

9M18 results

5 November 2018

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1. Executive summary

(€m)	reported			recurrent		
	9M18	9M17	Change	9M18	9M17	Change
EBITDA	2,976	2,993	-0.6%	3,248	2,951	10.1%
Net income	-3,040	793	-	877	635	38.1%
Capex	1,593 ¹	1,123	41.9%	-	-	-
Net debt (at 30/09)	13,575	15,154 ²	-10.4%	-	-	-
Free cash flow after minorities	2,470	288	-	-	-	-

Notes:

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

2. Net debt as at 31/12/2017

- The 9M18 results mark the end of the first quarter since the startup of the new 2018-2022 Strategic Plan. During this period Naturgy has made steady progress on the development of its value creation strategy founded on 4 key pillars:
 - **1. Simplicity & Accountability:** the new reporting perimeter consisting of 4 main business units including (i) Gas and Power, (ii) Infrastructures EMEA, (iii) Infrastructures South LatAm and (iv) Infrastructures North LatAm has allowed Naturgy to simplify its management structure and increase the accountability of the different businesses. One of the first impacts of this measure has been to reduce the number of subsidiaries. In addition, Naturgy has already replaced most of its subsidiary Board Directors by joint administrators and scaled down support functions at the corporate level and reallocated some of these, based on strict functional needs, into each of the business units.
 - **2. Optimization:** In September 2018, Naturgy completed the agreement to renew and extend its gas procurement contract with Sonatrach up to 2030 under improved terms. The company continues to proactively explore ways to further optimize its portfolio of contracts.

Any such optimization will undergo the oversight of the newly created Opex and Capex Committee tasked with ensuring the successful execution of the company's efficiency plan as well as compliance with the capital discipline and golden rules of investment established in its Strategic Plan. As of 30 September, the Committee had analyzed around 350 opex and capex programs. Moreover, key initiatives of the efficiency plan are already underway and during the year Naturgy has incurred €78m restructuring costs which will yield recurrent savings going forward.

Naturgy has also started to progress on its capital structure optimization as envisioned in its Strategic Plan. During the third quarter of 2018, the company has used part of its excess cash to amortize all of its bank-funded corporate debt, including €1,270m denominated in euros, as well as €390m denominated in USD. Additionally, Naturgy has completed a €314m bond repurchase at the parent level and refinanced / issued new debt in Chile and Brazil, consistent with its financing strategy of reducing debt at the corporate level and maximizing financing into the business units.

- **3. Capital Discipline:** In September 2018, Global Power Generation (GPG) was awarded a 180 MW wind farm project in Australia, which will entail a total investment of au\$259m (equivalent to approximately €166m) and is expected to contribute an EBITDA of approximately €22m once fully operational. The project, which fully complies with the investment and profitability criteria established by Naturgy in its Strategic Plan 2018-2022, allows the company to reinforce its presence in stable economies, increase the predictability of its cash flows, and raise its exposure to renewable energy sources.



Moreover, and consistent with Naturgy's targeted growth in renewables during the Strategic Plan 2018-2022, the company has continued to make steady progress in the development of the wind and solar projects awarded last year in the Spanish auctions. In this respect, Naturgy has invested approximately €150m during the first nine months of 2018 and is on track to increase its renewable capacity in Spain ~200 MW before year end.

- > **4. Shareholder Remuneration:** Naturgy is delivering on its committed shareholder remuneration policy. On 31 October, the company's Board of Directors approved a 2nd interim dividend of €0.45/sh. payable on 27 November'18, setting the pace for the minimum committed dividend of €1.30/sh. against 2018 earnings. This follows the payment of the 2018 first interim dividend of €0.28/sh. on 31 July'18. **Naturgy reiterates its full commitment to the shareholder remuneration targets established in the 2018-2022 Strategic Plan.**

Summary - 9M18 results

- > From a business perspective, the 9M18 results are driven by a strong performance at Gas & Power which is partly offset by non-recurrent items and the negative impact of exchange rates.
- > **EBITDA** in the period reached €2,976m after non-recurrent effects. Stripping these out, **Recurrent EBITDA rose 10.1% to €3,248m** mainly supported by the improvement in the Gas & Power business unit as well as stability in the Infrastructure businesses which together more than offset the negative €182m FX impact.
- > 9M18 **Net income** amounted to -€3,040m mainly as a result of the €4,905m asset write-down conducted in the first half of the year. Excluding this impact and other non-recurrent items, **Recurrent Net Income rose 38.1% to €877m** driven by higher activity, lower depreciation, and lower financial expenses resulting from the group's debt optimization.
- > During the first nine months of the year **Naturgy has invested €1,593m, up 41.9%** vs. the same period in 2017. More than 70% of capex has been deployed in growing the company's asset base through the development of new renewable capacity across the different geographies, the addition of two new LNG tankers acquired under finance leases, and other revenue-generating projects.
- > **Free cash flow after minorities rose from €288m to €2,470m**, reflecting the company's increased focus on cash flow generation and the completion of the various disposals processes during the period.
- > As of 30 September 2018, **Net Debt amounted to €13,575m, down 10.4%** vs. 31 December 2017. The decline in Net Debt/LTM EBITDA to 3.5x from 3.9x in FY 2017 together with the improvement in EBITDA/Cost of net financial debt to 7.4x from 6.4x at the end of last year, underline the reinforcement of the company's financial solidity during the first nine months of the year.
- > All in all, these 9M18 results illustrate Naturgy's early progress towards the successful implementation of its 2018-2022 Strategic Plan. Some of the milestones achieved in only 3 months include (i) the gas contract renewal with Sonatrach, which is already yielding positive recurrent results (ii) the start-up of the new efficiency plan which will result in higher recurrent cash flow generation and (iii) the awarded renewable project in Australia which meets our strict investment criteria.



2. Key comparability factors and non-recurrent items

Perimeter changes

- The following transactions were completed during the first nine months of 2018:
 - The disposal of the remaining 41.9% of the gas distribution business in Colombia for €334m, equal to its carrying amount, net of the dividends received, with no impact on the consolidated income statement.
 - The disposal of the gas distribution and supply business in Italy, together with the transfer of the gas supply contract, for €766m, generating a capital gain of €188m after taxes 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.

- Additionally, the following businesses are classified as “discontinued operations”: Moldova, Kenya and Kangra

Non recurrent items

The non-recurrent items for the first nine months of the year are summarized below:

(€m)	EBITDA		Net income	
	9M18	9M17	9M18	9M17
Gas transport & procurement	-47	20	-35	15
Chile extraordinary expenses	-33	-	-21	-
Restructuring costs	-78	-18	-62	-13
Asset write-down	-	-	-3,824	-
Discontinued operations and minority interests ¹	-	-	44	125
Chile mergers tax effect	-	-	42	-
Argentina pending pass-through	-116	-	-57	-
Other	2	40	-4	32
Total non recurrent items	-272	42	-3,917	159

Note

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

- **At the EBITDA level, non-recurrent impacts amount to -€272m**, the bulk of which correspond to the increase in the cost of gas procurement in Argentina (-€116m) linked to the devaluation of the local currency.

In this respect, on 4 October, a resolution by Argentina's Secretary of Energy recognized that distributors had the right to pass-through to final tariffs changes in the gas procurement prices, and consequently could register a credit in favor which could be recovered via client billing. Nevertheless, a later resolution suspended the previous one and therefore no credit has been recognized in the accounts.

The Argentinean government has subsequently announced distributors should not bear the consequences of gas prices deviations linked to FX, although it has yet to clarify how this will be implemented. Until such a time, Naturgy has adopted a prudent and transparent approach, thus maintaining such liability in its consolidated accounts.

Other non-recurrent impacts include restructuring costs (€78m), gas supply and transportation costs (€47m), extraordinary fire prevention costs, trial and penalties in Chile (€33m) and others (€2m).

- > At the **Net Income level, non-recurrent items amount to €3,917m**, primarily driven by the asset write-down announced during the Strategic Plan presentation and further detailed in the 1H18 results release.

Foreign exchange impact

Exchange rate fluctuations in the period are summarized as follows:

	Acum SEP'18	Change (%)	FX effect (€m)	
			EBITDA	Net income
€/USD	1.19	7.5%	-39	-18
€/MXN	22.74	8.3%	-13	-3
€/BRL	4.30	21.7%	-40	-9
€/ARS ¹	47.80	165.1%	-77	-45
€/CLP	751.10	3.2%	-11	-3
Other	-	-	-2	-2
Total	-	-	-182	-80

Note:

1. Exchange rate as at 30 September 2018 as a consequence of considering Argentina as an hyperinflationary economy

Hyperinflation in Argentina

As of 1 July 2018, according to the criteria established by IAS 29 "Financial Information in Hyperinflationary Economies", the Argentine economy should be considered as hyperinflationary with retroactive effects as of 1 January 2018. The financial information presented in previous years will not be re-stated.

The inflation rates used were the domestic wholesale price index (IPIM) until 31 December 2016 and the consumer price index (CPI) as of 1 January 2017.

