



Naturgy: Much More

2018-2022

London, 28th June 2018

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01

Industry trends and our industrial model

Industry sector trends



Low CO₂ and rise of renewables with Gas as a key contributor

Renewables vs. primary energy demand in the world (%)

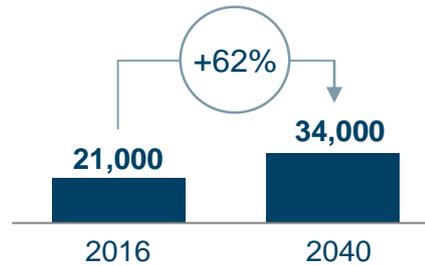


Worldwide primary energy mix 2040

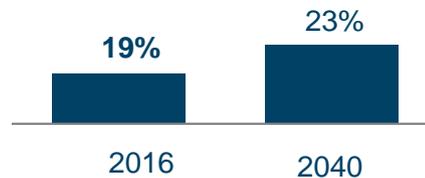



Electrification and energy efficiency

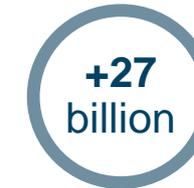
World electricity demand (TWh)



Electricity as % of final energy demand




Big data and analytics



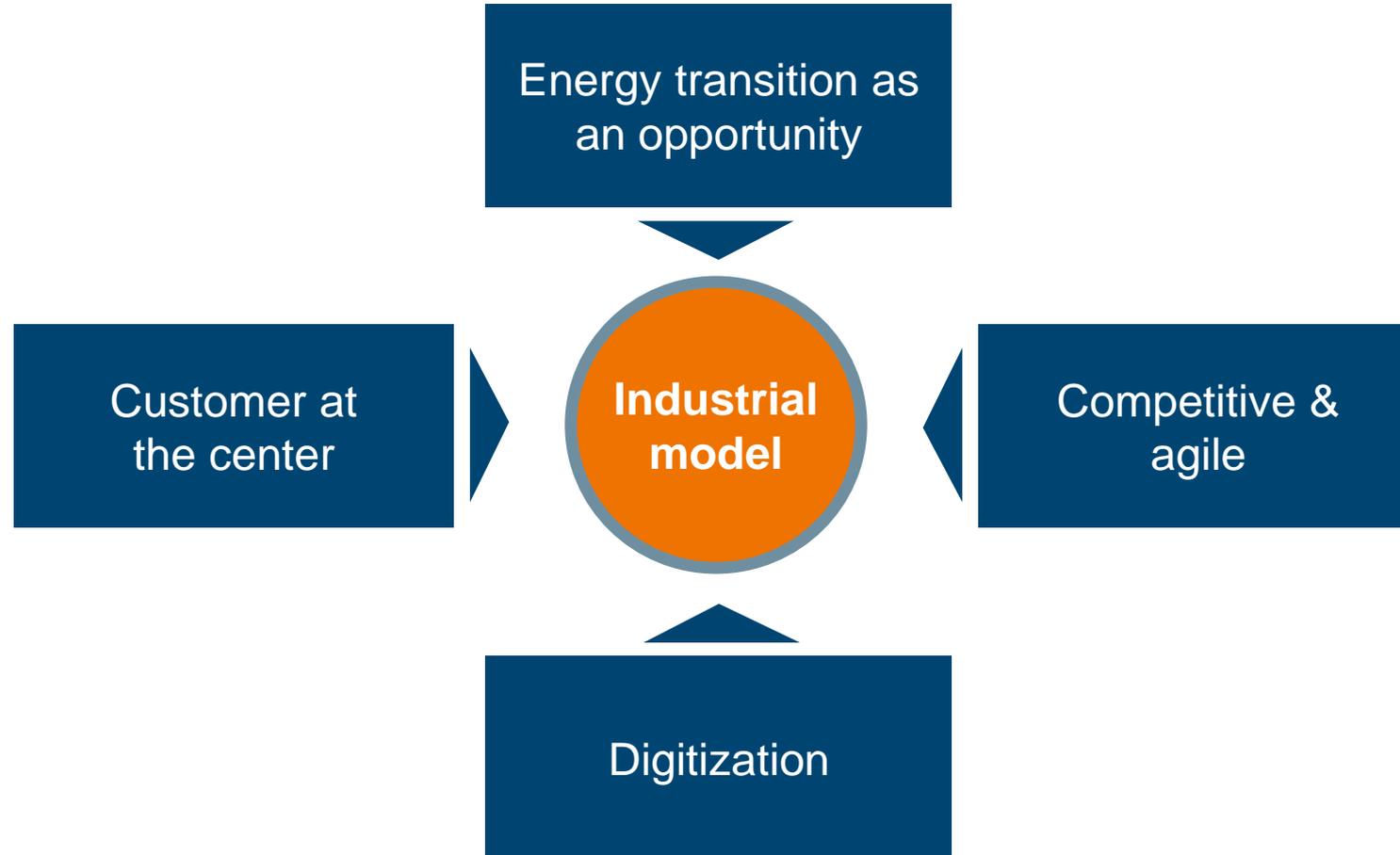
Increase of connected devices worldwide between 2017 and 2020



Increase of e-commerce sales worldwide between 2017 and 2020

The industry is undergoing a special moment of transition

Our industrial model



Naturgy is focused on answering with its own model

Our industrial model

Energy transition as an opportunity

Low CO₂ and rise of renewables
with Gas as a key contributor

Renewables and natural gas

- Deliverable 3x growth in renewables by 2022
- Leadership in CCGTs
- Leadership in LNG
- Natural gas for mobility
- Renewable gas

Electrification and
energy efficiency

Infrastructure

- Initiatives to increase electricity weight as part of the group towards ~50% by 2022
- Leading positions in countries showing strong fundamentals for organic growth based on:
 - Electrification
 - Natural gas penetration

Gas and infrastructure will play a key role in the energy transition

Our industrial model

Competitive & agile



Organization

- Full business units responsibility
- Workforce optimization



Process reengineering

- Purchase contracts review
- Collaborative partnerships with suppliers
- Automation or outsourcing of non core tasks



Asset management

- Capex and maintenance excellence centers
- Predictive models for asset maintenance
- Benchmarking of best practices

Solid and tangible levers to deliver committed efficiencies

Our industrial model

Digitization

Key levers by 2022

Customer relationship

- 75% customer service to be served by digital channels
- 20% penetration through IoT

Advanced analytics

- Over 90% implemented data-driven management across the Group

Ongoing main projects

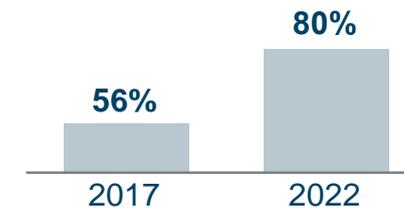
-  Predictive models for asset maintenance
-  Segmentation, churn prediction and advanced pricing models
-  Technical and non technical losses
-  Advanced customer default prediction
-  Robotics

