FY18 Results

30 January 2019

Agenda

1. 2018 key corporate events
2. Progress on Strategic Plan 18-22
3. FY18 results
4. Summary 2018 and Outlook 2019

01

2018 key corporate events

2018 Key corporate events

Naturgy

February

Management

- New Executive Chairman

May

Ownership & Organization

- New shareholder structure
- Leaner organization

June

Strategic Plan 18-22

- Focused on value over size
- New corporate identity
- Smaller Board of Directors

2H18

Plan execution

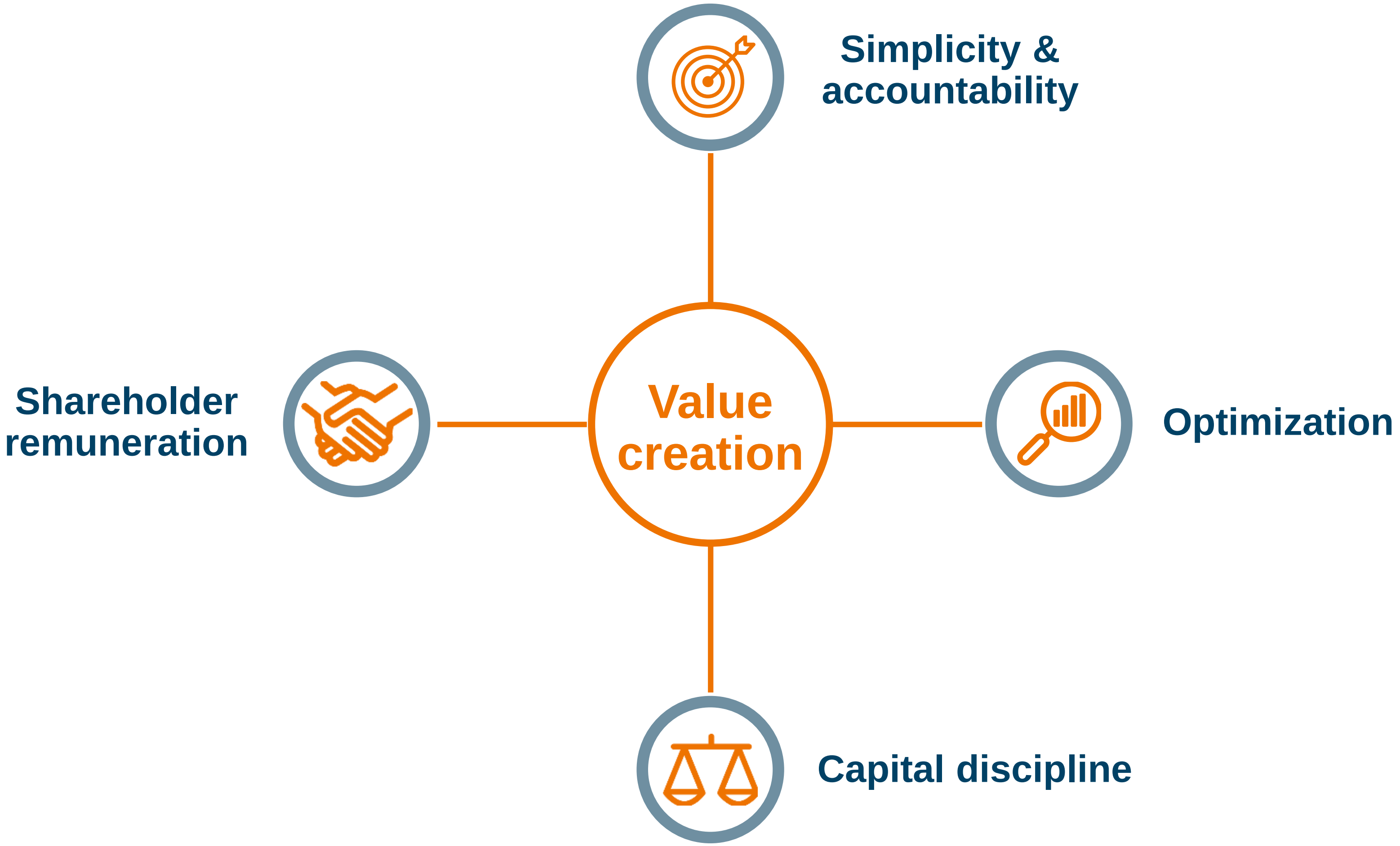
- Roll out of value creation pillars

Building the pillars for value creation

02

Progress on Strategic Plan 18-22

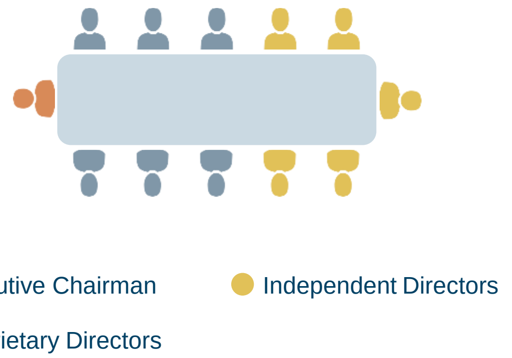
Value creation pillars



Making progress on Strategic Plan

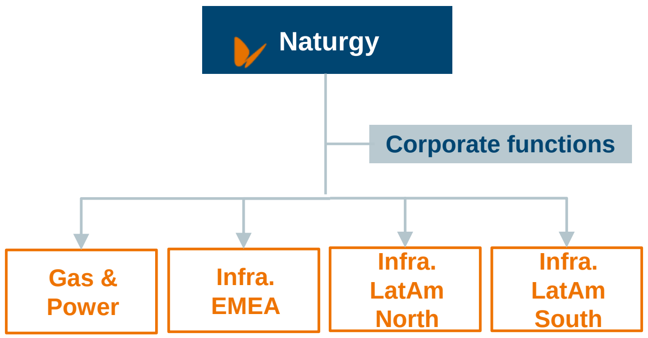
Simplicity & accountability

Smaller Board



- **More agile** (12 members vs. 17)
- Greater **international experience**
- **Simpler corporate regulations**