The main impacts as of 30 September 2018 are detailed as follows:

- An increase in shareholders' equity as a result of applying the change of inflation to the historical cost of non-monetary assets from their acquisition or incorporation date in the consolidated balance sheet and the corresponding deferred tax liability.
- An adjustment to the different items of income and expenses to apply the change of inflation from the date they were incorporated into the income statement, as well as to reflect the losses derived from the net monetary position.
- The translation into euros of the figures thus adjusted in the consolidated financial statements applying the closing exchange rate of the Argentine peso against the euro.

(€m)	30 September 2018
Shareholders' equity	49

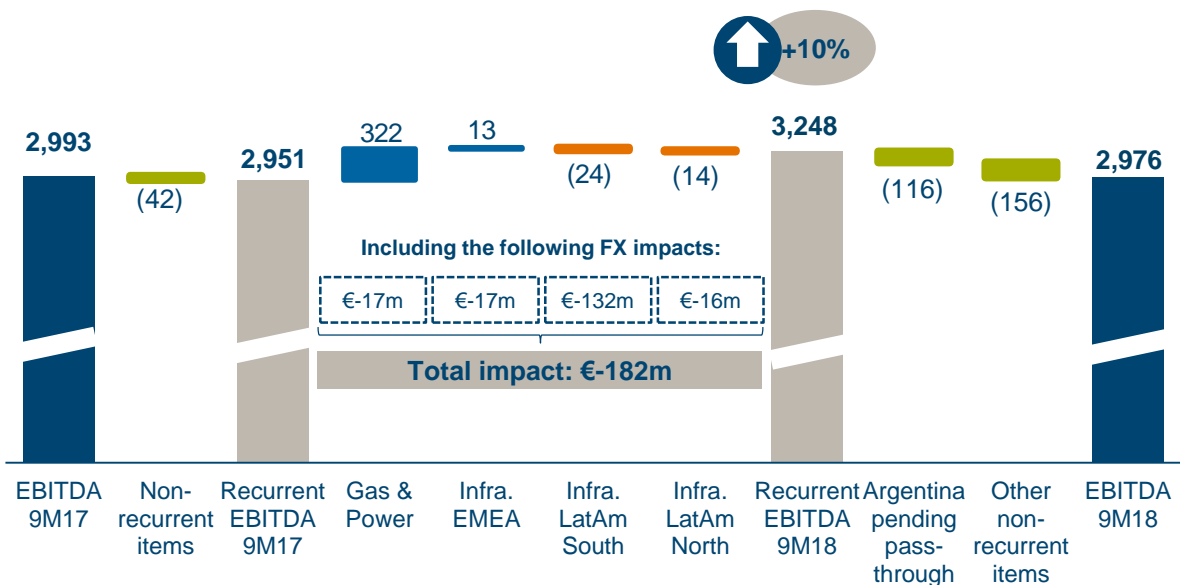
(€m)	1H18	3Q18	9M18
Net turnover	-98	-24	-122
EBITDA	-9	-5	-14
Financial result	-1	-11	-12
Net income	-9	-5	-14
Capex	-8	-3	-11

3. Consolidated results

(€m)	reported			recurrent		
	9M18	9M17	Change	9M18	9M17	Change
Net sales	17,670	17,083	3.4%	17,786	17,064	4.2%
EBITDA	2,976	2,993	-0.6%	3,248	2,951	10.1%
Depreciation, amortisation & impairment expenses	-5,537	-1,204	-	-1,204	-1,204	0.0%
Impairment of credit losses	-119	-99	20.2%	-107	-99	8.1%
EBIT	-2,680	1,690	-	1,937	1,648	17.5%
Financial result	-474	-498	-4.8%	-480	-498	-3.6%
Profit/(loss) of companies measured under the equity method	-547	17	-	25	17	47.1%
Income tax	858	-245	-	-323	-236	36.9%
Income from discontinued operations	-11	89	-	-	-	-
Non-controlling interest	-186	-260	-28.5%	-282	-296	-4.7%
Net income	-3,040	793	-	877	635	38.1%

- > **Net sales totaled €17,670m in the first nine months of 2018, up 3.4%** with respect to the same period of 2017, driven by higher volumes and prices in the gas business.
- > Consolidated **9M18 EBITDA** amounted to €2,976m, 0.6% less than in 2017. **Stripping out non-recurrent effects, EBITDA grew by 10.1%.**

EBITDA evolution (€m)



(€m)	reported			recurrent		
	9M18	9M17	Change	9M18	9M17	Change
Gas & Power	935	723	29.3%	1,003	678	47.9%
Infrastructure EMEA	1,333	1,330	0.2%	1,357	1,344	1.0%
Infrastructure LatAm South	505	680	-25.7%	656	680	-3.5%
Infrastructure LatAm North	194	207	-6.3%	193	207	-6.8%
Rest	9	53	-83.0%	39	42	-7.1%
Total	2,976	2,993	-0.6%	3,248	2,951	10.1%

- > **9M18 EBIT amounted to -€2,680m** as a result of the previously discussed €4,905m impairment booked in the second quarter of the year.
- > The **Financial result improved 4.8% to -€474m** driven by lower rates on new issues used to refinance maturing debt or redeem bonds, and to the cancellation of bank debt. The average cost of gross financial debt is 3.1%, and 85% of the debt is at fixed rates.

Financial result (€m)	reported		
	9M18	9M17	Change
Cost of net financial debt	-404	-462	-12.6%
Other financial expenses/income	-70	-36	94.4%
Total	-474	-498	-4.8%

- > **Equity-accounted affiliates** contributed -€547m in the first nine months of 2018 mostly as a result of the impairment of Unión Fenosa Gas (-€538m) and of the holding in Ecoeléctrica (-€34m).
- > The estimated **effective tax rate** as of 30 September 2018, without taking into account all the non-recurrent impacts of the impairments and the decrease of the deferred taxes due to the Chilean mergers, was 21.5%, flat vs. 9M17.
- > In the first nine months of 2018, **income from discontinued operations** amounted to -€11m, as detailed below:

Income from discontinued operations (€m)	reported		
	9M18	9M17	Change
Colombia gas	7	59	-88.1%
Italy	195	22	-
Kenya	-5	4	-
Moldova	-58	15	-
Kangra	-150	-11	-
Total	-11	89	-

- Italy: €195m, including the €188m after-tax capital gain on its disposal.
- Moldova: -€58m including a write-down of €73m.
- Kangra: -€150m including a €141m write-down.

- > **Income attributed to non-controlling interests** amounted to -€186m in the first nine months of 2018:

Income attributed to non-controlling interests (€m)	reported		
	9M18	9M17	Change
EMPL	-39	-43	-9.3%
Nedgia	-40	-6	-
Other affiliates ¹	-62	-166	-62.7%
Other equity instruments ²	-45	-45	0.0%
Total	-186	-260	-28.5%

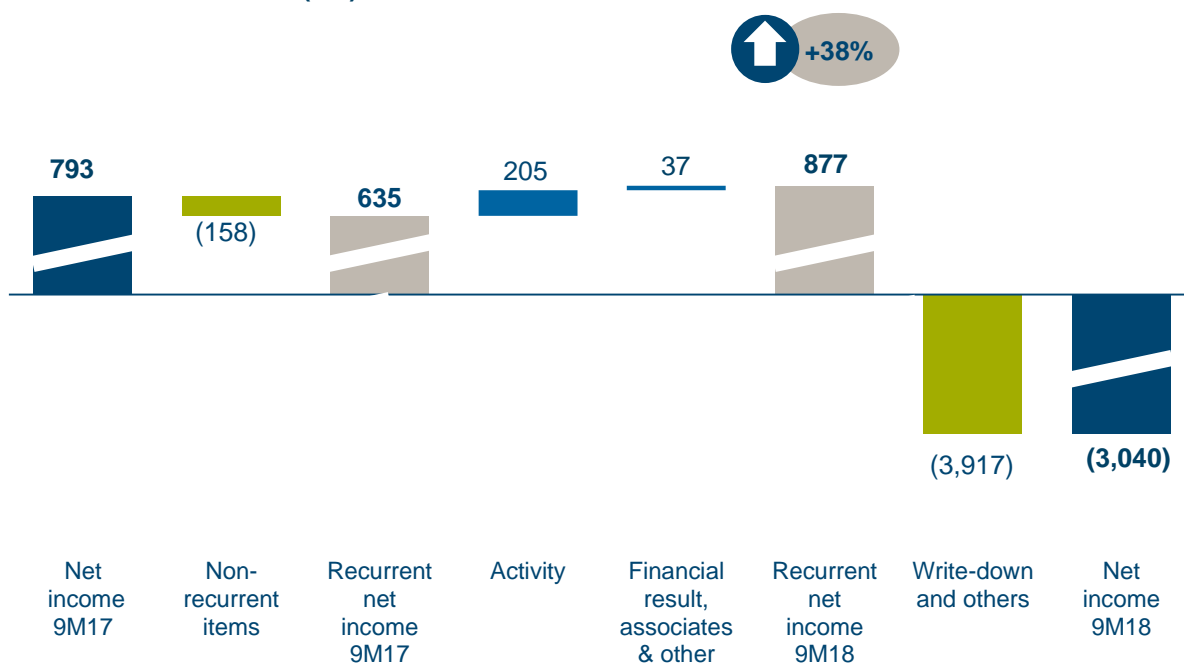
Notes:

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** amounted to -€3,040m. **Excluding non-recurrent items, Net Income grew 38.1% to €877m.**

Net income evolution (€m)



4. Results by business unit



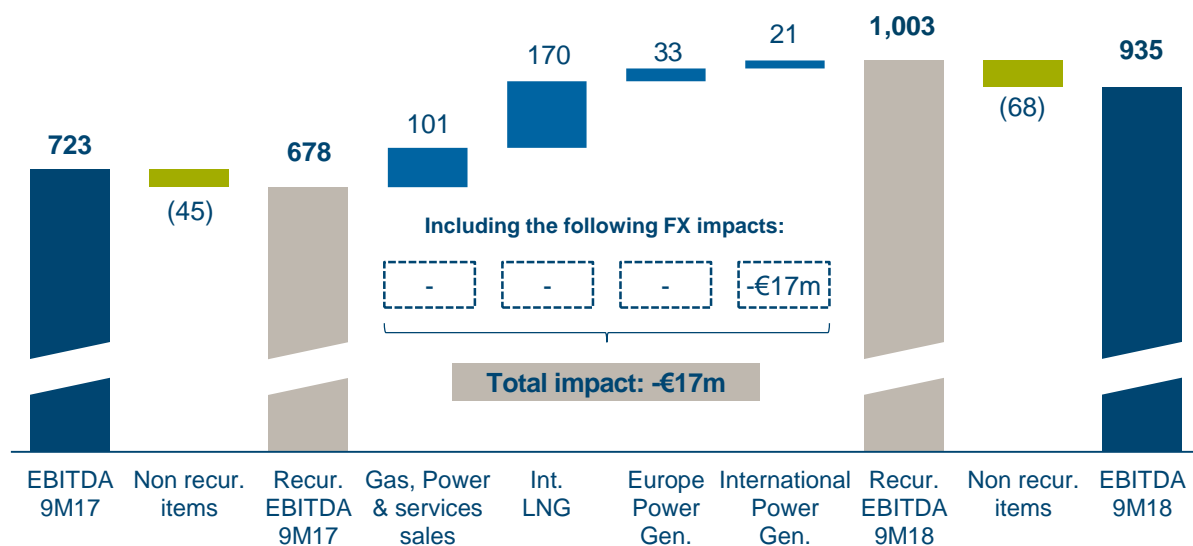
Gas & Power

EBITDA (€m)	reported			recurrent		
	9M18	9M17	Change	9M18	9M17	Change
Gas, power and services sales	98	78	25.6%	159	58	-
International LNG	347	177	96.0%	347	177	96.0%
Europe power generation	267	266	0.4%	274	241	13.7%
International power generation	223	202	10.4%	223	202	10.4%
Total	935	723	29.3%	1,003	678	47.9%

Please refer to Annex for additional P&L disclosure

Recurrent EBITDA rose 47.9% in the first nine months of the year mainly driven by Gas supply and International LNG.

EBITDA evolution (€m)



Gas, power & services sales

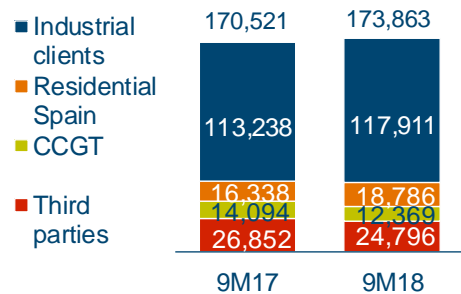
- Recurrent EBITDA rose to €159m in 9M18 from €58m in 9M17** mainly as a result of (i) higher gas supply prices as a result of market fundamentals, and (ii) the gas procurement contract agreement with Sonatrach, completed on September 2018.
- Gas sales increased by 2% driven by the Spanish residential and industrial segments (up 14.9% and 4.1% respectively) which compensated the reductions in sales to CCGT (-12.2%) and third parties (-7.7%).
- Power supply sales remained relatively stable vs. 2017, while margins experienced significant downward pressure as a result of fixed-price sales contracts which were set based on forward prices below the current pool prices, which themselves have increased following the rise in commodities, and particularly CO₂ prices.

Naturgy is currently rebalancing its power supply contract portfolio by replacing fixed price contracts with variable or indexed contracts, thereby improving margin prospects for next quarters.

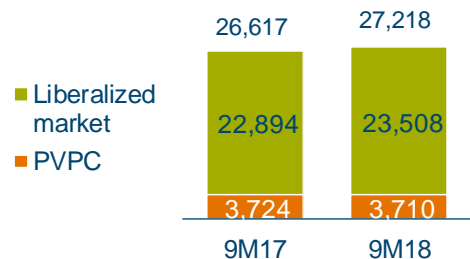
International LNG

- Recurrent EBITDA reached €347m, up 96.0%** as a result of higher margins and sales.
- Sales increased 28.5% vs. 2017 supported by the entry of Sabine Pass and the first shipments of Yamal LNG.
- Global LNG demand has remained strong on the back of continued appetite from Asia, which in turn has supported significant gas price increases relative to 2017.
- Naturgy's shipping fleet has expanded during the period with the addition of two LNG tankers which have supported the increase in volumes.

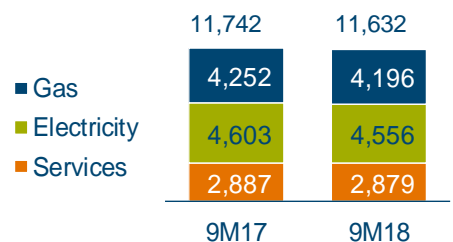
Gas sales (GWh) (+2.0%)



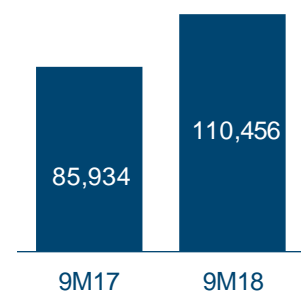
Power sales (GWh) (+2.3%)



Contracts ('000) (-0.9%)



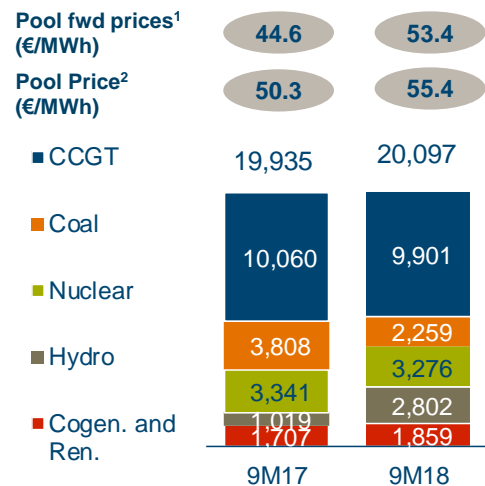
International LNG sales (GWh) (+28.5%)



Europe Power Generation

- > **9M18 Recurrent EBITDA totalled €274m, up 13.7%** mainly driven by a higher contribution from hydro generation and higher wholesale prices, offset by the greater CO₂ costs and the temporary suspension of capacity payments for CCGTs since the month of July.
- > Renewable generation increased by 8.9% during the period, while hydro production saw a 2.7-fold rise, thus reducing the overall thermal production by 40.7%, most notably coal, which was directly impacted by rising costs.
- > Pool prices were impacted by rising CO₂ emission rights prices, which averaged €14.3/ton in 9M18 vs. €5.3/ton in 9M17. The average price in the daily power generation market stood at €65.8/MWh in the quarter, up 36.0% vs. the same period in 2017. As of the end of September, the average pool price stood at €55.4/MWh, 10.1% higher than in 9M17.
- > Naturgy continues to increase its renewable exposure through the development of its 667MW of wind and 250MW of solar projects awarded in the Spanish auctions. As such, the company expects to add ~200 MW of renewable capacity in Spain before year end.

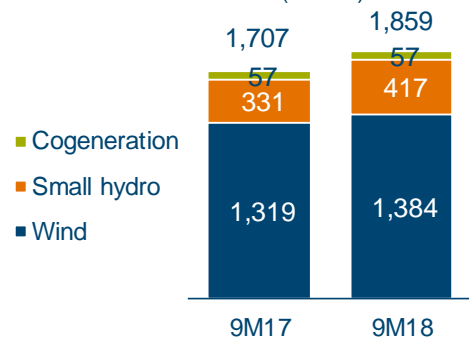
Europe power production (GWh) (+0.8%)



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

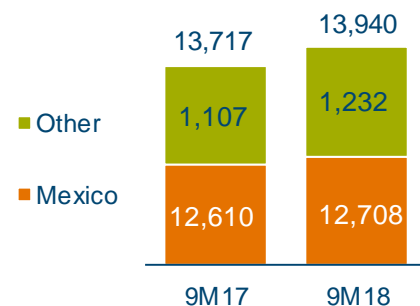
Europe renewable power production (GWh) (+8.9%)



International Power Generation

- > **Recurrent EBITDA in the period reached €223m, up 10.4%.** Growth was supported by the start of the Sobral I and Sertao I solar farms in Brazil from September 2017, together with better margins of excess energy sales in Mexico, and higher wind resource. The above has been partially offset by a negative evolution of exchange rates vs. previous year (-€17m).

