FY19 Results

5 February 2020

Agenda

1. FY19 results
2. Company initiatives

01

FY19 results

FY19 results

1 **Challenging energy scenario**

-38% JKM/Brent

2 **Acceleration of efficiency plan**

€380m annual since 2018

3 **Strong investment in renewables and electricity**

>70% of growth & remunerated capex

4 **Stable net debt after capex and shareholder remuneration**

BBB rating, stable outlook (S&P)

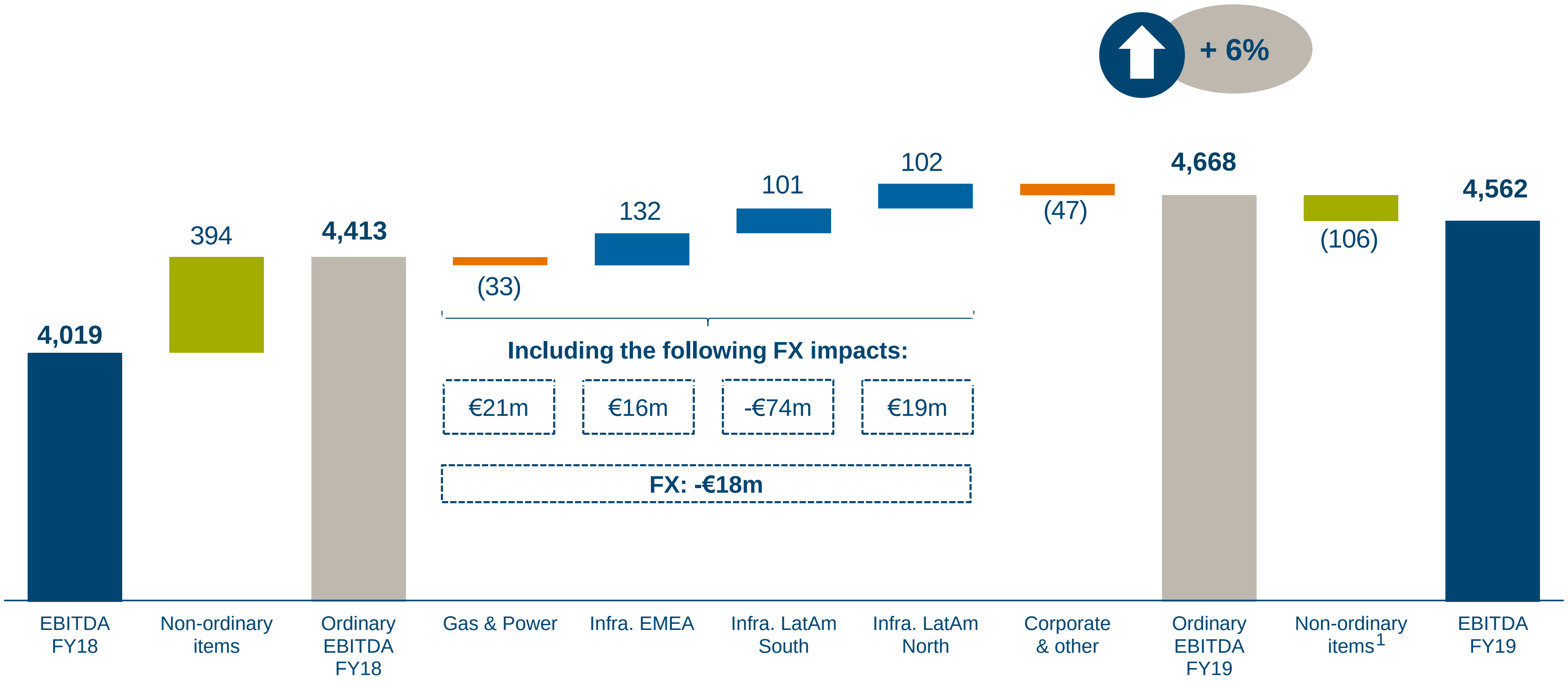
Key figures (€bn, % vs. 2018)

Ordinary EBITDA	Ordinary Net Income
4.7 +6%	**1.4** +15%

Capex	Net Debt
1.7 83% growth & remunerated	**15.3**

Growth despite challenging energy scenario

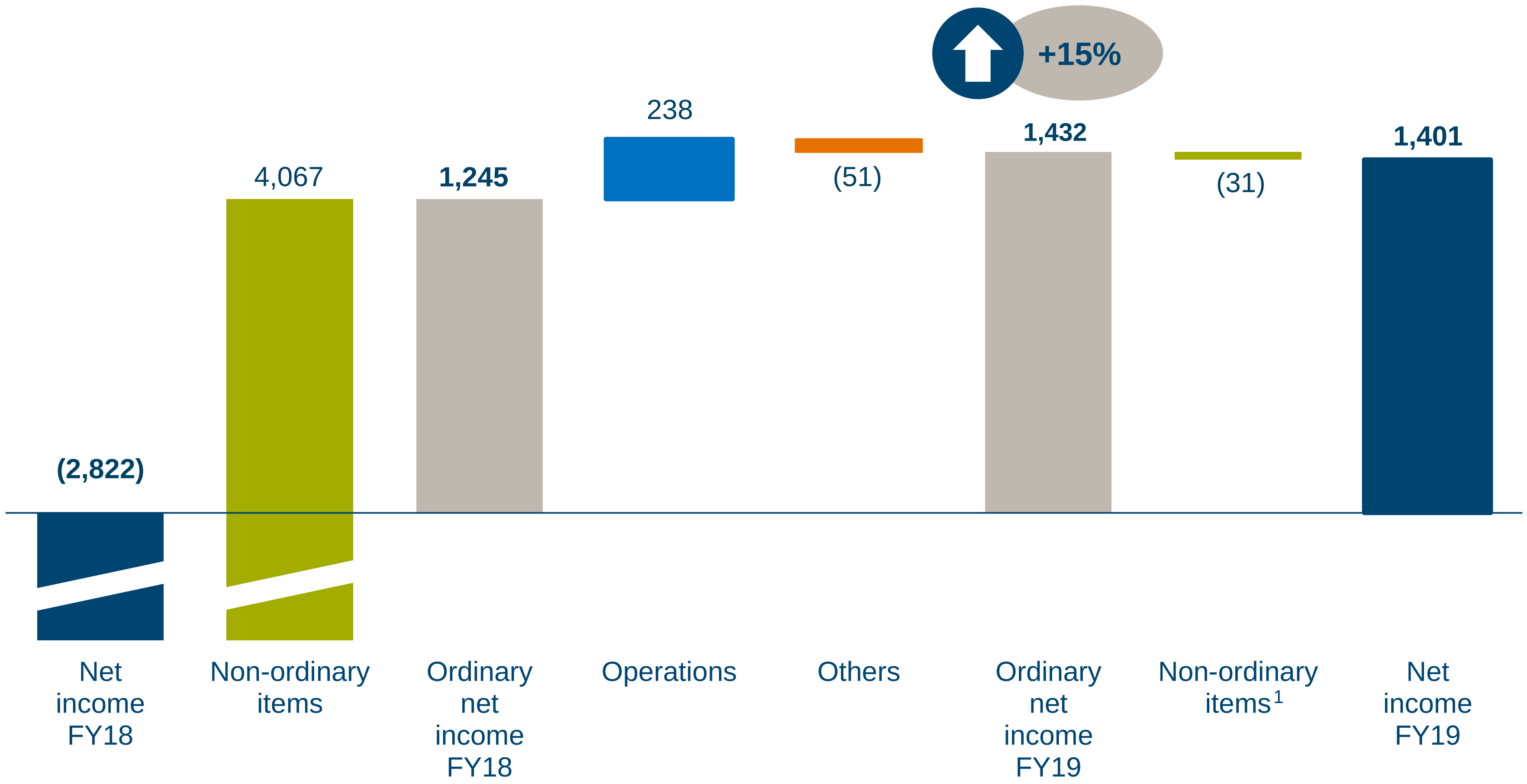
EBITDA evolution (€m)