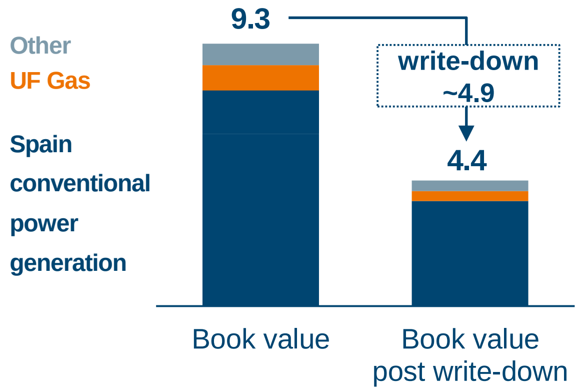
Higher accountability



- **Costs push down**
- **Reduction** of the number of **subsidiaries**
- **Flatter management structure**
- **Enhanced traceability**

More transparency

Asset valuation review (€bn)



- **Consistent with Strategic Plan 18-22**
- **+ ~€200m** cash one-off impact **2018**
- **Improved reporting**

Simpler, more accountable and transparent

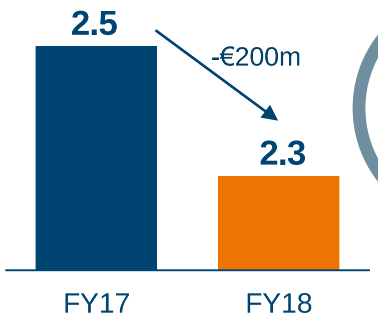
Optimization

Higher visibility and lower risk

- Renewal and extension of gas procurement contract with Sonatrach
- Favourable arbitration regarding Egypt in ICSID and UK
- Confirmation of regulatory stability in networks

More efficiency

Ordinary opex base evolution (€bn)



o.w.
€110m
efficiencies in 2H18

- **Capture costs**: **€180m**
- Launch of **capex & opex committees**
- **257 initiatives underway**

Better capital structure

~€4.0bn transacted

€bn

- **Amortization** of all **bank-funded holdco debt** — ~1.7
- Completion of **bond repurchases** at holdco — ~1.2
- **Refinanced / issued** new debt in **LatAm** — ~1.1

Lower risk, more efficient and improved capital structure

Capital discipline

Business positioning

Focus on targeted markets and businesses:

- **Disposals completed:**
  - Gas distribution and supply in Italy
  - Nedgia Spain (20%)
  - Colombia gas distribution and supply
  - Kangra

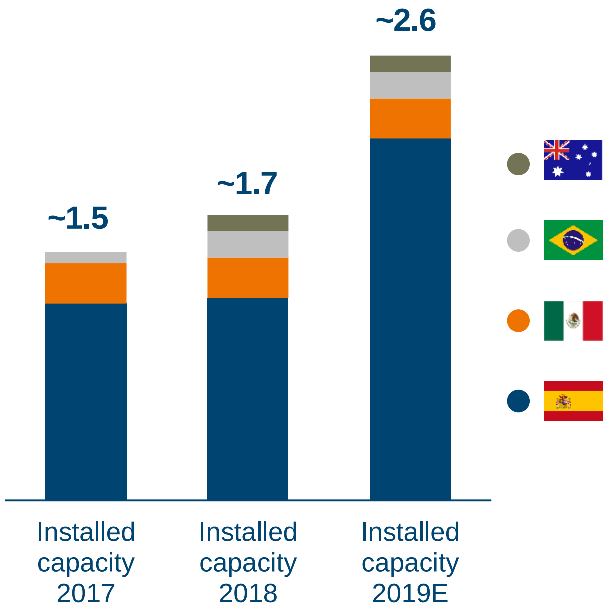
Total proceeds

€2.6bn

- **Moldova** and **Kenya** classified as **discontinued operations**

More renewable exposure

Installed capacity (GW)



+ ~1GW
2019E vs. 2018

Strict capital discipline meeting "The Golden Rules"

Shareholder remuneration

Naturgy

Dividend

1st interim: July 31, 2018 — 0.28

2nd interim: Nov 27, 2018 — 0.45

2018 final: March 2019[1] — 0.57

2018 dividend

1.30 €/sh

+30% vs. 2017

Share buy-back

Completed (as of 29 Jan) — €145m

Remaining (up to June'19) — €255m

€400m[2]

Delivery on committed shareholder remuneration

Note:
1. Subject to AGM approval
2. Cancellation subject to AGM approval

New long term incentive plan

Overview of management's new LTIP

1 Based on total shareholder's return

Share price appreciation + dividends paid over the period of the strategic plan

2 Payable in 2023

After 2022 AGM

Subject to a minimum return threshold (consistent with the Golden Rules)

3 Replaces previous incentive scheme

Which was paid annually and dependent on operational targets

4 Minimizes costs

For the company vs. previous scheme paid annually

All participants have accepted the new LTIP and waived their rights on the previous scheme

Top 26 managers

- **SPV** invested **€200m** at €23.15
- **Payable in 2023 once all initial investment has been repaid**, the vehicle will distribute the excess to its participants **in shares**

Remaining 116 managers

- Based on financial calculation of total shareholders return since launch of the SP 18-22 until 31st July 2023
- **Paid in cash**

