Report on Limited Review of Naturgy Energy Group, S.A. and Subsidiaries

(Together with the condensed consolidated interim financial statements and the consolidated interim directors' report of Naturgy Energy Group, S.A. and subsidiaries for the six-month period ended 30 June 2024)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Report on Limited Review of Condensed Consolidated Interim Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Naturgy Energy Group, S.A., commissioned by the Directors of the Company

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Naturgy Energy Group, S.A. (the "Company") and subsidiaries (together the "Group"), which comprise the balance sheet at 30 June 2024, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes (all condensed and consolidated). The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2024 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial statements.

Emphasis of Matter

We draw your attention to the accompanying note 2, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2023. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2024 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated interim financial statements for the six-month period ended 30 June 2024. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Naturgy Energy Group, S.A. and subsidiaries.

Other Matter

This report has been prepared as requested by the Company's Directors in relation to publication of the half-yearly financial report required by article 100 of Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Eduardo González Fernández

22 July 2024

Interim consolidated financial statements at 30 June **2024**

Naturgy

This Interim consolidated financial report as at 30 June 2024 is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2024

Naturgy

Naturgy

Interim consolidated balance sheet at 30 June 2024 and 31 December 2023 (million euros)

	Note	30.06.2024	31.12.2023
ASSETS			
Intangible assets	5	5,934	5,969
Goodwill		2,939	2,930
Other intangible assets		2,995	3,039
Property, plant and equipment	5	18,974	18,666
Right-of-use assets	5	1,177	1,189
Investments recorded using the equity method	6	629	612
Non-current financial assets	7	501	484
Other non-current assets	8	390	425
Derivatives	13	81	123
Other assets		309	302
Deferred tax assets		1,975	1,919
NON-CURRENT ASSETS		**29,580**	**29,264**
Non-current assets held for sale	9	—	—
Inventories		759	1,254
Trade and other receivables	8	3,051	3,254
Trade receivables for sales and services		2,463	2,788
Other receivables		455	412
Derivatives	13	56	15
Current tax assets		77	39
Other current financial assets	7	363	435
Cash and cash equivalents		4,087	3,686
CURRENT ASSETS		**8,260**	**8,629**
TOTAL ASSETS		**37,840**	**37,893**
EQUITY AND LIABILITIES			
Capital		970	970
Share premium		3,808	3,808
Treasury shares		(206)	(206)
Reserves		5,955	5,332
Profit for the period attributed to the parent company		1,043	1,986
Interim dividend		—	(969)
Other equity items		(1,797)	(1,473)
Equity attributed to the parent company		**9,773**	**9,448**
Non-controlling interests		**2,103**	**2,481**
EQUITY	**10**	**11,876**	**11,929**
Deferred income		1,080	951
Non-current provisions	11	1,605	1,848
Non-current financial liabilities	12	13,557	13,426
Borrowings		12,248	12,130
Lease liabilities		1,309	1,296
Deferred tax liabilities		1,939	2,016
Other non-current liabilities		1,039	633
Derivatives	13	497	177
Other liabilities		542	456
NON-CURRENT LIABILITIES		**19,220**	**18,874**
Liabilities related to non-current assets held for sale	9	—	—
Current provisions	11	189	543
Current financial liabilities	12	2,587	2,544
Borrowings		2,414	2,368
Lease liabilities		165	167
Other financial liabilities		8	9
Trade and other payables		3,659	3,721
Trade payables		2,250	2,756
Other payables		616	514
Derivatives	13	513	327
Current tax liabilities		280	124
Other current liabilities		309	282
CURRENT LIABILITIES		**6,744**	**7,090**
TOTAL EQUITY AND LIABILITIES		**37,840**	**37,893**

Notes 1 to 27 contained in the notes to the condensed consolidated interim financial statements and the Appendices are an integral part of the consolidated interim balance sheet at 30 June 2024 and 31 December 2023.

