1H20 Results

22 July 2020

Contents

1. Executive summary

	reported			ordinary		
(€m)	1H20	1H19	Change	1H20	1H19	Change
EBITDA	1,870	2,176[1]	-14.1%	2,037	2,291	-11.1%
Net income	334	592	-43.6%	490	703	-30.3%
Capex	552	699	-21.0%	-	-	-
Net debt	14,920	15,268[2]	-2.3%	-	-	-
Free cash flow after minorities	1,101	1,448	-24.0%	-	-	-

Note:
1. Restated. 2. As of 31/12/2019

Summary – 1H20 results

The impact of the COVID-19 has been particularly acute during the second quarter of 2020 in the form of lower gas and power demand in Spain and LatAm, a more challenging scenario in International LNG and relevant FX depreciation in key LatAm regions.

1H20 results have also been affected by the new regulatory framework and lower remuneration in electricity distribution Spain, as well as the volume capacity step down in the EMPL, effective since February 2020.

As a result, ordinary EBITDA stood at €2,037m in 1H20, down 11.1% vs. previous year, while ordinary Net Income reached €490m in the same period, down 30.3% vs. 1H19.

Total capex amounted to €552m in the period, down 21.0% vs. previous year. This reduction is mainly due to the lower growth investments in Spanish gas networks as a result of months of confinement and a slowdown in renewable developments in Spain.

As of 30 June 2020, Net debt amounted to €14,920m, after the €764m used for shareholder remuneration during the period. As a result Net debt / LTM EBITDA stood at 3.5x compared to 3.3x as of 31 December 2019.

In light of the challenging operating environment, Naturgy has undertaken decisive steps to adapt the company to the current context.

Key management focus areas

Reduce the Group's risk profile

During the first half of the year, Naturgy started to take steps to derisk its business portfolio by renegotiating its gas procurement contracts based on the ordinary and extraordinary review mechanisms contemplated in such agreements. This process will ultimately result in a better alignment of the contracts with the prevailing market conditions.

Moreover, the company has also increased its available liquidity to approximately €10bn at the end of June, up close to €2.0bn vs. December 2019. This level, together with the cash generated from operations, allows the Group to comfortably face its financial obligations for the foreseeable future.

Redefine and optimize operations

The first half of the year also saw an acceleration of the 2018-2022 efficiency plan. As it stands, Naturgy expects to complete its €500m efficiencies target by the end of 2020, two years ahead of its initial target. These efforts will help to partially compensate for the challenging energy scenario and the impact of the COVID-19 outbreak.

Bolster ESG commitments

Beyond the efforts undertaken to support and protect the interests of its stakeholders during the COVID-19 outbreak, detailed further on in this report, Naturgy has also taken decisive steps during the first six months of the year to further its ESG commitments.

In its recently issued New Global Environmental Policy Plan, Naturgy has set new targets to reduce its greenhouse gas (GHG) emissions, reduce CO_2 intensity in power generation and increase the share of its generation capacity from renewable sources. The recent shutdown of the company's coal power plants and the plans to replace them with new renewable developments will contribute towards the above goals.

In addition, a Sustainability Committee has been created at the Board of Directors level to supervise the company's progress and role in the energy transition along with all its environmental, health and safety, and social responsibility aspects and indicators.

During the first half of the year, Naturgy also continued to progress on governance matters and particularly on gender parity, appointing Lucy Chadwick and Isabel Estapé as new Board members, representing GIP and Criteria respectively.

Reinforce the team and adapt the organization

In order to kickstart the second stage of its transformation, the company is in the process of reorganizing its businesses around three strategic areas which will drive future development: Energy and Grid Management, Renewable Energy, and Retail Marketing. Together, these areas will usher in a new period of profitable growth in networks, the expansion of our renewable footprint, and the buildup of a world-class retail brand, amongst others. To lead these areas, Naturgy has attracted three talented managers with proven track records and relevant entrepreneurial experience.

All in all, the first half results highlight some of the weaknesses in our portfolio, but also the company's agility in dealing with challenges. We believe the time is now ripe to accelerate our transformation and are taking decisive steps to move forward.

COVID-19

Macroeconomic growth and energy demand

The COVID-19 has posed significant challenges to business activities and introduced a high degree of uncertainty on economic activity and energy demand on a global scale.

The evolution of GDP estimates for 2020 has gradually deteriorated during the second quarter of 2020 as a result of the spread of COVID-19 and the subsequent economic lockdown measures undertaken on a global scale. According to the latest available consensus estimates, 2020 GDP growth is expected to experience a contraction of -3.7%, -8.0% and -5.6% for the World, the Eurozone and the USA respectively.

The slowdown in economic activity has had a significant impact on the evolution of electricity and gas demand globally and thereby on the various regions where the Group operates. In particular, electricity and gas demand in Spain have decreased on average by 8.5% and 9.7% respectively during the first half the year when compared to previous year. Similarly, electricity and gas demand across the Latin American regions where the Group operates have experienced a decrease on average of -3.7% and -13.9% respectively, during the first half of the year compared to the previous year.

Furthermore and since the appearance of the COVID-19, LatAm currencies have significantly depreciated against EUR and its evolution from here remains uncertain. This has had a negative effect of €87m and €23m on the consolidated Group ordinary EBITDA and Net Income respectively during the period and compared to the previous year.

Evolution of commodity prices

Lower energy consumption caused by the coronavirus pandemic and uncertainty around Brent production cuts of major producers globally has translated into significant volatility and an unprecedented decline of commodity prices across key references, including a decrease of gas prices on major gas hubs (HH and NBP have decreased on average by 34% and 53% respectively during 1H20 vs. 1H19) as well as a decrease in wholesale electricity prices (Spanish pool has decreased by 44% on average during the first half of the year compared to the average of 1H19).

COVID-19 company initiatives

Naturgy has proactively taken a number of key measures to address and mitigate the impacts of COVID-19 on its operations and performance, as well as to support and protect the interests of all its stakeholders.

On 25 February, less than 24 hours following the first confirmed COVID-19 case in the Iberian Peninsula, Naturgy activated its Crisis Committee and started taking steps to support its stakeholders.

Measures to preserve employee health, safety and wellbeing were quickly introduced, including the prompt suspension of travel and attendance to external events, the activation of resources to guarantee effective remote work, or individual protection and support by Naturgy's medical services. More recently, a comprehensive roadmap for a gradual and safe return to work has been established by the company.

Relevant measures were also introduced to support society as well as customers and suppliers, including the reinforcement of key infrastructures to ensure the stability and quality of electricity and gas supply, free gas and electricity supply to hotels, residences and other hospitalized centers, or free of charge repairs for health workers and security forces and bodies, armed forces and fire fighters, involved in supporting society during the pandemic.

Our SMEs and self-employed customers are also benefiting from the deferral of invoice payments for 12 months to support their short term financing needs, while some of our suppliers have benefited from cash payment advances in respect of their invoices during in the second quarter of the year.

During these uncertain times, Naturgy has also focused on reinforcing liquidity and optimizing its financial liabilities.

These efforts have translated into approximately €10bn available liquidity including cash and equivalents and committed undrawn credit lines as at the end of 1H20. Since the beginning of the year liquidity has been indeed reinforced by ~€2bn. Furthermore, the Group has a comfortable debt maturity profile and balance sheet position, in addition to capex and opex flexibility to navigate the current environment. Additionally, the group subsidiaries have continued to increase their autonomy and self-funding, having issued debt on a subsidiary level to replace intra-group funding as planned.

Naturgy remains committed to shareholder remuneration and its dividend policy. During the second quarter of 2020 and following the approval of its 2019 Annual Shareholders' Meeting (AGM), the company completed the payment, on 3rd of June 2020, of its 2019 total dividend commitment amounting to €1.37 per share (5% higher than in 2018). Naturgy has also approved the first 2020 interim dividend of €0.31/sh. expected to be paid on 29 July.

At the end of the first quarter of 2020, the company agreed to temporarily suspend its share buy-back programme until there was greater visibility about how long the crisis caused by COVID-19 would last and how serious it would be. In relation to this, the Board of Directors of Naturgy held on 21 July 2020 approved the amortization of 14,508,345 shares, with a nominal value of 1€ each.

2. Key comparability factors and non-ordinary items

Perimeter changes

As of 30 June 2020 the **coal generation in Spain and gas distribution activities in Peru have been restated as discontinued operations**, with a contribution of -€35m and -€12m respectively. These activities would have contributed -€47m and -€1m respectively to ordinary EBITDA in 1H20, if not reclassified.

The **main transactions completed in 2020 with an impact in comparability** in the 1H20 vs. 1H19 results **are the following:**

- On January 2020 Naturgy completed the sale of 47.9% of Ghesa Ingeniería y Tecnología, S.A.
- On October 2019, Naturgy reached an agreement to acquire a 34.05% stake in Medgaz through a special purpose vehicle (SPV) opened to a financial partner. Naturgy signed an agreement with BlackRock's Global Energy & Power Infrastructure Fund (GEPIF) in which, at Naturgy's option, GEPIF would acquire a 50% stake in the SPV at the same price at which the Medgaz stake was agreed to be purchased. On 1 April 2020, following the authorization received from the CNMC for the acquisition of the 34.05% stake in Medgaz, Naturgy exercised the option it had arranged with GEPIF. After the acquisition of the aforementioned stake and the fulfillment of the rest of conditions, on July 2020 the transaction has been completed.
- On April 2020, Naturgy completed the sale of Iberafrica Power in Kenya.

The **main transactions completed in 2019 with an impact in comparability** in the 1H20 vs. 1H19 results **are the following**:

- On April 2019 Naturgy completed the sale of 45% of its interests in its associated affiliate Torre Marenostrum, S.L. to Inmobiliaria Colonial. The contribution of this asset to 1H19 results was not material.
- On July 2019, CGE, Naturgy's subsidiary in Chile, completed an asset swap in Argentina, whereby CGE will now control and consolidate 100% of the gas distribution subsidiary and the associated commercialization, while formerly co-controlled electricity distribution subsidiaries are no longer within Naturgy's consolidation perimeter.
- On October 2019, the group completed the disposal of Transemel, an electricity transmission subsidiary in Chile.

Non-ordinary items

Non-ordinary items are summarized below:

	EBITDA		Net income	
(€m)	**1H20**	**1H19**	**1H20**	**1H19**
Restructuring costs	-168	-98	-123	-72
Asset write-down	-	-	-	-20
CNMC CCGT fine	-	-20	-	-20
Sales of land and buildings	1	3	1	2
Interest in companies sales	-	-	13	20
Discontinued operations	-	-	-47	-21
Total non ordinary items	**-167**	**-115**	**-156**	**-111**

At the EBITDA level, non-ordinary impacts in 1H20 amounted to -€167m, corresponding mostly to restructuring costs derived from the implementation of the efficiency plan.