Ordinary growth driven by regulated activities and efficiencies

Note:
1. Of which: -€168m corresponds to restructuring costs, €49m to provisions reversals, €24m to sales of land and buildings, -€20m to CNMC CCGT fine and other

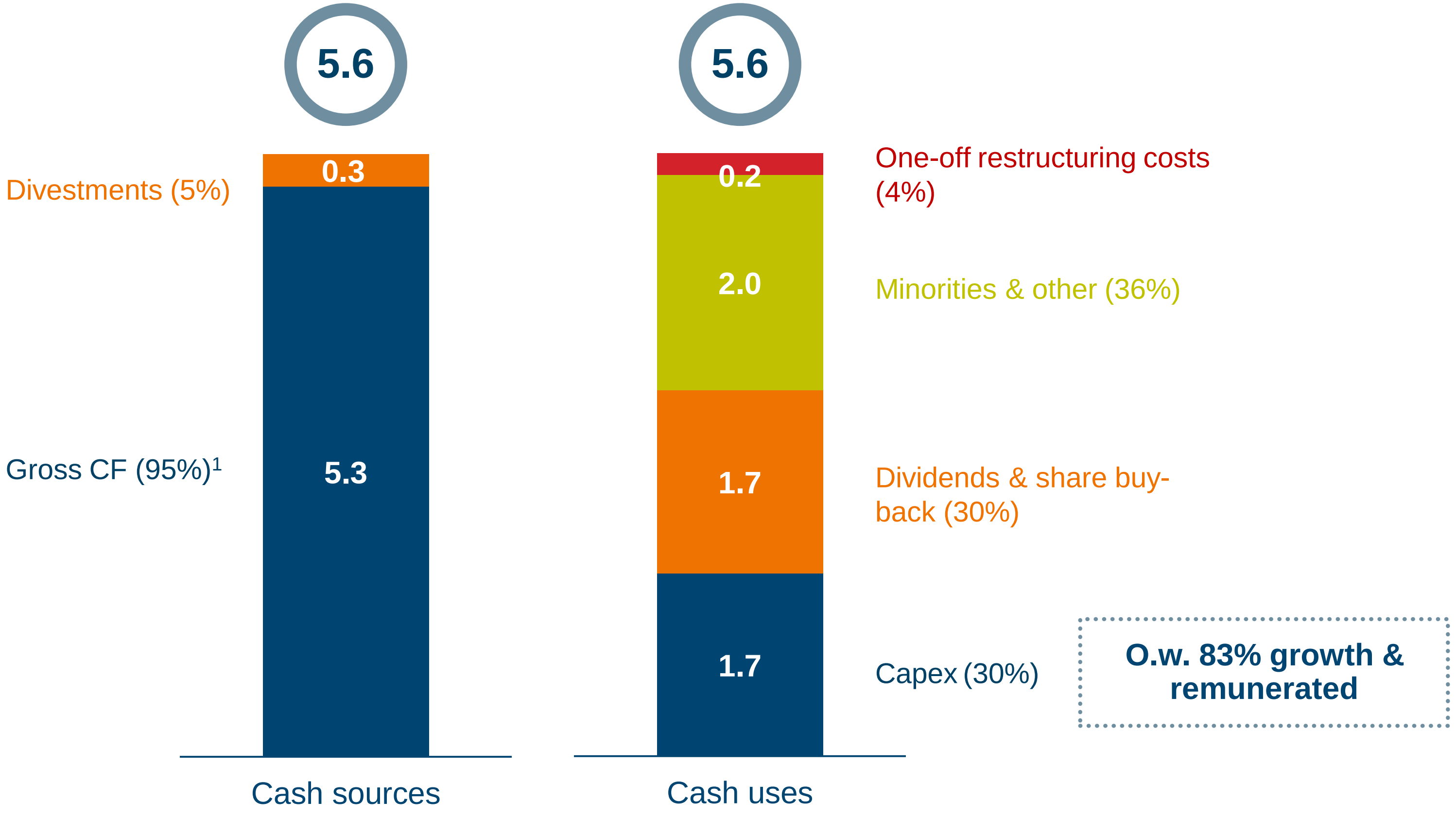
Net Income evolution (€m)



Business growth translates into higher net income

Note:
1. Of which: -€126m corresponds to restructuring costs, €101m to Medgaz revaluation, €88m to asset disposals, -€73m to liability management costs, €33m to provisions reversal, -€23m to asset write down, -€20m to CNMC CCGT fine and other