International power production (GWh) (+1.6%)





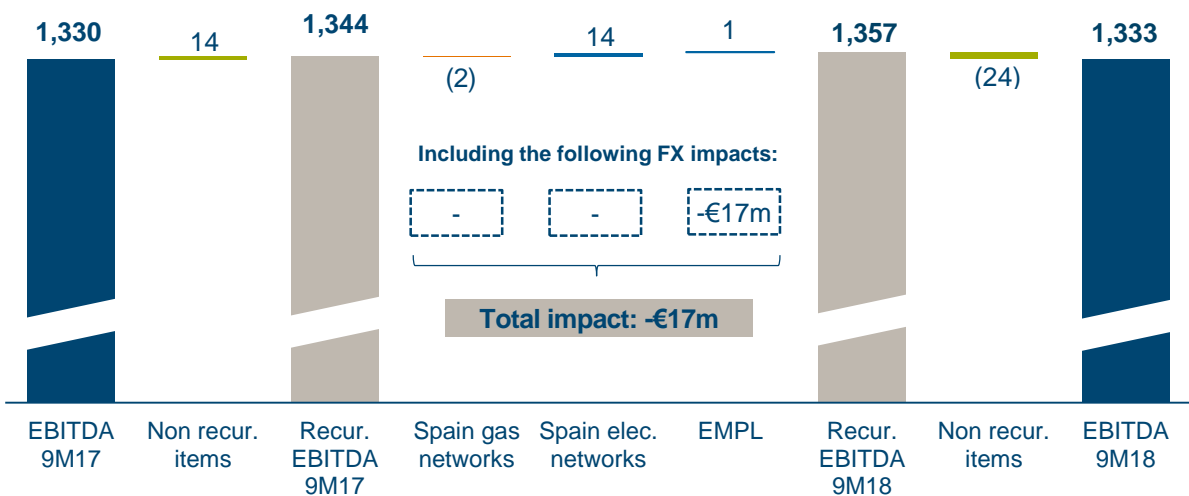
Infrastructure EMEA

EBITDA (€m)	reported			recurrent		
	9M18	9M17	Change	9M18	9M17	Change
Spain gas networks	650	665	-2.3%	663	665	-0.3%
Spain electricity networks	470	453	3.8%	481	467	3.0%
EMPL	213	212	0.5%	213	212	0.5%
Total	1,333	1,330	0.2%	1,357	1,344	1.0%

Please refer to Annex for additional P&L disclosure

Recurrent 9M18 EBITDA remained stable as a result of the good performance in electricity networks (+3.0%) and slight growth at EMPL (+0.5%) which compensated for the weakness in gas networks (-0.3%).

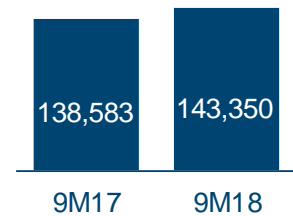
EBITDA evolution (€m)



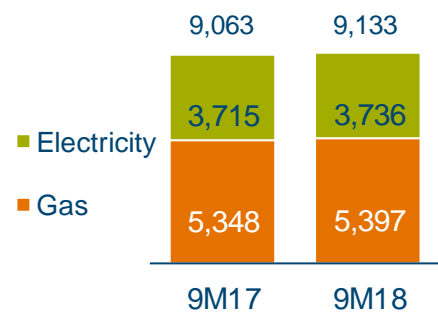
Spain gas networks

- > **Recurrent EBITDA for the period has declined by 0.3% to €663m.** The good operating performance during the first 9 months of the year not been sufficient to compensate for the impact of lower meter rental revenues (-€28m) and, to a lesser extent, lower LPG margins.
- > Gas sales and connection points have increased by 3.4% and 0.9% respectively, mostly driven by demand growth in the residential market.

Gas sales Spain (GWh)
(+3.4%)



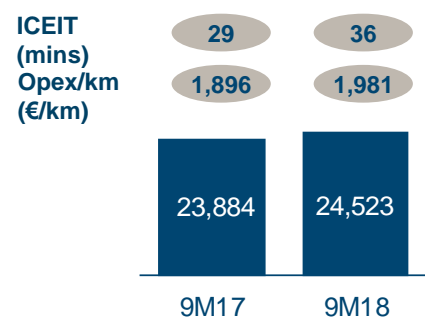
Connection points ('000)
(+0.8%)



Spain electricity networks

- > **9M18 Recurrent EBITDA amounted to €481m, a 3.0% increase** with respect to the same period of 2017, mainly as a result of the accrual of investments that were brought into operation (+€12m).

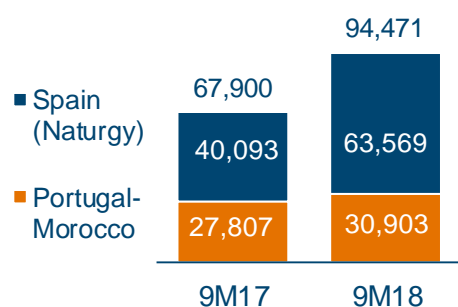
Electricity sales Spain (GWh)
(+2.7%)



EMPL

- > **Recurrent EBITDA increased slightly by 0.5% to €213m** during the first nine months of the year due to the tariff increase which helped to compensate for the negative impact of the devaluation of the US Dollar relative to the Euro (-€17m).

Gas transport (GWh)
(+39.1%)





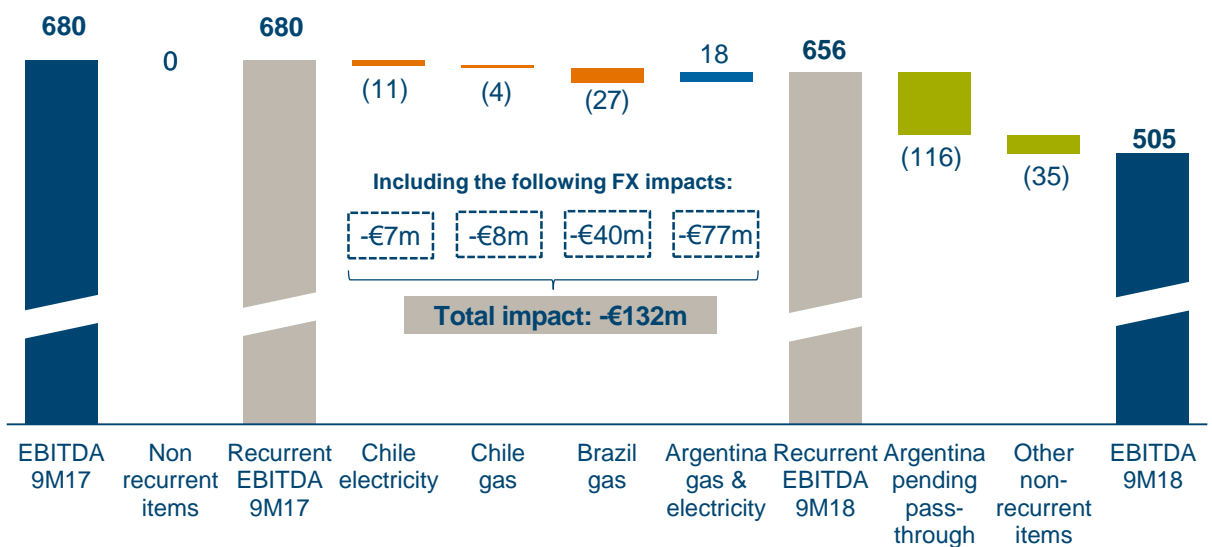
Infrastructure South LatAm

EBITDA (€m)	reported			recurrent		
	9M18	9M17	Change	9M18	9M17	Change
Chile electricity	197	226	-12.8%	222	233	-4.7%
Chile gas	165	193	-14.5%	176	180	-2.2%
Brazil gas	181	208	-13.0%	181	208	-13.0%
Argentina gas and electricity	-35	56	-	80	62	29.0%
Peru gas	-3	-3	0.0%	-3	-3	0.0%
Total	505	680	-25.7%	656	680	-3.5%

Please refer to Annex for additional P&L disclosure

Recurrent 9M18 EBITDA amounted to €656m, 3.5% less than the previous year, impacted by the negative FX evolution (-€132m).

