1H | 23 Results

24 July 2023

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1 Executive summary

The results report includes a classification of the economic and financial information between "Networks" and "Markets" which simply represents a grouping or sum of the operating segments described and broken down in the consolidated accounts for the fist half of 2023, following the structure that would result from the execution of the Geminis project, currently under ongoing analysis. The purpose of this classification is to facilitate the understanding of the evolution of these segments in the context of the project. Therefore, the groups called "Networks" and "Markets" do not correspond to operating segments as defined by IFRS 8 "Operating Segments".

Summary – 1H23 results

(€m)	1H23	1H22	Change
EBITDA	2,849	2,047	39.2%
Net income	1,045	557	87.6%
Capex	839	721	16.4%
Net debt	10,752	12,070 [1]	-10.9%
Free cash flow after minorities	1,977	1,460	35.4%

Note:
1. As of 31 December 2022

Naturgy EBITDA reached €2,849m in the first semester of 2023, up 39.2% when compared to the first half of 2022. Overall, international liberalized activities continued to benefit from the energy scenario experienced over the last twelve months, while regulated activities experienced a modest increase compared to the first half of 2022.

Networks businesses posted an EBITDA of €1,261m in the period, an increase of 5.3% when compared to 1H22. Networks Spain was mainly affected by lower remuneration and demand, particularly in gas, as a result of mild temperatures and lower industrial demand; Networks LatAm for its part, mainly benefited from tariff updates reflecting inflation from prior periods. Networks businesses contributed 43% of the Group's EBITDA for the first half of 2023.

The liberalized activities or Markets businesses, were responsible for the bulk of the Group's outperformance when compared to the first half of 2022. Markets businesses posted an aggregate EBITDA of €1,677m, an increase of 84.1% when compared to 1H22, with Energy management and Supply activities contributing most of the growth in the period. Markets businesses contributed 57% of the Group's EBITDA for the first half of 2023.

The first half of 2023 experienced a decrease of energy prices with lingering volatility, and in this context, Naturgy continued to play a key role to secure energy supply in Spain, both in terms of procuring gas to the Spanish economy, as well as ensuring continuity of energy supply in the Spanish power system, with CCGTs playing an essential role. Moreover, Naturgy continued to offer stable and competitive prices to its customers both in gas and electricity, supporting its clients to navigate uncertainty.

Prudent financial management and capital discipline remained a priority during 1H23 in the face of lingering volatility and regulatory uncertainty.

Naturgy reduced its Net debt position from €12,070m at the end of 2022 to €10,752m as of 30 June 2023, while deploying €839m in capex and delivering on its shareholder remuneration commitments of 1.2 €/share on 2023 results. Net debt to EBITDA has as a result decreased from 2.4x as at the end of 2022 to 1.9x in 1H23. Naturgy maintains an ample liquidity buffer, with €10.1bn in available cash and equivalents and undrawn credit lines as at the end of the first half of 2023. On 30 May 2023, the rating agency S&P revised Naturgy's outlook to stable from negative and affirmed its BBB credit rating.

Total capex during 1H23 stood at €839m, an increase of 16.4% vs. 1H22. The Company has continued to increase its investments in renewable developments and envisions an acceleration of its capex program in the coming years.

In Spain, Naturgy is engaged in the construction of some 30 wind farms and PV plants, equivalent to nearly 1GW of additional renewable capacity expected to come in operation during 2024. Additionally, during the first half of 2023, Naturgy reached an agreement with Ardian for the acquisition of 100% of ASR Wind, a portfolio of 12 renewable energy projects in Spain composed of: i) 422 MW regulated operating wind assets, and ii) 435 MWp solar PV hybridization projects. The transaction ascribed an equity purchase price for ASR Wind (100%) of €536m, translating into an Enterprise Value of €650m, equivalent to approximately 8x EV/ EBITDA 2023E. The transaction completion is expected in 3Q23.

In Australia, Naturgy has begun to operate its third wind farm, Berrybank II, increasing the company's total installed capacity in the country to 386MW. Naturgy envisions to reach an operating renewable capacity of approximately 1GW in 2024, with the start of wind operations of Ryan Corner in Victoria (218MW), the Hawkesdale wind farm (97MW), the Crookwell III wind farm in New South Wales (58MW) and the Cunderdin hybrid solar (128 MW) and battery (55MW/220MWh) plant in western Australia.

Investments in renewable energies confirm the company's strategic ambition towards a more sustainable energy mix and its commitment to the energy transition.

Naturgy strives for a balanced solution to the energy trilemma, contributing to the decarbonization of the economy, while ensuring security of supply, as well as competitive and affordable energy for industrial and residential demand.

In this context, the EU Commission has established ambitious targets for renewable gases as part of the REPowerEU plan, which are expected to represent 10% of the gases circulating in Europe by 2030. The EU Commission has also established biomethane production goals of 35 bcm by 2030 in Europe, confirming renewable gases will play an essential role in the energy transition.

Spain is deemed as a country with highly attractive prospects in biomethane and a production potential of approximately 160TWh per annum, which is roughly equivalent to 40% of Spanish gas demand. The recent draft of the PNIEC (National Integrated Energy and Climate Plan) has doubled renewables gases objectives to 20TWh by 2030, recognizing its important role in the energy transition. Biomethane is already a mature and scalable technology at affordable cost, which also has important positive externalities, such as waste optimization, job creation and the development of rural areas.

Naturgy aims to play a key role in renewable gases and has decided to provide greater disclosure of the "Renewable gases" business segment, which encompass the development of biomethane production and distribution in Spain, as a viable and feasible option in the short term, and hydrogen, an energy vector with a promising future, which will have a significant impact on the energy mix over the medium term. Naturgy is well positioned to take advantage of the renewable gases opportunity and is willing to deploy significant capital and resources in this arena.

Finally, in terms of shareholder remuneration, the 2022 final dividend of 0.50 euros per share was paid on 4 April 2023, completing the 1.20 €/share dividend commitment for 2022. The Naturgy board approved a new annual dividend floor for the period 2023-2025 of 1.40 €/share, subject to maintaining a BBB credit rating by S&P. The first interim dividend for 2023 has been established at 0.5 €/share and is payable on 7 August 2023.

Energy demand and commodity prices

The first half of 2023 experienced mixed demand evolution across markets with declines mainly in Spain and Brazil. Electricity and gas demand in Spain decreased on average 6.9% and 12.5% respectively vs. 1H22, affected by macroeconomic uncertainty and mild temperatures throughout winter. Similarly, average demand on gas distribution activities in Chile and Brazil experienced a decrease of 1.5% and 34.0% vs. 1H22 respectively. On the other hand, gas and electricity demand in the remaining LatAm countries where the Group operates experienced some growth, 1.9% in Mexico, 9.6% and 3.9% in Argentina gas and electricity respectively, and 5.9% in Panama electricity.

During the first half of 2023, the evolution of LatAm currencies had a very minor negative impact on the Group's financial performance of €-4m and €-3m in EBITDA and Net income respectively, compared to the first half of 2022. In particular, the Mexican peso, the Brazilian reais, the Chilean peso and the USD experienced appreciations vs 1H22, whereas the Argentinean peso continued to depreciate vs. EUR.

Following the unprecedented rise of gas and electricity prices in 2022 linked to the ongoing Russia-Ukraine conflict, the first half of 2023 has experienced a decrease of energy prices, albeit with persisting volatility and high sensitivity to geopolitical events and risks of potential supply outages. Gas prices in Europe were mainly affected by lower demand and mild temperatures in Europe, translating into high storage levels, as well as subdued gas demand from Asia. In this context, average Brent prices were 25.8% lower than in 1H22, while gas prices on major hubs showed an important correction, with the TTF and JKM comparing -41.8% and -38.1% below respectively on average vs. 1H22. Wholesale electricity prices for their part compared 57.1% below on average vs. 1H22.

2 Key comparability factors

Reporting structure

In the context of continuous transformation and with the objective of maintaining a financial reporting structure adapted to Naturgy's businesses, the company has decided to provide greater disclosure of the "Renewable gases" business segment, which is added to the areas already reported as of 31 December 2022.

Simultaneously, some changes have been introduced in the composition of the operating segments that will allow for greater clarity on the evolution of operations and businesses performance. These changes have also been incorporated in the management report to the board of directors and management team of the company, as follows:

- Integration of Markets & Procurement and International LNG business segments as one "LNG & Markets"
- Separation of the "Renewables Spain & USA" segment into two business segments
- Reporting of the "Renewable gases" business segment, which includes the management of renewable gas projects, specifically biomethane and green hydrogen; these were previously reported as part of the "Renewables and New businesses" segment.
- Rest: Including general operating expenses of the corporation, as well as the rest of activities (other than renewables gases) previously reported under New businesses.

The first half 2022 results have been restated accordingly.

