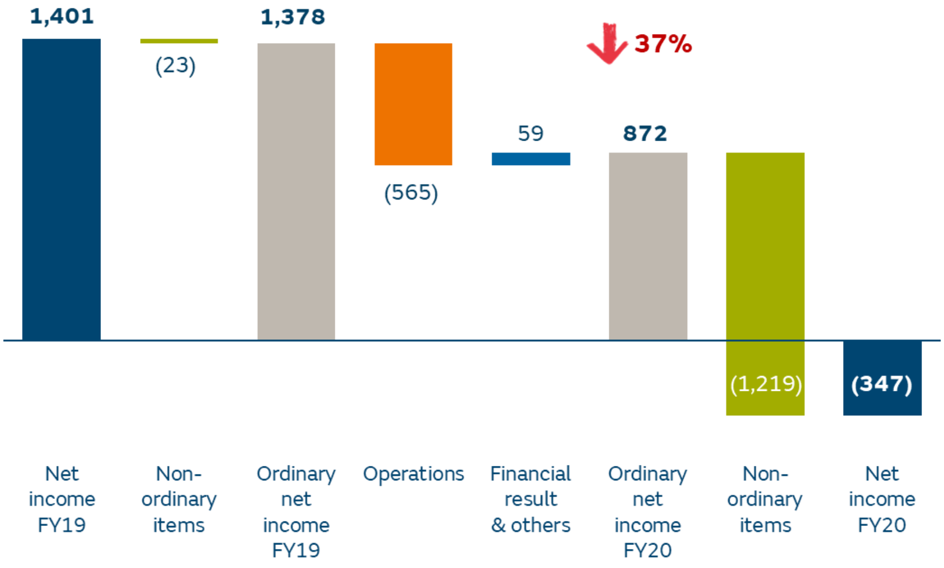
Note:
1. Including GPG, gas distribution companies in Chile, Brazil, Mexico and Argentina, and electricity distribution companies in Panama and Chile

The decrease in EMPL and Nedgia follow the lower contribution of both activities during the period, i.e. the capacity step down effective since February 2020 in the EMPL, and the lower demand in gas distribution Spain, impacted by the COVID-19 pandemic.

The other equity instruments caption includes the accrued interest on perpetual subordinated notes (hybrids).

Net ordinary income in FY20 amounted to €872m, down 36.7% compared to the previous year.

Net Income evolution (€m)



4. Results by business unit

Energy management and networks

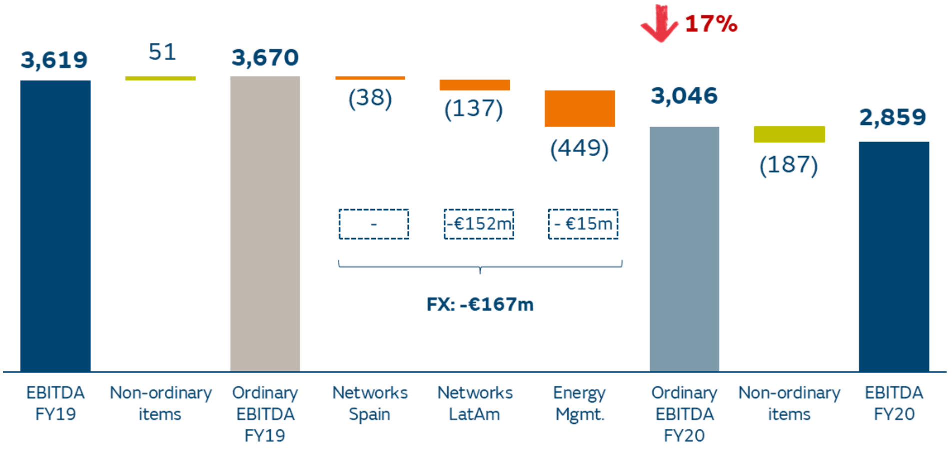
EBITDA (€m)	Reported FY20	Reported FY19	Reported Change	Ordinary FY20	Ordinary FY19	Ordinary Change
Networks Spain	**1,538**	**1,607**	**-4.3%**	**1,627**	**1,665**	**-2.3%**
Gas networks	891	933	-4.5%	940	963	-2.4%
Electricity networks	647	674	-4.0%	687	702	-2.1%
Networks LatAm	**834**	**961**	**-13.2%**	**840**	**977**	**-14.0%**
Chile gas	206	237	-13.1%	207	238	-13.0%
Brazil gas	203	262	-22.5%	204	263	-22.4%
Mexico gas	222	228	-2.6%	224	229	-2.2%
Panama electricity	130	147	-11.6%	132	147	-10.2%
Argentina gas	52	72	-27.8%	52	85	-38.8%
Argentina electricity	21	15	40.0%	21	15	40.0%
Energy management	**487**	**1,051**	**-53.7%**	**579**	**1,028**	**-43.7%**
Markets and procurement	-223	-123	81.3%	-170	-124	37.1%
International LNG	129	509	-74.7%	198	477	-58.5%
Pipelines (EMPL)	240	313	-23.3%	240	313	-23.3%
Spain thermal generation	104	47	-	74	72	2.8%
LatAm thermal generation	237	305	-22.3%	237	290	-18.3%
Total	**2,859**	**3,619**	**-21.0%**	**3,046**	**3,670**	**-17.0%**

Please refer to Annex for additional P&L disclosure

Ordinary EBITDA declined 17.0% during the period, driven by lower demand and depressed gas prices, impacting the Markets & procurement and International LNG activities. LatAm thermal generation decreased due to reduced merchant sales while Spain thermal generation improved vs. 2019 as a result of better margins in the period.

According to the criteria established by IAS 29 "Financial Information in Hyperinflationary Economies", the Argentine economy should be considered as hyperinflationary. As a result, FX differences arising during the year have been applied to 2020 results, which have been as well updated by inflation rates.

EBITDA evolution (€m)

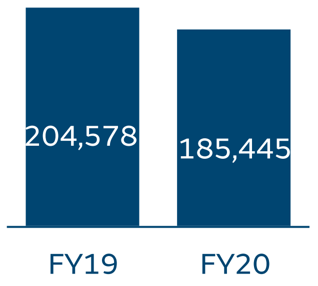


Spain gas networks

Ordinary EBITDA reached €940m, down 2.4% vs. FY19. Lower sales during the period due to the impact of COVID-19 in the industrial segment together with mild weather for most of the year were only partially compensated by efficiencies.

Total gas sales (excluding LPG) decreased by 9.4%, while connection points remained stable (+0.1%) vs. FY19.

Gas sales Spain (GWh)
(-9.4%)

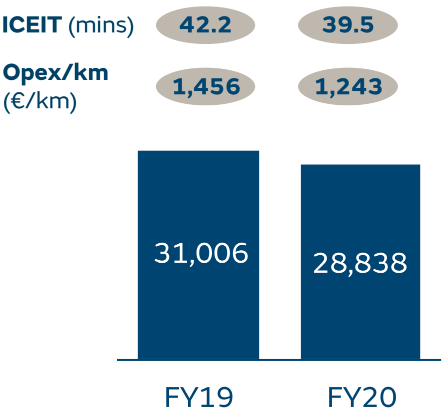


Spain electricity networks

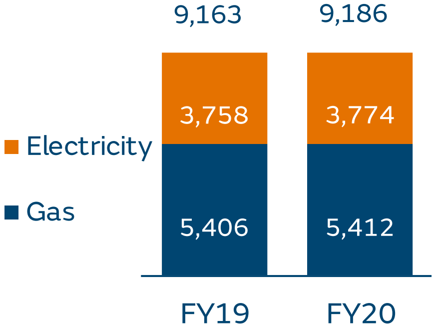
FY20 Ordinary EBITDA amounted to €687m, a 2.1% decrease vs. FY19 primarily due to the lower financial remuneration approved in the new regulatory period, as well as lower fees on meters interventions, caused by COVID-19.

Connection points increased by 0.4% during the period, while unitary opex per km of installed network decreased by 14.6% vs. FY19.

Electricity sales Spain (GWh)
(-7.0%)



Connection points ('000)
(+0.2%)



Chile gas

Ordinary EBITDA totaled €207m, 13.0% lower than in FY19 following the negative impact of lower demand derived from COVID-19 and FX (-€21m), which were partially offset by the positive tariff indexation and efficiencies.

Total gas sales decreased (-31.1%), mainly as a result of the COVID-19 impact.

Connection points increased by 1.6%.

Brazil gas

Ordinary EBITDA totaled €204m, 22.4% lower than in FY19, affected by negative FX (-€65m), and lower demand in all segments as a consequence of COVID-19, with the exception of the residential segment. Negative elements were partially compensated by tariff indexation, efficiencies and lower energy losses.

Overall gas sales decreased (-13.2%) affected by COVID-19, particularly in Generation + TPA, NGV and industrial segments (down -13.4%, -16.2% and -11.0% respectively). Conversely, retail sales increased 10.1% in the year, following quarantine measures and the effect of temperatures.

Connection points grew 1.0% in the period.