Processes & operations

- Over 80% automation of internal processes & operations

Remote control

- 80% sensorization and remote control of assets

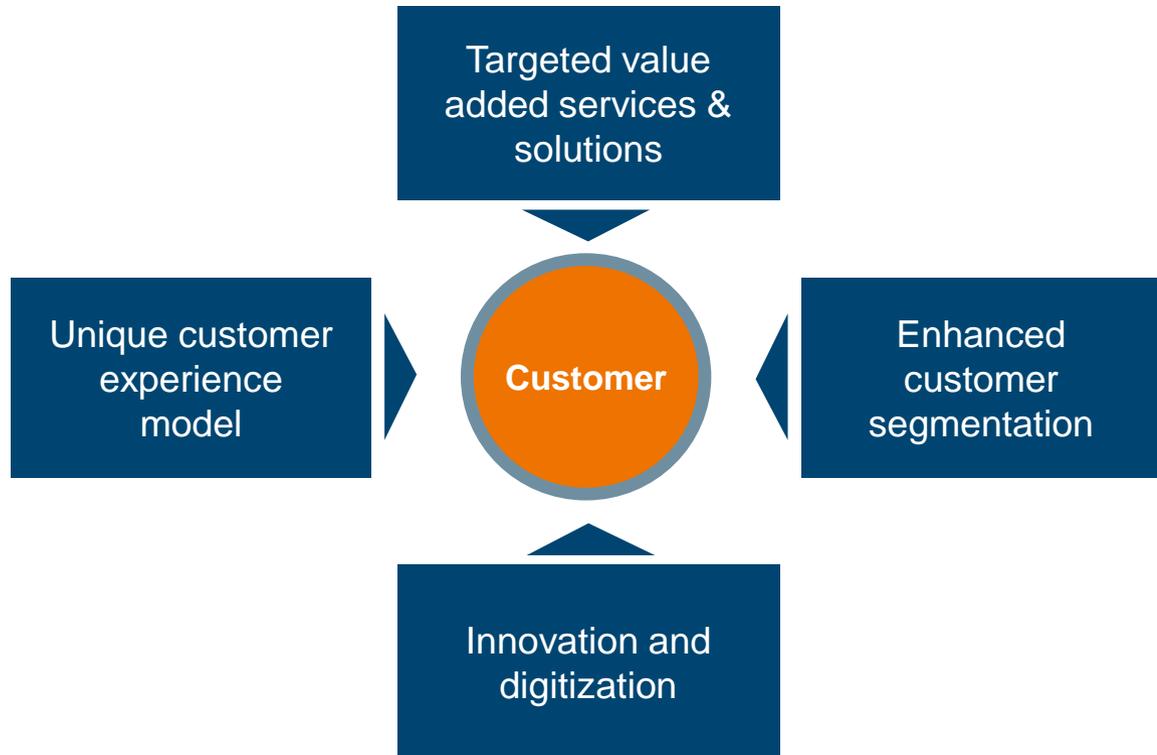


Key identified projects will drive a transformation of the Group thanks to digitization

Our industrial model

Customer at the center

Much more



Key technological innovations

Smart apps

Remote control

Mobility

Distributed generation

Storage

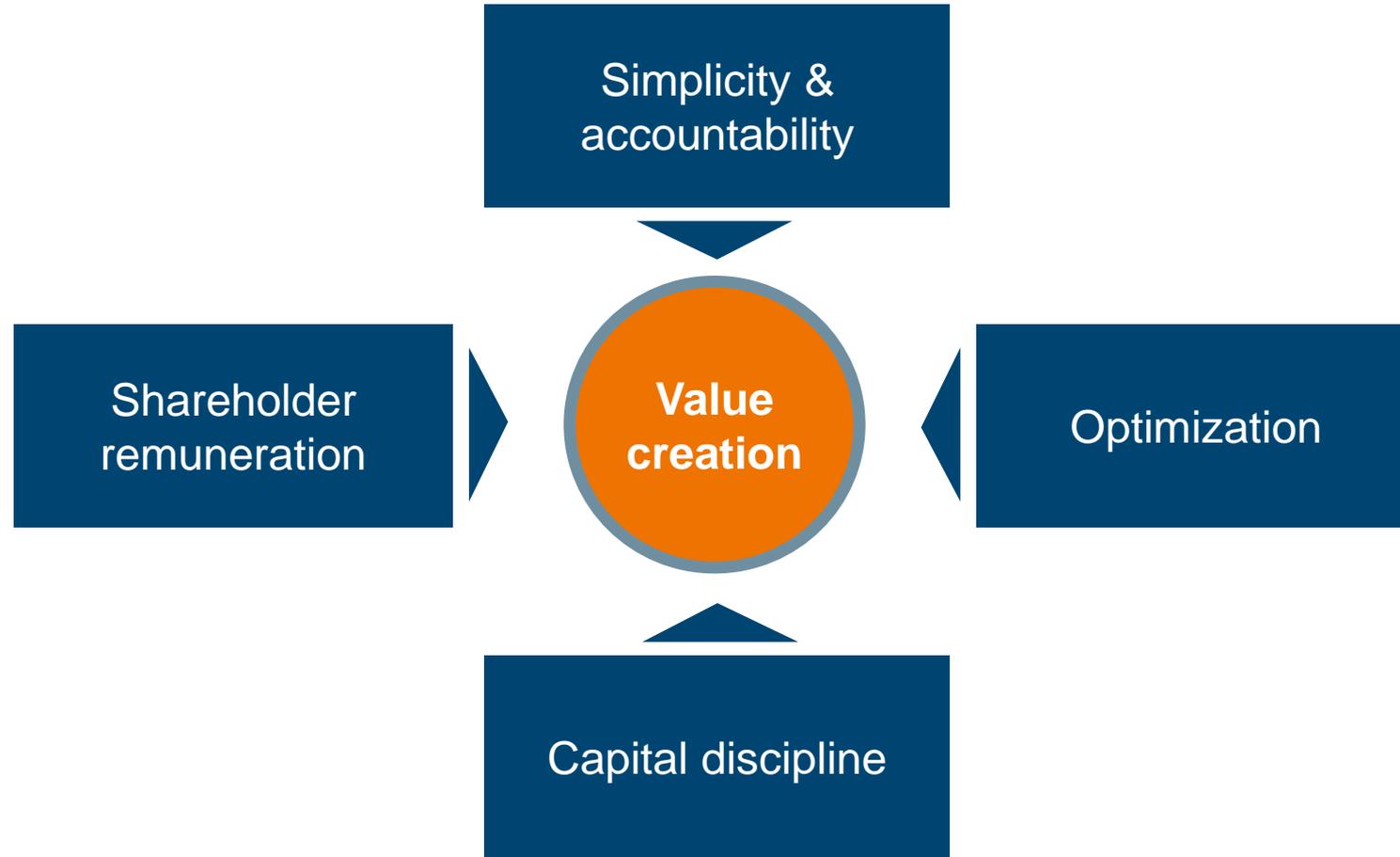
Smart meters

Reinforce our engagement with customers through more than 20 million contracts worldwide

