9M19 Results

30 October 2019

Agenda

1. 9M19 consolidated results
2. 9M19 results by business unit
3. Conclusions

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9M19 consolidated results

Key highlights

1. Resilience despite energy scenario headwinds
2. Acceleration of efficiency plan
3. Strong investment in renewables
4. Value accretive asset rotation
5. Dividend payment of 0.473 €/sh. on 12-Nov-2019
6. CNMC allegations submitted on 8 August 2019

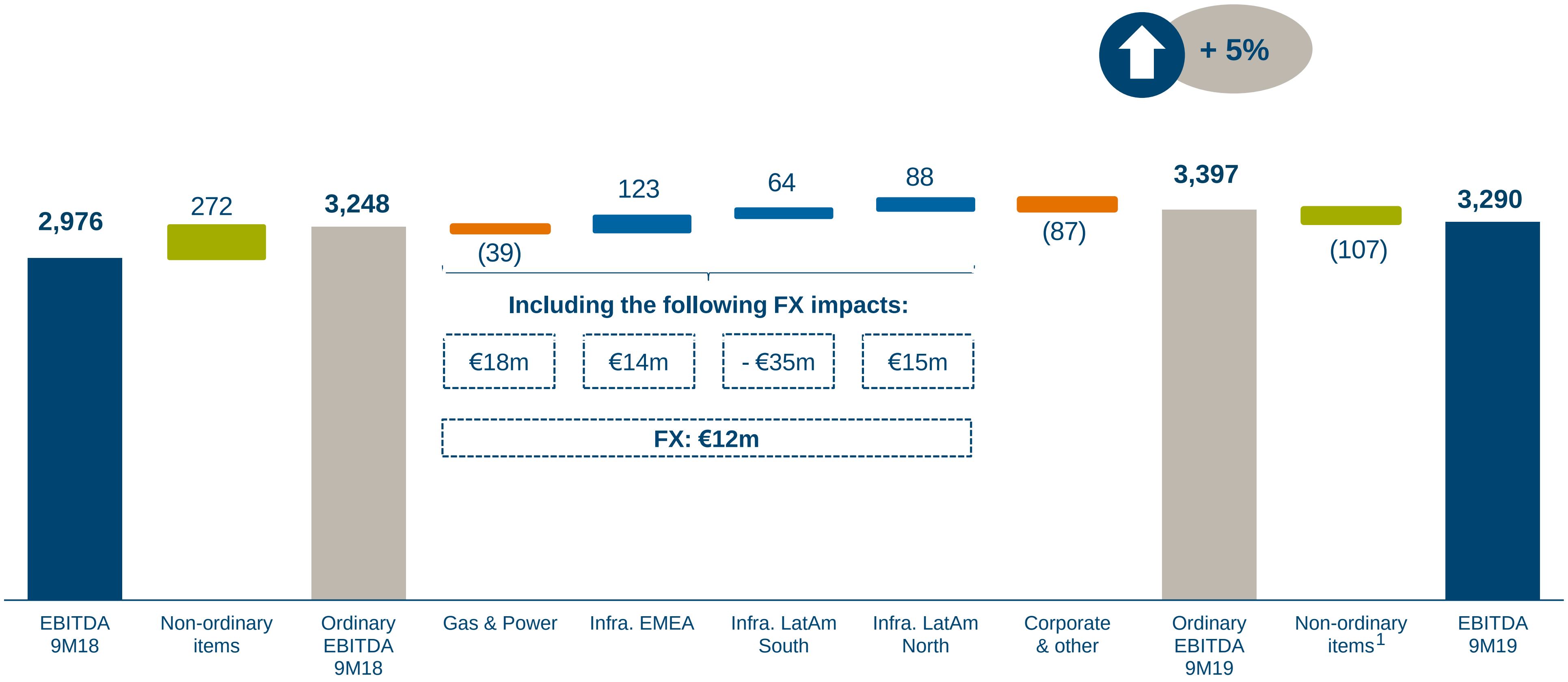
Key figures (€m, % vs. 9M18)