Foreign exchange impact

Exchange rate fluctuations in the period are summarized below:

	1H23	Change (%)	FX effect (€m)	
			EBITDA	Net income
USD/€	1,08	-1,2%	9	4
MXN/€	19,66	-11,4%	18	5
BRL/€	5,48	-1,3%	1	0
ARS/€[1]	280,09	-	-31	-9
CLP/€	871,11	-3,6%	-1	-3
Other	-	-	0	0
Total	**-**	**-**	**-4**	**-3**

Note:
1. Exchange rate as of 30 June 2023 considering Argentina as hyperinflationary economy

3 Consolidated results

(€m)	1H23	1H22	Change
Net sales	12,054	16,737	-28.0%
EBITDA	**2,849**	**2,047**	**39.2%**
Other results	-40	-114	-64.9%
Depreciation, amortisation and impairment expenses	-944	-704	34.1%
Impairment of credit losses	-152	-127	19.7%
EBIT	**1,713**	**1,102**	**55.4%**
Financial result	-250	-336	-25.6%
Profit/(loss) of companies measured under the equity method	43	65	-33.8%
Income tax	-371	-194	91.2%
Income from discontinued operations	-	-16	-100.0%
Non-controlling interest	-90	-64	40.6%
Net income	**1,045**	**557**	**87.6%**

Net sales totaled €12,054m in 1H23, down 28.0% vs. 1H22, mainly as a result of the exceptionally high energy prices in the first half of 2022, caused by the commencement of the Russia – Ukraine conflict.

Consolidated EBITDA reached €2,849m in 1H23, up 39.2% vs. 1H22 mainly supported by the strong performance of liberalized activities abroad.

Depreciation, amortization and impairment expenses reached in the period €-944m, 34.1% higher than in 1H22, primarily as a result of impairments amounting to €253m, the majority of which corresponding to LatAm thermal generation (€168m), consistent with the scenario. The balance relates to other impairments in renewables USA, Chile and Spain responding to specific circumstances in each case.

Impairment of credit losses reached €-152m in 1H23, 19.7% higher than in 1H22

Financial result amounted to €-250m, down 25.6% vs. 1H22, as 1H22 was impacted by accrued interests linked to the Transportadora de Gas del Norte, S.A. (TGN) provisions in Chile and, to a lesser extent, the lower average Net debt in the period, which was partially offset by higher cost of gross financial debt (3.8% in 1H23 vs. 2.8% as of 1H22, both excluding cost from IFRS 16 debt) due to higher interest rates, particularly in Latin America. As of 30 June 2023, 79% of gross debt is at fixed rates and 64% is denominated in Euros.

Financial result (€m)	1H23	1H22	Change
Cost of net financial debt	-246	-248	-0.8%
Other financial expenses/income	-4	-88	**-95.5%**
Total	**-250**	**-336**	**-25.6%**

Equity-accounted affiliates contributed €43m in 1H23 as detailed below:

Profit/(loss) of companies measured under the equity method	1H23	1H22	Change
Qalhat	3	4	-25.0%
Electricity Puerto Rico	31	25	24.0%
CGE sub-group	10	7	42.9%
Renewable Generation and Cogeneration	-11	18	-
Medgaz/Medina	8	10	-20.0%
Others	2	1	100.0%
Total	**43**	**65**	**-33.8%**

The effective tax rate for 1H23 stood at 24.6%, vs. 23.3% in 1H22.

Income from discontinued operations decreased to nil in 1H23 vs. €-16m in 1H22 as there are no discontinued operations in the current consolidation perimeter.

Income from discontinued operations (€m)	1H23	1H22	Change
Electricity distribution Chile	0	-16	**-100,0%**
Total	**0**	**-16**	**-100,0%**

Income attributed to non-controlling interests amounted to €-90m in 1H23, increasing 40.6% vs. 1H22, as exhibited in the following table:

Income attributed to non-controlling interests (€m)	1H23	1H22	Change
EMPL	-	2	-100.0%
Nedgia	-35	-41	-14.6%
Other affiliates[1]	-38	1	-
Other equity instruments	-17	-26	-34.6%
Total	**-90**	**-64**	**40.6%**

Note:
1. Including LatAm thermal, LatAm and Australia renewables, gas distribution in Chile, Brazil, Mexico and Argentina, and electricity distribution in Panama

Its evolution responds mainly to lower non-controlling interests in 1H22, impacted by the provisioning of the fist-instance conviction sentence on TGN in Chile, as well as the impairment carried out in LatAm thermal generation during 1H23. On the other hand, the reduction in Other equity instruments, which includes the accrued interest on Deeply Subordinated Notes (hybrids), is explained by the €500m hybrid redemption without replacement completed in November 2022.

All in all, Net income reached €1,045m in 1H23, an 87.6% increase, supported by the strong performance of liberalized activities abroad, notably Energy management and Supply, and the positive evolution of financial result, reflecting the strong deleverage achieved during the period.

4 Results by business unit

4.1 Networks

EBITDA (€m)	1H23	1H22	Change
Networks Spain	**732**	**801**	**-8.6%**
Gas networks	411	456	-9.9%
Electricity networks	321	345	-7.0%
Networks LatAm	**529**	**397**	**33.2%**
Chile gas	117	12	-
Brazil gas	165	142	16.2%
Mexico gas	140	123	13.8%
Panama electricity	76	68	11.8%
Argentina gas	12	35	-65.7%
Argentina electricity	19	17	11.8%
Total	**1,261**	**1,198**	**5.3%**

Please refer to Annex for additional P&L disclosure

EBITDA increased 5.3% to €1,261m during the period, mainly driven by Networks Latam (€529m; +33.2%), which benefited from tariff updates, reflecting inflation from prior periods, which was partly offset by negative FX impact of €-14m, mainly due to Argentina.

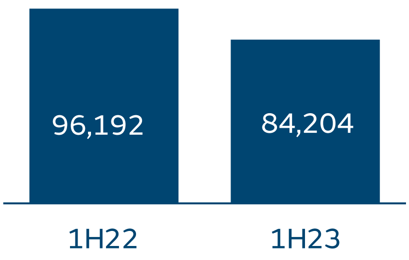
On the other hand, Networks Spain (€732m; -8.6%) was impacted by lower gas demand in the residential segment, as a result of mild temperatures in winter, as well as lower industrial demand, following the volatile gas price environment experienced over the last twelve months. The lower gas distribution remuneration also weighed negatively on Spain Gas networks.

Spain gas networks

1H23 EBITDA reached €411m, down 9.9% vs. 1H22, driven by lower demand in both the residential segment, as a result of mild temperatures in winter, and the industrial segment, following the volatile gas price environment experienced over the last twelve months. The lower gas distribution remuneration also weighed negatively.

Gas sales (excluding LPG) decreased by 12.5%, while connection points decreased 0,4% vs. 1H22.

Gas sales Spain (GWh)
(-12.5%)

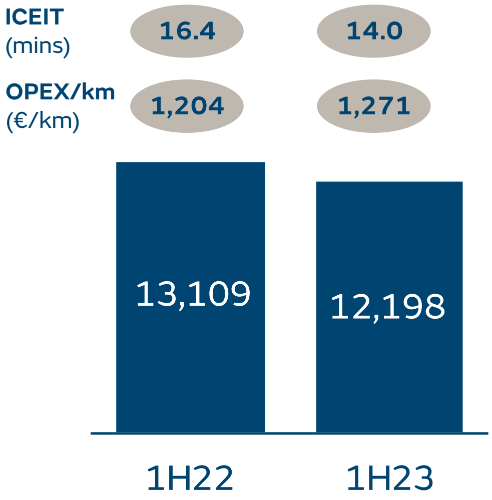


Spain electricity networks

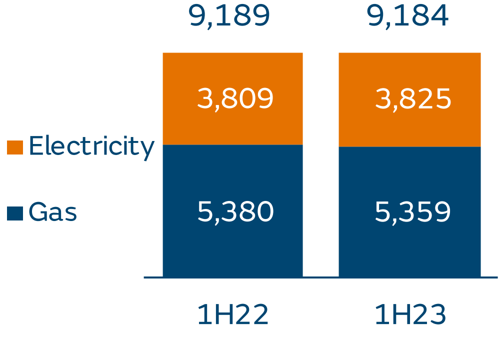
1H23 EBITDA amounted to €321m, a 7.0% decrease vs. 1H22, mainly as a result of lower remuneration in incentives for energy losses, as well as lower remuneration in operation and maintenance (O&M) which is expected to improve later in the year as accrued investments are recognized. Additionally, 1H23 experienced higher operational expenses due to higher activity and maintenance vs 1H22.

Connection points increased by 0.4% during the period, while electricity sales decreased by 6.9%.

Electricity sales Spain (GWh)
(-6.9%)



Connection points ('000)
(-0.1%)



Chile gas

1H23 EBITDA totaled €117m, 9.7x higher than in 1H22, which is mainly explained by the provision (€-108m) registered in 1H22 related to the first instance conviction sentence in favor of Transportadora de Gas del Norte, S.A. (TGN). In addition, the positive performance in the distribution activity, benefiting from tariff updates, was offset by lower contribution from the supply activity, which experienced some margin compression despite higher sales. FX impact was limited to €-1m.

Total gas sales increased by 0.4%, mostly as a result of higher supply sales, while TPA and distributed sales remained stable.

Connection points increased by 2.1%.

Brazil gas

1H23 EBITDA totaled €165m, 16.2% above 1H22. Tariff updates were partially offset by lower demand, particularly in the power generation segment, due to abundant hydro resource in the year. FX impact was slightly positive in the period (€1m).

Gas sales decreased 34.0% when compared to 1H22, mainly as a result of lower demand for generation amid higher water reserves, and to a lower extent lower vehicular and industrial demand.

