FY18 results

30 January 2019

Contents

1. Executive summary

	reported			ordinary		
(€m)	FY18	FY17	Change	FY18	FY17	Change
EBITDA	4,019	3,903	3.0%	4,413	3,948	11.8%
Net income	-2,822	1,360	-	1,245	793	57.0%
Capex	2,321[1]	1,782	30.2%	-	-	-
Net debt (at 31/12)	13,667	15,154	-9.8%	-	-	-
Free cash flow after minorities	3,054	746	-	-	-	-

Note:
1. Including €380m related to 2 LNG tankers in time-charter regime incorporated during 1H18 (non-cash investments)

- Year 2018 was marked by a number of key corporate events:

  - On 6 February 2018, Francisco Reynés Massanet was appointed as Executive Chairman of the company.
  - On 22 February 2018, Repsol reached an agreement to sell its entire 20.1% stake in the capital of Naturgy to Rioja Bidco, a company controlled by funds advised by CVC and in which Corporacion Financiera Alba holds a 25.7% stake. The transaction was completed on 18 May 2018.
  - On 28 June, Naturgy presented its new Strategic Plan 2018-2022 which laid the foundations of its value creation strategy, positioning the company for the energy transition.

- During the year, Naturgy made steady progress on the development of its value creation strategy founded on 4 key pillars:

  - **1. Simplicity & accountability:** Naturgy undertook relevant changes in its corporate governance based on a leaner structure and simpler corporate regulations, leading to a more agile decision-making process. The board of directors was reduced from 17 to 12 members, with 6 proprietary directors (Criteria Caixa, GIP and Rioja 2 each), 5 independent directors and the Executive Chairman.

    Additionally, the company changed its organisational structure with a new reporting perimeter consisting of 4 main business units: (i) Gas and Power, (ii) Infrastructure EMEA, (iii) Infrastructure South LatAm and (iv) Infrastructure North LatAm. This allowed Naturgy to simplify its management structure and reinforce the accountability of the different businesses. As part of this process, the company reduced the number of subsidiaries and replaced most of its subsidiary Board Directors by joint administrators, while scaling down support functions at the corporate level and reallocating some of these, based on strict functional needs, into each of the business units.

    Furthermore and as part of the new strategic plan, Naturgy carried out an asset valuation review, consistent with its new Strategic plan assumptions, which translated into an impairment of €4,851 million, in an effort to provide a more transparent an realistic value of its asset base.

- **2. Optimization:** During 2018, Naturgy achieved substantial progress in its optimization efforts.

  The Company increased the visibility and de-risked its businesses as shown by the agreement to renew and extend its gas procurement contract with Sonatrach up to 2030 under improved terms, or the favourable ICSID award in the arbitral procedure initiated by Union Fenosa Gas in Egypt, which was recognised by the UK High Court of Justice as its own, and which should allow to reach a comprehensive agreement that will re-establish the value of the company's investment in the region.

  Furthermore and as part of the new strategic plan, Naturgy launched a new efficiency plan targeting €500m savings in opex by 2022. During the year, Naturgy accelerated such program and incurred €180m capture costs which will result in a reduction of its ordinary opex base going forward. It is worth highlighting, the ordinary opex base has decreased by approximately €200m vs. 2017, of which €110m from efficiencies and the remainder due to accounting and FX.

  During 2018, the Company also made progress on its capital structure optimization. In this sense part of its excess cash was used to amortize all of its bank-funded corporate debt, including €1,270m denominated in euros, as well as €390m denominated in USD. Additionally, Naturgy completed €333m bond repurchases at the holdco level and refinanced / issued new debt in LatAm for an aggregate amount of approximately €1,073m, including new bond issuances of €389m and new banking debt / refinancing of €684m, consistent with its financing strategy of reducing debt at the corporate level and maximizing financing into the business units.

- **3. Capital discipline:** Naturgy is fully committed to the capital discipline and Golden Rules of investment established in its Strategic Plan 2018-2022.

  Consistent with Naturgy's targeted growth in renewables during the Strategic Plan 2018-022, the company continued to develop the wind and solar projects awarded last year in the Spanish auctions, investing approximately €382m during the year 2018. During 2019, the Company expects to start operating over 900MW of additional renewable capacity. The company is well positioned to benefit from future renewable opportunities in Spain.

  Additionally during 2018, Global Power Generation (GPG) was awarded a 180 MW wind farm project in Australia, which will entail a total investment of AU$259m (equivalent to approximately €166m) and is expected to contribute an EBITDA of approximately €22m once fully operational. The project, which fully complies with the investment and profitability criteria established by Naturgy in its Strategic Plan 2018-2022, allows the company to reinforce its presence in stable economies, increase the predictability of its cash flows, and raise its exposure to renewable energy sources.

  Moreover, the Company acquired two solar photovoltaic projects in Minas Gerais (Brazil). The development of these projects which total 83 MW of capacity, required approximately €95 million investment and came into operation in December 2018.

  Finally during 2018, Naturgy completed the disposal of its businesses in Italy and Colombia, as well as the 20% minority stake in Nedgia, receiving proceeds of €2.6bn in aggregate. The Company continues to progress on the various disposal processes of non-core businesses, following the business positioning criteria established in its Strategic Plan 18-22.

- **4. Shareholder remuneration:** the Company has started delivering on its shareholder remuneration targets.

  As part of its new Strategic Plan 2018-2022, Naturgy increased its shareholder remuneration policy. Dividends increased by 30% to 1.30 €/share in 2018, with a 5% minimum annual increase thereafter until 2022. Moreover, a share buy-back program of up to €400m p.a. (in the absence of inorganic opportunities meeting the "Golden Rules" of investment) was started.

  As part of its new shareholder remuneration policy, Naturgy completed a payment of €0.28/share corresponding to the 2018 first interim dividend on 31 July 2018 and a payment of €0.45/share corresponding to the 2018 second interim dividend on 31 October, setting the pace for the minimum committed dividend of €1.30/share against 2018 earnings.

  In addition, since the beginning of its strategic plan and until the closing of 2018, Naturgy invested €121 million to buy back shares as part of its €400m annual buy-back to be completed by the end of June 2019.

  Finally and as part of the new strategic plan, Naturgy set up a new long term incentive plan (LTIP) to fully align management's variable pay with shareholders' interests.

  Naturgy reiterates its full commitment to the shareholder remuneration targets established in its Strategic Plan 2018-2022.

Summary - FY18 results

- Business performance during 2018 has been marked by the strong performance of Gas & Power, which was partly offset by non-ordinary items and the negative impact of exchange rates.

- **EBITDA** in 2018 reached €4,019m after non-ordinary effects. Stripping these out, **ordinary EBITDA rose 11.8% to €4,413m** mainly supported by the improvement in the Gas & Power business unit as well as stability in the Infrastructure businesses which together more than offset the negative €218m FX impact.

- **Net income** in 2018 amounted to -€2,822m mainly as a result of the €4,905m asset write-down conducted in the first half of the year. Excluding this impact and other non-ordinary items, **ordinary Net income rose 57.0% to €1,245m** driven by higher activity, lower depreciation, and lower financial expenses resulting from the group's debt optimization.

- During 2018 **Naturgy invested €2,321m, up 30.2%** vs. 2017. More than 70% of capex was deployed in growing the company's asset base through the development of new renewable capacity across the different geographies, the addition of two new LNG tankers acquired under finance leases, and other revenue-generating projects.

- **Free cash flow after minorities rose to €3,054m from €746m**, reflecting the company's increased focus on cash flow generation and the completion of the various disposals processes during the period.

- As of 31 December 2018, **Net Debt amounted to €13,667m, down 9.8%** vs. 31 December 2017. The decline in Net Debt/LTM EBITDA to 3.4x from 3.9x in FY 2017 together with the improvement in EBITDA/Cost of net financial debt to 7.5x from 6.4x at the end of last year, underline the reinforcement of the company's financial solidity in 2018.

- All in all, these 2018 results illustrate Naturgy's progress towards the successful implementation of its 2018-2022 Strategic Plan.

2. Key comparability factors and non-ordinary items

Perimeter changes

- The following transactions were completed in 2018:
  - The disposal of the remaining 41.9% of the gas distribution business in Colombia for €334m, equal to its carrying amount, net of the dividends received, with no impact on the consolidated income statement.
  - The disposal of the gas distribution and supply business in Italy, together with the transfer of the gas supply contract, for €766m, generating a capital gain of €188m after taxes recognised under "Income from discontinued operations" in the consolidated income statement.
  - The sale of a 20% minority stake in the gas distribution business in Spain for €1,500m, which resulted in an increase of €1,016m in the "Equity" caption in the consolidated balance sheet.

- Additionally, during the year the disposal of Kangra Coal was completed and Moldova and Kenya businesses were classified as "discontinued operations". The Company continues to progress on the various disposal processes of non-core businesses, following the business positioning criteria established in its Strategic Plan 18-22.

Non-ordinary items

The non-ordinary items are summarized below:

	EBITDA		Net income	
(€m)	FY18	FY17	FY18	FY17
Gas transport & procurement retroactivity	-50	20	-38	15
Chile non-ordinary expenses	-44	0	-28	0
Restructuring costs	-180	-126	-137	-99
Asset write-down	-	-	-3,824	-
Discontinued operations and minority interests [1]	-	-	49	494
Chile mergers tax effect	-	-	42	116
Provisions for litigations and other	-120	61	-131	41
Total non ordinary items	**-394**	**-45**	**-4,067**	**567**

Note
1. Including €188m post-tax capital gains from Italian disposal and impairments in Kangra, Moldova and Kenya for €104m, €73m and €5m respectively

- **At the EBITDA level, non-ordinary impacts amount to -€394m**, the most important of which correspond to capture costs (-€180m) due to the implementation of the efficiency plan.

  Other non-ordinary impacts include gas supply and transportation costs (-€50m), non-ordinary fire prevention costs, trial and penalties in Chile (-€44m) and other provisions (-€120m), primarily relating to existing litigations in process pending resolution as well as other provisions and one-off regularizations.

  Also worth noting, the €116m contingent liability registered in 3Q18 linked to the increase of gas procurement costs due to the devaluation of the Argentinean Peso has been reversed, following the Argentinean government decree 1053/2018, which established it will assume the payment of the differences between the gas purchased by the gas distributors and the value of natural gas recognized in the tariffs in force between April 1, 2018 and March 31, 2019, generated exclusively by the variation of the exchange rates in the period.