02

Value creation pillars

Value creation pillars



Value creation pillars



1. Simplicity & accountability



2. Optimization



3. Capital discipline



4. Shareholder remuneration

Simplicity & accountability

Corporate governance



Key changes

- Board reduced from 17 to 12 members

No Executive Committee

Board with significant global experience

Lead independent Director

- Simpler Corporate regulations

By-laws

AGM and Board regulations

Composition of the Board of Directors



● Executive Chairman

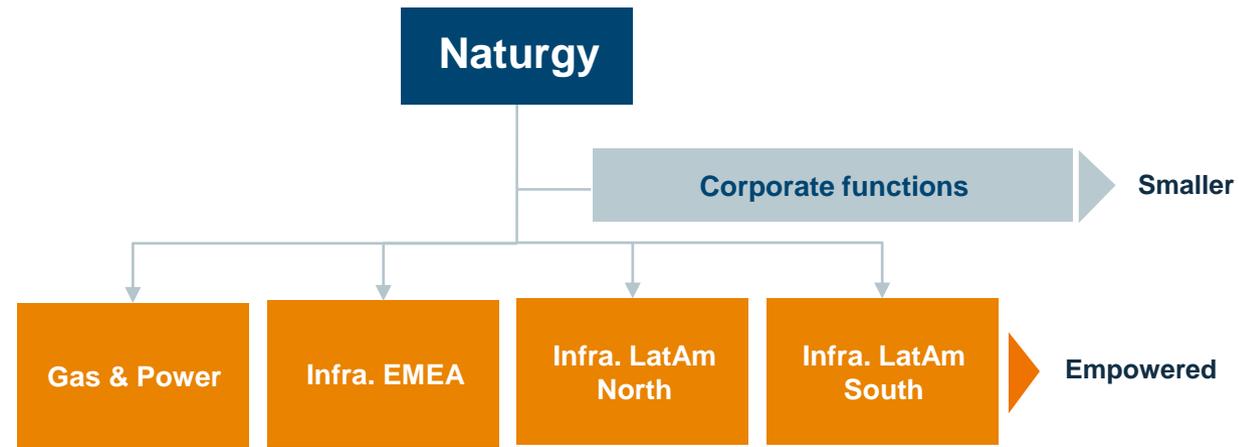
● Independent Directors

● Proprietary Directors

Leaner structure leading to more agile decision-making process

Simplicity & accountability

Managerial organization



Simplified organization

- Structure avoiding duplicities
- Less subsidiaries
- Corporate functions re-allocated
- HQs focus on core functions

Reinforced accountability

- Centralized controlling
- Simpler governance of subsidiaries
- Empowerment of business units

Higher accountability and autonomy of business units, full control by headquarters

Simplicity & accountability

Business positioning



Markets

Where to invest or reinforce

- Sizable with growth potential
- Relevant market share or critical mass
- Stable regulatory framework
- Stable macro (EU, North America, OECD type countries)

Businesses

- Electricity or gas networks
- Contracted power generation
- Services to customers
- Controlling stakes or path to control

Returns

- Meeting our IRR criteria

€5,300M fully identified growth capex

Where to divest or reduce

- Small and/or with low growth
- High regulatory risk
- High concentration
- Volatile macro
- Low integration or synergies within the group
- Volatile without hedge
- Financial stakes with no path to control

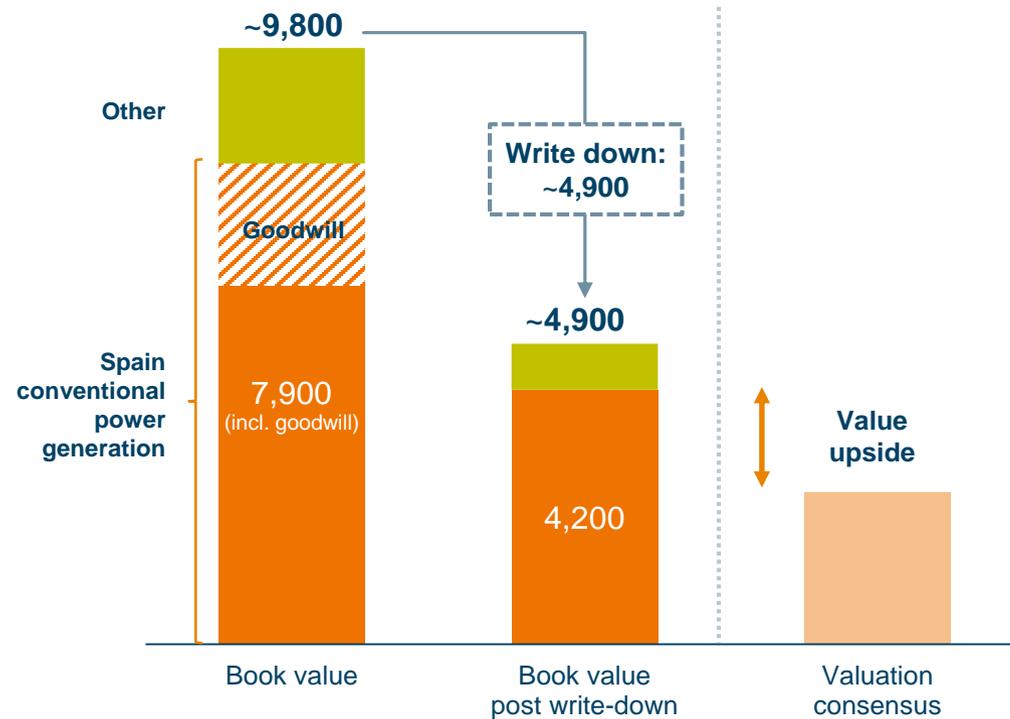
- Meeting our IRR criteria

Additional divestments of ~€300M on top of those already completed

Simplicity & accountability



Asset valuation review (€M)



Extraordinary effects in 2018

- **Neutral on dividends distribution for 2018**
Enough results at individual P&L
- **Positive impact on Group's cash flow**
Tax effects
- **One-off negative impact on consolidated P&L**

EPS accretive 2019 onwards

Conducted consistently with Strategic Plan assumptions and based on an updated, conservative & sustainable scenario

Transparency and cash driven decisions with no impact on shareholders remuneration