At the Net Income level, non-ordinary items in 1H20 amounted to -€156m. In addition to the restructuring costs previously mentioned, there has been a -€47m impact in discontinued operations, as well as net capital gains of €14m, mainly coming from the sale of Ghesa, a partially owned engineering company (€13m).

Foreign exchange impact

Exchange rate fluctuations in the period are summarized below:

	Avg. 1H20	Change (%)	FX effect (€m)	
			EBITDA	**Net income**
USD/€	1.10	-2.7%	8	4
MXN/€	23.66	9.3%	-10	-3
BRL/€	5.38	24.0%	-26	-6
ARS/€	78.79	62.2%	-27	-14
CLP/€	894.37	17.3%	-32	-4
Total	**-**	**-**	**-87**	**-23**

Note:
1. Exchange rate as at 30 June 2020 as a consequence of considering Argentina as an hyperinflationary economy

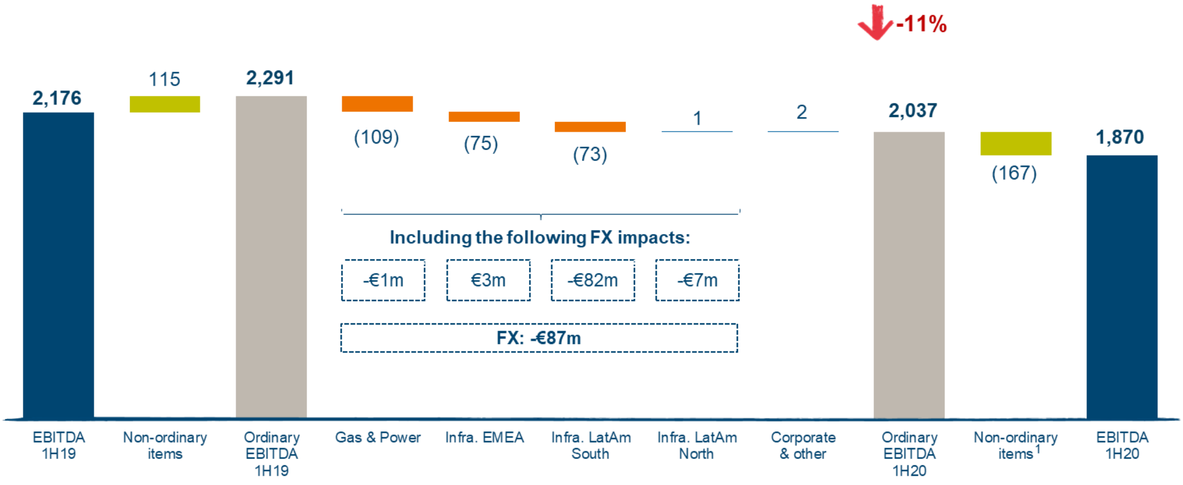
3. Consolidated results

	reported			ordinary		
(€m)	1H20	1H19	Change	1H20	1H19	Change
Net sales	8,781	11,589	-24.2%	8,781	11,589	-24.2%
EBITDA	**1,870**	**2,176**	**-14.1%**	**2,037**	**2,291**	**-11.1%**
Other results	15	20	-25.0%	-	-	-
Depreciation, amortisation and impairment expenses	-789	-792	-0.4%	-789	-772	2.2%
Impairment of credit losses	-101	-62	62.9%	-101	-62	62.9%
EBIT	**995**	**1,342**	**-25.9%**	**1,147**	**1,457**	**-21.3%**
Financial result	-279	-331	-15.7%	-279	-331	-15.7%
Profit/(loss) of companies measured under the equity method	3	38	-92.1%	3	38	-92.1%
Income tax	-165	-227	-27.3%	-201	-247	-18.6%
Income from discontinued operations	-47	-21	-	-	-	-
Non-controlling interest	-173	-209	-17.2%	-180	-214	-15.9%
Net income	**334**	**592**	**-43.6%**	**490**	**703**	**-30.3%**

Net sales totaled **€8,781m** in 1H20, **24.2%** below 1H19, mainly as a result of lower energy demand caused by the COVID-19 outbreak, notably during 2Q20, as well as lower energy prices in the period compared to 1H19. Furthermore, macro uncertainty caused by COVID-19 has had a negative impact on the evolution of LatAm currencies as shown in the chart below.

As a result of the above, Consolidated ordinary **EBITDA** in the period reached **€2,037m**, a **~11.1%** decrease vs. 1H19, with liberalized activities most impacted. Additionally, the already expected lower contribution from EMPL, the new regulatory framework in Spanish electricity distribution, and the lower demand in gas distribution Spain due to COVID-19, have all weighed during the period.

EBITDA evolution (€m)



	reported			ordinary		
(€m)	**1H20**	**1H19**	**Change**	**1H20**	**1H19**	**Change**
Gas & Power	547	665	-17.7%	599	708	-15.4%
Infrastructure EMEA	822	919	-10.6%	895	970	-7.7%
Infrastructure LatAm South	371	449	-17.4%	377	450	-16.2%
Infrastructure LatAm North	189	189	-	191	190	0.5%
Rest	-59	-46	28.3%	-25	-27	-7.4%
Total	**1,870**	**2,176**	**-14.1%**	**2,037**	**2,291**	**-11.1%**

The **financial result amounted to -€279m,** down 15.7%. This reduction is mainly explained by the continued debt optimization efforts and liability management exercises carried out in the period. As a result, **average cost of gross financial debt**[1] for 1H20 improved to **2.8%** vs. 3.2% in 1H19, **81%** of gross debt is at fixed rates and **32%** is denominated in foreign currency.

	reported		
Financial result (€m)	**1H20**	**1H19**	**Change**
Cost of net financial debt	-285	-306	-6.9%
Other financial expenses/income	6	-25	-
Total	**-279**	**-331**	**-15.7%**

Equity-accounted affiliates contributed €3m in 1H20 according to the following detail:

	reported		
Profit/(loss) of companies measured under the equity method	**1H20**	**1H19**	**Change**
UF Gas sub-group	-22	-15	46.7%
Electricity Puerto Rico	18	25	-28.0%
CGE sub-group	5	18	-72.2%
Others	2	10	-80.0%
Total	**3**	**38**	**-92.1%**

The **effective tax rate** as of 30 June 2020, based on the best estimate for the full year, stood at **23.0%**, slightly higher than in 1H19 (21.6%).

Contribution from **discontinued operations stood at -€47m in 1H20** following the restatement of gas distribution activities in Peru (-€12m) and coal generation in Spain (-€35m) into discontinued operations, as shown below:

	reported		
Income from discontinued operations (€m)	**1H20**	**1H19**	**Change**
Peru	-12	-3	-
Coal generation Spain	-35	-18	94.4%
Total	**-47**	**-21**	**-**

Note:
1. Cost from IFRS 16 debt not included

Income attributed to non-controlling interests amounted to -€173m in 1H20 as detailed below:

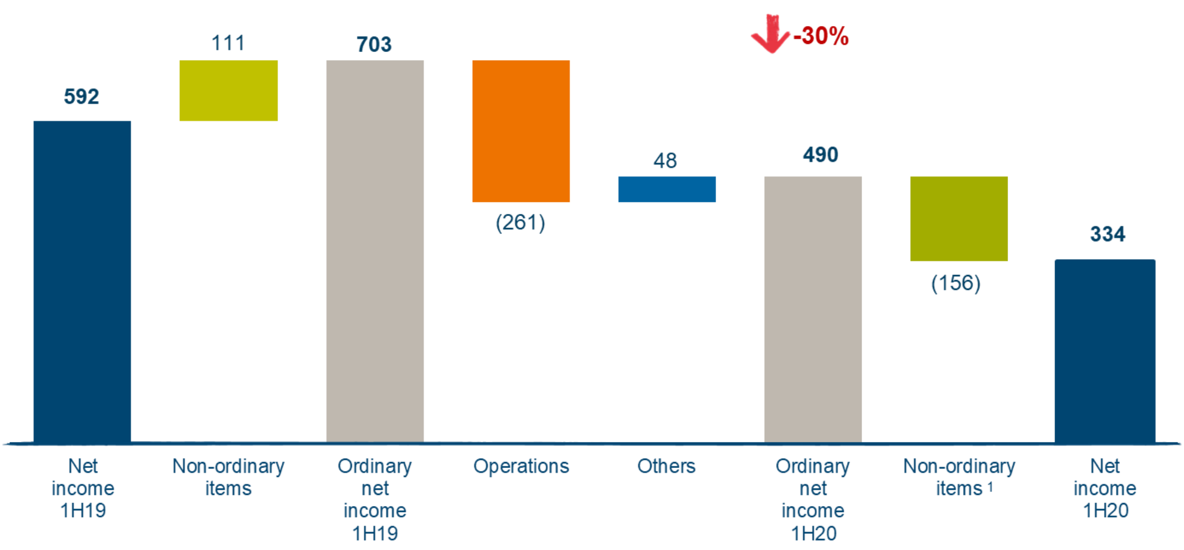
	reported		
Income attributed to non-controlling interests (€m)	**1H20**	**1H19**	**Change**
EMPL	-21	-30	-30.0%
Nedgia	-31	-38	-18.4%
Other affiliates	-91	-111	-18.0%
Other equity instruments	-30	-30	-
Total	**-173**	**-209**	**-17.2%**

The decrease in EMPL and Nedgia follows the lower contribution of both activities during the period, i.e. the capacity step down effective since February 2020 in the EMPL, and the lower demand in gas distribution Spain, impacted by the COVID-19 pandemic.

The other equity instruments caption includes the accrued interest on perpetual subordinated notes (hybrids).

Net ordinary income in 1H20 amounted to €490m, down 30.3% compared to previous year, also impacted by additional provisions.