- At the **Net income level, non-ordinary items amount to -€4,067m**, primarily driven by the asset write-down announced during the Strategic Plan presentation and further detailed in the 1H18 results release.

Foreign exchange impact

Exchange rate fluctuations in the period are summarized below:

	YTD Dec'18	Change (%)	FX effect (€m)	
			EBITDA	Net income
€/USD	1.18	4.4%	-34	-17
€/MXN	22.72	6.6%	-13	-3
€/BRL	4.31	19.7%	-46	-10
€/ARS[1]	43.11	130.9%	-107	-67
€/CLP	757.39	3.4%	-15	-4
Other	-	-	-3	-2
Total	**-**	**-**	**-218**	**-103**

Note:
1. Exchange rate as at 31 December 2018 as a consequence of considering Argentina as an hyperinflationary economy

Hyperinflation in Argentina

According to the criteria established by IAS 29 "Financial Information in Hyperinflationary Economies", the Argentine economy should be considered as hyperinflationary with retroactive effects as of 1 January 2018. The financial information presented in previous years will not be re-stated.

The inflation rates used were the domestic wholesale price index (IPIM) until 31 December 2016 and the consumer price index (CPI) as of 1 January 2017.

The main impacts as of 31 December 2018 are detailed below:

- An increase in shareholders' equity as a result of applying the change of inflation to the historical cost of non-monetary assets from their acquisition or incorporation date in the consolidated balance sheet and the corresponding deferred tax liability.
- An adjustment to the different items of income and expenses to apply the change of inflation from the date they were incorporated into the income statement, as well as to reflect the losses derived from the net monetary position.
- The translation into euros of the figures thus adjusted in the consolidated financial statements applying the closing exchange rate of the Argentine peso against the euro.

(€m)	FY18
Net sales	-38
EBITDA	10
Financial result	-14
Net income	-8
Shareholders' equity	55
Capex	-4

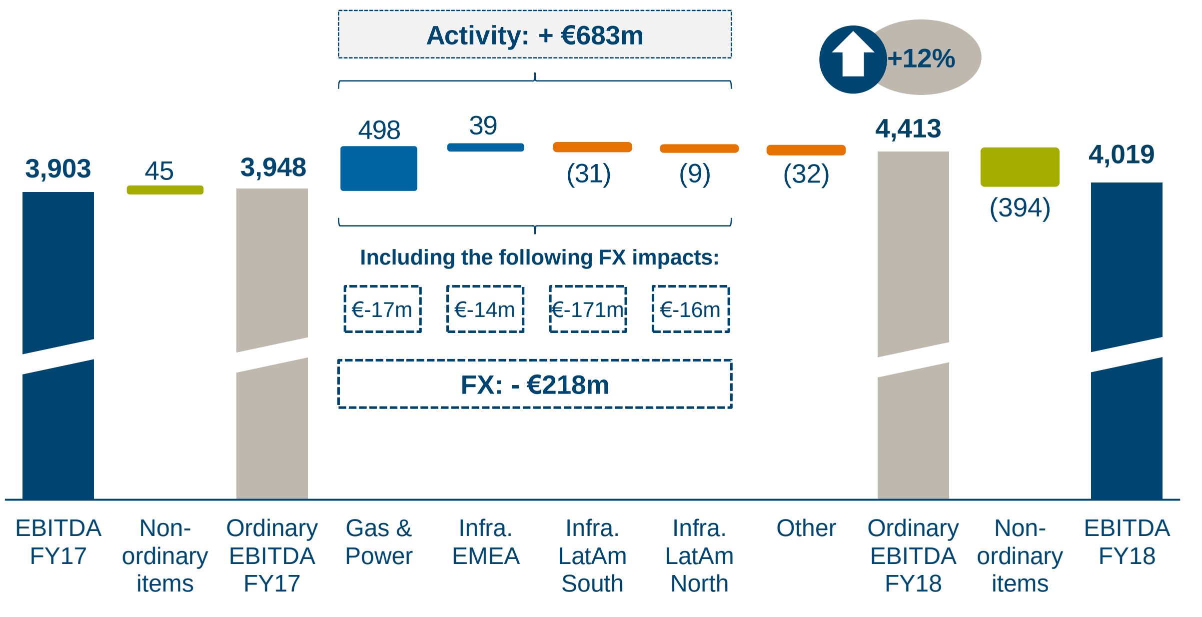
3. Consolidated results

	reported			ordinary		
(€m)	**FY18**	**FY17**	**Change**	**FY18**	**FY17**	**Change**
Net sales	24,339	23,207	4.9%	24,373	23,179	5.2%
EBITDA	**4,019**	**3,903**	**3.0%**	**4,413**	**3,948**	**11.8%**
Depreciation, amortisation and impairment expenses	-6,007	-1,621	-	- 1,581	- 1,621	-2.5%
Impairment of credit losses	-179	-154	16.2%	- 165	- 154	7.1%
EBIT	**-2,167**	**2,128**	**-**	**2,667**	**2,173**	**22.7%**
Financial result	-685	-698	-1.9%	- 666	- 698	-4.6%
Profit/(loss) of companies measured under the equity method	-513	14	-	59	14	-
Income tax	779	-195	-	- 469	- 313	49.8%
Income from discontinued operations	-10	448	-	-	-	-
Non-controlling interest	-226	-337	-32.9%	- 346	- 383	-9.7%
Net income	**-2,822**	**1,360**	**-**	**1,245**	**793**	**57.0%**

- **Net sales totaled €24,339m in 2018, up 4.9%** with respect to 2017, mainly driven by higher volumes and prices in the gas business.

- Consolidated **EBITDA in the period** amounted to €4,019m, 3.0% more than in 2017. **Stripping out non-ordinary effects, ordinary EBITDA grew by 11.8%**.

EBITDA evolution (€m)



(€m)	reported FY18	FY17	Change	ordinary FY18	FY17	Change
Gas & Power	1,360	980	38.8%	1,453	955	52.1%
Infrastructure EMEA	1,802	1,770	1.8%	1,849	1,810	2.2%
Infrastructure LatAm South	791	859	-7.9%	846	877	-3.5%
Infrastructure LatAm North	232	273	-15.0%	275	284	-3.2%
Rest	-166	21	-	-10	22	-
Total	**4,019**	**3,903**	**3.0%**	**4,413**	**3,948**	**11.8%**

- **EBIT in 2018 amounted to -€2,167m** as a result of the previously discussed impairment booked in the second quarter of the year.

- The **Financial result improved 1.9% to -€685m** driven by lower rates on new issues used to refinance maturing debt or redeem bonds, and to the cancellation of bank debt. The average cost of gross financial debt is 3.1% (vs. 3.4% in 2017), and 87% of the debt is at fixed rates.

	reported		
Financial result (€m)	**FY18**	**FY17**	**Change**
Cost of net financial debt	-538	-611	-11.9%
Other financial expenses/income	-147	-87	69.0%
Total	**-685**	**-698**	**-1.9%**

- **Equity-accounted affiliates** contributed -€513m in 2018 mostly as a result of the impairment of Union Fenosa Gas (-€538m) and of the holding in Ecoelectrica (-€34m).

- The **effective tax rate** as of 31 December 2018, without taking into account all the non-ordinary impacts of the impairments and the decrease of the deferred taxes due to the Chilean mergers, was 21.5%, flat vs. 2017.

- In 2018, **income from discontinued** operations amounted to -€10m, as detailed below:

	reported		
Income from discontinued operations (€m)	**FY18**	**FY17**	**Change**
Colombia gas	7	430	-98.4%
Italy	195	37	-
Kenya	-5	-19	-73.7%
Moldova	-57	12	-
Kangra	-150	-12	-
Total	**-10**	**448**	**-**

  - Italy: €195m, including the €188m after-tax capital gain on its disposal.
  - Moldova: -€57m including a write-down of €73m.
  - Kangra: -€150m including a €141m write-down.

Naturgy

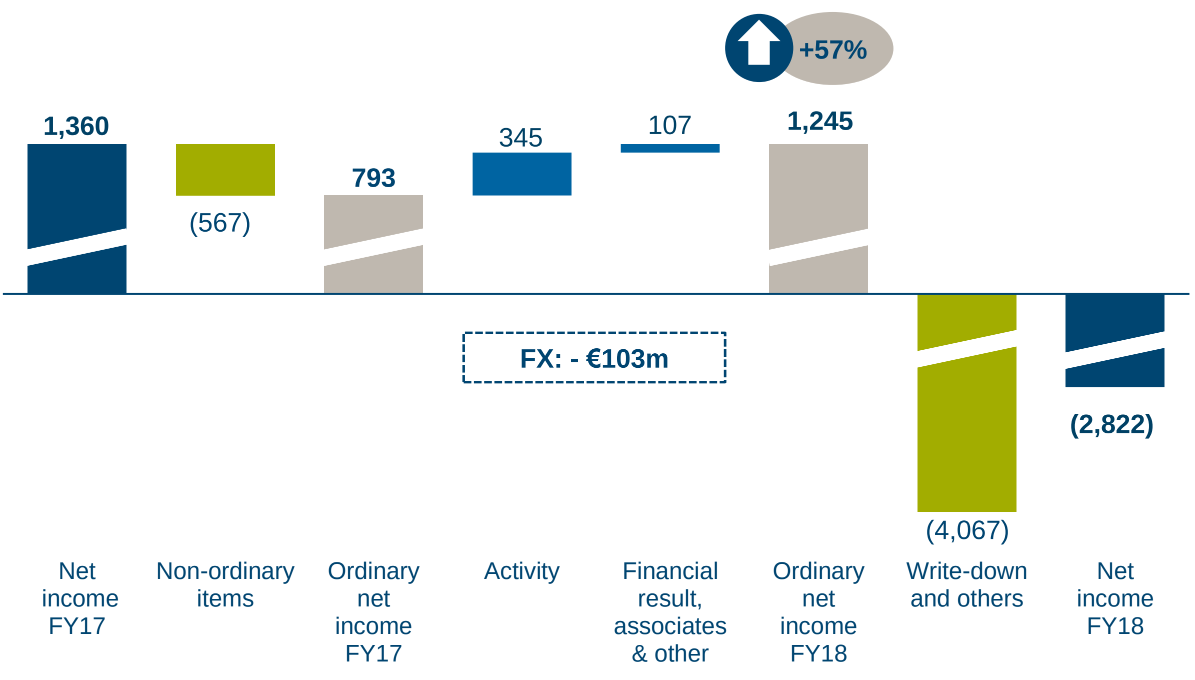
› **Income attributed to non-controlling interests** amounted to -€226m in 2018:

	reported		
Income attributed to non-controlling interests (€m)	**FY18**	**FY17**	**Change**
EMPL	-54	-56	-3.6%
Nedgia	-57	-7	-
Other affiliates[1]	-55	-214	-74.3%
Other equity instruments[2]	-60	-60	0.0%
Total	**-226**	**-337**	**-32.9%**

