9M18 results

November 5, 2018

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Key highlights

Key highlights

- ✓ **Robust recurrent EBITDA evolution despite adverse FX**
  - 10% growth
  - Activity +€479m and FX €-182m
- ✓ **Recurrent net income up 38% supported by activity and lower financial expenses**
- ✓ **Total capex of €1.6bn in the period**
  - Growth capex >70% of total
- ✓ **New dividend policy in place**
  - Second 2018 interim dividend of €0.45/share payable on 27 November 2018
  - On track on €1.30/share dividend against 2018 earnings

(€m)	9M18	9M17	9M18 recurrent	9M17 recurrent	Change (%)
EBITDA	2,976	2,993	3,248	2,951	+10%
Net income	(3,040)	793	877	635	+38%
Capex	1,593[1]	1,123	-	-	-
Growth	1,153[1]	584	-	-	-
Maintenance	440	539	-	-	-

Strong 9M18 recurrent results

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

Non-recurrent items & FX

EBITDA

Non-recurrent items

€m	9M18	9M17
Gas transport & procurement	(47)	20
Chile extraordinary expenses	(33)	-
Restructuring costs	(78)	(18)
Asset write-down	-	-
Discontinued operations and minority interests	-	-
Chile mergers tax effect	-	-
Argentina pending pass-through	(116)	-
Other	2	40
Total	**(272)**	**42**

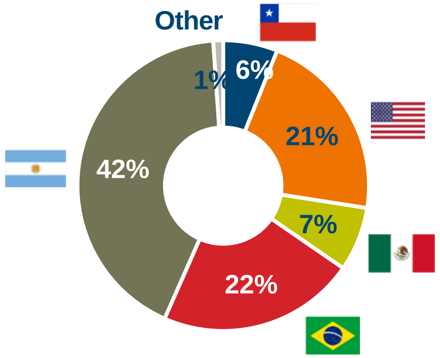
Net income

Non-recurrent items

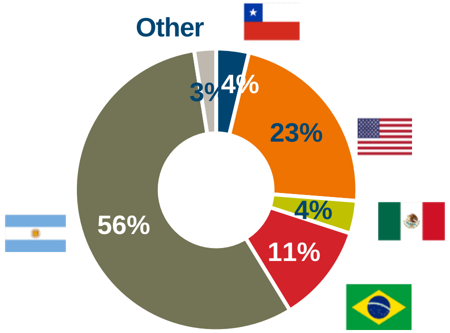
€m	9M18	9M17
Gas transport & procurement	(35)	15
Chile extraordinary expenses	(21)	-
Restructuring costs	(62)	(13)
Asset write-down	(3,824)	-
Discontinued operations and minority interests[1]	44	125
Chile mergers tax effect	42	-
Argentina pending pass-through	(57)	-
Other	(4)	32
Total	**(3,917)**	**159**

9M18 results additionally impacted by adverse FX in the period

FX impact €-182M



FX impact €-80M



9M18 marked by non recurrent items and an adverse FX scenario

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

Progress on value creation strategy

Key highlights

1	Simplicity & accountability	✓ Board simplification, made extensive to subsidiaries ✓ Asset valuation review ✓ New reporting perimeter with higher accountability and autonomy ✓ Scale down of corporate functions and cost reallocation into BUs (costs push down)
2	Optimization	✓ Renewal and extension of gas procurement contract with Sonatrach ✓ Newly created Opex committee ✓ Launch of new efficiency plan ✓ Ongoing capital structure optimization
3	Capital discipline	✓ Awarded 180MW wind farm project in Australia ✓ Addition of ~200 MW renewable capacity in Spain expected before year end ✓ Newly created Capex committee
4	Shareholder remuneration	✓ Approval of 2nd interim dividend of €0.45/share ✓ Approval of LTIP fully aligned with total shareholders return