Net Income evolution (€m)



Notes:
1. Including International Power Generation, gas distribution companies in Chile, Brazil, Mexico and Argentina, and the electricity distribution companies in Chile and Panama

4. Results by business unit

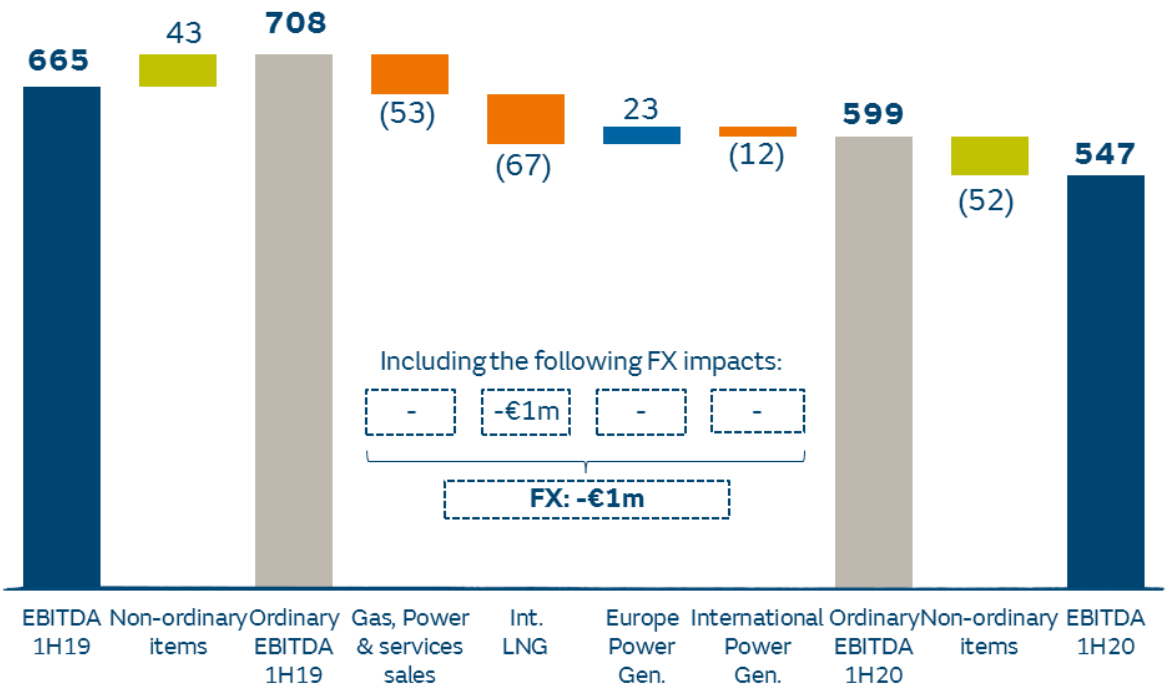
Gas & Power

	reported			ordinary		
EBITDA (€m)	**1H20**	**1H19**	**Change**	**1H20**	**1H19**	**Change**
Gas, power and services sales	127	198	-35.9%	164	217	-24.4%
International LNG	90	158	-43.0%	92	159	-42.1%
Europe power generation	178	145	22.8%	190	167	13.8%
International power generation	152	164	-7.3%	153	165	-7.3%
Total	**547**	**665**	**-17.7%**	**599**	**708**	**-15.4%**

Please refer to Annex for additional P&L disclosure

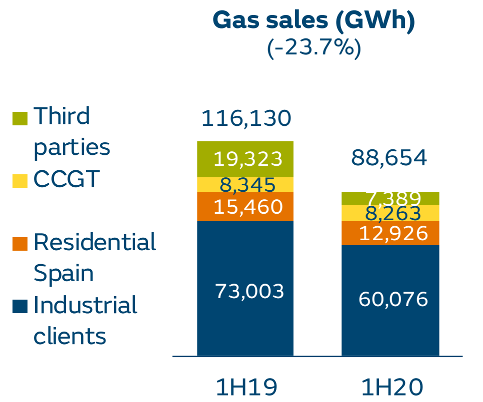
Ordinary EBITDA declined 15.4% during the period, driven by lower demand and energy prices. In particular, Gas, Power & services sales were affected by lower gas prices and demand compared to the previous year, while International LNG's performance was impacted by the challenging energy scenario and a temporary increase of shorter term sales due to ongoing contract renegotiations. Europe power generation grew supported by the higher contribution from renewable assets, while International power generation has remained relatively stable despite lower sales in the merchant segment.

EBITDA evolution (€m)

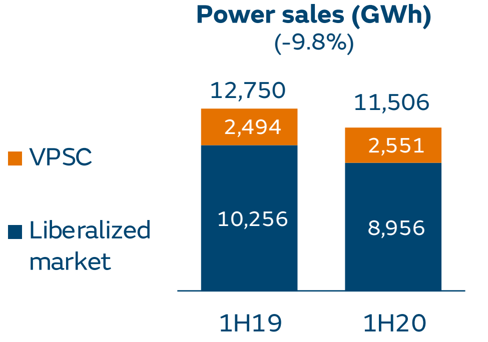


Gas, power & services sales

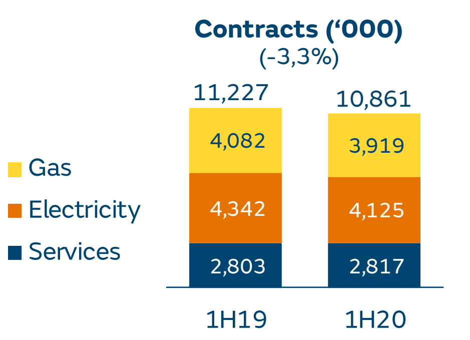
Ordinary EBITDA reached €164m in 1H20, 24.4% lower than in 1H19. Lower gas sales and margins in all segments, affected by the state of alarm and a very depressed gas price environment, were only partially compensated by higher margins in power supply on the back of lower pool prices, as well as by operational improvements.



Gas sales declined by 23.7% in 1H20, notably in sales to third parties and industrial clients (-61.8% and -17.7% respectively) impacted the COVID-19; retail sales also decreased (-16.4%) amid mild climate conditions compared to 1H19.



Power sales fell by 9.8% in 1H20 as a result of lower sales in the liberalized market (-12.7%), following our strategy to focus on margins and reduce fixed-price selling contracts to match our infra-marginal production. VPSC[1] sales increased by 2.2%.

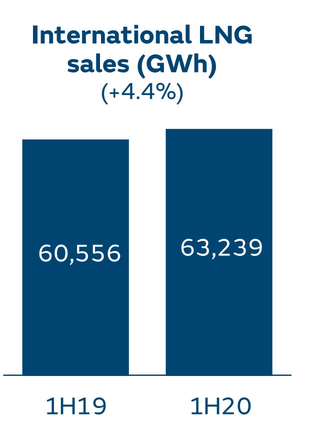


International LNG

Ordinary EBITDA reached €92m, down 42.1% vs. 1H19, as a result of a challenging scenario which was exacerbated by a temporary increase of procurement volumes due to ongoing contract renegotiations.

As of 30 June 2020, contracted sales for 2020 and 2021/2022 stand at 98% and 79% respectively.

Naturgy is renegotiating its gas procurement contracts, based on the ordinary and extraordinary review mechanisms contemplated in such agreements, to better align its procurement costs with the prevailing market conditions.



Note:
1. Voluntary Price for Small Consumers (in Spanish PVPC = Precio Voluntario al Pequeño Consumidor)

Europe Power Generation

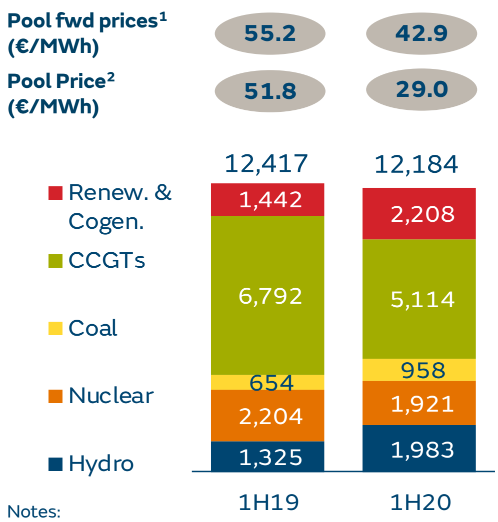
1H20 Ordinary EBITDA amounted to €190m, up 13.8% vs. 1H19 on the back of higher renewable and hydro production, together with CCGTs margin improvement on ancillary markets and lower procurement costs. These were offset by higher generation taxes and lower nuclear production.

Total production decreased by 1.9%, although unevenly split: renewable and hydro production increased 53.1% and 49.7% respectively, while CCGT and nuclear production decreased by 24.7% and 12.8%, the latter affected by programmed maintenance shutdowns. The coal production increase (+46.4%) is explained by the burning of the remaining coal inventory, prior to the final shutdown of operations and its restatement into discontinued operations.

Pool prices decreased 44.0% vs. 1H19, averaging €29.0/MWh in the period, as a result of higher hydro and renewable production, and lower gas prices.

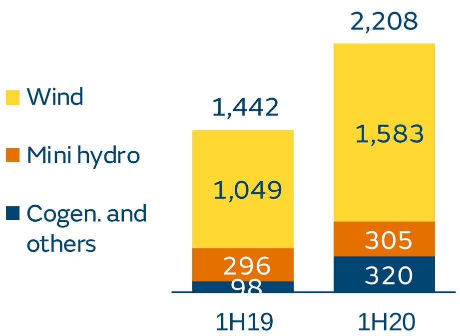
Naturgy continued to increase its exposure to renewables. As such, installed capacity as of 30 June 2020 reached 2,036 MW, a 54.5% increase over 1H19.

Europe power production (GWh)
(-1.9%)



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

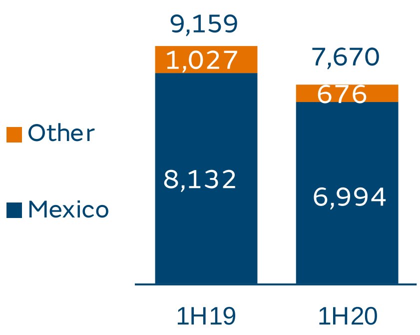
Europe renewable power production (GWh)
(+53.1%)



International Power Generation

Ordinary EBITDA in the period reached €153m, down 7.3% vs. 1H19. Cost efficiencies and higher margins in PPA sales were offset by lower merchant activity in the Dominican Republic and Mexico on top of lower demand and prices linked to COVID-19.