Notes:
1. Including International Power Generation, gas distribution companies in Chile, Brazil, Mexico and Argentina, and the electricity distribution companies in Chile and Panama
2. Including accrued interest on perpetual subordinated notes

› **Net income** in 2018 amounted to -€2,822m. **Excluding non-ordinary items, it grew 57.0% to €1,245m.**

Net income evolution (€m)



4. Results by business unit

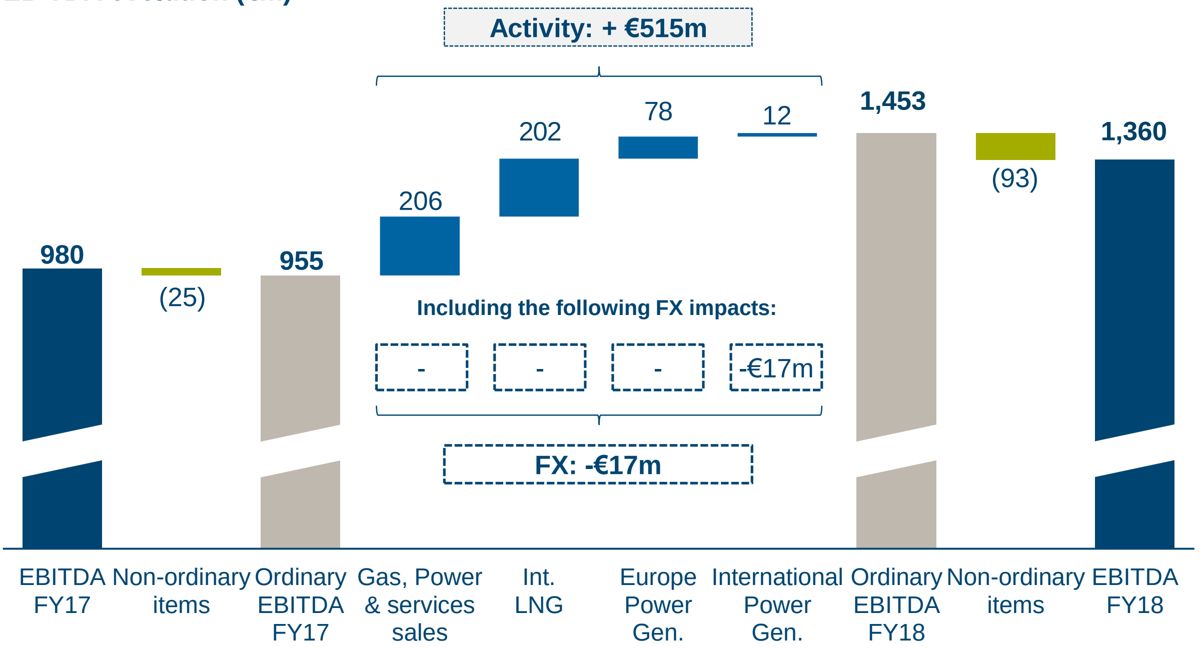
Gas & Power

EBITDA (€m)	reported FY18	reported FY17	reported Change	ordinary FY18	ordinary FY17	ordinary Change
Gas, power and services sales	164	49	234.7%	238	32	-
International LNG	496	276	79.7%	496	294	68.7%
Europe power generation	411	379	8.4%	429	351	22.2%
International power generation	289	276	4.7%	290	278	4.3%
Total	**1,360**	**980**	**38.8%**	**1,453**	**955**	**52.1%**

Please refer to Annex for additional P&L disclosure

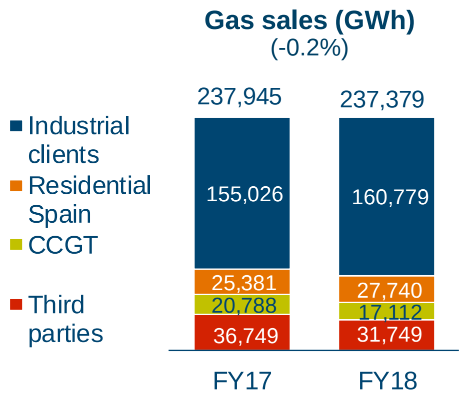
Ordinary EBITDA rose 52.1% during the year, with all businesses contributing to the growth, particularly in Gas, power and services sales and International LNG.

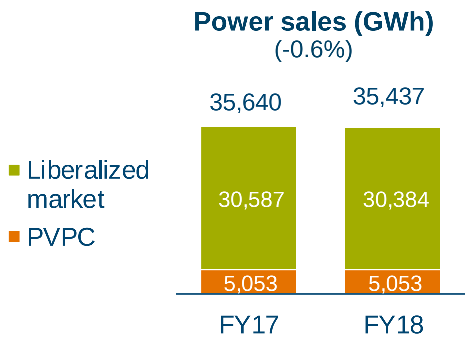
EBITDA evolution (€m)

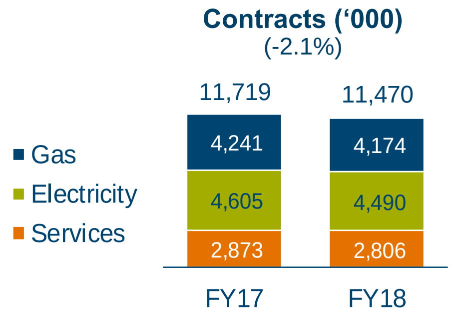


Gas, power & services sales

- **Ordinary EBITDA rose to €238m in 2018 from €32m in 2017** mainly as a result of i) higher gas margins from higher prices and the positive impact from the new gas procurement contract agreement with Sonatrach, and ii) lower opex.
- Gas sales remained stable in the year driven by growth in the Spanish residential and industrial segments (up 9.3% and 3.7% respectively) which compensated for lower sales to CCGT (-17.7%) and third parties (-13.6%).
- Power supply sales also remained stable vs. 2017; while margins experienced significant downward pressure during 1H18 as a result of fixed-price sales contracts set on forward prices below current pool prices, the measures taken to replace them with variable or indexed contracts allowed for margin recovery in the second half of the year.

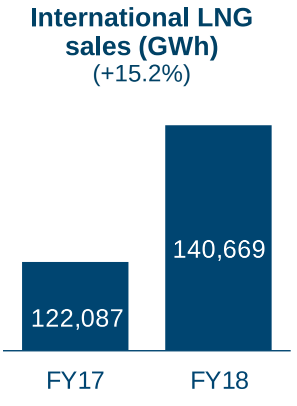






International LNG

- **Ordinary EBITDA reached €496m, up 68.7%** as a result of higher margins and sales.
- Sales increased 15.2% vs. 2017 supported by the entry of Sabine Pass and the first shipments of Yamal LNG.
- Global LNG demand has remained strong on the back of continued appetite from Asia, which in turn has supported significant gas price increases relative to 2017.
- Naturgy's shipping fleet has expanded during the period with the addition of two LNG tankers which have supported the increase in volumes.



Europe Power Generation

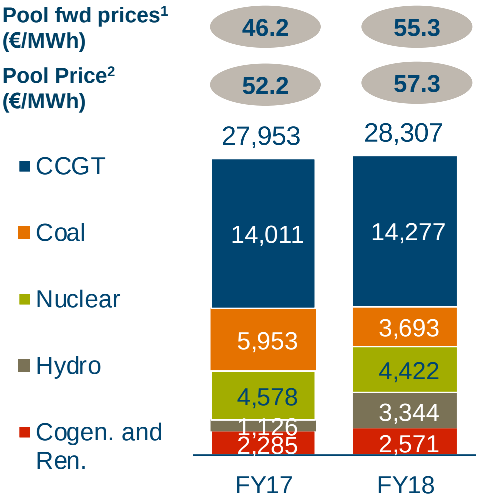
- **2018 Ordinary EBITDA totalled €429m, up 22.2%** mainly driven by lower thermal and higher hydro generation together with greater wholesale prices. These impacts were partially offset by higher CO_2 prices, which reduced thermal margins, and the suspension of availability capacity payments for CCGTs since the month of July.

- Renewable generation increased by 12.5% during the period, while hydro production saw a 3.0-fold rise, thus reducing the overall thermal production by 8.8%, most notably coal, which was directly impacted by rising costs.

- Pool prices were impacted by rising CO_2 emission rights prices, which averaged €15.9/ton in 2018 vs. €5.8/ton in 2017. The average price in the daily power generation market stood at €57.3/MWh in the year, up 9.8% vs. 2017.

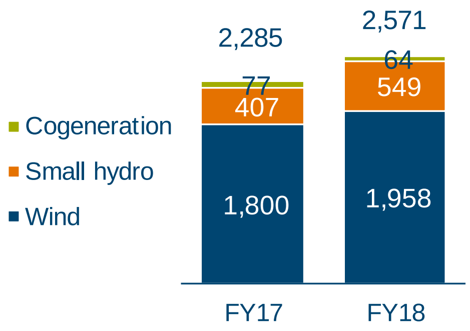
- Naturgy continues to increase its renewable exposure through the development of its 667MW of wind and 250MW of solar projects awarded in the Spanish auctions. As such, the capacity into operation at year-end 2018 reached 1,179 MW.

