1Q19 results

30 April 2019

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1. Executive summary

	reported			ordinary		
(€m)	1Q19	1Q18	Change	1Q19	1Q18	Change
EBITDA	1,119	1,053	6.3%	1,167	1,104	5.7%
Net income	341	320	6.7%	377	326	15.8%
Capex	301	533[1]	-43.5%	-	-	-
Net debt (at 31/03)	15,123	15,310[2]	-1.2%	-	-	-
Free cash flow after minorities	983	1,987	-50.5%	-	-	-

Note:
1. Including €185m related to one LNG tanker in time-charter regime incorporated during 1Q18 (non-cash investments)
2. As of 31/12/2018. IFRS16 adjustment.

- The beginning of 2019 has been marked by the solid performance of the Infrastructure businesses and the stability in Gas & Power despite a more challenging energy scenario compared to the previous year.
- On the Infrastructure side, relevant tariff updates in Latin America, recognizing the FX and inflation movements during 2018, together with stability in the European operations, have contributed to an overall strong performance in the quarter. In Gas & Power, first quarter results are unchanged vs. the same period last year supported by the company's new commercial policies which, together with efficiencies and new renewable capacity, have helped offset the global decline in gas prices during the quarter.
- During the first quarter of the year, Naturgy has continued to make progress on its efficiency plan and the gradual de-risking of its business profile.
- The efficiencies achieved since the launch of the SP 18-22 are noticeable across the businesses and will remain a key driver of performance going forward. In this respect, the company has incurred additional capture costs of €50m during 1Q19, accounting for the bulk of non-ordinary effects in the quarter. Naturgy is on track to deliver the €100m additional efficiencies expected for 2019, and reiterates its total commitment of €500m efficiencies by 2022.
- In terms of de-risking, visibility in the Infrastructure LatAm businesses has improved as a result of the recent tariff updates and the company has continued to work on improving the risk profile of its merchant activities. As such, in International LNG, for example, Naturgy has already secured approximately 90% of its LNG volumes for the year while in Power supply, it has continued to reduce its portfolio of fixed price sales contracts with a view to reduce pool price risk by matching fixed contracts to the company's infra marginal production via PPA's.
- Naturgy also continues to deliver on shareholder remuneration. On 20 March 2019, the company paid out its final dividend against 2018 results, amounting to €0.57 per share, thus fulfilling its commitment to a total dividend payment of €1.30 per share for the year 2018 (+30% vs. 2017). Furthermore and since the beginning of its strategic plan until 31 March 2019, Naturgy has invested €237m to buy back own shares as part of its €400m annual share buy-back program to be completed by the end of June 2019. In this respect, the Ordinary General Shareholders' Meeting held in March 2019, approved the reduction in share capital of the company through the amortization of the shares bought under the program.
- Naturgy's solid results and increased focus on cash flow generation, has allow it to reduce its net debt levels in the quarter, despite the cash outflows related to shareholder remuneration and the investments in the development of its renewable projects and networks businesses. During the first quarter of 2019, ratings agencies S&P and Moody's re-affirmed its long term rating at BBB and Baa2 respectively, both with stable outlook.

Summary – 1Q19 results

- Business performance during 1Q19 has been marked by the solid performance of the Infrastructure businesses and the stability in Gas & Power, despite the development of a more challenging scenario vs. last year.
- EBITDA in 1Q19 reached €1,119m after non-ordinary effects. Stripping these out, ordinary EBITDA rose 6% to €1,167m mainly supported by the improvement in the Infrastructure businesses and the efficiencies across businesses.
- Net income in 1Q19 amounted to €341m while ordinary Net income rose 16% to €377m, supported by the activity improvement and lower D&A.
- Total capex amounted to €301m in the period, mainly reflecting ongoing investments in renewable projects as well as investments in remunerated networks, consistent with our golden rules of investment.
- As of 31 March 2019, net debt amounted to €15,123m, down 1% vs. 31 December 2018, thanks to the increased focus on cash flow generation of the company and despite the €560m dividend payment and €135m shares bought back during the quarter. As a result, Net Debt/LTM EBITDA declined to 3.7x from 3.8x as of 31 December 2018.
- All in all, the 1Q19 results continue to 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 main transactions completed in 2018 with an impact in comparability in 1Q19 vs. 1Q18 results are the following:

  - The disposal of the gas distribution and supply business in Italy, together with the transfer of the gas supply contract. The contribution of these businesses in 1Q18 was €174m recognised under "Income from discontinued operations" in the consolidated income statement.
  - The disposal of the remaining 41.9% of the gas distribution business in Colombia. The contribution of this business in 1Q18 was €6m 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 as of 31 March 2018, but with no relevant impact on the P&L for comparison purposes.
  - In December 2018 the sale of Kangra Coal was completed for an equity value of €28m. The EBITDA contribution of this business in 1Q18 was €-5m.

  On 12 April 2019 Naturgy announced an agreement for the sale of 100% of its interests in its Moldova electricity distribution activities. The transaction values the Companies equity at €141m (including pre-closing dividends) and is not expected to generate significant capital gains for Naturgy. The completion of the transaction is expected to occur prior to the end of June 2019, subject to the satisfaction of certain conditions and approvals.

Non-ordinary items

Non-ordinary items are summarized below:

	EBITDA		Net income	
(€m)	**1Q19**	**1Q18**	**1Q19**	**1Q18**
Gas transport & procurement retroactivity	-	-5	-	-4
Chile extraordinary expenses	-	-32	-	-20
Restructuring costs	-50	-14	-37	-14
Asset write-down	-	-	-	-170
Discontinued operations and minority interests	-	-	-	202
Sales of land and buildings	2	-	1	-
Total non ordinary items	**-48**	**-51**	**-36**	**-6**

- **At the EBITDA level, non-ordinary impacts amount to -€48m**, most of them corresponding to capture costs derived from the implementation of the efficiency plan.

- At the **Net income level, non-ordinary items amount to -€36m**, also driven by the capture costs mentioned above.

Foreign exchange impact

Exchange rate fluctuations in the period are summarized below:

	YTD Mar '19	Change (%)	FX effect (€m)	
			EBITDA	Net income
€/USD	1.14	-7.3%	15	7
€/MXN	21.80	-5.3%	4	1
€/BRL	4.28	7.3%	-4	-1
€/ARS[1]	48.65	101.1%	-11	-6
€/CLP	757.18	2.3%	-2	-1
Total	**-**	**-**	**2**	**-**

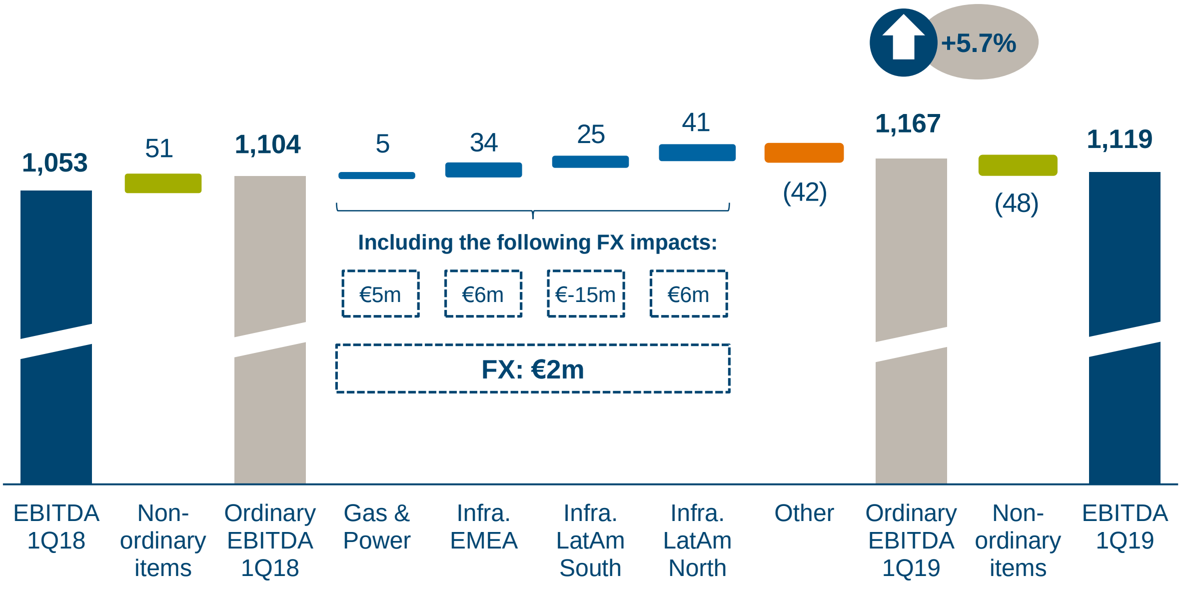
Note:
1. Exchange rate as at 31 December 2018 as a consequence of considering Argentina as an hyperinflationary economy

3. Consolidated results

(€m)	reported 1Q19	reported 1Q18	reported Change	ordinary 1Q19	ordinary 1Q18	ordinary Change
Net sales	6,349	6,386	-0.6%	6,349	6,386	-0.6%
EBITDA	**1,119**	**1,053**	**6.3%**	**1,167**	**1,104**	**5.7%**
Depreciation, amortisation and impairment expenses	-389	-590	-34.1%	-389	-420	-7.4%
Impairment of credit losses	-33	-29	13.8%	-33	-29	13.8%
EBIT	**697**	**434**	**60.6%**	**745**	**655**	**13.7%**
Financial result	-167	-160	4.4%	-167	-160	4.4%
Profit/(loss) of companies measured under the equity method	21	15	40.0%	21	15	40.0%
Income tax	-119	-99	20.8%	-131	-108	21.9%
Income from discontinued operations	-	183	-	-	-	-
Non-controlling interest	-91	-54	68.5%	-91	-77	18.2%
Net income	**341**	**320**	**6.7%**	**377**	**326**	**15.8%**

- **Net sales totaled €6,349m in 1Q19,** broadly in line with respect to 1Q18.
- Consolidated **EBITDA in the period** amounted to €1,119m, a 6.3% increase vs. 1Q18, driven by an increase in activity as well as by efficiencies. **Stripping out non-ordinary effects, ordinary EBITDA grew by 5.7%**.
- 1Q19 was marked by **solid performance of the infrastructure business** and **stability in Gas & Power**.