Full alignment of key managers with shareholders

03

FY18 results

Key highlights of FY18 results

1 **Activity growth in all businesses offset by FX**

2 **Significant non-ordinary effects**

3 **€4.9bn write-down**

4 **>70% of total capex for growth**

Key figures (€bn, % vs. 2017)

		% vs. 2017
Ordinary EBITDA	4.4	+ 12%
Ordinary Net Income	1.2	+ 57%
Capex	2.3	+ 30%
Net Debt	13.7	- 10%

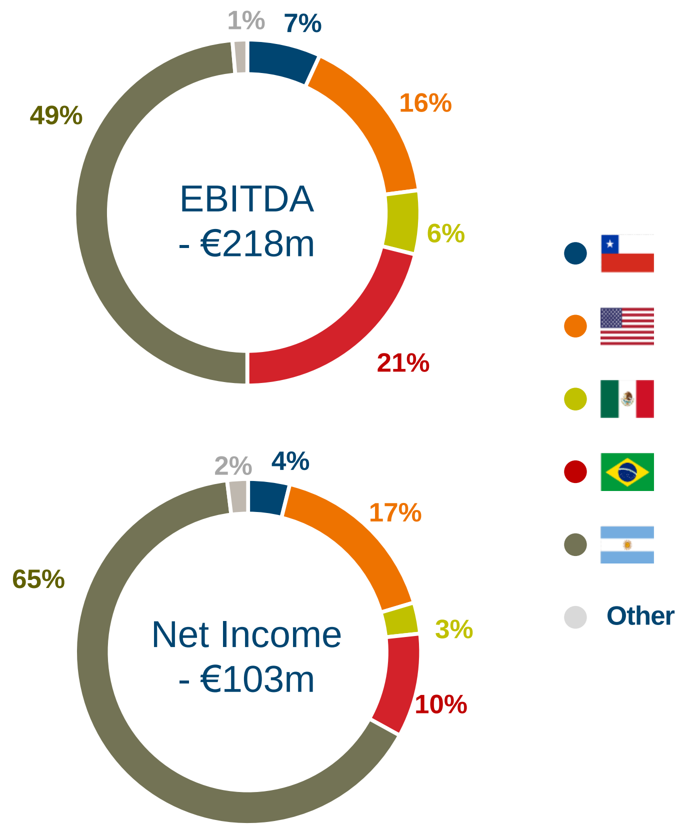
A solid underlying business performance

Main non-ordinary items & FX impact

Main non-ordinary items:

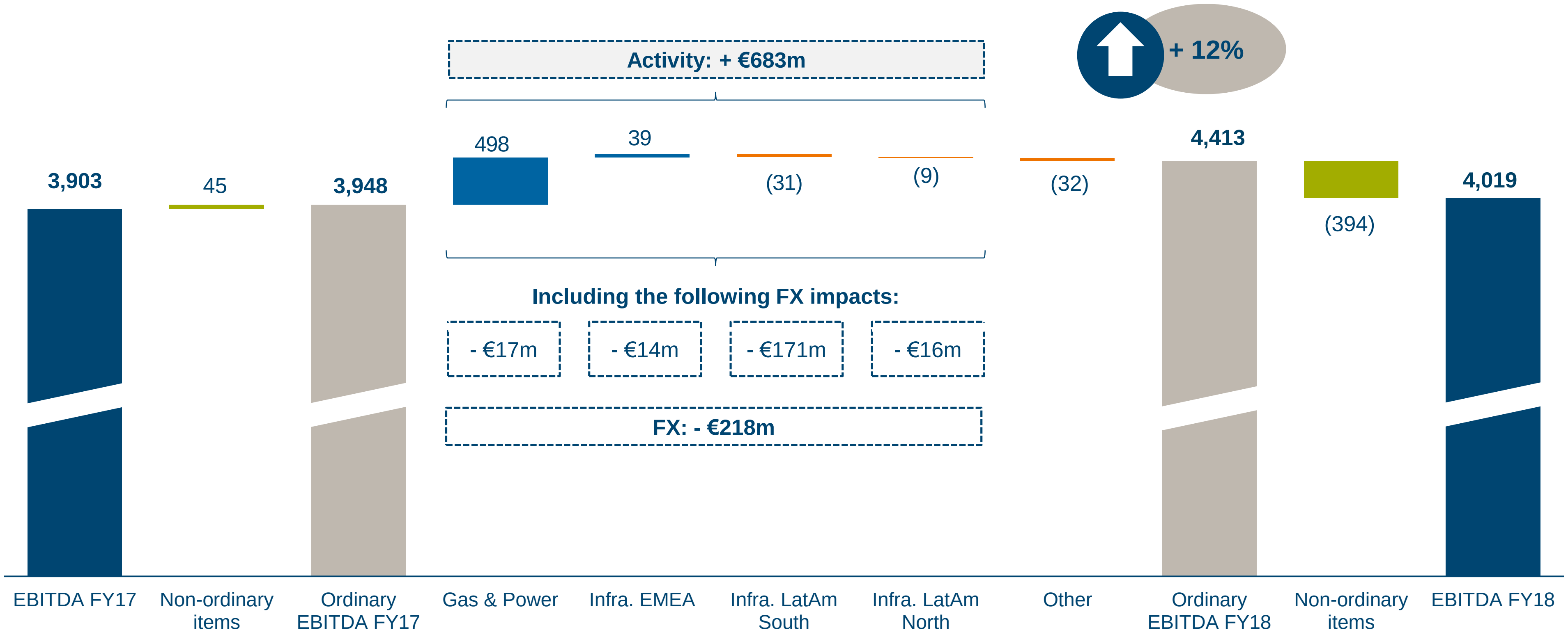
(€m)	EBITDA	Net Income
1 Capture costs	(180)	(137)
2 Asset write-down	-	(3,824)
3 Discontinued operations & minorities	-	49
4 Gas transport & procurement retroactivity	(50)	(38)
5 Chile non-ordinary expenses	(44)	(28)
6 Chile mergers tax effect	-	42
7 Provisions for litigations & other	(120)	(131)
Total	**(394)**	**(4,067)**