EBITDA evolution (€m)



Chile electricity

- > **Recurrent EBITDA reached €222m in 9M18, (-4.7% vs. 9M17)**, mainly as a result of a negative €7m FX impact.
- > Growth in electricity sales, connection points and electricity transmitted, were offset by ordinary tariff adjustments and the aforementioned FX impact.

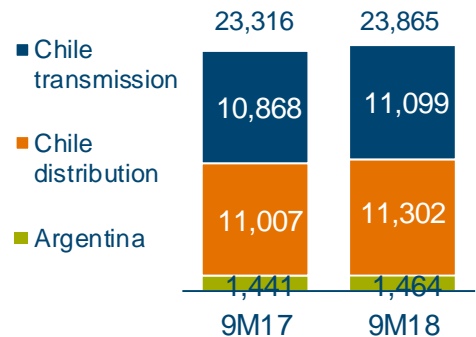
Chile gas

- > **Recurrent EBITDA totaled €176m, 2.2% less** than the same period last year, including a negative €8m FX impact.
- > An increase in unitary margins in the residential and commercial segment, growth in connection points, and higher TPA sales offset by lower demand for power generation.

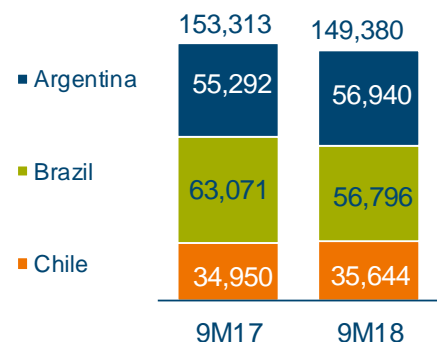
Brazil gas

- > **9M18 Recurrent EBITDA decreased 13.0% to €181m** on the back of a negative FX effect (€40m).
- > The absence of negative retroactive tariff adjustments present in previous periods (+€12m), a higher contribution from the automotive gas segment, as it proved more competitive than competing fuels, and an improvement in residential/commercial markets, help explain the underlying growth in local currency.
- > Sales in the power generation and industrial segments decreased as a result of lower thermal power plant utilization together with production adjustments due to the macroeconomic situation.

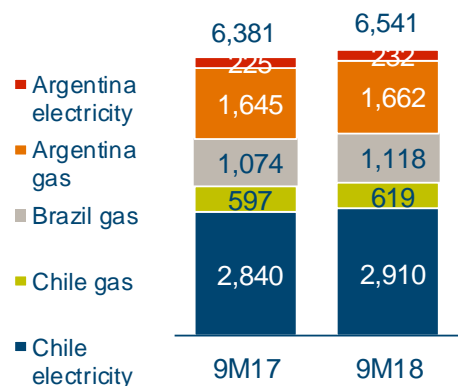
Electricity sales (GWh)
(+2.4%)



Gas sales (GWh)
(-2.6%)

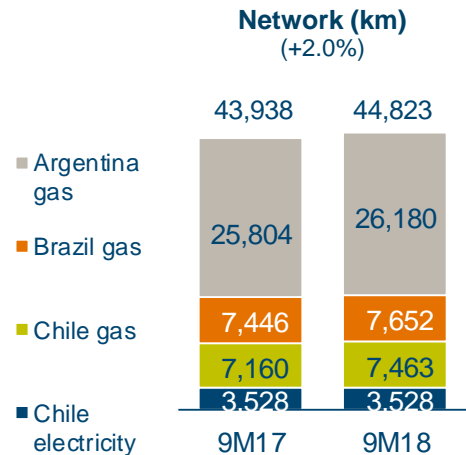


Connection points ('000)
(+2.5%)



Argentina gas

- > **Recurrent 9M18 EBITDA amounted to €80m, a 29.0% increase** over the same period of the previous year supported by the April 2018 tariff review partially offset by negative FX impact of €77m.
- > The increase of gas procurement costs linked to the devaluation of the Argentinean Peso has generated a €116m non-recurrent negative impact. The Argentinean government has announced distributors should not bear the consequences of gas prices deviations linked to FX, although it has yet to clarify how this will be implemented. Until such a time, Naturgy has adopted a prudent and transparent approach and has recognized a contingent liability for this concept in its consolidated accounts.
- > The application of IAS29 has a negative €14m impact in EBITDA.
- > Gas sales in the period grew 3.0%. This evolution is explained by a significant increase in the industrial market and higher sales to residential-commercial customers due to lower average temperatures than last year. The increase in these segments was offset by lower sales of automotive gas and lower TPA.





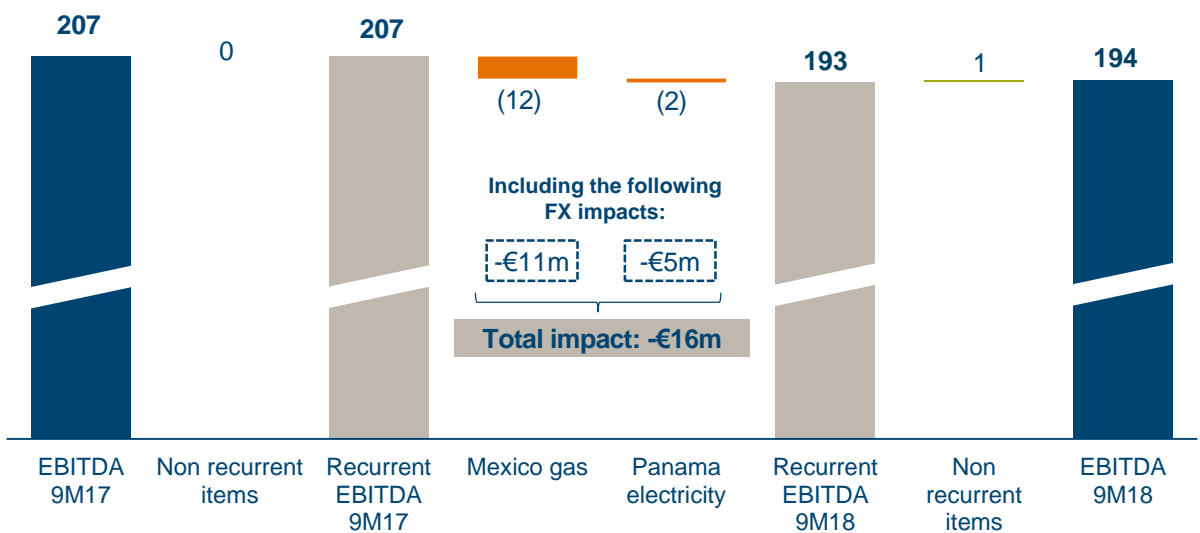
Infrastructure North LatAm

EBITDA (€m)	reported			recurrent		
	9M18	9M17	Change	9M18	9M17	Change
Mexico gas	119	130	-8.5%	118	130	-9.2%
Panama electricity	75	77	-2.6%	75	77	-2.6%
Total	194	207	-6.3%	193	207	-6.8%

Please refer to Annex for additional P&L disclosure

Recurrent EBITDA in the period amounts to €193m, down 6.8% on the back of a €16m negative FX impact.

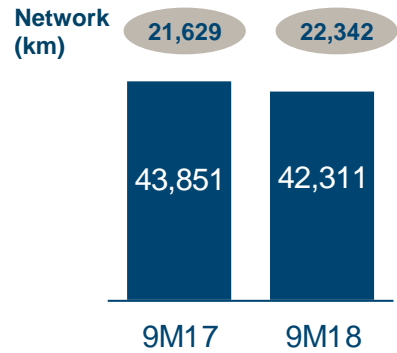
EBITDA evolution (€m)



Mexico gas

- > **9M18 Recurrent EBITDA declined 9.2% to €118m** namely as a result of the tariff update and higher sales to residential and commercial customers, as the company focuses its expansion into higher profitability segments. The above effects were not enough to compensate negative FX impact of €11m and higher opex from commercial repositioning and other temporary factors.

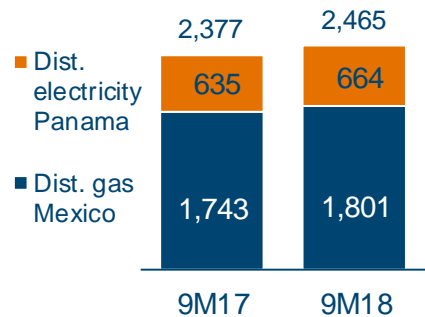
Gas sales Mexico (GWh) (-3.5%)



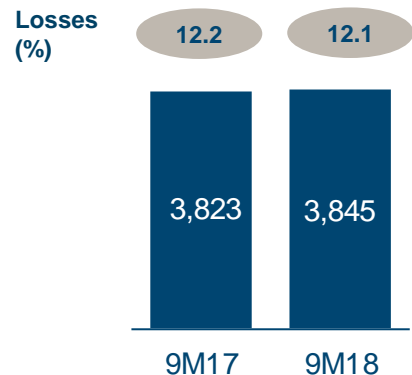
Panama electricity

- > **Recurrent EBITDA amounted to €75m, 2.6% less** than the same period last year, affected by milder weather and a €5m negative FX impact which was partly compensated by growth in connection points.