Ordinary EBITDA		Ordinary Net Income	
3,397	+ 5%	991	+13%

Capex	Net Debt (€bn)
1,120	15.1

Solid business performance

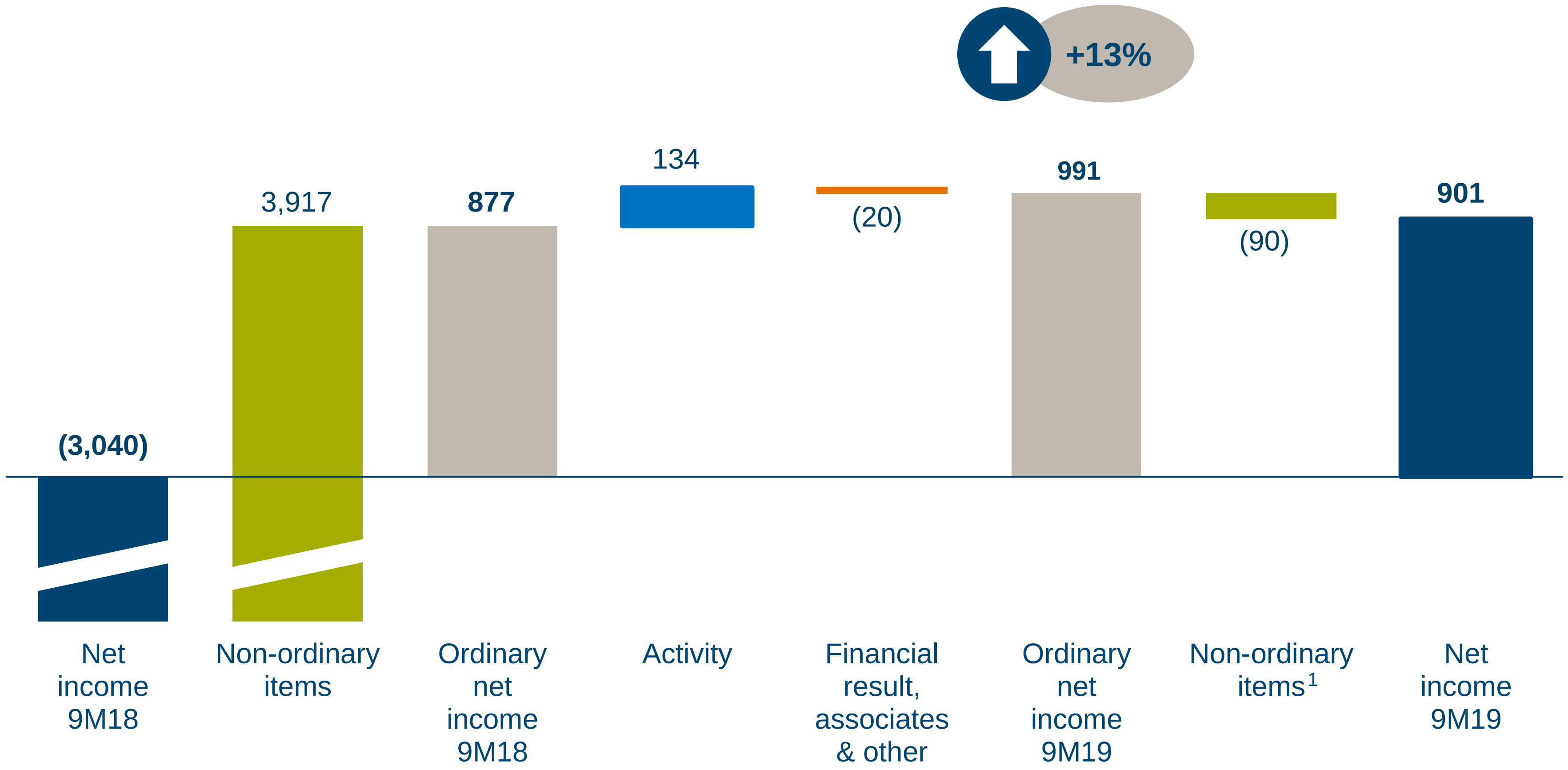
EBITDA evolution (€m)



Ordinary growth supported by regulated businesses

Note:
1. Of which: -€133m corresponding to restructuring costs, -€20m to CNMC CCGT fine, €11m to sales of land and buildings and €35m to provisions reversal.