Europe power production (GWh)
(+1.3%)



Notes:
1. Monthly average of the 12-month forward Spanish base prices in the Iberian Energy Derivatives Exchange (OMIP) in the period
2. Average price in the daily power generation market

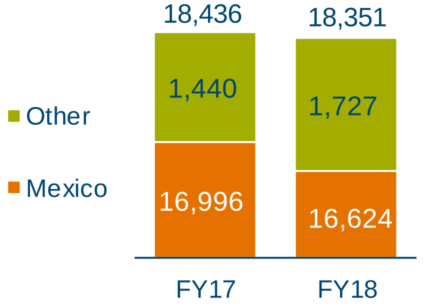
Europe renewable power production (GWh)
(+12.5%)



International Power Generation

- **Ordinary EBITDA in the period reached €290m, up 4.3%.** Growth was supported by the start of the Sobral I and Sertao I solar farms in Brazil from September 2017, together with better margins of excess energy sales in Mexico, and higher wind resource. The above were partially offset by a negative evolution of exchange rates vs. previous year (-€17m).

International power production (GWh)
(-0.5%)



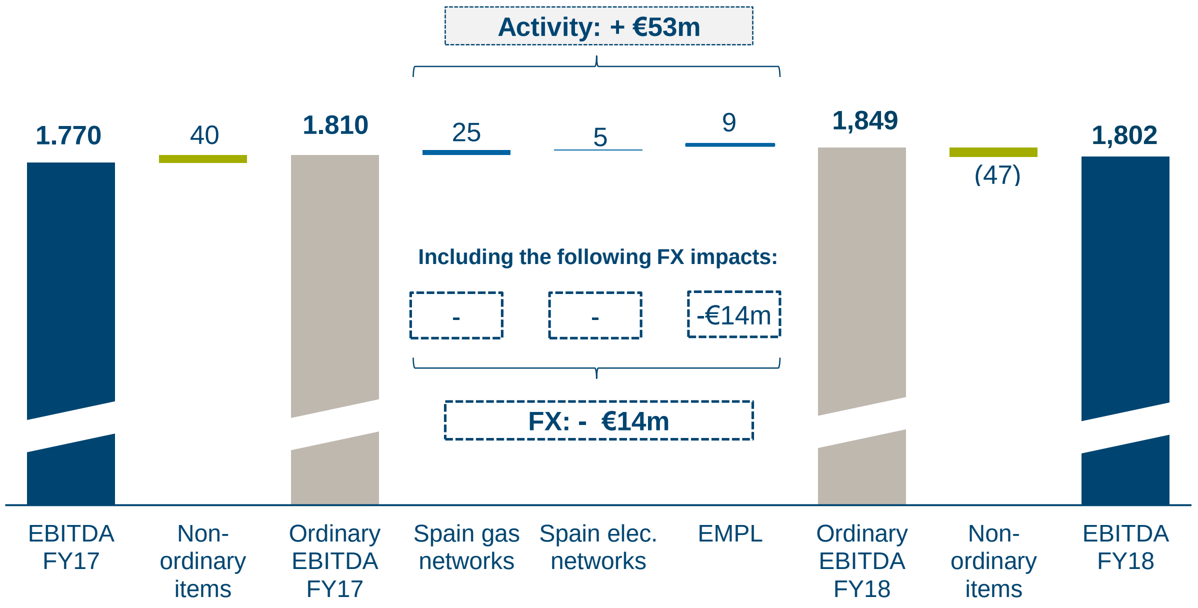
Infrastructure EMEA

	reported			ordinary		
EBITDA (€m)	**FY18**	**FY17**	**Change**	**FY18**	**FY17**	**Change**
Spain gas networks	884	888	-0.5%	921	896	2.8%
Spain electricity networks	630	603	4.5%	640	635	0.8%
EMPL	288	279	3.2%	288	279	3.2%
Total	**1,802**	**1,770**	**1.8%**	**1,849**	**1,810**	**2.2%**

Please refer to Annex for additional P&L disclosure

Ordinary EBITDA in 2018 reached €1,849m (+2.2%) as a result of the good performance in both EMPL (+3.2%) and gas networks (+2.8%) together with slight growth in electricity networks (+0.8%).

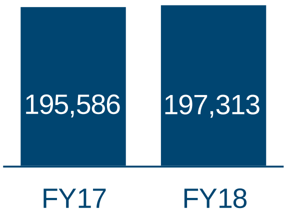
EBITDA evolution (€m)



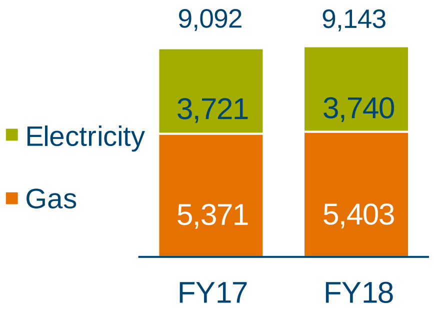
Spain gas networks

- **Ordinary EBITDA in 2018 increased 2.8% to €921m,** driven by i) demand growth and good operating performance, which were sufficient to compensate for the impact of lower meter rental revenues (-€40m) and, to a lesser extent, lower LPG margins, and ii) lower opex coming from efficiency improvements.
- Gas sales and connection points grew by 0.9% and 0.6% respectively, mostly driven by demand growth in the residential market.

Gas sales Spain (GWh)
(+0.9%)



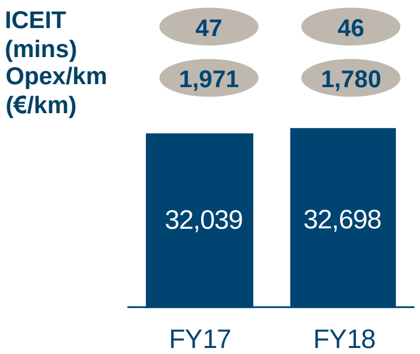
Connection points ('000)
(+0.6%)



Spain electricity networks

- **2018 Ordinary EBITDA amounted to €640m, a 0.8% increase** with respect to 2017 due to the accrual of investments brought into operation and efficiency gains (+€21m).
- Unitary opex per km of installed network decreased 9.7% during the year, reaching 1,780 €/km.

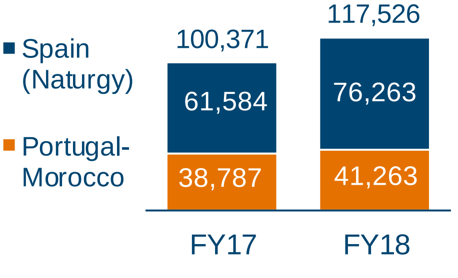
Electricity sales Spain (GWh)
(+2.1%)



EMPL

- **2018 Ordinary EBITDA increased by 3.2% to €288m** due to the tariff increase and volume growth, making up for the negative impact of the US Dollar devaluation relative to the Euro (-€14m).

Gas transport (GWh)
(+17.1%)



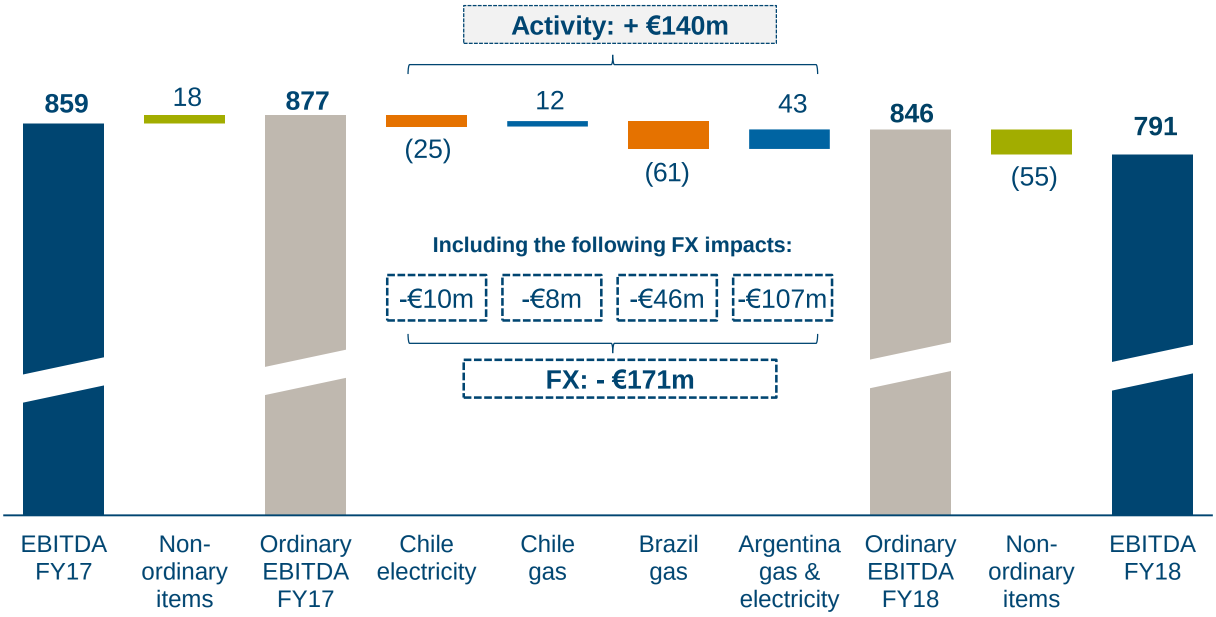
Infrastructure South LatAm

	reported			ordinary		
EBITDA (€m)	**FY18**	**FY17**	**Change**	**FY18**	**FY17**	**Change**
Chile electricity	243	293	-17.1%	288	313	-8.0%
Chile gas	211	223	-5.4%	222	210	5.7%
Brazil gas	223	282	-20.9%	223	284	-21.5%
Argentina gas and electricity	118	65	81.5%	117	74	58.1%
Peru gas	-4	-4	0.0%	-4	-4	0.0%
Total	**791**	**859**	**-7.9%**	**846**	**877**	**-3.5%**

Please refer to Annex for additional P&L disclosure

2018 Ordinary EBITDA amounted to €846m, 3.5% less than the previous year, impacted by the negative FX evolution (-€171m).

EBITDA evolution (€m)



Chile electricity

- **2018 Ordinary EBITDA reached €288m, (-8.0% vs. 2017)**, mainly as a result of: i) lower revenues from prior years' regularizations and other demand impacts, as well as ii) a negative €10m FX impact.
- At the operating level, the business experienced growth both in electricity sales (2.6%) and connection points (2.5%).