Connection points ('000) (+3.7%)

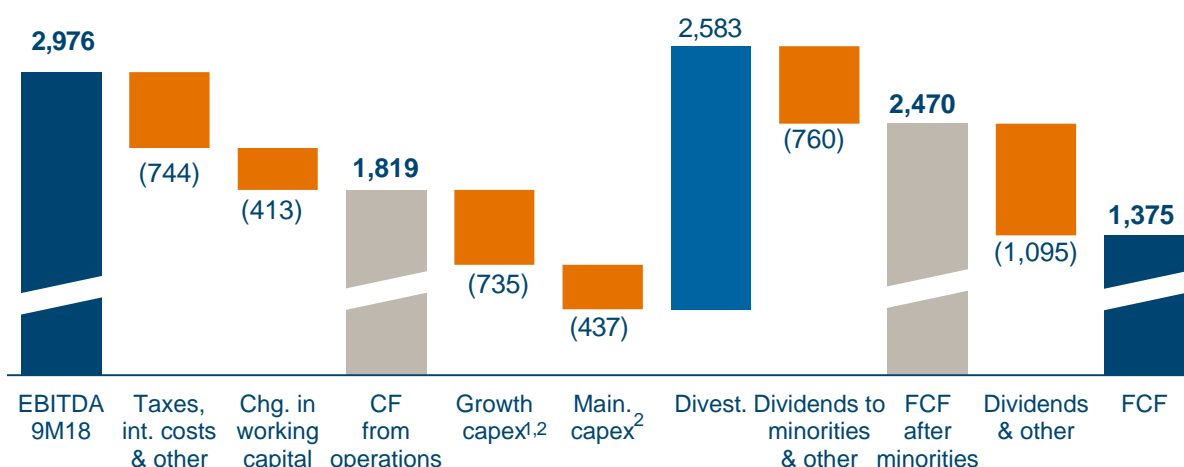


Electricity sales Panama (GWh) (+0.6%)



5. Cash flow

Cash flow evolution



Notes:

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

2. Net of cessions and contributions

- > **Strong free cash flow after minorities of €2,470m** in 9M18 mainly dedicated to the payment of dividends and financial debt reduction.

Capex

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

(€m)	Maintenance capex		
	9M18	9M17	Change
Gas & Power	90	82	9.8%
Infrastructures EMEA	126	158	-20.3%
Infrastructures LatAm South	141	182	-22.5%
Infrastructures LatAm North	49	51	-3.9%
Rest	34	66	-48.5%
Total investments	440	539	-18.4%

- > **9M18 Maintenance capex** amounted to €440m, compared to €539m in the same period of the previous year, a 18.4% reduction, mainly as a result of the optimization of maintenance capex in the infrastructure businesses and rest of activities, and FX impact.

(€m)	Growth capex		
	9M18	9M17	Change
Gas & Power	714 ¹	159	-
Infrastructures EMEA	167	123	35.8%
Infrastructures LatAm South	192	180	6.7%
Infrastructures LatAm North	79	101	-21.8%
Rest	1	21	-95.2%
Total investments	1,153	584	97.4%

Note:

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

> **Growth capex** in the period represented over 70% of total capex, and amounted to €1,153m, up from last year's €584m. The main investments were the following:

- €380m for the acquisition under financial lease of two gas carriers.
- €149m have been invested in the construction of different renewable projects in Spain (wind and solar), with 962 MW expected to come into operation before 2020.
- €91m correspond to the acquisition and development of solar projects in Brazil, with 81 MW expected to come into operation in 4Q18.
- Lastly, €77m have been invested during the period in the construction of 96 MW of wind capacity in Australia, expected to come into operation in 4Q18. 324 MW of wind and solar capacity in Chile will be developed before 1Q21.

> Additionally, the award of a 180MW wind farm project in Australia was announced during 9M18. This project will entail a total investment of au\$259m (~€166m) and is expected to start operations in the second half of 2020.

PV plants in Brazil



Wind farm in the Canary Islands



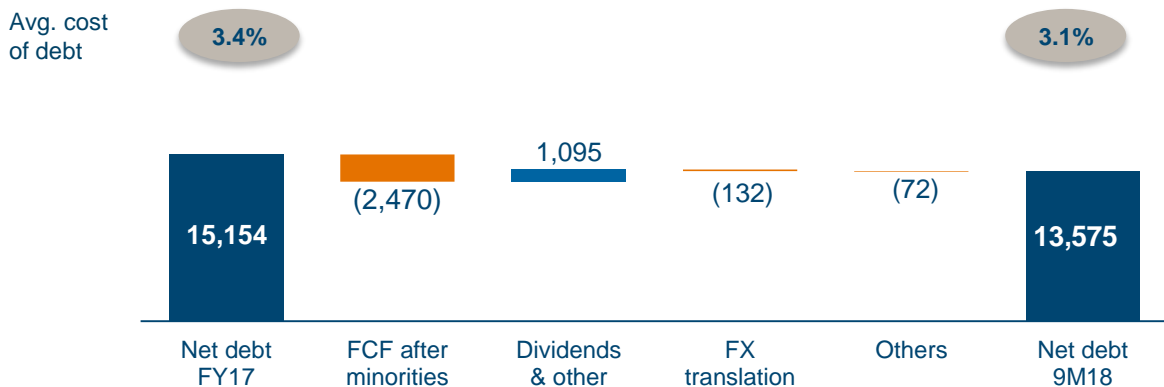
Divestments

> Divestments include the sale of the businesses in Italy for €746m, the proceeds from the sale of a 20% non-controlling stake in Nedgia (€1,500m) and the proceeds from the sale of the remaining 41.9% stake in the gas distribution business in Colombia (€334m).

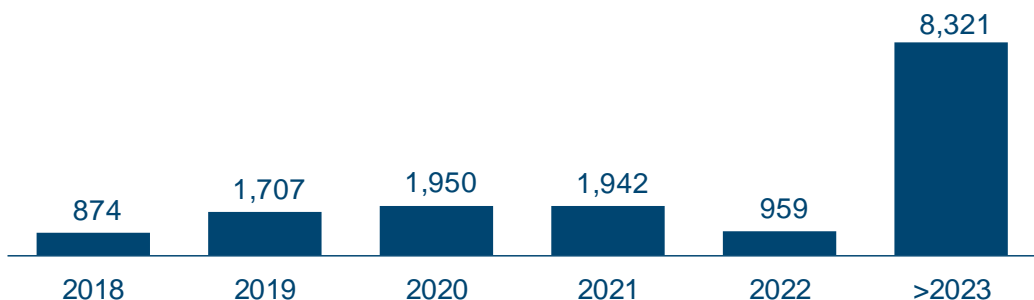
6. Financial position

- > Naturgy is progressing on the optimization of its capital structure as outlined in its 2018-2022 Strategic Plan.
- > During the first nine months of the year, Naturgy has used part of its excess cash to amortize all of its bank funded corporate debt, including €1,270m denominated in euros, as well as €390m denominated in USD.
- > Additionally, on 22 October, the company successfully completed a €314m bond repurchase at the parent level with maturities spanning from 2019 to 2021.
- > The company is 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.
- > In this respect, during the first nine months of the year, Chile has refinanced €193m and replaced €79m of intragroup debt, while Brazil has issued two project bonds of €57m in aggregate to back the Sertao and Sobral renewables projects.

Net debt evolution (€m)



Gross debt maturities (€m)



Credit metrics	9M18	FY17
EBITDA/Net financial debt cost	7.4x	6.4x
Net debt/LTM EBITDA	3.5x	3.9x
Adjusted net debt /LTM EBITDA (S&P) ¹	4.4x	4.7x
FFO/adjusted net debt (S&P) ¹	16.7%	15.7%

Note:

1. Adjusted net debt of €18,330m and €17,094m in FY17 and 9M18 respectively adjusted mainly for hybrids (50%) and LNG tankers financial and operating leases, following rating agency criteria

Financial debt by currency		Consolidated Group		Chile		Brazil	Argentina	Mexico	Panama	Holding & other
		Sept'18	Dec'17	CLP	USD	BRL	ARS	MXN	USD	EUR/USD
Net financial debt	€m	13,575	15,154	1,786	14	222	9	316	480	10,748
Average cost of debt	%	3.1	3.4	8.4	3.7	7.9	30.9	8.6	4.0	2.3
% fixed rated (gross debt)	%	85	82	67	-	-	1	66	61	92