EBITDA evolution (€m)



	reported			ordinary		
(€m)	1Q19	1Q18	Change	1Q19	1Q18	Change
Gas & Power	401	399	0.5%	409	404	1.2%
Infrastructure EMEA	446	441	1.1%	475	441	7.7%
Infrastructure LatAm South	193	137	40.9%	194	169	14.8%
Infrastructure LatAm North	101	60	68.3%	101	60	68.3%
Rest	-22	16	-	-12	30	-
Total	**1,119**	**1,053**	**6.3%**	**1,167**	**1,104**	**5.7%**

- The **Financial result amounted to -€167m** (+4.4%) driven by higher cost of financial debt, the later due to the addition to this caption of the financial cost corresponding to IFRS 16 adjusted debt (€25m). The average cost of gross financial debt for 1Q19 stands at 3.2%[1], and 86% of the debt is at fixed rates.

	reported		
Financial result (€m)	**1Q19**	**1Q18**	**Change**
Cost of net financial debt	-156	-138	13.0%
Other financial expenses/income	-11	-22	-50.0%
Total	**-167**	**-160**	**4.4%**

- **Equity-accounted affiliates** contributed €21m in 1Q19 mostly as a result of the contributions from CGE subgroup affiliates (€11m) and Ecoeléctrica (€8m).

- The **effective tax rate** as of 31 March 2019 stood at 21.6%.

- In 1Q19 there was no contribution **from discontinued** operations. 1Q18 discontinued operations contributed to the P&L as detailed below:

	reported
Income from discontinued operations (€m)	**1Q18**
Colombia gas	6
Italy	174
Kenya	1
Moldova	7
Kangra	-5
Total	**183**

Note:
1. Cost from IFRS 16 debt not included

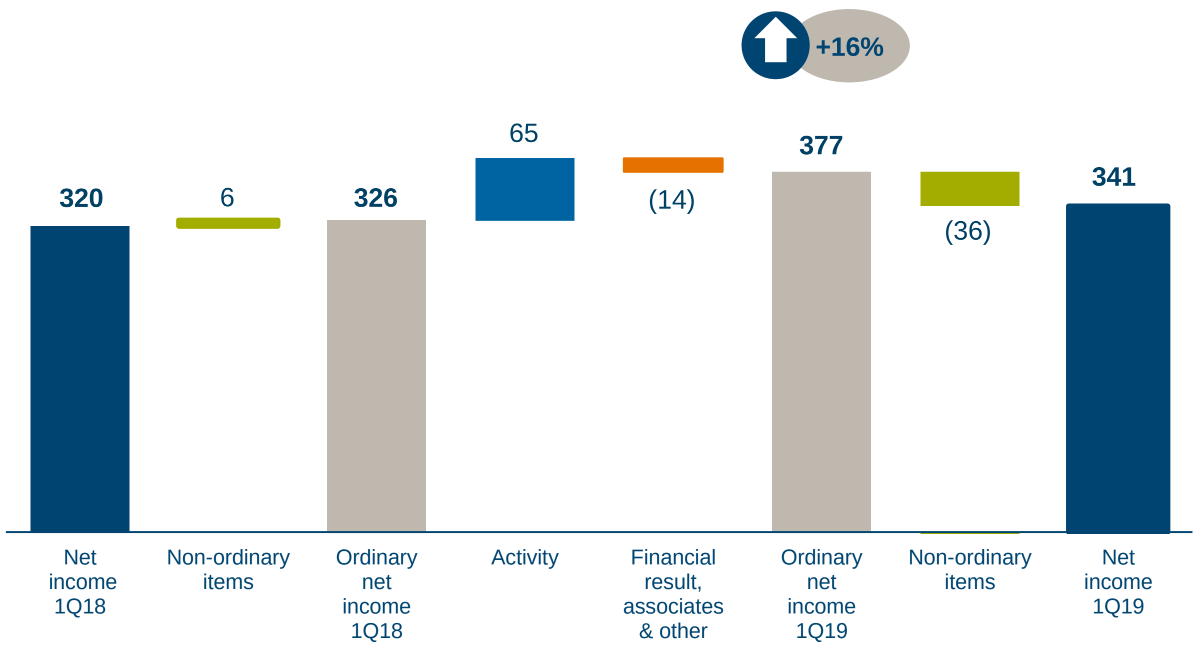
› **Income attributed to non-controlling interests** amounted to -€91m in 1Q19:

Income attributed to non-controlling interests (€m)	1Q19 (reported)	1Q18 (reported)	Change (reported)
EMPL	-14	-13	7.7%
Nedgia	-17	-1	-
Other affiliates[1]	-45	-25	80.0%
Other equity instruments [2]	-15	-15	0.0%
Total	**-91**	**-54**	**68.5%**

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 1Q19 amounted to €341m, up 6.7%. **Excluding non-ordinary items, it grew 15.8% to €377m,** mostly driven by an overall improvement in activity and lower D&A.

Net income evolution (€m)



4. Results by business unit

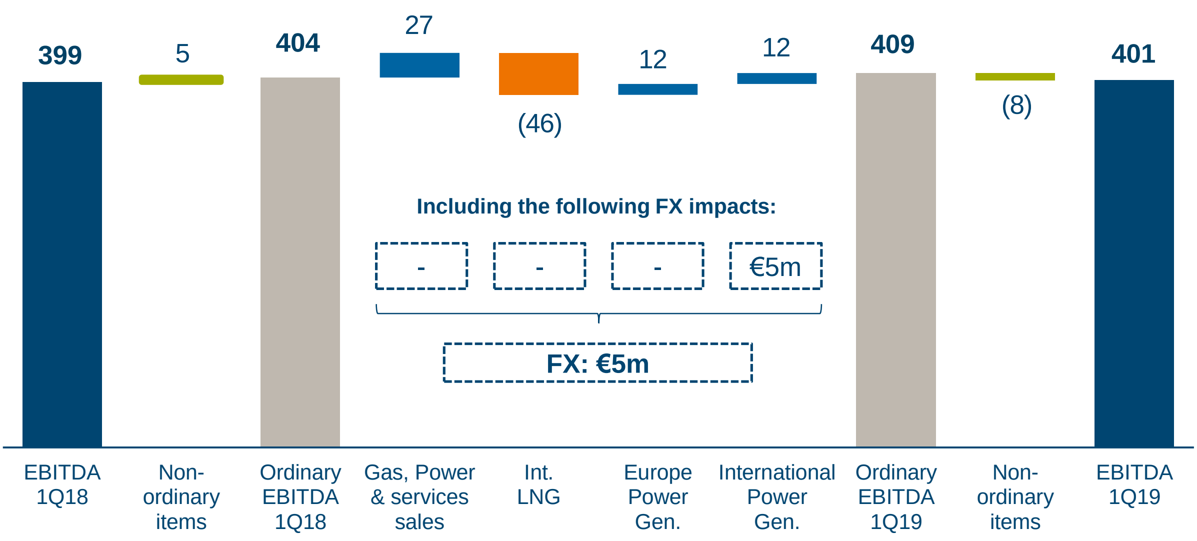
Gas & Power

	reported			ordinary		
EBITDA (€m)	**1Q19**	**1Q18**	**Change**	**1Q19**	**1Q18**	**Change**
Gas, power and services sales	110	81	35.8%	113	86	31.4%
International LNG	109	156	-30.1%	110	156	-29.5%
Europe power generation	102	93	9.7%	105	93	12.9%
International power generation	80	69	15.9%	81	69	17.4%
Total	**401**	**399**	**0.5%**	**409**	**404**	**1.2%**

Please refer to Annex for additional P&L disclosure

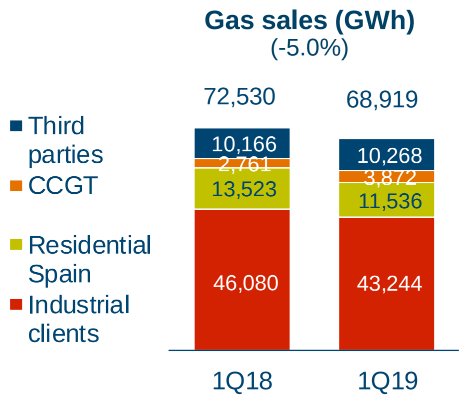
Ordinary EBITDA advanced 1.2% during the quarter, with a strong performance from Gas, power and service sales which, together with generation (Spain and International), offset the weakness in International LNG.