International power production (GWh)
(-16.3%)



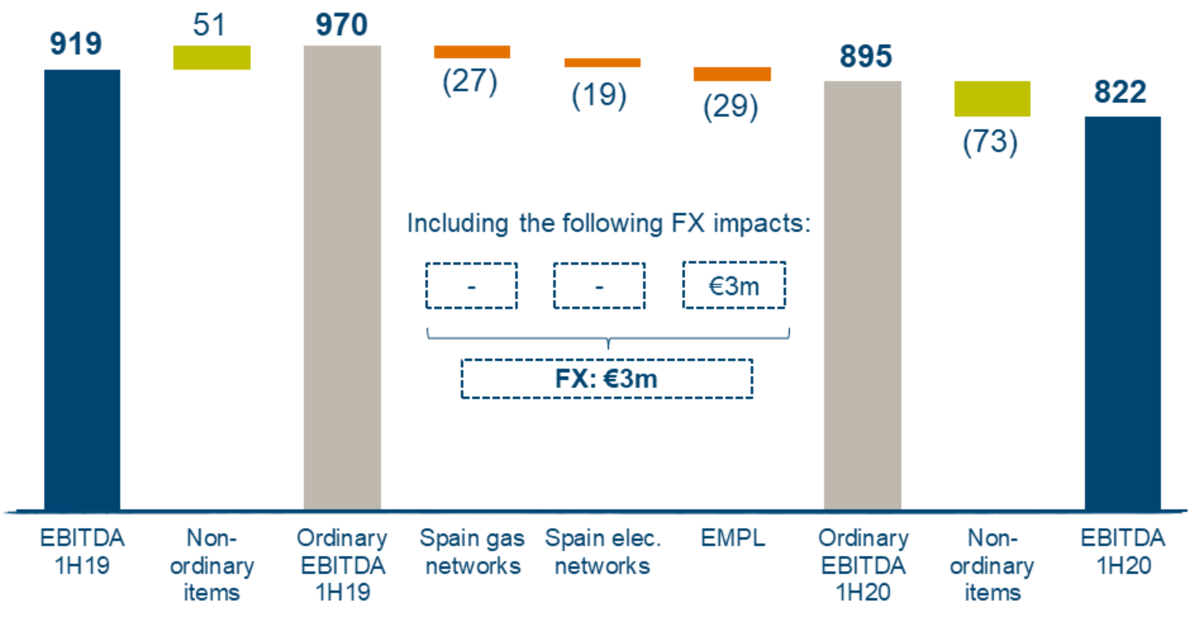
Infrastructure EMEA

	reported			ordinary		
EBITDA (€m)	**1H20**	**1H19**	**Change**	**1H20**	**1H19**	**Change**
Spain gas networks	402	443	-9.3%	442	469	-5.8%
Spain electricity networks	295	322	-8.4%	328	347	-5.5%
EMPL	125	154	-18.8%	125	154	-18.8%
Total	**822**	**919**	**-10.6%**	**895**	**970**	**-7.7%**

Please refer to Annex for additional P&L disclosure

Ordinary EBITDA reached €895m (-7.7%) in 1H20, mainly as a result of (i) lower volumes in gas distribution due to the COVID-19, notably in the industrial segment, (ii) the lower regulated revenues in electricity distribution under the new regulatory framework starting in 2020, and (iii) the already expected lower contribution from the EMPL following the capacity step-down.

EBITDA evolution (€m)



Spain gas networks

Ordinary EBITDA reached €442m, down 5.8% vs. 1H19. Lower sales during the period due to the impact of the COVID-19 in the industrial segment as well as mild weather on the retail segment were only partially compensated by efficiencies.

Total gas sales (excluding LPG) decreased by 13.2%, while connection points remained stable (+0.1%) vs. 1H19.

Spain electricity networks

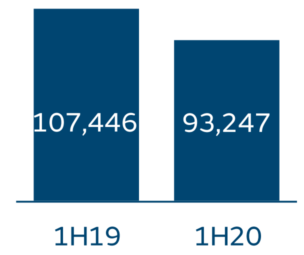
1H20 Ordinary EBITDA amounted to €328m, a 5.5% decrease vs. 1H19 primarily due to the lower financial remuneration approved in the new regulatory period.

Unitary opex per km of installed network decreased by 7.9% during the period.

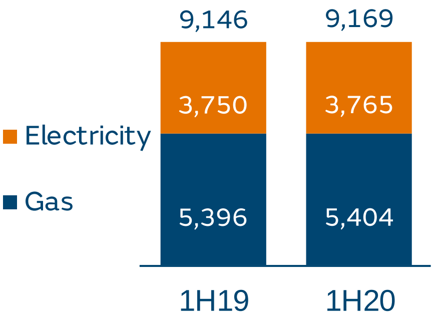
EMPL

1H20 Ordinary EBITDA decreased by 18.8% to €125m. The decrease is mainly explained by the reduction in revenues following the lower contracted capacity after the expiration of one of the contracts. This has been partially offset by higher tariffs and FX impact (€3m).

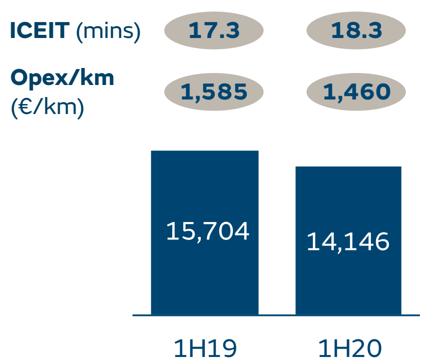
Gas sales Spain (GWh)
(-13.2%)



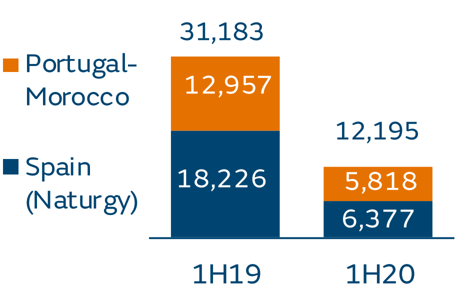
Connection points ('000)
(+0.2%)



Electricity sales Spain (GWh)
(-9.9%)



Gas transport (GWh)
(-60.9%)



Infrastructure South LatAm

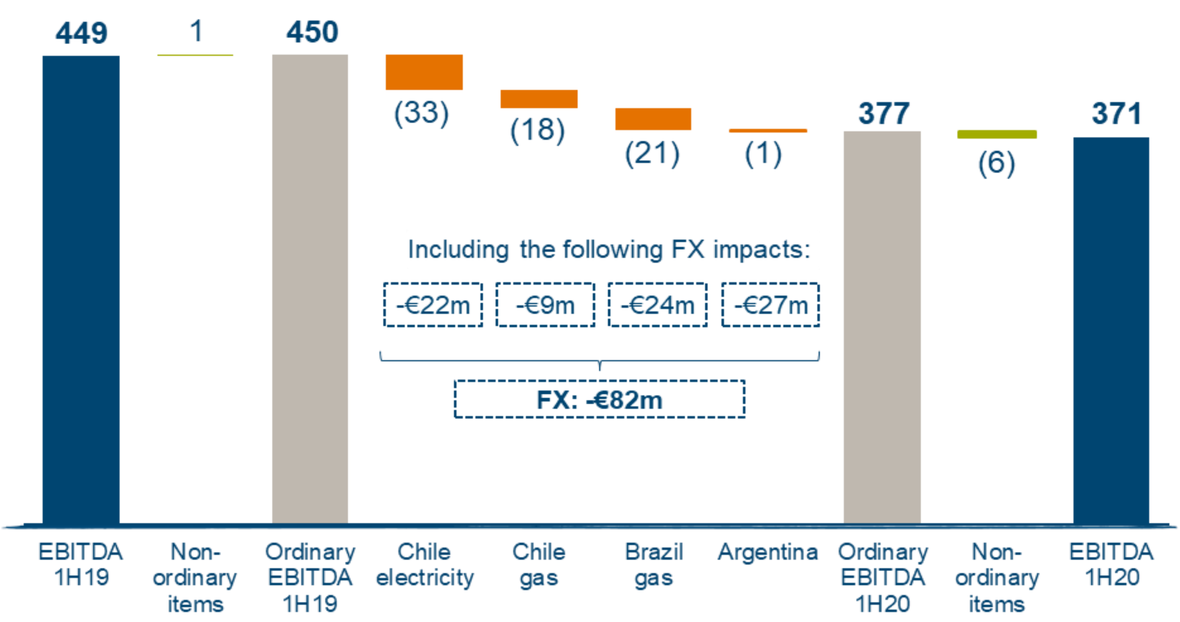
	reported			ordinary		
EBITDA (€m)	**1H20**	**1H19**	**Change**	**1H20**	**1H19**	**Change**
Chile electricity	125	163	-23.3%	129	162	-20.4%
Chile gas	99	118	-16.1%	100	118	-15.3%
Brazil gas	105	125	-16.0%	105	126	-16.7%
Argentina gas and electricity	42	43	-2.3%	43	44	-2.3%
Total	**371**	**449**	**-17.4%**	**377**	**450**	**-16.2%**

Please refer to Annex for additional P&L disclosure

Ordinary EBITDA amounted to €377m in the period, 16.2% lower than 1H19, primarily driven by lower energy demand due to the COVID-19 and the negative FX evolution (-€82m) across LatAm regions.

According to the criteria established by IAS 29 "Financial Information in Hyperinflationary Economies", the Argentine economy should be considered as hyperinflationary. As a result, potential FX differences arising from 30 June 2020 will be applied to the accumulated 2020 results, which will also be updated by inflation rates.

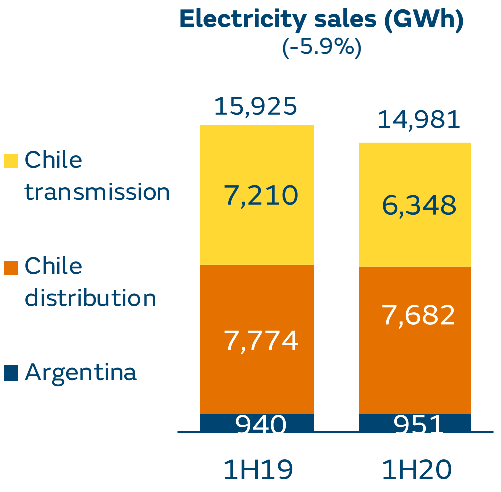
EBITDA evolution (€m)



Chile electricity

1H20 Ordinary EBITDA reached €129m, down 20.4% vs. 1H19. Higher margins from tariff indexation have been offset by: i) FX impact (-€22m), ii) lower sales from COVID-19 and perimeter changes, and iii) higher losses.

At the operating level, the business experienced growth in connection points (+2.3%). On the flipside, electricity distribution sales decreased by 1.2%, while sales from the transmission activity decreased by 12.0%, after divesting Transemel.

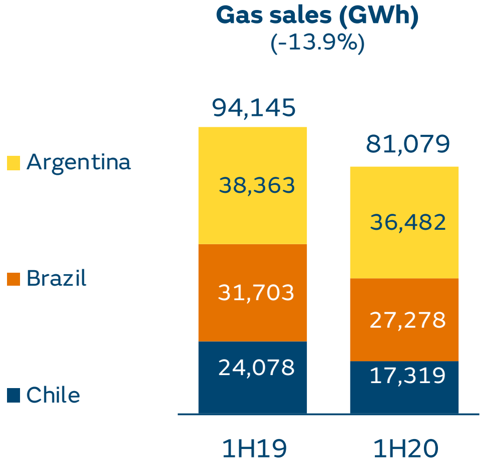


Chile gas

Ordinary EBITDA totaled €100m, 15.3% lower than in 1H19. The positive tariff indexation has not been sufficient to offset the impact of lower demand following COVID-19 and the negative FX impact (-€9m).