Net Income evolution (€m)



Ordinary earnings growth supported by activity

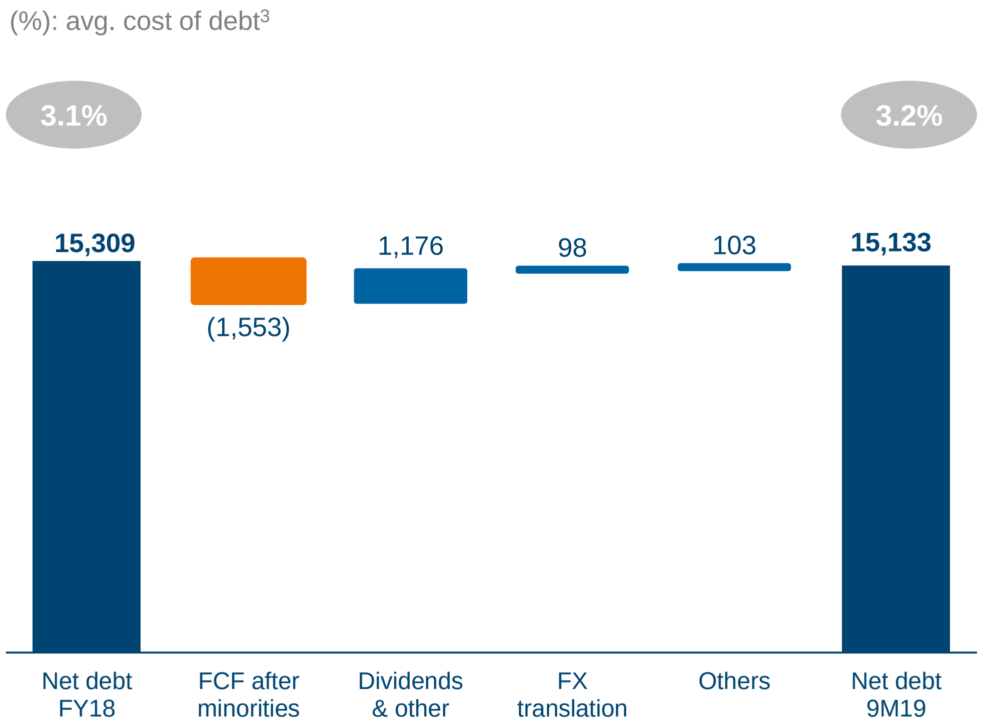
Note:
1. Of which: -€100m corresponding to restructuring costs, -€20m to asset write down, -€20m to CNMC CCGT fine, €22m to provisions reversal, €8m to sales of land and buildings and €20m to Torremarenostrum sale.

Cash flow and Net debt evolution (€m)

Cash flow

	9M19	vs. 9M18
EBITDA	**3,290**	**11%**
Taxes	(150)	
Net interest cost	(478)	
Other non-cash items	(45)	
Funds from operations	**2,617**	**17%**
Change in working capital	551	
Cash flow from operations	**3,168**	**85%**
Growth capex[1]	(688)	
Maintenance capex[1]	(378)	
Divestments	108	
Dividends to minorities	(377)	
Other	(280)	
Free cash flow after minorities	**1,553**	**-37%[2]**
Dividends and other	(1,176)	
Free cash flow	**377**	

Net debt



Net debt reduction despite investments and shareholder remuneration

Note:
1. Net of cessions and contributions; 2. Nedgia 20% disposal; 3. Does not include cost from IFRS 16 debt.