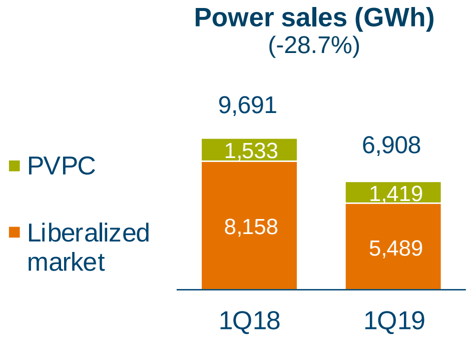
EBITDA evolution (€m)

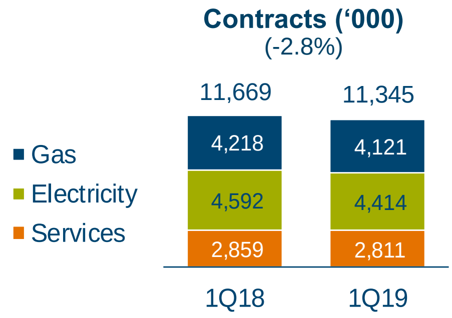


Gas, power & services sales

- **Ordinary EBITDA rose to €113m in 1Q19 from €86m in 1Q18** mainly as a result of i) lower opex due to efficiency measures and the new commercial strategy. Power margins declines due to higher pool prices were limited thanks to the company's new commercial strategy which has reduced the number of fixed price contracts. And ii) higher gas margins that offset the lower sales in the Spanish industrial and retail segments.
- Gas sales declined by 5.0% in the quarter as a result of lower sales in the Spanish residential and industrial segments (-14.7% and -6.2% respectively), partially compensated by higher sales to CCGTs (+40.2%) and third parties (+1.0%).
- Power sales fell by 28.7% in the quarter mostly resulting from lower sales in the industrial segment, following our strategy to focus on profitable clients and reduce fixed-price selling contracts to match our infra-marginal production.

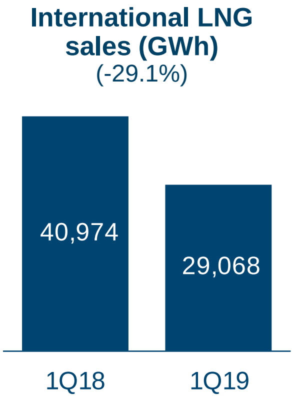






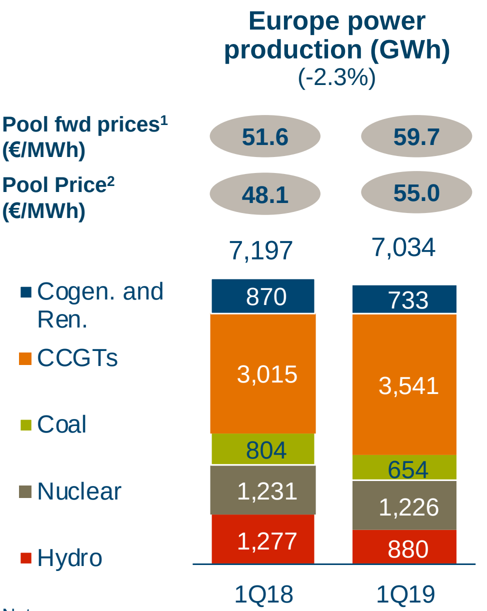
International LNG

- **Ordinary EBITDA reached €110m, down 29.5%,** as a result of lower volumes and smaller margins in short-term sales. As mentioned in the past, market conditions in 1Q18, and during year 2018 as a whole, were extraordinary and should not be extrapolated for year 2019.
- Volumes sold declined by 29.1% vs. 1Q18 because of the reduction in short-term sales (-43%). Long-term sales continue to show a healthy growth (+64%) supported by the commercial efforts intended to reduce margin volatility through the lengthening of the average maturity of our contracts.

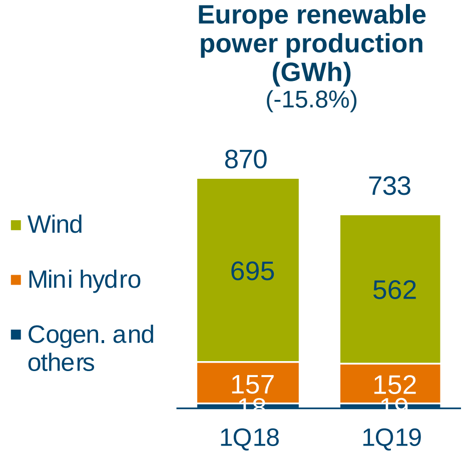


Europe Power Generation

- **1Q19 Ordinary EBITDA amounted to €105m, up 12.9%,** mainly driven by higher margins in renewable and infra-marginal production which more than offset the lower production, higher CO_2 prices and lower availability capacity payments for CCGTs.
- The lower load factors in infra-marginal technologies, namely a 15.8% decrease in renewable generation (as a consequence of lower wind resource) and a 31.1% decrease in hydro production, together with a 18.7% decrease in coal production drove a 17.5% increase in CCGT's.
- Pool prices were impacted by the higher thermal gap, averaging in the quarter €55.0/MWh, up 14.3% vs. 1Q18.
- Naturgy continues to increase its renewable exposure through the development of 667MW of wind and 250MW of solar projects awarded in the Spanish auctions, all of which are expected to come into operation during 2019. As such, the operating installed capacity as of 31 March 2019 reached 1,318MW, a 14.9% increase over one year prior.

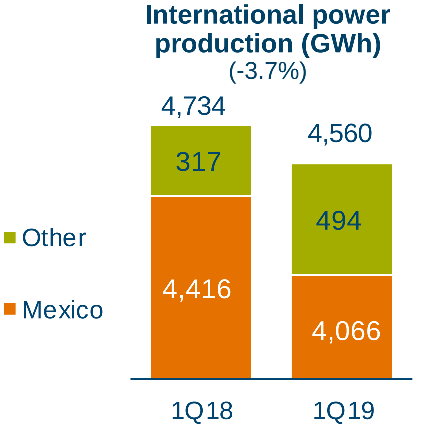


Notes:
1. Monthly average of the 12-month forward Spanish base prices in the Iberian Energy Derivatives Exchange (OMIP) in the period
2. Average price in the daily power generation market



International Power Generation

- **Ordinary EBITDA in the period reached €81m, up 17.4%**. Growth was supported by new installed capacity put into operation in 2018, together with better margins of excess energy sales in Mexico and merchant sales in Dominican Republic. The above were partially offset by lower PPA revenues in Mexico due to maintenance works.



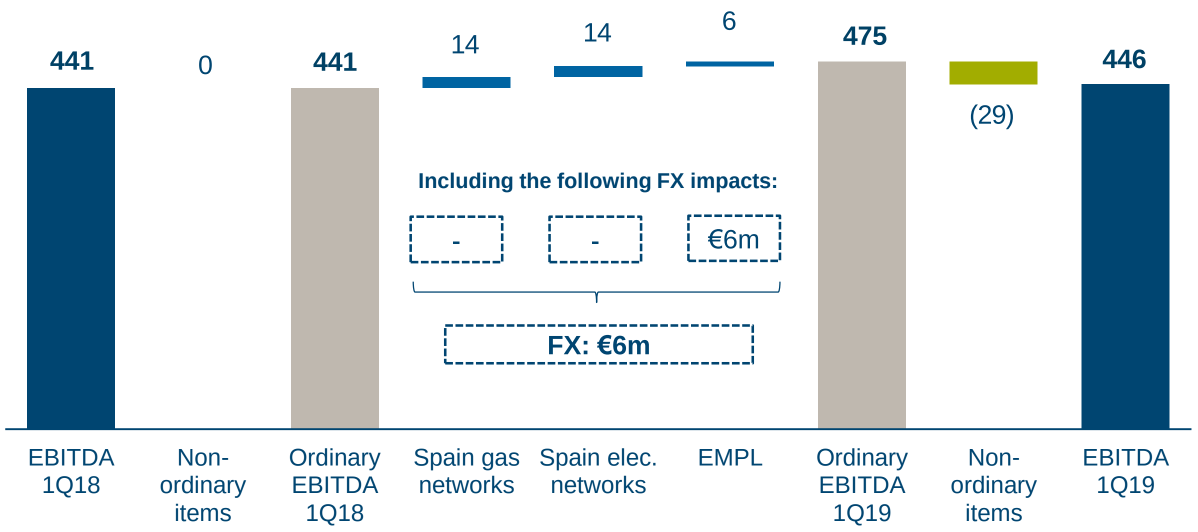
Infrastructure EMEA

	reported			ordinary		
EBITDA (€m)	**1Q19**	**1Q18**	**Change**	**1Q19**	**1Q18**	**Change**
Spain gas networks	209	212	-1.4%	226	212	6.6%
Spain electricity networks	159	157	1.3%	171	157	8.9%
EMPL	78	72	8.3%	78	72	8.3%
Total	**446**	**441**	**1.1%**	**475**	**441**	**7.7%**

Please refer to Annex for additional P&L disclosure

Ordinary EBITDA reached €475m (+7.7%) in the quarter as a result of a good performance across all businesses and efficiencies.