Simplicity & accountability

Strategic positioning

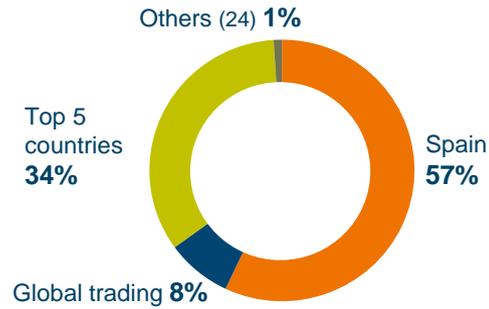


Naturgy

Much more

Today

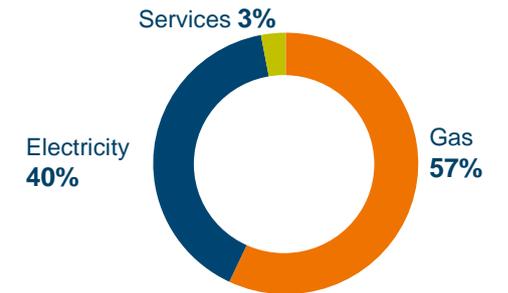
Over 30 geographies



Balance of risks

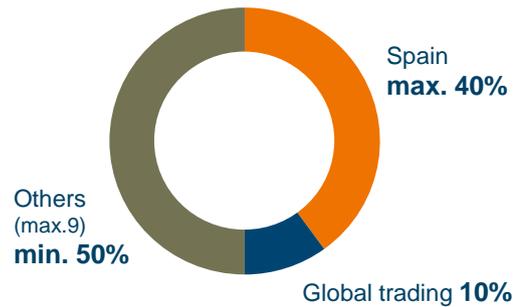


Majority of gas

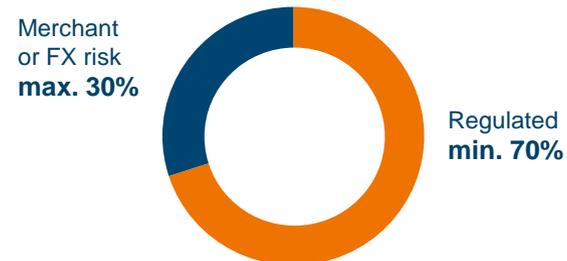


Future

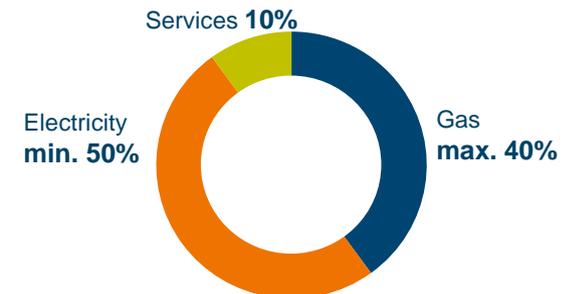
Less than 10 geographies



Mostly regulated



Higher electricity weight



Rebalancing of portfolio: more cash flow visibility and lower volatility

Value creation pillars



1. Simplicity & accountability



2. Optimization



3. Capital discipline



4. Shareholder remuneration



Annual Group opex (€M)

(based on existing asset base)



Measurable cost baseline

Group opex as % of gross margin

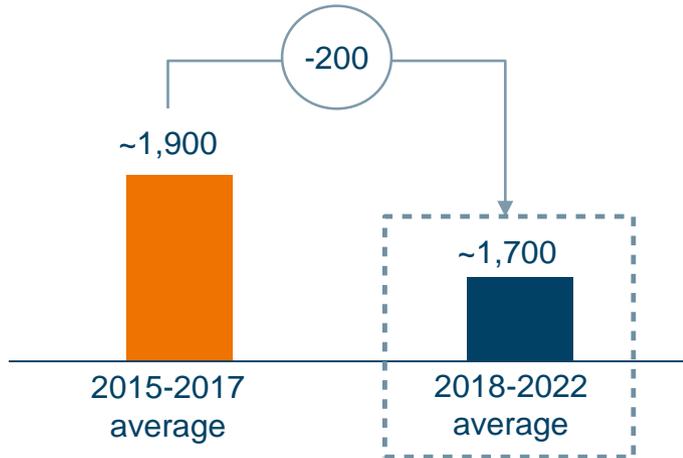
(based on existing asset base)



Leaner structure

Control over opex optimization with visible P&L impact

Annual Group capex (€M)



Maintenance capex optimization

Average growth capex (%)



Focus on growth capex meeting minimum return

Focus on cash flow generation and overall capex optimization

Value creation pillars



1. Simplicity & accountability



2. Optimization



3. Capital discipline



4. Shareholder remuneration

Capital discipline

“The Golden Rules”



Net equity IRR threshold

Minimum profitability targets per business activity/country to ensure value creation



Industrial role

Assume industrial lead through majority control or path to control



Positioning

Focus on target markets and businesses



Risk management

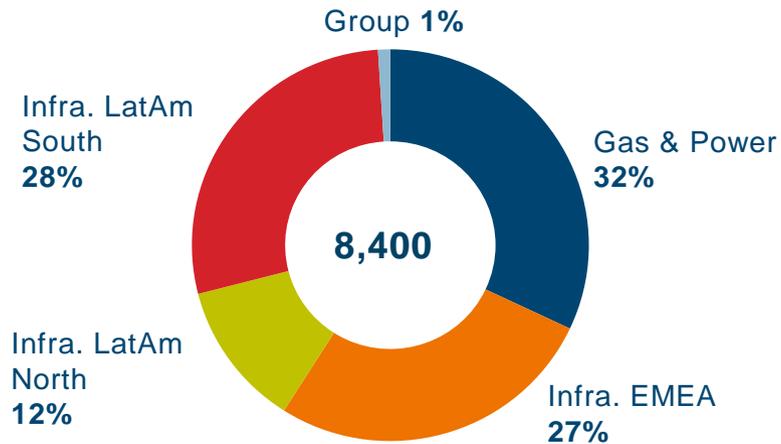
Minimize volatility of commodity prices & FX

Strict capital discipline to ensure value creation and profitable growth in both organic & inorganic investments

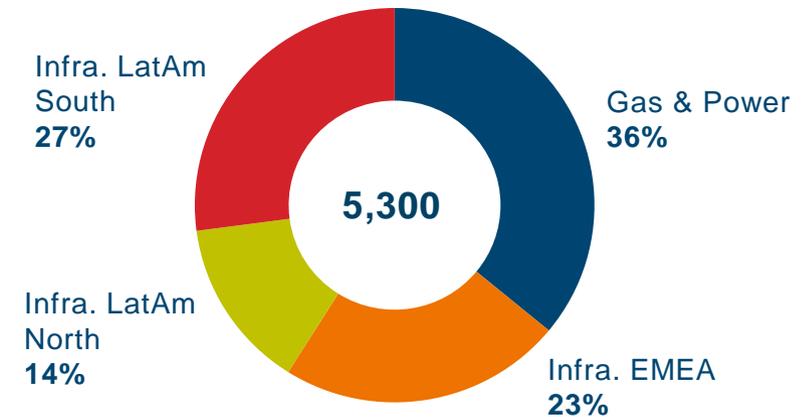
Capital discipline

Organic capex 2018-22

Total capex by business (€M)



Growth capex by business (€M)