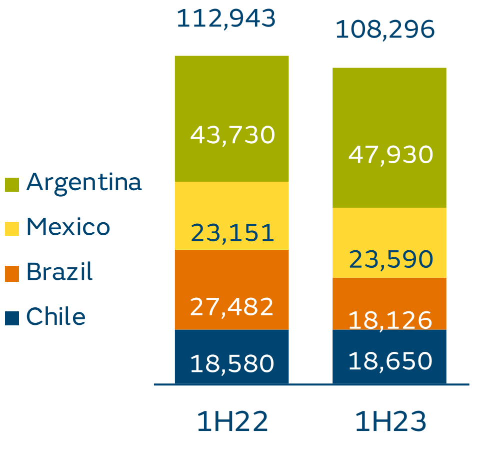
Connection points grew 1.1% in the period.

Mexico gas

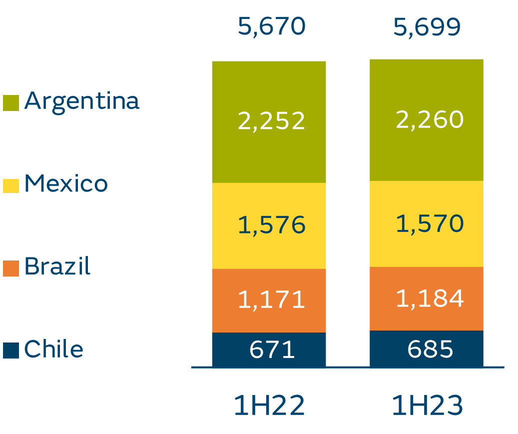
1H23 EBITDA increased 13.8% to €140m supported by positive FX evolution (€16m) and higher demand. Conversely, supply margins were lower due to adjustments from previous years.

Gas sales increased by 1.9% while connection points remained stable (-0.4%).

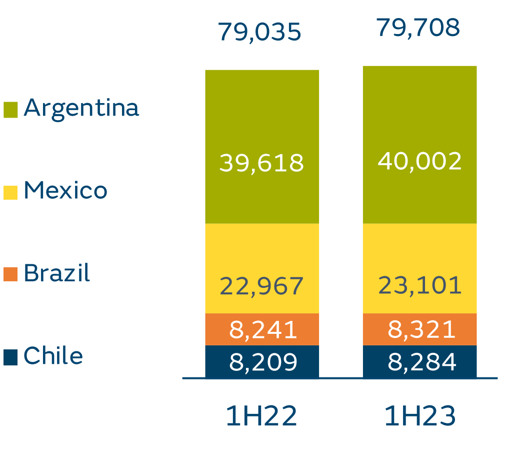
Gas sales (GWh)
(-4.1%)



Gas connection points ('000)
(+0.5%)



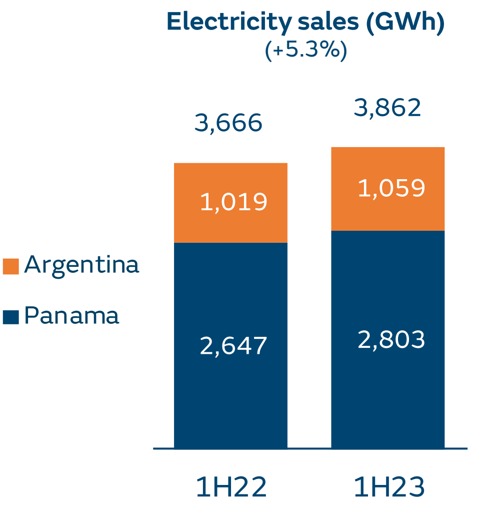
Gas network (km)
(+0.9%)



Panama electricity

1H23 EBITDA amounted to €76m, up 11.8% vs. 1H22, driven by higher sales (+5.9%) and tariff updates. Positive FX contribution in the period was limited to €1m.

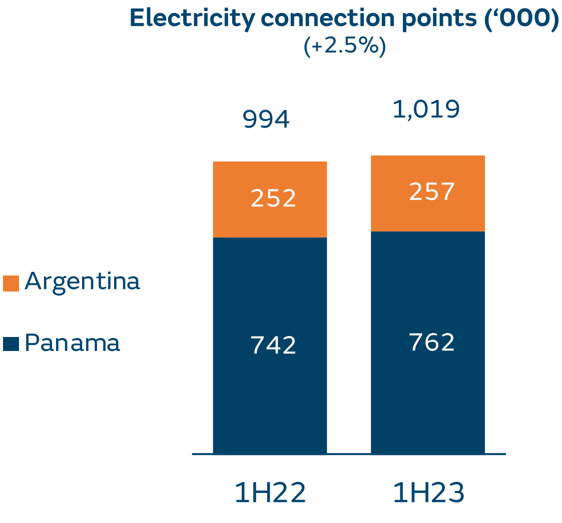
Connection points grew by 2.7%.



Argentina gas

1H23 EBITDA amounted to €12m, down 65.7% when compared to 1H22, mainly due to the negative FX impact (€-16m). Higher sales, notably TPA sales, and tariff updates (applied only from May), were not enough to compensate for the continued currency depreciation.

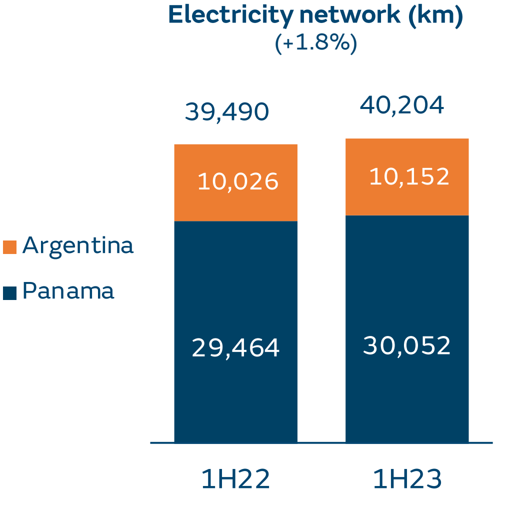
Gas sales increased by 9.6%, while connection points remained stable (+0.4%) vs. 1H22.



Argentina electricity

1H23 EBITDA amounted to €19m, 11.8% higher than in 1H22, mainly driven by tariff updates and sales growth (+3.9%), which were partly offset by the significant negative FX impact (€-15m).

Electricity sales and connection points increased by 3.9% and 2.0% respectively when compared to 1H22.



4.2 Markets

EBITDA (€m)	1H23	1H22	Change
Energy management	**1,096**	**580**	**89.0%**
LNG & Markets	858	385	-
Pipelines (EMPL)	-	(6)	-100.0%
Spain thermal generation	108	74	45.9%
LatAm thermal generation	130	127	2.4%
Renewable generation	**235**	**175**	**34.3%**
Spain	205	165	24.2%
USA	(6)	(25)	-76.0%
Australia	5	-	-
LatAm	31	35	-11.4%
Renewable gases	**(2)**	**(1)**	**100.0%**
Supply	**348**	**157**	**-**
Total	**1,677**	**911**	**84.1%**

Please refer to Annex for additional P&L disclosure

The Markets businesses posted an aggregate EBITDA of €1,677m, an increase of 84.1% when compared to 1H22, contributing the bulk of the Group's outperformance when compared to the first half of 2022. Overall, international liberalized activities continued to benefit from the energy scenario experienced over the last twelve months. Within the Markets businesses, Energy management and Supply activities contributed most of the growth in the period.

Energy management delivered an EBITDA of €1,096m, up 89.0% when compared to the same period of the previous year. The first half of 2023 experienced a decrease of gas prices, albeit with persisting volatility, mainly affected by lower demand and mild temperatures in Europe translating into high storage levels, as well as subdued gas demand from Asia.

Against this backdrop, the LNG & Markets segment benefited from the reappraisal of the financial hedging ineffectiveness accounted for in 2022, while Spanish thermal generation benefited from higher margins.

Renewable generation for its part reached an EBITDA of €235m during the period, an increase of 34.3% when compared to 1H22. The positive evolution is mainly explained by higher installed capacity and higher production in Spain, notably in conventional hydro (up 2.3x vs. 1H22).

As indicated earlier, Naturgy has decided to provide greater disclosure of the "Renewable gases" business segment, which includes the management of renewable gas projects, specifically biomethane and green hydrogen, and whose contribution as this point remains nonmaterial.

Finally, the Supply business in Spain posted an EBITDA of €348m during the first half of 2023, benefiting from higher margins offset by lower sales and the transfer of customers from liberalized to regulated tariffs in the residential segment

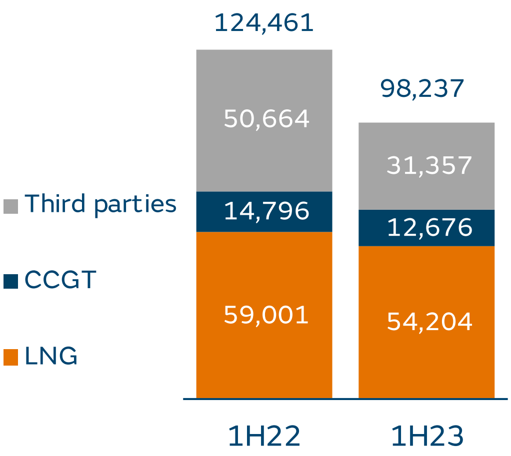
LNG & Markets

LNG & Markets reflects the integration of the former Markets & Procurement and International LNG business segments.