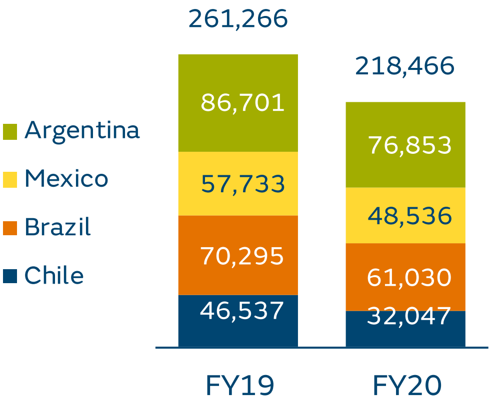
Mexico gas

FY20 Ordinary EBITDA decreased 2.2% to €224m.

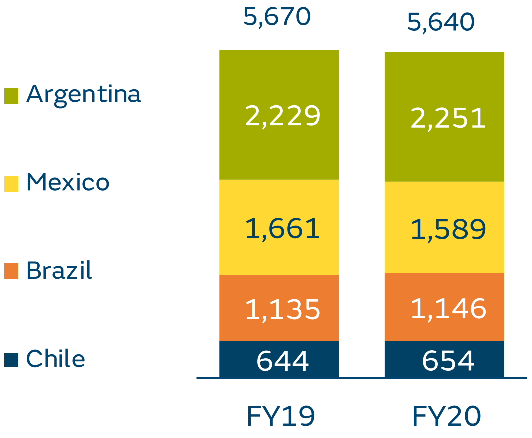
Higher margins and tariff indexation were not sufficient to compensate for negative FX impact (-€26m) and sales reduction (-15.9%).

Connection points decreased by 4.3%, as a result of the commercial strategy aimed at improving customer profitability.

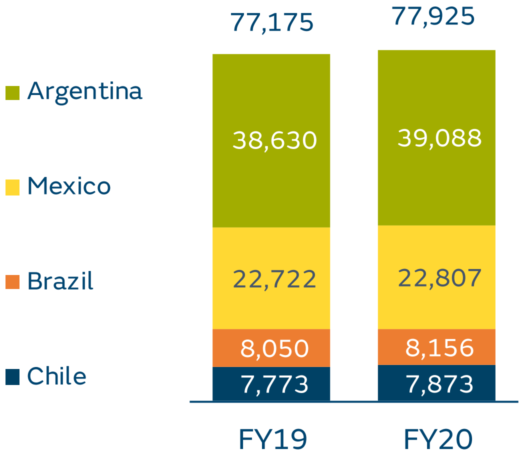
Gas sales (GWh)
(-16.4%)



Gas connection points ('000)
(-0.5%)



Gas network (km)
(+1.0%)



Panama electricity

FY20 Ordinary EBITDA amounted to €132m, down 10.2% vs. FY19, driven by lower demand derived from COVID-19 only partially compensated by efficiencies.

Electricity sales decreased by 10.8%, while connection points grew by 2.3%.

Argentina gas

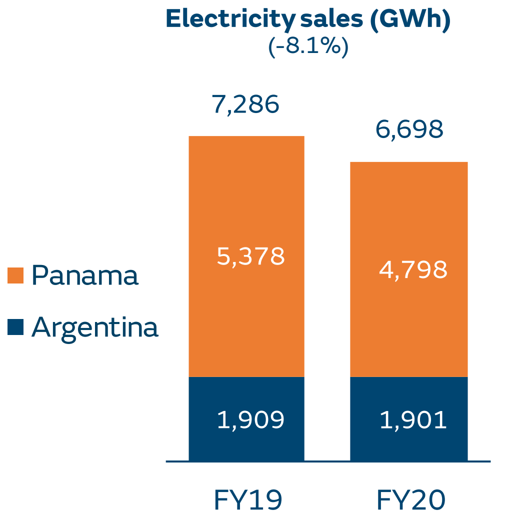
FY20 Ordinary EBITDA amounted to €52m, down 38.8% vs. FY19. Tariff updates, and higher contribution from Gasnor were offset by negative FX (-€29m) as well as lower gas sales, notably in in the VNG (-20.7%), Generation + TPA (-18.3%) and industrial (-15.5%) segments. Residential sales increased by 17.3%.

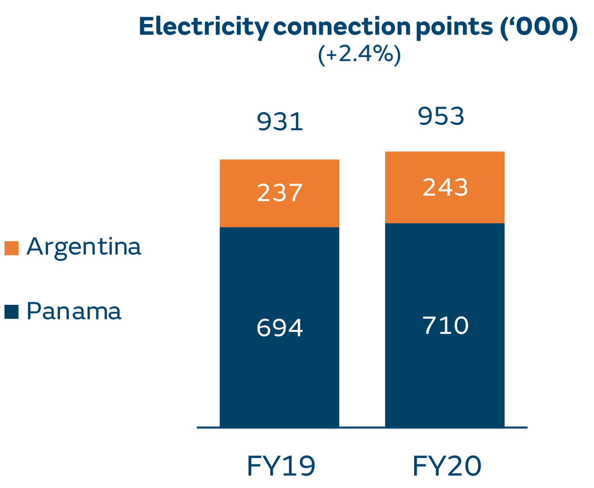
Gas sales decreased by 11.4%, while connection points increased by 1.0% vs. FY19.

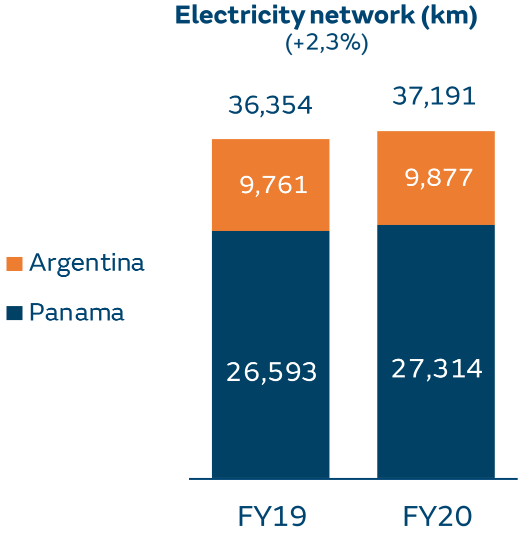
Argentina electricity

FY20 Ordinary EBITDA amounted to €21m, 40.0% higher than in FY19, mainly explained by the April-19 electricity tariff update, which was partially offset by negative FX impact (-€8m).

Electricity sales remained stable (-0.4%), while connection points increased by 2.4% in the year.





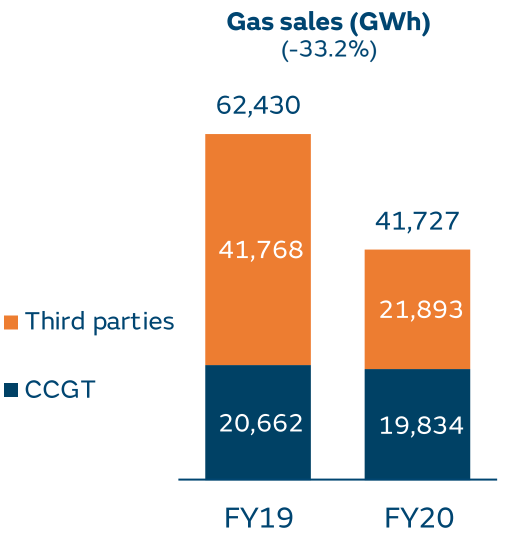


Markets and procurement

Markets and procurement includes all gas procurement and internal and external sales (except from International LNG and gas sales to end customers <500GWh in Spain)

FY20 Ordinary EBITDA reached €-170m vs. €-124m in FY19. This evolution is explained by the loss of gas supply cost competitiveness, with negative impact on the industrial segment, ex-ship and HUBS sales, as well as negative contribution of some volume sales to avoid unrecoverable take or pay requirements.

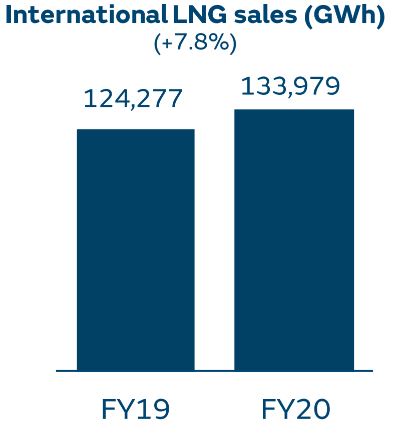
Naturgy has already completed the renegotiation agreements for approximately 15bcms of its procurement portfolio, which has allowed to better align procurement costs with the prevailing market conditions.



International LNG

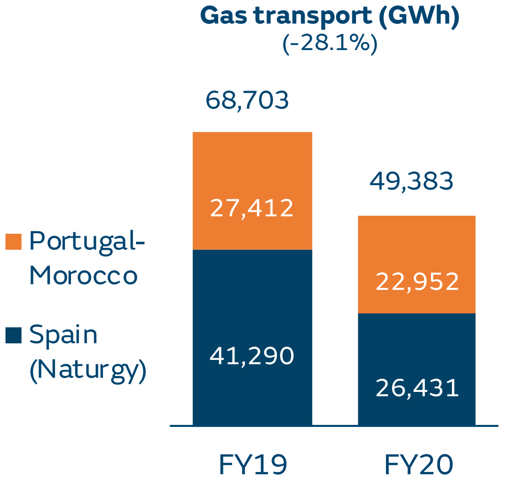
FY20 Ordinary EBITDA reached €198m, down 58.5% vs. FY19, as a result of a depressed LNG scenario resulting in negative margins, partially compensated via financial hedging and cancellation of some cargoes.