Naturgy

Interim consolidated income statements for the six-month periods ended 30 June 2024 and 2023 (million euros)

		Six months ended on June 30	
	Note	**2024**	**2023**
Net sales	14	9,071	12,054
Procurements	15	(5,301)	(8,102)
Other operating income	17	134	138
Personnel expenses, net	16	(288)	(318)
Other operating expenses	17	(801)	(948)
Gain/(loss) on disposals of fixed assets		—	—
Release of fixed asset grants to income and other		31	25
GROSS OPERATING PROFIT		**2,846**	**2,849**
Depreciation, amortisation and impairment losses	18	(764)	(944)
Impairment due to credit losses	13	(33)	(152)
Other results	19	(193)	(40)
OPERATING PROFIT/(LOSS)		**1,856**	**1,713**
Financial income		227	133
Financial expenses		(437)	(400)
Variations in fair value of financial instruments		11	(10)
Net exchange differences		(16)	27
NET FINANCIAL INCOME /(EXPENSE)	**20**	**(215)**	**(250)**
Profit/(loss) of entities recorded by equity method		56	43
PROFIT/(LOSS) BEFORE TAXES		**1,697**	**1,506**
Corporate income tax	23	(382)	(371)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,315**	**1,135**
Profit for the period from discontinued operations, net of taxes	9	(22)	—
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD		**1,293**	**1,135**
Attributable to:			
The parent company		1,043	1,045
From continuing operations		1,065	1,045
From discontinued operations		(22)	—
Non-controlling interests		250	90
Basic and diluted earnings per share in euros from continuing operations attributable to the equity holders of the parent company (Note 10)		1.11	1.09
Basic and diluted earnings per share in euros from discontinued operations attributable to the equity holders of the parent company (Note 10)		(0.02)	—
Basic and diluted earnings per share in euros attributable to the equity holders of the parent company		1.09	1.09

Notes 1 to 27 contained in the notes to the condensed consolidated interim financial statements and the Appendices are an integral part of the consolidated interim income statements for the six-month periods ended 30 June 2024 and 2023.

Naturgy

Interim consolidated statements of comprehensive income for the six-month periods ended 30 June 2024 and 2023 (million euros)

	Six months ended on June 30	
	2024	**2023**
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	**1,293**	**1,135**
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY		
ITEMS THAT WILL NOT BE TRANSFERRED TO PROFIT/(LOSS):	**(4)**	**—**
Actuarial gains and losses and other adjustments	(5)	—
Tax effect of actuarial gains and losses and other adjustments	1	—
ITEMS THAT WILL SUBSEQUENTLY BE TRANSFERRED TO PROFIT/ (LOSS):	**(356)**	**1,032**
Cash flow hedges	(530)	1,024
Gains / (Losses) per valuation	(662)	596
Releases to income statement	132	428
Currency translation differences	48	130
Gains / (Losses) per valuation	46	90
Releases to income statement	2	40
Equity-consolidated companies	10	—
Currency translation differences - Gains/ (Losses) per valuation	9	—
Cash flow hedges - Gains / (Losses) per valuation	1	—
Tax effect	116	(122)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**(360)**	**1,032**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**933**	**2,167**
Attributable to:		
The parent company	716	2,041
From continuing operations	738	2,041
From discontinued operations	(22)	—
Non-controlling interests	217	126

Notes 1 to 27 contained in the notes to the condensed consolidated interim financial statements and the Appendices are an integral part of the consolidated interim statement of comprehensive income for the six-month periods ended 30 June 2024 and 2023.

Naturgy
Interim consolidated statement of changes in equity at 30 June 2024 and 31 December 2023 (million euros)