FX impact in:



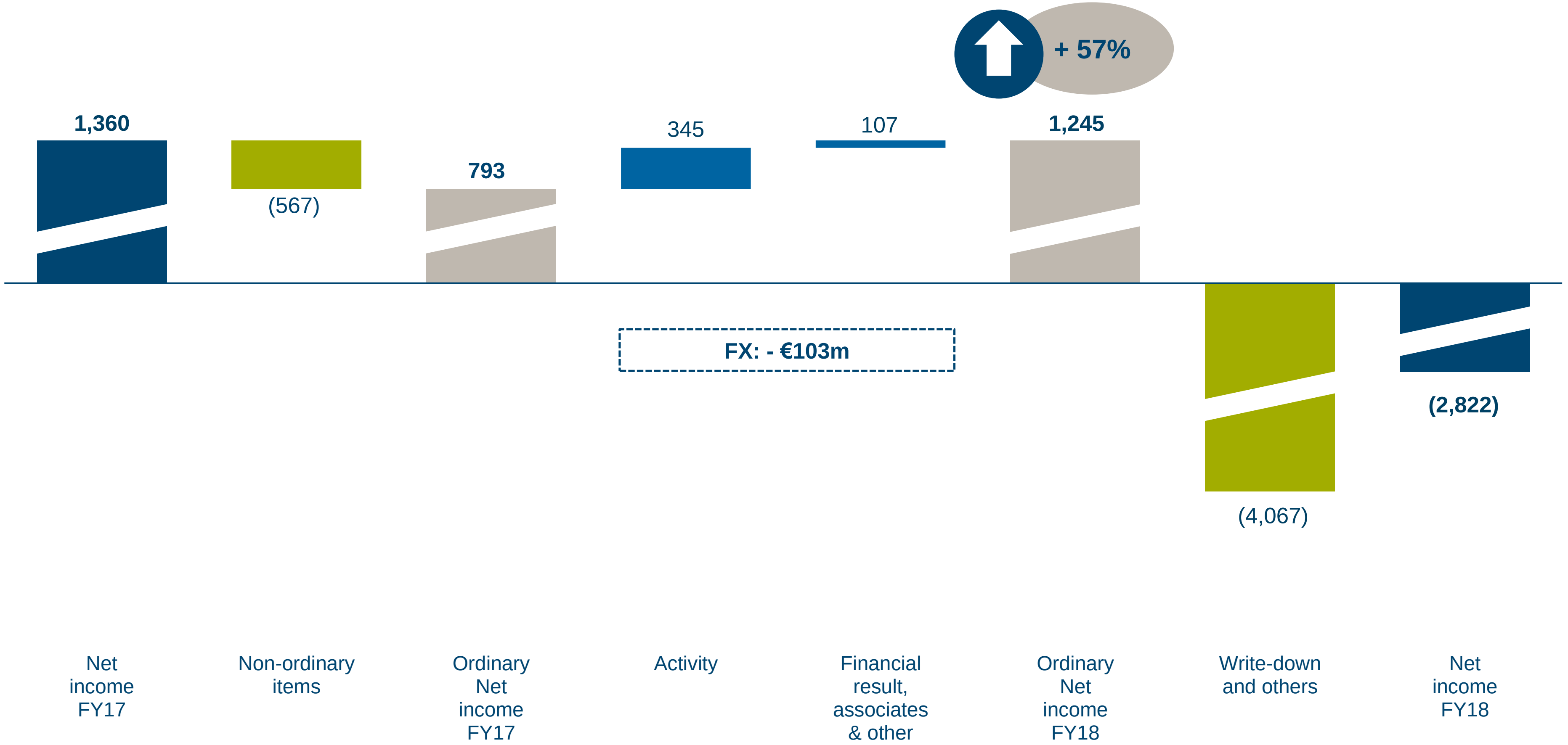
2018 marked by non-ordinary items and an adverse FX scenario

EBITDA evolution (€m)