As of year end 2020, contracted sales for 2021 and 2022-23 stood at 84% and 52% respectively.



Pipelines (EMPL)

FY20 Ordinary EBITDA decreased by 23.3% to €240m. The decrease was mainly explained by the reduction in revenues following the capacity step down upon expiry of one of the contracts. This was been partially offset by higher tariffs (€8m).

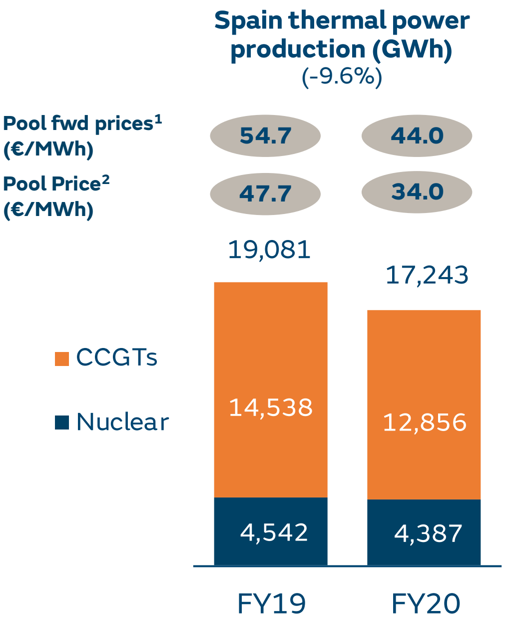


Spain thermal generation

FY20 Ordinary EBITDA amounted to €74m, up 2.8% vs. FY19 on the back of lower CCGTs generation costs, together with additional efficiencies. These factors allowed for higher margins, despite lower pool prices and nuclear production.

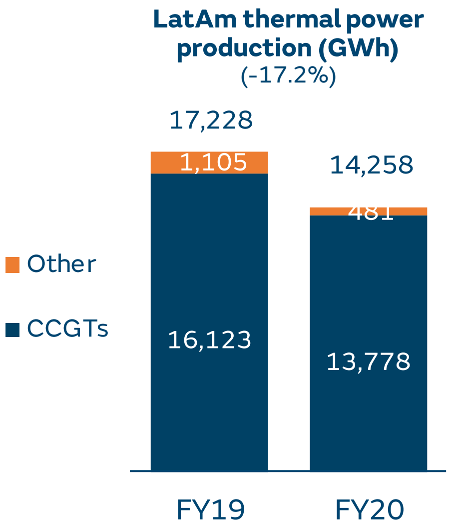
Pool prices decreased 28.7% vs. FY19, averaging €34.0/MWh in the period, as a result of higher hydro and renewable production, and lower gas prices.

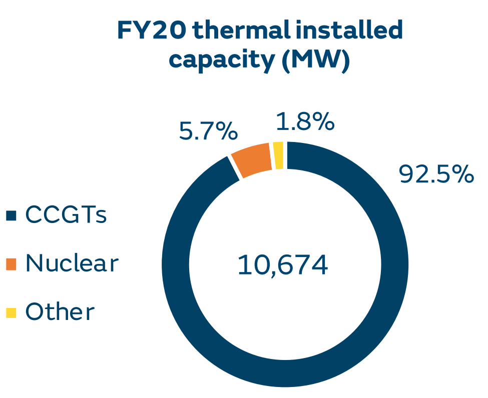
Total production decreased by 9.6%: CCGTs and nuclear production decreased by 11.6% and 3.4% respectively in the year, the latter affected by programmed maintenance shutdowns in 2Q20.



LatAm thermal generation

Ordinary EBITDA in the period reached €237m, down 18.3% vs. FY19. Cost efficiencies and higher margins in PPA sales were offset by: i) lower merchant margins in Dominican Republic caused by higher hydro generation and competition, ii) lower volumes as consequence of market operator restrictions affecting our plants in Mexico, and iii) negative FX translation (-€8m).





Notes:
1. Average price of 1Y ahead forward Spanish base prices in the Iberian Energy Derivatives Exchange (OMIP) in the period
2. Average price in the daily power generation market

Renewables and new businesses

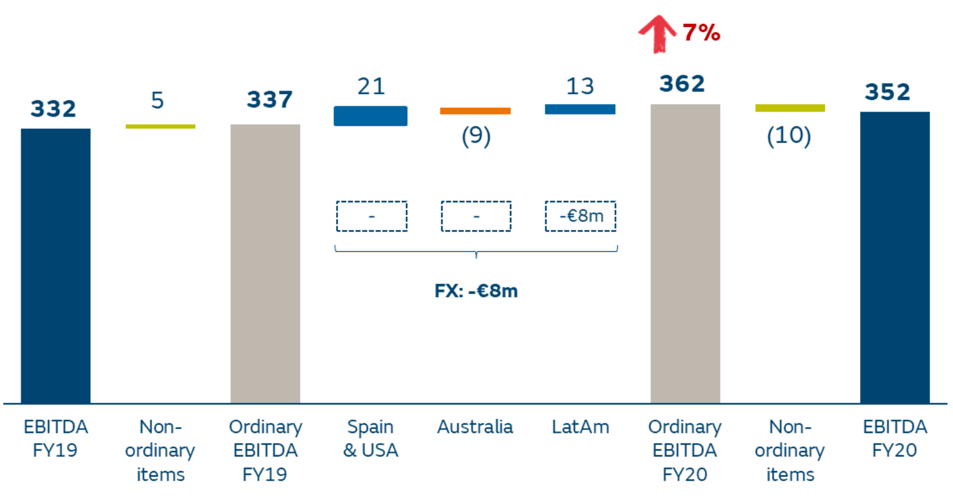
	Reported			Ordinary		
EBITDA (€m)	**FY20**	**FY19**	**Change**	**FY20**	**FY19**	**Change**
Spain & USA	272	257	5.8%	281	260	8.1%
Australia	14	23	-39.1%	14	23	-39.1%
LatAm	66	52	26.9%	67	54	24.1%
Total	**352**	**332**	**6.0%**	**362**	**337**	**7.4%**

Please refer to Annex for additional P&L disclosure

Renewables, new businesses and innovation includes all renewable generation activities (including hydro) previously reported as part of European power generation and International power generation, together with new businesses.

Ordinary EBITDA reached €362m (+7.4%) in FY20, mainly due to higher renewable production in Spain and LatAm backed by new installed capacity in Spain, and higher wind resource and prices in Mexico. The decrease in Australia contribution is explained by lower margins following mark to market of existing PPAs.

EBITDA evolution (€m)

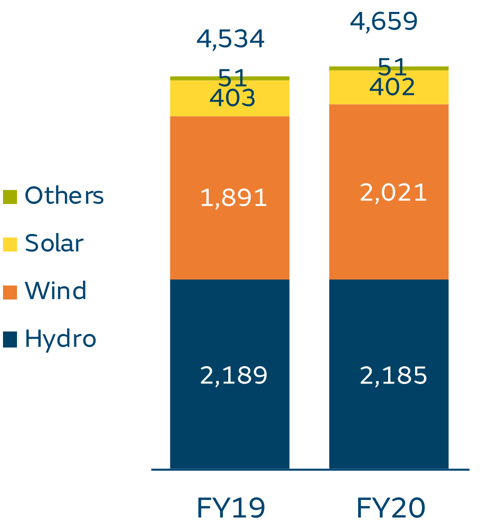


Spain & USA

FY20 Ordinary EBITDA amounted to €281m, up 8.1% vs. FY19. Higher renewable and hydro production in Spain, were partially offset by lower PPA/pool prices vs 2019.

Naturgy continued to progress developing renewable assets in Spain and installed capacity as of year end 2020 reached 4,053MW, 125MW higher compared to FY19.

Total renewable installed capacity (MW)
(+2.8%)

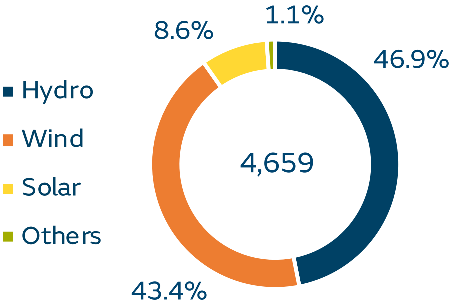


Australia

Ordinary EBITDA in the period reached €14m, down 39.1% vs. FY19.

The reduction is mainly explained by lower margins following mark to market of existing PPAs, as well as a small decrease in power generation (-2.2%) in the period.