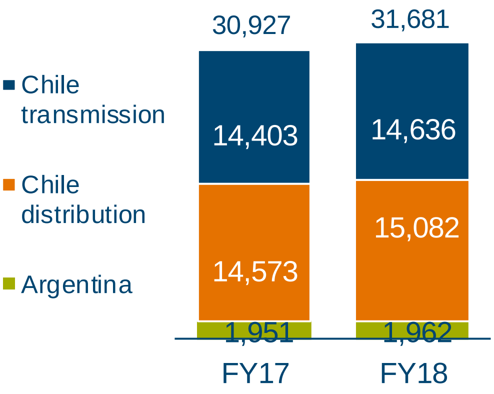
Chile gas

- **Ordinary EBITDA totaled €222m, 5.7% more** than last year, mainly as a result of the tariff indexation and despite the negative €8m FX impact.
- In addition, the decrease in residential and commercial demand was offset by higher sales to other segments and higher unitary margins in the residential and commercial segments.

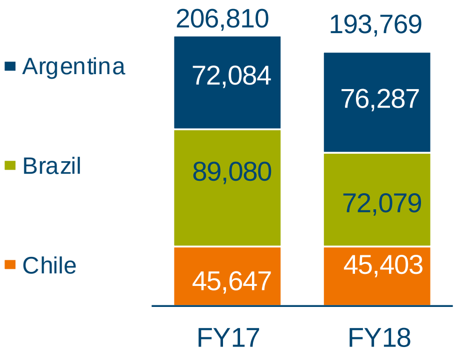
Brazil gas

- **2018 Ordinary EBITDA decreased 21.5% to €223m** on the back of lower demand and a negative FX effect (€46m).
- The absence of negative retroactive tariff adjustments present in previous periods (+€15m) and the higher sales in the automotive gas segment were offset by lower sales in the power generation and industrial segments as a result of lower thermal power plant utilization and production adjustments due to the macroeconomic situation.

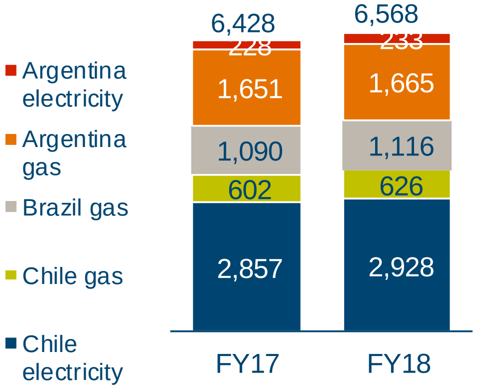
Electricity sales (GWh)
(+2.4%)



Gas sales (GWh)
(-6.3%)



Connection points ('000)
(+2.2%)



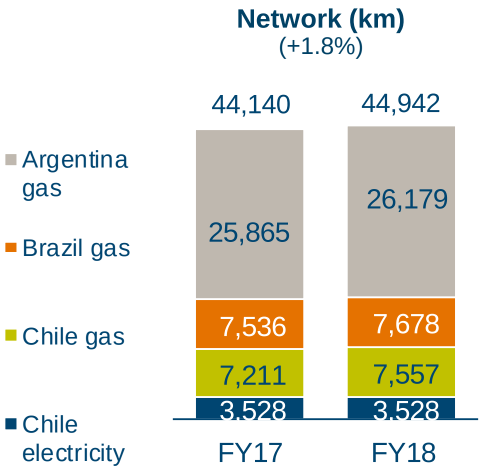
Argentina gas and electricity

- **2018 Ordinary EBITDA amounted to €117m, a 58.1% increase** over 2017 supported by the final application of the new tariff framework which partially offset the negative €107m FX impact.

- The €116m contingent liability registered in 3Q18 linked to the increase of gas procurement costs due to the devaluation of the Argentinean Peso was reversed, following the Argentinean government decree 1053/2018, which established it will assume the payment of the differences between the gas purchased by the gas distributors and the value of natural gas recognized in the tariffs in force between April 1, 2018 and March 31, 2019, generated exclusively by the variation of the exchange rates in the period.

- The application of IAS29 had a positive €12m impact in EBITDA.

- Gas sales in the period grew 5.8% across all customer segments.



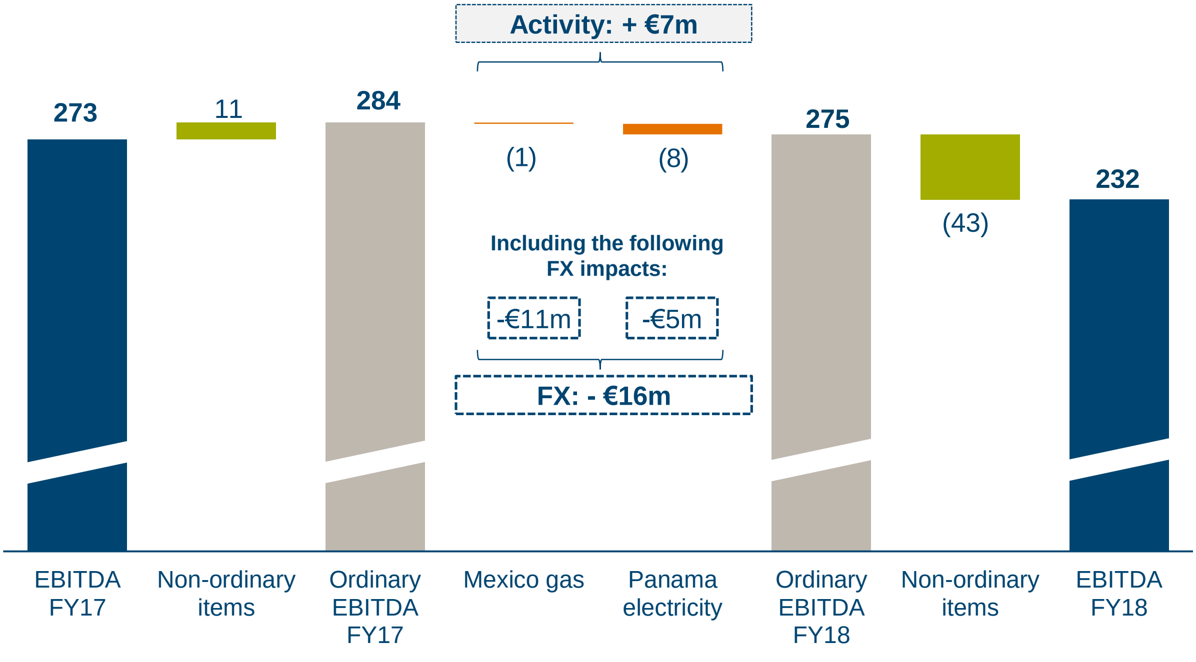
Infrastructure North LatAm

	reported			ordinary		
EBITDA (€m)	**FY18**	**FY17**	**Change**	**FY18**	**FY17**	**Change**
Mexico gas	161	169	-4.7%	170	171	-0.6%
Panama electricity	71	104	-31.7%	105	113	-7.1%
Total	**232**	**273**	**-15.0%**	**275**	**284**	**-3.2%**

Please refer to Annex for additional P&L disclosure

2018 Ordinary EBITDA amounted to €275m, down 3.2% on the back of a €16m negative FX impact.

EBITDA evolution (€m)



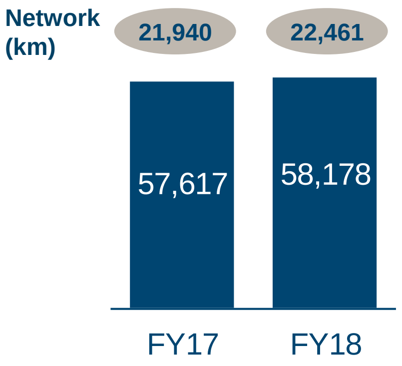
Mexico gas

- **2018 Ordinary EBITDA declined 0.6% to €170m.**
- The positive evolution of the business, driven by a higher tariff indexation, together with growth in supply sales margins was not sufficient to compensate for the negative FX impact of €11m and from higher opex as a result of a commercial repositioning.

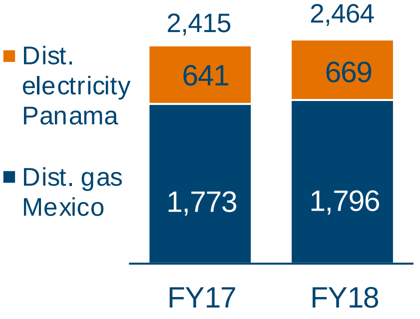
Panama electricity

- **2018 Ordinary EBITDA amounted to €105m, 7.1% less** than in 2017, affected by milder weather and a €5m negative FX impact which was partly compensated by growth in connection points.

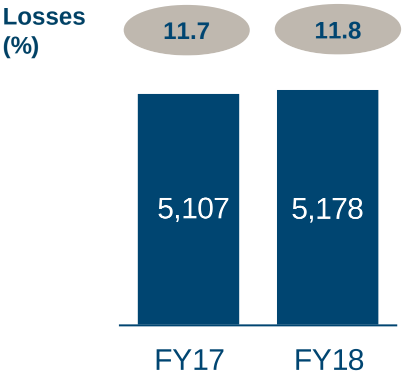
Gas sales Mexico (GWh)
(+1.0%)



Connection points ('000)
(+2.1%)

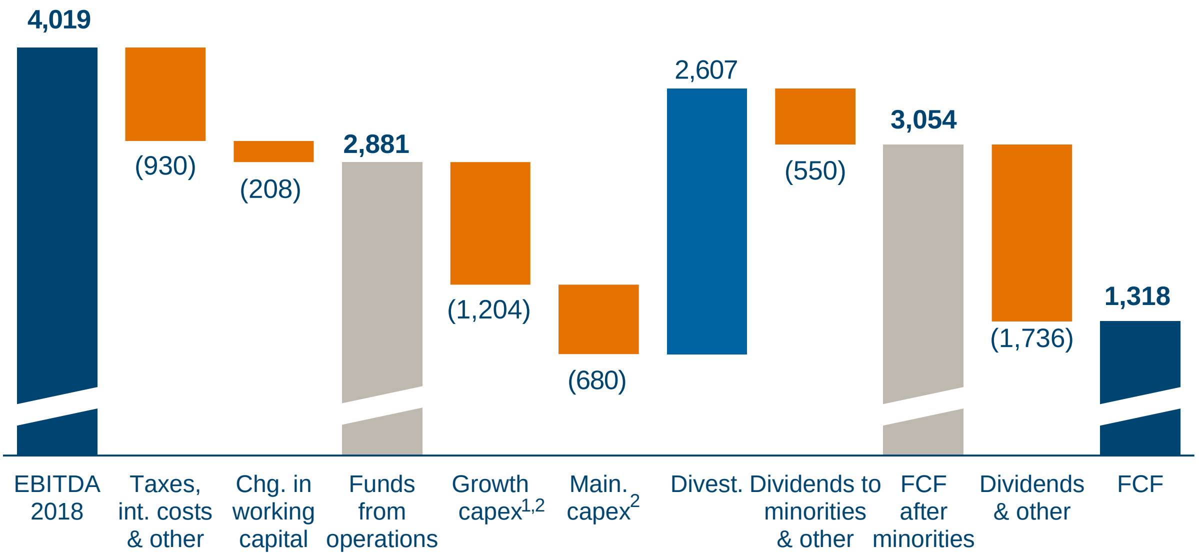


Electricity sales Panama (GWh)
(+1.4%)



5. Cash flow

Cash flow evolution (€m)



Notes:

1. Excluding €380m related to 2 LNG tankers in time-charter regime incorporated during 1H18 (non-cash investments)
2. Net of cessions and contributions

- **2018 free cash flow after minorities amounted to €3,054m** and was allocated to the payment of dividends and financial debt reduction.