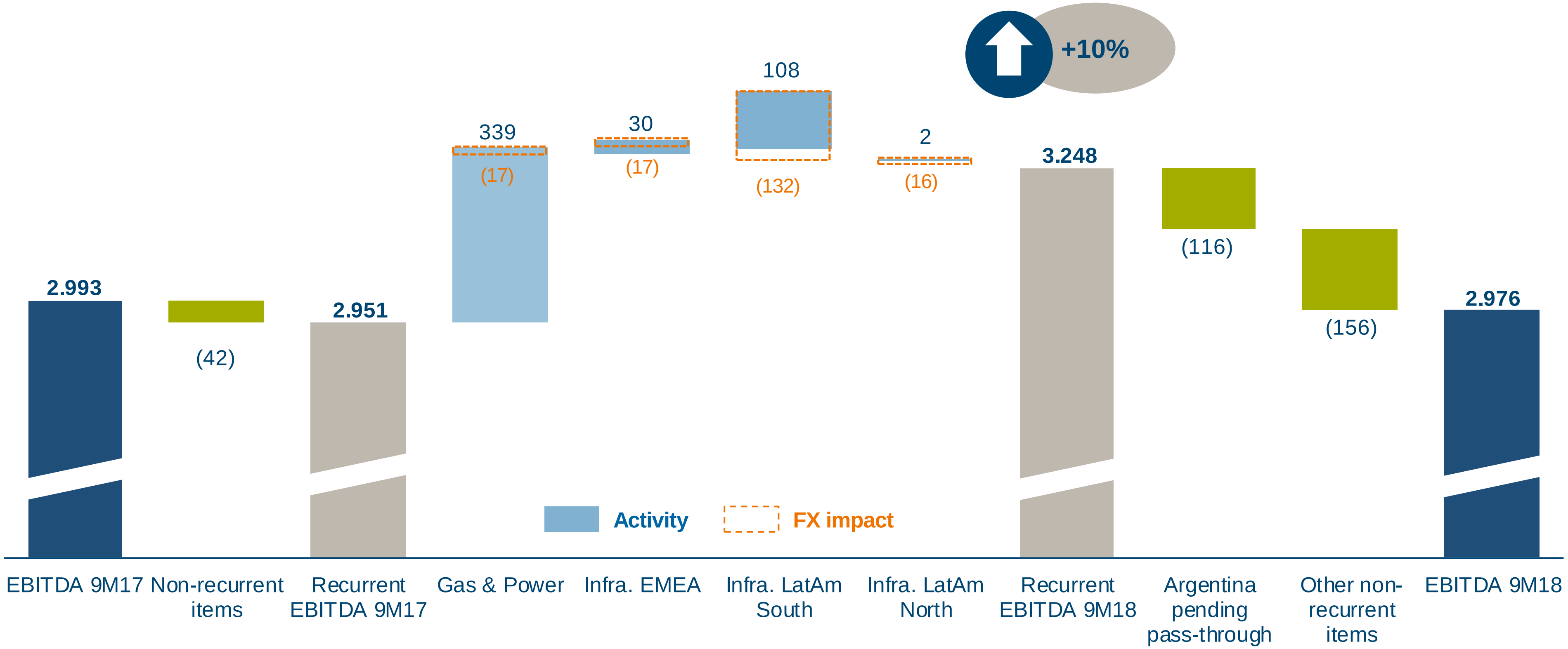
✓ Favourable ICSID award in the arbitral procedure initiated by Union Fenosa Gas in Egypt