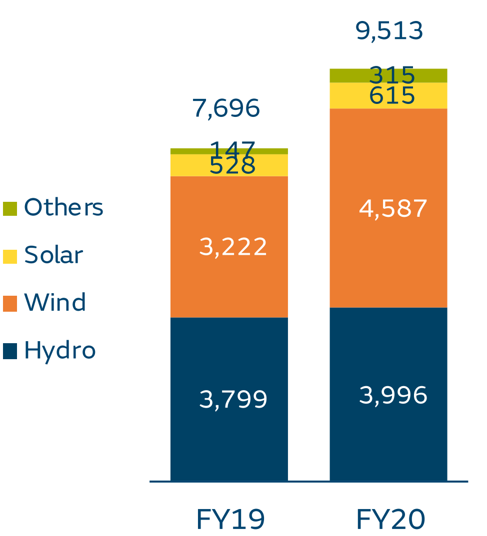
FY20 renewable installed capacity (MW)
(technology)



LatAm

Ordinary EBITDA in the period reached €67m, 24.1% higher than in FY19, mainly driven by higher production and prices in Mexico, partially offset by lower contribution from Brazil solar.

Total renewable production (GWh)
(+23.6%)



Supply

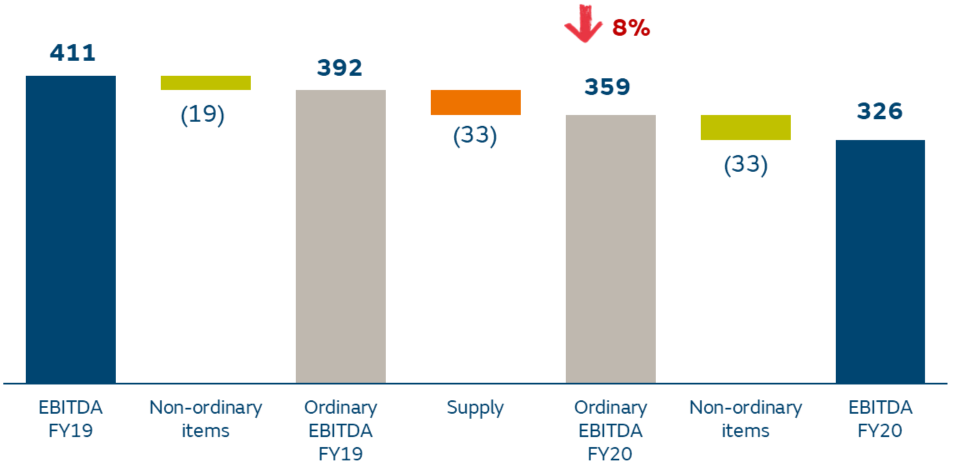
	Reported			Ordinary		
EBITDA (€m)	FY20	FY19	Change	FY20	FY19	Change
Total	326	411	-20.7%	359	392	-8.4%

Please refer to Annex for additional P&L disclosure

Supply includes all power sales to end customers in Spain as well as gas sales to end customers <500GWh in Spain

Ordinary EBITDA amounted to €359m in the period, -8.4% lower than FY19, primarily driven by lower energy demand due to COVID-19. Gas supply margins remained under pressure throughout the year. On the positive side, power supply margins benefited from lower pool prices.

EBITDA evolution (€m)



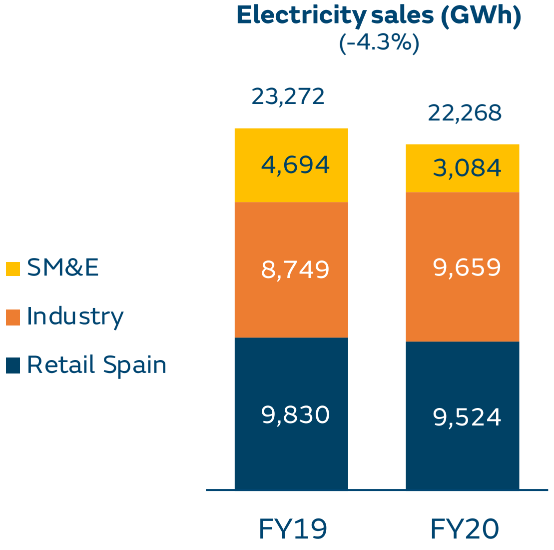
Supply

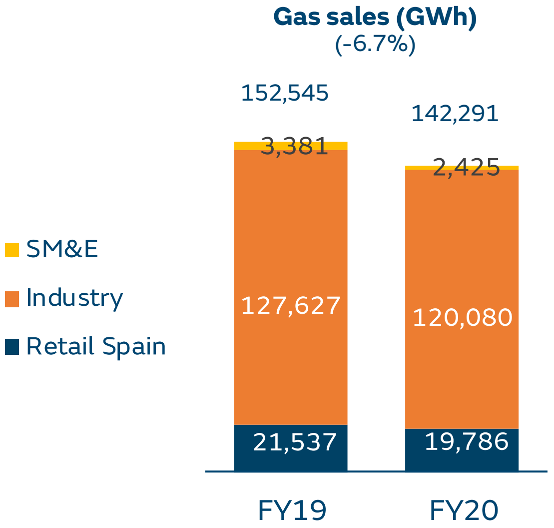
Ordinary EBITDA reached €359m in FY20, -8.4% vs. FY19, driven by lower sales, both in gas and power, as well as lower gas margins. On the positive side, power supply margins improved on the back of lower pool prices.

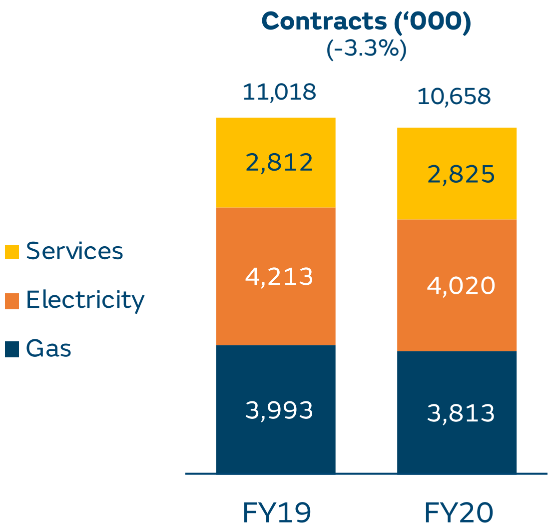
Gas sales declined by 6.7% in FY20, in all segments, notably in the SME and retail segments (-28.3% and -8.1%) impacted by COVID-19 and mild climate conditions compared to FY19.

Power sales fell by 4.3% in FY20 as a result of lower sales in the liberalized market (-5.9%), with the SME segment severely impacted (-34.3%); on the contrary, industry sales increased by 10.4%. VPSC[1] sales increased by 1.7%.

The number of contracts experienced a small decrease reaching 10.7 million as of year end 2020, a 3.3% decrease compared to FY19 figures.



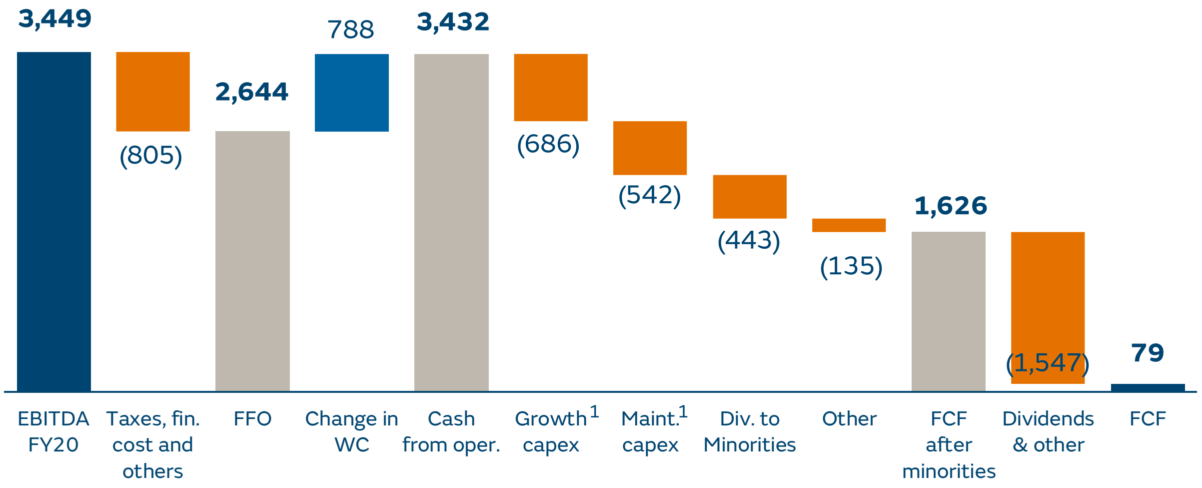




Note:
1. Voluntary Price for Small Consumers (in Spanish PVPC = Precio Voluntario al Pequeño Consumidor)

5. Cash flow

Cash flow evolution (€m)



Note:
1. Net of cessions and contributions

FY20 free cash flow after minorities amounted to €1,626m. The contribution from operating results was complemented by a decrease in working capital, following lower sales and inventories, and optimization efforts. Proactive cash flow and liquidity management has remained a priority during COVID-19 crisis.

Free cash flow after minorities was mostly allocated to the payment of dividends (€1,370m) and the share buy-back program (€184m) until its halt.