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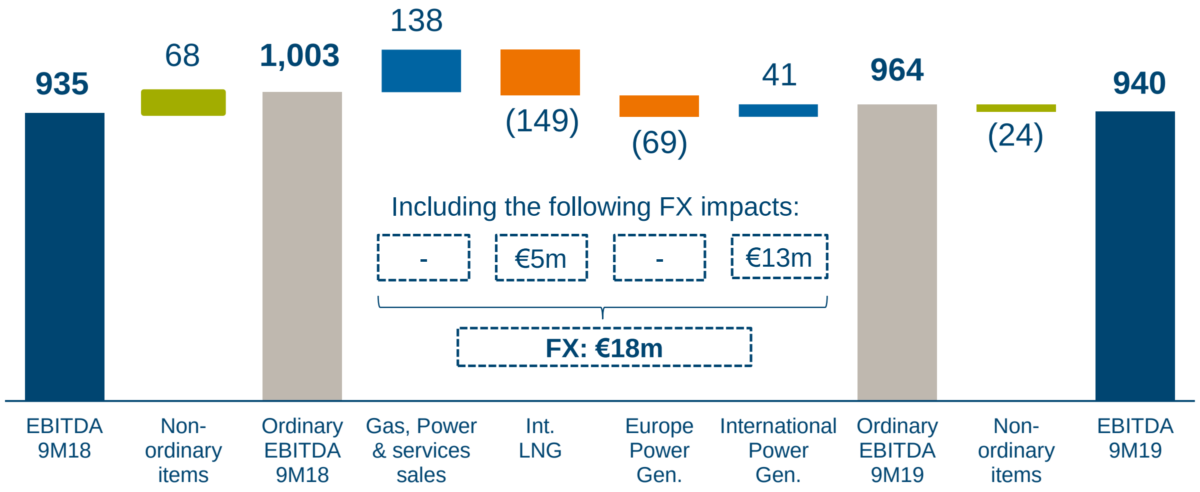
9M19 results by business unit

Gas & Power

EBITDA evolution (€m)



Highlights

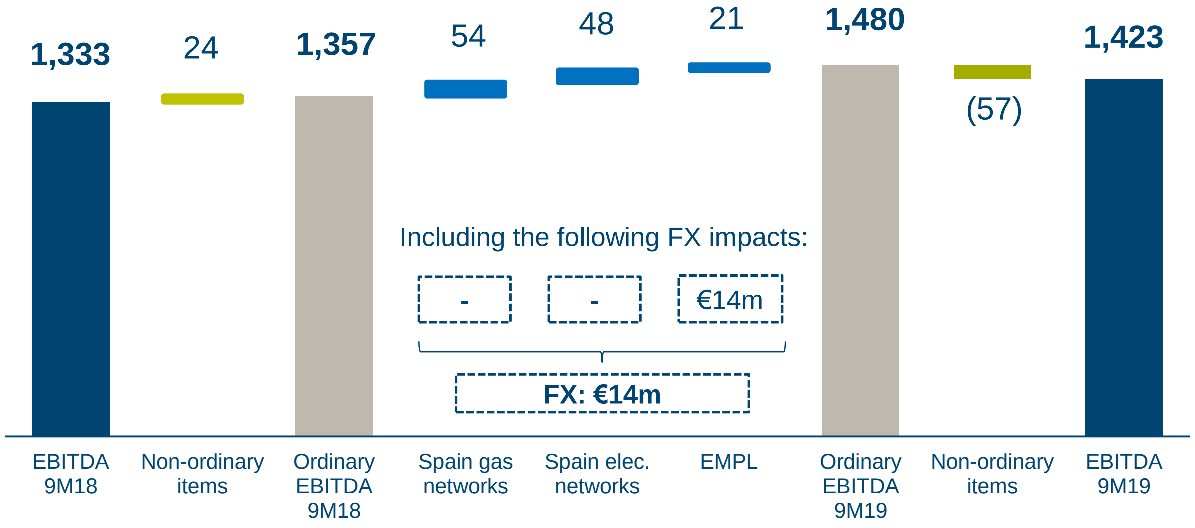
- ✓ **Gas, Power & services sales**: higher margins in power supply partially offset by lower gas margins
- ✓ **International LNG:** lower volumes and margins impacted by scenario vs. an exceptionally strong 2018
- ✓ **Europe Power Generation:** coal abatement, increased competition in CCGTs and low gas prices, suspension of CCGTs availability payments and subdued hydro
- ✓ **International Power Generation:** higher margins, new installed capacity in operation and favorable FX

