



# First Half 2018 Results

July 26, 2018

# Agenda

1. Key highlights
2. 1H18 consolidated results
3. 1H18 results by business unit
4. Conclusions

## Appendix

# 01

## Key highlights

# Key highlights

- ✓ **Activity growth offset by non-recurrent items**
  - Positive evolution in Gas & Power notably in 1Q18
  - Stable performance of infrastructure businesses
- ✓ **Start up of efficiencies in 2H18; capture costs starting in 3Q18 (~€100M)**
- ✓ **Strategic review leads to €4.9bn write-down**
- ✓ **Recurrent net income up 22%**
- ✓ **Growth represents >70% of total capex**
- ✓ **New reporting perimeter with higher visibility and granularity**
- ✓ **Interim dividend of 0.28 €/share on 2018 results to be paid on July 31, 2018**
- ✓ **S&P rating reaffirmed at BBB (stable outlook)**

(€M)	1H18	1H17	1H18 recurrent	1H17 recurrent	Change (%; €M)
EBITDA	2,004	2,030	2,105	1,991	+6%
Net income	(3,281)	550	532	435	+22%
Capex	1,145 <sup>1</sup>	737	-	-	-
Growth	836 <sup>1</sup>	393	-	-	-
Maintenance	309	344	-	-	-

Start of the new 2018-22 Strategic Plan with impacts from 2H18

# Non-recurrent items & FX

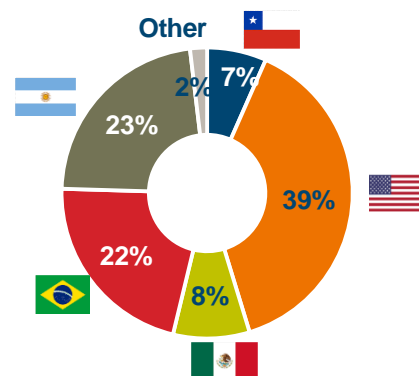
## EBITDA

€M	1H18	1H17
Gas transport & procurement retroactivity	(38)	20
Chile extraordinary expenses	(32)	-
Restructuring costs	(24)	(16)
Asset write-down	-	-
Other impairments ahead of SP 2018-22	-	-
Discontinued operations and minority interests	-	-
Chile mergers tax effect	-	-
Other	(7)	35
<b>Total non recurrent items</b>	<b>(101)</b>	<b>39</b>

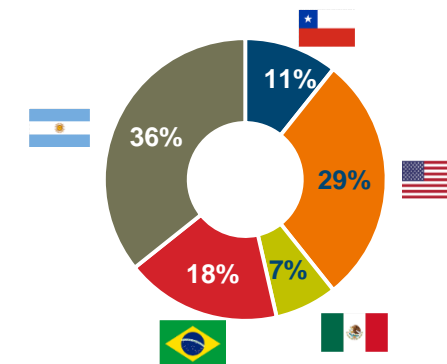
## Net income

€M	1H18	1H17
Gas transport & procurement retroactivity	(28)	15
Chile extraordinary expenses	(20)	-
Restructuring costs	(22)	(12)
Asset write-down	(3,783)	-
Other impairments ahead of SP 2018-22	(48)	-
Discontinued operations and minority interests <sup>1</sup>	44	86
Chile mergers tax effect	42	-
Other	2	26
<b>Total non recurrent items</b>	<b>(3,813)</b>	<b>115</b>

**FX impact  
€-106M**



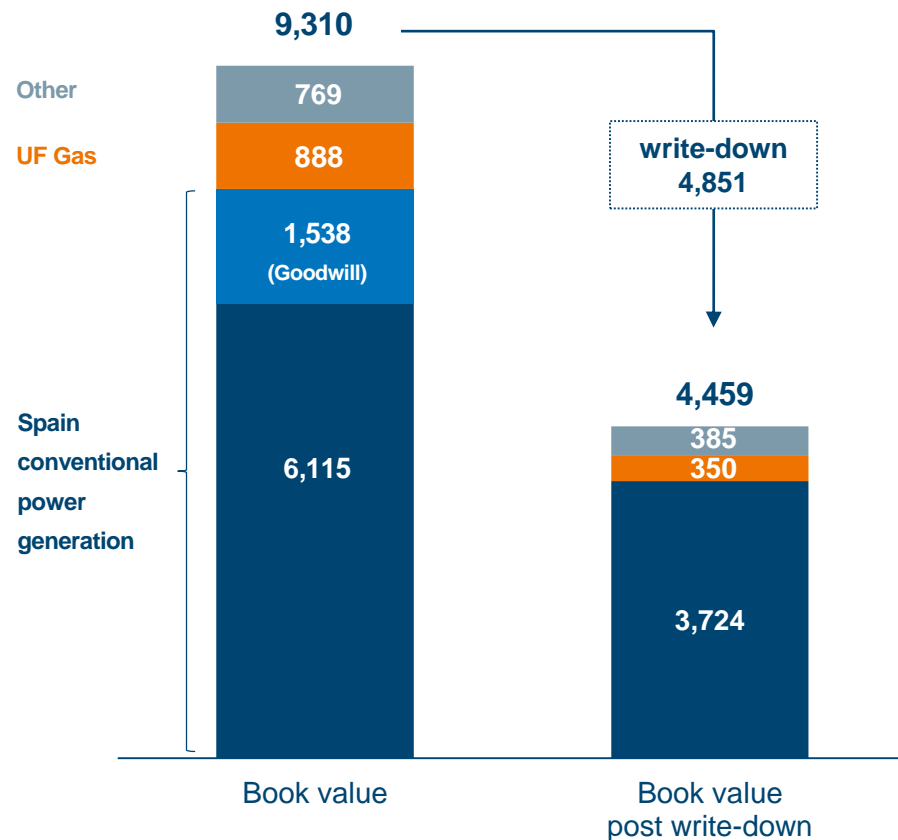
**FX impact  
€-25M**



**1H18 results impacted by non recurrent items and FX**

# Asset write-down

€M



## Main impacts from write-down

Cash Flow (€M)	In 2018
FCF (one-off)	~200

P&L (€M)	From 2019
Yearly average net income accretion	>100

Positive cash impact in 2018 and EPS accretive from 2019

# Update on business positioning

## ✓ Completion of disposals:

- Gas distribution and supply in Italy in 1Q18: Cash proceeds of €766M<sup>1</sup>
- Nedgia Spain (20%) in 1Q18: Cash proceeds of €1,500M
- Colombia gas distribution and supply disposal on June 30, 2018: Cash proceeds of €334M