Capex

The breakdown of capex by type and business unit was as follows:

	Maintenence capex		
(€m)	**FY20**	**FY19**	**Change**
Energy management and networks	461	574	-19.7%
Renewables and new businesses	25	26	-3.8%
Supply	21	8	-
Rest	39	25	56.0%
Total investments	**546**	**633**	**-13.7%**

Maintenance capex in FY20 amounted to €546m, compared to €633m in FY19, a 13.7% reduction resulting from the optimization of capex processes and FX.

(€m)	FY20	FY19	Change
	Growth capex		
Energy management and networks	295	438	-32.6%
Renewables and new businesses	404	573	-29.5%
Supply	34	41	-17.1%
Rest	-	-	-
Total investments	**733**	**1,052**	**-30.3%**

Growth capex in the period was close to 60% of total capex and amounted to €733m in FY20.

Growth capex in FY20 included:

- A total of €115m invested in the construction of different renewable projects in Spain, with 125MW put into operation in FY20.
- €287m invested in the development of 181MW of wind capacity in Australia and 307MW of wind and solar capacity in Chile that will come into operation in the following months.

Wind farm in Lugo (Spain)

Naturgy recently reached several attractive agreements in Australia, which will increase its current presence in the country to over 700MW by 2022, confirming its commitment to renewables growth.

Divestments

On 20 February, the partners in Ghesa Ingeniería y Tecnología, S.A. and Empresarios Agrupados AIE (Naturgy among them) sold their ownership to a company specialized in engineering activities for power generation assets. The net capital gain from this operation amounts to €13m.

On 1 April, and in relation with the agreement between Naturgy and Mubalada to acquire a 34.05% stake in Medgaz from CEPSA through an SPV, Naturgy exercised the option signed with BlackRock's Global Energy & Power Infrastructure Fund (GEPIF), whereby GEPIF will acquire a 50% stake in that said SPV at the same price at which the Medgaz stake was agreed to be purchased from Mubadala. After the acquisition of the aforementioned stake and the fulfillment of the rest of conditions, on July 2020 the transaction was completed.

On 7 April, Naturgy announced the completion of the sale of its ownership in Iberafrica Power (Kenya) to AP Moller Capital for a total amount of USD62m. The operation has not contributed with significant capital gains.

Last, on 13 November, Naturgy announced an agreement to sell its 96.04% equity shareholding in its Chilean electricity networks subsidiary, Compañía General de Electricidad S.A in Chile (CGE), to State Grid International Development Limited (SGID) for a total purchase price (equity value) of €2,570m. The transaction implies a total Enterprise value (EV) for 100% of CGE of €4,312m and pre-tax capital gains for Naturgy are expected to amount approximately to €0.4bn. Completion of the transaction is subject to the required regulatory approvals and competition clearance.

6. Financial position

As of 31 December 2020, Net debt amounted to €13,612m, not yet reflecting the pre-tax proceeds of €2,570m expected on completion of the disposal of CGE Chile. Net debt / LTM EBITDA stood at 3.9x compared to 3.6x as of 31 December 2019.

During FY20, the most relevant transactions and refinancing included:

- Issuance of a €1bn bond with a tenor of 5 years at a 1.25% coupon
- €150m bond tap maturing on nov-29.
- New loans and credit lines in Spain for a total of €1,225m and €530m respectively. In the international businesses new loans and credit lines raised for a total equivalent of €534m[1] and €86m respectively.
- Refinancing of credit lines in Spain for a total of €2,320m, and refinancing of loans and credit lines for a total equivalent of €422m[2] and €225m respectively in the international businesses.
- CGE (Chile) issued two bonds in 3Q in the local market for €64m with a tenor of 5 years at a 1.2% coupon and for €62m with a tenor of 10 years at a 1.25% coupon, both being indexed to inflation.
- Photovoltaic projects of Guimarania I and II (Brazil) issued debentures for €7m with a tenor of 13 years at a 5.57% coupon, indexed to inflation (IPCA).

Liquidity (€m)

Liquidity as of 31 December 2020 stood at €9,475m, including €3,927m in cash and equivalents and €5,548m in undrawn and fully committed credit lines. In addition, the ECP program is completely undrawn as of 31 December 2020.

The detail of the group's current liquidity is as follows:

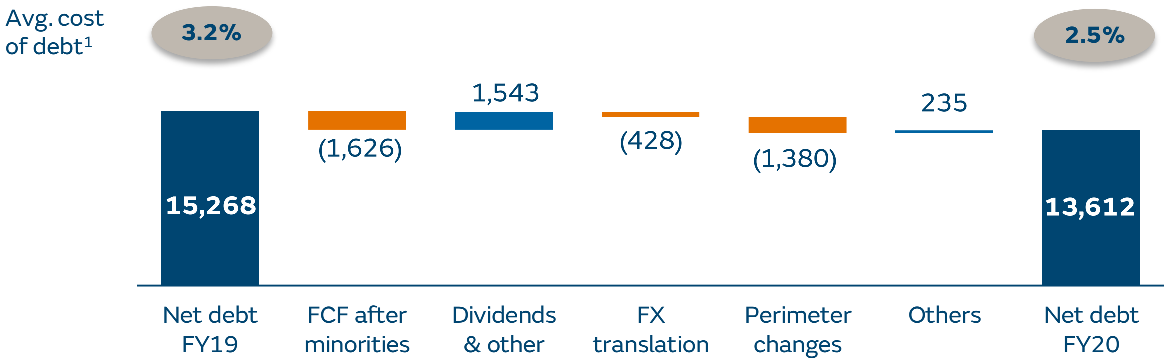
Liquidity		Consolidated Group		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
		FY20	FY19	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Cash and equivalents	€m	3,927	2,685	98	41	101	59	101	105	3,422
Undrawn commited credit lines	€m	5,548	5,352	-	-	24	-	8	-	5,516
Total	**€m**	**9,475**	**8,037**	**98**	**41**	**125**	**59**	**109**	**105**	**8,938**

The weighted average maturity of the undrawn credit lines stands over 2 years, according to the following detail:

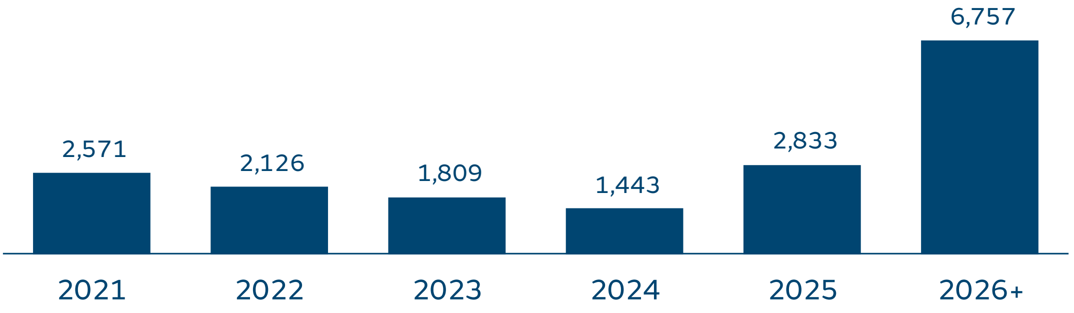
(€m)	2021	2022	2023	2024	2025
Undrawn commited credit lines	86	2,838	2,228	294	102

Note:
1. Includes €250m from CGE Chile
2. Includes €71m from CGE Chile

Net debt evolution (€m)



Gross debt maturities (€m)



Debt structure and credit metrics

Financial debt by currency		Consolidated Group		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
		FY20	FY19	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Net financial debt	€m	13,612	15,268	349	26	155	-57	363	631	12,145
Average cost of debt[1]	%	2.5	3.2	5.1	5.1	4.3	45.6	7.5	4.4	1.8
% fixed rated (gross debt)	%	83	86	68	31	10	72	34	57	89

Note:
1. Does not include cost from IFRS 16 debt

Credit metrics	FY20	FY19
EBITDA/Net financial debt cost	6.9	7.8
Net debt /LTM EBITDA	3.9	3.6

7. ESG metrics and highlights

		FY20	FY19	Change	Comments
Health and safety					
Accidents with lost time (1)	units	4	14	-71.4%	Significant improvement linked to he implementation of the *Plan Naturgy 2019*, as well as the impact from remote work due to Covid-19 crisis
LT Frequency rate (2)	units	0.04	0.12	-66.7%	Reflects the reduction in accidents, altough slightly adjusted by a lower number of working hours, following workforce reduction
Environment					
GHG Emissions	M tCO2 e	14.3	15.4	-7.1%	Higher renewable production in the period
Emission factor	t CO2/GWh	297	301	-1.3%	
Emissions-free installed capacity	%	32.9	30.0	9.7%	New renewable capacity coming into operation in Spain, as well as the shutdown of the coal capacity
Emissions-free net production	%	32.4	27.0	20.0%	Higher wind and hydro production in Spain
Interest in people					
Number of employees	persons	9,335	10,156	-8.1%	Perimeter changes and workforce optimization
Training hours per employee	hours	26.6	25.2	5.6%	Ratio increase shows growing relevance of on-line training, as well as the implementation during the year of specific training dedicated to facilitate the adaptation to post-COVID 19 situation
Women representation	%	32.9	32.4	1.5%	Commitment for diversity and gender equality policies
Society and integrity					
Economic value distributed	M€	16,235	21,533	-24.6%	Affected by lower purchases and external services due to optimization efforts
Complaints received by the ethics comittee	units	80	149	-46.3%	Improved oversight and accountability

(1) In accordance to OSHA criteria

(2) Calculated for every 200,000 working hours

Beyond the efforts undertaken to support and protect the interests of its stakeholders during the COVID-19 outbreak, Naturgy also took decisive steps during the year to further its ESG commitments.