€540m of total capex, of which **80%** growth

Improvement in G&P services & sales offset by International LNG and Europe power generation

Infrastructure EMEA

EBITDA evolution (€m)



Highlights

- ✓ **Spain gas networks:** Higher volumes and business optimization
- ✓ **Spain electricity networks:** Investments into operation and lower interruption times vs. 9M18
- ✓ **EMPL:** favorable FX and annual tariff increase partially offset by lower demand

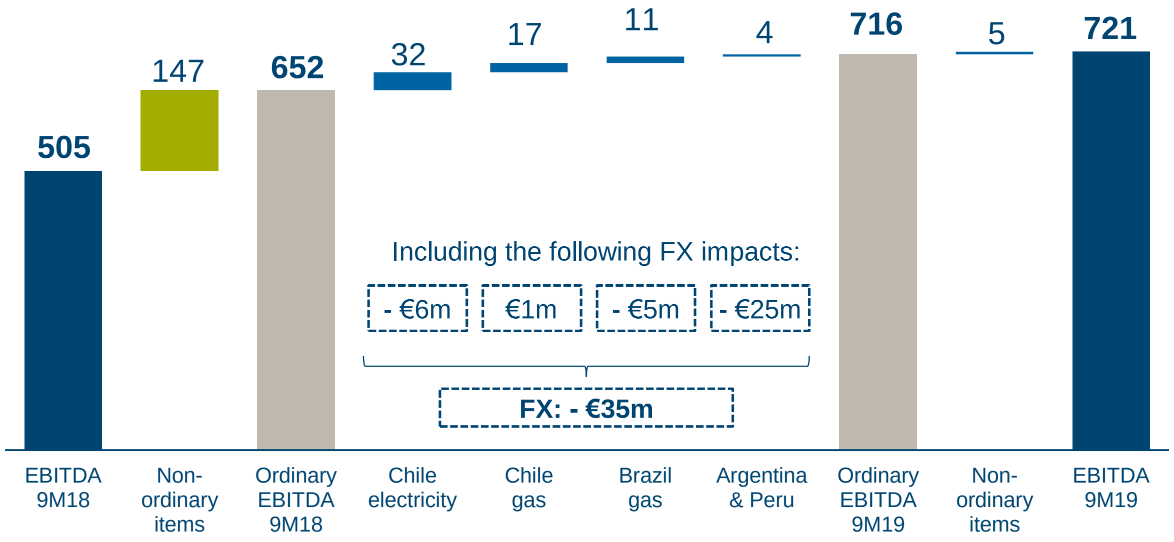
- **CNMC allegations submitted on 8 August**

€261m of total capex, of which **52%** growth

Stability across businesses

Infrastructure South LatAm

EBITDA evolution (€m)