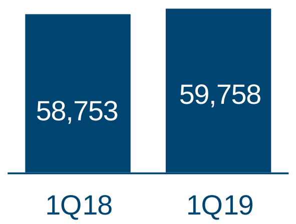
EBITDA evolution (€m)



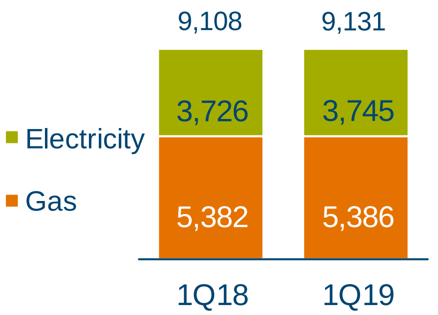
Spain gas networks

- **Ordinary EBITDA in 1Q19 increased 6.6% to €226m,** mainly driven by lower opex from efficiency improvements and modest sales growth in a mild winter.
- Gas sales and connection points grew by 1.7% and 0.1% respectively.

Gas sales Spain (GWh)
(+1.7%)



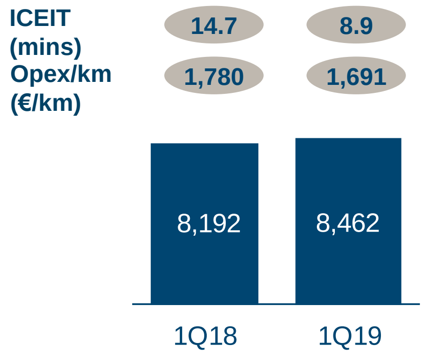
Connection points ('000)
(+0.3%)



Spain electricity networks

- **1Q19 Ordinary EBITDA amounted to €171m, an 8.9% increase** with respect to 1Q18 due to efficiency gains (+€10m) the accrual of new investments brought into operation and lower interruption times vs 1Q18.
- Unitary opex per km of installed network continue to improve, decreasing 5% during the quarter to 1,691 €/km.

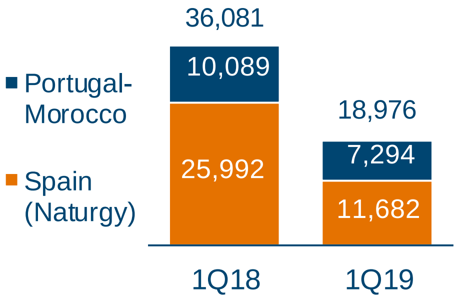
Electricity sales Spain (GWh)
(+3.3%)



EMPL

- **1Q19 Ordinary EBITDA increased by 8.3% to €78m.** Growth on the back of tariff and FX impact, which more than offset lower transported gas. The above illustrates the low sensitivity of EBITDA to volume.

Gas transport (GWh)
(-47.4%)



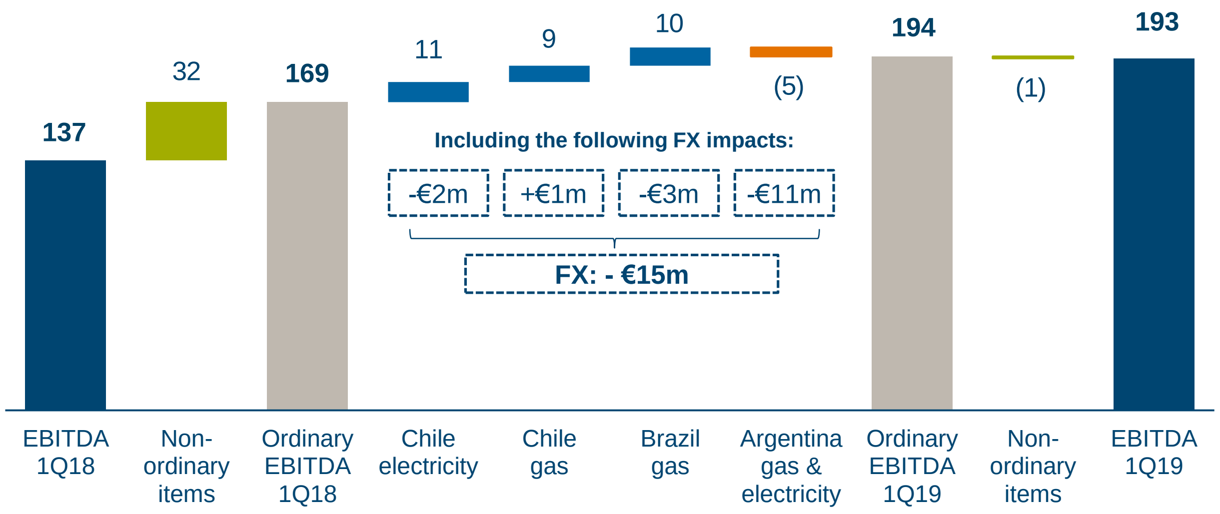
Infrastructure South LatAm

	reported			ordinary		
EBITDA (€m)	**1Q19**	**1Q18**	**Change**	**1Q19**	**1Q18**	**Change**
Chile electricity	87	55	58.2%	87	76	14.5%
Chile gas	38	18	111.1%	38	29	31.0%
Brazil gas	58	49	18.4%	59	49	20.4%
Argentina gas and electricity	11	16	-31.3%	11	16	-31.3%
Peru gas	-1	-1	0.0%	-1	-1	0.0%
Total	**193**	**137**	**40.9%**	**194**	**169**	**14.8%**

Please refer to Annex for additional P&L disclosure

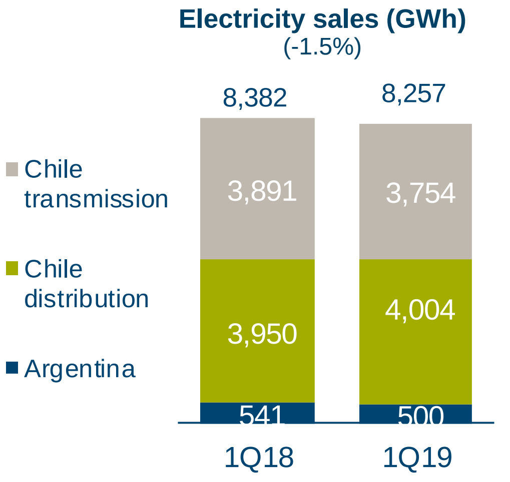
Ordinary EBITDA amounted to €194m in the period, 14.8% higher than the previous year, driven by tariff updates and efficiencies despite the negative FX evolution (-€15m).

EBITDA evolution (€m)



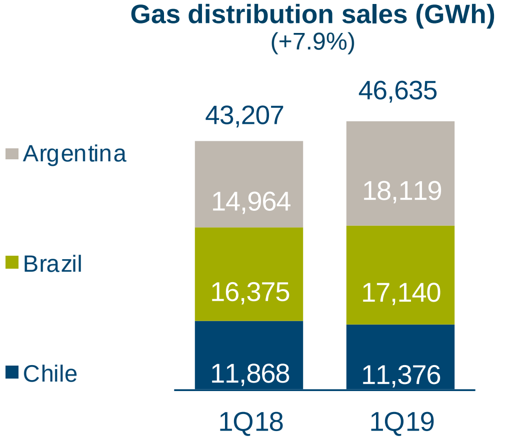
Chile electricity

- **1Q19 Ordinary EBITDA reached €87m, up 14.5% vs. 1Q18**, mainly as a result of i) higher regulated revenues and tariff indexation, and ii) lower opex from efficiency improvements. The above were partially offset by negative FX impact.
- At the operating level, the business experienced growth in connection points (+2.5%) and a slight decrease in overall electricity sales (-1.5%).



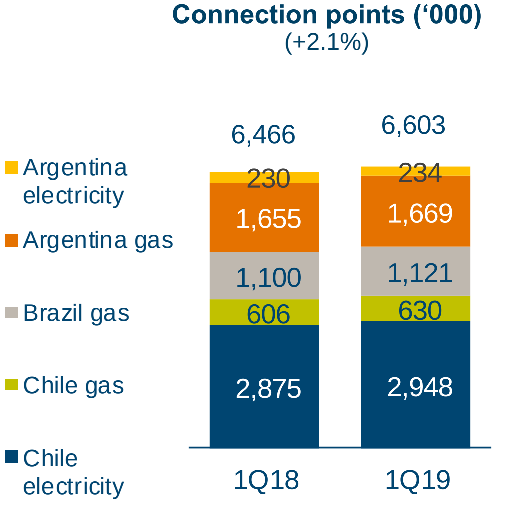
Chile gas

- **Ordinary EBITDA totaled €38m, 31.0% more** than 1Q18, pushed by i) higher margins in supply and the residential and domestic segments, ii) higher demand in the supply activity, and iii) tariff indexation and efficiency improvements.
- The demand increase in the supply activity was offset by a 6.6% reduction in gas distributed to the industrial/power generation segments. Connection points increased by 4.0%.