In its Environmental Plan, Naturgy set new targets to reduce its greenhouse gas (GHG) emissions, reduce CO_2 intensity in power generation and ensure that it increases its generation capacity from renewable sources. The recent shutdown of the company's coal power plants and the plans to replace them with new renewable developments will contribute towards the above goals.

In addition, a Sustainability Committee has been created at the Board of Directors level to supervise the company's progress and role in the energy transition along with all its environmental, health and safety, and social responsibility aspects and indicators.

During the year, Naturgy also continued to progress on governance matters and particularly on gender parity, nominating Lucy Chadwick and Isabel Estapé as new Board members, representing GIP and Criteria respectively.

On the quantitative side, it is worth to mention the significant reduction in accident's metrics, linked to the implementation of the Plan Naturgy 2019, as well as the impact from remote work due to COVID-19 crisis, and the increase both in emissions-free installed capacity and production, consequence of the new renewable capacity coming into operation and the closure of our coal plants.

COVID-19 company initiatives

Naturgy has proactively taken a number of key measures to address and mitigate the impacts of the COVID-19 pandemic on their operations and performance, as well as to **support and protect the interests of all its stakeholders**.

On 25 February, less than 24 hours following the first confirmed COVID-19 case in the Iberian Peninsula, Naturgy activated its Crisis Committee and started taking steps to support its stakeholders.

Measures to **preserve employee health, safety and wellbeing** were quickly introduced, including the prompt suspension of travel and attendance to external events, the activation of resources to guarantee effective remote work, or individual protection and support by Naturgy's medical services. A comprehensive roadmap for return to work premises was implemented by the company, allowing for a gradual and safe return to work of our employees once the state of alert was finished.

Relevant measures were also introduced to **support society as well as customers and suppliers**, including the reinforcement of key infrastructures to ensure the stability and quality of electricity and gas supply, free gas and electricity supply to hotels, residences and other hospitalized centers, or free of charge repairs for health workers and security forces and bodies, armed forces and fire fighters, involved in supporting society during the pandemic.

Our **SMEs and self-employed customers are also benefiting** from the deferral of invoice payments for 12 months to support their short term financing needs, while some of our suppliers have benefited from cash payment advances in respect of their invoices.

Annexes

Naturgy

Annex I: Financial Statements

Consolidated income statement

	reported			ordinary		
(€m)	**FY20**	**FY19**	**Change**	**FY20**	**FY19**	**Change**
Net sales	15,345	20,761	-26.1%	15,345	20,739	-26.0%
Procurement	-10,138	-14,604	-30.6%	-10,033	-14,607	-31.3%
Gross margin	**5,207**	**6,157**	**-15.4%**	**5,312**	**6,132**	**-13.4%**
Operating expenses	-807	-962	-16.1%	-800	-942	-15.1%
Personnel costs	-875	-895	-2.2%	-678	-745	-9.0%
Own work capitalised	77	88	-12.5%	77	88	-12.5%
Other operating income	220	212	3.8%	176	196	-10.2%
Taxes	-373	-348	7.2%	-373	-381	-2.1%
EBITDA	**3,449**	**4,252**	**-18.9%**	**3,714**	**4,348**	**-14.6%**
Other results	12	25	-52.0%	-	-	-
Depreciation, amortisation and impairment expenses	-2,839	-1,534	85.1%	-1,478	-1,477	0.1%
Impairment of credit losses	-156	-109	43.1%	-156	-109	43.1%
EBIT	**466**	**2,634**	**-82.3%**	**2,080**	**2,762**	**-24.7%**
Financial result	-538	-585	-8.0%	-502	-523	-4.0%
Profit/(loss) of companies measured under the equity method	36	75	-52.0%	29	48	-39.6%
Profit before taxes	**-36**	**2,124**	**-**	**1,607**	**2,287**	**-29.7%**
Income tax	-19	-426	-95.5%	-374	-483	-22.6%
Income from discontinued operations	24	98	-75.5%	-	-	-
Non-controlling interest	-316	-395	-20.0%	-361	-426	-15.3%
Net income	**-347**	**1,401**	**-**	**872**	**1,378**	**-36.7%**

Consolidated Balance Sheet

(€m)	31/12/2020	31/12/2019
Non-current assets	**26,591**	**32,351**
Intangible assets	5,575	7,713
Property, plant and equipment	16,128	19,647
Right of use assets	1,388	1,416
Equity-accounted investments	813	731
Non-current financial assets	361	738
Other non-current assets	691	581
Deferred tax assets	1,635	1,525
Current assets	**12,954**	**8,787**
Non-current assets available for sale	4,835	73
Inventories	519	796
Trade and other accounts receivable	3,115	4,900
Other current financial assets	558	333
Cash and cash equivalents	3,927	2,685
TOTAL ASSETS	**39,545**	**41,138**

(€m)	31/12/2020	31/12/2019
Equity	**11,265**	**13,976**
Equity attributable to the parent company	8,028	10,551
Non-controlling interest	3,237	3,425
Non-current liabilities	**19,030**	**20,509**
Deferred revenues	871	898
Non-current provisions	1,052	1,169
Non-current financial liabilities	14,968	15,701
Deferred tax liabilities	1,793	2,249
Other non-current liabilities	346	492
Current liabilities	**9,250**	**6,653**
Liabilities linked to non-current assets available for sale	2,840	46
Current provisions	246	291
Current financial liabilities	2,571	2,286
Trade and other accounts payable	3,230	3,744
Other current liabilities	363	286
TOTAL LIABILITIES AND EQUITY	**39,545**	**41,138**

Summary cash flow statement

(€m)	FY20	FY19	Change
EBITDA	**3,449**	**4,252**	**-18.9%**
Taxes	-214	-393	-45.5%
Net interest cost	-538	-585	-8.0%
Other non-cash items	-53	202	-
Funds from operations	**2,644**	**3,476**	**-23.9%**
Change in working capital	788	545	44.6%
Cash flow from operations	**3,432**	**4,021**	**-14.6%**
Growth capex	-686	-979	-29.9%
Maintenance capex	-542	-628	-13.7%
Divestments	-	304	-100.0%
Dividends to minorities	-443	-594	-25.4%
Others	-135	-166	-18.7%
Free cash flow after minorities	**1,626**	**1,958**	**-17.0%**
Dividends, share buy-back & other	-1,547	-1,720	-10.1%
Net free cash flow	**79**	**238**	**-66.8%**

Quarterly EBITDA by business unit

(€m)	1Q20	2Q20	3Q20	4Q20	FY20
Energy management and networks	**735**	**741**	**710**	**673**	**2,859**
Networks Spain	**322**	**374**	**435**	**407**	**1,538**
Gas networks	189	213	253	236	891
Electricity networks	133	161	182	171	647
Networks LatAm	**225**	**208**	**223**	**178**	**834**
Chile gas	34	65	73	34	206
Brazil gas	59	45	53	46	203
Mexico gas	74	45	44	59	222
Panama electricity	37	32	27	34	130
Argentina gas	14	15	21	2	52
Argentina electricity	7	6	5	3	21
Energy management	**188**	**159**	**52**	**88**	**487**
Markets and procurement	-42	-38	-97	-46	-223
International LNG	97	68	18	-54	129
Pipelines (EMPL)	68	58	58	56	240
Spain thermal generation	5	10	8	81	104
LatAm thermal generation	60	61	65	51	237
Renewables and new businesses	**120**	**73**	**84**	**75**	**352**
Spain & USA	101	61	65	45	272
Australia	2	-1	3	10	14
LatAm	17	13	16	20	66
Supply	**77**	**57**	**70**	**122**	**326**
Rest	**-38**	**-21**	**-16**	**-13**	**-88**
TOTAL EBITDA	**894**	**850**	**848**	**857**	**3,449**

(€m)	1Q19	2Q19	3Q19	4Q19	FY19
Energy management and networks	**858**	**860**	**934**	**967**	**3,619**
Networks Spain	**367**	**396**	**424**	**420**	**1,607**
Gas networks	208	234	244	247	933
Electricity networks	159	162	180	173	674
Networks LatAm	**208**	**265**	**271**	**217**	**961**
Chile gas	37	80	75	45	237
Brazil gas	58	67	66	71	262
Mexico gas	61	53	55	59	228
Panama electricity	40	34	37	36	147
Argentina gas	11	28	34	-1	72
Argentina electricity	1	3	4	7	15
Energy management	**283**	**199**	**239**	**330**	**1,051**
Markets and procurement	-1	-31	-45	-46	-123
International LNG	125	93	97	194	509
Pipelines (EMPL)	78	76	80	79	313
Spain thermal generation	19	-12	9	31	47
LatAm thermal generation	62	73	98	72	305
Renewables and new businesses	**108**	**58**	**55**	**111**	**332**
Spain & USA	91	45	42	79	257
Australia	2	2	3	16	23
LatAm	15	11	10	16	52
Supply	**96**	**78**	**93**	**144**	**411**
Rest	**-23**	**-22**	**-27**	**-38**	**-110**
TOTAL EBITDA	**1,039**	**974**	**1,055**	**1,184**	**4,252**