Steady progress on the key pillars supporting Naturgy's value creation strategy

02

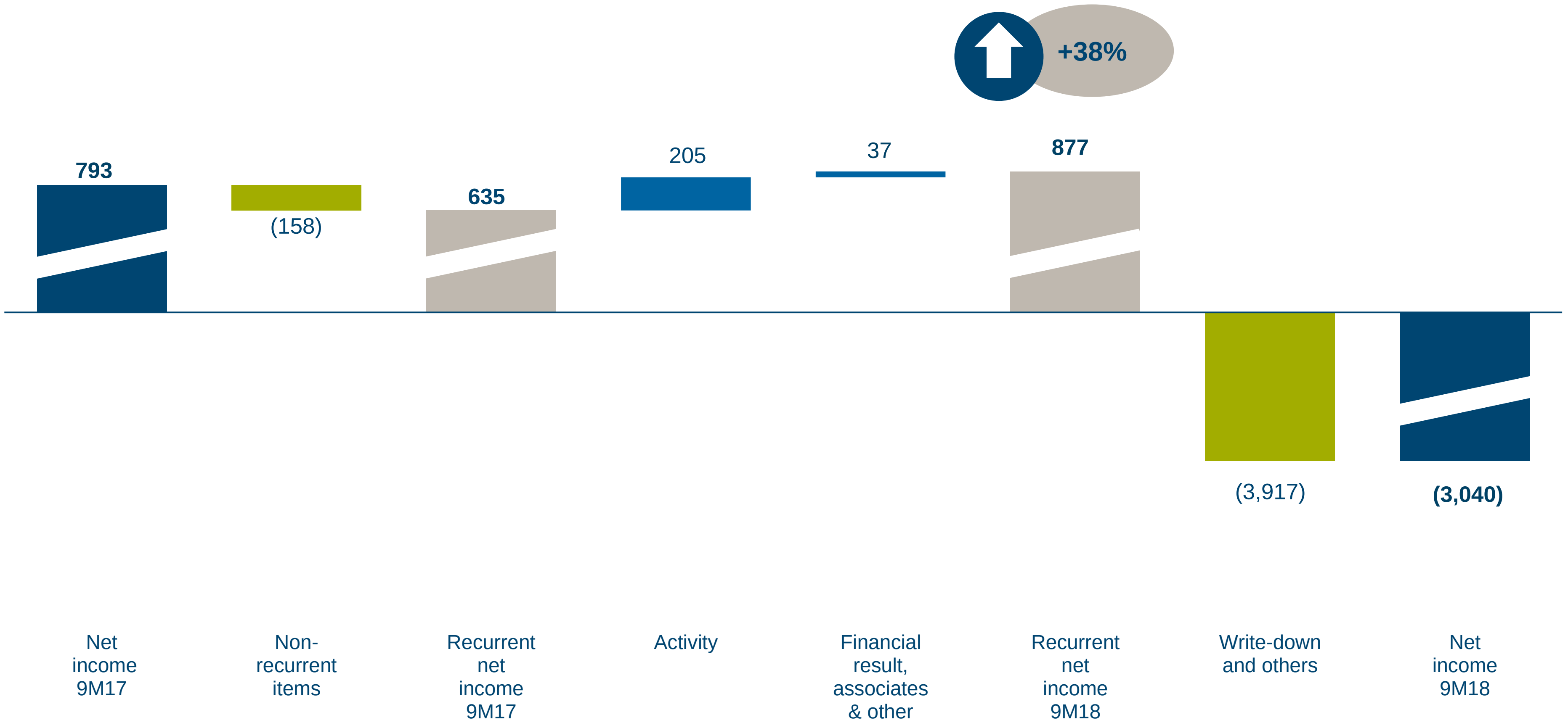
9M18 consolidated results

EBITDA evolution (€m)



Activity growth in all businesses offset by FX

Net income evolution (€m)



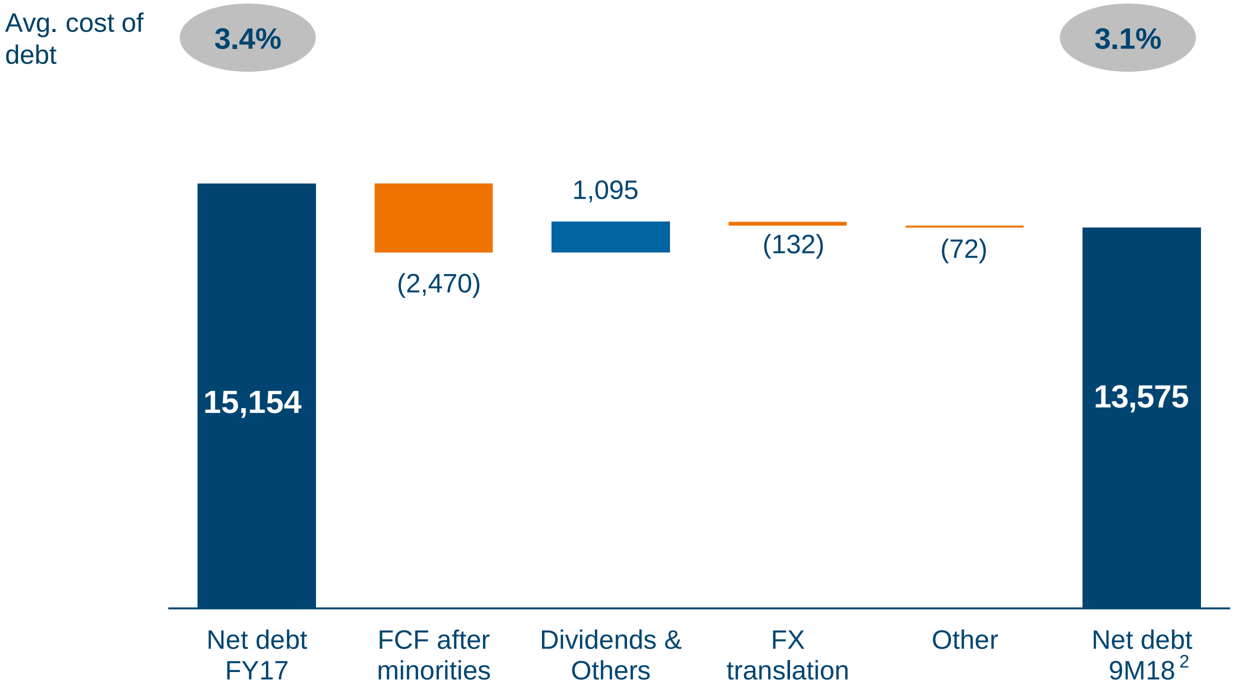
Strong recurrent net income driven by activity improvement and lower financial expenses