Brazil gas

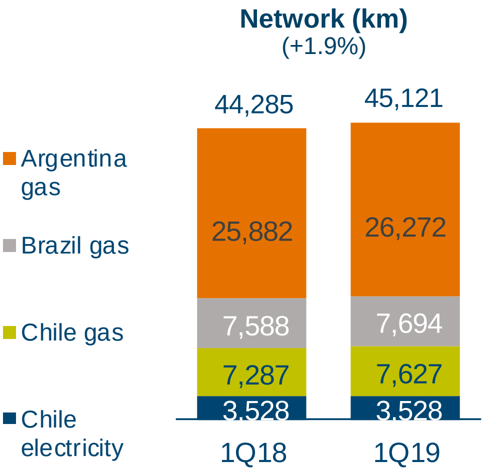
- **1Q19 Ordinary EBITDA increased 20.4% to €59m** on the back of tariff indexation and efficiency improvements, which were partially offset by lower demand in the residential segment.
- Overall gas sales and connection points grew by 4.7% and 1.9% respectively.



Argentina gas and electricity

- **1Q19 Ordinary EBITDA amounted to €11m, a 31.3% decrease** over 1Q18 mainly as a result of the negative FX impact (-€11m). Not considering this impact, EBITDA would have grown over 37% on the back of i) the final application of the new tariff framework in April 2018, ii) tariff indexation, and iii) demand growth.

- Overall sales and connection points grew in the period by 20.1% and 0.9% respectively, the former driven by industrial, GNV and TPA.



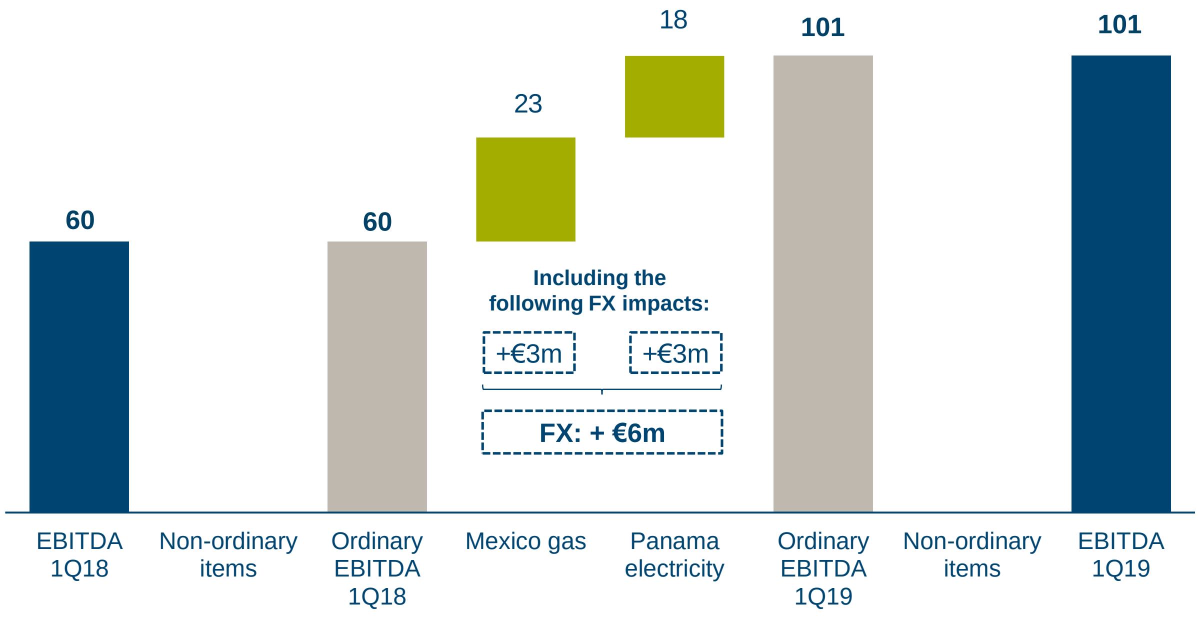
Infrastructure North LatAm

	reported			ordinary		
EBITDA (€m)	**1Q19**	**1Q18**	**Change**	**1Q19**	**1Q18**	**Change**
Mexico gas	61	38	60.5%	61	38	60.5%
Panama electricity	40	22	81.8%	40	22	81.8%
Total	**101**	**60**	**68.3%**	**101**	**60**	**68.3%**

Please refer to Annex for additional P&L disclosure

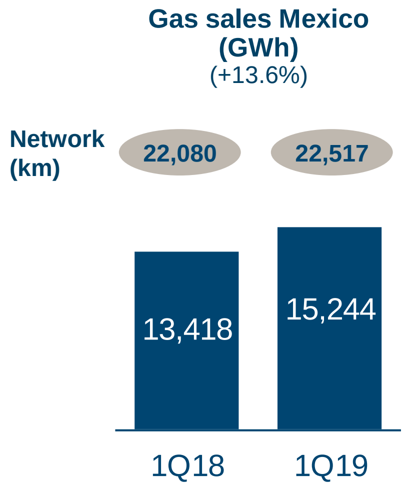
1Q19 Ordinary EBITDA amounted to €101m, up 68.3%, on the back of positive regulatory impacts, higher demand and efficiency improvements.

EBITDA evolution (€m)



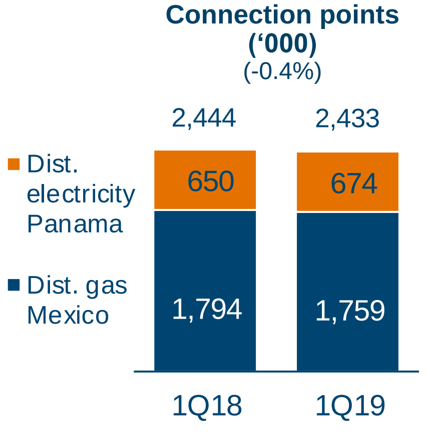
Mexico gas

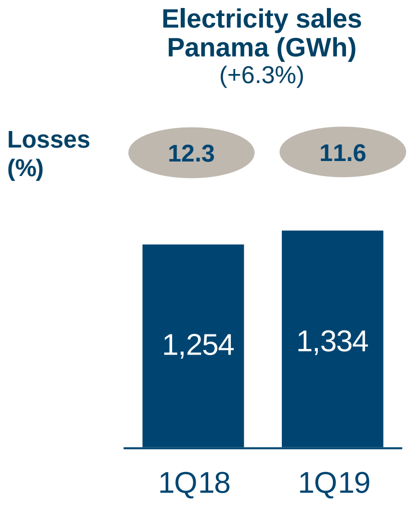
- **1Q19 Ordinary EBITDA increased 60.5% to €61m.**
- The positive evolution of the business was driven by i) the regulatory tariff update and annual tariff indexation, ii) demand growth, iii) better supply margins, and iv) efficiency improvements. In addition to these, there has been a positive €3m FX impact.
- The new commercial strategy, aimed at improving customer profitability, explains the reduction in connection points (-2.0%).



Panama electricity

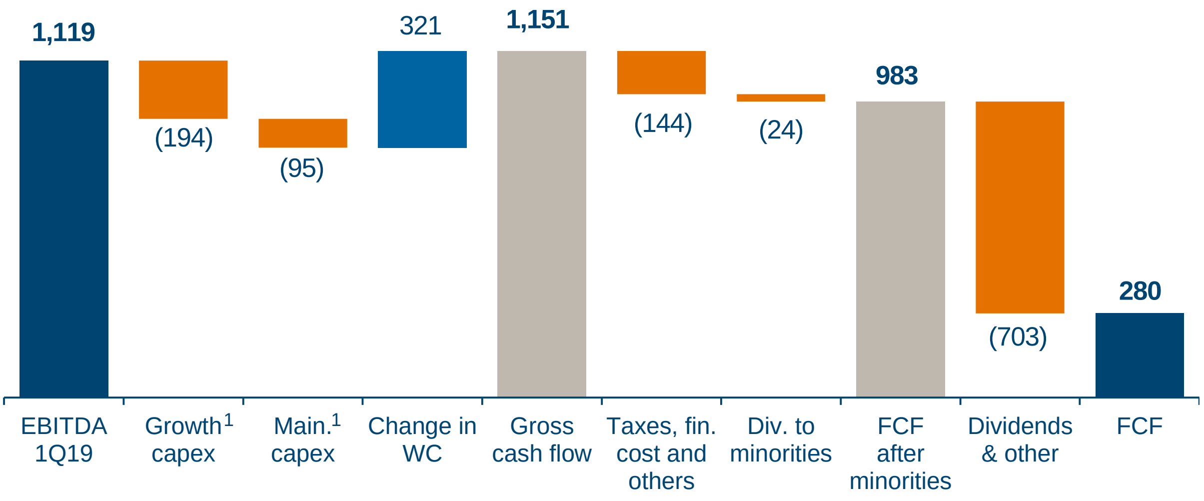
- **1Q19 Ordinary EBITDA amounted to €40m, 81.8% higher** than in 1Q18
- The positive evolution was due to the tariff update under the new regulatory period and the higher demand / temperatures as well as efficiency improvements. A €3m positive FX impact added to the good operational performance.
- Electricity sales and connection points grew by 6.3% and 3.8% respectively.