## ✓ Moldova, Kenya and Kangra businesses reclassified as discontinued operations

## ✓ Signing of agreement to dispose Kenya & Kangra on June 27, 2018

- Cash proceeds of ~\$80M

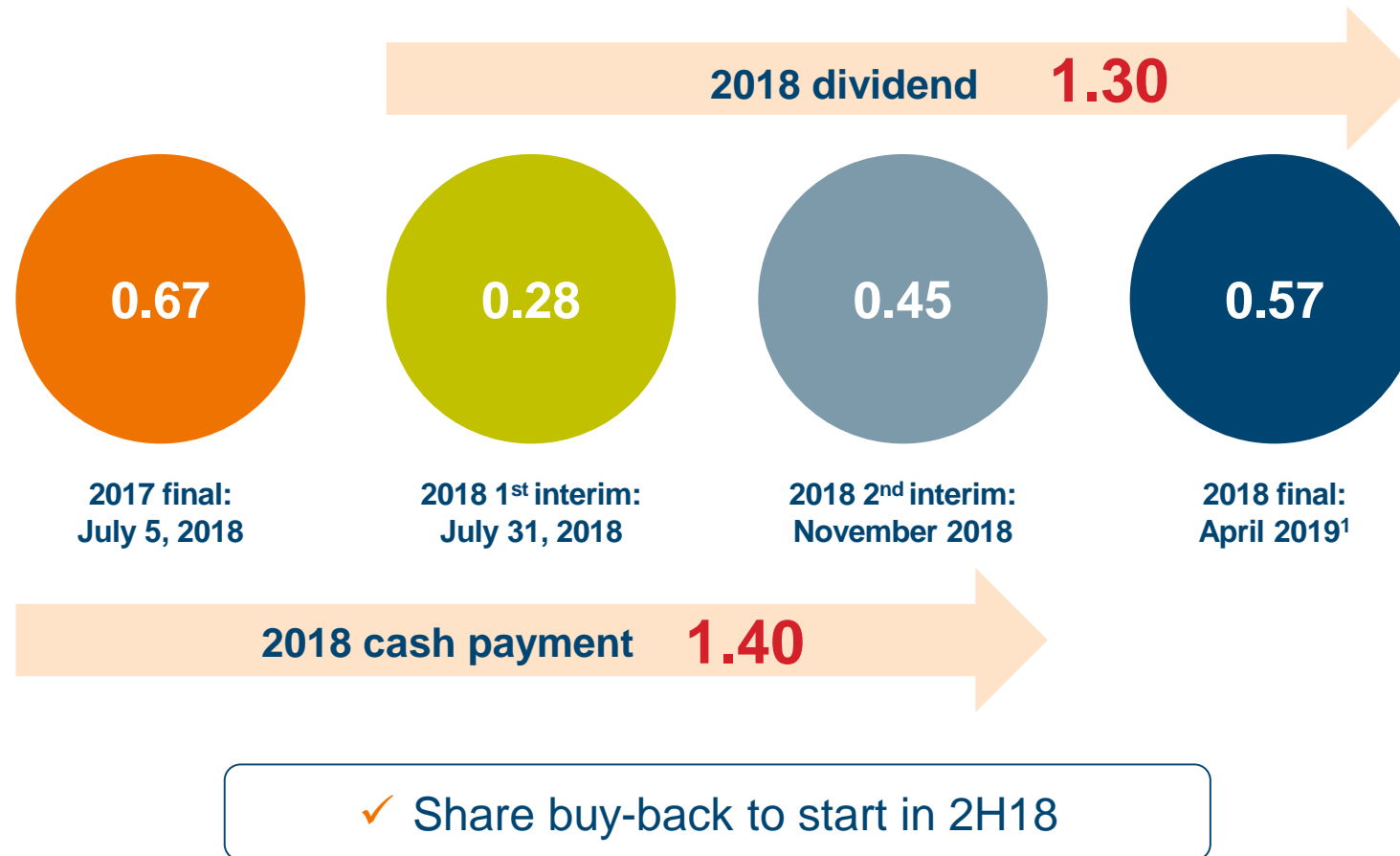
## ✓ Growing renewable energy exposure

- Addition of >200MW in Spain expected before year end; total investment ~€200M
- Acquisition of Guimaranía Solar I and II in Brazil (83MW); total investment ~€95M

**Reallocation of capital into core business**

# Shareholder remuneration

Dividend 2018 accrued vs. cash  
(€/share)



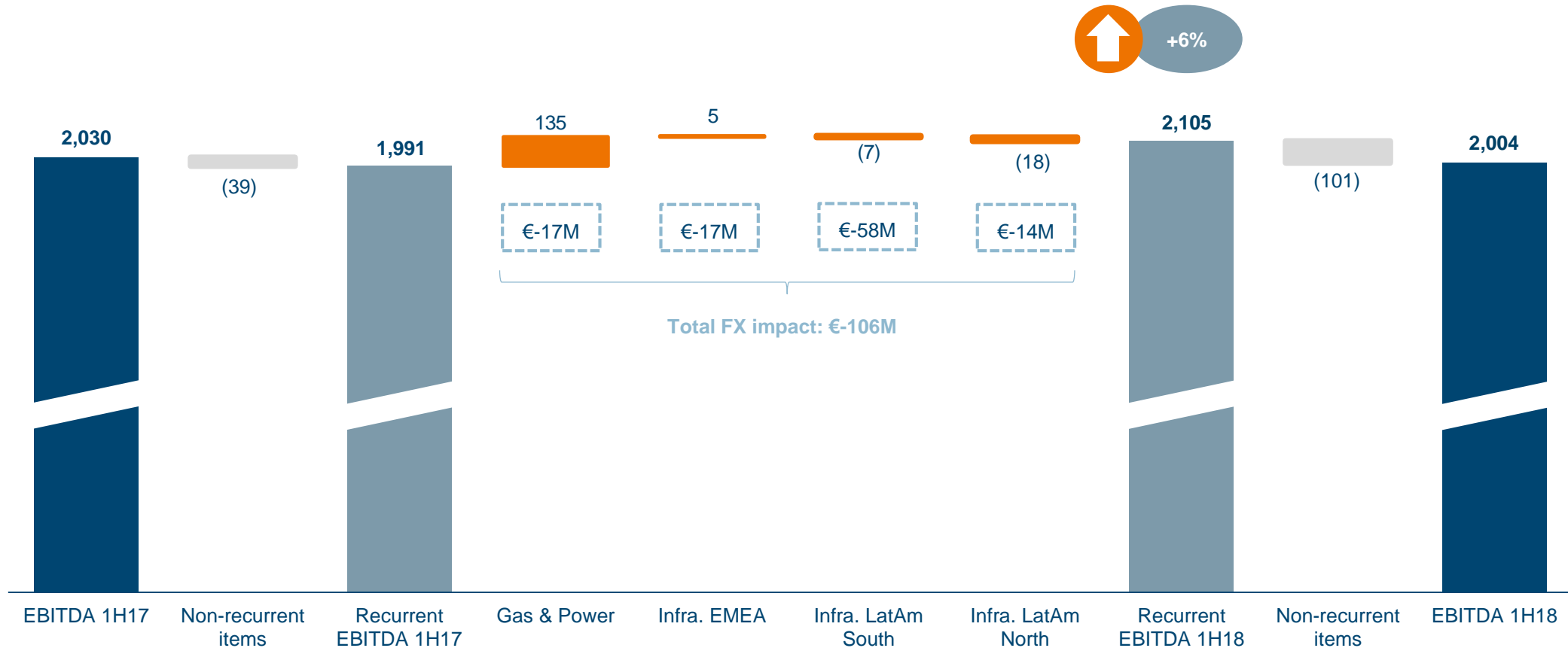
Commitment to an attractive and sustainable shareholder remuneration



# 02

1H18 consolidated results

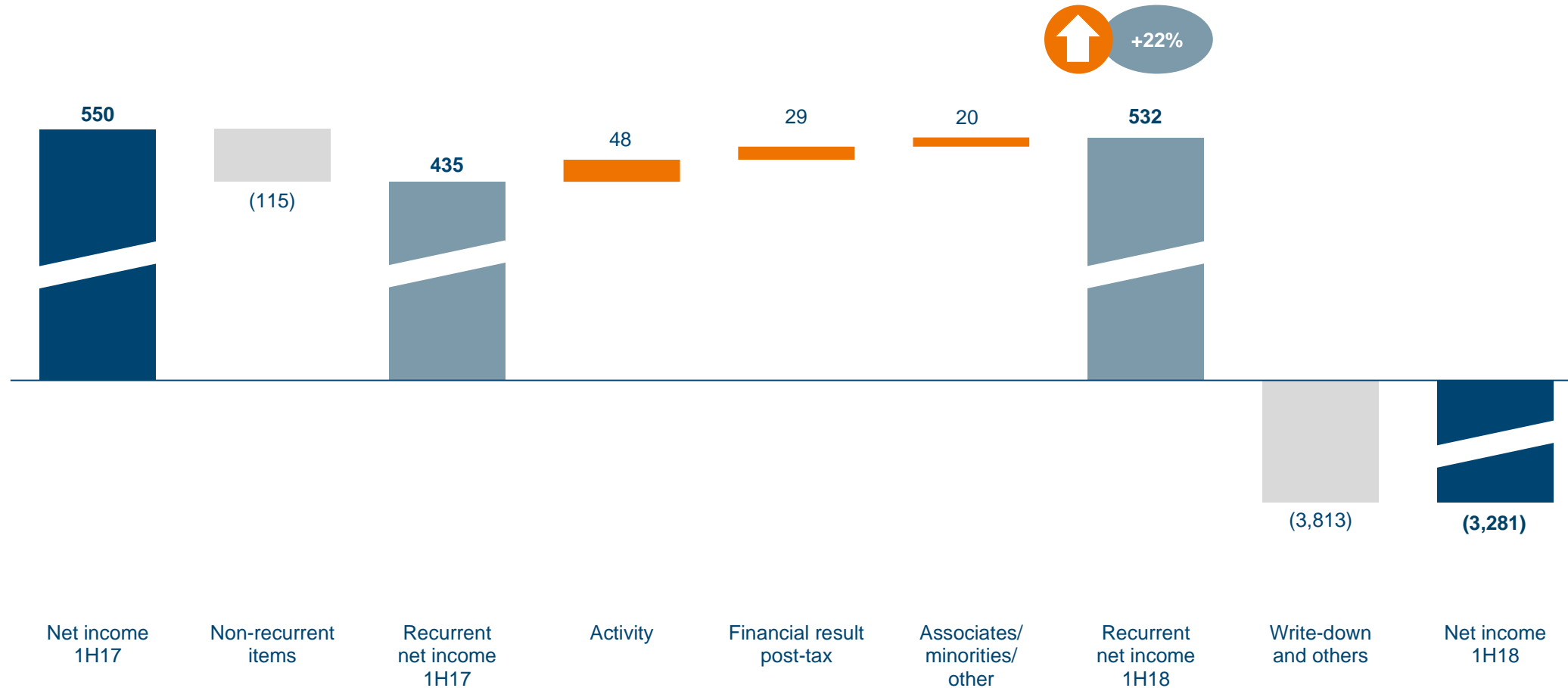
# EBITDA evolution (€M)