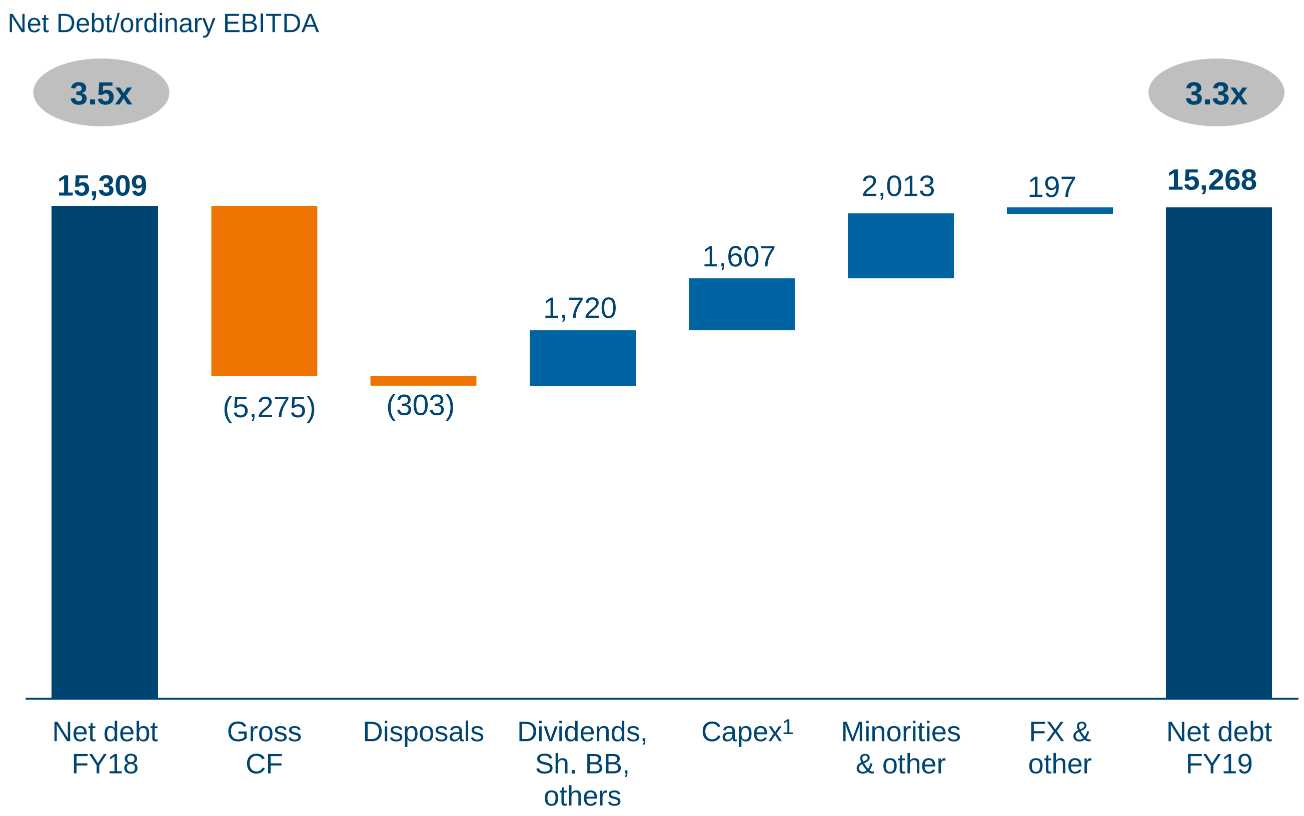
Sources and uses of cash (€bn)



Balanced cash flow distribution

Note:
1. CF from operations prior to interest expenses, taxes and restructuring costs

Net debt evolution (€m)



Debt structure optimization

- **Corporate liability management** **~€700m**
- **International BU push down** **~€1.8bn**
- **Green financing Spain** **~€500m**

Total **~€3bn**

Stable net debt after investments and shareholder remuneration

Note:
1. Net of cessions and contributions

Shareholder remuneration

Naturgy

DPS (€/sh.)

- **0.29** Paid — **1st interim** ✓ July-19
- **0.47** Paid — **2nd interim** ✓ November-19
- **0.60** Proposal — **2019 final** March-20

1.37[1]

+5% vs 2018

Share buy-back

- **1st tranche completed** (June 2019) — **€400m**
- **Share cancellation** (August 2019) — **16.6m** shares
- **Second €400m tranche as of the end of January-20** — **~€135m**

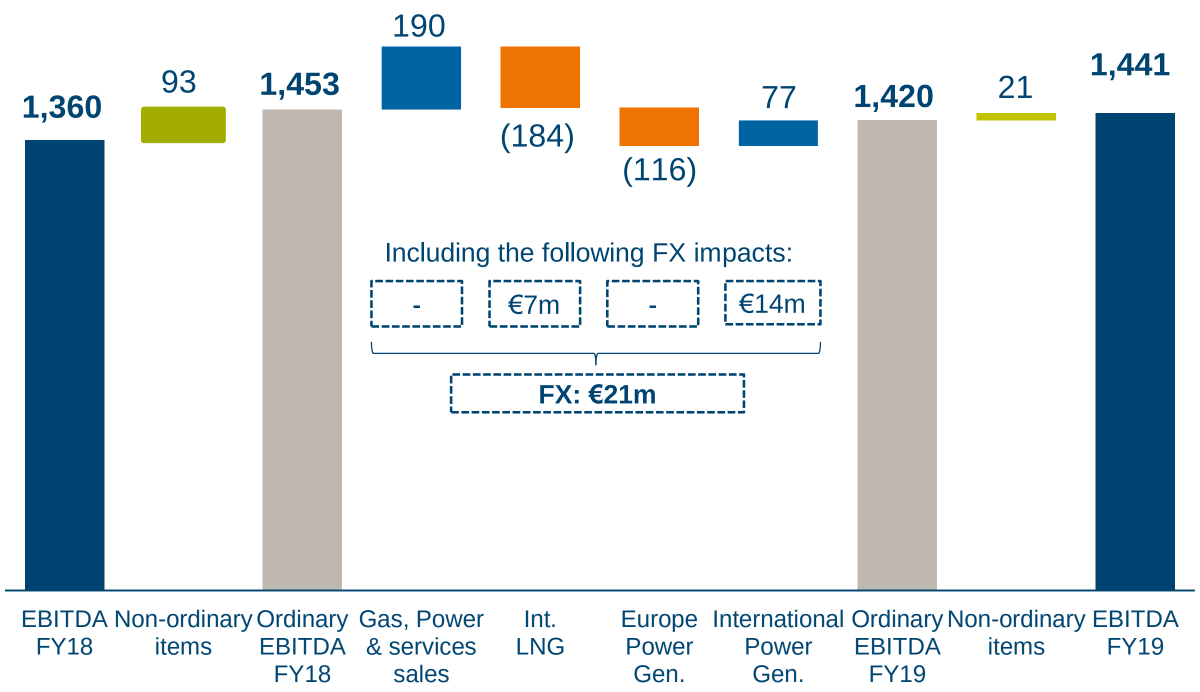
Solid basis to continue delivering our commitments

Note:
1. Subject to AGM approval

FY19 results by business unit

Gas & Power

EBITDA evolution (€m)