	Equity attributed to the parent company (Note 10)										Non-controlling interests (Note 10)	Equity
						Other equity items						
	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Profit/ (loss) for the year	Currency translation differences	Cash flow hedges	Financial assets at fair value	Total	Subtotal		
Balance at 31.12.2022	**970**	**3,808**	**(201)**	**4,192**	**1,649**	**(1,326)**	**(1,156)**	**(362)**	**(2,844)**	**7,574**	**2,405**	**9,979**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**1,045**	**101**	**895**	**—**	**996**	**2,041**	**126**	**2,167**
Operations with shareholders or owners	**—**	**—**	**(1)**	**1,167**	**(1,649)**	**—**	**—**	**—**	**—**	**(483)**	**(43)**	**(526)**
Dividend distribution	—	—	—	1,164	(1,649)	—	—	—	—	**(485)**	**(43)**	**(528)**
Trading in treasury shares	—	—	(1)	—	—	—	—	—	—	**(1)**	**—**	**(1)**
Share-based payments	—	—	—	3	—	—	—	—	—	**3**	**—**	**3**
Other changes in equity	**—**	**—**	**—**	**6**	**—**	**—**	**—**	**—**	**—**	**6**	**(30)**	**(24)**
Other changes	—	—	—	6	—	—	—	—	—	**6**	**(30)**	**(24)**
Balance at 30.06.2023	**970**	**3,808**	**(202)**	**5,365**	**1,045**	**(1,225)**	**(261)**	**(362)**	**(1,848)**	**9,138**	**2,458**	**11,596**
Total comprehensive income for the year	**—**	**—**	**—**	**(32)**	**941**	**(156)**	**531**	**—**	**375**	**1,284**	**174**	**1,458**
Operations with shareholders or owners	**—**	**—**	**(4)**	**(967)**	**—**	**—**	**—**	**—**	**—**	**(971)**	**(141)**	**(1,112)**
Dividend distribution	—	—	—	(969)	—	—	—	—	—	**(969)**	**(141)**	**(1,110)**
Trading in treasury shares	—	—	(4)	—	—	—	—	—	—	**(4)**	**—**	**(4)**
Share-based payments	—	—	—	2	—	—	—	—	—	**2**	**—**	**2**
Other changes in equity	**—**	**—**	**—**	**(3)**	**—**	**—**	**—**	**—**	**—**	**(3)**	**(10)**	**(13)**
Other changes	—	—	—	(3)	—	—	—	—	—	**(3)**	**(10)**	**(13)**
Balance at 31.12.2023	**970**	**3,808**	**(206)**	**4,363**	**1,986**	**(1,381)**	**270**	**(362)**	**(1,473)**	**9,448**	**2,481**	**11,929**
Total comprehensive income for the period	**—**	**—**	**—**	**(3)**	**1,043**	**54**	**(378)**	**—**	**(324)**	**716**	**217**	**933**
Operations with shareholders or owners	**—**	**—**	**—**	**1,599**	**(1,986)**	**—**	**—**	**—**	**—**	**(387)**	**(67)**	**(454)**
Dividend distribution	—	—	—	1,598	(1,986)	—	—	—	—	**(388)**	**(67)**	**(455)**
Share-based payments	—	—	—	1	—	—	—	—	—	**1**	**—**	**1**
Other changes in equity	**—**	**—**	**—**	**(4)**	**—**	**—**	**—**	**—**	**—**	**(4)**	**(528)**	**(532)**
Other changes	—	—	—	(4)	—	—	—	—	—	**(4)**	**(528)**	**(532)**
Balance at 30.06.2024	**970**	**3,808**	**(206)**	**5,955**	**1,043**	**(1,327)**	**(108)**	**(362)**	**(1,797)**	**9,773**	**2,103**	**11,876**

Notes 1 to 27 contained in the notes to the condensed consolidated interim financial statements and the Appendices are an integral part of the consolidated interim statement of changes in equity at 30 June 2024 and 31 December 2023.

Naturgy

Interim consolidated cash flow statements for the six-month periods ended 30 June 2024 and 2023 (million euros)

		Six months ended on June 30	
	Note	**2024**	**2023**
Profit/(loss) before tax		**1,697**	**1,506**
Adjustments to income:	**21**	**853**	**736**
Depreciation/amortisation and impairment losses	21	764	944
Other adjustments to net profit	21	89	(208)
Changes in working capital	**21**	**(99)**	**993**
Other cash flow generated from operations:	**21**	**(450)**	**(84)**
Interest paid	21	(370)	(353)
Interest collected	21	102	92
Dividends collected	21	47	70
Income tax paid	21	(229)	107
CASH FLOW GENERATED FROM OPERATING ACTIVITIES		**2,001**	**3,151**
Cash flows into investing activities:		**(1,068)**	**(1,370)**
Group companies acquisitions, net of cash and equivalents	21	(10)	(114)
Property, plant and equipment and intangible assets		(1,047)	(1,243)
Other financial assets		(11)	(13)
Proceeds from divestitures:		**92**	**91**
Property, plant and equipment and intangible assets		1	—
Other financial assets		91	91
Other cash flows from investing activities:		**236**	**40**
Other proceeds from investing activities		236	40
CASH FLOWS FROM INVESTING ACTIVITIES		**(740)**	**(1,239)**
Receipts/(payments) on equity instruments:		**(506)**	**(11)**
Acquisition		(506)	(11)
Receipts and payments on financial liability instruments:		**110**	**(789)**
Issue		1,849	361
Repayment and amortisation		(1,739)	(1,150)
Dividends paid (and remuneration on other equity instruments)	10	**(460)**	**(519)**
Other cash flows from financing activities		**(8)**	**(5)**
CASH FLOW GENERATED FROM FINANCING ACTIVITIES		**(864)**	**(1,324)**
Effect of fluctuations in exchange rates		**4**	**(18)**
VARIATION IN CASH AND CASH EQUIVALENTS		**401**	**570**
Cash and cash equivalents at beginning of the period		3,686	3,985
Cash and cash equivalents at period end		4,087	4,555

Notes 1 to 27 contained in the notes to the condensed consolidated interim financial statements and the Appendices are an integral part of the consolidated interim statements of cash flows for the six-month periods ended 30 June 2024 and 2023.