↑ +6%

Recurrent EBITDA supported by improvement in Gas & Power

# Net income evolution (€M)



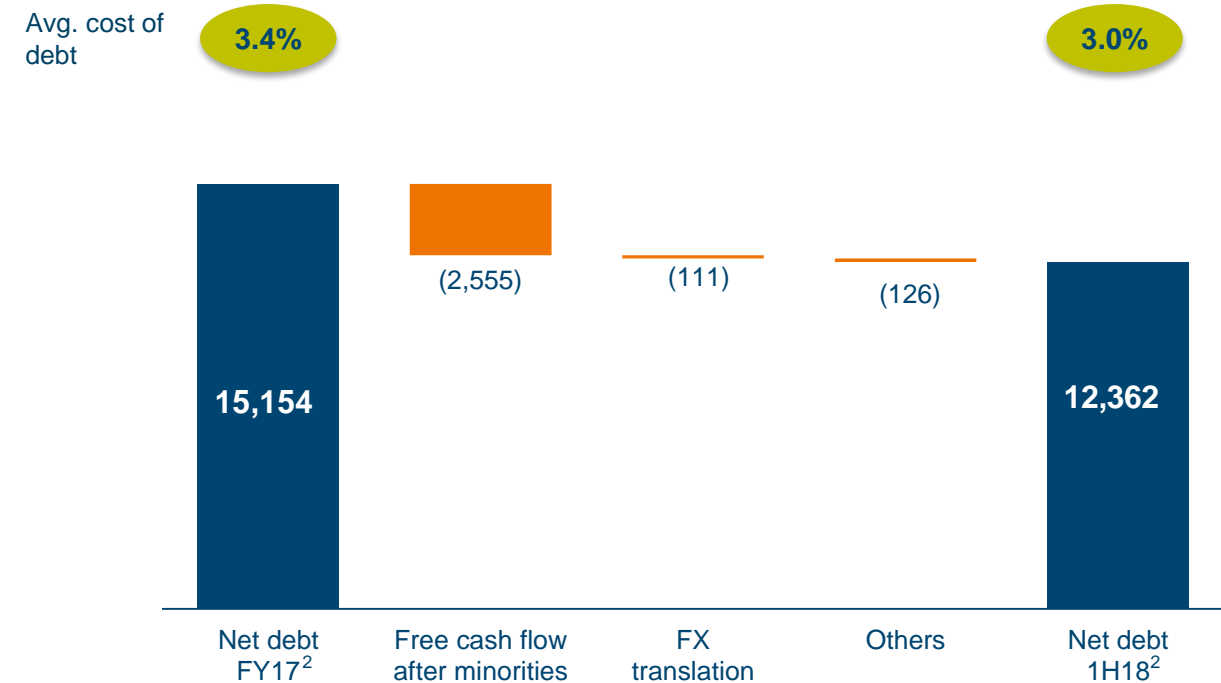
**Solid recurrent net income supported by activity and lower financial expenses**

# Cash flow and net debt evolution

## Cash flow (€M)

	1H18	Change vs. 1H17 (%)
EBITDA	2,004	-1%
Financial result	(306)	-12%
Variation in working capital	(286)	-42%
Operating cash flow	1,412	+19%
Investments <sup>1</sup>	(771)	+4%
Divestments	2,580	n.m.
Dividends to minorities & other	(666)	n.m.
Free cash flow after minorities	2,555	n.m.

## Net debt (€M)



Temporary net debt reduction driven by disposals

Notes:

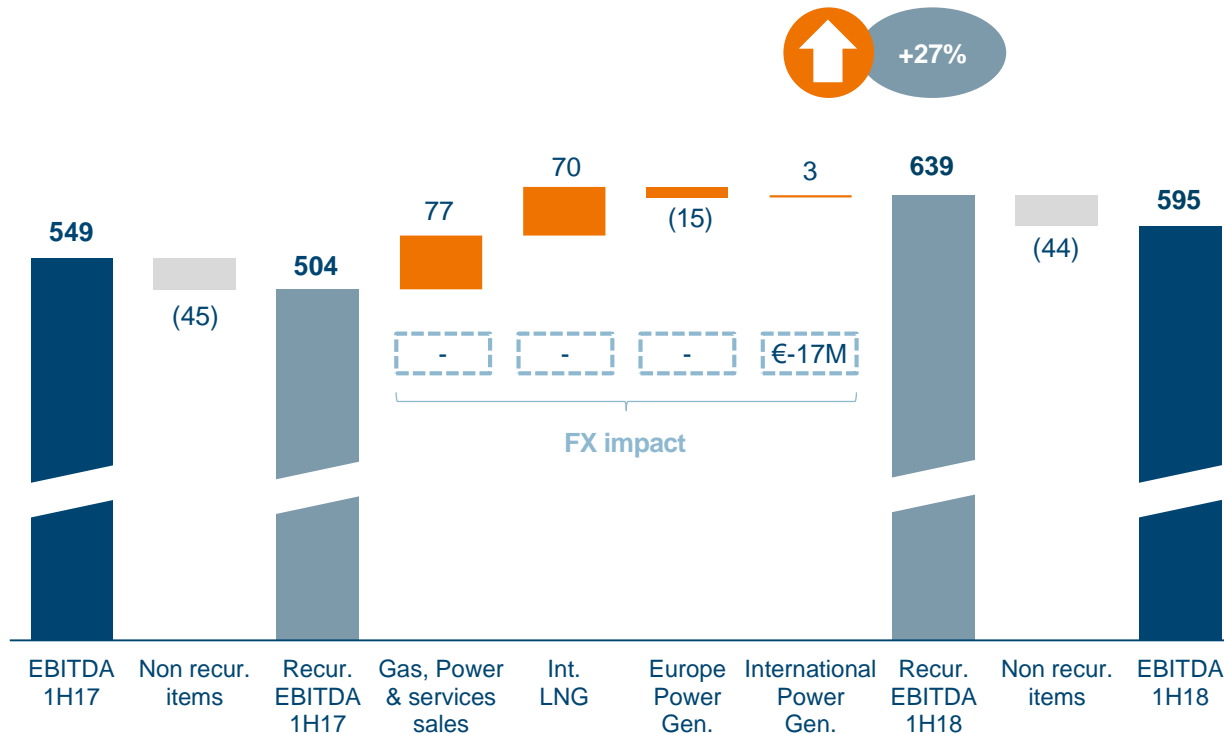
12

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 1H18 would be ~€14,000M, incorporating financial and operating leases of ~€1.65bn