Highlights

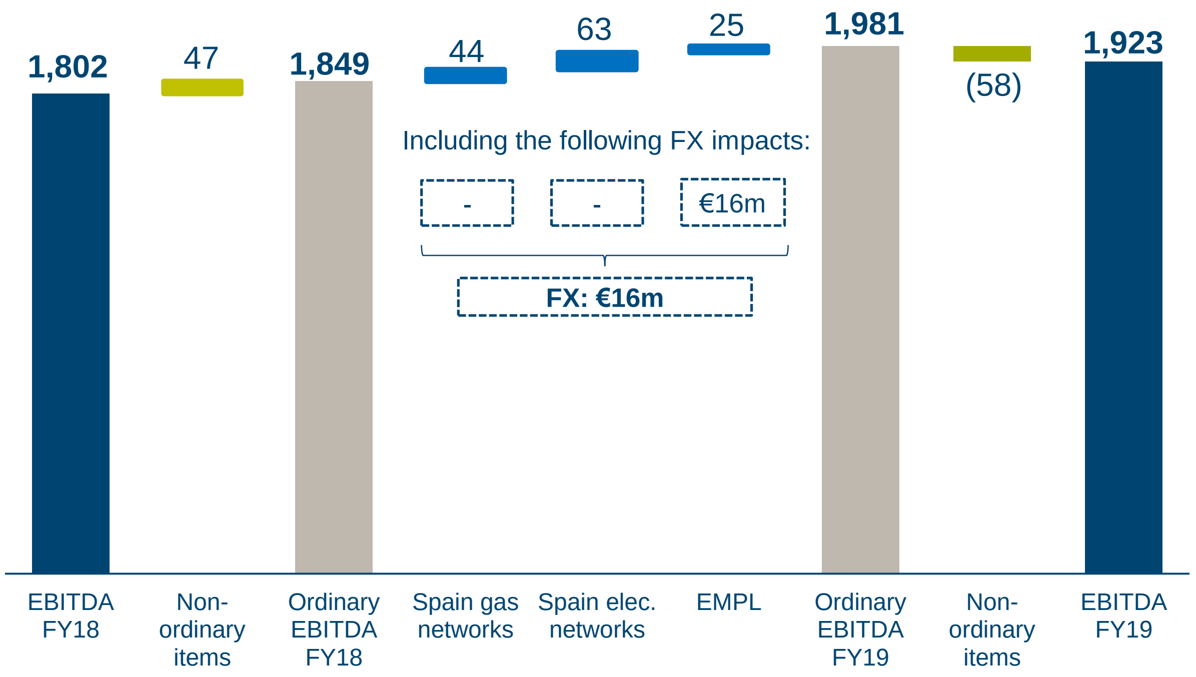
- ✓ **Gas, Power & services sales**: higher margins in power supply partially offset by lower gas margins
- ✓ **International LNG:** lower margins and volumes impacted by energy scenario vs. better conditions in 2018
- ✓ **Europe Power Generation:** increased competition in CCGTs and low gas prices, suspension of CCGTs availability payments (full year effect) and subdued hydro
- ✓ **International Power Generation:** higher margins and sales, new installed capacity in operation and favorable FX

€778m capex, of which **80%** growth & remunerated

Renewables and derisking partially offset scenario

Infrastructure EMEA

EBITDA evolution (€m)



Highlights

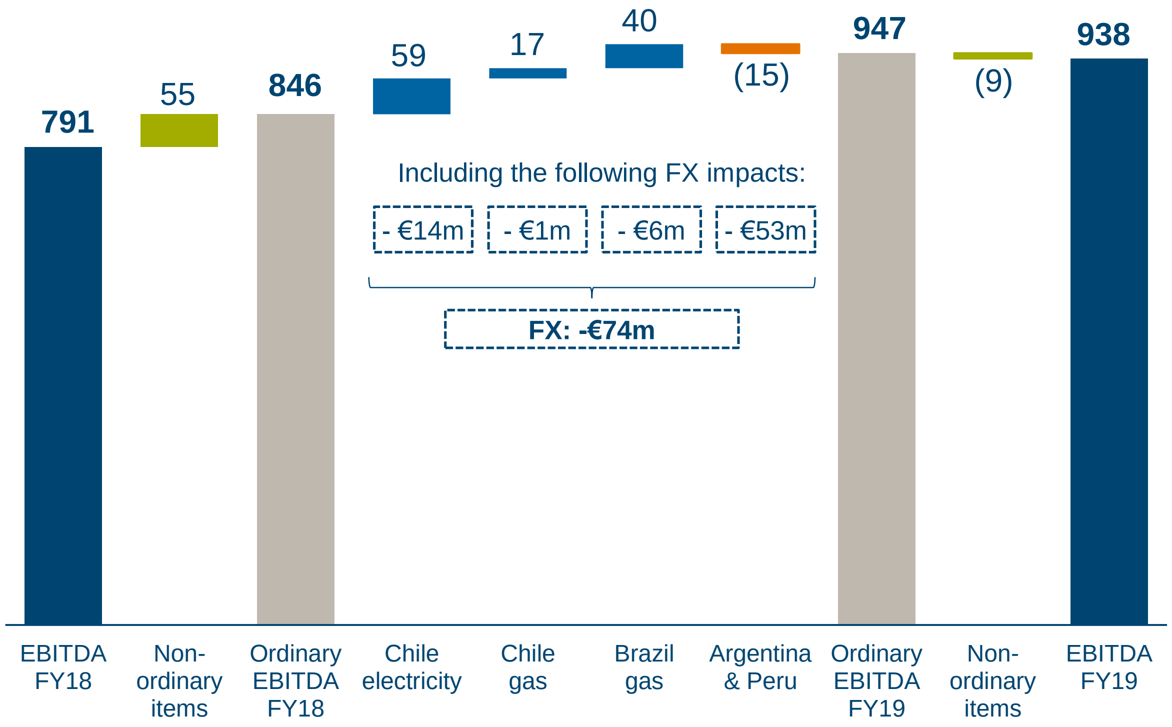
- **Spain gas networks:** stable activity and business optimization
- **Spain electricity networks:** new investments and other regulated revenues along with lower interruption times
- **EMPL:** favorable FX and annual tariff increase partially offset by lower demand

€432m capex, of which **~90%** growth & remunerated

Investments and optimization drive businesses

Infrastructure South LatAm

EBITDA evolution (€m)