Notes to the condensed consolidated interim financial statements of Naturgy at 30 June 2024

Note 1. General information

Naturgy Energy Group, S.A. is a public limited company that was incorporated in 1843. Its registered office is located at Avenida de America 38, Madrid, Spain. On 27 June 2018, the shareholders, in general meeting, agreed to change the company's business name to Naturgy Energy Group, S.A. (formerly Gas Natural SDG, S.A.).

Naturgy Energy Group, S.A. and subsidiaries ("Naturgy") form a group that is mainly engaged in the business of gas (procurement, liquefaction, regasification, transport, storage, distribution and supply), electricity (generation, transmission, distribution and supply) and any other existing source of energy. It may also act as a holding company and, in this respect, may incorporate or hold shares in other entities, no matter what their corporate object or nature, by subscribing, acquiring or holding shares, participation units or any other securities deriving from same.

Naturgy operates mainly in Spain and, outside Spain, in Latin America, Australia, the USA and the rest of Europe.

Note 3 contains financial information by operating segment.

Appendix I. lists the changes in the consolidation scope with respect to Naturgy's investees at the closing date detailed in the consolidated financial statements for the year ended 31 December 2023.

The shares of Naturgy Energy Group, S.A. are listed on the four official Spanish stock exchanges, are traded on the continuous market and form part of the IBEX35.

On 16 and 17 April, Criteria Caixa, S.A.U. and TAQA each issued a regulatory disclosure confirming that they were in discussions that could result in an offer for the shares of Naturgy Energy Group, S.A.

Subsequently, on 10 June 2024, Criteria Caixa, S.A.U. issued a communiqué in which it disclosed that the aforementioned negotiations had concluded without reaching any agreement. However, it reaffirmed its long-term commitment to Naturgy's project and announced that it was in talks to explore potential partners that might enable Naturgy to deepen its transformation and accelerate its energy transition. On 11 June 2024, TAQA issued a similar communiqué announcing that it would not be performing the transaction.

Note 2. Basis of presentation and accounting policies

2.1. Basis of presentation

The consolidated financial statements of Naturgy Energy Group, S.A. for the year ended 31 December 2023 were approved by the shareholders at a General Meeting on 2 April 2024.

These condensed consolidated interim financial statements of Naturgy at 30 June 2024 were authorised by the Board of Directors on 22 July 2024 pursuant to IAS 34 "Interim financial reporting" and should be read together with the consolidated financial statements for the year ended 31 December 2023, which were drawn up in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council ("IFRS-EU").

As a result, it was not necessary to replicate or update certain notes or estimates contained in the consolidated financial statements for the year ended 31 December 2023. Instead, the accompanying selected notes to the financial statements contain an explanation of significant events or movements in order to explain any changes in the consolidated financial position and results of operations, comprehensive income, changes in equity and cash flows of Naturgy between 31 December 2023, the date of the above-mentioned consolidated financial statements, and 30 June 2024.

The figures set out in these condensed consolidated interim financial statements are expressed in million euros, unless otherwise stated.

2.2. Seasonality

Demand for natural gas is seasonal, with residential gas supplies and sales in Europe generally being higher in the colder months, from October to March, than during the warmer months, from April to September, while natural gas demand for industrial and power generation purposes is normally more stable throughout the year. Electricity demand tends to increase in summer in Spain, particularly in July and August, offsetting the seasonal fluctuations in gas, since both activities are in the "Supply" segment.

2.3. New IFRS-EU and IFRIC interpretations

As a result of their approval, publication and entry into force on 1 January 2024, the following standards, amendments and interpretations adopted by the European Union have been applied:

Standards adopted by the European Union		**Entry into force for annual periods commencing**
IAS 1 (Amendment) "Classification of liabilities as current or non-current" "Non-Current Liabilities with Covenants"	Expands on the criteria for the classification of non-current liabilities.	1 January 2024
IFRS 16 (Amendment) "Lease Liability on a Sale and Leaseback"	Adds requirement for subsequent re-measurement in sale-and-leaseback transactions.	1 January 2024
IAS 7 and IFRS 7 (Amendment) "Supplier Financing Arrangements"	Requires additional disclosures for supplier financing arrangements.	1 January 2024

Standards entering into force in subsequent years

		Entry into force for annual periods commencing
IAS 21 (Amendment) "Lack of Exchangeability"	Determines whether one currency is convertible into another and, when it is not, determines the exchange rate to be used.	1 January 2025

None of these standards, interpretations or amendments was applied early. The application of those standards, interpretations and amendments did not have a material impact on these condensed consolidated interim financial statements.