# 03

1H18 results by business unit

## EBITDA evolution (€M)

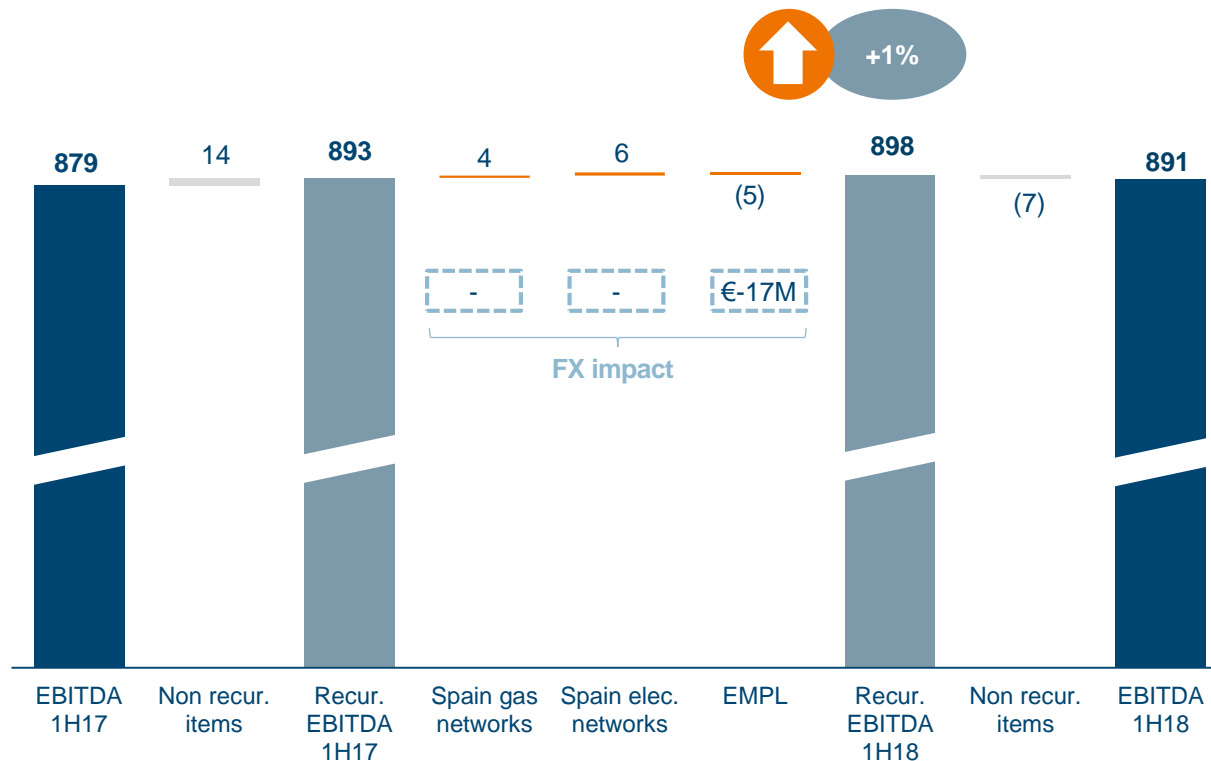


## Highlights

- ✓ **Gas, Power & services sales:** Higher margins in power supply driven by lower pool prices; higher margins in gas supported by improved scenario
- ✓ **International LNG:** Strong results due to higher sales and margins, most notably into Asia
- ✓ **Europe Power Generation:** lower thermal contribution and rising CO<sub>2</sub> prices not fully compensated by hydro normalization
- ✓ **International Power Generation:** Growth from new capacity and better margins of excess energy sales

Positive impact of new Algerian contract to be reflected retroactively from 3Q18

## EBITDA evolution (€M)



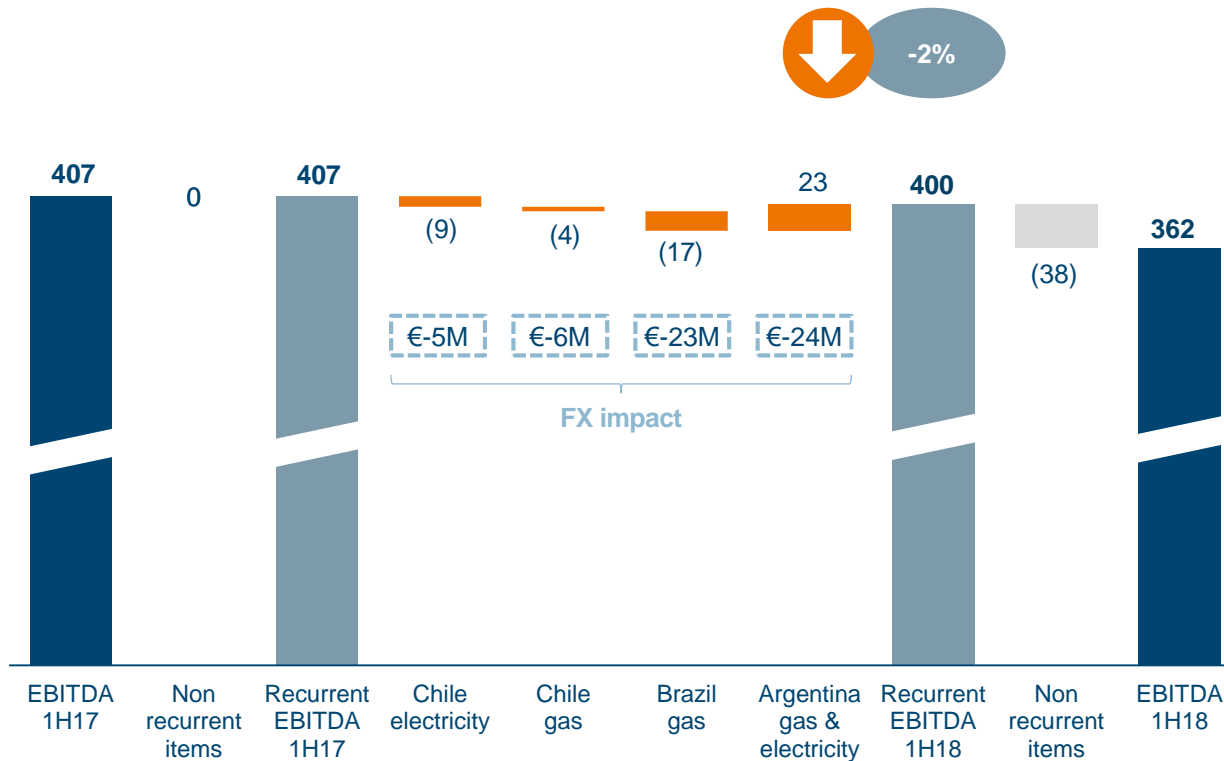
## Highlights

- ✓ Higher sales in **Spain gas networks** due to lower temperatures partially offset by lower gas meters remuneration
- ✓ **Spain electricity networks** supported by investments
- ✓ **EMPL** benefits from activity increases offset by FX

Resilient performance despite negative effects from gas meter remuneration and FX



## EBITDA evolution (€M)



## Highlights

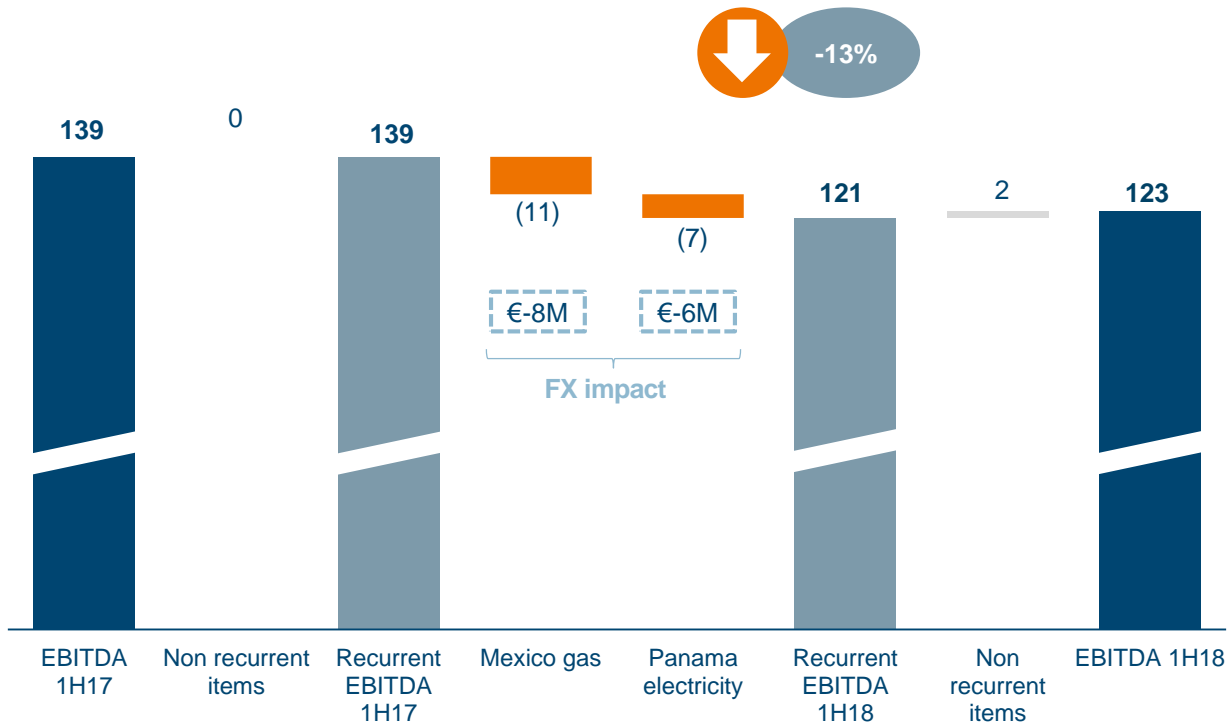
- ✓ Higher sales in **Chile electricity** offset by ordinary tariff adjustments
- ✓ Positive performance in **Chile gas** supported by distribution, countered by higher opex from expansion plan and lower supply sales
- ✓ **Brazil gas** positively affected by increased sales into higher margin segments (GNV and domestic)
- ✓ Growth in **Argentina** due to the final implementation of the new tariff