Total gas sales decreased (-28.1%), mainly as a result of the COVID-19 impact.

Connection points increased by 2.4%.

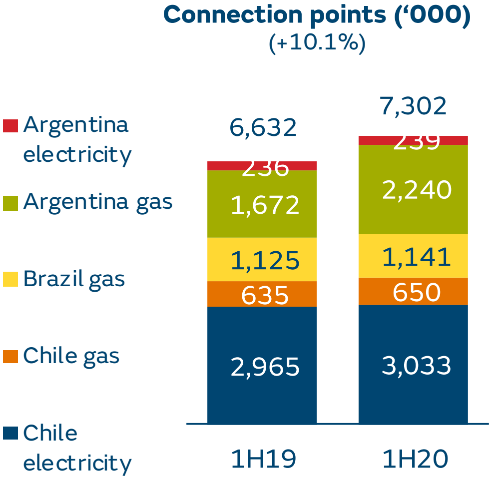


Brazil gas

Ordinary EBITDA totaled €105m, 16.7% lower than in 1H19, following lower gas demand due to COVID-19, and a negative FX impact of -€24m; these negatives have been partially offset by tariff updates in Rio and lower energy losses.

As stated above, overall gas sales decreased significantly (-14.0%), affected by the COVID-19, particularly in the industrial, VNG and power generation segments (down -14.1% ,-22.1% and -11.4% respectively).

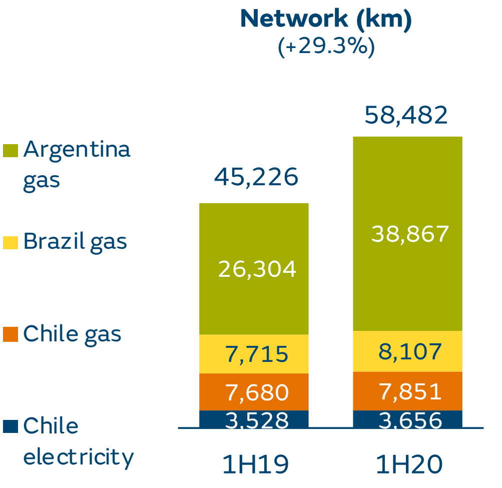
Connection points grew 1.4% in the period.



Argentina gas and electricity

1H20 Ordinary EBITDA amounted to €43m, down 2.3% vs 1H19. The higher contribution to EBITDA due to the April-19 electricity tariff update and Gasnor has been offset by the negative FX impact (-€27m) and lower gas sales, specially acute in the vehicle and industrial segments impacted by COVID-19.

In aggregate, sales for gas and electricity decreased by 4.8%, while connection points increased by 30.0% vs. 1H19, the latter driven by a strong increase in gas connections as a consequence of the asset swap completed in the last quarter of 2019.



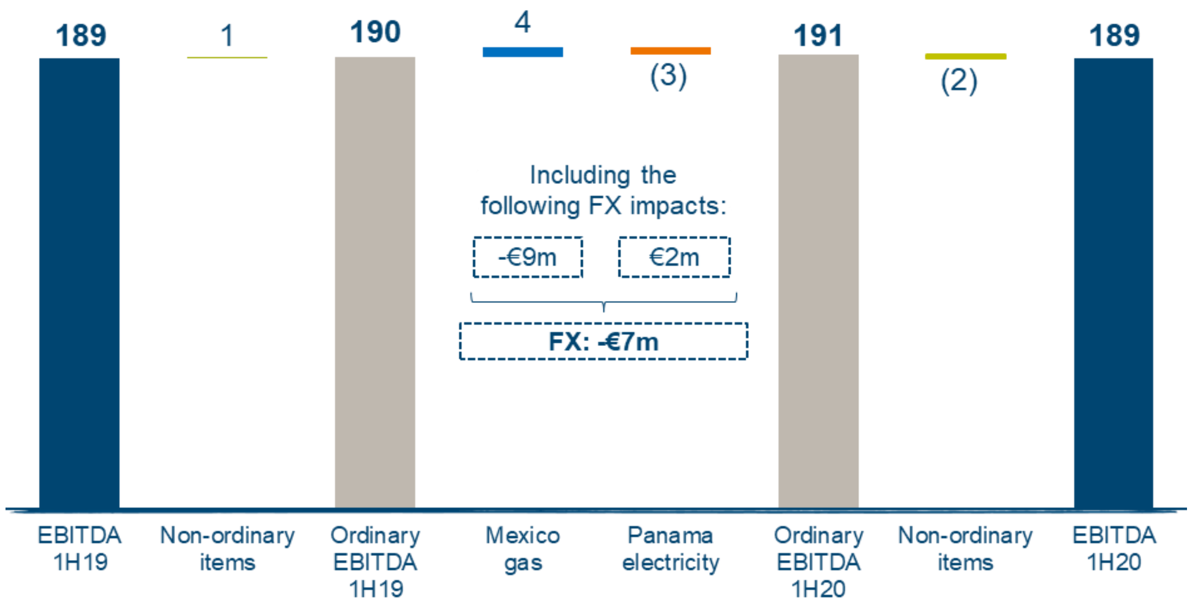
Infrastructure North LatAm

	reported			ordinary		
EBITDA (€m)	**1H20**	**1H19**	**Change**	**1H20**	**1H19**	**Change**
Mexico gas	119	115	3.5%	120	116	3.4%
Panama electricity	70	74	-5.4%	71	74	-4.1%
Total	**189**	**189**	**-**	**191**	**190**	**0.5%**

Please refer to Annex for additional P&L disclosure

1H20 Ordinary EBITDA amounted to €191m, in line with 1H19, on the back of a strong first quarter and tariff updates in Mexico, later impacted by COVID-19. Panama remained stable due to lower demand which was compensated by FX and operational improvements.

EBITDA evolution (€m)

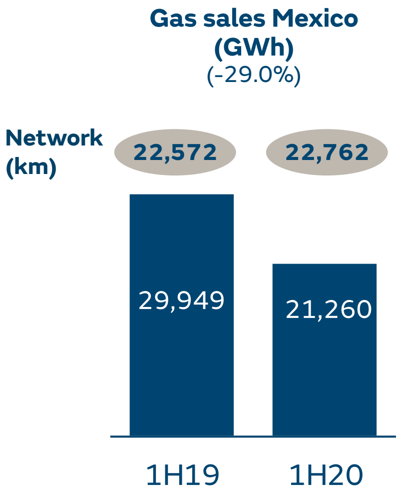


Mexico gas

1H20 Ordinary EBITDA increased 3.4% to €120m.

The positive evolution of the business was driven mainly by higher margins and tariff updates. Sales reduction in all segment lines and FX impact (-€9m) hamper growth.

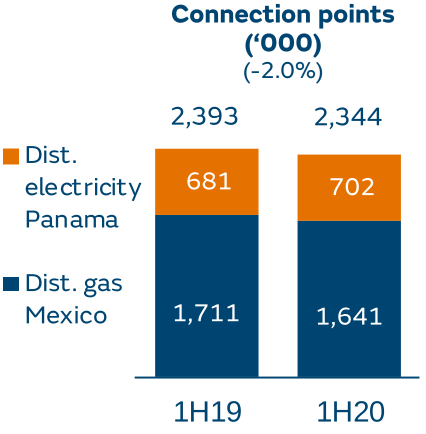
Connection points decreased by 4.1%, as a result of the commercial strategy aimed at improving customer profitability.

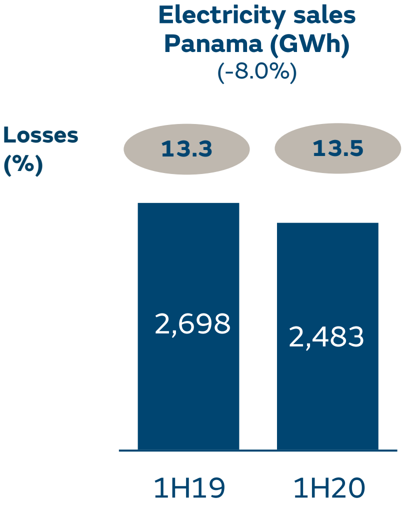


Panama electricity

1H20 Ordinary EBITDA amounted to €71m, down 4.1% vs. 1H19, driven by lower demand from COVID-19 impact and partially compensated by FX and operational improvements.

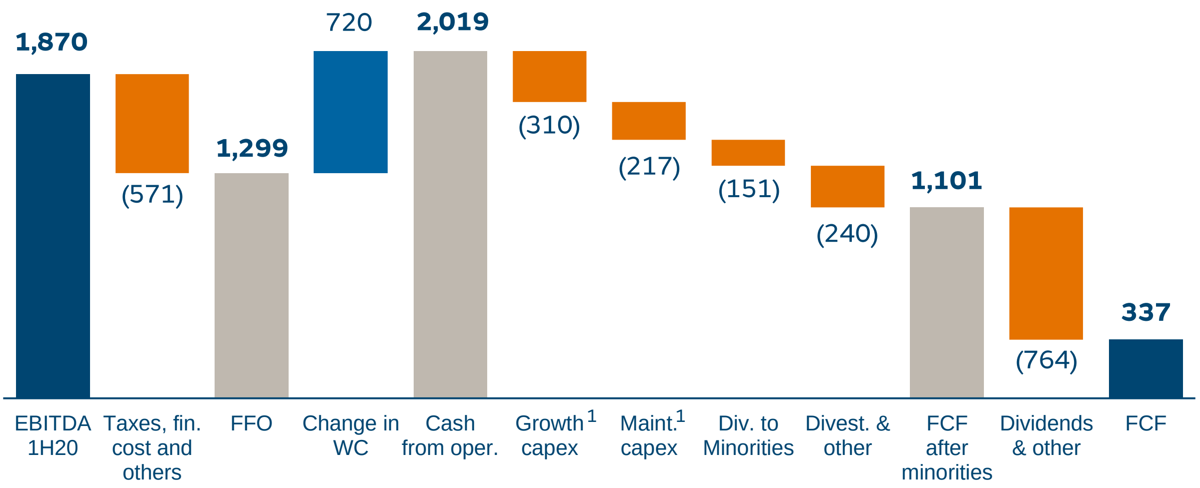
Electricity sales decreased by 8.0% and connection points grew by 3.1%.





5. Cash flow

Cash flow evolution (€m)



Notes:

1. Net of cessions and contributions

1H20 free cash flow after minorities amounted to €1,101m. The contribution from operating results was complemented by a decrease in working capital, following lower sales and inventories, and optimization efforts. Proactive cash flow and liquidity management has remained a priority during COVID-19 crisis.