Highlights

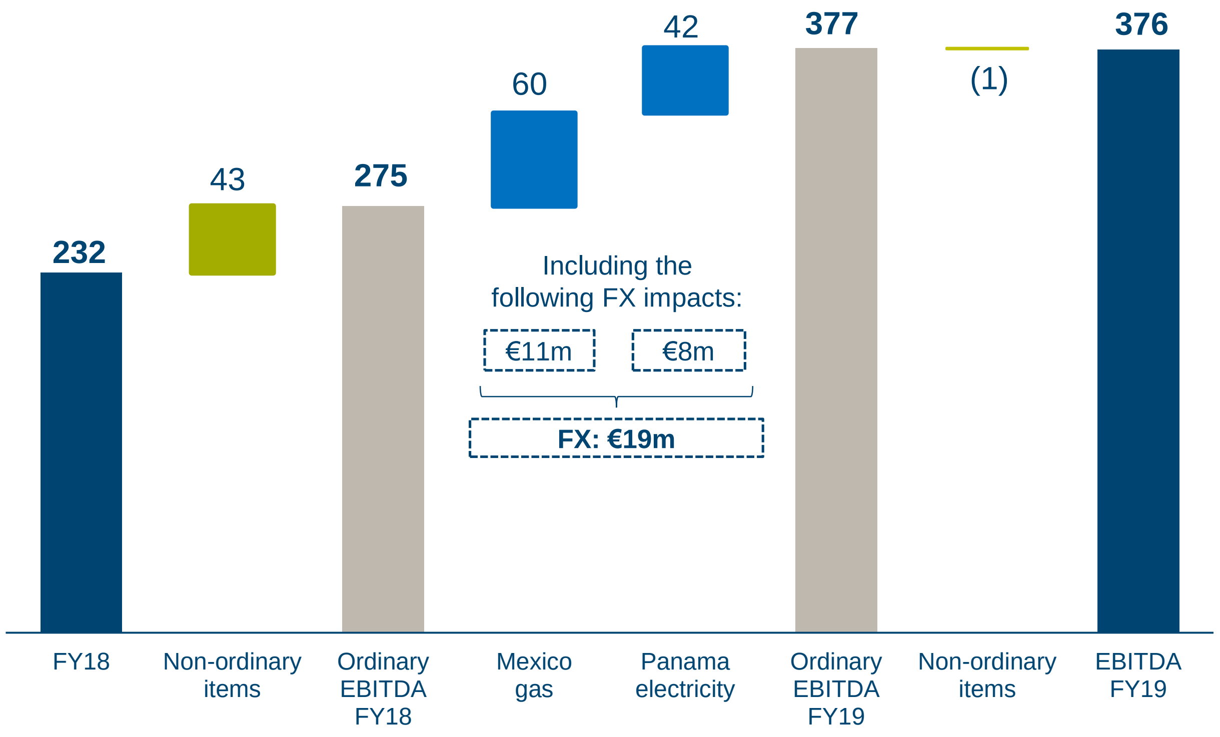
- **All businesses negatively impacted by FX**
- ✓ **Chile electricity:** regulated revenues and business optimization
- ✓ **Chile gas:** higher margins and supply volumes supported by operational improvements
- ✓ **Brazil gas:** lower opex and tariff indexation partially offset by lower sales
- ✓ **Argentina:** impacted by overdue tariff adjustments and general economic conditions

€283m capex, of which **80%** growth & remunerated

Stable performance throughout major part of the year

Infrastructure North LatAm

EBITDA evolution (€m)



Highlights

- ✓ **Mexico gas:** tariff update, higher supply margins and opex optimization
- ✓ **Panama electricity:** new regulatory period and higher demand as a result of higher temperatures

€167m capex, of which **100%** growth & remunerated

Growth driven by regulatory updates

Summary 2019 and Outlook 2020

Summary 2019

2019 targets met…
€bn

EBITDA

4.7 Ordinary

4.6 Reported

Net Income

1.4 Ordinary

1.4 Reported

…amid challenging scenario…
Actual vs. budgeted scenario[1]

+11% Brent

-38% JKM/Brent

+11% CO_2

-22% Spanish Pool

…thanks to company initiatives

- Acceleration of efficiency plan
- Portfolio derisking
- Step up in renewables
- Balanced capital allocation

Our ability to adapt delivers solid results

Note:
1. Budgeted scenario basis: Brent 57.8 USD/bbl; JKM/Brent 15.1%; CO_2 22.4 €/t; Pool 60.9 €/MWh

Outlook 2020

Gas & Power	↑	✓ New **renewables** coming into **operation** (>+700MW additions 9M19-2020E) ✓ **Stability in LNG** thanks to **contract management** (sales contracted: 90%) ✓ **Improvement** in **supply** supported by lower procurement costs (Algeria, Norway…)
Infra EMEA	↓	✓ New **electricity networks regulatory framework** (~€40m EBITDA impact) ✓ **Step-down of EMPL capacity** (February 2020)
Infra South LatAm	↓	✓ **Tariff adjustments in Chile/Argentina vs. FX** (-9% CLP/EUR, -6% BRL/EUR)
Infra North LatAm	↑	✓ **Higher demand and tariff updates** (mid single digit growth)