1H23 EBITDA reached €858m, mainly benefiting from the reappraisal of the financial hedging ineffectiveness accounted for in 2022. Excluding such positive impact (non-cash), results were below 1H22. Positive FX impact contributed with €7m in the period.

Against a backdrop of lower sales and gas prices, the segment benefited from the termination in 2022 of less profitable sales commitments in EU and Iberia, and the expiry of negative financial hedging contracts present in 2022.

Total sales reached 98,237 GWh, (-21.1%) vs. 1H22.



Spain thermal generation

1H23 EBITDA reached €108m, a 45.9% increase over 1H22, on the back of higher CCGT margins.

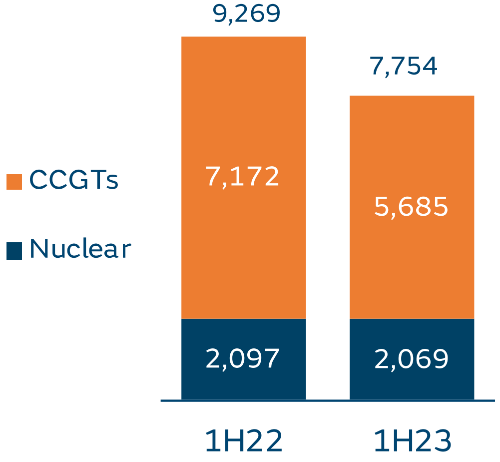
Despite lower production in 1H23, the decrease of gas prices combined with Naturgy competitive advantages in terms of operational excellence and location, has allowed to capture higher margins compared to 1H22, when production was higher to cover the shortfall in renewables and hydro, which translated into lower margins, amid elevated gas and CO_2 prices.

Pool prices decreased by 57.1% vs. 1H22, averaging €88.3/MWh in the period, as a result of lower gas prices.

Total production decreased by 16.3%, mainly due to CCGTs (-20.7%), while nuclear production remained flattish (-1.3%).

Spain thermal power production (GWh)
(-16.3%)

	1H22	1H23
Pool fwd prices[1] (€/MWh)	139.2	105.9
Pool Price[2] (€/MWh)	206.0	88.3

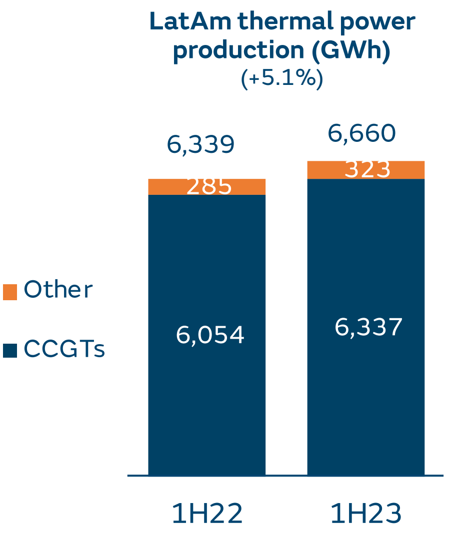


Notes:
1. Average price of 1Y ahead forward Spanish base prices in the Iberian Energy Derivatives Exchange (OMIP) in the period
2. Average price in the daily power generation market

LatAm thermal generation

1H23 EBITDA reached €130m, up 2.4% vs. 1H22, mainly supported by higher production as well as higher margins on merchant sales of production surpluses on top of energy produced for existing PPAs in Mexico. FX impact was limited to €1m in the period.

Overall production increased by 5.1%, with Mexican CCGTs and other thermal (Dominican Republic) increasing by 4.7% and 13.3% respectively.

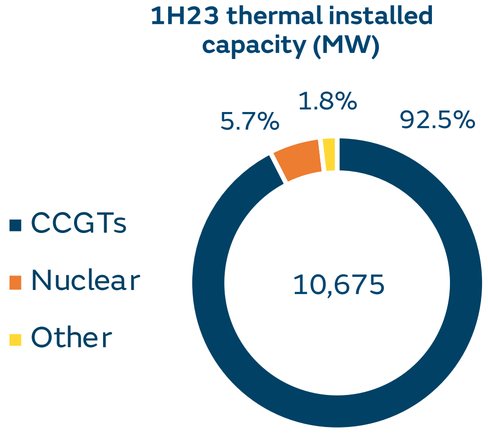


Renewables Spain

1H23 EBITDA amounted to €205m, up 24.2% vs. 1H22, which is primarily explained by: i) additional installed capacity, and ii) higher production, notably on conventional hydro. This was partly offset by the lower regulated revenues (new parameters for the semi-period 2023-25) and lower overall selling prices.

Installed capacity as of 30 June 2023 reached 4,462 MW, 249 MW higher than in 1H22, of which 105 MW wind and 144 MW solar capacity.

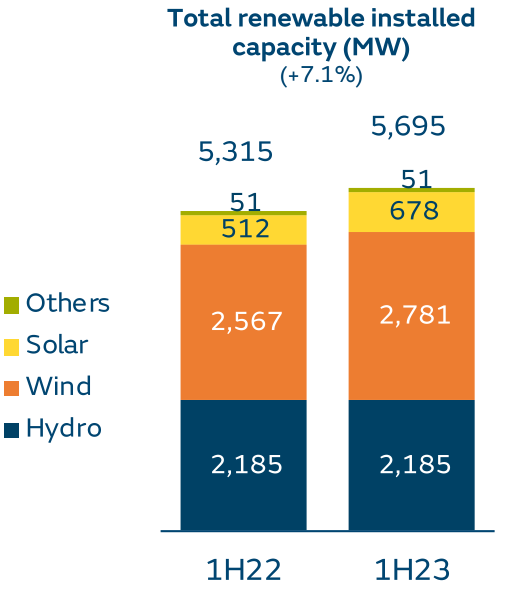
Total production increased by 52.7%, with hydro increasing by 2.3x, solar by 53.9%, wind by 14.6% and the rest by 37.0%.



Renewables USA

1H23 EBITDA amounted to €-6m, up from €-25m vs. 1H22, which was affected by a provision made over a guarantee granted.

The development of Naturgy's first solar plant in the US, with an installed capacity of 300MW, is underway with expected COD in 2024.

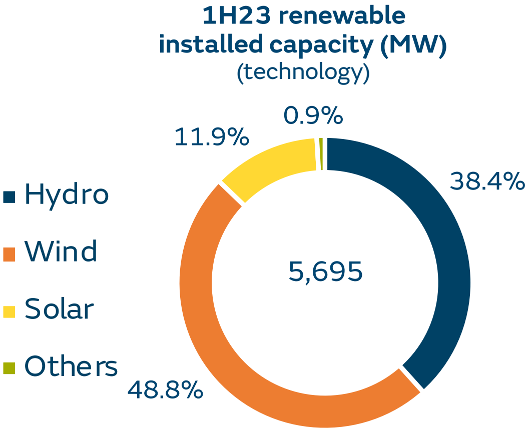


Renewables Australia

1H23 EBITDA was €5m, vs. €0m in 1H22.

Higher production (+25.6%) and the positive evolution of the mark to market valuation of existing PPAs.

Installed capacity as of 30 June 2023 reached 386MW, all of it wind. Additional project developments are well underway and expected to come into operation in the coming months.

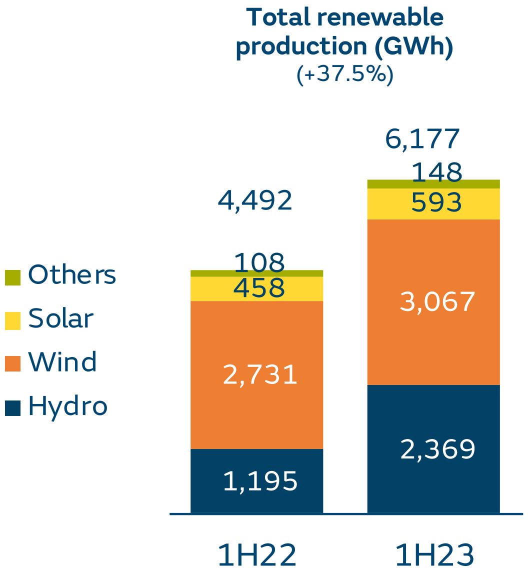


Renewables LatAm

1H23 EBITDA reached €31m, 11.4% lower than in 1H22, driven by lower production across regions, notably in Mexico and Panama due to lower resources, and higher opex due to repairs and conservation. FX impact contributed with €2m.

Installed capacity in LatAm reached 847 MW as of 1H23, 22 MW higher compared to 1H22.

Overall production decreased by 8.2%, with hydro decreasing by 24.2% and wind by 9.4%. On the other hand, solar production increased by 9.8%.



Renewable gases

The Renewable gases business segment is now reported separately. This segment includes the management of renewable gas projects, specifically biomethane and green hydrogen, whose contribution at this point to consolidated EBITDA remains nonmaterial (€-2m).