The Group has adopted the classification of liabilities as current, non-current, and non-current liabilities with covenants in accordance with the amendments to IAS 1. The amendments are effective for annual periods beginning on or after 1 January 2024 and are intended to elaborate upon the criteria for determining whether a liability should be classified as current or non-current and to incorporate disclosures for non-current liabilities that are subject to covenants within twelve months after the reporting period. A review of liabilities concluded that the amendments to IAS 1 have no impact on the classification of current and non-current liabilities at the date of adoption of the standard.

The amendments to IFRS 16 "Lease liability in a sale and leaseback" requiring that no gain or loss is recognized in this type of transaction in relation to the right of use that is retained had no effect on the Interim Consolidated Financial Statements of Naturgy in 2024, since no transactions of this nature were carried out.

The amendments to IAS 7 and IFRS 7, "Supplier financing arrangements," apply to annual periods beginning on or after 1 January 2024 and require disclosures to evaluate the effects of such arrangements on the liabilities and cash flows and on the exposure to liquidity risk of the entity entering into the arrangement. As at the date of these Interim Consolidated Financial Statements, Naturgy is not a party to any supplier financing arrangements with a material impact.

Management is closely following developments related to the implementation of international tax reforms that introduce an additional global minimum tax (Pillar Two). During 2023, the International Accounting Standards Board issued amendments to IAS 12 that provide a mandatory temporary exception from deferred tax accounting for the top-up tax and require new disclosures in the financial statements.

As at 30 June 2024, in Spain, the Bill establishing a Complementary Tax to ensure a global minimum level of taxation for multinational groups and large-scale groups, which transposes Directive 2022/2523 into national legislation, has already been presented to Parliament (the Complementary Tax Bill).

In the case of Ireland, the country in which the Group currently operates, the national tax authorities have announced that, in application of Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring an overall minimum level of taxation for multinational groups and large national groups, a Complementary Tax will be approved that allows the minimum tax rate to be brought to 15% from the current 12.5%.

Taking into account the existence of the Complementary Tax Bill, Naturgy has proceeded to assess the impact that the application of this Bill would have on the Group. The possible application of safe ports derived from the existing data in the Qualified Country by Country Report has been analysed and, if no safe harbour is applicable, the amount of Complementary Tax that would be necessary to account for in Spain has been analysed. As a result of this analysis, it has been determined that, except in the case of Ireland, all the jurisdictions in which the Group operates are covered by the applicable safe harbours in the first two years of application of the Complementary Tax.

In the specific case of Ireland, the Complementary Tax that would need to be accounted for in Spain on 30 June 2024 would be approximately 3 million euros. However, Naturgy, in anticipation of the approval of the Law that must transpose Directive 2022/2053, has already accounted for this amount as Complementary Tax, so it is not necessary to include any additional impact in Spain since the Complementary Tax in Ireland will be considered a covered tax for the purposes of the Complementary Tax in Spain.

Furthermore, Naturgy is analysing the implementation of the most appropriate technology tools to comply appropriately with the new tax obligations imposed by Pillar Two and, specifically, by the regulations that are expected to be approved by the Spanish Parliament in 2024.

2.4. Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements for the year ended 31 December 2023, except for the adoption of the new EU-IFRS standards, interpretations and amendments that came into force on 1 January 2024.

2.5. Significant accounting estimates, assumptions and judgements

The preparation of the consolidated interim financial statements requires the use of estimates and assumptions. The valuation standards that require a greater degree of estimation are listed in Note 2.4.25 "Significant accounting estimates and judgements" in the consolidated financial statements for the year ended 31 December 2023.

The main updates are detailed below, considering the outlook in the current context:

a. Impairment of non-financial assets

Note 4 “Non-financial asset impairment losses” details the main assumptions used to determine the recoverable value of cash-generating units (CGU).