Performance impacted by FX and non-recurrent items





## EBITDA evolution (€M)



## Highlights

- ✓ **Mexico gas** affected by lower sales and ongoing review of the commercial strategy into higher margin clients
- ✓ **Panama electricity** affected by lower temperatures and higher distribution losses

Results impacted by temporary factors and FX

# 04

## Conclusions

## Summary 1H18 results

### ✓ Activity growth...

- Positive evolution in Gas & Power, notably in 1Q18
- Stable performance of infrastructure businesses

### ✓ ...offset by non-recurrent items...

### ✓ ...and affected by FX

### ✓ Strategic review leads to €4.9bn write-down and a one-off impact on Net income of €3.8bn

### ✓ New reporting structure with higher visibility and granularity

Start of the new 2018-22 Strategic Plan with impacts from 2H18

## Outlook 2H18



- ✓ **Start up of Efficiency Plan**
- ✓ **Europe power generation**
- ✓ **Renewable growth**
- ✓ **Algerian gas contract renewal**
- ✓ **Financial results**
- ✓ **Write-down EPS accretion**






- ✓ **Efficiencies capture costs**
- ✓ **Power supply margins**
- ✓ **FX impact**



Share buy back to start in 2H18

# Value creation pillars 2018-22

## Simplicity & accountability

- ✓ Simplified governance and organization 
- ✓ Higher accountability and autonomy of BUs 
- ✓ Focused business positioning with ongoing divestment processes 


## Shareholder remuneration

- ✓ DPS commitment regardless of operating performance 
- ✓ Buy-back of up to €400m p.a. to start in 2H18 





Value creation

## Optimization

- ✓ Opex/gross margin target of 30% by 2022 
- ✓ Launch of Opex and Capex Committee 

## Capital discipline

- ✓ “Golden rules” to ensure value creation and profitable growth 
- ✓ No M&A contemplated in the Strategic Plan 

Focus on value over size

# First Half 2018 Results

## Q&A

# Appendix



# Financials



# Consolidated income statement

(€M)	1H18	1H17	1H18 recurrent	1H17 recurrent	Change (%)
Net sales	12,176	11,569	12,176	11,546	+5%
Purchases	(8,907)	(8,263)	(8,860)	(8,283)	+7%
<b>Gross margin</b>	<b>3,269</b>	<b>3,306</b>	<b>3,316</b>	<b>3,263</b>	<b>+2%</b>
Personnel costs	(464)	(469)	(440)	(453)	-3%
Taxes	(237)	(225)	(237)	(225)	+5%
Other expenses	(564)	(582)	(534)	(594)	-10%
<b>EBITDA</b>	<b>2,004</b>	<b>2,030</b>	<b>2,105</b>	<b>1,991</b>	<b>+6%</b>
Depreciation and impairment losses	(5,165)	(800)	(832)	(800)	+4%
Provisions	(63)	(58)	(63)	(58)	+9%
<b>Operating income</b>	<b>(3,224)</b>	<b>1,172</b>	<b>1,210</b>	<b>1,133</b>	<b>+7%</b>
Financial result	(306)	(349)	(312)	(349)	-11%
Equity income	(559)	7	13	7	+86%
<b>Income before tax</b>	<b>(4,089)</b>	<b>830</b>	<b>911</b>	<b>791</b>	<b>+15%</b>
Corporate tax	926	(183)	(210)	(173)	+21%
Discontinued operations results	(15)	64	-	-	-
Non-Controlling interests	(103)	(161)	(169)	(183)	-8%
<b>Net income</b>	<b>(3,281)</b>	<b>550</b>	<b>532</b>	<b>435</b>	<b>+22%</b>

# EBITDA breakdown

(€M)	1H18	1H17	1H18 recurrent	1H17 recurrent	Change (%)	FX impact
<b>Gas &amp; Power</b>	<b>595</b>	<b>549</b>	<b>639</b>	<b>504</b>	<b>+27%</b>	<b>(17)</b>
Gas, power and services sales	55	41	98	21	n.m.	-
International LNG	233	163	233	163	+43%	-
Europe power generation	166	207	167	182	-8%	-
International power generation	141	138	141	138	+2%	(17)
<b>Infrastructure EMEA</b>	<b>891</b>	<b>879</b>	<b>898</b>	<b>893</b>	<b>+1%</b>	<b>(17)</b>
Spain gas networks	432	433	437	433	+1%	-
Spain electricity networks	316	298	318	312	+2%	-
EMPL	143	148	143	148	-3%	(17)
<b>Infrastructure South LatAm</b>	<b>362</b>	<b>407</b>	<b>400</b>	<b>407</b>	<b>-2%</b>	<b>(58)</b>
Chile electricity	124	153	144	153	-6%	(5)
Chile gas	87	103	98	103	-5%	(6)
Brazil gas	110	126	109	126	-13%	(23)
Argentina gas & electricity	43	28	51	28	+82%	(24)
Peru	(2)	(3)	(2)	(3)	-33%	-
<b>Infrastructure North LatAm</b>	<b>123</b>	<b>139</b>	<b>121</b>	<b>139</b>	<b>-13%</b>	<b>(14)</b>
Mexico gas	78	87	76	87	-13%	(8)
Panama electricity	45	52	45	52	-13%	(6)
<b>Other</b>	<b>33</b>	<b>56</b>	<b>47</b>	<b>48</b>	<b>-2%</b>	<b>-</b>
<b>Total EBITDA</b>	<b>2,004</b>	<b>2,030</b>	<b>2,105</b>	<b>1,991</b>	<b>+6%</b>	<b>(106)</b>

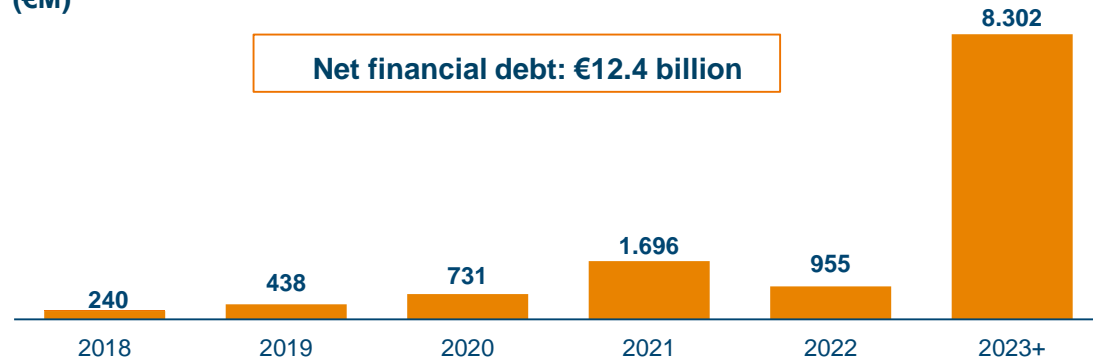
# Investments

(€M)	1H18			1H17		
	Total	Growth	Maintenance	Total	Growth	Maintenance
<b>Gas &amp; Power</b>	<b>623</b>	<b>547</b>	<b>76</b>	<b>169</b>	<b>114</b>	<b>55</b>
Gas, power and services sales	35			25		
International LNG	380 <sup>1</sup>			-		
Europe power generation	109			54		
International power generation	99			90		
<b>Infrastructure EMEA</b>	<b>185</b>	<b>108</b>	<b>77</b>	<b>190</b>	<b>86</b>	<b>104</b>
Spain gas networks	94			82		
Spain electricity networks	90			106		
EMPL	1			2		
<b>Infrastructure South LatAm</b>	<b>238</b>	<b>127</b>	<b>111</b>	<b>230</b>	<b>118</b>	<b>112</b>
Chile electricity	106			119		
Chile gas	64			37		
Brazil gas	35			49		
Argentina gas & electricity	27			21		
Peru	6			4		
<b>Infrastructure North LatAm</b>	<b>80</b>	<b>52</b>	<b>28</b>	<b>93</b>	<b>62</b>	<b>31</b>
Mexico gas	35			41		
Panama electricity	45			52		
<b>Other</b>	<b>19</b>	<b>2</b>	<b>17</b>	<b>55</b>	<b>13</b>	<b>42</b>
<b>Total tangible + intangible</b>	<b>1,145</b>	<b>836</b>	<b>309</b>	<b>737</b>	<b>393</b>	<b>344</b>
<b>Financial</b>	<b>35</b>			<b>27</b>		
<b>Total gross investments</b>	<b>1,180</b>	<b>-</b>	<b>-</b>	<b>764</b>	<b>-</b>	<b>-</b>
<b>Disposals</b>	<b>(2,580)</b>			<b>-</b>		
<b>Other</b>	<b>(29)</b>			<b>(24)</b>		
<b>Total net investments</b>	<b>(1,429)</b>	<b>-</b>	<b>-</b>	<b>740</b>	<b>-</b>	<b>-</b>