Naturgy currently operates 2 MW of biomethane capacity which produced 117 MWh during 1H23 and is progressing on a number of additional projects in Spain. In addition, two hydrogen projects in Meirama (30 MW) and in La Robla (280 MW) are underway, with Naturgy evaluating a portfolio of additional options.

Naturgy is well positioned to take advantage of the renewable gases opportunity and is willing to deploy capital and resources in this arena, complying with its minimum return hurdles.

Supply

1H23 EBITDA reached €348m vs. €157m in 1H22 (up 2.2x), mainly benefiting from higher margins, particularly in power supply, as well as a more balanced power generation/supply integrated position offset by lower sales.

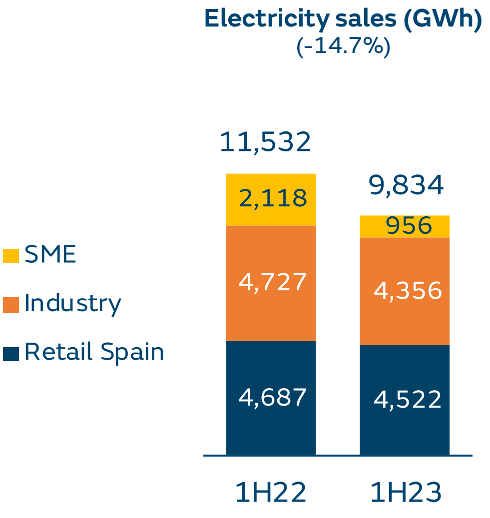
Power supply margins continued its recovery from 2022, supported by growing fixed priced contracts as well as lower costs compared to 1H22, which was affected by the cost of energy sales not covered via own inframarginal generation.

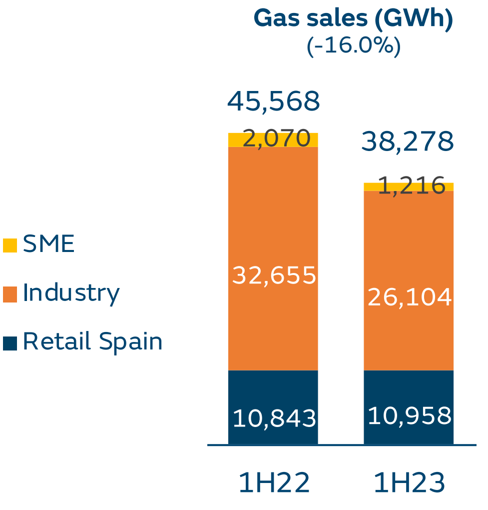
Power sales decreased by 14.7%, particularly in the SME and industrial segments (-54.9% and –7.8% respectively).

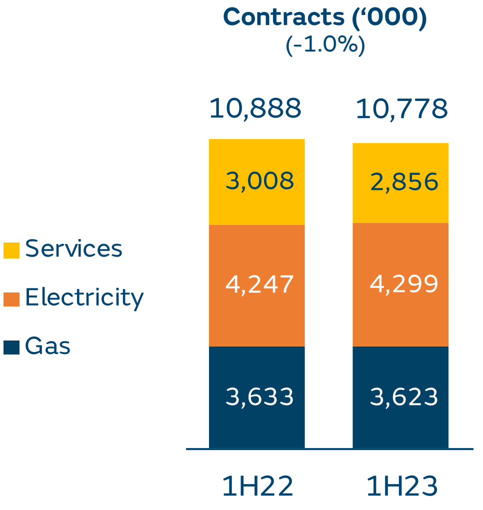
Gas supply margin improved slightly. This was partly offset by lower sales in 1H23 and the transfer of some customers from liberalized to regulated tariffs in the residential segment.

Gas sales decreased by 16.0% vs 1H22, with SME and industrial segments down by 41.3% and 20.1% respectively.

Total number of contracts decreased by 1.0% vs. 1H22.

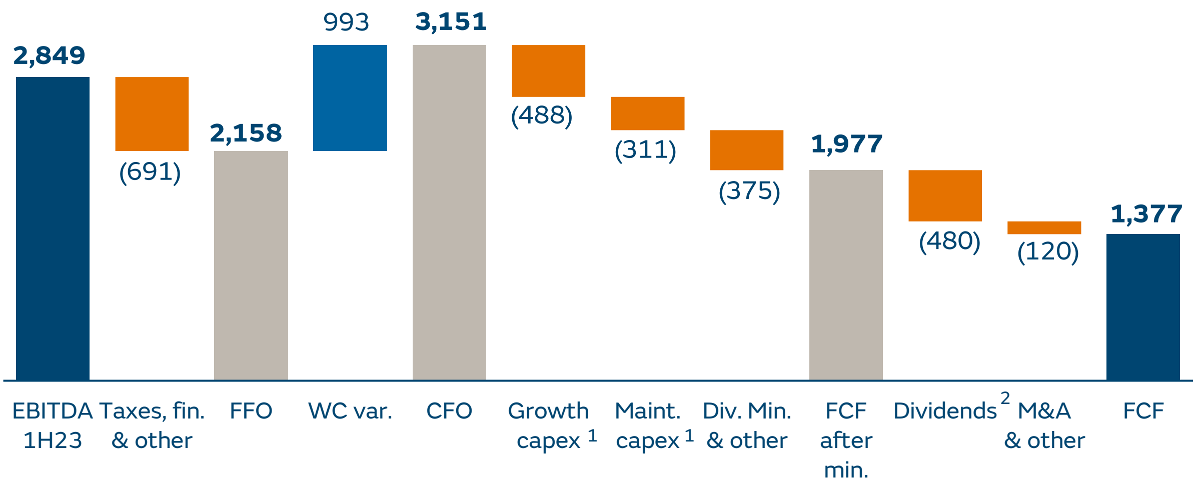






5 Cash flow

Cash flow evolution (€m)



Notes:

1. Net of cessions and contributions
2. Dividends paid net of those received by Group companies

Prudent financial management and capital discipline continued to be a cornerstone in the face of lingering volatility and regulatory uncertainty.

FFO was strong in the period underpinned by the strong performance of liberalized activities abroad. As a result, Naturgy reduced its Net debt position from €12,070m as of FY22 to €10,752m as of 1H23. The net debt reduction was achieved while deploying €799m in capex and delivering on shareholder remuneration commitments of 1.2 €/share per annum, which translated into a dividend payment of €480m in the period, corresponding to the final dividend on 2022 results. Working capital variation contributed as well to the good evolution of net debt, reducing financing needs for approximately €1.0bn in the period.

Capex

The breakdown of capex by type and business is exhibited below:

	Maintenance capex		
(€m)	**1H23**	**1H22**	**Change**
Networks	226	155	45.8%
Markets	85	121	-29.8%
Rest	5	7	-28.6%
Total investments	**316**	**283**	**11.7%**

Maintenance capex in 1H23 amounted to €316m, compared to €283m in 1H23, as result of higher maintenance in both Spain and Latam Networks.

(€m)	1H23	1H22	Change
	Growth capex		
Networks	144	123	17.1%
Markets	379	315	20.3%
Total investments	**523**	**438**	**19.4%**

Growth capex in the period represented more than 60% of total capex and amounted to €523m in 1H23.

Growth capex in 1H23 included:

- A total of €144m invested in the development of networks in Spain and LatAm, of which €73m in Spain, €24m in Panama, €15m in Chile, €14m in Mexico, €10m in Argentina and €8m in Brazil.
- A total of €329m invested in the construction of different renewable projects, of which €96m in Spain, €81m in USA, €145m in Australia and €7m in LatAm.
- €50m in the Supply activity.

Wind farm in Australia

Naturgy remains committed to renewables development and has reached close to 5.7 GW of operational power in the period. In this respect, 380 MW of additional capacity came into operation since 1H22, of which 249 MW in Spain, 109 MW in Australia, and 22 MW in Latam.

In Spain, Naturgy is engaged in the construction of some 30 wind farms and PV plants, equivalent to nearly 1 GW of additional renewable capacity expected to come in operation during 2024. Additionally, during 1H23, Naturgy reached an agreement with Ardian for the acquisition of 100% of ASR Wind, a portfolio of 12 renewable energy projects composed of: i) 422 MW regulated operating wind assets, and ii) 435 MWp solar PV hybridization projects. The transaction completion is expected in 3Q23. Consequently, approximately 800 MW of additional capacity, both wind and solar, are expected to come into operation in 2H23, and additional 300 MW during 2024.

In Australia during 1H23, Naturgy begun to operate its third wind farm (Berrybank II), increasing the company's total installed capacity to 386 MW. While no additional installed capacity is expected to come into operation in 2H23, Naturgy envisions to reach an operating renewable capacity of approximately 1 GW in 2024.

In the USA, the development of Naturgy’s first solar plant is underway, with an installed capacity of 300 MW, and expected COD in 2024.

The Company is also leading renewable gas developments in Spain as a key pilar of decarbonization. Naturgy is currently working on several hydrogen and biomethane projects and is well positioned and willing to deploy capital and resources in this area.

Naturgy

6 Financial position

As of 30 June 2023, Net debt amounted to €10,752m, €1,318m below year-end 2022 figure, reflecting the strong cash generation during the period.

During 1H23, the most relevant transactions and refinancing operations included:

- Refinancing of loans and revolving credit lines in Spain for a total of €3,464m and international businesses for a total of €396m.
- Wind project Berrybank II has signed a Mini-perm structure loan in AUD equivalent to €91m with 5 years maturity.