After reviewing the impairment indicators of the CGUs at 30 June 2023, no impairment or reversal of impairment was disclosed except as detailed in Note 4.

b. Climate change and the Paris Agreement

Naturgy's 2021-2025 Strategic Plan includes a number of goals set by the Group in order to comply with the objectives of the Paris Agreement to achieve climate neutrality by 2050, at the latest, through a total reduction of Scope 1, 2 and 3 emissions, and establishes intermediate targets aligned with the 1.5ºC - 2ºC reduction pathways and with the Sustainable Development Goals (SDGs) of the United Nations. Upon completion of the Strategic Plan, the Group's greenhouse gas emissions (Scopes 1, 2 and 3) are expected to be reduced by 27% compared with 2017.

In 2023, total Scope 1, 2 and 3 emissions had been cut by 30% with respect to 2017.

The key factors envisaged for achieving these goals include the following:

- No coal-fired electricity was generated in 2024 and 2023 due to the closure of all Naturgy's coal-fired power plants in the first half of 2020, resulting in a significant reduction in Scope 1 emissions of greenhouse gases (GHG) and other atmospheric pollutants.

- The Strategic Plan provides for investments in renewable energies, particularly in solar photovoltaic, onshore wind and storage, as well as the development of innovation projects for distributed generation, renewable biomethane and hydrogen, and sustainable mobility that will enable the company to reduce its carbon footprint in the three scopes.

- Assist Helping customers reduce their carbon footprint by supplying renewable energy, offsetting emissions and saving energy through Energy Savings Certificates (ESCs).

- Investments are also envisaged to adapt existing grid infrastructures, which will play an essential role in the energy transition.

These investments will contribute to the future objective of transforming the energy mix envisaged in Spain's NCEP 2021-2030 and ratified in its draft NCEP 2023-2030, submitted to the EU in June 2023, which are also aligned with the EU objective of achieving climate neutrality by 2050. For the rest of the countries in which the group operates, it has taken into account the published national plans or, where no such plans exist, the goal of achieving net zero emissions by 2050.

Information on the Group's decarbonisation strategy is disclosed in the Sustainability Report and 2023 Statement of Non-Financial Information, which is prepared in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to which Naturgy has adhered and which it has steadily adopted since it was published in 2017.

At the end of 2023, the TCFD announced that it was disbanding as a working group, and the International Sustainability Standards Board (ISSB) has taken over the TCFD's oversight responsibilities as from 2024.

These condensed consolidated interim financial statements have been prepared taking into account the decarbonisation commitments made by Naturgy, in addition to the risks and uncertainties related to climate change and the decarbonisation of the economy. Additionally, they were drafted taking account of the IASB publication "Effects of climate-related issues on financial statements” (updated in July 2023) concerning the impact of climate change on the application of IFRS in financial reporting.

The main estimates and accounting judgements made by Naturgy's management and directors when preparing the condensed consolidated interim financial statements as of 30 June 2024 in connection with the expected effects of climate change and the energy transition are described below.

1 Recoverability of non-financial assets

As described in Note 2.4.6 of the 2023 consolidated financial statements, the cash-flow projections used in the non-financial asset impairment tests are based on the best available forward-looking information and reflect the investment plans in place in each CGU for maintaining the operating capacity of the CGUs' assets. Those projections are in line with Naturgy's strategy that takes into consideration the objectives of the Paris Agreement and have, therefore, been prepared based on the range of economic conditions that might exist in the foreseeable future in relation to climate change and the energy transition. The projections take into account the expected impact on wholesale and retail electricity market prices resulting from the entry into operation of new renewable generation facilities and developments in gas, oil and emission allowance prices, as well as expected demand.

Regarding emission rights in Spain, Naturgy's thermal electricity generation facilities are regulated by the European Emissions Trading Directive. Naturgy carries out comprehensive portfolio management for the acquisition of emission allowances equivalent to the verified emissions of its combined cycle and cogeneration facilities and gas tanker ships, as regulated by the European Emissions Trading Directive, Phase IV 2021-2030. This phase takes into account the CO2 emission reduction target of 55% by 2030 compared with 1990, in line with the 2050 goal of zero net emissions set out in the European Green Deal. To acquire such allowances, Naturgy actively participates in both the primary market, through auctions, and in the secondary market. These emissions relate mainly to the combined cycle gas plants in Spain and represent 78% of Naturgy's direct (scope 1) emissions in Spain in the first half 2024 (84.1% in 2023).

In Mexico, the impairment tests on the combined cycle plants consider the delivery of emission allowances equivalent to the tones of CO2 emitted. Until 2026, the allocation of allowances free of charge, as provided in the draft ETS rules, is expected to cover projected emissions in accordance with production projections. Although the criteria for the free allocation of allowances and the emissions reduction pathway that will be required have not yet been defined for 2027 and subsequent years, it is expected that the emissions generated will be covered by the free allocation and, when this is not sufficient or the free allocation is discontinued, CO2 costs will be passed through into selling prices as an additional operating cost, similar to the case in the European market.