Highlights

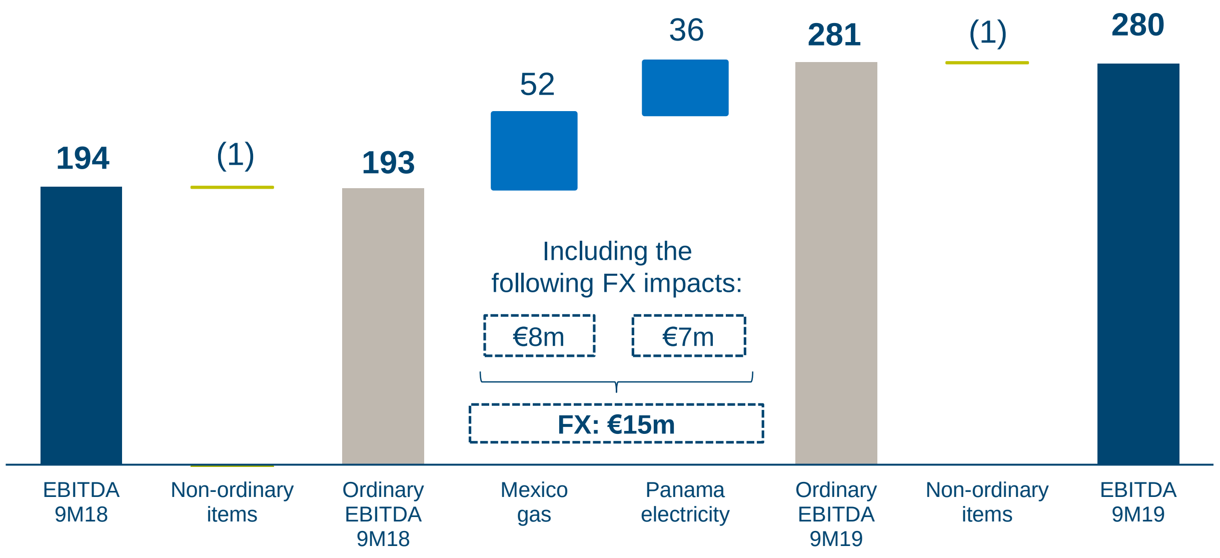
- ✓ **Chile electricity:** higher regulated revenues and commercial repositioning
- ✓ **Chile gas:** higher demand and business optimization
- ✓ **Brazil gas:** tariff indexation and efficiencies partially offset by FX and lower demand
- ✓ **Argentina:** tariff indexation and higher gas sales and margins offset by FX

€204m of total capex, of which **56%** growth

Performance driven by regulation

Infrastructure North LatAm

EBITDA evolution (€m)



Highlights

- ✓ **Mexico gas:** higher volumes and margins, new commercial strategy and efficiencies
- ✓ **Panama electricity:** new regulatory period, higher demand/temperatures vs. last year

€105m of total capex, of which **55%** growth

Continued improvement supported by regulatory updates

Naturgy

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Conclusions

Summary 9M19 results

- ✓ Continued headwinds in energy scenario
- ✓ Business resilience supported by efficiencies and regulatory stability
- ✓ Acceleration of efficiency plan
- ✓ Strong investment in renewables
- ✓ Value accretive asset rotation

Working hard to meet 2019 targets

9M19 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
		30 September 2019	30 September 2018	
Ebitda	Operating profit (2)	Euros 3,290 million	Euros 2,976 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items	3,397 = Euros 3,290 million + 107	3,248 = Euros 2,976 million + 272	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 (2) - Non-ordinary items	Euros 991 million = 901 + 90	Euros 877 million = -3,040 + 3,917	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 (4) + Investments in property, plant & equipment (4)	Euros 1,120 million = 121 + 999	Euros 1,593 million = 174 + 1,419	Realized investments in property, plant & equipment and intangible assets.
Net Investments	CAPEX (5) + Financial investments (6) - Proceeds from divestitures of PPE and intangible assets (6) - Other proceeds/(payments) of investments activities (6)	Euros 958 million = 1,120 + 36 - 144 - 54	Euros -997 million = 1,593 + 35 - 2,583 - 42	Total investments net of the cash received from divestments and other investing receipts.
Gross financial debt	Non-current financial liabilities (1) + "Current financial liabilities" (1)	Euros 17,945 million = 15,402 + 2,543	Euros 17,073 million (7) = 13,352 + 2,079 + 1,642	Current and non-current financial debt