5. Cash flow

Cash flow evolution (€m)



Notes:

1. Net of cessions and contributions

- **1Q19 free cash flow after minorities amounted to €983m.** In addition to the stronger operating results, the company has experienced a positive evolution of its working capital, which is explained by an increased focus on working capital management as well as other seasonal circumstances occurring in the period.

- **Free cash flow after minorities** was mostly allocated to the payment of dividends and net debt reduction.

Capex

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

	Maintenence capex		
(€m)	**1Q19**	**1Q18**	**Change**
Gas & Power	31	18	72.2%
Infrastructures EMEA	30	29	3.4%
Infrastructures LatAm South	24	57	-57.9%
Infrastructures LatAm North	9	12	-25.0%
Rest	2	5	-60.0%
Total investments	**96**	**121**	**-20.7%**

- **Maintenance capex in 1Q19** amounted to €96m, compared to €121m in 1Q18, a 20.7% reduction resulting from capex optimization, most importantly in the infrastructure businesses.

Growth capex			
(€m)	1Q19	1Q18	Change
Gas & Power	110	276[1]	-60.1%
Infrastructures EMEA	49	45	8.9%
Infrastructures LatAm South	30	65	-53.8%
Infrastructures LatAm North	16	26	-38.5%
Rest	-	-	-
Total investments	**205**	**412**	**-50.2%**

Note:

1. Including €185m related to one LNG tanker in time-charter regime incorporated during 1Q18 (non-cash investments)

- **Growth capex** in the period represented approximately 70% of total capex, and amounted to €205m, down from last year's €412m. This reduction is explained by the acquisition in 1Q18 of one gas carrier for €185m. Excluding this, growth capex would have remained broadly stable.

- Growth capex in 1Q19 includes the following:

  - A total of €93m invested during the period in the construction of different renewable projects in Spain (wind and solar), with 138 MW already put in operation in 1Q19 and other 777 MW expected to come into operation during the year.
  - €3m invested in the development of 180 MW of wind capacity in Australia and 324 MW of wind and solar capacity in Chile that will come into operation before 3Q20 and 1Q21 respectively.

Wind farm in Cadiz (Spain)

PV plant in Ciudad Real (Spain)

Divestments

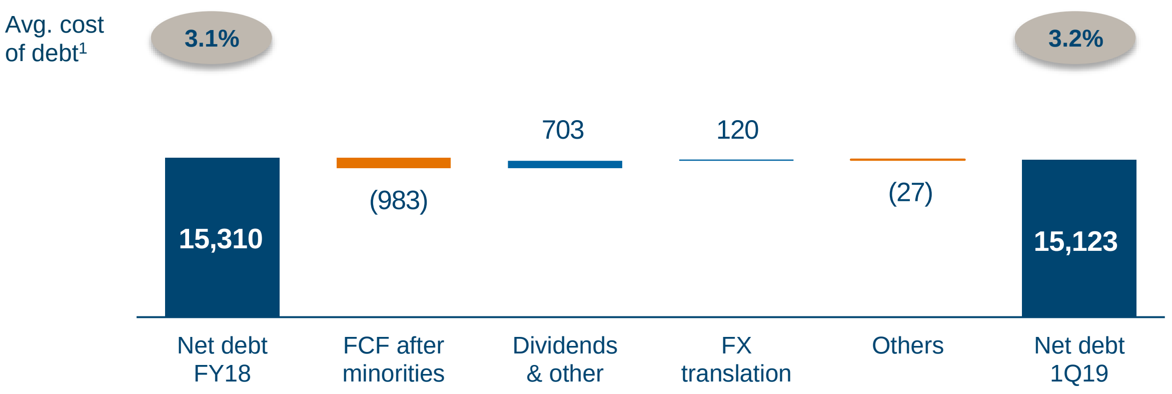
No significant divestments have been made during 1Q19. Nevertheless, on 12 April 2019 Naturgy announced an agreement for the sale of 100% of its interests in its Moldova electricity distribution activities. The transaction values the Companies equity at €141m (including pre-closing dividends) and is not expected to generate significant capital gains for Naturgy. The completion of the transaction is expected to occur prior to the end of June 2019, subject to the satisfaction of certain conditions and approvals.

6. Financial position

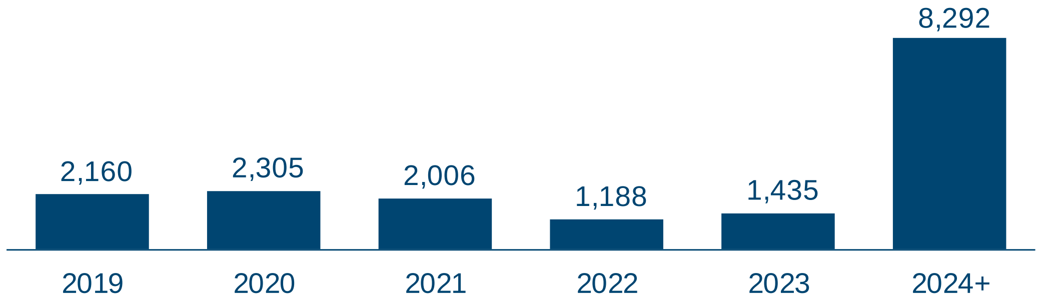
- Net debt as of 31 March 2019, already considering IFRS 16 adjustments, stood at €15,123m, down €187m over the net debt figure reported as of year-end 2018, and despite the €695m allocated to dividend payment and share buy-back, and the €120m increase due to FX translation impact. As a result, Net Debt/LTM EBITDA declined to 3.7x from 3.8x as of 31 December 2018.

- Naturgy advances on the optimization of its capital structure as outlined in its 2018-2022 Strategic Plan, and continues 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.

Net debt evolution (€m)



Gross debt maturities (€m)



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

Credit metrics	1Q19	FY18
EBITDA/Net financial debt cost	7.2	7.5
Net debt /LTM EBITDA	3.7	3.8

Financial debt by currency		Consolidated Group		Chile		Brazil	Argentina	Peru	Mexico	Panama	Holding & other
		Mar'19	Dec'18	CLP	USD	BRL	ARS	USD	MXN	USD	EUR/USD
Net financial debt	€m	15,123	15,310	2,047	20	223	9	59	354	554	11,857
Average cost of debt [1]	%	3.2	3.1	5.3	6.0	7.7	66.2	3.4	8.9	4.3	2.3
% fixed rated (gross debt)	%	86	87	73	58	2	2	7	54	59	95

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

Annexes

Annex I: Financial Statements

Consolidated income statement

(€m)	reported 1Q19	reported 1Q18	reported Change	ordinary 1Q19	ordinary 1Q18	ordinary Change
Net sales	6,349	6,386	-0.6%	6,349	6,386	-0.6%
Procurement	-4,677	-4,689	-0.3%	-4,677	-4,684	-0.1%
Gross margin	**1,672**	**1,697**	**-1.5%**	**1,672**	**1,702**	**-1.8%**
Operating expenses	-263	-332	-20.8%	-263	-300	-12.3%
Personnel costs	-272	-267	1.9%	-222	-253	-12.3%
Own work capitalised	24	26	-7.7%	24	26	-7.7%
Other operating income	48	56	-14.3%	46	56	-17.9%
Taxes	-90	-127	-29.1%	-90	-127	-29.1%
EBITDA	**1,119**	**1,053**	**6.3%**	**1,167**	**1,104**	**5.7%**
Depreciation, amortisation and impairment expenses	-389	-590	-34.1%	-389	-420	-7.4%
Impairment of credit losses	-33	-29	13.8%	-33	-29	13.8%
EBIT	**697**	**434**	**60.6%**	**745**	**655**	**13.7%**
Financial result	-167	-160	4.4%	-167	-160	4.4%
Profit/(loss) of companies measured under the equity method	21	15	40.0%	21	15	40.0%
Profit before taxes	**551**	**289**	**90.7%**	**599**	**510**	**17.5%**
Income tax	-119	-99	20.8%	-131	-108	21.9%
Income from discontinued operations	0	183	-100.0%	0	0	-
Non-controlling interest	-91	-54	68.5%	-91	-77	18.2%
Net income	**341**	**320**	**6.7%**	**377**	**326**	**15.8%**

Consolidated Balance Sheet

(€m)	31/03/2019	31/12/2018
Non-current assets	**32,941**	**32,301**
Intangible assets	7,901	7,845
Property, plant and equipment	19,814	20,707
Right of use assets	1,426	0
Equity-accounted investments	825	816
Non-current financial assets	901	910
Other non-current assets	355	334
Deferred tax assets	1,719	1,689
Current assets	**8,478**	**8,330**
Non-current assets available for sale	180	202
Inventories	798	850
Trade and other accounts receivable	4,903	5,134
Other current financial assets	360	428
Cash and cash equivalents	2,237	1,716
TOTAL ASSETS	**41,419**	**40,631**