Activity growth in all businesses offset by FX

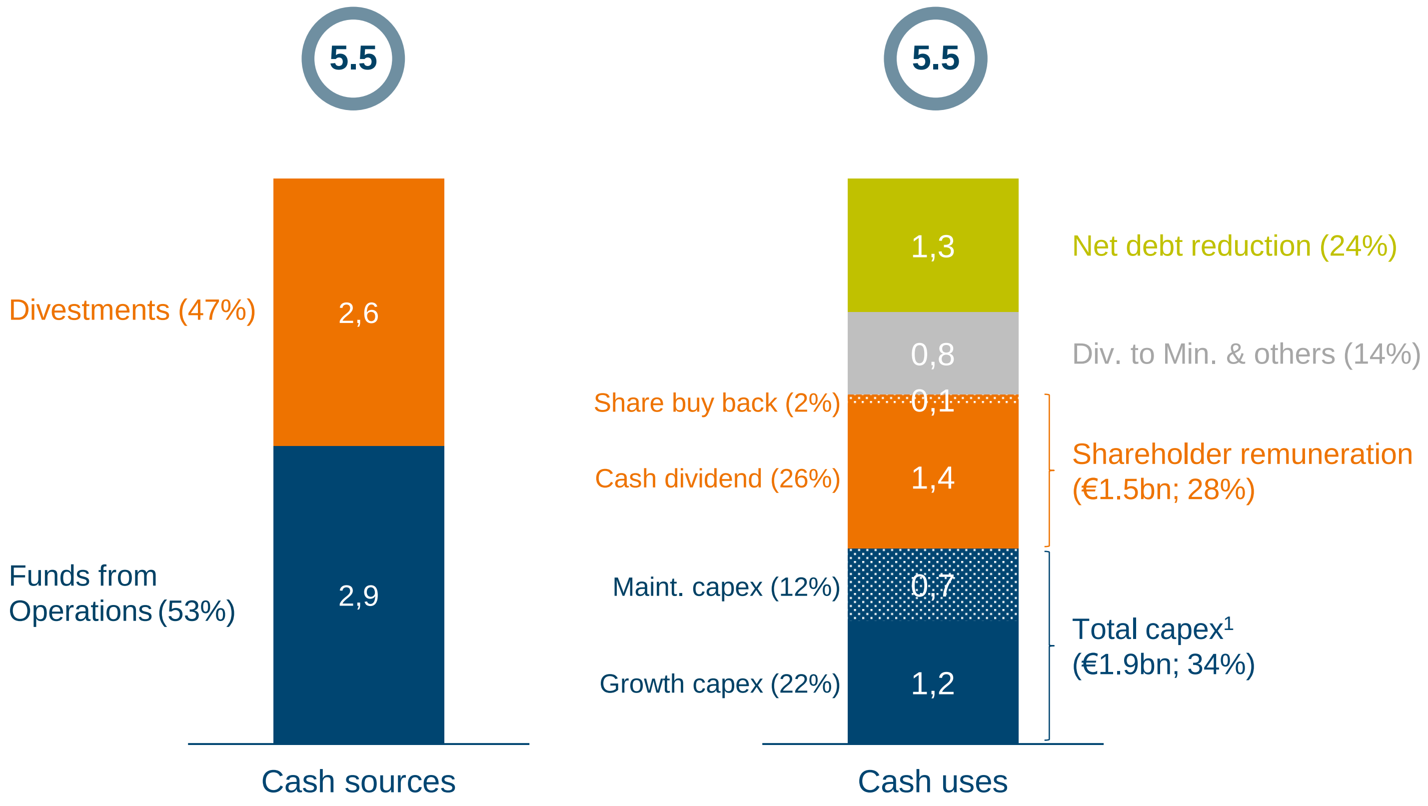
Net Income evolution (€m)



A solid ordinary Net Income

Cash flow (€bn)

Sources and uses of cash



Highlights

✓ **Sources of cash driven by…**

- Business performance and efficiencies
- Divestments from asset optimization

✓ **Cash uses aimed at…**

- Growing the business (growth capex ~70% of total capex)
- Improving shareholder remuneration
- Deleveraging

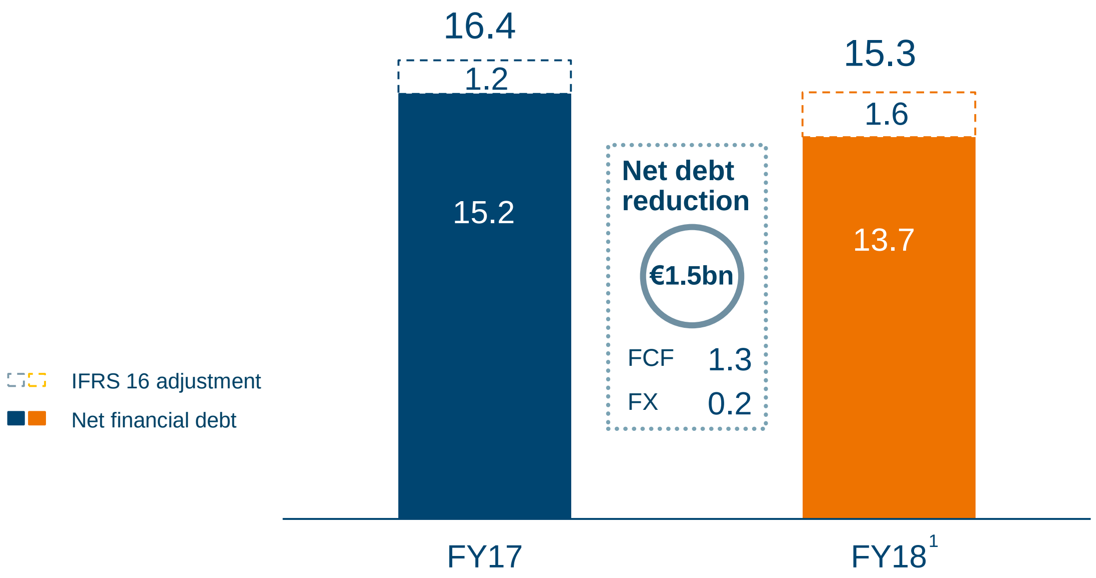
Balanced capital allocation

Note:
1. Does not include €0.4bn related to LNG tankers (non-cash capex)

Net debt evolution (€bn)

Net debt

	FY17	FY18[1]
Avg. cost of debt	3.4%	3.1%
Net debt/EBITDA[1]	3.9x	3.4x
holdco. debt[2]	84%	78%



Main financing operations

Liability management and liquidity optimization

(€bn)

- Bank debt amortization holdco — 1.7
- Liability management holdco — 0.9
- Bond repurchase holdco — 0.3
- Cancellation of excess credit facilities — 1.8

New financing in LatAm to support business accountability

(€bn)

- New bond issuances — 0.4
- New bank debt / refinancing — 0.7

Net debt reduction and liability management to improve the group's financial risk profile