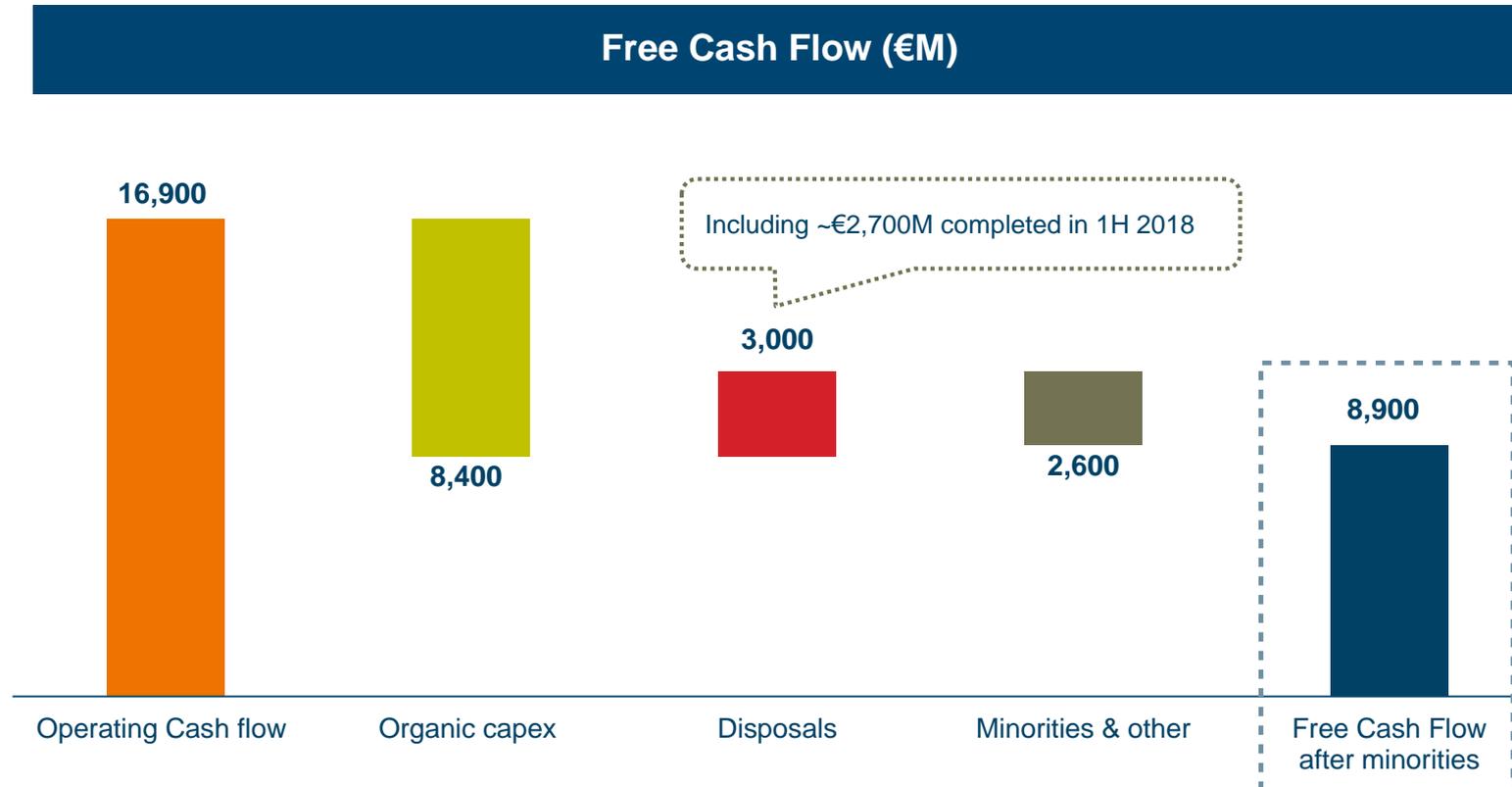


Fully identified growth capex

Solid growth capex over the period which must meet the “Golden Rules”

Capital discipline

Free cash flow 2018-22



Strong free cash flow profile to support an attractive shareholder remuneration

Value creation pillars



1. Simplicity & accountability



2. Optimization



3. Capital discipline



4. Shareholder remuneration

Shareholder remuneration



Our commitment

Dividend

- 30% step-up to €1.30 in 2018
- 5% minimum annual increase thereafter
- All cash

Payment calendar

- After 1H: ~20% of total
- After 3Q: ~35% of total
- After AGM: ~45% of total

Dividend evolution (€/share)



2018 dividend payment calendar

July'18: 0.95€/sh (€0.67+€0.28/sh.)

Nov'18: 0.45€/sh

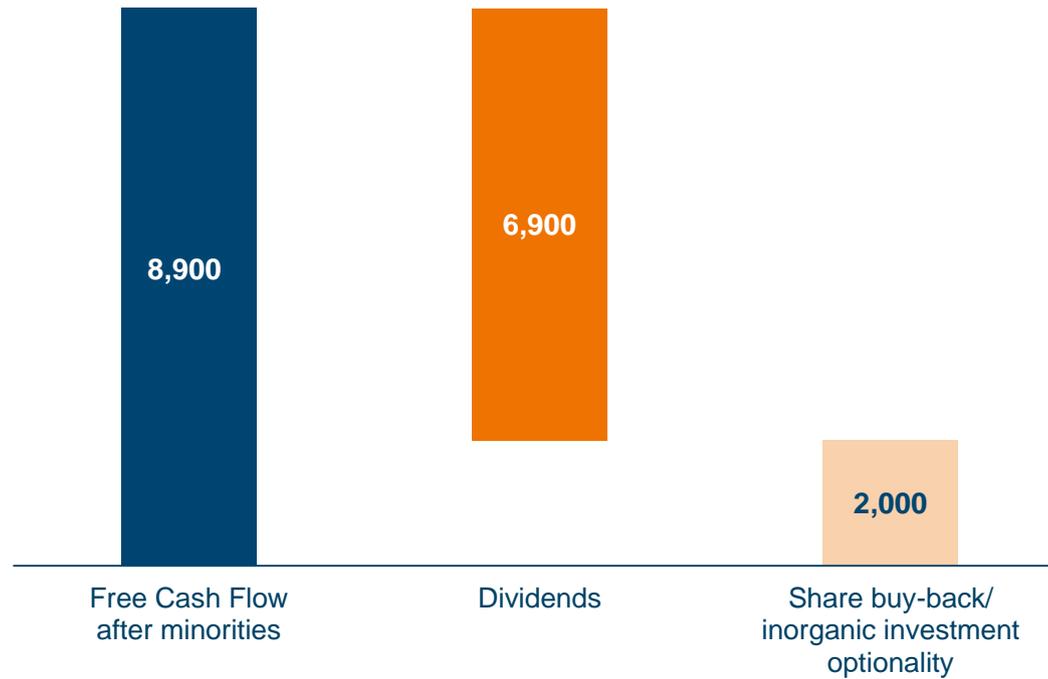
1.40€/sh.