The CO2 prices considered in the impairment test are detailed in Note 4. Other material information on emission allowance costs in 2024 and 2023 is disclosed in Note 11 Provisions.

The estimated cash flows for the value in use at each CGU, as required by accounting standards, take into account the current condition of the assets and, therefore, do not include future investments due to technological changes or any strategic investments foreseen in the energy transition.

Naturgy will continue to update its operational plans and pricing outlook to take account of changes in the economic environment and the pace of the energy transition.

2 Main Group assets subject to climate change and energy transition risk:

In 2023, Naturgy conducted a review of the CGUs structure defined in note 4 of the Consolidated Annual Accounts for the fiscal year ended 31 December 2023, concluding that it is appropriate considering the challenges and opportunities arising from climate change issues.

a. Coal-fired power plants

Since the closure of all Naturgy's coal-fired power plants in the first half of 2020, the group has not generated any coal-fired electricity. These facilities were fully depreciated/provisioned as at 31 December 2023. During the year, progress continued to be made on decommissioning, which is expected to be completed for all plants by the end of the first quarter of 2025.

b. Combined cycle gas turbine (CCGT) power plants

The Group's combined cycle gas turbine plants (in Spain and Mexico) currently represent the most eco-efficient generation technology available at present to provide the necessary back-up for renewable energies and enable their widespread implementation while also guaranteeing security of supply, both of which are key factors for the energy transition.

In Spain, it is important to bear in mind that the operation of these plants is included in the Integrated National Energy and Climate Plan (NECP) approved for 2021-2030 and ratified in the draft NECP 2023-2030 submitted to Brussels in June 2023, which is aligned with the European objective of achieving climate neutrality by 2050, and that they are an essential factor in ensuring the growth of renewable energies in the national electricity system since they form the back-up for ensuring the electricity supply in the event of any lack of wind, sunlight or water.

As at 30 June 2024, the carrying amount of these fixed assets is Euros 1,897 million, of which Euros 1,008 million relate to combined cycle plants in Spain (Euros 1,884 million and Euros 998 million, respectively, as at 31 December 2023).

The carrying amount of the total combined cycle generation facilities in Spain is estimated for 2030, 2040 and 2050 at Euros 689 million, Euros 369 million and zero, respectively. The carrying amount, excluding goodwill (Note 5), of the combined cycle plants in Mexico is estimated for 2030, 2040 and 2050 at Euros 515 million, Euros 214 million and zero, respectively.

If energy prices trend lower than those envisaged in the assumptions used by Naturgy as indicated in Note 4, this could have an impact on the recoverability of the carrying amount of these assets recognised in the consolidated balance sheet as at 30 June 2024. See the sensitivity analysis in Note 4.

c. Hydroelectric power plants

As at 30 June 2024, the carrying amount of these fixed assets in Spain was Euros 926 million (Euros 946 million as at 31 December 2023). The recoverable value of these assets could be affected in the event of a larger-than-expected future reduction in water availability due to climate change, particularly in run-of-river plants. The assumptions used in the hydroelectric power generation CGU impairment test include developments in water availability and their impact on river flows and, therefore, on production.

d. Renewable energy assets

As at 30 June 2024, the net carrying amount of these assets is Euros 6,891 million (Euros 6,563 million as at 31 December 2023), of which Euros 4,369 million relate to assets in Spain (Euros 4,280 million as at 31 December 2023). The main perceived risk for these assets is the potential negative future evolution of solar and wind resources, which are the key variables in the performance of this line of business. There may also be reductions in the remuneration arrangements for renewable energies and lower prices in marginal wholesale markets due to an increase in renewable production with low variable costs. The impairment tests for 2024 and 2023 do not take account of changes in the remuneration arrangements or the operation of the wholesale market that have not yet been approved, and the forecasts for solar and wind resources have been taken into account.

e. Electricity and gas transportation and distribution assets

As at 30 June 2024, the carrying amount of these fixed assets was Euros 13,759 million (Euros 13,795 million as at 31 December 2023). The total includes Euros 5,914 million for gas transport and distribution assets and Euros 7,221 million for electricity transmission and distribution (Euros 6,074 million and Euros 7,845 million, respectively, as at 31 December 2023).In Spain, Euros 2,599 million relate to the gas business (Euros 2,674 million as at 31 December 2023) and Euros 6,429 million to the electricity business (Euros 6,378 million as at 31 December 2023); in Argentina, Euros 198 million relate mainly to the gas business (Euros 119 million as at 31 December 2023); elsewhere in Latin America, Euros 639 million in Brazil (Euros 704 million as at 31 December 2023), Euros 1,740 million in Chile (Euros 1,801 million as at 31 December 2023) and Euros 759 million in Mexico relate to the gas business (Euros 789 million as at 31 December 2023), and Euros 1,398 million in Panama relate to the electricity business (Euros 1,330 million as at 31 December 2023).