Annexes

Annex I: Financial Statements

Consolidated income statement

(€m)	reported			recurrent		
	9M18	9M17	Change	9M18	9M17	Change
Net sales	17,670	17,083	3.4%	17,786	17,064	4.2%
Procurement	-12,814	-12,204	5.0%	-12,767	-12,224	4.4%
Gross margin	4,856	4,879	-0.5%	5,019	4,840	3.7%
Other operating income	158	205	-22.9%	152	170	-10.6%
Personnel expenses	-715	-690	3.6%	-637	-672	-5.2%
Taxes	-346	-330	4.8%	-346	-330	4.8%
Other operating expenses	-977	-1071	-8.8%	-940	-1057	-11.1%
EBITDA	2,976	2,993	-0.6%	3,248	2,951	10.1%
Depreciation, amortisation & impairment expenses	-5,537	-1,204	-	-1,204	-1204	0.0%
Impairment of credit losses	-119	-99	20.2%	-107	-99	8.1%
EBIT	-2,680	1,690	-	1,937	1,648	17.5%
Financial result	-474	-498	-4.8%	-480	-498	-3.6%
Profit/(loss) of companies measured under the equity method	-547	17	-	25	17	47.1%
Profit before taxes	-3,701	1209	-	1,482	1167	27.0%
Income tax	858	-245	-	-322.8	-235.8	36.9%
Income from discontinued operations	-11	89	-	-	-	-
Non-controlling interest	-186	-260	-28.5%	-282.3	-296.2	-4.7%
Net income	-3,040	793	-	877	635	38.1%

Consolidated Balance Sheet

(€m)	30/09/2018	31/12/2017
Non-current assets	32,195	36,239
Intangible assets	7,907	9,921
Property, plant and equipment	20,560	22,654
Equity-accounted investments	828	1,500
Non-current financial assets	1,114	1,315
Deferred tax assets	1,786	849
Current assets	8,681	11,083
Non-current assets available for sale	258	1,682
Inventories	814	720
Trade and other accounts receivable	4,830	4,994
Other current financial assets	669	462
Cash and cash equivalents	2,110	3,225
TOTAL ASSETS	40,876	47,322

(€m)	30/09/2018	31/12/2017
Equity	15,102	18,305
Equity attributable to the parent company	11,369	14,734
Non-controlling interest	3,733	3,571
Non-current liabilities	19,070	21,409
Deferred revenues	864	842
Non-current provisions	1,167	1,129
Non-current financial liabilities	13,311	15,916
Deferred tax liabilities	2,186	2,312
Other non-current liabilities	1,542	1,210
Current liabilities	6,704	7,608
Liabilities linked to non-current assets available for sale	96	621
Current provisions	159	183
Current financial liabilities	2,442	2,543
Trade and other accounts payable	3,535	3,920
Other current liabilities	472	341
TOTAL LIABILITIES AND EQUITY	40,876	47,322

Summary cash flow statement

(€m)	9M18	9M17	Change
EBITDA	2,976	2,993	-0.6%
Taxes	-189	-268	-29.5%
Net interest cost	-474	-498	-4.8%
Other non-cash items	-81	23	-
Funds from operations	2,232	2,250	-0.8%
Change in working capital	-413	-769	-46.3%
Cash flow from operations	1,819	1,481	22.8%
Growth capex	-735	-598	22.9%
Maintenance capex	-437	-535	-18.3%
Divestments	2,583	-	-
Dividends to minorities and other	-760	-60	-
Free cash flow after minorities	2,470	288	-
Dividends and other	-1,095	-1,027	6.6%
Free cash flow	1,375	-739	-

Quarterly EBITDA by business unit

(€m)	1Q18	2Q18	3Q18	4Q18	2018
Gas & Power	399	196	340	-	-
Gas, powery and services sales	81	-26	43	-	-
International LNG	156	77	114	-	-
Europe power generation	93	73	101	-	-
International power generation	69	72	82	-	-
Infrastructures EMEA	441	450	442	-	-
Spain gas networks	212	220	218	-	-
Spain electricity networks	157	159	154	-	-
EMPL	72	71	70	-	-
Infrastructures LatAm South	137	225	143	-	-
Chile electricity	55	69	73	-	-
Chile gas	18	69	78	-	-
Brazil gas	49	61	71	-	-
Argentina gas	11	24	-79	-	-
Argentina electricity	5	3	2	-	-
Peru gas	-1	-1	-1	-	-
Infrastructures LatAm North	60	63	71	-	-
Mexico gas	38	40	41	-	-
Panama electricity	22	23	30	-	-
Rest	16	17	-24	-	-
TOTAL EBITDA	1,053	951	972	-	-

(€m)	1Q17	2Q17	3Q17	4Q17	2017 ¹
Gas & Power	313	236	174	251	974
Gas, powery and services sales	-28	69	37	-36	42
International LNG	110	53	14	98	275
Europe power generation	164	43	59	112	378
International power generation	67	71	64	77	279
Infrastructures EMEA	442	437	451	438	1,768
Spain gas networks	223	210	232	220	885
Spain electricity networks	141	157	155	148	601
EMPL	78	70	64	70	282
Infrastructures LatAm South	167	240	273	184	864
Chile electricity	78	75	73	67	293
Chile gas	36	67	90	31	224
Brazil gas	56	70	82	76	284
Argentina gas	-7	24	25	6	48
Argentina electricity	5	6	3	5	19
Peru gas	-1	-2	0	-1	-4
Infrastructures LatAm North	73	66	68	64	271
Mexico gas	46	41	43	38	168
Panama electricity	27	25	25	26	103
Rest	30	26	-3	-27	26
TOTAL EBITDA	1,025	1,005	963	910	3,903

Note:

1. The 2017 financials per business unit at EBITDA level have been re-stated as the cost reallocation process into the business segments has continued to evolve during the quarter. As a result the herein reported figures for 2017 supersede the previous re-statement reported in the 1H18 results.



Accumulated EBITDA by business unit

(€m)	reported			recurrent			
	9M18	9M17	Change	9M18	9M17	Change	FX
Gas & Power	935	723	29.3%	1,003	678	47.9%	-17
Gas, pow ery and services sales	98	78	25.6%	159	58	-	-
International LNG	347	177	96.0%	347	177	96.0%	-
Europe pow er generation	267	266	0.4%	274	241	13.7%	-
International pow er generation	223	202	10.4%	223	202	10.4%	-17
Infrastructures EMEA	1,333	1,330	0.2%	1,357	1,344	1.0%	-17
Spain gas netw orks	650	665	-2.3%	663	665	-0.3%	-
Spain electricity netw orks	470	453	3.8%	481	467	3.0%	-
EMPL	213	212	0.5%	213	212	0.5%	-17
Infrastructures LatAm South	505	680	-25.7%	656	680	-3.5%	-132
Chile electricity	197	226	-12.8%	222	233	-4.7%	-7
Chile gas	165	193	-14.5%	176	180	-2.2%	-8
Brazil gas	181	208	-13.0%	181	208	-13.0%	-40
Argentina gas and electricity	-35	56	-	80	62	29.0%	-77
Peru gas	-3	-3	0.0%	-3	-3	0.0%	-
Infrastructures LatAm North	194	207	-6.3%	193	207	-6.8%	-16
Mexico gas	119	130	-8.5%	118	130	-9.2%	-11
Panama electricity	75	77	-2.6%	75	77	-2.6%	-5
Rest	9	53	-83.0%	39	42	-7.1%	-
TOTAL EBITDA	2,976	2,993	-0.6%	3,248	2,951	10.1%	-182

Results by business unit

1. Gas & Power

Gas, power & services sales (€m)	9M18	9M17	Change
Net sales	9,473	9,092	4.2%
Procurement	-9,013	-8,643	4.3%
Gross margin	460	449	2.4%
Other operating income	9	9	0.0%
Personnel expenses	-92	-81	13.6%
Taxes	-47	-47	0.0%
Other operating expenses	-232	-252	-7.9%
EBITDA	98	78	25.6%
Depreciation and provisions	-100	-68	47.1%
EBIT	-2	10	-

International LNG (€m)	9M18	9M17	Change
Net sales	2,627	1,699	54.6%
Procurement	-2,255	-1,495	50.8%
Gross margin	372	204	82.4%
Other operating income	2	2	0.0%
Personnel expenses	-20	-16	25.0%
Taxes	-	-	-
Other operating expenses	-7	-13	-46.2%
EBITDA	347	177	96.0%
Depreciation and provisions	-56	-35	60.0%
EBIT	291	142	-

Europe power generation (€m)	9M18	9M17	Change
Net sales	1,443	1,334	8.2%
Procurement	-750	-667	12.4%
Gross margin	693	667	3.9%
Other operating income	13	16	-18.8%
Personnel expenses	-96	-92	4.3%
Taxes	-210	-189	11.1%
Other operating expenses	-133	-136	-2.2%
EBITDA	267	266	0.4%
Depreciation and provisions	-4,214	-336	-
EBIT	-3,947	-70	-

International power generation (€m)	9M18	9M17	Change
Net sales	702	666	5.4%
Procurement	-406	-385	5.5%
Gross margin	296	281	5.3%
Other operating income	4	3	33.3%
Personnel expenses	-28	-28	0.0%
Taxes	-3	-2	50.0%
Other operating expenses	-46	-52	-11.5%
EBITDA	223	202	10.4%
Depreciation and provisions	-109	-88	23.9%
EBIT	114	114	0.0%