Buy-back

- Up to €2,000M
- Max €400M p.a.
- In place when inorganic investments are not materialized
- Amortization decided at every AGM

Shareholder remuneration

Our commitment (€M)



**In the absence of inorganic opportunities meeting the “Golden Rules”,
all free cash flow will be returned to shareholders**

03

Business units goals

Business units

Summary targets (€M)



Gas & Power



Infra. EMEA



Infra. LatAm South



Infra. LatAm North

Asset base
2018

~9,200

~9,800

~7,300

~1,500

EBITDA
2022

~1,700

~1,600

~1,200

~400

Total capex
18- 22

~2,700

~2,300

~2,300

~1,000



Gas & Power

Gas & Power

Goals & opportunities

Gas, Power and Services sales

- New integrated commercial model
- Maximize portfolio value through customer focus
- High growth potential in services & solutions

International LNG

- Diversified and flexible procurement portfolio
- Secure contracted sales with end-customers
- Entry in new attractive market segments (FSRU, Small Scale solutions, Bunkering)

Europe Power Generation

- Doubling size in renewables lowering full cost
- Increase CCGT load factor
- Costs adjustments in conventional fleet

International power generation

- Growth in renewables
- Recurrent cash flow generation

Competitive integrated business model to optimize global margin

Gas & Power

Goals & opportunities

Gas, Power and Services sales

International LNG

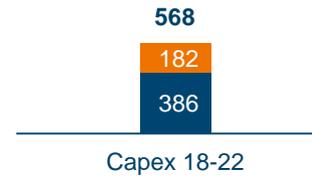
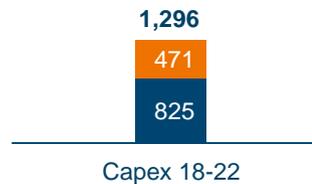
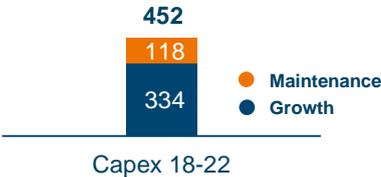
Europe Power Generation

International power generation

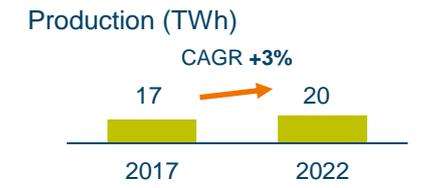
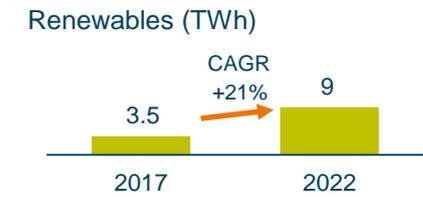
EBITDA (€M)



Capex (€M)



Key operational targets



Growth based on organic development and increased operational efficiency



Infrastructure EMEA

Infrastructure EMEA

Goals & opportunities

Spain gas networks

- Organic growth exploiting gas penetration potential
- Limited regulatory risk
- Improved efficiency through digital transformation

Spain electricity networks

- More flexible and digitized distribution system
- Future investment needs to offset regulatory risks
- Efficiency through digitization

EMPL

- Income secured until EMPL maturity (2021)
- Negotiations for EMPL renewal provide upside

High cash flow generation businesses with upside from efficiencies

Infrastructure EMEA

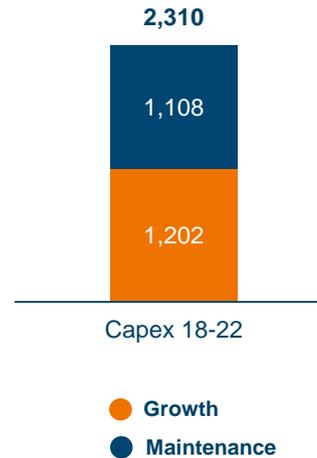
EBITDA, Capex and KPIs



EBITDA (€M)



Capex (€M)



Key operational targets

Spain gas networks

	2017	2022	CAGR
Remunerated Sales (TWh)	141	156	2.1%
CPs ('000)	5,371	5,910	1.9%

Spain electricity networks

	2017	2022	CAGR
OPEX/km (€/km)	1,882	1,396	-5.8%
TIEPI (min.)	43	39	-1.7%

Compelling industrial growth and efficiencies in networks offsetting regulatory risks



Infrastructure South LatAm

Infrastructure South LatAm

Goals & opportunities

Chile Electricity	<ul style="list-style-type: none">• Distribution: improvement of regulatory model in 2020 to capture upgrade on technology and quality of service• Transmission: Upgrade of networks and new 2017 law addressing bottleneck effect in renewables market
Chile Gas	<ul style="list-style-type: none">• Organic growth via increased penetration and growing heating demand• Argentina-Chile Gas exchange through existing pipelines
Brazil Gas	<ul style="list-style-type: none">• Organic growth via increased penetration and new concessions• Strong growth potential of services business in development
Argentina Gas	<ul style="list-style-type: none">• Full application of integral tariff review from April 2018• Organic growth supported by networks upgrade and extension• Strong growth potential of services business in development

Strong organic growth potential in networks and upside from services business

Infrastructure South LatAm

Goals & opportunities

- Chile Electricity
- Chile Gas
- Brazil Gas
- Argentina Gas

EBITDA (€M)

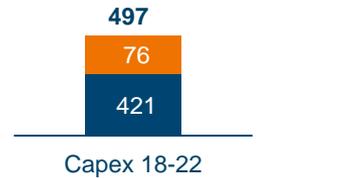


Capex (€M)

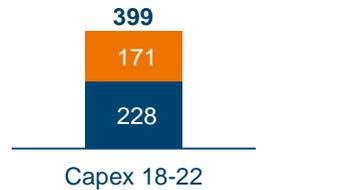


Key operational targets

	2017	2022	CAGR
Sales (TWh)	15	18	4%
Network (km)	66,180	69,605	1%
CPs ('000)	2,857	3,280	3%



	2017	2022	CAGR
Sales (TWh)	46	71	9%
Network (km)	6,425	7,858	4%
CPs ('000)	599	789	6%



	2017	2022	CAGR
Sales (TWh)	89	90	0%
Network (km)	7,536	8,708	3%
CPs ('000)	1,090	1,210	2%



	2017	2022	CAGR
Sales (TWh)	72	79	2%
Network (km)	25,865	27,540	1%
CPs ('000)	1,651	1,832	2%

Capital discipline to ensure value creation and profitable growth

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iv.