Capex

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

	Maintenence capex		
(€m)	**FY18**	**FY17**	**Change**
Gas & Power	137	126	8.7%
Infrastructures EMEA	225	246	-8.5%
Infrastructures LatAm South	181	249	-27.3%
Infrastructures LatAm North	71	81	-12.3%
Rest	69	151	-54.3%
Total investments	**683**	**853**	**-19.9%**

- **Maintenance capex in 2018** amounted to €683m, compared to €853m in 2017, a 19.9% reduction driven by maintenance capex optimization in the infrastructure businesses and rest of activities as well as FX impact.

	Growth capex		
(€m)	**FY18**	**FY17**	**Change**
Gas & Power	998[1]	268	-
Infrastructures EMEA	248	229	8,3%
Infrastructures LatAm South	278	247	12,6%
Infrastructures LatAm North	113	144	-21,5%
Rest	1	41	-97,6%
Total investments	**1.638**	**929**	**76,3%**

Note:

1. Including €380m related to 2 LNG tankers in time-charter regime incorporated during 1H18 (non-cash investments)

- **Growth capex** in 2018 represented over 70% of total capex, and amounted to €1,638m, up from last year's €929m. It mainly includes the following:

  - €380m for the acquisition under financial lease of two gas carriers.
  - A total of €382m have been invested during the period in the construction of different renewable projects in Spain (wind and solar), with 32,6 MW already put in operation in 2018 in the Canary Islands and other 929 MW expected to come into operation before 2020.
  - €106m correspond to the acquisition and development of solar projects in Brazil, with 85 MW coming into operation in 4Q18.
  - Lastly, €75m have been invested during the period in the construction of 96 MW of wind capacity in Australia, which came into operation in 4Q18.

  Additionally, 180 MW of wind capacity in Australia and 324 MW of wind and solar capacity in Chile will be developed before 3Q20-1Q21 respectively.

LNG tanker

Wind farm in Crockwell (Australia)

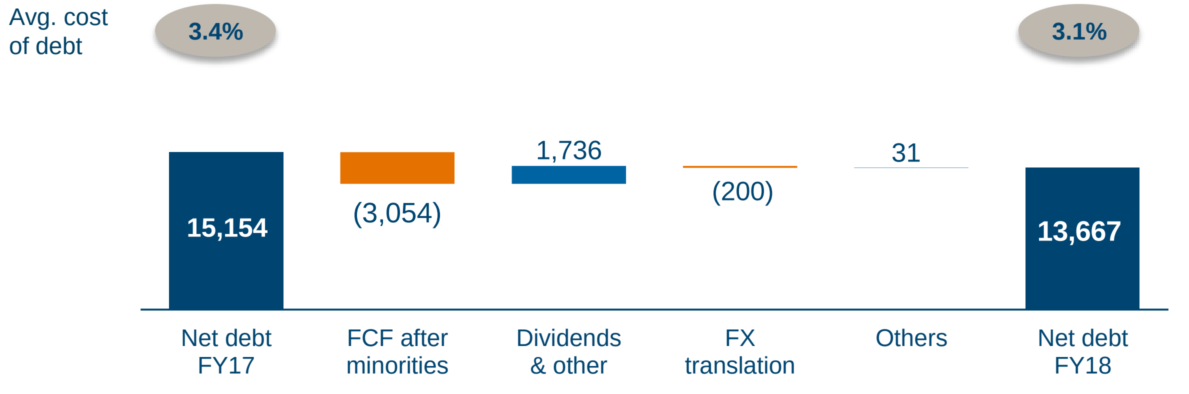
Divestments

- Divestments include the sale of the businesses in Italy for €746m, the proceeds from the sale of a 20% non-controlling stake in Nedgia (€1,500m) and the proceeds from the sale of the remaining 41.9% stake in the gas distribution business in Colombia (€334m) as well as the disposal of Kangra Coal.

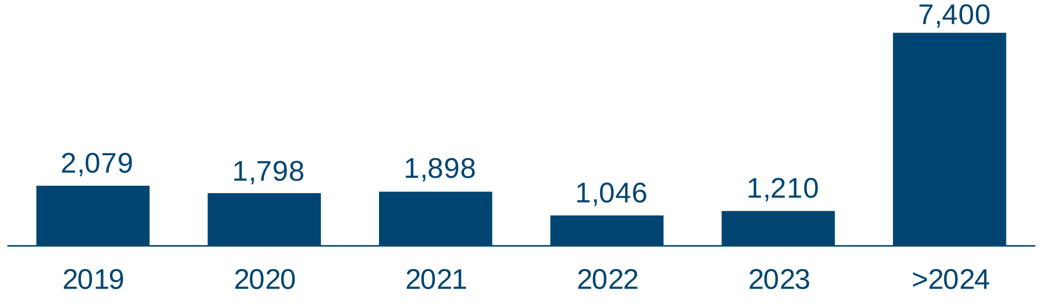
6. Financial position

- Naturgy is progressing on the optimization of its capital structure as outlined in its 2018-2022 Strategic Plan.
- In January 2018, the company completed a liability management exercise at the holdco with the issuance of an €850m 10-year bond with a coupon of 1.5% and €916m notes repurchase. Additionally, two bonds of €1,099m in aggregate with an average coupon of 4.59% matured in 2018.
- During the last quarter of 2018, the company completed €333m bond repurchases at the holdco with maturities spanning from 2019 to 2021.
- Furthermore, the company used part of its excess cash to amortize all of its bank-funded holdco debt, including €1,270m denominated in euros, as well as €390m denominated in USD.
- The company is in the process of optimizing the financing allocated into each of the business units in order to increase accountability and funding autonomy in the same currency where cash flows are originated, and gain increased flexibility. In this respect, the Company refinanced / issued new debt in Latin America for an aggregate amount of approximately €1,073m, including new bond issuances of €389m and new banking debt / refinancing of €684m.

Net debt evolution (€m)



Gross debt maturities (€m)



Credit metrics	FY18	FY17
EBITDA/Net financial debt cost	7.5	6.4
Net debt/LTM EBITDA	3.4	3.9
Net debt /LTM EBITDA (IFRS16)	3.8	4.2

Financial debt by currency		Consolidated Group		Chile		Brazil	Argentina	Peru	Mexico	Panama	Holding & other
		Dec'18	Dec'17	CLP	USD	BRL	ARS	USD	MXN	USD	EUR/USD
Net financial debt	€m	13,667	15,154	1,995	14	244	(34)	55	367	506	10,520
Average cost of debt	%	3.1	3.4	5.9	3.8	7.9	40.9	4.6	8.6	4.1	2.3
% fixed rated (gross debt)	%	87	88	72	-	-	1	-	53	59	95

Annexes

Annex I: Financial Statements

Consolidated income statement

	reported			ordinary		
(€m)	**FY18**	**FY17**	**Change**	**FY18**	**FY17**	**Change**
Net sales	24,339	23,207	4.9%	24,373	23,179	5.2%
Procurement	-17,723	-16,628	6.6%	-17,576	-16,648	5.6%
Gross margin	**6,616**	**6,579**	**0.6%**	**6,797**	**6,531**	**4.1%**
Operating expenses	-1,381	-1,519	-9.1%	-1,323	-1,496	-11.6%
Personnel costs	-1,125	-1,131	-0.5%	-945	-1,005	-6.0%
Own work capitalised	115	122	-5.7%	115	122	-5.7%
Other operating income	231	302	-23.5%	206	246	-16.3%
Taxes	-437	-450	-2.9%	-437	-450	-2.9%
EBITDA	**4,019**	**3,903**	**3.0%**	**4,413**	**3,948**	**11.8%**
Depreciation, amortisation and impairment expenses	-6,007	-1,621	-	-1,581	-1,621	-2.5%
Impairment of credit losses	-179	-154	16.2%	-165	-154	7.1%
EBIT	**-2,167**	**2,128**	**-**	**2,667**	**2,173**	**22.7%**
Financial result	-685	-698	-1.9%	-666	-698	-4.6%
Profit/(loss) of companies measured under the equity method	-513	14	-	59	14	-
Profit before taxes	**-3,365**	**1,444**	**-**	**2,060**	**1,489**	**38.3%**
Income tax	779	-195	-	-469	-313	49.8%
Income from discontinued operations	-10	448	-	0	0	-
Non-controlling interest	-226	-337	-32.9%	-346	-383	-9.7%
Net income	**-2,822**	**1,360**	**-**	**1,245**	**793**	**57.0%**

Consolidated Balance Sheet

(€m)	31/12/2018	31/12/2017
Non-current assets	**32,301**	**36,239**
Intangible assets	7,845	9,921
Property, plant and equipment	20,707	22,654
Equity-accounted investments	816	1,500
Non-current financial assets	1,244	1,315
Deferred tax assets	1,689	849
Current assets	**8,330**	**11,083**
Non-current assets available for sale	202	1,682
Inventories	850	720
Trade and other accounts receivable	5,134	4,994
Other current financial assets	428	462
Cash and cash equivalents	1,716	3,225
TOTAL ASSETS	**40,631**	**47,322**