(€m)	31/03/2019	31/12/2018
Equity	**14,582**	**14,595**
Equity attributable to the parent company	10,845	10,948
Non-controlling interest	3,737	3,647
Non-current liabilities	**18,493**	**19,029**
Deferred revenues	865	863
Non-current provisions	1,137	1,125
Non-current financial liabilities	13,924	13,352
Deferred tax liabilities	2,234	2,149
Other non-current liabilities	333	1,540
Current liabilities	**8,344**	**7,007**
Liabilities linked to non-current assets available for sale	97	93
Current provisions	335	297
Current financial liabilities	3,462	2,079
Trade and other accounts payable	4,067	4,067
Other current liabilities	383	471
TOTAL LIABILITIES AND EQUITY	**41,419**	**40,631**

Summary cash flow statement

(€m)	1Q19	1Q18	Change
EBITDA	**1,119**	**1,053**	**6.3%**
Growth capex	-194	-213	-8.9%
Maintenance capex	-95	-120	-20.8%
Change in working capital	321	-408	-
Gross Cash flow	**1,151**	**312**	**268.9%**
Taxes	-46	-24	91.7%
Net interest cost	-167	-160	4.4%
Dividends to minorities	-24	-3	-
Divestments	0	2,236	-100.0%
Others	69	-374	-
Free cash flow after minorities	**983**	**1,987**	**-50.5%**
Dividends, share buy-back & other	-703	-19	-
Net free cash flow	**280**	**1,968**	**-85.8%**

Quarterly EBITDA by business unit

(€m)	1Q19	2Q19	3Q19	4Q19	2019
Gas & Power	**401**	**-**	**-**	**-**	**-**
Gas, powery and services sales	110	-	-	-	-
International LNG	109	-	-	-	-
Europe power generation	102	-	-	-	-
International power generation	80	-	-	-	-
Infrastructures EMEA	**446**	**-**	**-**	**-**	**-**
Spain gas networks	209	-	-	-	-
Spain electricity networks	159	-	-	-	-
EMPL	78	-	-	-	-
Infrastructures LatAm South	**193**	**-**	**-**	**-**	**-**
Chile electricity	87	-	-	-	-
Chile gas	38	-	-	-	-
Brazil gas	58	-	-	-	-
Argentina gas	10	-	-	-	-
Argentina electricity	1	-	-	-	-
Peru gas	-1	-	-	-	-
Infrastructures LatAm North	**101**	**-**	**-**	**-**	**-**
Mexico gas	61	-	-	-	-
Panama electricity	40	-	-	-	-
Rest	**-22**	**-**	**-**	**-**	**-**
TOTAL EBITDA	**1,119**	**-**	**-**	**-**	**-**

(€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	0	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**

Accumulated EBITDA by business unit

(€m)	reported 1Q19	reported 1Q18	reported Change	ordinary 1Q19	ordinary 1Q18	ordinary Change	FX
Gas & Power	**401**	**399**	**0.5%**	**409**	**404**	**1.2%**	**5**
Gas, pow ery and services sales	110	81	35.8%	113	86	31.4%	-
International LNG	109	156	-30.1%	110	156	-29.5%	-
Europe pow er generation	102	93	9.7%	105	93	12.9%	-
International pow er generation	80	69	15.9%	81	69	17.4%	5
Infrastructures EMEA	**446**	**441**	**1.1%**	**475**	**441**	**7.7%**	**6**
Spain gas netw orks	209	212	-1.4%	226	212	6.6%	-
Spain electricity netw orks	159	157	1.3%	171	157	8.9%	-
EMPL	78	72	8.3%	78	72	8.3%	6
Infrastructures LatAm South	**193**	**137**	**40.9%**	**194**	**169**	**14.8%**	**-15**
Chile electricity	87	55	58.2%	87	76	14.5%	-2
Chile gas	38	18	111.1%	38	29	31.0%	1
Brazil gas	58	49	18.4%	59	49	20.4%	-3
Argentina gas and electricity	11	16	-31.3%	11	16	-31.3%	-11
Peru gas	-1	-1	0.0%	-1	-1	0.0%	-
Infrastructures LatAm North	**101**	**60**	**68.3%**	**101**	**60**	**68.3%**	**6**
Mexico gas	61	38	60.5%	61	38	60.5%	3
Panama electricity	40	22	81.8%	40	22	81.8%	3
Rest	**-22**	**16**	**-**	**-12**	**30**	**-**	**0**
TOTAL EBITDA	**1,119**	**1,053**	**6.3%**	**1,167**	**1,104**	**5.7%**	**2**

Results by business unit

1. Gas & Power

Gas, power & services sales (€m)	1Q19	1Q18	Change
Net sales	3,498	3,729	-6.2%
Procurement	-3,296	-3,523	-6.4%
Gross margin	**202**	**206**	**-1.9%**
Other operating income	5	2	150.0%
Personnel expenses	-29	-30	-3.3%
Taxes	-18	-18	0.0%
Other operating expenses	-50	-79	-36.7%
EBITDA	**110**	**81**	**35.8%**
Depreciation and provisions	-41	-28	46.4%
EBIT	**69**	**53**	**30.2%**

International LNG (€m)	1Q19	1Q18	Change
Net sales	837	987	-15.2%
Procurement	-719	-828	-13.2%
Gross margin	**118**	**159**	**-25.8%**
Other operating income	1	0	-
Personnel expenses	-7	-1	-
Taxes	0	0	-
Other operating expenses	-3	-2	50.0%
EBITDA	**109**	**156**	**-30.1%**
Depreciation and provisions	-28	-15	86.7%
EBIT	**81**	**141**	**-42.6%**

Europe power generation (€m)	1Q19	1Q18	Change
Net sales	492	475	3.6%
Procurement	-280	-240	16.7%
Gross margin	**212**	**235**	**-9.8%**
Other operating income	4	4	0.0%
Personnel expenses	-33	-29	13.8%
Taxes	-40	-74	-45.9%
Other operating expenses	-41	-43	-4.7%
EBITDA	**102**	**93**	**9.7%**
Depreciation and provisions	-71	-108	-34.3%
EBIT	**31**	**-15**	**-**

International power generation (€m)	1Q19	1Q18	Change
Net sales	232	218	6.4%
Procurement	-128	-126	1.6%
Gross margin	**104**	**92**	**13.0%**
Other operating income	2	1	100.0%
Personnel expenses	-10	-9	11.1%
Taxes	-1	-1	0.0%
Other operating expenses	-15	-14	7.1%
EBITDA	**80**	**69**	**15.9%**
Depreciation and provisions	-29	-27	7.4%
EBIT	**51**	**42**	**21.4%**

2. Infrastructure EMEA

Spain gas networks (€m)	1Q19	1Q18	Change
Net sales	304	307	-1.0%
Procurement	-26	-22	18.2%
Gross margin	**278**	**285**	**-2.5%**
Other operating income	12	10	20.0%
Personnel expenses	-35	-21	66.7%
Taxes	-10	-10	0.0%
Other operating expenses	-36	-52	-30.8%
EBITDA	**209**	**212**	**-1.4%**
Depreciation and provisions	-74	-74	0.0%
EBIT	**135**	**138**	**-2.2%**

Spain electricity networks (€m)	1Q19	1Q18	Change
Net sales	216	211	2.4%
Procurement	-	-	-
Gross margin	**216**	**211**	**2.4%**
Other operating income	4	4	0.0%
Personnel expenses	-30	-19	57.9%
Taxes	-8	-8	0.0%
Other operating expenses	-23	-31	-25.8%
EBITDA	**159**	**157**	**1.3%**
Depreciation and provisions	-60	-59	1.7%
EBIT	**99**	**98**	**1.0%**

EMPL (€m)	1Q19	1Q18	Change
Net sales	82	76	7.9%
Procurement	-	-	-
Gross margin	**82**	**76**	**7.9%**
Other operating income	0	0	0.0%
Personnel expenses	-1	-1	0.0%
Taxes	0	0	-
Other operating expenses	-3	-3	0.0%
EBITDA	**78**	**72**	**8.3%**
Depreciation and provisions	-10	-13	-23.1%
EBIT	**68**	**59**	**15.3%**

3. Infrastructure LatAm South

Chile electricity (€m)	1Q19	1Q18	Change
Net sales	568	551	3.1%
Procurement	-421	-408	3.2%
Gross margin	**147**	**143**	**2.8%**
Other operating income	2	5	-60.0%
Personnel expenses	-23	-30	-23.3%
Taxes	-2	-2	0.0%
Other operating expenses	-37	-61	-39.3%
EBITDA	**87**	**55**	**58.2%**
Depreciation and provisions	-28	-34	-17.6%
EBIT	**59**	**21**	**181.0%**

Chile gas (€m)	1Q19	1Q18	Change
Net sales	181	149	21.5%
Procurement	-125	-100	25.0%
Gross margin	**56**	**49**	**14.3%**
Other operating income	1	1	0.0%
Personnel expenses	-7	-7	0.0%
Taxes	-1	-1	0.0%
Other operating expenses	-11	-24	-54.2%
EBITDA	**38**	**18**	**111.1%**
Depreciation and provisions	-15	-15	0.0%
EBIT	**23**	**3**	**666.7%**