Accumulated EBITDA by business unit

	reported			ordinary			
(€m)	FY20	FY19	Change	FY20	FY19	Change	FX
Energy management and networks	**2,859**	**3,619**	**-21.0%**	**3,046**	**3,670**	**-17.0%**	**-167**
Networks Spain	**1,538**	**1,607**	**-4.3%**	**1,627**	**1,665**	**-2.3%**	**0**
Gas networks	891	933	-4.5%	940	963	-2.4%	0
Electricity networks	647	674	-4.0%	687	702	-2.1%	0
Networks LatAm	**834**	**961**	**-13.2%**	**840**	**977**	**-14.0%**	**-152**
Chile gas	206	237	-13.1%	207	238	-13.0%	-21
Brazil gas	203	262	-22.5%	204	263	-22.4%	-65
Mexico gas	222	228	-2.6%	224	229	-2.2%	-26
Panama electricity	130	147	-11.6%	132	147	-10.2%	-3
Argentina gas	52	72	-27.8%	52	85	-38.8%	-29
Argentina electricity	21	15	40.0%	21	15	40.0%	-8
Energy management	**487**	**1,051**	**-53.7%**	**579**	**1,028**	**-43.7%**	**-15**
Markets and procurement	-223	-123	81.3%	-170	-124	37.1%	0
International LNG	129	509	-74.7%	198	477	-58.5%	-2
Pipelines (EMPL)	240	313	-23.3%	240	313	-23.3%	-5
Spain thermal generation	104	47	-	74	72	2.8%	0
LatAm thermal generation	237	305	-22.3%	237	290	-18.3%	-8
Renewables and new businesses	**352**	**332**	**6.0%**	**362**	**337**	**7.4%**	**-8**
Spain & USA	272	257	5.8%	281	260	8.1%	0
Australia	14	23	-39.1%	14	23	-39.1%	0
LatAm	66	52	26.9%	67	54	24.1%	-8
Supply	**326**	**411**	**-20.7%**	**359**	**392**	**-8.4%**	**0**
Rest	**-88**	**-110**	**-20.0%**	**-53**	**-51**	**3.9%**	**0**
TOTAL EBITDA	**3,449**	**4,252**	**-18.9%**	**3,714**	**4,348**	**-14.6%**	**-175**

Results by business unit

1. Energy management and networks

Spain gas networks

(€m)	FY20	FY19	Change
Net sales	1,177	1,237	-4.9%
Procurement	-70	-74	-5.4%
Gross margin	**1,107**	**1,163**	**-4.8%**
Other operating income	38	38	0.0%
Personnel expenses	-107	-99	8.1%
Taxes	-25	-25	0.0%
Other operating expenses	-122	-144	-15.3%
EBITDA	**891**	**933**	**-4.5%**
Depreciation, provisions and other results	-297	-301	-1.3%
EBIT	**594**	**632**	**-6.0%**

Spain electricity networks

(€m)	FY20	FY19	Change
Net sales	842	880	-4.3%
Procurement	-	-	-
Gross margin	**842**	**880**	**-4.3%**
Other operating income	18	18	0.0%
Personnel expenses	-83	-94	-11.7%
Taxes	-30	-30	0.0%
Other operating expenses	-100	-100	0.0%
EBITDA	**647**	**674**	**-4.0%**
Depreciation, provisions and other results	-251	-249	0.8%
EBIT	**396**	**425**	**-6.8%**

Chile gas

(€m)	FY20	FY19	Change
Net sales	521	746	-30.2%
Procurement	-256	-438	-41.6%
Gross margin	**265**	**308**	**-14.0%**
Other operating income	4	6	-33.3%
Personnel expenses	-26	-30	-13.3%
Taxes	-3	-3	0.0%
Other operating expenses	-34	-44	-22.7%
EBITDA	**206**	**237**	**-13.1%**
Depreciation, provisions and other results	-63	-70	-10.0%
EBIT	**143**	**167**	**-14.4%**

Brazil gas

(€m)	FY20	FY19	Change
Net sales	1,001	1,815	-44.8%
Procurement	-729	-1,458	-50.0%
Gross margin	**272**	**357**	**-23.8%**
Other operating income	23	35	-34.3%
Personnel expenses	-21	-28	-25.0%
Taxes	-4	-5	-20.0%
Other operating expenses	-67	-97	-30.9%
EBITDA	**203**	**262**	**-22.5%**
Depreciation, provisions and other results	-64	-71	-9.9%
EBIT	**139**	**191**	**-27.2%**

Mexico gas

(€m)	FY20	FY19	Change
Net sales	579	635	-8.8%
Procurement	-316	-345	-8.4%
Gross margin	**263**	**290**	**-9.3%**
Other operating income	24	14	71.4%
Personnel expenses	-20	-23	-13.0%
Taxes	-1	-	-
Other operating expenses	-44	-53	-17.0%
EBITDA	**222**	**228**	**-2.6%**
Depreciation, provisions and other results	-57	-67	-14.9%
EBIT	**165**	**161**	**2.5%**

Panama electricity

(€m)	FY20	FY19	Change
Net sales	759	891	-14.8%
Procurement	-586	-695	-15.7%
Gross margin	**173**	**196**	**-11.7%**
Other operating income	4	4	0.0%
Personnel expenses	-9	-10	-10.0%
Taxes	-4	-4	0.0%
Other operating expenses	-34	-39	-12.8%
EBITDA	**130**	**147**	**-11.6%**
Depreciation, provisions and other results	-63	-47	34.0%
EBIT	**67**	**100**	**-33.0%**

Argentina gas

(€m)	FY20	FY19	Change
Net sales	418	554	-24.5%
Procurement	-278	-385	-27.8%
Gross margin	**140**	**169**	**-17.2%**
Other operating income	17	35	-51.4%
Personnel expenses	-27	-22	22.7%
Taxes	-26	-31	-16.1%
Other operating expenses	-52	-79	-34.2%
EBITDA	**52**	**72**	**-27.8%**
Depreciation, provisions and other results	-223	-24	-
EBIT	**-171**	**48**	**-**

Argentina electricity

(€m)	FY20	FY19	Change
Net sales	104	139	-25.2%
Procurement	-50	-89	-43.8%
Gross margin	**54**	**50**	**8.0%**
Other operating income	4	5	-20.0%
Personnel expenses	-8	-8	0.0%
Taxes	-12	-15	-20.0%
Other operating expenses	-17	-17	0.0%
EBITDA	**21**	**15**	**40.0%**
Depreciation, provisions and other results	-2	-	-
EBIT	**19**	**15**	**26.7%**

Markets and procurement

(€m)	FY20	FY19	Change
Net sales	4,222	6,895	-38.8%
Procurement	-4,407	-6,992	-37.0%
Gross margin	**-185**	**-97**	**90.7%**
Other operating income	22	24	-8.3%
Personnel expenses	-27	-24	12.5%
Taxes	-1	-2	-50.0%
Other operating expenses	-32	-24	33.3%
EBITDA	**-223**	**-123**	**81.3%**
Depreciation, provisions and other results	-26	-7	-
EBIT	**-249**	**-130**	**91.5%**

International LNG

(€m)	FY20	FY19	Change
Net sales	2,785	3,421	-18.6%
Procurement	-2,626	-2,896	-9.3%
Gross margin	**159**	**525**	**-69.7%**
Other operating income	-	14	-100.0%
Personnel expenses	-21	-20	5.0%
Taxes	-	-1	-100.0%
Other operating expenses	-9	-9	0.0%
EBITDA	**129**	**509**	**-74.7%**
Depreciation, provisions and other results	-135	-131	3.1%
EBIT	**-6**	**378**	**-**

Pipelines (EMPL)

(€m)	FY20	FY19	Change
Net sales	260	334	-22.2%
Procurement	-	-	-
Gross margin	**260**	**334**	**-22.2%**
Other operating income	1	1	0.0%
Personnel expenses	-7	-7	0.0%
Taxes	-	-	-
Other operating expenses	-14	-15	-6.7%
EBITDA	**240**	**313**	**-23.3%**
Depreciation, provisions and other results	-56	-36	55.6%
EBIT	**184**	**277**	**-33.6%**

Spain thermal generation

(€m)	FY20	FY19	Change
Net sales	1,010	1,126	-10.3%
Procurement	-638	-739	-13.7%
Gross margin	**372**	**387**	**-3.9%**
Other operating income	48	5	-
Personnel expenses	-70	-74	-5.4%
Taxes	-164	-154	6.5%
Other operating expenses	-82	-117	-29.9%
EBITDA	**104**	**47**	**-**
Depreciation, provisions and other results	-1,081	-131	-
EBIT	**-977**	**-84**	**-**