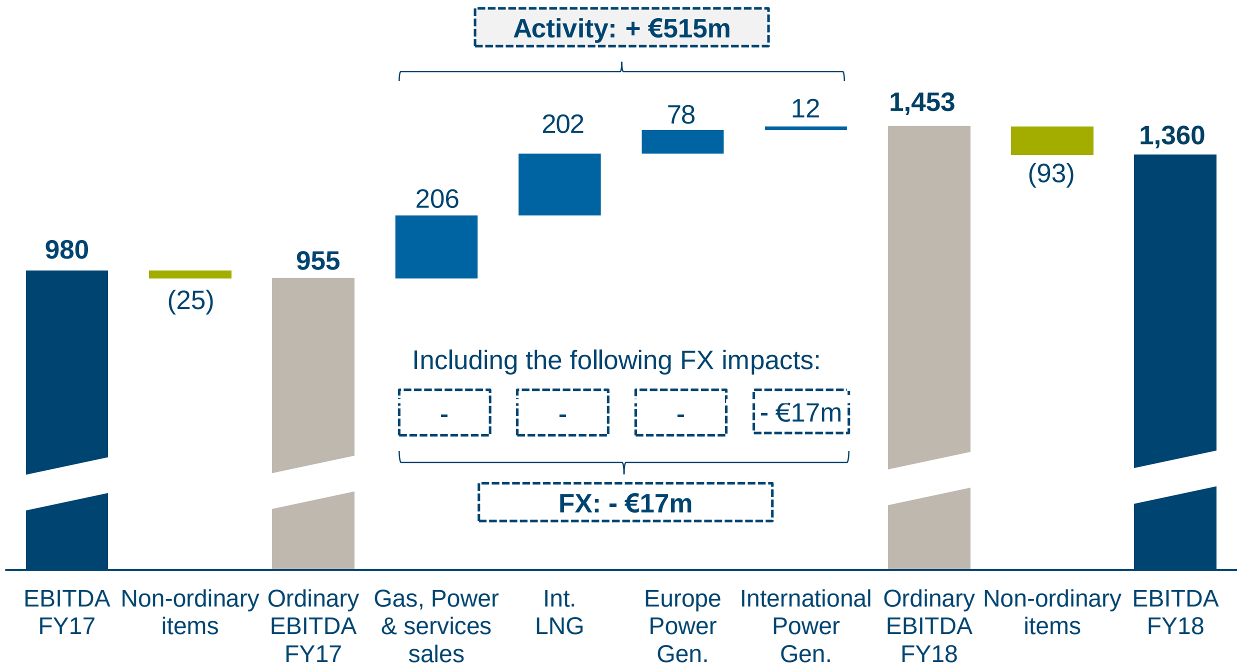
Notes:
1. Proforma figures of 4.2x and 3.8x under IFRS 16
2. As % of the gross financial debt

04

FY18 results by business unit

Gas & Power

EBITDA evolution (€m)



Highlights

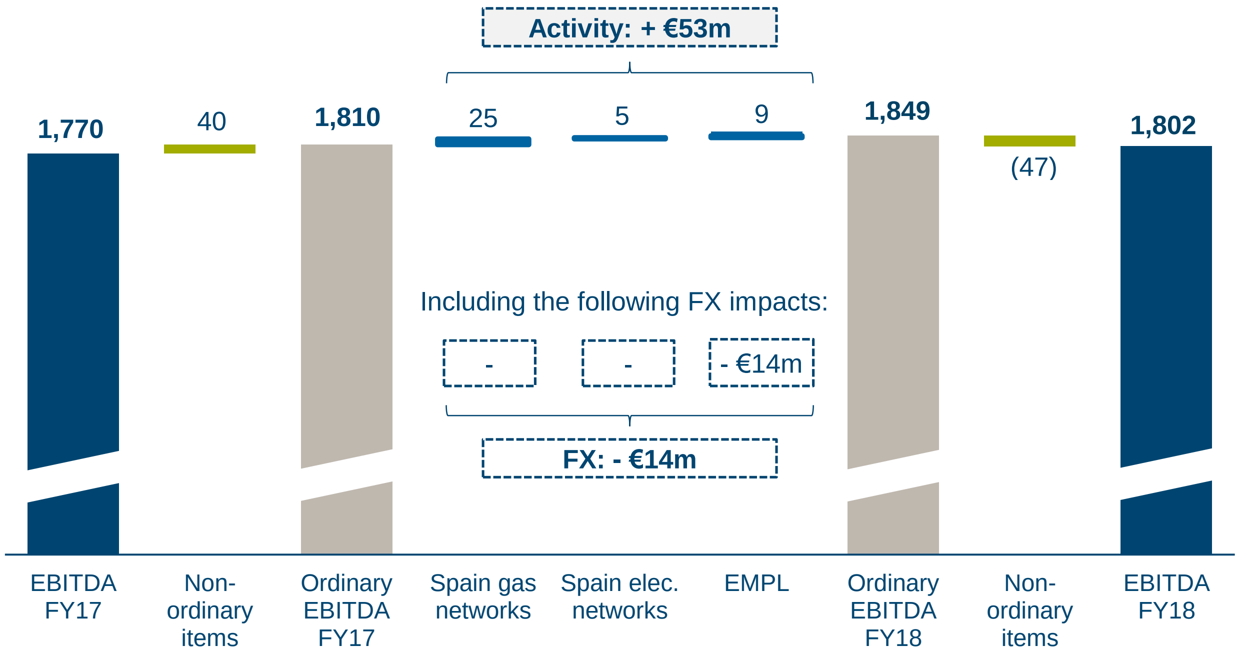
- ✓ **Gas, Power & services sales**: higher gas margins partially offset by margin pressure in power supply
- ✓ **International LNG:** higher sales and margins
- ✓ **Europe Power Generation:** higher prices and a less thermal generation mix countered by rising CO_2 costs and suspension of CCGTs availability capacity payments
- ✓ **International Power Generation:** new installed capacity and higher margins partially offset by FX impact