Cash flow and net debt evolution

Cash flow (€m)

	9M18	Change vs. 9M17 (%)
Recurrent EBITDA	3,248	+10%
Non-recurrent items	(272)	-
EBITDA	**2,976**	**-1%**
Taxes	(189)	-
Net interest cost	(474)	-
Other non cash items	(43)	-
Funds from operations	**2,270**	**-4%**
Change in working capital	(413)	-
Cash flow from operations	**1,857**	**+17%**
Investments[1]	(1,172)	-
Divestments	2,583	-
Dividends to minorities & other	(798)	-
Free cash flow after minorities	**2,470**	**n.m.**
Dividends & other	(1,095)	-
Free cash flow	**1,375**	**n.m.**

Net debt (€m)



Net debt reduction driven by activity and disposals

Notes:
1. Excluding €380m related to 2 LNG tankers in time-charter regime incorporated during 1H18 (non-cash investments)
2. Including the impact of IFRS 16 net debt as of 9M18 would be €15,213m

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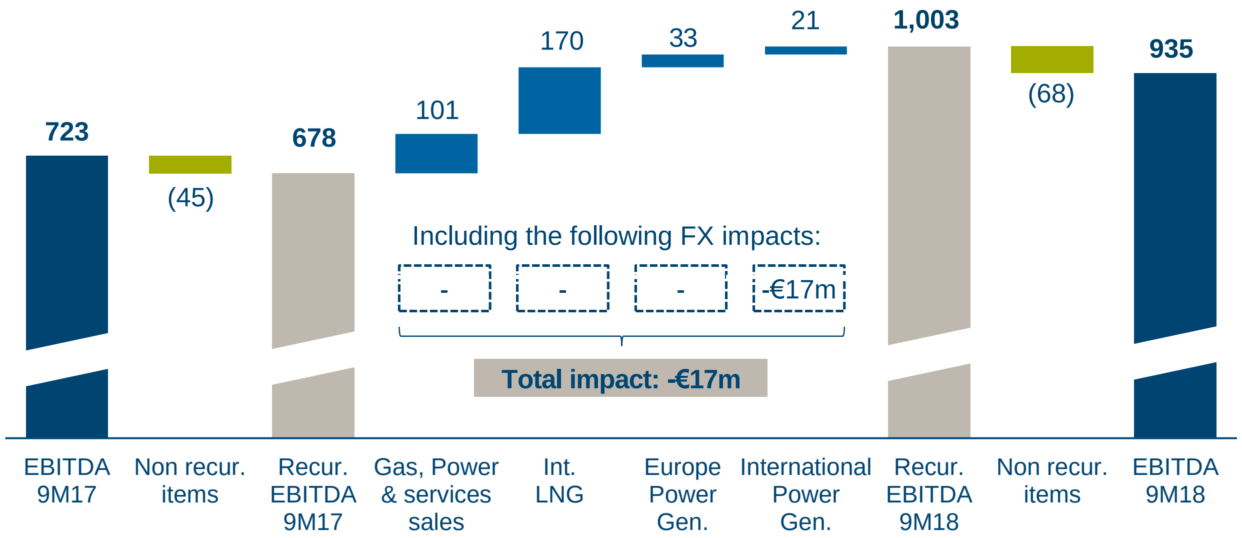
9M18 results by business unit

Gas & Power

EBITDA evolution (€m)