Infrastructure North LatAm

Infrastructure North LatAm

Goals & opportunities

Mexico Gas

- Organic growth by penetration and new concessions
- Strong growth potential of services via existing client base and new customers

Panama Electricity

- High growth and low risk economy with stable remuneration (USD)
- Positive expectations on tariff review 2019-2022
- Significant upside from operating efficiencies and lower energy losses
- Capture first mover advantage in services and solutions

Organic growth potential coupled with efficiencies and upside from services opportunity

Infrastructure North LatAm

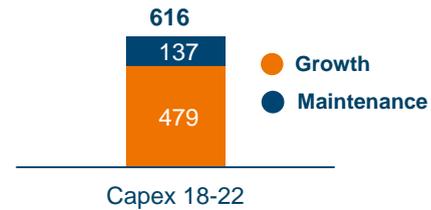
EBITDA, Capex and KPIs

Mexico Gas

EBITDA (€M)



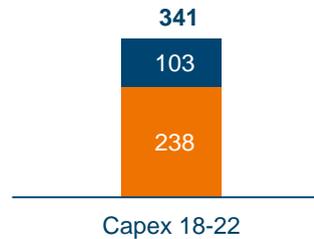
Capex (€M)



Key operational targets

	2017	2022	CAGR
Sales (TWh)	58	74	5%
CPs ('000)	1,773	2,631	8%
Km	21,022	25,739	4%

Panama Electricity



	2017	2022	CAGR
Sales (TWh)	5.11	6.48	5%
CPs ('000)	641	769	4%
Losses (%)	11.74%	10.61%	-2%

Strong fundamentals for organic growth

04

Financing strategy

Financing strategy

Financial policy



Rating

Investment grade as a consolidated Group and at business level in Euro zone



Leverage

Efficient debt structure while maintaining current leverage



Liquidity & debt maturity

“Adequate” liquidity at each business unit

Maturity diversification

Flattish maturity profile; below €2,500M/year



Funding sources

Diversified; prioritizing capital markets & institutional funding



Interest & exchange rates

Stable cost of debt with a min. of 70% at fixed rate

Natural hedge → maximum funding at same currency

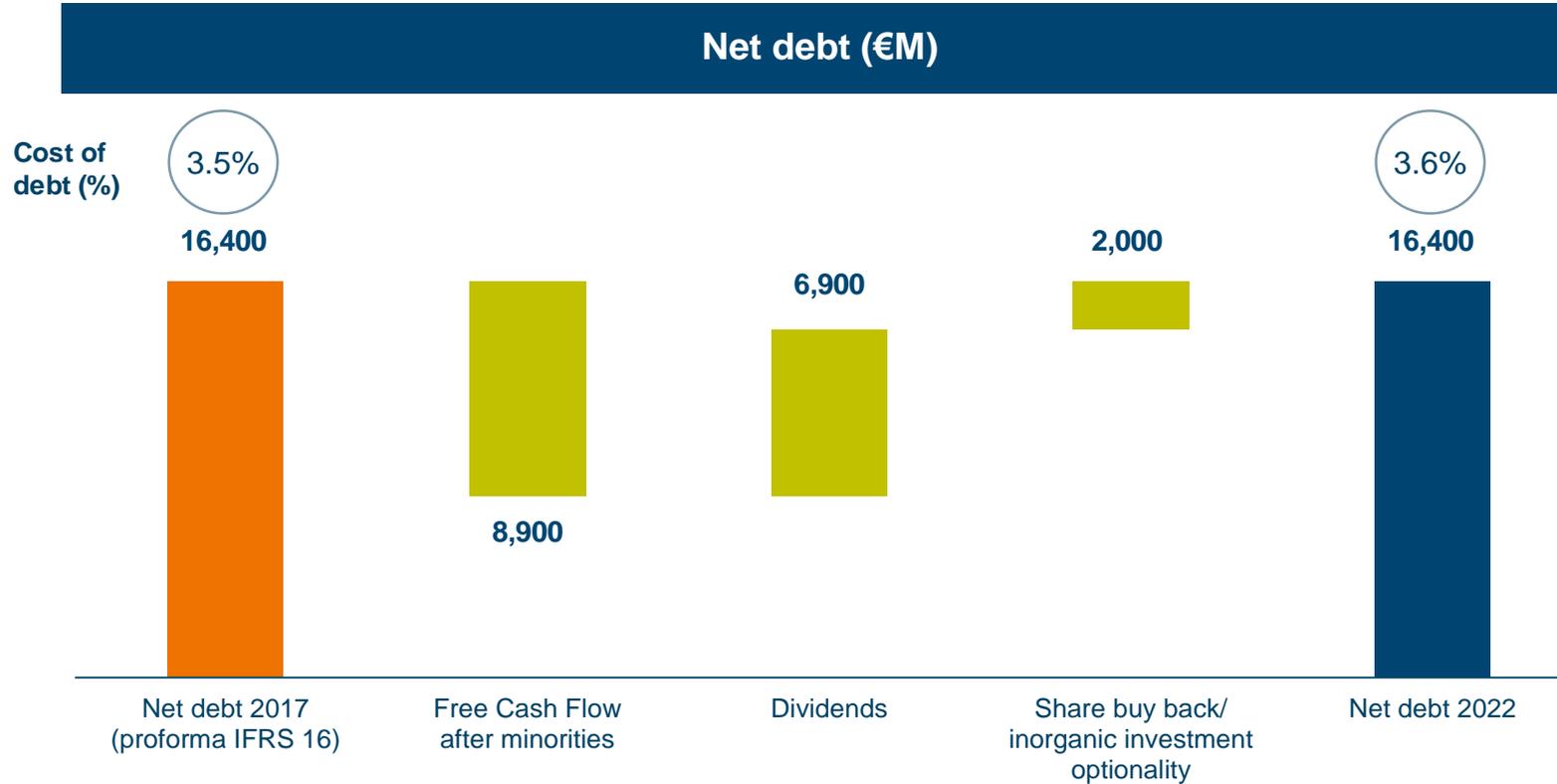


Capital structure optimization

Maximum financing allocated into business units

Financing strategy

Net debt & cost of debt evolution



Stable debt levels over the period supported by strong FCF generation

05

Commitment with efficiency

Efficiency Plan

Productivity across P&L

Strong initiative

(OPEX / Gross margin)



Opex annual reduction of €500M by 2022

Tracking and accountability

- End-to-end review of every single controlling process
- Reinforced and more stringent criteria for expenses and investments budgeting and approval
- Strict compliance with IRR minimum threshold
- Complete overhaul of monitoring and measurement tools to guarantee traceability

Ensure impact and visibility on the P&L

Efficiency Plan

Opex reduction initiatives

“Lean non-core”

- Bundle non-core functions & outsourcing services
- Alliances with expert partners

“Lean push-down”

- Allocation of operational functions into BUs
- Closer assessment of functional needs by each BU

“BU initiatives”

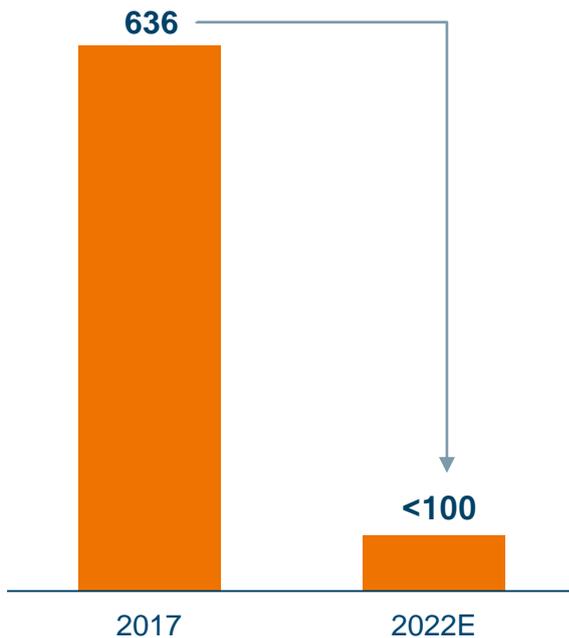
- Improvement of functions which remain in-house
- Greater automatization & digitization