€1.1bn of total capex, of which **~90%** growth

EBITDA growth mainly driven by Gas supply and International LNG

Infrastructure EMEA

EBITDA evolution (€m)



Highlights

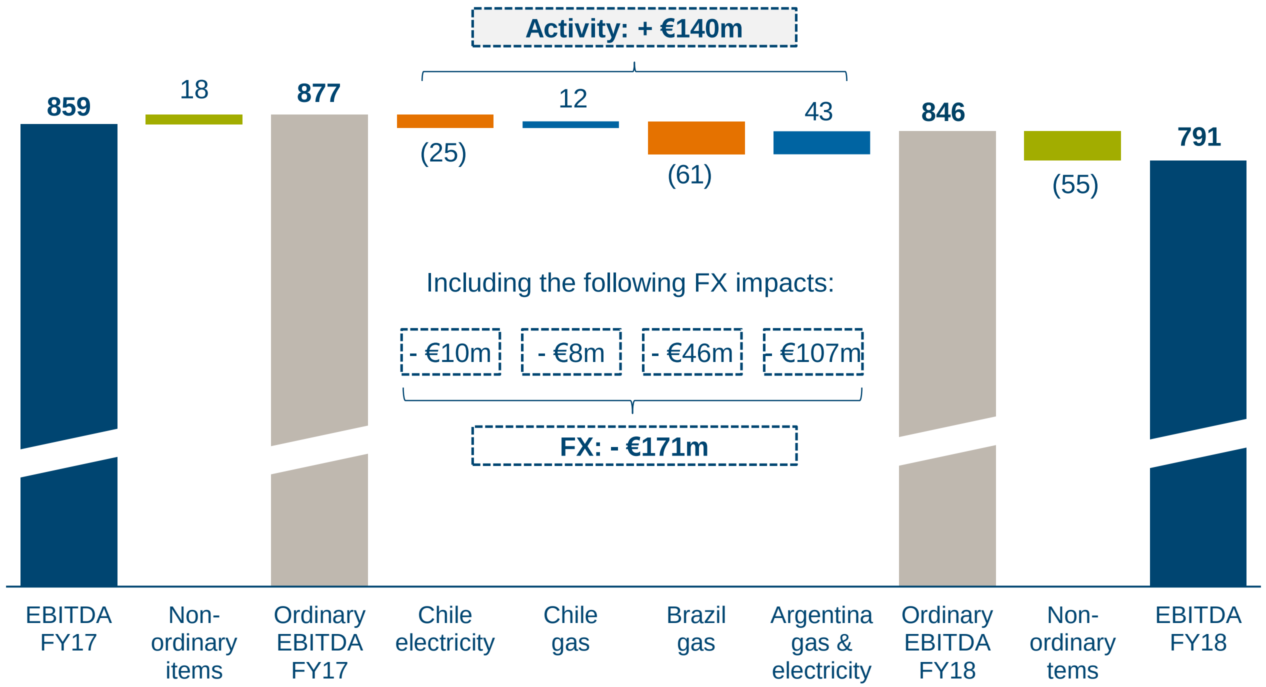
- ✓ **Spain gas networks:** operating growth and net efficiencies outweigh lower meter rental revenues
- ✓ **Spain electricity networks:** efficiency gains and accrual of investments brought into operation reduced by a one-off regularization
- ✓ **EMPL:** tariff increase offset by negative FX impact

€0.5bn of total capex, of which **~50%** growth

Steady growth across businesses

Infrastructure South LatAm

EBITDA evolution (€m)



Highlights

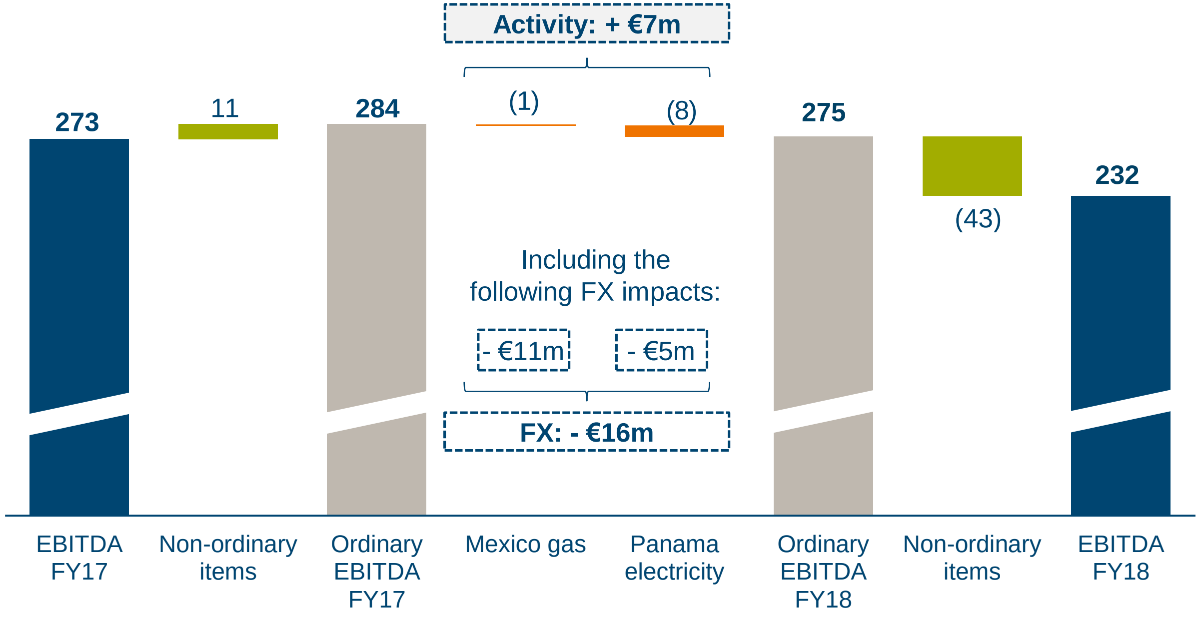
- ✓ **Chile electricity:** activity growth offset by lower revenues from prior years regularizations and FX impact
- ✓ **Chile gas:** higher revenues from tariff and sale price indexation offset by weaker sales and FX impact
- ✓ **Brazil gas:** tariff indexation and efficiencies not enough to make up for lower industrial and generation demand and FX impact
- ✓ **Argentina:** final implementation of the new tariff partially offsets the negative FX impact