# Financial structure

## Maturities

As of June 30, 2018  
(€M)



Selected credit ratios	1H18	FY17
Net debt/ LTM EBITDA	3.2x	3.9x
Adjusted Net debt <sup>1</sup> / LTM EBITDA (S&P)	4.1x	4.7x
FFO/adjusted Net debt <sup>1</sup> (S&P)	18.3%	15.7%

		Consolidated group								Holding & Other
		Jun '18	Dec '17	CLP	USD	BRL	ARS	MXN	USD	EUR/USD
Net financial debt	€M	12,362	15,154	1,760	14	234	27	311	475	9,541
Average cost of debt	%	3.0	3.4	5.8	3.5	7.9	32.4	8.5	4.0	2.3
% fixed rate (gross debt)	%	84	82	70	0	0	2	57	60	90

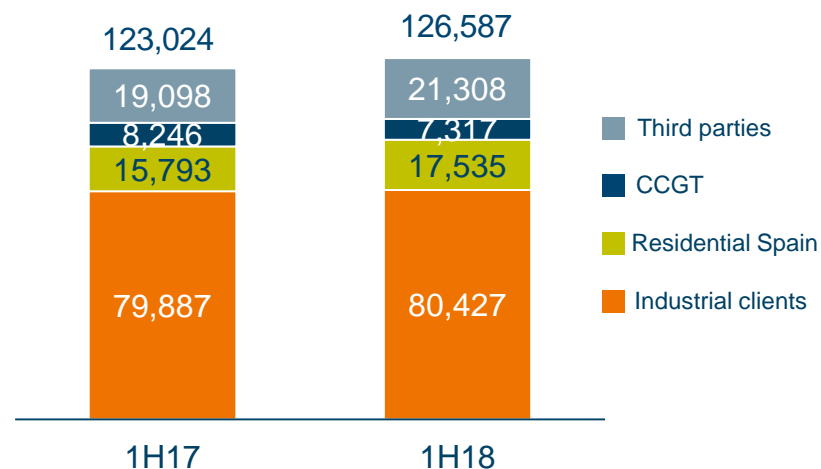


## Operating figures

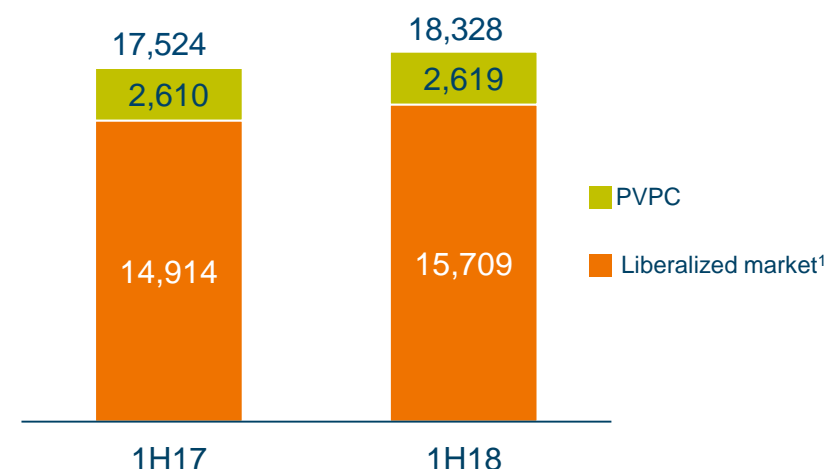
# Gas & Power

## Gas, power and services and LNG international sales

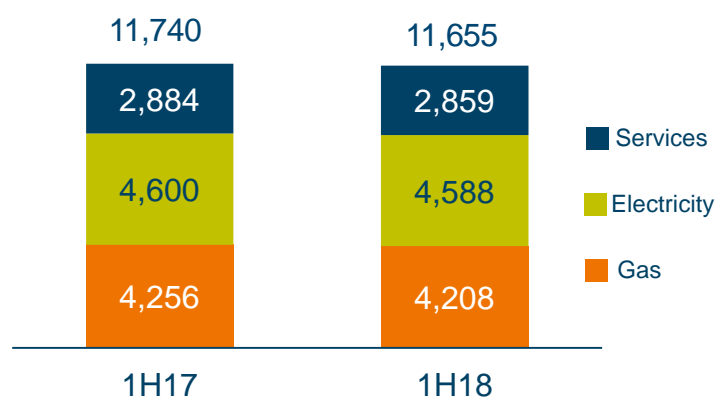
Gas sales (GWh)



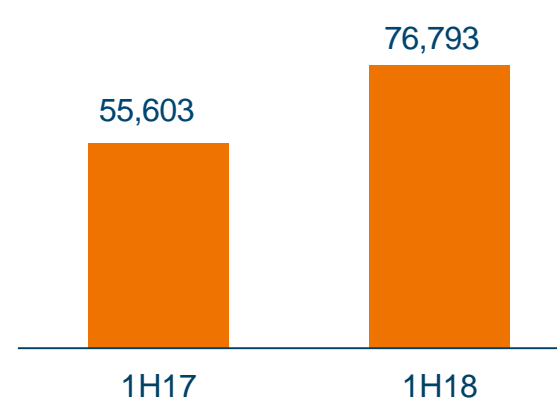
Power sales (GWh)



Contracts ('000)



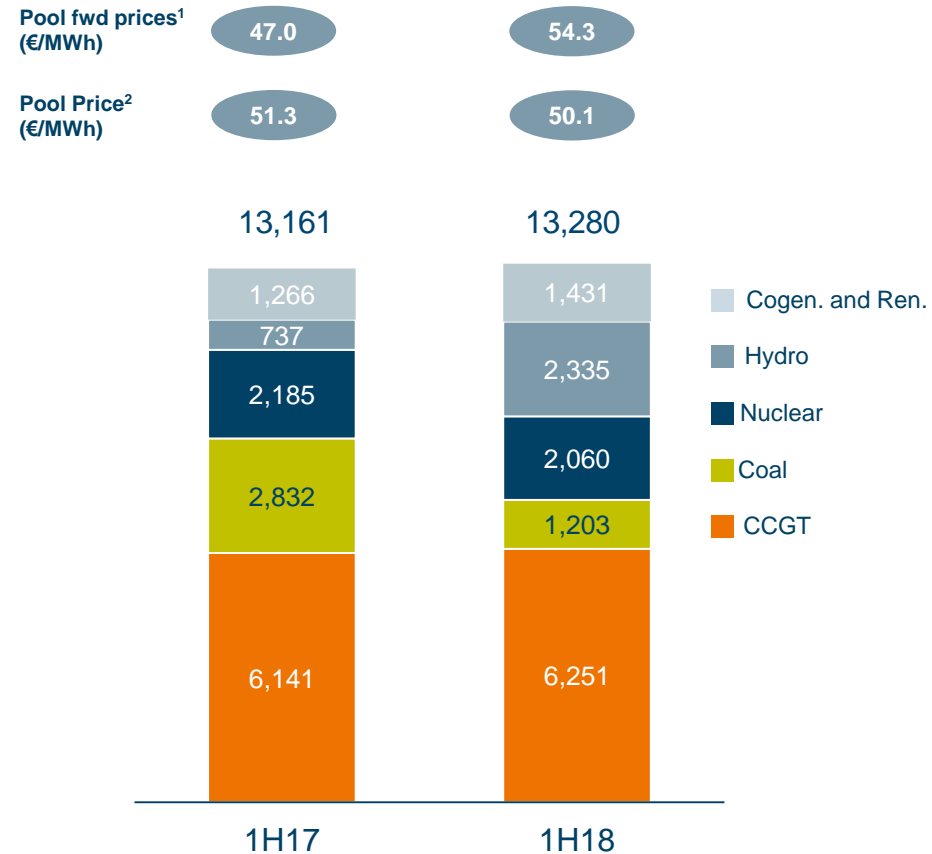
International LNG sales (GWh)