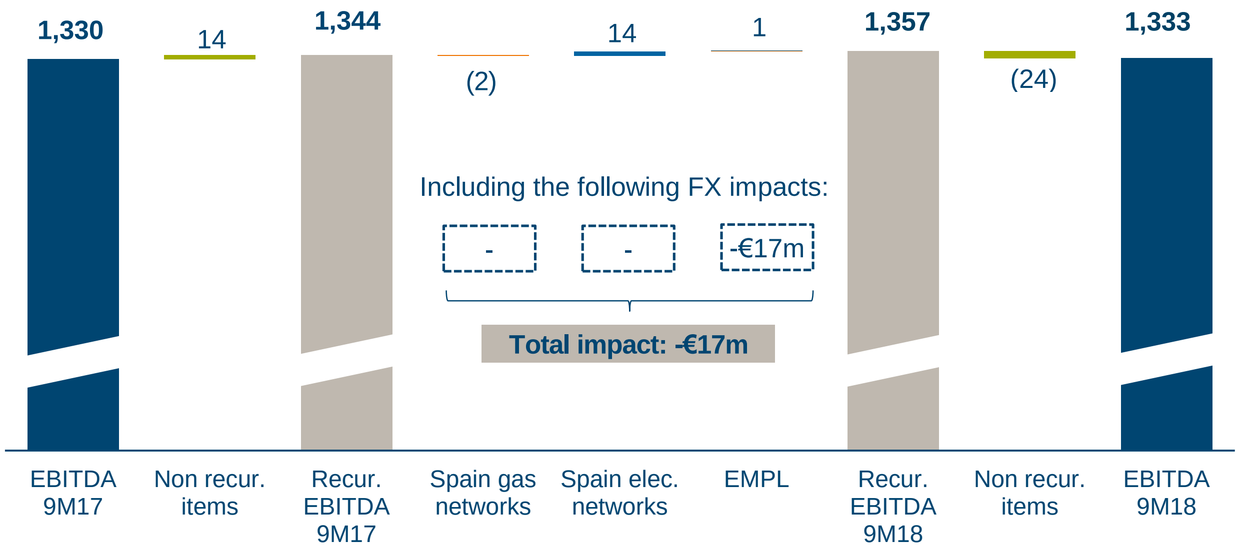
Highlights

- ✓ **Gas, Power & services sales**: higher gas supply prices as result of market fundamentals and new conditions from Algerian procurement contract, offset by margin pressure in power supply.
- ✓ **International LNG:** higher margins and sales in all markets, backed by continued demand from Asia and additional supplies from Sabine Pass and Yamal LNG.
- ✓ **Europe Power Generation:** higher hydro and wholesale prices partially offset by rising CO_2 costs and temporary suspension of capacity payments in CCGTs.
- ✓ **International Power Generation:** growth coming from new installed capacity in Brazil, higher margins of excess energy sales and higher wind resource in Mexico partially offset by FX impact.

Recurrent EBITDA growth mainly driven by Gas supply and International LNG

Infrastructure EMEA

EBITDA evolution (€m)