Alternative Performance Metrics

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 September 2019	30 September 2018	
Net financial debt	Gross financial debt (5) - "Cash and cash equivalents" (1) - "Derivative financial assets" (4)	Euros 15,133 million = 17,975 - 2,785 - 27	Euros 15,309 million (7) = 17,073 - 1,716 – 48	Current and non-current financial debt less cash and cash equivalents and derivative financial assets
Leverage (%)	Net financial debt (5) / (Net financial debt (5) + "Net equity" (1))	51.0% = 15,133 / (15,133 + 14,520)	51.2% (7) = 15,309 / (15,309 + 14,595)	The ratio of external funds over total funds
Cost of net financial debt	Cost of financial debt (4) - "Interest revenue" (4)	Euros 469 million = 493 - 24	Euros 404 million = 417 - 13	Amount of expense relative to the cost of financial debt less interest revenue
Ebitda/Cost of net financial debt	Ebitda (5) / Cost of net financial debt (5)	7.0x = 3,290 / 469	7.5x (7) = 4,019 / 538	Ratio between Ebitda and net financial debt
Net financial debt/LTM Ebitda	Net financial debt (5) / Ebitda in the last four quarters (5)	3.5x = 15,133 / 4,333	3.8x (7) = 15,309 / 4,019	Ratio between net financial debt and Ebitda
Free Cash Flow after minorities	Free Cash Flow (5) + Dividends and other (4) + Acquisitions of treasury shares (4) + Inorganic investments payments (4)	Euros 1,553 million = 377 + 846 + 322 + 8	Euros 2,470 million = 1,375 + 951 + 117 + 27	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 (3) + Cash flows from investing activities (3) + Cash flow generated from financing activities (3) - Receipts and payments on financial liability instruments (3)	Euros 377 million = 3,168 - 1,232 - 915 - 644	Euros 1,375 million = 1,712 - 228 - 2,589 + 2,480	Cash flow generated by the Company available to pay the debt.

(1) Consolidated balance sheet line item; (2) Consolidated income statement line item; (3) Consolidated statement of cash flows line item; (4) Figure detailed in the notes to the consolidated financial statements; (5) Figure detailed in the Alternative Performance Metrics (APM); (6) Figure detailed in the Directors' Report; (7) As of 31/12/2018, proforma including the first impact from the application of NIIF16 (Euros 1,643 million)

ESG metrics

ESG metrics		9M19	9M18	Change	Comments
Health and safety					
Lost time (LT) incidents (1)	units	11	14	-21.4%	Improving metrics vs. 9M18
LT Frequency rate (2)	units	0.13	0.14	-7.1%	Reduced accidents per hour in the period
Environment					
GHG Emissions	M tCO2 e	11.60	13.00	-10.8%	Coal abatement supporting lower emissions vs. 9M18
Emission factor	t CO2/GWh	307.60	331.00	-7.1%	
Emissions-free installed capacity	%	28.0	26.1	7.3%	New wind and solar capacity coming into operation in Australia, Spain and Brazil
Emissions-free net production	%	24.9	25.9	-3.9%	Lower hydro production in Spain vs. 9M18
Interest in people					
Number of employees(3)	persons	11,880	13,352	-11.0%	Perimeter changes and efficiencies
Training hours per employee	hours	16.25	30.23	-46.2%	New methodologies allow for more efficient training
Women representation	%	32.1%	30.5%	5.1%	Commitment for diversity and gender equality policies
Society and integrity					
Economic value distributed	M€	15,690	16,786	-6.5%	Affected by lower purchases and external services
Notifications received by the ethics committee	units	97	112	-13.4%	Improved oversight and greater accountability

(1) In accordance to OSHA criteria; (2) Calculated for every 200,000 working hours; (3) employees managed

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