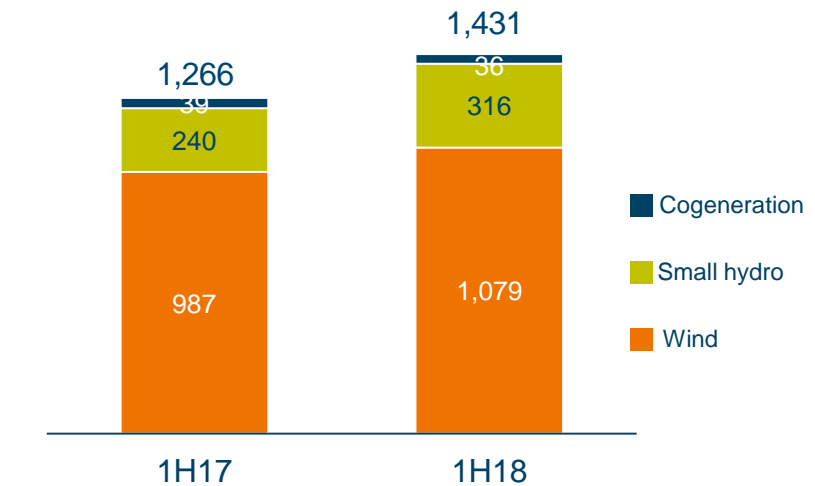
# Gas & Power

## Europe and International power generation

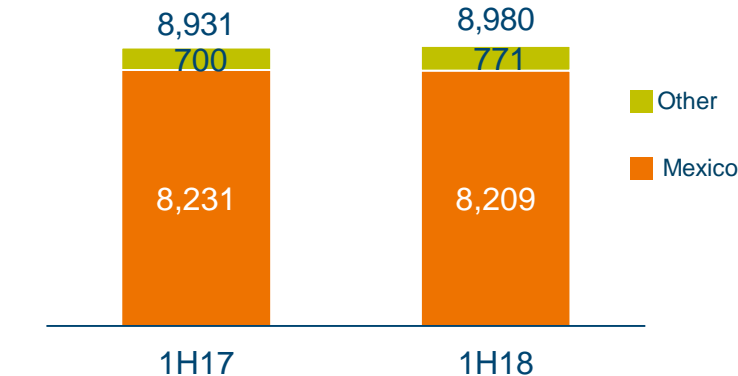
Europe power production (GWh)



Europe renewable power production (GWh)



International power production (GWh)

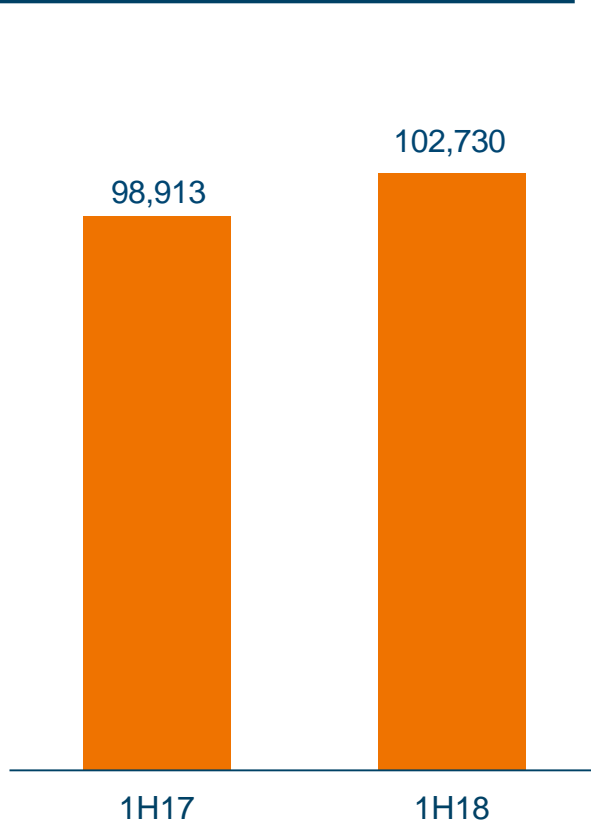


Notes:

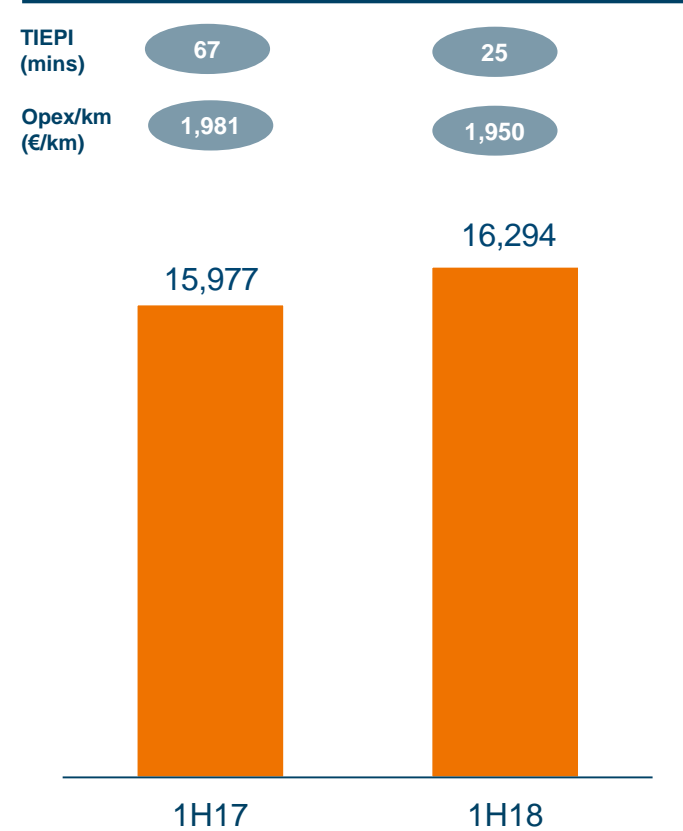
1. Monthly average of the 12-month forward Spanish base prices in the Iberian Energy Derivatives Exchange (OMIP) in the period
2. Average price in the daily power generation market

# Infrastructure EMEA

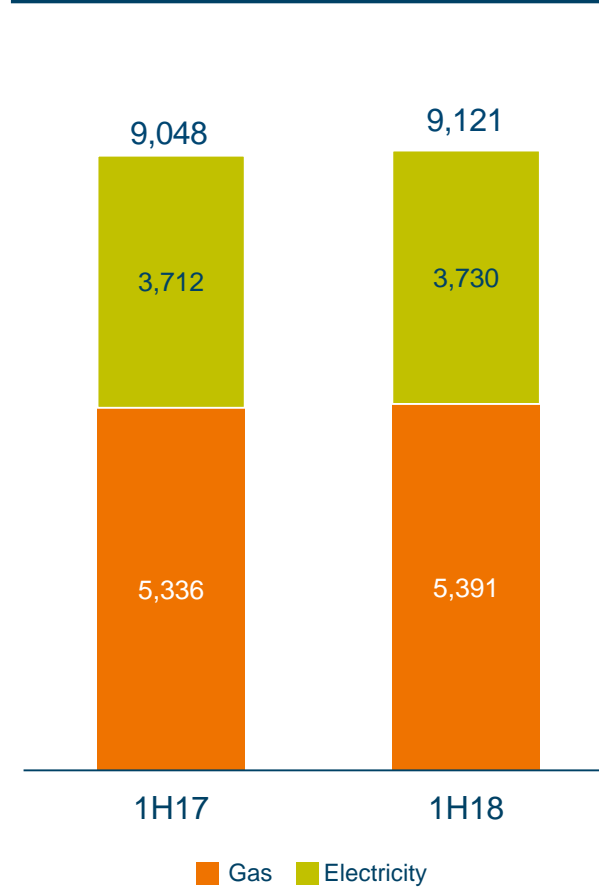
Gas sales Spain (GWh)



Electricity sales Spain (GWh)



Connection points ('000)