Tangible efficiency plan through identified levers targeting €500M annual savings by 2022

Efficiency Plan

New role of the Corporation

Corporation – annual costs (€M)



From

**Service Provider
to all businesses**

**Over €600M of intra
Group cost**

**Decision making
involves many Company
stakeholders**

To

- Setting policies and guidelines
- Managing talent pool
- Control of outsourcers

- Transparent cost structure

- Clear accountability at BUs
- Assurance of financing and controlling function

New role of the corporation focused on determining the Group's strategy and policies as well as controlling the implementation and delivery of the plan

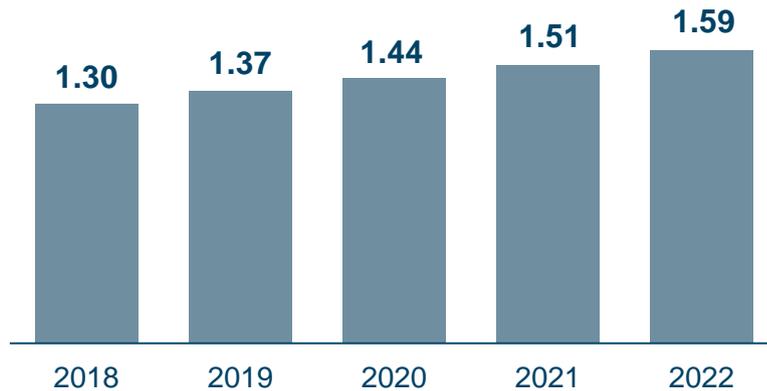
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Global financial targets and management incentives

Key financial targets for 2022 (€M)

EBITDA 2017: 3,915	~5,000	Annual avg. FCF 2017: ~1,300	~1,800
Net income 2017: 1,360	~1,800	Net debt 2017: ~16,400	~16,400

Dividends (€/share)



Share buy-back (€M)

(Up to €2,000M)



1

Annual performance bonus for all managers

- Focused on key targets and monitored on a yearly basis:
 - Free cash flow
 - Profitability of investments
-
- Performance
 - Subject to minimum achievement of 80%
-
- Paid in cash annually

2

Long term incentive for key managers

- Participation in a share scheme locked up until 2023 and linked to share price performance

Management incentive program designed to align interests with shareholders and engage the management team with delivery of the 2018-2022 Strategic Plan

7

Summary

Summary

- + More solutions for industry
- + More focused, simple and accountable
- + More empowerment to business units
- + More efficient and cash-generative
- + More value-driven through strict capital allocation
- + More attractive shareholder remuneration
- + More alignment of management interests



**+ Much more value
for shareholders**



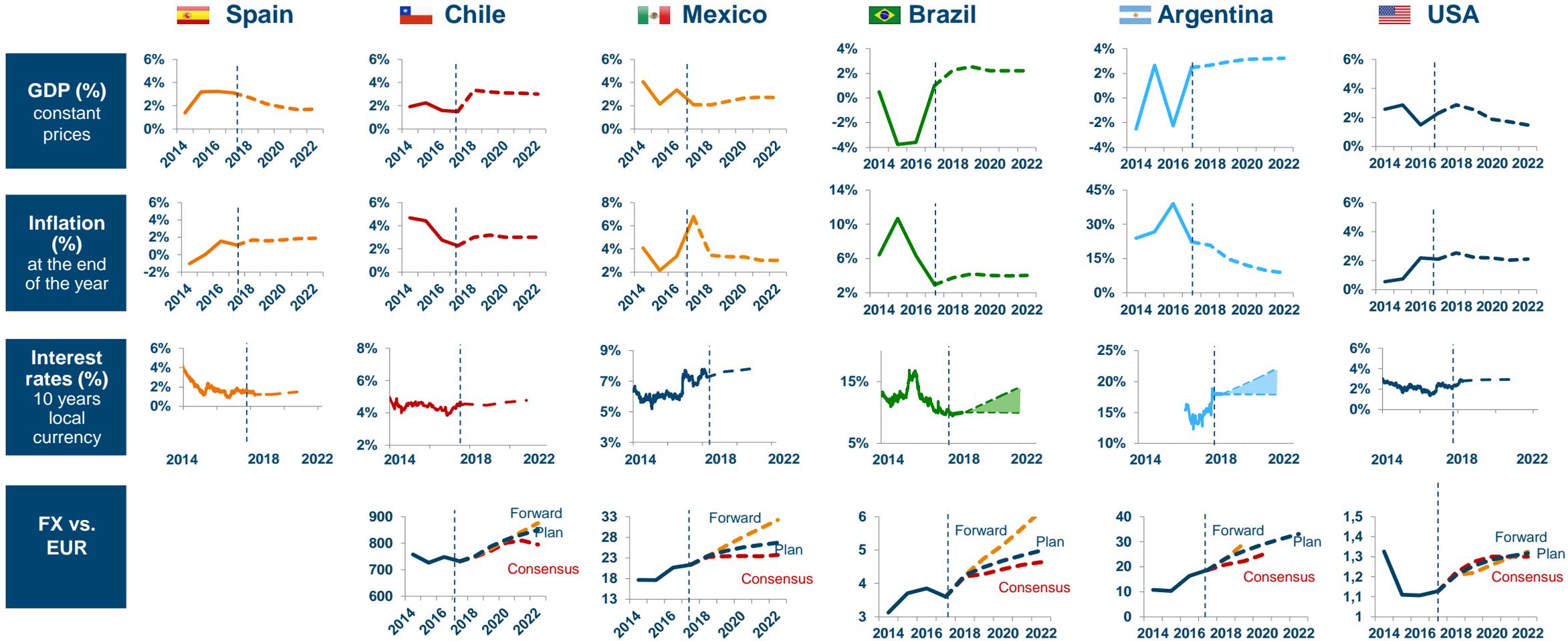
Naturgy: Much More

Q&A

Appendix

Macro assumptions

Much more



Market assumptions

		2018	2019	2020	2021	2022
Brent	USD/bbl	75.3	75.5	71	67.8	65.6
HH	USD/MMBtu	2.9	2.8	2.7	2.7	2.7
NBP	USD/MMBtu	7.8	7.7	7.2	6.9	6.9
Spot Asia	USD/MMBtu	9.6	9.1	8.5	8.2	8.2
Pool price	EUR/MWh	58.5	56.8	54.8	51.25	50.25
Coal (API2 CIF ARA)	USD/t	89.6	88	85.2	82.9	81.9
CO₂ (EUA)	EUR/t	14	16.1	16.3	16.6	17
NBP as % of Brent		10.4%	10.2%	10.1%	10.2%	10.5%
JKM as % of Brent		12.7%	12.1%	12.0%	12.1%	12.5%



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CAPITAL MARKETS

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