Naturgy ✓ **~€500m annual efficiencies by 2020: 2 years ahead of schedule**

A challenging 2020 energy scenario to be offset by company initiatives

Note:
~€300m additional capture costs expected in 2020

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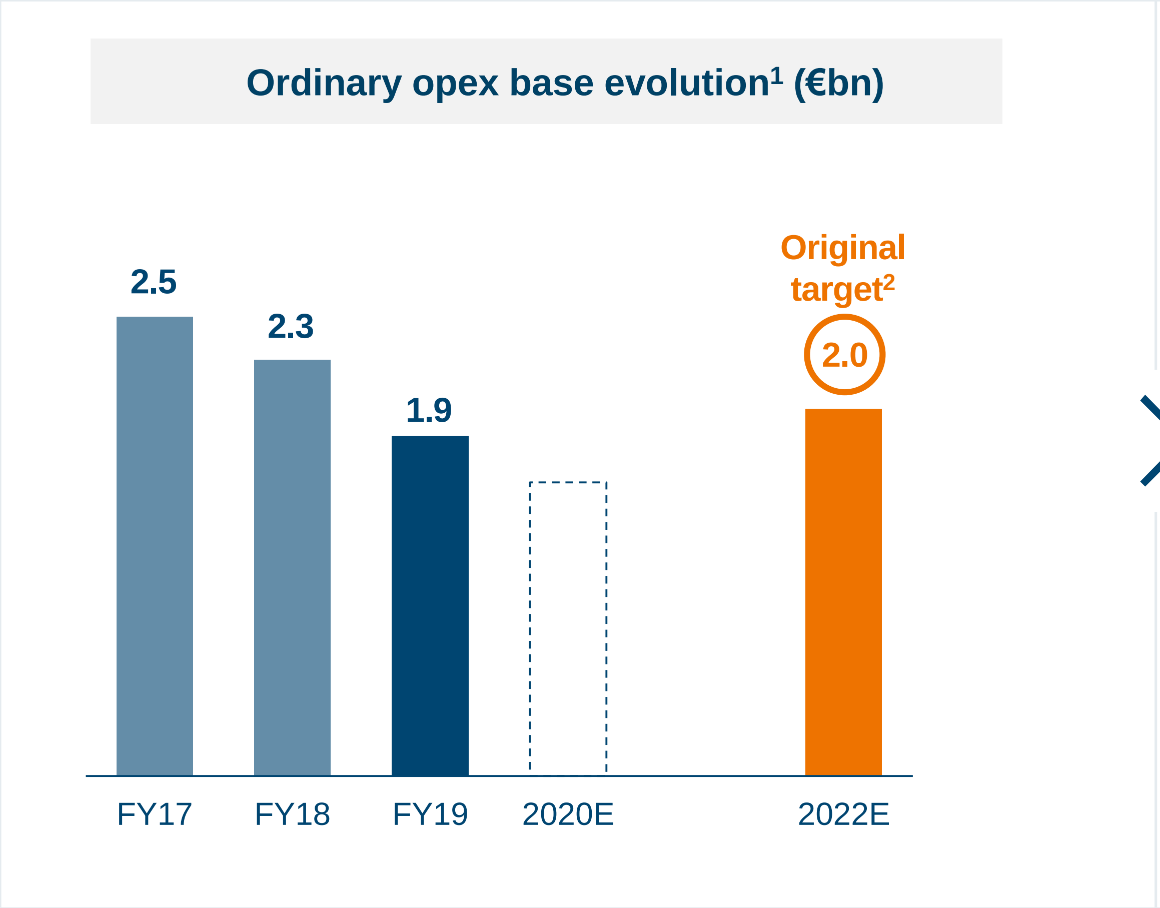
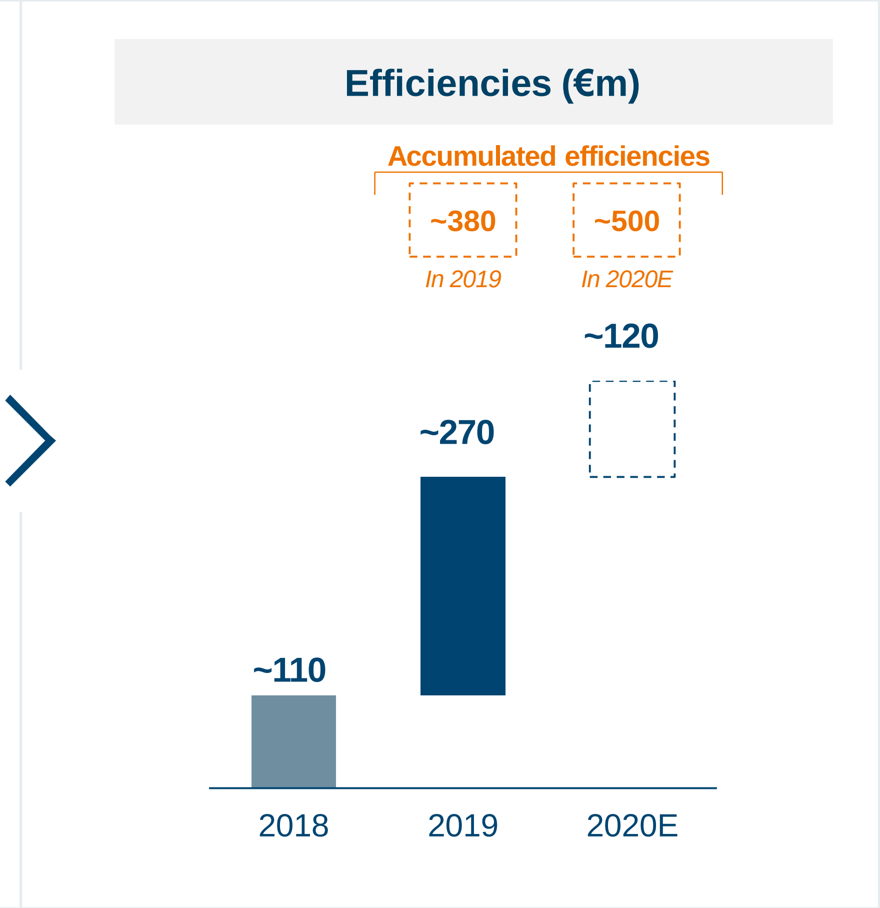
Company initiatives

We are becoming more efficient



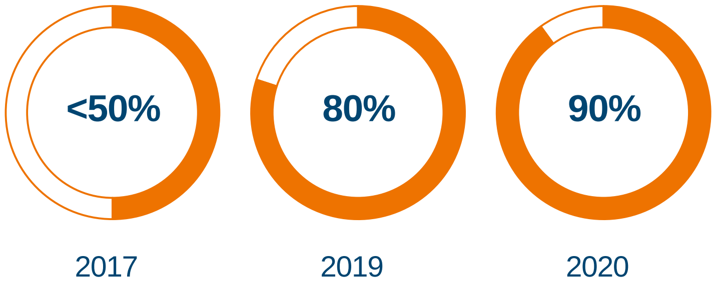


Meeting efficiencies target 2 years in advance

Note:
1. Including accounting adjustments, FX and others
2. Constant perimeter 2017

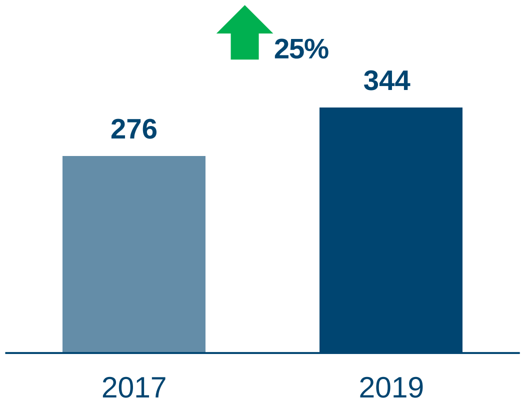
We are managing our risks (1/2)
International LNG

Contracted sales[1] at beginning of period



We reduced our risk exposure…

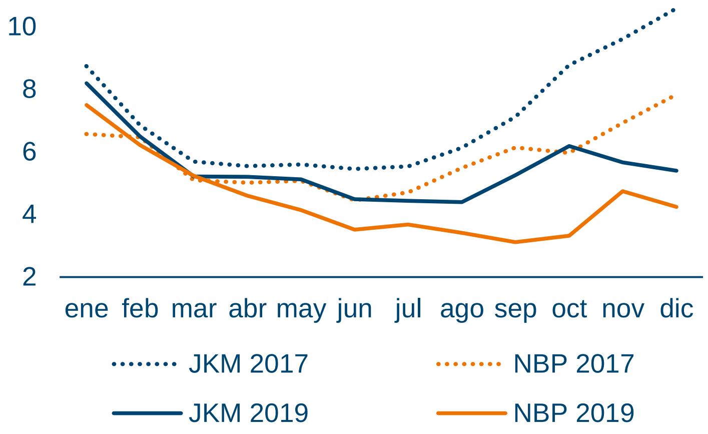
International LNG EBITDA (€m)