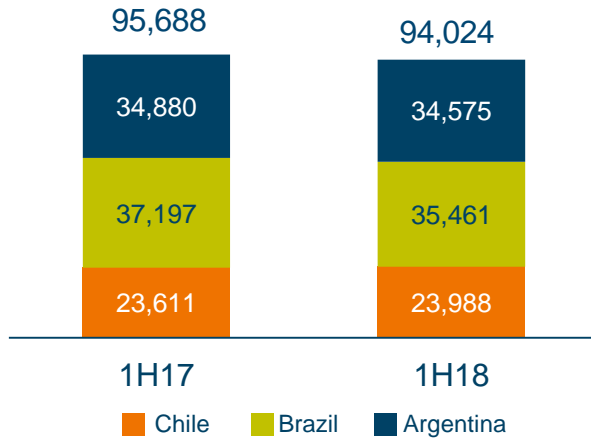




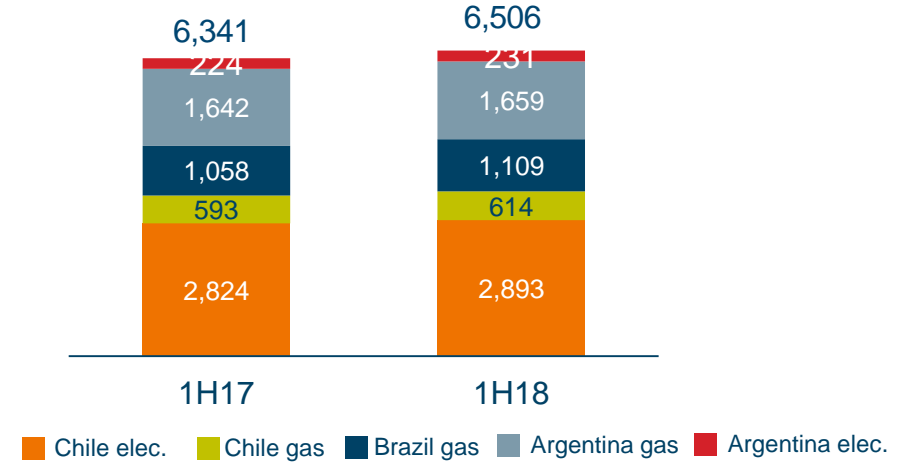
# Infrastructure South LatAm



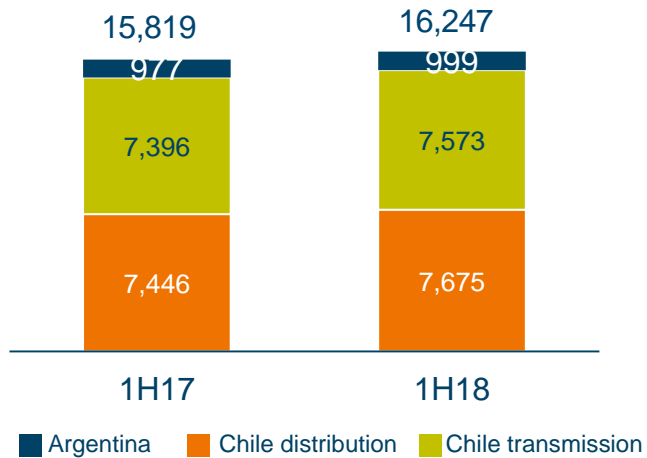
Gas sales (GWh)



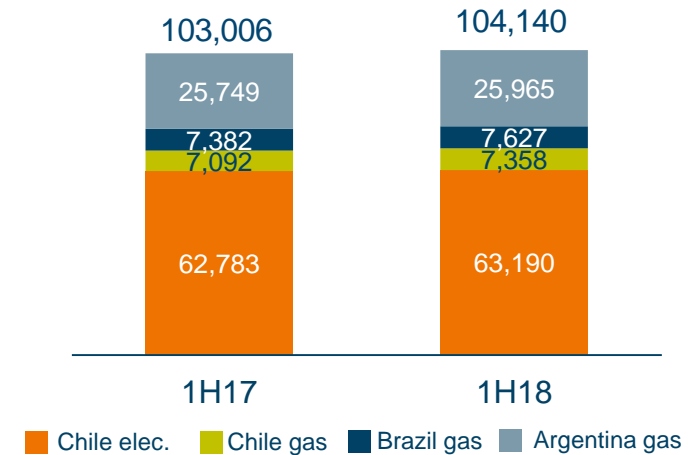
Connection points ('000)



Electricity sales (GWh)



Network (km)<sup>1</sup>



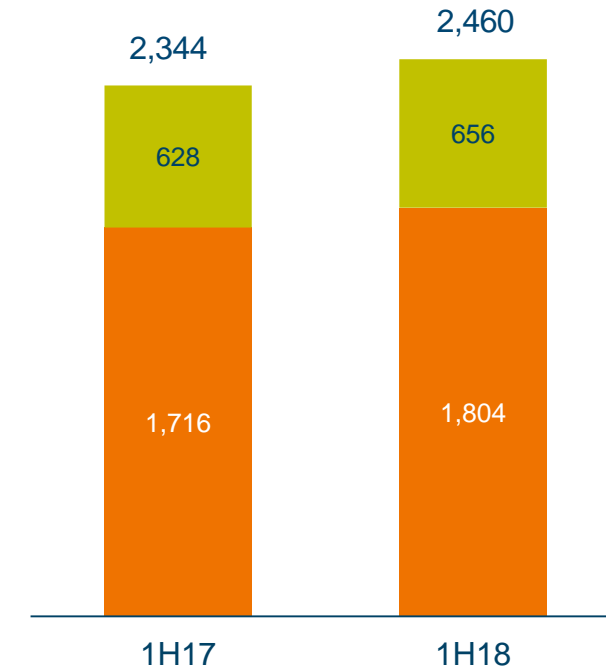
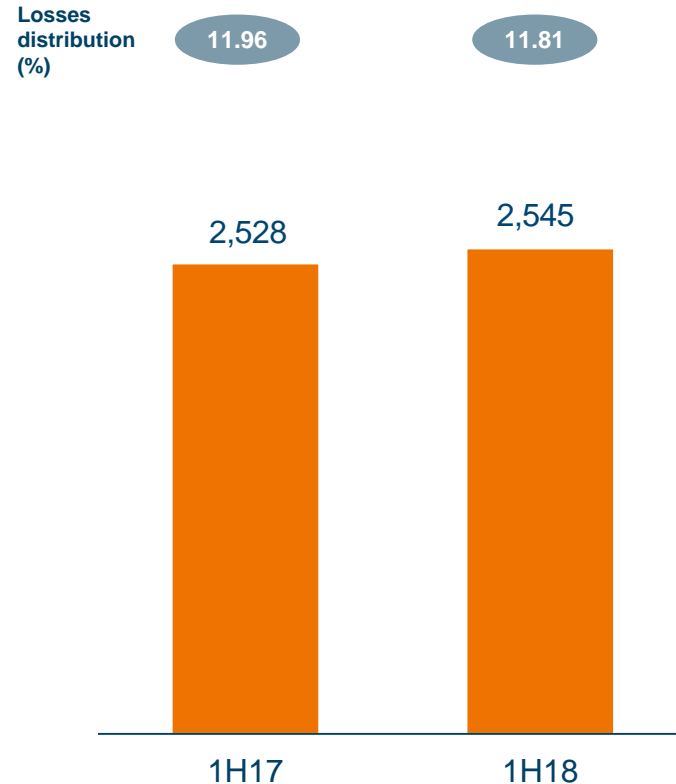
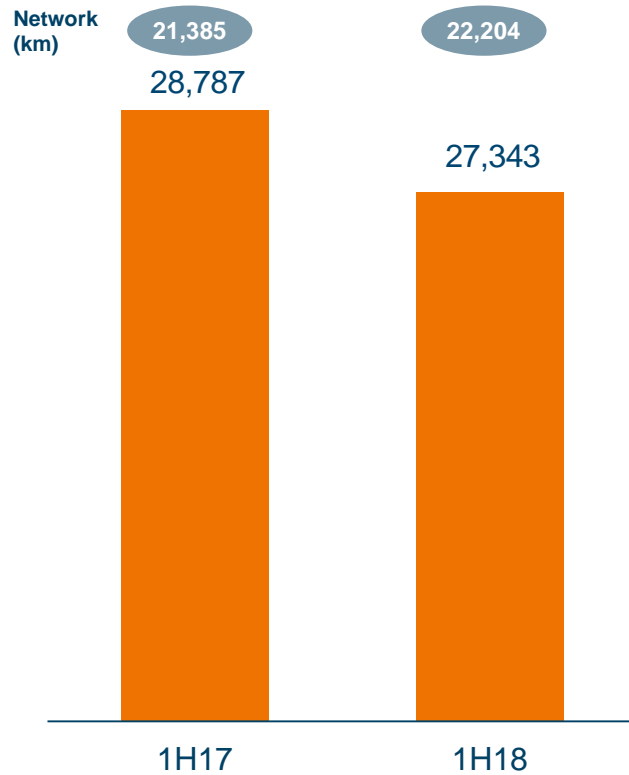
Note:  
1. Excluding Argentina electricity network

# Infrastructure North LatAm

**Gas sales Mexico (GWh)**

**Electricity sales Panama (GWh)**

**Connection points ('000)**



■ Mexico gas ■ Panama electricity



This presentation is property of Naturgy Energy Group, S.A. Both its content and design are for the exclusive use of its personnel.

©Copyright Naturgy Energy Group, S.A

CAPITAL MARKETS

tel. 34 912 107 815

e-mail: [ir@naturgy.com](mailto:ir@naturgy.com)

website: [www.naturgy.com](http://www.naturgy.com)