Net debt to EBITDA decreased from 2.4x as at the end of 2022 to 1.9x as of 1H23. The Group maintains a strong financial position and has substantially reinforced its balance sheet over the last 12-18 months.

On 30 May 2023, the rating agency S&P revised Naturgy's outlook to stable from negative and affirmed its BBB credit rating. Fitch maintains its BBB long-term issuer credit rating with stable outlook.

Liquidity (€m)

Liquidity as of 30 June 2023 stood at €10,108m, including €4,555m in cash and equivalents and €5,553m in undrawn and fully committed credit lines. In addition, the ECP program is completely undrawn as of 1H23.

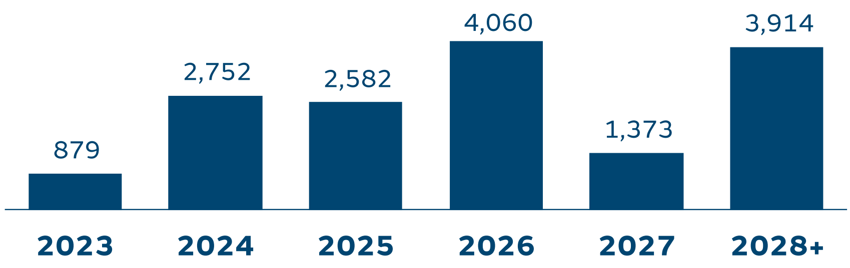
The detail of the Group's current liquidity is exhibited below:

Liquidity		Consolidated Group		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
		1H23	FY22	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Cash and equivalents	€m	4,555	3,985	152	73	254	50	131	18	3,877
Undrawn commited credit lines	€m	5,553	5,497	-	-	42	-	9	97	5,405
Total	**€m**	**10,108**	**9,482**	**152**	**73**	**296**	**50**	**140**	**115**	**9,282**

The weighted average maturity of the undrawn credit lines stands over 2 years, according to the following detail:

(€m)	2023	2024	2025	2026	2027	2028+
Undrawn commited credit lines	91	1,669	1,583	2,205	-	5

Gross debt maturities (€m)



Debt structure

Financial debt by currency		Consolidated Group		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
		1H23	FY22	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Net financial debt	€m	10,752	12,070	303	8	60	-18	530	727	9,142
Average cost of debt[1]	%	3.8	3.0	9.4	6.7	14.5	83.5	10.4	8.1	1.7
% fixed rated (gross debt)	%	79	80	58	42	1	2	51	37	91

Note:
1. Does not include cost from IFRS 16 debt

Credit metrics

Credit metrics	1H23	FY22
EBITDA/Net financial debt cost	11.6	9.9
Net debt /LTM EBITDA	1.9	2.4

7 ESG metrics and highlights

		1H23	1H22	Change	Comments
Health and safety					
Accidents with lost time[1]	units	4	3	33.3%	Health and safety metrics show a small increase in accidents compared to 1H22, although within the expected range considering the group's characteristics
LT Frequency rate[2]	units	0.12	0.09	33.3%	
Environment					
GHG Emissions[3]	M tCO2 e	5.9	6.7	-11.9%	Lower CCGT and higher hydro production in the period
Emission factor	t CO2/GWh	241	273	-11.7%	
Emissions-free installed capacity	%	38.2	36.7	4.1%	New wind and solar capacity coming into operation in Spain, Australia and Latam
Emissions-free net production	%	39.3	32.2	22.0%	Higher hydro production in Spain and increase in wind and solar installed capacity
Interest in people					
Number of employees	persons	7,072	7,203	-1.8%	Perimeter changes and business resizing
Training hours per employee	hours	17.3	15.3	13.1%	Continues the positive response to follow-up campaigns and new platforms and courses in operation
Women representation	%	33.8	32.6	3.7%	Significant women representation in new hirings
Society and integrity					
Economic value distributed[4]	€m	10,176	15,923	-36.1%	Decrease explained mainly by lower procurement costs
Complaints received by the ethics comittee	units	46	21	-	Increase mostly explained by enhanced monitoring and reporting procedures

Notes:
1. In accordance to OSHA criteria
2. Calculated for every 200,000 working hours
3. Scopes 1 and 2
4. As defined in Alternative Performance Metrics annex

Health and safety metrics show a small increase in accidents compared to 1H22, although within the expected range considering the group's characteristics.

Naturgy continues to increase its emissions-free installed capacity in its core markets and has reached close to 5.7GW of renewable operational power in the period. In addition, approximately 3GW of additional emissions-fee installed capacity is expected to come into operation in the next 18 months.

In terms of governance, the Group continues to progress on gender parity and women representation, while complaints to the ethics committee show a significant increase vs. 1H22, mostly explained by improvements in certain monitoring and reporting procedures.

Furthermore, ESG targets as part of management incentives have increased from 10% to 20%, incorporating emissions-free installed capacity and employee satisfaction metrics, on top of the already existing health and safety metrics.

In relation to social initiatives, trainings per hour continue to improve supported by additional and more comprehensive training programs available to employees.

Annexes

Naturgy

Annex I: Financial Statements

Consolidated income statement

(€m)	1H23	1H22	Change
Net sales	12,054	16,737	-28.0%
Procurement	-8,102	-13,841	-41.5%
Gross margin	**3,952**	**2,896**	**36.5%**
Operating expenses	-609	-533	14.3%
Personnel costs	-353	-300	17.7%
Own work capitalised	35	33	6.1%
Other operating income	163	134	21.6%
Taxes	-339	-183	85.2%
EBITDA	**2,849**	**2,047**	**39.2%**
Other results	-40	-114	-64.9%
Depreciation, amortisation and impairment expenses	-944	-704	34.1%
Impairment of credit losses	-152	-127	19.7%
EBIT	**1,713**	**1,102**	**55.4%**
Financial result	-250	-336	-25.6%
Profit/(loss) of companies measured under the equity method	43	65	-33.8%
Profit before taxes	**1,506**	**831**	**81.2%**
Income tax	-371	-194	91.2%
Income from discontinued operations	-	-16	-100.0%
Non-controlling interest	-90	-64	40.6%
Net income	**1,045**	**557**	**87.6%**

Consolidated balance sheet

(€m)	30/06/2023	31/12/2022
Non-current assets	**28,479**	**28,368**
Intangible assets	5,923	5,972
Property, plant and equipment	17,658	17,379
Right of use assets	1,141	1,162
Equity-accounted investments	626	656
Non-current financial assets	535	493
Other non-current assets	475	496
Deferred tax assets	2,121	2,210
Current assets	**9,341**	**12,022**
Non-current assets available for sale	-	-
Inventories	909	1,828
Trade and other accounts receivable	3,519	5,801
Other current financial assets	358	408
Cash and cash equivalents	4,555	3,985
TOTAL ASSETS	**37,820**	**40,390**

(€m)	30/06/2023	31/12/2022
Equity	**11,596**	**9,979**
Equity attributable to the parent company	9,138	7,574
Non-controlling interest	2,458	2,405
Non-current liabilities	**18,727**	**20,632**
Deferred revenues	938	926
Non-current provisions	1,826	1,656
Non-current financial liabilities	12,778	13,999
Deferred tax liabilities	1,898	1,951
Other non-current liabilities	1,287	2,100
Current liabilities	**7,497**	**9,779**
Liabilities linked to non-current assets available for sale	-	-
Current provisions	336	700
Current financial liabilities	2,782	2,302
Trade and other accounts payable	4,093	6,562
Other current liabilities	286	215
TOTAL LIABILITIES AND EQUITY	**37,820**	**40,390**

Summary cash flow statement

(€m)	1H23	1H22	Change
EBITDA	**2,849**	**2,047**	**39.2%**
Taxes	107	-194	-
Financial result	-250	-336	-25.6%
Other items	-548	44	-
Funds from operations	**2,158**	**1,561**	**38.2%**
Change in working capital	993	868	14.4%
Cash flow from operations	**3,151**	**2,429**	**29.7%**
Growth capex	-488	-403	21.1%
Maintenance capex	-311	-281	10.7%
Divestments	-	7	-100.0%
Dividends to minorities	-39	-166	-76.5%
Others	-336	-126	-
Free cash flow after minorities	**1,977**	**1,460**	**35.4%**
Dividends, share buy-back & others	-486	-481	1.0%
M&A	-114	-15	-
Net free cash flow	**1,377**	**964**	**42.8%**

Naturgy

Results by business unit

1. Networks

Networks Spain

Spain gas networks

(€m)	1H23	1H22	Change
Net sales	535	594	-9.9%
Procurement	-51	-60	-15.0%
Gross margin	**484**	**534**	**-9.4%**
Other operating income	17	17	-
Personnel expenses	-28	-27	3.7%
Taxes	-9	-9	-
Other operating expenses	-53	-59	-10.2%
EBITDA	**411**	**456**	**-9.9%**
Depreciation, provisions and other results	-132	-137	-3.6%
EBIT	**279**	**319**	**-12.5%**