€0.5bn of total capex, of which **~60%** growth

EBITDA impacted by FX and non-ordinary items

Infrastructure North LatAm

EBITDA evolution (€m)



Highlights

- ✓ **Mexico gas:** higher energy margins offset by FX impact and higher opex as a result of the commercial repositioning
- ✓ **Panama electricity:** activity growth negatively affected by milder weather and FX impact

€0.2bn of total capex, of which **~60%** growth

Results affected by FX and temporary effects

05

Summary 2018 and Outlook 2019

Summary 2018

A year of transformation

New Executive Chairman and shareholder structure

Leaner organization, higher business accountability and traceability

New Strategic Plan 18-22 and identity

2018 results

- Activity growth in all businesses impacted by FX
- Strong ordinary growth
  - ~12% EBITDA
  - ~57% Net Income
- Investing for the future
  - 1.6 €bn growth capex
  - ~70% Of total Capex
- Improving risk profile and costs optimization
  - 1.5 €bn net debt reduction
  - ~110 €m efficiencies
- Shareholder remuneration
  - +30% Dividend increase vs. 2017
  - 145 €m share buy-back completed[1]

2018 has set the foundations for the group's transformation

Note:
1. As of 29 January 2019

Outlook 2019 by business unit

Group/Business unit	Outlook 2019	Key drivers
Naturgy	↑	✓ **Additional ~€100m efficiencies across businesses (capture costs of ~€150m)** ✓ On track to achieve **€500m efficiencies by 2022**
Gas & Power	↑	✓ **Gas, Power and Services sales:** margins recovery supported by commercial repositioning ✓ **International LNG:** tighter market environment (above 70% of volumes secured) ✓ **Europe power generation:** new renewable capacity (~900MW); lower thermal contribution ✓ **International power generation:** new renewable capacity added at the end of FY18 (~180MW)
Infra EMEA	↑	✓ **Spain gas and electricity networks:** continued organic growth ✓ **EMPL:** annual tariff update

Growth mainly driven by higher supply margins, new renewable capacity and efficiencies

Outlook 2019 by business unit

Business unit	Outlook 2019	Key drivers
Infra South LatAm	↑	✓ **Chile electricity:** activity improvement and tariff increase ✓ **Chile gas:** costs and capex optimization ✓ **Brazil gas:** inflation recognition in tariffs and commercial repositioning ✓ **Argentina:** inflation recognition in final tariffs
Infra North LatAm	↑	✓ **Mexico gas:** tariff increase ✓ **Panama electricity:** new regulatory period

Positive outlook driven by organic growth, updated tariffs and efficiencies

Outlook 2019 under last month scenario

(€bn)

EBITDA[1]	Net Income[1]	Capex	Net Debt (IFRS16)
~4.6	~1.4	~2.0	~15.2
vs. 4.0 in 2018	vs. -2.8 in 2018	of which ~65% growth	vs. 15.3 in 2018

Dividend[2] 1.37 €/share +5% vs 2018

Share buy-back €400m

Notes:
1. EBITDA and Net Income 2019E after the ~ €150m capture costs in efficiencies
2. Payment calendar: 1H19 (1st interim), 3Q19 (2nd interim) and after 2020 AGM (complementary)

FY18 results

Q&A

Appendix

Alternative Performance Metrics

Naturgy's financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS.

The chosen APMs are useful for persons consulting the financial information as they allow an analysis of the financial performance, cash flows and financial situation of Naturgy, and a comparison with other companies.

Below is a glossary of terms with the definition of the APMs. Generally, the APM terms are directly traceable to the relevant items of the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows or Notes to the Financial Statements of Naturgy. To enhance the traceability, a reconciliation is presented of the calculated values.

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		31 december 2018	31 december 2017	
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 (1)	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.
OPEX	Personnel expenses + Own work capitalised + Operating expenses (without Taxes) - Concession construction or improvements services (IFRIC 12) that are also registered as an income	Euros 2,436 million = 1,010 + 115 + 1,816 - 437 - 68	Euros 2,534 million = 1,009 + 122 + 1,969 - 450 - 116	Amount registered in the income statement regarding to operating expenses, without considering the ones matched with income of the same amount and Taxes.
Ordinary Net income	Attributable net income of the period - Non-ordinary items (1)	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 (2) + "Current financial liabilities" (2)	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 (Net debt)	Gross financial debt (5)- "Cash and cash equivalents" (2) - "Derivative financial assets" (4) (Note 18)	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.
Net financial debt/EBITDA	Net financial debt (5) / EBITDA (5)	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 (5) (IFRS 16) / EBITDA (5)	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 (FCF)	Cash flow generated from operating activities (3) + Cash flows from investing activities (3) + Cash flow generated from financing activities (3) - Receipts and payments on financial liability instruments (3)	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.

(1) No ordinary items are detailed in slide 14
(2) Consolidated Balance Sheet item
(3) Consolidated Statement of Cash Flows item
(4) Figure detailed in the Notes to the Consolidated Finantial Statements
(5) Figure detailed in the APM

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