Free cash flow after minorities and capex was mostly allocated to the payment of dividends (€580m) and the share buy-back program (€184m).

Capex

The breakdown of capex by type and business unit was as follows:

	Maintenence capex		
(€m)	**1H20**	**1H19**	**Change**
Gas & Power	42	66	-36.4%
Infrastructures EMEA	67	74	-9.5%
Infrastructures LatAm South	58	56	3.6%
Infrastructures LatAm North	32	27	18.5%
Rest	19	4	-
Total investments	**218**	**227**	**-4.0%**

Maintenance capex in 1H20 amounted to €218m, compared to €227m in 1H19, a 4.0% reduction resulting from the optimization of capex processes.

Growth capex			
(€m)	1H20	1H19	Change
Gas & Power	186	270	-31.1%
Infrastructures EMEA	47	97	-51.5%
Infrastructures LatAm South	71	67	6.0%
Infrastructures LatAm North	30	38	-21.1%
Rest	-	-	-
Total investments	**334**	**472**	**-29.2%**

Growth capex in the period represented over 60% of total capex and amounted to €334m in 1H20.

Growth capex in 1H20 includes the following:

- A total of €35m invested in the construction of different renewable projects in Spain, with 63 MW put into operation in 1H20.
- €135m invested in the development of 180 MW of wind capacity in Australia and 324 MW of wind and solar capacity in Chile that will come into operation in the following months.

Wind farm in Lugo (Spain)

Divestments

On 20 February, the partners in Ghesa Ingeniería y Tecnología, S.A. and Empresarios Agrupados AIE (Naturgy among them) sold their ownership to a company specialized in engineering activities for power generation assets. The net capital gain from this operation amounts to €13m.

On 1 April, and in relation with the agreement between Naturgy and Mubalada to acquire a 34.05% stake in Medgaz from CEPSA through an SPV, Naturgy exercised the option signed with BlackRock's Global Energy & Power Infrastructure Fund (GEPIF), whereby GEPIF will acquire a 50% stake in that said SPV at the same price at which the Medgaz stake was agreed to be purchased from Mubadala. After the acquisition of the aforementioned stake and the fulfillment of the rest of conditions, on July 2020 the transaction has been completed.

Last, on 7 April, Naturgy announced the completion of the sale of its ownership in Iberafrica Power (Kenya) to AP Moller Capital for a total amount of USD62m. The operation has not contributed with significant capital gains.

6. Financial position

Net debt as of 30 June 2020 stood at €14,920m, down €348m over the Net debt figure as of year-end 2019, after the €764m allocated to dividend payment and share buy-back. Net debt/LTM EBITDA stands at 3.5x, in line with the ratio as of 31 December 2019 (3.3x).

During 1H20, the most relevant financing operations were the following:

- Issue of a €1bn bond with a tenor of 5 years at a 1.25% coupon.
- New loans and credit lines in Spain for a total of €1,225m and €530m respectively. In the international businesses new loans and credit lines raised for a total equivalent of €487m and €66m respectively.
- Refinancing of credit lines in Spain for a total of €2,310m, and refinancing of loans and credit lines for a total equivalent of €208m and €87m respectively in the international businesses.
- €150m bond tap maturing on nov-29

Liquidity (€m)

Liquidity as of 30 June 2020 stood at €10,006m, including €4,457m in cash and cash equivalents and €5,549m in undrawn credit lines. In addition, the ECP program is completely undrawn as of 30 June 2020.

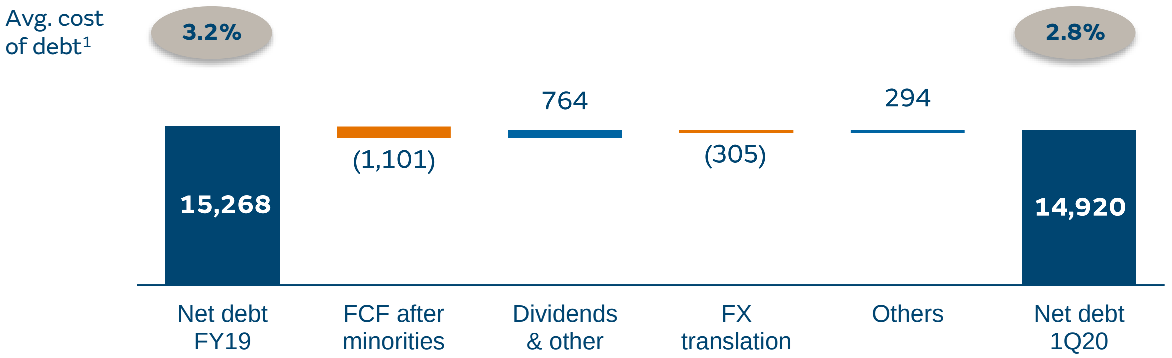
The detail of the group's current liquidity is as follows:

		Consolidated Group		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
		Jun'20	Dec'19	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Cash and equivalents	€m	4,457	2,685	400	66	149	58	117	110	3,557
Undrawn commited credit lines	€m	5,549	5,352	-	-	23	-	31	-	5,495
Total	€m	10,006	8,037	400	66	172	58	148	110	9,052

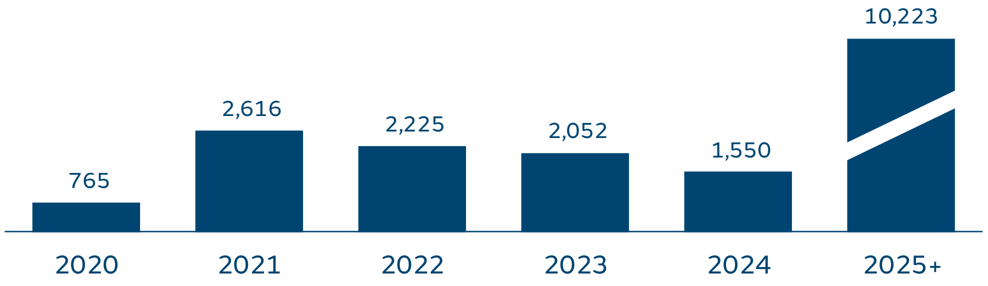
Weighted average maturity of the undrawn credit lines stands over 2 years, according to the following detail:

(€m)	2020	2021	2022	2023	2024	2025+
Undrawn commited credit lines	39	50	2,861	2,194	294	111

Net debt evolution (€m)



Gross debt maturities (€m)



Debt structure and credit metrics

Financial debt by currency		Consolidated Group		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
		Jun'20	Dec'19	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Net financial debt	€m	14,920	15,268	1,648	(10)	118	(32)	302	634	12,260
Average cost of debt[1]	%	2.8	3.2	5.1	5.3	5.0	46.9	7.8	4.3	1.8
% fixed rated (gross debt)	%	81	86	66	43	7	36	37	67	89

Credit metrics	1H20	FY19
EBITDA/Net financial debt cost	6.6	7.4
Net debt /LTM EBITDA	3.5	3.3

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

7. ESG metrics and highlights

		1H20	1H19	Change	Comments
Health and safety					
Accidents with lost time (1)	units	1	8	-87.5%	Significant improvement linked to he implementation of the *Plan Naturgy 2019*, as well as the impact from remote work during 2Q20
LT Frequency rate (2)	units	0.02	0.14	-85.7%	Reflects the reduction in accidents, altough slightly adjusted by a lower number of working hours
Environment					
GHG Emissions	M tCO2 e	6.7	7.8	-14.1%	Higher renewable and lower CCGT production in the period
Emission factor	t CO2/GWh	292	309	-5.3%	
Emissions-free installed capacity	%	33.8%	27.3%	23.8%	New renewable capacity coming into operation in Spain, as well as the shutdown of the coal capacity
Emissions-free net production	%	34.2%	26.4%	29.6%	Higher wind and hydro production
Interest in people					
Number of employees	persons	10,763	11,706	-8.1%	Perimeter changes and efficiencies
Training hours per employee	hours	14.1	14.2	-0.5%	Stable ratio despite the increase in remote work, showing the growing relevance of on-line training
Women representation	%	32.7%	31.7%	3.2%	Commitment for diversity and gender equality policies
Society and integrity					
Economic value distributed	M€	8,149	10,687	-23.7%	Affected by lower purchases and external services due to optimization efforts
Complaints received by the ethics comittee	units	36	73	-50.7%	Improved oversight and accountability

(1) In accordance to OSHA criteria
(2) Calculated for every 200,000 working hours

Beyond the efforts undertaken to support and protect the interests of its stakeholders during the COVID-19 outbreak, Naturgy has also taken decisive steps during the first six months of the year to further its ESG commitments.

In its recently issued New Global Environmental Policy Plan, Naturgy has set new targets to reduce its greenhouse gas (GHG) emissions, reduce CO_2 intensity in power generation and ensure that it increases its generation capacity from renewable sources. The recent shutdown of the company's coal power plants and the plans to replace them with new renewable developments will contribute towards the above goals.

In addition, a Sustainability Committee has been created at the Board of Directors level to supervise the company's progress and role in the energy transition along with all its environmental, health and safety, and social responsibility aspects and indicators.

During the first half of the year, Naturgy also continued to progress on governance matters and particularly on gender parity, nominating Lucy Chadwick and Isabel Estapé as new Board members, representing GIP and Criteria respectively.

COVID-19 company initiatives

Naturgy has proactively taken a number of key measures to address and mitigate the impacts of the COVID-19 pandemic on their operations and performance, as well as to **support and protect the interests of all its stakeholders**.

On 25 February, less than 24 hours following the first confirmed COVID-19 case in the Iberian Peninsula, Naturgy activated its Crisis Committee and started taking steps to support its stakeholders.

Measures to **preserve employee health, safety and wellbeing** were quickly introduced, including the prompt suspension of travel and attendance to external events, the activation of resources to guarantee effective remote work, or individual protection and support by Naturgy's medical services. More recently, a comprehensive roadmap for a gradual and safe return to work premises has been established by the company.

Relevant measures were also introduced to **support society as well as customers and suppliers**, including the reinforcement of key infrastructures to ensure the stability and quality of electricity and gas supply, free gas and electricity supply to hotels, residences and other hospitalized centers, or free of charge repairs for health workers and security forces and bodies, armed forces and fire fighters, involved in supporting society during the pandemic.

Our **SMEs and self-employed customers are also benefiting** from the deferral of invoice payments for 12 months to support their short term financing needs, while some of our suppliers have benefited from cash payment advances in respect of their invoices during in the second quarter of the year.