Spain electricity networks

(€m)	1H23	1H22	Change
Net sales	398	418	-4.8%
Procurement	-	-	-
Gross margin	**398**	**418**	**-4.8%**
Other operating income	10	10	-
Personnel expenses	-24	-22	9.1%
Taxes	-12	-14	-14.3%
Other operating expenses	-51	-47	8.5%
EBITDA	**321**	**345**	**-7.0%**
Depreciation, provisions and other results	-121	-130	-6.9%
EBIT	**200**	**215**	**-7.0%**

Naturgy

Networks LatAm

Chile gas

(€m)	1H23	1H22	Change
Net sales	406	388	4.6%
Procurement	-250	-345	-27.5%
Gross margin	**156**	**43**	**-**
Other operating income	1	1	-
Personnel expenses	-15	-13	15.4%
Taxes	-2	-2	-
Other operating expenses	-23	-17	35.3%
EBITDA	**117**	**12**	**-**
Depreciation, provisions and other results	-32	-157	-79.6%
EBIT	**85**	**-145**	**-**

Brazil gas

(€m)	1H23	1H22	Change
Net sales	876	902	-2.9%
Procurement	-670	-724	-7.5%
Gross margin	**206**	**178**	**15.7%**
Other operating income	21	11	90.9%
Personnel expenses	-10	-10	-
Taxes	-3	-2	50.0%
Other operating expenses	-49	-35	40.0%
EBITDA	**165**	**142**	**16.2%**
Depreciation, provisions and other results	-36	-39	-7.7%
EBIT	**129**	**103**	**25.2%**

Mexico gas

(€m)	1H23	1H22	Change
Net sales	361	512	-29.5%
Procurement	-193	-364	-47.0%
Gross margin	**168**	**148**	**13.5%**
Other operating income	6	5	20.0%
Personnel expenses	-10	-9	11.1%
Taxes	-	-	-
Other operating expenses	-24	-21	14.3%
EBITDA	**140**	**123**	**13.8%**
Depreciation, provisions and other results	-35	-29	20.7%
EBIT	**105**	**94**	**11.7%**

Panama electricity

(€m)	1H23	1H22	Change
Net sales	427	433	-1.4%
Procurement	-323	-339	-4.7%
Gross margin	**104**	**94**	**10.6%**
Other operating income	3	2	50.0%
Personnel expenses	-4	-4	-
Taxes	-4	-3	33.3%
Other operating expenses	-23	-21	9.5%
EBITDA	**76**	**68**	**11.8%**
Depreciation, provisions and other results	-33	-33	-
EBIT	**43**	**35**	**22.9%**

Argentina gas

(€m)	1H23	1H22	Change
Net sales	196	227	-13.7%
Procurement	-118	-128	-7.8%
Gross margin	**78**	**99**	**-21.2%**
Other operating income	9	11	-18.2%
Personnel expenses	-23	-21	9.5%
Taxes	-17	-17	-
Other operating expenses	-35	-37	-5.4%
EBITDA	**12**	**35**	**-65.7%**
Depreciation, provisions and other results	-6	-3	100.0%
EBIT	**6**	**32**	**-81.3%**

Argentina electricity

(€m)	1H23	1H22	Change
Net sales	77	64	20.3%
Procurement	-37	-29	27.6%
Gross margin	**40**	**35**	**14.3%**
Other operating income	6	8	-25.0%
Personnel expenses	-8	-7	14.3%
Taxes	-3	-2	50.0%
Other operating expenses	-16	-17	-5.9%
EBITDA	**19**	**17**	**11.8%**
Depreciation, provisions and other results	-1	-1	-
EBIT	**18**	**16**	**12.5%**

Naturgy

2. Markets

Energy management

LNG & Markets

(€m)	1H23	1H22	Change
Net sales	5,169	8,354	-38.1%
Procurement	-4,192	-7,975	-47.4%
Gross margin	**977**	**379**	**-**
Other operating income	11	50	-78.0%
Personnel expenses	-18	-19	-5.3%
Taxes	-90	-4	-
Other operating expenses	-22	-21	4.8%
EBITDA	**858**	**385**	**-**
Depreciation, provisions and other results	-121	-59	-
EBIT	**737**	**326**	**-**

Spain thermal generation

(€m)	1H23	1H22	Change
Net sales	1,165	1,707	-31.8%
Procurement	-901	-1,515	-40.5%
Gross margin	**264**	**192**	**37.5%**
Other operating income	3	2	50.0%
Personnel expenses	-31	-29	6.9%
Taxes	-71	-50	42.0%
Other operating expenses	-57	-41	39.0%
EBITDA	**108**	**74**	**45.9%**
Depreciation, provisions and other results	-88	-57	54.4%
EBIT	**20**	**17**	**17.6%**

LatAm thermal generation

(€m)	1H23	1H22	Change
Net sales	342	492	-30.5%
Procurement	-183	-340	-46.2%
Gross margin	**159**	**152**	**4.6%**
Other operating income	-	1	-100.0%
Personnel expenses	-10	-8	25.0%
Taxes	-1	-1	-
Other operating expenses	-18	-17	5.9%
EBITDA	**130**	**127**	**2.4%**
Depreciation, provisions and other results	-206	-39	-
EBIT	**-76**	**88**	**-**

Renewable generation

Spain

(€m)	1H23	1H22	Change
Net sales	338	286	18.2%
Procurement	-42	-45	-6.7%
Gross margin	**296**	**241**	**22.8%**
Other operating income	4	12	-66.7%
Personnel expenses	-21	-18	16.7%
Taxes	-29	-32	-9.4%
Other operating expenses	-45	-38	18.4%
EBITDA	**205**	**165**	**24.2%**
Depreciation, provisions and other results	-94	-82	14.6%
EBIT	**111**	**83**	**33.7%**

USA

(€m)	1H23	1H22	Change
Net sales	-	-	-
Procurement	-	-	-
Gross margin	**-**	**-**	**-**
Other operating income	-	-	-
Personnel expenses	-1	-	-
Taxes	-	-	-
Other operating expenses	-5	-25	-80.0%
EBITDA	**-6**	**-25**	**-76.0%**
Depreciation, provisions and other results	-47	-2	-
EBIT	**-53**	**-27**	**96.3%**

Australia

(€m)	1H23	1H22	Change
Net sales	14	11	27.3%
Procurement	-	-	-
Gross margin	**14**	**11**	**27.3%**
Other operating income	-	-	-
Personnel expenses	-2	-1	100.0%
Taxes	-	-	-
Other operating expenses	-7	-10	-30.0%
EBITDA	**5**	**-**	**-**
Depreciation, provisions and other results	-6	-6	-
EBIT	**-1**	**-6**	**-83.3%**

LatAm

(€m)	1H23	1H22	Change
Net sales	54	65	-16.9%
Procurement	-4	-12	-66.7%
Gross margin	**50**	**53**	**-5.7%**
Other operating income	8	5	60.0%
Personnel expenses	-7	-7	-
Taxes	-2	-1	100.0%
Other operating expenses	-18	-15	20.0%
EBITDA	**31**	**35**	**-11.4%**
Depreciation, provisions and other results	-39	-15	-
EBIT	**-8**	**20**	**-**

Naturgy

Supply

Supply

(€m)	1H23	1H22	Change
Net sales	4,891	5,859	-16.5%
Procurement	-4,337	-5,522	-21.5%
Gross margin	**554**	**337**	**64.4%**
Other operating income	71	1	-
Personnel expenses	-33	-32	3.1%
Taxes	-93	-45	-
Other operating expenses	-151	-104	45.2%
EBITDA	**348**	**157**	**-**
Depreciation, provisions and other results	-116	-134	-13.4%
EBIT	**232**	**23**	**-**

Capex

Growth capex

(€m)	1H23	1H22	Change
Networks	**144**	**123**	**17.1%**
Networks Spain	**73**	**57**	**28.1%**
Gas networks	21	21	-
Electricity networks	52	36	44.4%
Networks LatAm	**71**	**66**	**7.6%**
Chile gas	15	13	15.4%
Brazil gas	8	5	60.0%
Mexico gas	14	10	40.0%
Panama electricity	24	28	-14.3%
Argentina gas	2	2	-
Argentina electricity	8	8	-
Markets	**379**	**315**	**20.3%**
Energy management	**-**	**1**	**-100.0%**
LNG & Markets	-	1	-100.0%
Pipelines (EMPL)	-	-	-
Spain thermal generation	-	-	-
LatAm thermal generation	-	-	-
Renewables	**329**	**255**	**29.0%**
Spain	96	100	-4.0%
USA	81	36	
Australia	145	111	30.6%
LatAm	7	8	-12.5%
Renewable gases	**-**	**-**	
Supply	**50**	**59**	**-15.3%**
Rest	-	-	**-**
TOTAL Growth Capex	**523**	**438**	**19.4%**

Maintenance capex

(€m)	1H23	1H22	Change
Networks	**226**	**155**	**45.8%**
Networks Spain	**144**	**88**	**63.6%**
Gas networks	33	27	22.2%
Electricity networks	111	61	82.0%
Networks LatAm	**82**	**67**	**22.4%**
Chile gas	9	5	80.0%
Brazil gas	21	13	61.5%
Mexico gas	15	11	36.4%
Panama electricity	28	28	-
Argentina gas	9	10	-10.0%
Argentina electricity	-	-	-
Markets	**85**	**121**	**-29.8%**
Energy management	**65**	**94**	**-30.9%**
LNG & Markets	1	-	-
Pipelines (EMPL)	-	-	-
Spain thermal generation	35	39	-10.3%
LatAm thermal generation	29	55	-47.3%
Renewables	**17**	**15**	**13.3%**
Spain	16	14	14.3%
USA	-	-	-
Australia	-	-	-
LatAm	1	1	-
Renewable gases	**-**	**-**	**-**
Supply	**3**	**12**	
Rest	5	7	**-28.6%**
TOTAL Maintenance Capex	**316**	**283**	**11.7%**

Annex II: Communications to the CNMV

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since FY22 results' presentation:

Inside Information

- Naturgy publishes the FY 2022 results report (disclosed 15 February 2023, registration number 1756).
- Naturgy files the FY 2022 results presentation (disclosed 15 February 2023, registration number 1757).
- Naturgy reviews its financial expectations for 2025 (disclosed 12 July 2023, registration number 1912).