(€m)	31/12/2018	31/12/2017
Equity	**14,595**	**18,305**
Equity attributable to the parent company	10,948	14,734
Non-controlling interest	3,647	3,571
Non-current liabilities	**19,029**	**21,409**
Deferred revenues	863	842
Non-current provisions	1,125	1,129
Non-current financial liabilities	13,352	15,916
Deferred tax liabilities	2,149	2,312
Other non-current liabilities	1,540	1,210
Current liabilities	**7,007**	**7,608**
Liabilities linked to non-current assets available for sale	93	621
Current provisions	297	183
Current financial liabilities	2,079	2,543
Trade and other accounts payable	4,067	3,920
Other current liabilities	471	341
TOTAL LIABILITIES AND EQUITY	**40,631**	**47,322**

Summary cash flow statement

(€m)	FY18	FY17	Change
EBITDA	**4,019**	**3,903**	**3.0%**
Taxes	-263	-438	-40.0%
Net interest cost	-685	-698	-1.9%
Other non-cash items	18	156	-
Cash flow from operations (CFO)	**3,089**	**2,923**	**5.7%**
Change in working capital	-208	-155	34.2%
Funds from operations	**2,881**	**2,768**	**4.1%**
Growth capex	-1,204	-913	31.9%
Maintenance capex	-680	-848	-19.8%
Divestments	2,607	175	-
Dividends to minorities and other	-550	-436	-
Free cash flow after minorities	**3,054**	**746**	**-**
Dividends and other	-1,736	-987	75.9%
Free cash flow	**1,318**	**-241**	**-**

Quarterly EBITDA by business unit

(€m)	1Q18	2Q18	3Q18	4Q18	2018
Gas & Power	**399**	**196**	**340**	**425**	**1,360**
Gas, powery and services sales	81	-26	43	66	164
International LNG	156	77	114	149	496
Europe power generation	93	73	101	144	411
International power generation	69	72	82	66	289
Infrastructures EMEA	**441**	**450**	**442**	**469**	**1,802**
Spain gas networks	212	220	218	234	884
Spain electricity networks	157	159	154	160	630
EMPL	72	71	70	75	288
Infrastructures LatAm South	**137**	**225**	**143**	**286**	**791**
Chile electricity	55	69	73	46	243
Chile gas	18	69	78	46	211
Brazil gas	49	61	71	42	223
Argentina gas	11	24	-79	152	108
Argentina electricity	5	3	2	-	10
Peru gas	-1	-1	-1	-1	-4
Infrastructures LatAm North	**60**	**63**	**71**	**38**	**232**
Mexico gas	38	40	41	42	161
Panama electricity	22	23	30	-4	71
Rest	**16**	**17**	**-24**	**-175**	**-166**
TOTAL EBITDA	**1,053**	**951**	**972**	**1,043**	**4,019**

(€m)	1Q17	2Q17	3Q17	4Q17	2017[1]
Gas & Power	**313**	**236**	**174**	**256**	**979**
Gas, powery and services sales	-28	69	37	-29	49
International LNG	110	53	14	99	276
Europe power generation	164	43	59	112	378
International power generation	67	71	64	74	276
Infrastructures EMEA	**442**	**437**	**451**	**440**	**1,770**
Spain gas networks	223	210	232	224	889
Spain electricity networks	141	157	155	149	602
EMPL	78	70	64	67	279
Infrastructures LatAm South	**167**	**240**	**273**	**180**	**860**
Chile electricity	78	75	73	67	293
Chile gas	36	67	90	31	224
Brazil gas	56	70	82	74	282
Argentina gas	-7	24	25	4	46
Argentina electricity	5	6	3	5	19
Peru gas	-1	-2	0	-1	-4
Infrastructures LatAm North	**73**	**66**	**68**	**65**	**272**
Mexico gas	46	41	43	39	169
Panama electricity	27	25	25	26	103
Rest	**30**	**26**	**-3**	**-31**	**22**
TOTAL EBITDA	**1,025**	**1,005**	**963**	**910**	**3,903**

Note:
1. The 2017 financials per business unit at EBITDA level have been re-stated as the cost reallocation process into the business segments has continued to evolve during the quarter. As a result the herein reported figures for 2017 supersede the previous re-statement reported in the 9M18 results.

Accumulated EBITDA by business unit

	reported			ordinary			
(€m)	FY18	FY17	Change	FY18	FY17	Change	FX
Gas & Power	**1,360**	**980**	**38.8%**	**1,453**	**955**	**52.1%**	**-17**
Gas, powery and services sales	164	49	-	238	32	-	-
International LNG	496	276	79.7%	496	294	68.7%	-
Europe power generation	411	379	8.4%	429	351	22.2%	-
International power generation	289	276	4.7%	290	278	4.3%	-17
Infrastructures EMEA	**1,802**	**1,770**	**1.8%**	**1,849**	**1,810**	**2.2%**	**-14**
Spain gas networks	884	888	-0.5%	921	896	2.8%	-
Spain electricity networks	630	603	4.5%	640	635	0.8%	-
EMPL	288	279	3.2%	288	279	3.2%	-14
Infrastructures LatAm South	**791**	**859**	**-7.9%**	**846**	**877**	**-3.5%**	**-171**
Chile electricity	243	293	-17.1%	288	313	-8.0%	-10
Chile gas	211	223	-5.4%	222	210	5.7%	-8
Brazil gas	223	282	-20.9%	223	284	-21.5%	-46
Argentina gas and electricity	118	65	-	117	74	58.1%	-107
Peru gas	-4	-4	0.0%	-4	-4	0.0%	-
Infrastructures LatAm North	**232**	**273**	**-15.0%**	**275**	**284**	**-3.2%**	**-16**
Mexico gas	161	169	-4.7%	170	171	-0.6%	-11
Panama electricity	71	104	-31.7%	105	113	-7.1%	-5
Rest	**- 166**	**21**	**-**	**- 10**	**22**	**-**	**-**
TOTAL EBITDA	**4,019**	**3,903**	**3.0%**	**4,413**	**3,948**	**11.8%**	**-218**

Results by business unit

1. Gas & Power

Gas, power & services sales (€m)	FY18	FY17	Change
Net sales	13,064	12,236	6.8%
Procurement	-12,428	-11,686	6.3%
Gross margin	**636**	**550**	**15.6%**
Other operating income	10	20	-50.0%
Personnel expenses	-134	-110	21.8%
Taxes	-63	-62	1.6%
Other operating expenses	-285	-349	-18.3%
EBITDA	**164**	**49**	**-**
Depreciation and provisions	-139	-97	43.3%
EBIT	**25**	**-48**	**-**

International LNG (€m)	FY18	FY17	Change
Net sales	3,529	2,629	34.2%
Procurement	-3,003	-2,316	29.7%
Gross margin	**526**	**313**	**68.1%**
Other operating income	2	3	-33.3%
Personnel expenses	-23	-21	9.5%
Taxes	-	-	-
Other operating expenses	-9	-19	-52.6%
EBITDA	**496**	**276**	**79.7%**
Depreciation and provisions	-75	-51	47.1%
EBIT	**421**	**225**	**-**

Europe power generation (€m)	FY18	FY17	Change
Net sales	2,050	1,935	5.9%
Procurement	-1,091	-977	11.7%
Gross margin	**959**	**958**	**0.1%**
Other operating income	16	20	-20.0%
Personnel expenses	-140	-147	-4.8%
Taxes	-247	-262	-5.7%
Other operating expenses	-177	-190	-6.8%
EBITDA	**411**	**379**	**8.4%**
Depreciation and provisions	-4,279	-442	-
EBIT	**-3,868**	**-63**	**-**

International power generation (€m)	FY18	FY17	Change
Net sales	917	892	2.8%
Procurement	-527	-511	3.1%
Gross margin	**390**	**381**	**2.4%**
Other operating income	10	12	-16.7%
Personnel expenses	-39	-37	5.4%
Taxes	-3	-4	-25.0%
Other operating expenses	-69	-76	-9.2%
EBITDA	**289**	**276**	**4.7%**
Depreciation and provisions	-152	-121	25.6%
EBIT	**137**	**155**	**-11.6%**

2. Infrastructure EMEA

Spain gas networks (€m)	FY18	FY17	Change
Net sales	1,254	1,261	-0.6%
Procurement	-75	-68	10.3%
Gross margin	**1,179**	**1,193**	**-1.2%**
Other operating income	40	39	2.6%
Personnel expenses	-118	-94	25.5%
Taxes	-28	-27	3.7%
Other operating expenses	-189	-223	-15.2%
EBITDA	**884**	**888**	**-0.5%**
Depreciation and provisions	-320	-307	4.2%
EBIT	**564**	**581**	**-2.9%**

Spain electricity networks (€m)	FY18	FY17	Change
Net sales	855	873	-2.1%
Procurement	-	-	-
Gross margin	**855**	**873**	**-2.1%**
Other operating income	26	26	0.0%
Personnel expenses	-94	-130	-27.7%
Taxes	-30	-29	3.4%
Other operating expenses	-127	-137	-7.3%
EBITDA	**630**	**603**	**4.5%**
Depreciation and provisions	-252	-233	8.2%
EBIT	**378**	**370**	**2.2%**

EMPL (€m)	FY18	FY17	Change
Net sales	310	304	2.0%
Procurement	-	-	-
Gross margin	**310**	**304**	**2.0%**
Other operating income	0	0	0.0%
Personnel expenses	-6	-6	0.0%
Taxes	-	-	-
Other operating expenses	-16	-19	-15.8%
EBITDA	**288**	**279**	**3.2%**
Depreciation and provisions	-44	-38	15.8%
EBIT	**244**	**241**	**1.2%**

3. Infrastructure LatAm South

Chile electricity (€m)	FY18	FY17	Change
Net sales	2,137	2,382	-10.3%
Procurement	-1,592	-1,795	-11.3%
Gross margin	**545**	**587**	**-7.2%**
Other operating income	24	13	84.6%
Personnel expenses	-128	-131	-2.3%
Taxes	-7	-8	-12.5%
Other operating expenses	-191	-168	13.7%
EBITDA	**243**	**293**	**-17.1%**
Depreciation and provisions	-166	-152	9.2%
EBIT	**77**	**141**	**-45.4%**