Annexes

Annex I: Financial Statements

Consolidated income statement

	reported			ordinary		
(€m)	**1H20**	**1H19**	**Change**	**1H20**	**1H19**	**Change**
Net sales	8,781	11,589	-24.2%	8,781	11,589	-24.2%
Procurement	-5,848	-8,292	-29.5%	-5,848	-8,292	-29.5%
Gross margin	**2,933**	**3,297**	**-11.0%**	**2,933**	**3,297**	**-11.0%**
Operating expenses	-447	-547	-18.3%	-447	-527	-15.2%
Personnel costs	-560	-528	6.1%	-392	-430	-8.8%
Own work capitalised	34	49	-30.6%	34	49	-30.6%
Other operating income	90	90	-	89	87	2.3%
Taxes	-180	-185	-2.7%	-180	-185	-2.7%
EBITDA	**1,870**	**2,176**	**-14.1%**	**2,037**	**2,291**	**-11.1%**
Other results	15	20	-25.0%	-	-	-
Depreciation, amortisation and impairment expenses	-789	-792	-0.4%	-789	-772	2.2%
Impairment of credit losses	-101	-62	62.9%	-101	-62	62.9%
EBIT	**995**	**1,342**	**-25.9%**	**1,147**	**1,457**	**-21.3%**
Financial result	-279	-331	-15.7%	-279	-331	-15.7%
Profit/(loss) of companies measured under the equity method	3	38	-92.1%	3	38	-92.1%
Profit before taxes	**719**	**1,049**	**-31.5%**	**871**	**1,164**	**-25.2%**
Income tax	-165	-227	-27.3%	-201	-247	-18.6%
Income from discontinued operations	-47	-21	-	-	-	-
Non-controlling interest	-173	-209	-17.2%	-180	-214	-15.9%
Net income	**334**	**592**	**-43.6%**	**490**	**703**	**-30.3%**

Consolidated Balance Sheet

(€m)	30/06/2020	31/12/2019
Non-current assets	**31,836**	**32,351**
Intangible assets	7,200	7,713
Property, plant and equipment	19,120	19,647
Right of use assets	1,393	1,416
Equity-accounted investments	896	731
Non-current financial assets	500	738
Other non-current assets	1,171	581
Deferred tax assets	1,556	1,525
Current assets	**9,457**	**8,787**
Non-current assets available for sale	-	73
Inventories	490	796
Trade and other accounts receivable	3,941	4,900
Other current financial assets	569	333
Cash and cash equivalents	4,457	2,685
TOTAL ASSETS	**41,293**	**41,138**

(€m)	30/06/2020	31/12/2019
Equity	**13,197**	**13,976**
Equity attributable to the parent company	9,853	10,551
Non-controlling interest	3,344	3,425
Non-current liabilities	**22,033**	**20,439**
Deferred revenues	893	898
Non-current provisions	1,143	1,264
Non-current financial liabilities	17,102	15,701
Deferred tax liabilities	2,253	2,084
Other non-current liabilities	642	492
Current liabilities	**6,063**	**6,723**
Liabilities linked to non-current assets available for sale	8	46
Current provisions	222	312
Current financial liabilities	2,329	2,286
Trade and other accounts payable	3,231	3,793
Other current liabilities	273	286
TOTAL LIABILITIES AND EQUITY	**41,293**	**41,138**

Summary cash flow statement

(€m)	1H20	1H19	Change
EBITDA	**1,870**	**2,176**	**-14.1%**
Taxes	-61	-107	-43.0%
Net interest cost	-279	-331	-15.7%
Other non-cash items	-231	-90	-
Funds from operations	**1,299**	**1,648**	**-21.2%**
Change in working capital	720	808	-10.9%
Cash flow from operations	**2,019**	**2,456**	**-17.8%**
Growth capex	-310	-447	-30.6%
Maintenance capex	-217	-225	-3.6%
Divestments	-7	59	-
Dividends to minorities	-151	-146	-
Others	-233	-249	-6.4%
Free cash flow after minorities	**1,101**	**1,448**	**-24.0%**
Dividends, share buy-back & other	-764	-856	-10.7%
Net free cash flow	**337**	**592**	**-43.1%**

Naturgy

Quarterly EBITDA by business unit

(€m)	1Q20	2Q20	3Q20	4Q20	2020
Gas & Power	**318**	**229**			**547**
Gas, powery and services sales	79	48			127
International LNG	52	38			90
Europe power generation	107	71			178
International power generation	80	72			152
Infrastructure EMEA	**390**	**432**			**822**
Spain gas networks	189	213			402
Spain electricity networks	133	162			295
EMPL	68	57			125
Infrastructure LatAm South	**175**	**196**			**371**
Chile electricity	62	63			125
Chile gas	33	66			99
Brazil gas	59	46			105
Argentina gas	14	15			29
Argentina electricity	7	6			13
Infrastructure LatAm North	**111**	**78**			**189**
Mexico gas	74	45			119
Panama electricity	37	33			70
Rest	**-38**	**-21**			**-59**
TOTAL EBITDA	**956**	**914**			**1,870**

(€m)	1Q19	2Q19	3Q19	4Q19	2019
Gas & Power	**407**	**258**	**309**	**508**	**1,482**
Gas, powery and services sales	110	88	105	144	447
International LNG	109	49	38	148	344
Europe power generation	108	37	53	113	311
International power generation	80	84	113	103	380
Infrastructure EMEA	**446**	**473**	**504**	**500**	**1,923**
Spain gas networks	209	234	244	248	935
Spain electricity networks	159	163	180	173	675
EMPL	78	76	80	79	313
Infrastructure LatAm South	**194**	**255**	**273**	**218**	**940**
Chile electricity	87	76	94	96	353
Chile gas	38	80	74	46	238
Brazil gas	58	67	66	71	262
Argentina gas	10	29	35	-2	72
Argentina electricity	1	3	4	7	15
Infrastructure LatAm North	**101**	**88**	**91**	**96**	**376**
Mexico gas	61	54	54	60	229
Panama electricity	40	34	37	36	147
Rest	**-22**	**-24**	**-28**	**-42**	**-116**
TOTAL EBITDA	**1,126**	**1,050**	**1,149**	**1,280**	**4,605**

Accumulated EBITDA by business unit

	reported			ordinary			
(€m)	**1H20**	**1H19**	**Change**	**1H20**	**1H19**	**Change**	**FX**
Gas & Power	**547**	**665**	**-17.7%**	**599**	**708**	**-15.4%**	**-1**
Gas, powery and services sales	127	198	-35.9%	164	217	-24.4%	-
International LNG	90	158	-43.0%	92	159	-42.1%	-1
Europe power generation	178	145	22.8%	190	167	13.8%	-
International power generation	152	164	-7.3%	153	165	-7.3%	-
Infrastructure EMEA	**822**	**919**	**-10.6%**	**895**	**970**	**-7.7%**	**3**
Spain gas networks	402	443	-9.3%	442	469	-5.8%	-
Spain electricity networks	295	322	-8.4%	328	347	-5.5%	-
EMPL	125	154	-18.8%	125	154	-18.8%	3
Infrastructure LatAm South	**371**	**449**	**-17.4%**	**377**	**450**	**-16.2%**	**-82**
Chile electricity	125	163	-23.3%	129	162	-20.4%	-22
Chile gas	99	118	-16.1%	100	118	-15.3%	-9
Brazil gas	105	125	-16.0%	105	126	-16.7%	-24
Argentina gas and electricity	42	43	-2.3%	43	44	-23.1%	-27
Infrastructure LatAm North	**189**	**189**	**-**	**191**	**190**	**0.5%**	**-7**
Mexico gas	119	115	3.5%	120	116	3.4%	-9
Panama electricity	70	74	-5.4%	71	74	-4.1%	2
Rest	**-59**	**-46**	**28.3%**	**-25**	**-27**	**-7.4%**	**-**
TOTAL EBITDA	**1,870**	**2,176**	**-14.1%**	**2,037**	**2,291**	**-11.1%**	**-87**

Results by business unit

1. Gas & Power

Gas, power & services sales (€m)	1H20	1H19	Change
Net sales	4,254	6,058	-29.8%
Procurement	-3,947	-5,661	-30.3%
Gross margin	**307**	**397**	**-22.7%**
Other operating income	9	13	-30.8%
Personnel expenses	-85	-71	19.7%
Taxes	-13	-31	-58.1%
Other operating expenses	-91	-110	-17.3%
EBITDA	**127**	**198**	**-35.9%**
Depreciation, provisions and other results	-84	-74	13.5%
EBIT	**43**	**124**	**-65.3%**

International LNG (€m)	1H20	1H19	Change
Net sales	1,250	1,553	-19.5%
Procurement	-1,143	-1,377	-17.0%
Gross margin	**107**	**176**	**-39.2%**
Other operating income	1	1	-
Personnel expenses	-13	-12	8.3%
Taxes	-	-	-
Other operating expenses	-5	-7	-28.6%
EBITDA	**90**	**158**	**-43.0%**
Depreciation, provisions and other results	-65	-60	8.3%
EBIT	**25**	**98**	**-74.5%**

Europe power generation (€m)	1H20	1H19	Change
Net sales	692	789	-12.3%
Procurement	-284	-410	-30.7%
Gross margin	**408**	**379**	**7.7%**
Other operating income	8	4	-
Personnel expenses	-62	-52	19.2%
Taxes	-105	-92	14.1%
Other operating expenses	-71	-94	-24.5%
EBITDA	**178**	**145**	**22.8%**
Depreciation, provisions and other results	-156	-138	13.0%
EBIT	**22**	**7**	**-**

International power generation (€m)	1H20	1H19	Change
Net sales	348	456	-23.7%
Procurement	-153	-242	-36.8%
Gross margin	**195**	**214**	**-8.9%**
Other operating income	-	2	-
Personnel expenses	-16	-19	-15.8%
Taxes	-2	-2	-
Other operating expenses	-25	-31	-19.4%
EBITDA	**152**	**164**	**-7.3%**
Depreciation, provisions and other results	-55	-59	-6.8%
EBIT	**97**	**105**	**-7.6%**

2. Infrastructure EMEA

Spain gas networks (€m)	1H20	1H19	Change
Net sales	569	615	-7.5%
Procurement	-39	-41	-4.9%
Gross margin	**530**	**574**	**-7.7%**
Other operating income	18	20	-10.0%
Personnel expenses	-73	-61	19.7%
Taxes	-13	-16	-18.8%
Other operating expenses	-60	-74	-18.9%
EBITDA	**402**	**443**	**-9.3%**
Depreciation, provisions and other results	-149	-149	-
EBIT	**253**	**294**	**-13.9%**