LatAm thermal generation

(€m)	FY20	FY19	Change
Net sales	612	787	-22.2%
Procurement	-333	-442	-24.7%
Gross margin	**279**	**345**	**-19.1%**
Other operating income	3	15	-80.0%
Personnel expenses	-14	-17	-17.6%
Taxes	-1	-1	0.0%
Other operating expenses	-30	-37	-18.9%
EBITDA	**237**	**305**	**-22.3%**
Depreciation, provisions and other results	-85	-90	-5.6%
EBIT	**152**	**215**	**-29.3%**

2. Renewables and new businesses

Spain & USA

(€m)	FY20	FY19	Change
Net sales	516	485	6.4%
Procurement	-59	-65	-9.2%
Gross margin	**457**	**420**	**8.8%**
Other operating income	15	7	-
Personnel expenses	-49	-37	32.4%
Taxes	-72	-62	16.1%
Other operating expenses	-79	-71	11.3%
EBITDA	**272**	**257**	**5.8%**
Depreciation, provisions and other results	-364	-137	-
EBIT	**-92**	**120**	**-**

Australia

(€m)	FY20	FY19	Change
Net sales	20	29	-31.0%
Procurement	-	-	-
Gross margin	**20**	**29**	**-31.0%**
Other operating income	-	-	-
Personnel expenses	-1	-1	0.0%
Taxes	-	-	-
Other operating expenses	-5	-5	0.0%
EBITDA	**14**	**23**	**-39.1%**
Depreciation, provisions and other results	-5	-6	-16.7%
EBIT	**9**	**17**	**-47.1%**

LatAm

(€m)	FY20	FY19	Change
Net sales	104	105	-1.0%
Procurement	-4	-7	-42.9%
Gross margin	**100**	**98**	**2.0%**
Other operating income	7	6	16.7%
Personnel expenses	-16	-20	-20.0%
Taxes	-2	-3	-33.3%
Other operating expenses	-23	-29	-20.7%
EBITDA	**66**	**52**	**26.9%**
Depreciation, provisions and other results	-17	-62	-72.3%
EBIT	**49**	**-10**	**-**

3. Supply

Supply

(€m)	FY20	FY19	Change
Net sales	6,302	8,691	-27.5%
Procurement	-5,686	-7,986	-28.8%
Gross margin	**616**	**705**	**-12.6%**
Other operating income	7	9	-22.2%
Personnel expenses	-106	-93	14.0%
Taxes	-25	-12	-
Other operating expenses	-166	-198	-16.2%
EBITDA	**326**	**411**	**-20.7%**
Depreciation, provisions and other results	-156	-138	13.0%
EBIT	**170**	**273**	**-37.7%**

Capex

Growth capex

(€m)	FY20	FY19	Change
Energy management and networks	**295**	**438**	**-32.6%**
Networks Spain	**108**	**179**	**-39.7%**
Gas networks	43	119	-63.9%
Electricity networks	65	60	8.3%
Networks LatAm	**174**	**250**	**-30.4%**
Chile gas	31	69	-55.1%
Chile electricity	60	62	-3.2%
Brazil gas	11	20	-45.0%
Mexico gas	21	35	-40.0%
Panama electricity	42	56	-25.0%
Argentina gas	4	6	-33.3%
Argentina electricity	5	-	-
Peru gas	-	2	-100.0%
Energy management	**13**	**9**	**44.4%**
Markets and procurement	-	-	-
International LNG	13	1	-
Pipelines (EMPL)	-	-	-
Spain thermal generation	-	1	-100.0%
LatAm thermal generation	-	7	-100.0%
Renewables and new businesses	**404**	**573**	**-29.5%**
Spain & USA	117	425	-72.5%
Australia	100	92	8.7%
LatAm	187	56	-
Supply	**34**	**41**	**-17.1%**
Rest	**-**	**-**	**-**
TOTAL Growth Capex	**733**	**1,052**	**-30.3%**

Naturgy

Maintenance capex

(€m)	FY20	FY19	Change
Energy management and networks	**461**	**574**	**-19.7%**
Networks Spain	**213**	**248**	**-14.1%**
Gas networks	53	48	10.4%
Electricity networks	160	200	-20.0%
Networks LatAm	**168**	**200**	**-16.0%**
Chile gas	6	7	-14.3%
Chile electricity	59	49	20.4%
Brazil gas	22	30	-26.7%
Mexico gas	16	23	-30.4%
Panama electricity	52	53	-1.9%
Argentina gas	13	33	-60.6%
Argentina electricity	-	5	-100.0%
Peru gas	-	-	-
Energy management	**80**	**126**	**-36.5%**
Markets and procurement	1	-	-
International LNG	2	1	100.0%
Pipelines (EMPL)	3	5	-40.0%
Spain thermal generation	51	67	-23.9%
LatAm thermal generation	23	53	-56.6%
Renewables and new businesses	**25**	**26**	**-3.8%**
Spain & USA	23	25	-8.0%
Australia	-	-	-
LatAm	2	1	100.0%
Supply	**21**	**8**	**-**
Rest	**39**	**25**	**56.0%**
TOTAL Growth Capex	**546**	**633**	**-13.7%**

Annex II: Communications to the CNMV

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 9M20 results' presentation:

Inside Information

- Naturgy informs that it is in very advanced negotiations regarding the sale of a relevant asset of its portfolio in Latin America (disclosed 13 November 2020, registration number 573).
- Naturgy reaches an agreement to sell its 96.04% equity shareholding in its Chilean electricity networks subsidiary, Compañía General de Electricidad S.A (CGE) (disclosed 13 November 2020, registration number 574).
- Naturgy, ENI and The Arab Republic of Egypt have reached a new agreement to amicably resolve the disputes affecting Union Fenosa Gas (UFG) (disclosed 01 December 2020, registration number 614).
- Prior announcement of the partial voluntary public offer for the acquisition of Naturgy Energy Group, S.A. shares by Global Infaco O (2) S.À.R.L (disclosed 26 January 2021, registration number 688).

Other Relevant Information

- Naturgy discloses information on earnings for the third quarter of 2020 (disclosed 28 October 2020, registration number 5288).
- Naturgy files the presentation on earnings for the first nine months of 2020 (disclosed 28 October 2020, registration number 5302).
- GPG, the joint venture of Naturgy Energy Group, SA (75%) and the Kuwait Investment Authority (25%), announces an agreement to build a 97MW wind farm located at Hawkesdale, Australia (disclosed 11 December 2020, registration number 6141).
- Naturgy, through its 100% owned subsidiary Naturgy Solar USA, LLC, acquires 100% of the economic interests in Hamel Renewables, LLC in the U.S (disclosed 15 January 2021, registration number 6657).
- Voluntary and unsolicited offer made by Global Infraco O (2) S.À.R.L on 22,689% of Naturgy's share capital. (disclosed 26 January 2021, registration number 6768).
- Naturgy announces its FY20 results release (disclosed 02 February 2021, registration number 6927).

Additional regulatory disclosures can be found at:

www.cnmv.es

www.naturgy.com

Annex III: Glossary of terms

Naturgys' 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. Below is a glossary of terms with the definition of the APMs.

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		31 December 2020	31 December 2019	
Ebitda	Operating profit	Euros 3,449 million	Euros 4,252 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items	Euros 3,714 million = 3,449 + 265	Euros 4,348 million = 4,252 + 96	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 872 million = -347 + 1,219	Euros 1,378 million = 1,401+ 23	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 1,279 million = 187 +1,092	Euros 1,685 million = 222 + 1,463	Realized investments in property, plant & equipment and intangible assets.
Net Investments (net CAPEX)	CAPEX - Other proceeds/(payments) of investments activities	Euros 1,228 million = 1,279 - 51	Euros 1,607 million = 1,685 – 78	Total investments net of the cash received from divestments and other investing receipts.
Gross financial debt	Non-current financial liabilities + "Current financial liabilities"	Euros 17,539 million = 14,968+ 2,571	Euros 17,987 million = 15,701 + 2,286	Current and non-current financial debt
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets"	Euros 13,612 million = 17,539 – 3,927 - 0	Euros 15,268 million = 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")	54.7% = 13,612 / (13,612+ 11,265)	52.2% = 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 498 million = 515 - 17	Euros 547 million = 570 - 23	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	6.9x = 3,449 / 498	7.8x = 4,252 / 547	Ratio between Ebitda and net financial debt
Net financial debt/LTM Ebitda	Net financial debt / Last twelve months Ebitda	3.9x = 13,612/ 3,449	3.6x = 15,268/ 4,252	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 1,626 million = 79 + 1,359 + 184 + 4	Euros 1,958 million = 238 + 1,307 + 405 + 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.
Net Free Cash Flow	Cash flow generated from operating activities + Cash flows from investing activities + Other collections from divestments in group companies + Cash flow generated from financing activities - Receipts and payments on financial liability instruments	Euros 79 million = 3,432 - 1,142 - 190 – 388 - 1,633	Euros 238 million = 4,021 - 1,456 – 1,599 – 728	Cash flow generated by the Company available to pay the debt.

Annex IV: Contact details

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Annex V: Disclaimer

This document is the property of Naturgy Energy Group, S.A. (Naturgy) and has been prepared for information purposes only.

This communication contains forward-looking information and statements about Naturgy. Such information can include financial projections and estimates, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures or strategy.

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