…increasing EBITDA stability…

Energy scenarios in two challenging years

Spot prices (USD/MMBtu)



…even in adverse scenarios

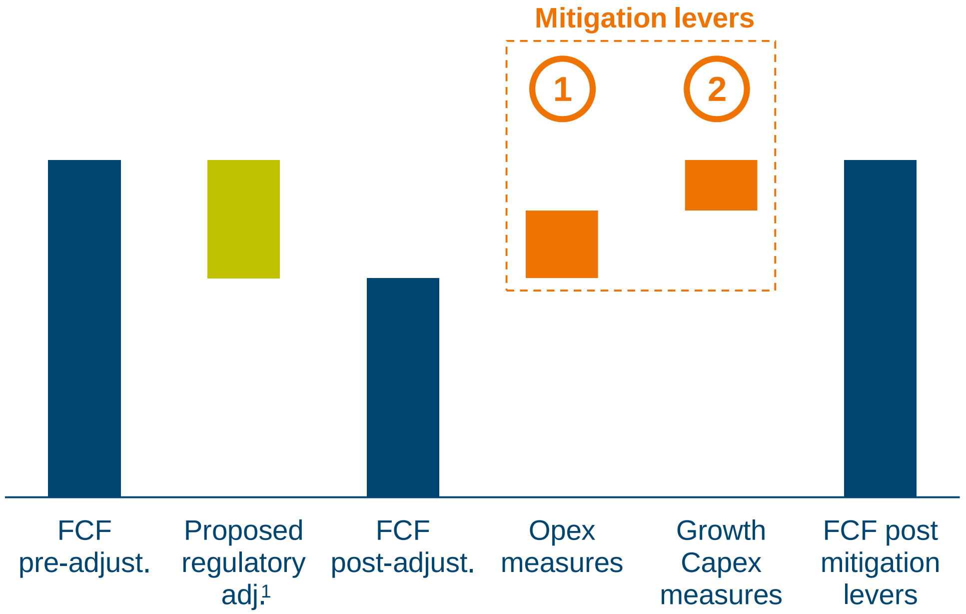
Proactive measures reduce volatility & improve results

Note:
1. Includes physical contracts for LNG delivery and financial hedges

We are managing our risks (2/2)

Spain gas networks

Illustrative cash-flow



Manageable levers to mitigate impacts

€m

1	FY19 operating expenses	~240
2	Annual avg. growth capex	~200

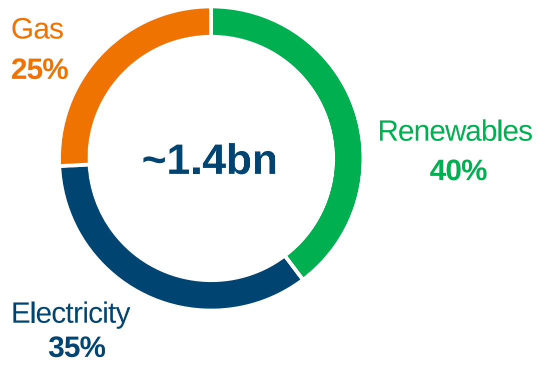
Total ~440

Focus on minimizing impact on FCF to protect our stakeholders

Note:
1. During transitory period 2021-26

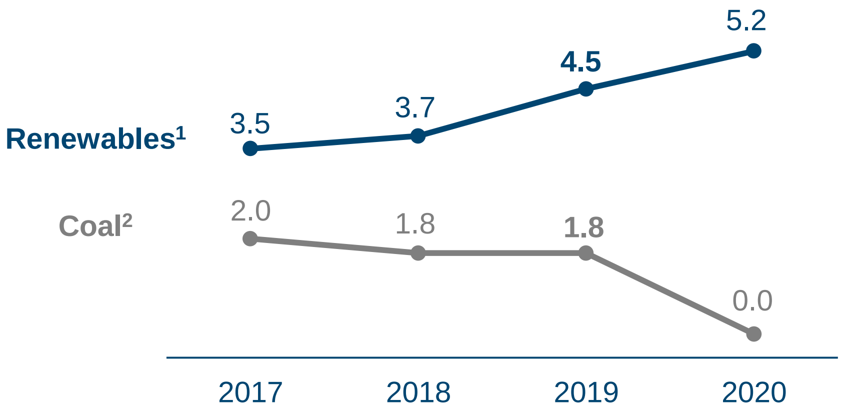
We are investing supporting the energy transition

FY19 growth & remunerated capex



>70% of growth & remunerated capex on renewables & electricity networks

Installed capacity (GW)



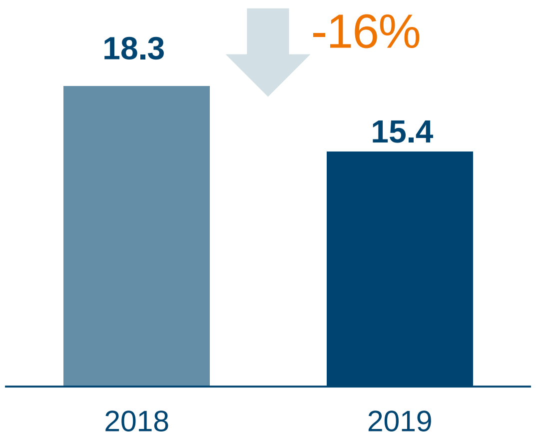
Increasing renewable footprint

Deploying capital for the energy transition

Note:
1. Including hydro
2. Expected coal shut down in 2020 pending authorization

We are advancing in our ESG commitments (1/2)

Direct GHG emissions ($MtCO_{2eq}$)



A LIST 2018 CLIMATE CHANGE

16% reduction in GHG emissions

New Global Environmental Policy & Plan

Approval of new Environmental Plan 2018-22 — New targets compatible with a scenario **1.5ºC**

Eco-efficiency and resource consumption progress — Water consumption **-24%**

Environmentally reclaimed land — Acc. hectares **>1,000**

Significant advances in the decarbonization of our energy mix

We are advancing in our ESG commitments (2/2)

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Social and Governance highlights

Approval of updated Corporate Responsibility & Human Rights policies by BoD

Compliance Policies update — ISO 37001 | UNE 19601

Consolidation of the responsible supply chain model — >60 % auditing coverage[1]

Consolidation of the vulnerability plan — >700 Households & reception centers[2]