Spain electricity networks (€m)	1H20	1H19	Change
Net sales	413	435	-5.1%
Procurement	-	-	-
Gross margin	**413**	**435**	**-5.1%**
Other operating income	9	8	12.5%
Personnel expenses	-61	-60	1.7%
Taxes	-14	-15	-6.7%
Other operating expenses	-52	-46	13.0%
EBITDA	**295**	**322**	**-8.4%**
Depreciation, provisions and other results	-122	-120	1.7%
EBIT	**173**	**202**	**-14.4%**

EMPL (€m)	1H20	1H19	Change
Net sales	137	165	-17.0%
Procurement	-	-	-
Gross margin	**137**	**165**	**-17.0%**
Other operating income	-	-	-
Personnel expenses	-3	-3	-
Taxes	-	-	-
Other operating expenses	-9	-8	12.5%
EBITDA	**125**	**154**	**-18.8%**
Depreciation, provisions and other results	-28	-16	75.0%
EBIT	**97**	**138**	**-29.7%**

3. Infrastructure LatAm South

Chile electricity (€m)	1H20	1H19	Change
Net sales	1,007	1,126	-10.6%
Procurement	-779	-846	-7.9%
Gross margin	**228**	**280**	**-18.6%**
Other operating income	6	6	-
Personnel expenses	-34	-45	-24.4%
Taxes	-3	-3	-
Other operating expenses	-72	-75	-4.0%
EBITDA	**125**	**163**	**-23.3%**
Depreciation, provisions and other results	-67	-57	17.5%
EBIT	**58**	**106**	**-45.3%**

Chile gas (€m)	1H20	1H19	Change
Net sales	256	402	-36.3%
Procurement	-127	-247	-48.6%
Gross margin	**129**	**155**	**-16.8%**
Other operating income	1	1	-
Personnel expenses	-12	-14	-14.3%
Taxes	-1	-1	-
Other operating expenses	-18	-23	-21.7%
EBITDA	**99**	**118**	**-16.1%**
Depreciation, provisions and other results	-32	-31	3.2%
EBIT	**67**	**87**	**-23.0%**

Brazil gas (€m)	1H20	1H19	Change
Net sales	547	881	-37.9%
Procurement	-404	-709	-43.0%
Gross margin	**143**	**172**	**-16.9%**
Other operating income	13	11	18.2%
Personnel expenses	-11	-14	-21.4%
Taxes	-3	-2	50.0%
Other operating expenses	-37	-42	-11.9%
EBITDA	**105**	**125**	**-16.0%**
Depreciation, provisions and other results	-31	-32	-3.1%
EBIT	**74**	**93**	**-20.4%**

Argentina gas (€m)	1H20	1H19	Change
Net sales	224	244	-8.2%
Procurement	-145	-160	-9.4%
Gross margin	**79**	**84**	**-6.0%**
Other operating income	11	16	-31.3%
Personnel expenses	-17	-11	54.5%
Taxes	-14	-12	16.7%
Other operating expenses	-30	-38	-21.1%
EBITDA	**29**	**39**	**-25.6%**
Depreciation, provisions and other results	-13	-14	-7.1%
EBIT	**16**	**25**	**-36.0%**

Argentina electricity (€m)	1H20	1H19	Change
Net sales	61	64	-4.7%
Procurement	-29	-42	-31.0%
Gross margin	**32**	**22**	**45.5%**
Other operating income	2	3	-33.3%
Personnel expenses	-5	-4	25.0%
Taxes	-7	-8	-12.5%
Other operating expenses	-9	-9	-
EBITDA	**13**	**4**	**-**
Depreciation, provisions and other results	-	-1	-
EBIT	**12**	**3**	**-**

4. Infrastructure LatAm North

Mexico gas (€m)	1H20	1H19	Change
Net sales	268	333	-19.5%
Procurement	-132	-188	-29.8%
Gross margin	**136**	**145**	**-6.2%**
Other operating income	16	7	-
Personnel expenses	-10	-10	-
Taxes	-1	-	-
Other operating expenses	-22	-27	-18.5%
EBITDA	**119**	**115**	**3.5%**
Depreciation, provisions and other results	-27	-31	-12.9%
EBIT	**92**	**84**	**9.5%**

Panama electricity (€m)	1H20	1H19	Change
Net sales	408	448	-8.9%
Procurement	-315	-350	-10.0%
Gross margin	**93**	**98**	**-5.1%**
Other operating income	2	1	-
Personnel expenses	-4	-4	-
Taxes	-2	-2	-
Other operating expenses	-19	-19	-
EBITDA	**70**	**74**	**-5.4%**
Depreciation, provisions and other results	-32	-23	39.1%
EBIT	**38**	**51**	**-25.5%**

Capex

Growth capex (€m)	1H20	1H19	Change
Gas & Power	**186**	**270**	**-31.1%**
Gas, power & services sales	13	19	-31.6%
International LNG	3	-	-
Europe power generation	35	219	-84.0%
International power generation	135	32	-
Infrastructure EMEA	**47**	**97**	**-51.5%**
Spain gas networks	20	71	-71.8%
Spain electricity networks	27	26	3.8%
EMPL	-	-	-
Infrastructure LatAm South	**71**	**67**	**6.0%**
Chile electricity	40	15	-
Chile gas	21	37	-43.2%
Brazil gas	6	8	-25.0%
Argentina gas	2	4	-50.0%
Argentina electricity	2	3	-33.3%
Infrastructure LatAm North	**30**	**38**	**-21.1%**
Mexico gas	6	14	-57.1%
Panama electricity	24	24	-
Rest	**-**	**-**	**-**
Total investments	**334**	**472**	**-29.2%**

Maintenance capex (€m)	1H20	1H19	Change
Gas & Power	**42**	**66**	**-36.4%**
Gas, power & services sales	5	2	-
International LNG	1	2	-50.0%
Europe power generation	26	31	-16.1%
International power generation	10	31	-67.7%
Infrastructure EMEA	**67**	**74**	**-9.5%**
Spain gas networks	14	13	7.7%
Spain electricity networks	53	60	-11.7%
EMPL	-	1	-
Infrastructure LatAm South	**58**	**56**	**3.6%**
Chile electricity	36	30	20.0%
Chile gas	3	5	-40.0%
Brazil gas	11	9	22.2%
Argentina gas	8	12	-33.3%
Argentina electricity	-	-	-
Infrastructure LatAm North	**32**	**27**	**18.5%**
Mexico gas	6	4	50.0%
Panama electricity	26	23	13.0%
Rest	**19**	**4**	**-**
Total investments	**218**	**227**	**-4.0%**

Annex II: Communications to the CNMV

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1T19 results' presentation:

Inside Information

- Naturgy discloses communication regarding the agreement with ENI and The Arab Republic of Egypt (disclosed 23 April 2020, registration number 176).

Other Relevant Information

- Naturgy discloses information on earnings for the first quarter of 2020 (disclosed 29 April 2020, registration number 1831).
- Naturgy files the presentation on earnings for the first quarter of 2020 (disclosed 29 April 2020, registration number 1846).
- Naturgy reports the Buy-back programme of the Company´s own share for delivery to active employees of the group in Spain who choose to have part of their salary paid in shares (disclosed 6 May 2020, registration number 2069, 2104 and 2137).
- Naturgy announces a complementary notice to the call of the Ordinary General Shareholders' Meeting (disclosed 19 May 2020, registration number 2294).
- Naturgy discloses the Share acquisition plan for employees (disclosed 22 May 2020, registration number 2368).
- Naturgy files the presentation of the 2020 Ordinary General Shareholders' Meeting (disclosed 26 May 2020, registration number 2422).
- Naturgy discloses the agreements approved by the 2020 Ordinary General Shareholders' Meeting (disclosed 26 May 2020, registration number 2433).
- Naturgy announces its first half 2020 results release (disclosed 9 July 2020, registration number 3325).

Additional regulatory disclosures can be found at:

www.cnmv.es

www.naturgy.com

Annex III: Glossary of terms

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.

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2020	30 June 2019	
Ebitda	Operating profit	Euros 1,870 million	Euros 2,176 million	Measure of earnings before interest, taxes, depreciation and amortization and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items	2,037 = Euros 1,870 million + 167	2,291 = Euros 2,176 million + 115	Ebitda corrected of impacts like restructuring costs and other non-ordinary items considered relevant for a better understanding of the underlying results of the Group.
Ordinary Net income	Attributable net income of the period - Non-ordinary items	Euros 490 million = 334 + 156	Euros 703 million = 592+ 111	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 + Investments in property, plant & equipment	Euros 552 million = 61 + 491	Euros 699 million = 69 + 630	Realized investments in property, plant & equipment and intangible assets.
Net Investments	CAPEX - Other proceeds/(payments) of investments activities	Euros 527 million = 552 - 25	Euros 672 million = 699 – 27	Total investments net of the cash received from divestments and other investing receipts.
Gross financial debt	Non-current financial liabilities + "Current financial liabilities"	Euros 19,431 million = 17,102 + 2,329	Euros 17,987 million (1) = 15,701 + 2,286	Current and non-current financial debt
Net financial debt	Gross financial debt - "Cash and cash equivalents" - "Derivative financial assets"	Euros 14,920 million = 19,431 – 4,457 - 54	Euros 15,268 million (1) = 17,987 – 2,685 – 34	Current and non-current financial debt less cash and cash equivalents and derivative financial assets
Leverage (%)	Net financial debt / (Net financial debt + "Net equity")	53.1% = 14,920 / (14,920 + 13,197)	52.2% (1) = 15,268 / (15,268 + 13,976)	The ratio of external funds over total funds
Cost of net financial debt	Cost of financial debt - "Interest revenue"	Euros 285 million = 297 - 12	Euros 306 million = 316 - 10	Amount of expense relative to the cost of financial debt less interest revenue
Ebitda/Cost of net financial debt	Ebitda / Cost of net financial debt	6.6x = 1,870 / 285	7.4x (1) = 4,605 / 624	Ratio between Ebitda and net financial debt
Net financial debt/LTM Ebitda	Net financial debt / Last twelve months Ebitda	3.5x = 14,920 / 4,298	3.3x (1) = 15,268/ 4,562	Ratio between net financial debt and Ebitda
Free Cash Flow after minorities	Free Cash Flow + Dividends and other + Acquisitions of treasury shares + Inorganic investments payments	Euros 1,101 million = 337 + 580 + 184 + 0	Euros 1,448 million = 592 + 560 + 288 + 8	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 + Cash flows from investing activities + Cash flow generated from financing activities - Receipts and payments on financial liability instruments	Euros 337 million = 2,019 - 699 – 738 – 1,721	Euros 592 million = 2,456 - 859 – 172 – 1,177	Cash flow generated by the Company available to pay the debt.

(1) As of 31 December 2019

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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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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).

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October and their implementing regulations. In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, in any other jurisdiction.

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