Other Relevant Information

- Naturgy announces its FY 2022 results release (disclosed 31 January 2023, registration number 20233).
- Naturgy files the Annual Financial Report for the year 2022 (disclosed 21 February 2023, registration number 20537).
- Naturgy publishes the Annual Corporate Governance Report for the year 2022 (disclosed 21 February 2023, registration number 20538).
- Naturgy publishes the Annual Report on remuneration of directors for the year 2022 (disclosed 21 February 2023, registration number 20539).
- Naturgy discloses information on earnings for the second half of 2022 (disclosed 21 February 2023, registration number 20540).
- Naturgy files the notice of the 2023 Ordinary General Shareholders' Meeting (disclosed 22 February 2023, registration number 20548).
- Naturgy discloses the buy-back programme of the Company's own shares for delivery to active employees of the group in Spain (disclosed 9 March 2023, registration number 21217).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between March 9 and 10, 2023 (disclosed 13 March 2023, registration number 21291).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between March 13 and 17, 2023 (disclosed 20 March 2023, registration number 21433).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between March 20 and 24, 2023 (disclosed 27 March 2023, registration number 21553).
- Naturgy files the presentation of the 2023 Ordinary General Shareholders' Meeting (disclosed 28 March 2023, registration number 21566).
- Naturgy discloses the resolutions adopted by the 2023 Ordinary General Shareholders' Meeting (disclosed 28 March 2023, registration number 21577 and 21583).
- Naturgy discloses the share buy-back programme result for delivery to employees of the group in Spain (disclosed 18 April 2023, registration number 21964).
- Naturgy reaches an agreement for the adquisition of ASR Wind S.L. (disclosed 16 May 2023, registration number 22570).
- Naturgy announces its first half 2023 results release (disclosed 12 July 2023, registration number 23552).

Additional regulatory disclosures can be found at: www.cnmv.es www.naturgy.com

Annex III: Alternative Performance Metrics

Naturgys' 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 (available as well in our webpage).

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2023	30 June 2022	
EBITDA	EBITDA = Revenue (2)– Procurements (2) + Other operating income (2)– Personnel expenses (2)– Other operating expenses (2) + Gain/(loss) on disposals of fixed assets (2) + Release of fixed asset grants to Income and other (2)	Euros 2,849 Million	Euros 2,047 Million	EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") measures the Group´s operating profit before deducting interests, taxes, depreciations and amortizations. By dispensing with the financial, tax and accounting expenses magnitudes that do not entail a cash outflow, it allows evaluating the comparability of the results over time. It is an indicator widely used in the markets to compare the results of different companies.
Operating expenses (OPEX)	Personnel expenses (2)+ Own work capitalised (4)+ Other operating expenses (2) - Taxes (4)	Euros 962 Million = 318 + 35 + 948 - 339	Euros 833 Million = 267 + 33 + 716 - 183	Measure of the expenses incurred by the Group to carry out its business activities, without considering costs that do not involve cash outflows and taxes. Amount allowing comparability with other companies.
Investments (CAPEX)	Investment in intangible assets (4) + Investment in property, plant and equipment (4)	Euros 839 Million = 133 + 706	Euros 721 Million = 138 + 583	Measure of the investment effort of each period in assets of the different businesses, including accrued and unpaid investments. It allows to know the allocation of its resources and facilitate the comparison of the investment effort between periods. It is made up both of maintenance and growth investments (funds invested in the development or for the expansion of the Group's activities).
Net investments (Net CAPEX)	CAPEX (5) - Other investment receipts/(payments) (3)	Euros 799 million = 839-40	Euros 684 Million = 721-37	Measure of the investment effort of each period without considering the assets transferred or contributed by third parties.
Gross financial debt (7)	"Non-current financial liabilities" (1) + "Current financial liabilities" (1)	Euros 15,560 million = 12,778 + 2,782	Euros 16,301 million = 13,999 + 2,302	Measure of the Group's level of financial debt. Includes current and non-current concepts. This indicator is widely used in capital markets to compare different companies.
Net financial debt (7)	Gross financial debt (5) - "Cash and cash equivalents" (1) - "Derivative financial assets associated with financial liabilities" (4)	Euros 10,752 million = 15,560 -4,555 - 253	Euros 12,070 million = 16,301 - 3,985 – 246	Measure of the Group's level of financial debt including current and non-current items, after discounting the cash and cash equivalents balance and asset derivatives linked to financial liabilities. This indicator is widely used in capital markets to compare different companies.
Leverage (%) (7)	Net financial debt (5) / (Net financial debt (5) + "Net equity" (1))	48.1% = 10,752 / (10,752+ 11,596)	54.7% = 12,070 / (12,070 + 9,979)	Measure of the weight of external resources in the financing of business activity. This indicator is widely used in capital markets to compare different companies.
Cost of net financial debt	Cost of financial debt (4) - "Interest (financial revenues)" (4)	Euros 246 million = 326 - 80	Euros 248 million = 265 - 17	Measure of the cost of financial debt without considering income from financial interests. This indicator is widely used in capital markets to compare different companies.
EBITDA/Cost of net financial debt	EBITDA (5) / Cost of net financial debt (5)	11.6x = 2,849 /246	8.3x = 2,047/248 Comparative information as of December 31 of the previous year: 9.9x = 4,954 /501	Measure of the company's ability to generate operating resources in relation to the cost of financial debt. This indicator is widely used in capital markets to compare different companies.
Net financial debt/EBITDA (7)	Net financial debt (5) / EBITDA (5)	1.9x = 10,752 / 5,756	2.4x = 12,070 / 4,954	Measure of the Group's ability to generate resources to meet financial debt payments.
Free Cash Flow after minorities	Net Free cash flow (5)+ Parent company dividends net of collected by other group companies (4)+ Purchase of treasury shares (4)+ Investment payments (group companies, associates and business units) (3)	Euros 1,977 Million = 1,377 + 480 + 6 + 114	Euros 1,460 Million = 964 + 481 +0 + 15	Measure of cash generation corresponding to operating and investment activities. It is used to evaluate funds available to pay dividends to shareholders, the payment of inorganic investments (acquisitions of companies or businesses) and to attend debt service.
Net Free Cash Flow	Cash flow generated from operating activities (3) + Cash flows from investing activities(3) + Cash flows from financing activities(3) – Receipts/payments from financial liability instruments(3)	Euros 1,377 million = 3,151 – 1,239 - 1,324 + 789	Euros 964 Million = 2.429 - 801 - 1.386 + 722	Measure of cash generation to assess the funds available to debt service.
Average cost of financial gross debt	Annualized financial expense of the operations included in the gross financial debt excluding cost of financial lease liabilities and other refinancing expenses / monthly weighted average of the gross financial debt (excluding the debt by lease liabilities)	3.8% = (326-41-14) * (360/180) / 14,446	2.8% = (265 - 42 – 13) * (360/180) / 15,156 Comparative information as of December 31 of the previous year: 3.0% = (568-85-31) / 15,099	Measure of the effective interest rate of financial debt. This indicator is widely used in capital markets to compare different companies.
Liquidity (7)	Cash and other equivalent liquid (1) + Undrawn and fully committed lines of credit (4)	Euros 10,108 million = 4,555 + 5,533	Euros 9,482 Million = 3,985 + 5,497	Measure of the Group's ability to face any type of payment.
Economic value distributed	Procurements (2) + Other operating expenses (includes Taxes) (2) + Income tax payments (3) + Personnel expenses (2) + Work carried out for fixed assets (4) + Financial expenses (2) + Dividends paid by the parent company (4) + Discontinued activities expenses before taxes (4)	Euros 10,176 million = 8,102 + 948 - 107 + 318 + 35 + 400 + 480 + 0	Euros 15,923 million = 13,841 + 716 + 194 + 267 + 33 + 391 + 481 + 0	Measure of the company´s value considering the economic valuation generated by its activities, distributed to the different interest groups (shareholders, suppliers, employees, public administrations and society)

Note:
(1) Caption of the Consolidated Balance Sheet
(2) Caption of the Consolidated Profit and Loss Account
(3) Caption of the Consolidated Cash-Flow Statement
(4) Magnitude detailed in the Consolidated Annual Statements
(5) Magnitude detailed in the MAR
(6) Magnitude detailed in the Management Report
(7) Comparative information as of 31 December 2022

Annex IV: Contact details

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Annex V: Disclaimer

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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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