2. Infrastructure EMEA

Spain gas networks (€m)	9M18	9M17	Change
Net sales	918	944	-2.8%
Procurement	-57	-51	11.8%
Gross margin	861	893	-3.6%
Other operating income	30	29	3.4%
Personnel expenses	-73	-71	2.8%
Taxes	-20	-18	11.1%
Other operating expenses	-148	-168	-11.9%
EBITDA	650	665	-2.3%
Depreciation and provisions	-223	-226	-1.3%
EBIT	427	439	-2.7%

Spain electricity networks (€m)	9M18	9M17	Change
Net sales	644	632	1.9%
Procurement	-	-	-
Gross margin	644	632	1.9%
Other operating income	11	17	-35.3%
Personnel expenses	-66	-76	-13.2%
Taxes	-22	-22	0.0%
Other operating expenses	-97	-98	-1.0%
EBITDA	470	453	3.8%
Depreciation and provisions	-179	-170	5.3%
EBIT	291	283	2.8%

EMPL (€m)	9M18	9M17	Change
Net sales	231	232	-0.4%
Procurement	-	-	-
Gross margin	231	232	-0.4%
Other operating income	0	-3	-100.0%
Personnel expenses	-4	-4	0.0%
Taxes	-	-	-
Other operating expenses	-14	-13	7.7%
EBITDA	213	212	0.5%
Depreciation and provisions	-35	-25	40.0%
EBIT	178	187	-4.8%

3. Infrastructure LatAm South

Chile electricity (€m)	9M18	9M17	Change
Net sales	1,607	1,821	-11.8%
Procurement	-1,187	-1,380	-14.0%
Gross margin	420	441	-4.8%
Other operating income	9	8	12.5%
Personnel expenses	-84	-93	-9.7%
Taxes	-6	-6	0.0%
Other operating expenses	-142	-124	14.5%
EBITDA	197	226	-12.8%
Depreciation and provisions	-97	-93	4.3%
EBIT	100	133	-24.8%

Chile gas (€m)	9M18	9M17	Change
Net sales	576	811	-29.0%
Procurement	-344	-575	-40.2%
Gross margin	232	236	-1.7%
Other operating income	2	16	-87.5%
Personnel expenses	-23	-23	0.0%
Taxes	-2	-2	0.0%
Other operating expenses	-44	-34	29.4%
EBITDA	165	193	-14.5%
Depreciation and provisions	-43	-41	4.9%
EBIT	122	152	-19.7%

Brazil gas (€m)	9M18	9M17	Change
Net sales	1,176	1,305	-9.9%
Procurement	-910	-992	-8.3%
Gross margin	266	313	-15.0%
Other operating income	42	56	-25.0%
Personnel expenses	-26	-30	-13.3%
Taxes	-2	-3	-33.3%
Other operating expenses	-99	-128	-22.7%
EBITDA	181	208	-13.0%
Depreciation and provisions	-50	-53	-5.7%
EBIT	131	155	-15.5%



Argentina gas (€m)	9M18	9M17	Change
Net sales	294	330	-10.9%
Procurement	-287	-207	38.6%
Gross margin	7	123	-94.3%
Other operating income	20	25	-20.0%
Personnel expenses	-10	-19	-47.4%
Taxes	-15	-22	-31.8%
Other operating expenses	-46	-65	-29.2%
EBITDA	-44	42	-
Depreciation and provisions	-13	-8	62.5%
EBIT	-57	34	-

4. Infrastructure LatAm North

Mexico gas (€m)	9M18	9M17	Change
Net sales	408	408	0.0%
Procurement	-230	-226	1.8%
Gross margin	178	182	-2.2%
Other operating income	7	10	-30.0%
Personnel expenses	-21	-20	5.0%
Taxes	-1	-	-
Other operating expenses	-44	-42	4.8%
EBITDA	119	130	-8.5%
Depreciation and provisions	-56	-38	47.4%
EBIT	63	92	-31.5%

Panama electricity (€m)	9M18	9M17	Change
Net sales	585	599	-2.3%
Procurement	-468	-477	-1.9%
Gross margin	117	122	-4.1%
Other operating income	2	1	100.0%
Personnel expenses	-9	-9	0.0%
Taxes	-4	-4	0.0%
Other operating expenses	-31	-33	-6.1%
EBITDA	75	77	-2.6%
Depreciation and provisions	-30	-27	11.1%
EBIT	45	50	-10.0%

Capex

Growth capex (€m)	9M18	9M17	Change
Gas & Power	714	159	-
Gas, power & services sales	51	25	-
International LNG	380	14	-
Europe power generation	149	28	-
International power generation	134	92	45.7%
Infrastructures EMEA	167	123	35.8%
Spain gas networks	127	89	42.7%
Spain electricity networks	38	34	11.8%
EMPL	2	-	-
Infrastructures LatAm South	192	180	6.7%
Chile electricity	56	70	-20.0%
Chile gas	87	49	77.6%
Brazil gas	27	37	-27.0%
Argentina gas	9	6	50.0%
Argentina electricity	3	7	-57.1%
Peru gas	10	11	-9.1%
Infrastructures LatAm North	79	101	-21.8%
Mexico gas	43	58	-25.9%
Panama electricity	36	43	-16.3%
Rest	1	21	-95.2%
Total investments	1,153	584	97.4%

Maintenance capex (€m)	9M18	9M17	Change
Gas & Power	90	82	9.8%
Gas, power & services sales	2	1	100.0%
International LNG	-	-	-
Europe power generation	45	56	-19.6%
International power generation	43	25	72.0%
Infrastructures EMEA	126	158	-20.3%
Spain gas networks	20	28	-28.6%
Spain electricity networks	106	121	-12.4%
EMPL	-	9	-100.0%
Infrastructures LatAm South	141	182	-22.5%
Chile electricity	96	113	-15.0%
Chile gas	11	7	57.1%
Brazil gas	19	40	-52.5%
Argentina gas	14	20	-30.0%
Argentina electricity	1	2	-50.0%
Peru gas	-	-	-
Infrastructures LatAm North	49	51	-3.9%
Mexico gas	11	13	-15.4%
Panama electricity	38	38	0.0%
Rest	34	66	-48.5%
Total investments	440	539	-18.4%



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 discloses the report on earnings for the first half of 2018 (disclosed 26 July 2018, registration number 268379).
- Naturgy files the presentation of earnings for the first half of 2018 (disclosed 26 July 2018, registration number 268391).
- Naturgy discloses information on earnings for the first half of 2018 (disclosed 27 July 2018, registration number 268569).
- Naturgy announces that Fitch Rating updates the company rating (disclosed 1 August 2018, registration number 268792).
- Naturgy informs manager's long-term incentive plan (disclosed 3 August 2018, registration number 268939).
- Naturgy reports the ICSID award issued in the investment protection arbitral procedure concerning to the Egyptian Damietta plant (disclosed 3 September 2018, registration number 269265).
- Naturgy announces the award of a wind farm in Australia (disclosed 11 September 2018, registration number 269489).
- Naturgy notifies that it has invested around 126 million euros in the purchase of its own shares representing over 0.5% of its shareholder capital (disclosed 1 October 2018, registration number 270092).
- Criteria Caixa S.A. discloses that it has separately formalized shareholder agreements between the companies G3T, S.L and BCN Godia, S.L.U, respectively (disclosed 3 October 2018, registration number 270130).
- Naturgy discloses information on the notes-repurchase offer (disclosed 11 October 2018, registration number 270435).
- Naturgy announces the third quarter 2018 results publication date (disclosed 16 October 2018, registration number 270510).
- Naturgy discloses the indicative results of the notes-repurchase offer (disclosed 19 October 2018, registration number 270635).
- Naturgy discloses the results of the notes-repurchase offer (disclosed 19 October 2018, registration number 270667).

Additional regulatory disclosures can be found at:

www.cnmv.es

www.naturgy.com

Annex III: Glossary of terms

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. Below is a glossary of terms with the definition of the APMs.

Alternative performance metrics	Definition
EBITDA	"Gross operating profit"
Capex	"Investment in intangible assets" + "Investment in property, plant and equipment"
Gross financial debt	"Non-current financial liabilities"+ "Current financial liabilities"
Net financial debt	Gross financial debt – "Cash and cash equivalents" – "Derivative financial assets"
Adjusted net financial debt	Net financial debt +/- S&P adjustments (50% hybrids and LNG tankers financial and operating leases)
Net financial debt cost	"Cost of financial debt" – "Interest revenue"
EBITDA/Net financial debt cost	EBITDA / Cost of net financial debt
Net debt/LTM EBITDA	Net financial debt / Last Twelve Months EBITDA
Adjusted net debt/LTM EBITDA	Adjusted net financial debt / Last Twelve Months EBITDA
FFO	Funds from operations
Adjusted FFO	Funds from operations adjusted according with S&P criteria
FFO/adjusted net debt (S&P)	Adjusted FFO / Adjusted net financial debt
Personnel expenses	Personnel expenses – "Own work capitalized"

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.

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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 securities are listed and, in particular, the Spanish National Securities Market Commission.

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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).

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