Leadership in ESG indexes

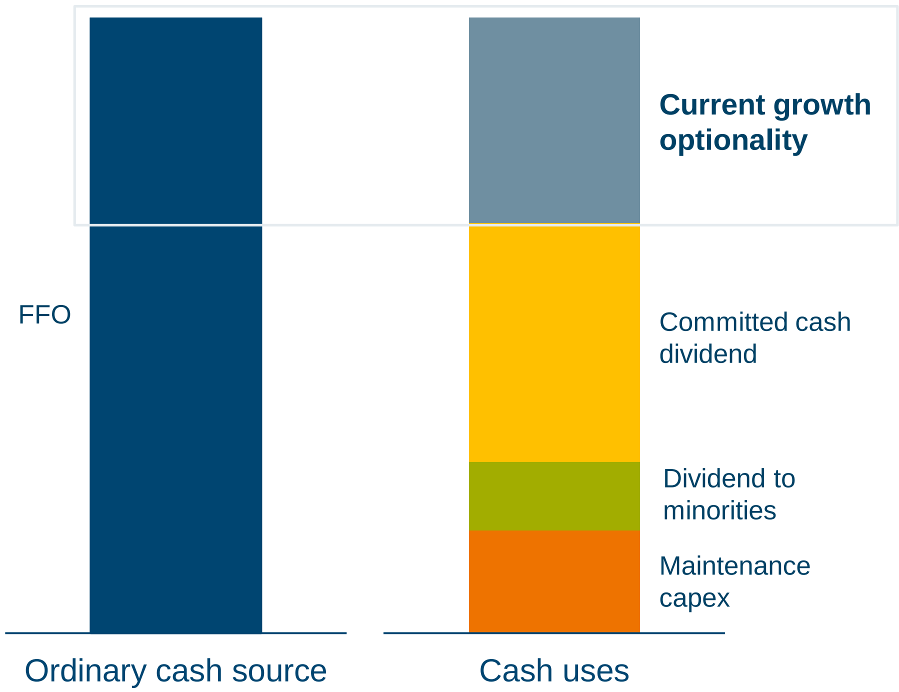
Member of Dow Jones Sustainability Indices In Collaboration with RobecoSAM	82	Global leader[3]
MSCI	AAA	Maximum rating
FTSE4Good	4.9	Global leader[4]
SAM Now a Part of S&P Global		Yearbook 2020 Gold class

Sound and recognized ESG strategy

Notes:
1. ESG audits over total purchases with high ESG risk; 2. In Spain; 3. Gas Utility sector; 4. Gas, water & multi-utility sector

We pursue a balanced cash flow distribution

Current growth optionality (>30% of FFO)…



…reinforced with levers for additional growth

- ✓ Additional efficiencies
- ✓ Leverage capacity
- ✓ Scenario improvement
- ✓ Asset rotation
- ✓ Lower cost of debt
- ✓ Other (WC management…)

A balanced cash flow distribution with significant room for growth

Conclusions

- ✓ We are becoming more efficient
- ✓ We are managing our risks
- ✓ We are investing supporting energy transition
- ✓ We are advancing in our ESG commitments
- ✓ We pursue a balanced cash flow distribution

Continued and sustainable value creation

FY19 results

Q&A

Appendix

Alternative Performance Metrics

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

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

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

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		31 December 2019	31 December 2018	
Ebitda	Operating profit (2)	Euros 4,562 million	Euros 4,019 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items	4,668 = Euros 4,562 million + 106	4,413 = Euros 4,019 million + 394	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 1,432 million = 1,401 + 31	Euros 1,245 million = -2,822+ 4,067	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 1,685 million = 222 + 1,463	Euros 2,321 million = 281 + 2,040	Realized investments in property, plant & equipment and intangible assets.
Net Investments	CAPEX (5) + Financial investments net of the cash received from divestments (6) - Other proceeds/(payments) of investments activities (6)	Euros 1,303 million = 1,685 - 303 - 79	Euros -284 million = 2,321 – 2,548 - 57	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 17,987 million = 15,701 + 2,286	Euros 17,073 million (7) = 13,352 + 2,079 + 1,642	Current and non-current financial debt

Notes:

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)

Alternative Performance Metrics

Naturgy

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		31 December 2019	31 December 2018	
Net financial debt	Gross financial debt (5) - "Cash and cash equivalents" (1) - "Derivative financial assets" (4)	Euros 15,268 million = 17,987 - 2,685 - 34	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))	52.2% = 15,268 / (15,268 + 13,976)	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 626 million = 652 - 26	Euros 583 million = 557 - 19	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)	7.3x = 4,562 / 626	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)	3.3x = 15,268 / 4,562	3.8x (7) = 15,309 / 4,019	Ratio between net financial debt and Ebitda
Net financial debt/ ordinary EBITDA	Net financial debt (5)/ ordinary EBITDA (5)	3.3x = 15,268 / 4,668	3.5x (7) = 15,309/ 4,413	Ratio between net financial debt and ordinary Ebitda
Free Cash Flow after minorities	Free Cash Flow (5) + Dividends and other (4) + Acquisitions of treasury shares (4) + Inorganic investments payments (4)	Euros 1,958 million = 238 + 1,307 + 405 + 8	Euros 3,054 million = 1,318 + 1,400 + 309 + 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 238 million = 4,021 - 1,456 – 1,599 - 728	Euros 1,318 million = 2,881 - 617 – 3,759 + 2,813	Cash flow generated by the Company available to pay the debt.

Notes:

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ESG metrics

ESG metrics		FY19	FY18	Change	Comments
Health and safety					
Lost time (LT) incidents (1)	units	14	16	-12.5%	Improving metrics vs. FY18
LT Frequency rate (2)	units	0.12	0.12	0.0%	Stable vs. 2018 although with lower accidents and working hours and below sector average
Environment					
GHG Emissions	M tCO2 e	15.4	18.3	-15.8%	Coal abatement and increased renewables capacity and production vs. FY18
Emission factor	t CO2/GWh	301	342	-12.0%	
Emissions-free installed capacity	%	30.1	27.5	9.5%	New renewable capacity coming into operation
Emissions-free net production	%	27.0	24.9	8.4%	
Interest in people					
Number of employees	persons	11,847	12,700	-6.7%	Perimeter changes and efficiencies
Training hours per employee	hours	25.2	49.9	-49.5%	Ratio reduction explained by the impact from a different mix of training methodologies (i.e. higher online training)
Women representation	%	32.4	31.0	4.5%	Commitment for diversity and gender equality policies
Society and integrity					
Economic value distributed	M€	21,533	23,413	-8.0%	Affected by lower purchases and external services
Notifications received by the ethics committee	units	194	199	-2.5%	Improved oversight and accountability

Notes:
1. In accordance to OSHA criteria; 2. Calculated for every 200,000 working hours

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