Brazil gas (€m)	1Q19	1Q18	Change
Net sales	472	346	36.4%
Procurement	-391	-264	48.1%
Gross margin	**81**	**82**	**-1.2%**
Other operating income	4	12	-66.7%
Personnel expenses	-8	-12	-33.3%
Taxes	0	-1	-100.0%
Other operating expenses	-19	-32	-40.6%
EBITDA	**58**	**49**	**18.4%**
Depreciation and provisions	-17	-14	21.4%
EBIT	**41**	**35**	**17.1%**

Argentina gas (€m)	1Q19	1Q18	Change
Net sales	77	80	-3.8%
Procurement	-48	-44	9.1%
Gross margin	**29**	**36**	**-19.4%**
Other operating income	8	12	-33.3%
Personnel expenses	-5	-6	-16.7%
Taxes	-5	-6	-16.7%
Other operating expenses	-16	-25	-36.0%
EBITDA	**11**	**11**	**0.0%**
Depreciation and provisions	-4	-2	100.0%
EBIT	**7**	**9**	**-22.2%**

4. Infrastructure LatAm North

Mexico gas (€m)	1Q19	1Q18	Change
Net sales	175	145	20.7%
Procurement	-99	-88	12.5%
Gross margin	**76**	**57**	**33.3%**
Other operating income	3	2	50.0%
Personnel expenses	-5	-8	-37.5%
Taxes	0	0	-
Other operating expenses	-13	-13	0.0%
EBITDA	**61**	**38**	**60.5%**
Depreciation and provisions	-17	-13	30.8%
EBIT	**44**	**25**	**76.0%**

Panama electricity (€m)	1Q19	1Q18	Change
Net sales	223	182	22.5%
Procurement	-171	-146	17.1%
Gross margin	**52**	**36**	**44.4%**
Other operating income	1	1	0.0%
Personnel expenses	-2	-4	-50.0%
Taxes	-1	-1	0.0%
Other operating expenses	-10	-10	0.0%
EBITDA	**40**	**22**	**81.8%**
Depreciation and provisions	-11	-9	22.2%
EBIT	**29**	**13**	**123.1%**

Capex

Growth capex (€m)	1Q19	1Q18	Change
Gas & Power	**110**	**276**	**-60.1%**
Gas, power & services sales	12	6	100.0%
International LNG	1	185	-99.5%
Europe power generation	94	32	193.8%
International power generation	3	53	-94.3%
Infrastructures EMEA	**49**	**45**	**8.9%**
Spain gas networks	37	31	19.4%
Spain electricity networks	12	14	-14.3%
EMPL	-	-	-
Infrastructures LatAm South	**30**	**65**	**-53.8%**
Chile electricity	8	14	-42.9%
Chile gas	17	29	-41.4%
Brazil gas	3	13	-76.9%
Argentina gas	1	3	-66.7%
Argentina electricity	1	3	-66.7%
Peru gas	-	3	-100.0%
Infrastructures LatAm North	**16**	**26**	**-38.5%**
Mexico gas	7	13	-46.2%
Panama electricity	9	13	-30.8%
Rest	**-**	**-**	**-**
Total investments	**205**	**412**	**-50.2%**

Maintenance capex (€m)	1Q19	1Q18	Change
Gas & Power	**31**	**18**	**72.2%**
Gas, power & services sales	-	-	-
International LNG	-	-	-
Europe power generation	12	12	0.0%
International power generation	19	6	216.7%
Infrastructures EMEA	**30**	**29**	**3.4%**
Spain gas networks	5	2	150.0%
Spain electricity networks	25	27	-7.4%
EMPL	-	-	-
Infrastructures LatAm South	**24**	**57**	**-57.9%**
Chile electricity	11	36	-69.4%
Chile gas	3	4	-25.0%
Brazil gas	4	7	-42.9%
Argentina gas	6	10	-40.0%
Argentina electricity	-	-	-
Peru gas	-	-	-
Infrastructures LatAm North	**9**	**12**	**-25.0%**
Mexico gas	1	3	-66.7%
Panama electricity	8	9	-11.1%
Rest	**2**	**5**	**-60.0%**
Total investments	**96**	**121**	**-20.7%**

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 files the presentation on earnings for the year 2018 (disclosed 30 January 2019, registration number 274294).
- Naturgy files notice of the Ordinary General Shareholders' Meeting to be held on Tuesday, 5 March 2019 (disclosed 1 February 2019, registration number 274379).
- Naturgy publishes its 2018 Annual Corporate Governance Report (disclosed 1 February 2019, registration number 274411).
- Naturgy discloses information on earnings for the second half of 2018 (disclosed 1 February 2019, registration number 274420).
- Naturgy publishes its 2018 Annual Report on Director Remuneration (disclosed 1 February 2019, registration number 274421).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between January 28 and February 1, 2019 (disclosed 4 February 2019, registration number 274444).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between February 4 and 8, 2019 (disclosed 11 February 2019, registration number 274634).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between February 11 and 15, 2019 (disclosed 18 February 2019, registration number 274789).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between February 18 and 22, 2019 (disclosed 25 February 2019, registration number 275079).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between February 25 and March 1, 2019 (disclosed 4 March 2019, registration number 275647).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between February 25 and March 1, 2019 (disclosed 4 March 2019, registration number 275647).
- Naturgy discloses the resolutions adopted by the Ordinary General Shareholders' Meeting and by the subsequent Board of Directors meeting (disclosed 5 March 2019, registration number 275715).
- Naturgy files the presentation used by the Executive Chairman at the company's Ordinary General Shareholders' Meeting (disclosed 5 March 2019, registration number 275716 and 275720).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between March 4 and 8, 2019 (disclosed 11 March 2019, registration number 275857).

Annex II: Regulatory disclosures

- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between March 11 and 15, 2019 (disclosed 18 March 2019, registration number 276131).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between March 18 and 22, 2019 (disclosed 25 March 2019, registration number 276406).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between March 25 and 29, 2019 (disclosed 01 April 2019, registration number 276629).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between April 1 and 5, 2019 (disclosed 8 April 2019, registration number 276893).
- Naturgy discloses the sale agreement of the 100% equity interest in its Moldovan subsidiaries (Red Union Fenosa, S.A. and Gas Natural Fenosa Furnizare Energie, SRL) (disclosed 12 April 2019, registration number 277085, 277088 and 277089).
- Naturgy announces its first quarter 2019 results release (disclosed 12 April 2019, registration number 277096).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between April 8 and 12, 2019 (disclosed 15 April 2019, registration number 277129).

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	1Q19 reconciliation of values	1Q18 reconciliation of values	Relevance
Ebitda	Operating gross profit = Net sales - Procurement + Other operating income - Personnel costs - Operating expenses + Own work capitalized - Taxes	1,119 million euros	1,053 million euros	Measure of earnings before interest, taxes, depreciation and amortization and provisions.
Ordinary Ebitda	Ebitda - Non-ordinary items	1,167 million euros= 1,119 + 48	1,104 million euros=1,053+51	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	377 million euros= 341+36	326 million euros= 320+6	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)	"Investment in intangible assets" + "Investment in property, plant and equipment"	301 million euros = 31 + 270	533 million euros = 50 + 483	Total investments net of the cash received from divestments and other investing receipts
Gross financial debt	"Non-current financial liabilities"+ "Current financial liabilities"	17,386 million euros = 13,924 + 3,462	17,074 million euros[1] = 13,352 + 2,079 + 1,643	Current and non-current financial debt
Net financial debt	Gross financial debt – "Cash and cash equivalents" – "Derivative financial assets"	15,123 million euros = 17,386 - 2,237 – 26	15,310 million euros1 = 17,074 - 1,716 - 48	Current and non-current financial debt less cash and cash equivalents and derivative financial assets
Net financial debt cost	"Cost of financial debt" – "Interest revenue"	156 million euros = 161 - 5	138 million euros[1] = 143 – 5	Amount of expense relative to the cost of financial debt less interest revenue

Alternative performance metrics	Definition and terms	1Q19 reconciliation of values	1Q18 reconciliation of values	Relevance
Ebitda/Net financial debt cost	Ebitda/ Cost of net financial debt	7.2x =1,119 / 156	7.6x = 1,053 / 138	Ratio between Ebitda and net financial debt
Net financial debt/LTM Ebitda	Net financial debt / Last Twelve Months Ebitda	3.7x = 15,123 / 4,085	3.8x[1] = 15,310 / 4,019	Ratio between net financial debt and Ebitda

Notes:

(1) As at 31/12/2018, proforma including first application impact IFRS 16 (1,643 million euros).

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.

Naturgy cautions that forward-looking information are subject to various risks and uncertainties, difficult to predict and generally beyond the control of Naturgy. These risks and uncertainties include those identified in the documents containing more comprehensive information filed by Naturgy and their subsidiaries before the different supervisory authorities of the securities markets in which their secuirities are listed and, in particular, the Spanish National Securities Market Commission.

Except as required by applicable law, Naturgy does not undertake any obligation to publicly update or revise any forward-looking information and statements, whether as a result of new information, future events or otherwise.

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).

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October and their implementing regulations. In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, in any other jurisdiction.

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