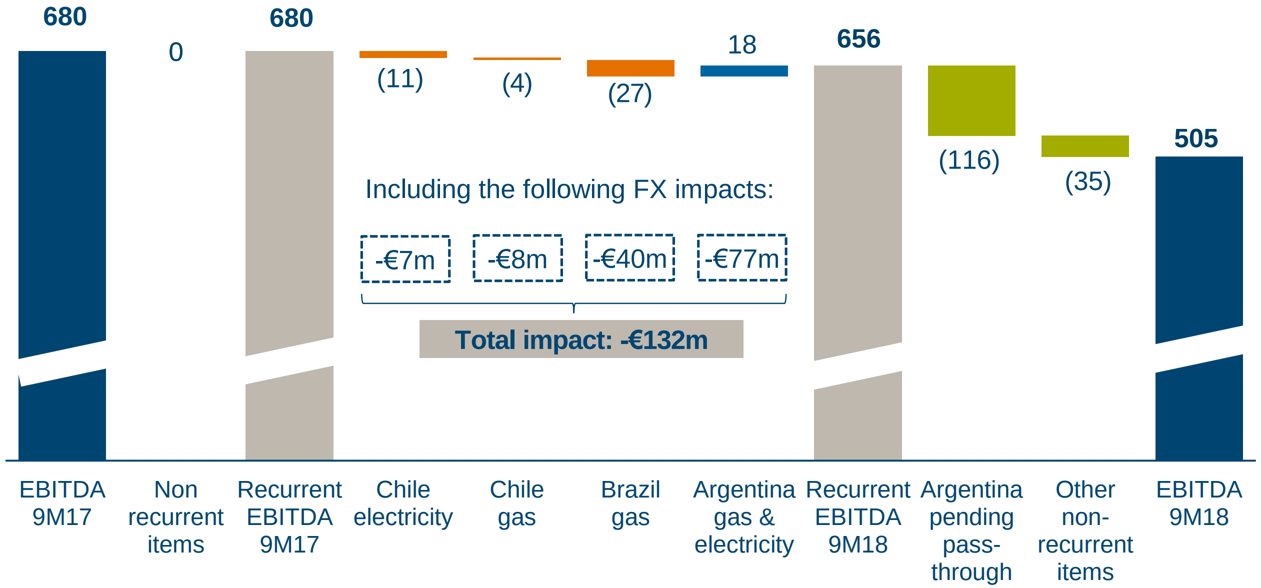
Highlights

- ✓ **Spain gas networks:** operating growth offset by lower meter rental revenues and, to a lesser extent, lower LPG margins.
- ✓ **Spain electricity networks:** growth explained by the accrual of investments brought into operation.
- ✓ **EMPL:** tariff increase offset by negative FX impact

Higher remuneration from additional capex make up for lower gas meter remuneration and FX

Infrastructure South LatAm

EBITDA evolution (€m)



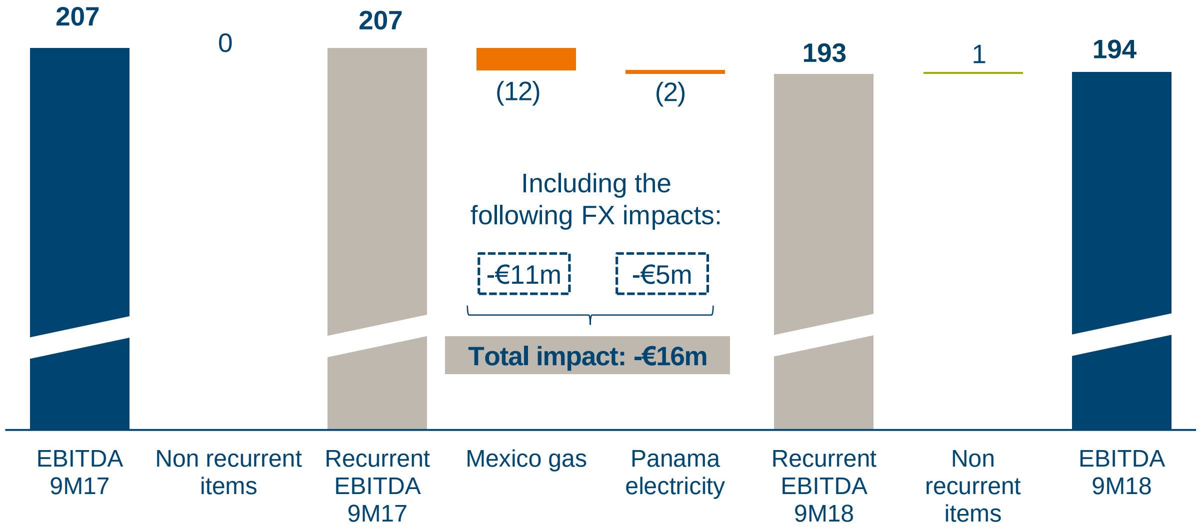
Highlights

- ✓ **Chile electricity:** activity growth offset by ordinary tariff adjustments and FX impact.
- ✓ **Chile gas:** growth in connection points and higher margins in the residential and commercial segments, countered by lower demand for power generation and FX impact.
- ✓ **Brazil gas:** higher margins across residential, commercial and industrial segments and higher sales in automotive segment, offset by lower industrial demand and FX impact.
- ✓ **Argentina:** growth due to the final implementation of the new tariff offset by effect of FX / IAS 29.

Recurrent EBITDA impacted by FX

Infrastructure North LatAm

EBITDA evolution (€m)



Highlights

- ✓ **Mexico gas:** higher energy margin offset by FX impact and higher opex from commercial repositioning and other temporary factors
- ✓ **Panama electricity:** higher connection points negatively affected by milder weather and FX impact

Results affected by FX and higher temporary opex that should precede future improvements

04
Conclusions

Summary 9M18 results

✓ **Robust recurrent activity evolution despite adverse FX**

✓ **Achievement of key milestones since launch of strategic plan 2018-2022**

- Scale down of corporate functions and cost reallocation into BUs
- Launch of new efficiency plan and new opex / capex committees and progress on capital structure optimization
- Growth investments in renewables meeting the “Golden rules”
- Approval of 2nd interim dividend on 2018 results

Naturgy is on track to deliver on its strategic plan

9M18 results

Q&A

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