Chile gas (€m)	FY18	FY17	Change
Net sales	738	1,022	-27.8%
Procurement	-441	-722	-38.9%
Gross margin	**297**	**300**	**-1.0%**
Other operating income	5	11	-54.5%
Personnel expenses	-29	-28	3.6%
Taxes	-2	-2	0.0%
Other operating expenses	-60	-58	3.4%
EBITDA	**211**	**223**	**-5.4%**
Depreciation and provisions	-57	-49	16.3%
EBIT	**154**	**174**	**-11.5%**

Brazil gas (€m)	FY18	FY17	Change
Net sales	1,565	1,811	-13.6%
Procurement	-1,217	-1,387	-12.3%
Gross margin	**348**	**424**	**-17.9%**
Other operating income	39	84	-53.6%
Personnel expenses	-31	-42	-26.2%
Taxes	-4	-3	33.3%
Other operating expenses	-129	-181	-28.7%
EBITDA	**223**	**282**	**-20.9%**
Depreciation and provisions	-75	-69	8.7%
EBIT	**148**	**213**	**-30.5%**

Argentina gas (€m)	FY18	FY17	Change
Net sales	513	355	44.5%
Procurement	-316	-201	57.2%
Gross margin	**197**	**154**	**27.9%**
Other operating income	31	35	-11.4%
Personnel expenses	-15	-29	-48.3%
Taxes	-22	-27	-18.5%
Other operating expenses	-83	-87	-4.6%
EBITDA	**108**	**46**	**-**
Depreciation and provisions	-15	-10	50.0%
EBIT	**93**	**36**	**-**

4. Infrastructure LatAm North

Mexico gas (€m)	FY18	FY17	Change
Net sales	596	546	9.2%
Procurement	-352	-305	15.4%
Gross margin	**244**	**241**	**1.2%**
Other operating income	10	12	-16.7%
Personnel expenses	-28	-26	7.7%
Taxes	-1	- 1	0.0%
Other operating expenses	-64	-57	12.3%
EBITDA	**161**	**169**	**-4.7%**
Depreciation and provisions	-79	-56	41.1%
EBIT	**82**	**113**	**-27.4%**

Panama electricity (€m)	FY18	FY17	Change
Net sales	771	797	-3.3%
Procurement	-644	-634	1.6%
Gross margin	**127**	**163**	**-22.1%**
Other operating income	3	2	50.0%
Personnel expenses	-13	-13	0.0%
Taxes	-5	-6	-16.7%
Other operating expenses	-41	-42	-2.4%
EBITDA	**71**	**104**	**-31.7%**
Depreciation and provisions	-39	-37	5.4%
EBIT	**32**	**67**	**-52.2%**

Capex

Growth capex (€m)	FY18	FY17	Change
Gas & Power	**998**	**268**	**-**
Gas, power & services sales	59	31	90.3%
International LNG	380	16	-
Europe power generation	385	88	-
International power generation	174	133	30.8%
Infrastructures EMEA	**248**	**229**	**8.3%**
Spain gas networks	194	170	14.1%
Spain electricity networks	54	59	-8.5%
EMPL	-	-	-
Infrastructures LatAm South	**278**	**247**	**12.6%**
Chile electricity	97	82	18.3%
Chile gas	114	68	67.6%
Brazil gas	34	58	-41.4%
Argentina gas	15	10	50.0%
Argentina electricity	5	10	-50.0%
Peru gas	13	19	-31.6%
Infrastructures LatAm North	**113**	**144**	**-21.5%**
Mexico gas	60	88	-31.8%
Panama electricity	53	56	-5.4%
Rest	**1**	**41**	**-97.6%**
Total investments	**1,638**	**929**	**76.3%**

Maintenance capex (€m)	FY18	FY17	Change
Gas & Power	**137**	**126**	**8.7%**
Gas, power & services sales	2	1	100.0%
International LNG	-	-	-
Europe power generation	77	90	-14.4%
International power generation	58	35	65.7%
Infrastructures EMEA	**225**	**246**	**-8.5%**
Spain gas networks	46	42	9.5%
Spain electricity networks	174	193	-9.8%
EMPL	5	11	-54.5%
Infrastructures LatAm South	**181**	**249**	**-27.3%**
Chile electricity	110	147	-25.2%
Chile gas	17	12	41.7%
Brazil gas	26	62	-58.1%
Argentina gas	26	27	-3.7%
Argentina electricity	2	1	100.0%
Peru gas	-	-	-
Infrastructures LatAm North	**71**	**81**	**-12.3%**
Mexico gas	21	27	-22.2%
Panama electricity	50	54	-7.4%
Rest	**69**	**151**	**-54.3%**
Total investments	**683**	**853**	**-19.9%**

Annex II: Regulatory disclosures

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

- Naturgy discloses information on earnings for the third quarter of 2018 (disclosed 5 November 2018, registration number 271173).
- Naturgy files the presentation of earnings for the first nine months of 2018 (disclosed 5 November 2018, registration number 271189).
- Naturgy discloses that the Argentinean government approved a decree, which establishes that it will assume the payment of the differences between the gas purchased by the gas distributors and the value of natural gas recognized in the tariffs in force between April 1, 2018 and March 31, 2019, generated exclusively by the variation of the exchange rates in the period (disclosed 20 November 2018, registration number 271705).
- Naturgy reports about its share buy-back program (disclosed 6 December 2018, registration number 272235).
- Naturgy discloses about its new long-term incentive plan (disclosed 6 December de 2018, registration number 272236).
- Naturgy reports about its share buy-back program (disclosed 6 December 2018, registration number 272237).
- Naturgy reports about its share buy-back program (disclosed 6 December 2018, registration number 272238).
- Naturgy announces a bond issuance in Chile for an aggregate amount of 176 million euros, approximately (disclosed 7 December 2018, registration number 272240).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between December 7 and 14, 2018 (disclosed 17 December 2018, registration number 272733).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between December 17 and 21, 2018 (disclosed 24 December 2018, registration number 273302).
- Naturgy updates the information on the investment protection arbitral procedure initiated by Union Fenosa Gas against Egypt (disclosed 28 December 2018, registration number 273431).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between December 24 and 28, 2018 (disclosed 31 December 2018, registration number 273449).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between December 31, 2018 and January 4, 2019 (disclosed 7 January 2019, registration number 273542).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between January 7 and 11, 2019 (disclosed 14 January 2018, registration number 273725).
- Naturgy reports additional information to the regulatory disclosure number 272238 published last December 6 about its share buy-back program (disclosed 18 January 2019, registration number 273935).

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 at 31.12.2018	Reconciliation of values at 31.12.2017	Relevance
Ebitda	Operating gross profit = Net sales – Procurement + Other operating income – Personnel costs – Operating expenses + Own work capitalised	Euros 4,019 million	Euros 3,903 million	Measure of earnings before interest, taxes, depreciation and amortisation and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items [5]	4,413 = Euros 4,019 million + 394	3,948= Euros 3,903 million + 45	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[5]	Euros 1,245 million = -2,822 + 4,067	Euros 793 million = 1,360 -567	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 2,321 million = 281 + 2,040	Euros 1,782 million = 389 + 1,393	Realised investments in property, plant & equipment and intangible assets.
Gross financial debt	"Non-current financial liabilities"[1] + "Current financial liabilities"[1]	Euros 15,431 million = 13,352 + 2,079	Euros 18,459 million = 15,916 + 2,543	Current and non-current financial debt
Net financial debt	Gross financial debt[3]– "Cash and cash equivalents"[1] – "Derivative financial assets"[2]	Euros 13,667 million = 15,431 - 1,716 – 48	Euros 15,154 million = 18,459 - 3,225 – 80	Current and non-current financial debt less cash and cash equivalents and derivative financial assets.

Alternative performance metrics	Definition and terms	Reconciliation of values at 31.12.2018	Reconciliation of values at 31.12.2017	Relevance
Cost of net financial debt	"Cost of financial debt"[2] – "IInterest revenue"[2]	Euros 538 million = 557 - 19	Euros 611 million = 630 - 19	Amount of expense relative to the cost of financial debt less interest revenue.
Ebitda/Cost of net financial debt	Ebitda[3]/ Cost of net financial debt[3]	7.5x = 4,019 /538	6.4x = 3,903 / 611	Ratio between Ebitda and net financial debt
Net financial debt/ Ebitda	Net financial debt[3] / Ebitda[3]	3.4x = 13,667 / 4,019	3.9x = 15,154 / 3,903	Ratio between net financial debt and ebitda
Net financial debt/ Ebitda (IFRS 16)	Net financial debt[3] IFRS16 / Ebitda[3]	3.8x = 15,310 / 4,019	4.2x = 16,387 / 3,903	Ratio between net financial debt under IFRS 16 and ebitda
Free Cash Flow after minorities	Free Cash Flow + Dividends and other + Acquisitions of treasury shares + Inorganic investments payments	Euros 3,054 million = 1,318 + 1,400 + 309 + 27	Euros 746 million = -241 + 1,001 - 14 + 0	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[4] + Cash flows from investing activities[4] + Cash flow generated from financing activities[4] – Receipts and payments on financial liability instruments[4]	Euros 1,318 million = 2,881 – 617 – 3,759 + 2,813	Euros -241 million = 2,768 – 1,606 + 232 - 1,635	Cash flow generated by the Company available to pay the debt.

Notes:

(1) Consolidated balance sheet line item.

(2) Figure detailed in the Notes to the consolidated financial statements.

(3) Figure detailed in the APMs.

(4) Consolidated statement of cash flows line item.

(5) The non-ordinary items are summarized below:

	EBITDA		Net income	
(€m)	**FY18**	**FY17**	**FY18**	**FY17**
Gas transport & procurement retroactivity	-50	20	-38	15
Chile non-ordinary expenses	-44	0	-28	0
Restructuring costs	-180	-126	-137	-99
Asset write-down	-	-	-3,824	-
Discontinued operations and minority interests[1]	-	-	49	494
Chile mergers tax effect	-	-	42	116
Provisions for litigations and other	-120	61	-131	41
Total non ordinary items	**-394**	**-45**	**-4,067**	**567**

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.

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This document includes certain alternative performance measures (“APMs”), as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority in October 2015. For further information about this matter please refer to this presentation and to the corporate website (www.naturgy.com).

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