

## 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 at 31.12.2018	Reconciliation of values at 31.12.2017	Relevance
Ebitda	Operating gross profit = Net sales (2) – Procurement (2) + Other operating income (4) – Personnel costs (4) – Operating expenses (4) + Own work capitalised (4)	Euros 4,019 million	Euros 3,903 million	Measure of earnings before interest, taxes, depreciation and amortisation and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items (1)	4,413 = Euros 4,019 million + 394	3,948 = Euros 3,903 million + 45	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.
OPEX	Personnel expenses (2) + Own work capitalised (4) + Operating expenses (without Taxes) (4) - Concession construction or improvements services (IFRIC 12) that are also registered as an income (4)	Euros 2,436 million = 1,010 + 115 + 1,816 – 437 – 68	Euros 2,534 million = 1,009 + 122 + 1,969 – 450 – 116	Amount registered in the income statement regarding to operating expenses, without considering the ones matched with income of the same amount and Taxes.
Ordinary Net income	Attributable net income of the period (2) – Non-ordinary items(7)	Euros 1,245 million = - 2,822 + 4,067	Euros 793 million = 1,360 - 567	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 2,321 million = 281 + 2,040	Euros 1,782 million = 389 + 1,393	Realised investments in property, plant & equipment and intangible assets.
Net Investments	CAPEX (5) + Financial investments (6) – Proceeds from divestitures of PPE and intangible assets (6) - Other proceeds/(payments) of investments activities (6).	Euros -284 million = 2,321 + 35 – 57 – 2,583	Euros 1,597 million = 1,782 + 44 – 229	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 15,431 million = 13,352 + 2,079	Euros 18,459 million = 15,916 + 2,543	Current and non-current financial debt.
Net financial debt	Gross financial debt(5) – “Cash and cash equivalents”(1) – “Derivative financial assets”(4) (Note 18)	Euros 13,667 million = 15,431 - 1,716 – 48	Euros 15,154 million = 18,459 - 3,225 – 80	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))	48.4% = 13,667 / (13,667 + 14,595)	45.3% = 15,154 / (15,154 + 18,305)	The ratio of external funds over total funds The ratio of external funds over total funds.

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Cost of net financial debt	"Cost of financial debt"(4) (Note 29) – "Interest revenue"(4) (Note 29)	Euros 538 million = 557 - 19	Euros 611 million = 630 - 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)	7.5x = 4,019 /538	6.4x = 3,903 / 611	Ratio between Ebitda and net financial debt.
Net financial debt/ Ebitda	Net financial debt(5) / Ebitda(5)	3.4x = 13,667 / 4,019	3.9x = 15,154 / 3,903	Ratio between net financial debt and ebitda.
Net financial debt/ Ebitda (IFRS 16)	Net financial debt(IFRS 16) / Ebitda(5)	3.8x = 15,310 / 4,019	4.2x = 16,387 / 3,903	Ratio between net financial debt under IFRS 16 and ebitda
Market capitalisation	No. of shares ('000) outstanding at end of period(6) * Market price at end of period(6)	Euros 22,275 million = 1,000,689 * 22,26 euros	Euros 19,263 million = 1,000,689 * 19,25 euros	Measure of the company's total value based on its share price
Free Cash Flow after minorities	Free Cash Flow (5)+ Dividends and other (4) + Acquisitions of treasury shares (4)+ Inorganic investments payments(4)	Euros 3,054 million = 1,318 + 1,400 + 309 + 27	Euros 746 million = - 241 + 1,001 - 14 + 0	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 1,318 million = 2,881 – 617 – 3,759 + 2,813	Euros -241 million = 2,768 – 1,606 + 232 - 1,635	Cash flow generated by the Company available to pay the debt.

(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 APMs.

(6) Figure detailed in the Director's Report.

(7) The non-ordinary items are summarized below:

Euros million	Ebitda		Net income	
	2018	2017	2018	2017
Gas transport & procurement retroactivity	(50)	20	(38)	15
Chile non-ordinary expenses	(44)	-	(28)	-
Restructuring costs	(180)	(126)	(137)	(99)
Asset write-down	-	-	(3,824)	-
Discontinued operations and minority interests <sup>1</sup>	-	-	49	494
Chile mergers tax effect	-	-	42	116
Others	(120)	61	(131)	41
<b>Total</b>	<b>(394)</b>	<b>(45)</b>	<b>(4,067)</b>	<b>567</b>