These regulated assets are considered to be resilient to the energy transition. Increases in temperature and a higher frequency of extreme weather events could lead to increased technical losses, deterioration in service quality levels, higher operating and maintenance costs and higher annual investments, albeit in volumes that are easily bearable via the multi-year tariff reviews of these regulated businesses. The investment and response plans already in place, accumulated experience and network design (meshing and undergrounding of lines) would act as mitigating measures. A potential massive development of distributed generation would be partially offset by the increasing electrification of the economy (e.g. electric cars) and investments in smart grids.

Naturgy's planning for the coming years envisages the coexistence in Spain of natural gas demand with demand for biogas, biomethane and renewable hydrogen, including their distribution through the group's current infrastructures. It is estimated that the adaptation of existing networks for biomethane transportation will not require significant investments. In the case of hydrogen, the level of investment will depend on the percentage of blending which, together with the relevant regulations, will determine the viability of using the current infrastructure. It is estimated that, for low percentages, it will not be necessary to make significant investments to adapt the current network.

For gas transportation and distribution assets in Argentina, Brazil, Chile and Mexico, the same strategy as applied for Spain is envisaged although with a slower implementation and always in line with each country's energy policies.

f. Supply

The Supply business CGU has net operating assets of Euros 602 million as at 30 June 2024 (Euros 349 million as at 31 December 2023). The impact of climate change and the energy transition on the supply business is considered to be minor, as the lower demand for natural gas could be offset by the higher growth that is expected to result from the electrification of the economy.

In terms of transition risks, the Group's current positioning, resulting from its investment focus on renewables and grids, puts it in a favourable position to address these risks. The Group considers that the opportunities arising from the decarbonisation of the global economy (growth in renewables, investment in smart grids, transport electrification, biogas, biomethane and green hydrogen, among others) outweigh the risks.

3 Useful lives of non-financial assets

The energy transition and the pace at which it progresses may impact the remaining useful life of assets. However, Naturgy reviews the useful life of its assets at least at the end of each annual period.

Determining the useful lives of non-financial assets requires estimates as to the level of utilisation of the assets, the expected technological developments and the existence of legal limits or any other restrictions on their use that might be arise. Based on the assumptions used in relation to Naturgy's assets, it was not necessary in 2024 and 2023 to re-estimate the useful life of the assets as a result of potential direct or indirect impacts arising from climate change, even in the specific case of gas transportation and distribution infrastructures, considering the expected use of renewable gases in the short and medium term.

The calculation of the useful lives (Note 2.4.4 Consolidated Financial Statements 2023) of assets located in Spain takes into account the objectives of the National Integrated Energy and Climate Plan (NEC) and the energy transition, the protocol signed with Enresa in the specific case of nuclear plants, and the terms of administrative concessions in the case of hydroelectric power plants. For gas and electricity distribution network assets, the regulations of each country have been taken into account, as well as the terms of the concessions.

As indicated in the previous section, a very significant percentage of the carrying amount of combined cycle gas turbine plants as at 30 June 2024 will be depreciated by 2030, and they are expected to be fully depreciated by 2050.

4 Decommissioning provisions

The energy transition and the pace at which it progresses may also bring forward the decommissioning of combined cycles. Naturgy's combined cycle plants are expected to start decommissioning in the period 2042-2050 when they reach the end of their useful lives.

The hydroelectric plants are covered by temporary administrative concessions. Upon completion of the terms established for the administrative concessions, the facilities must revert to the State in good working order; this is achieved through maintenance programmes and, consequently, it is not necessary to recognise provisions for decommissioning.

In addition to the timeframe of decommissioning and restoration activities, Naturgy has also taken into account the discount rate in line with the average remaining useful life of these assets.

Estimates of decommissioning costs are based on the regulatory and external environment that is known at the current date.

5 Recoverability of deferred tax assets

Sufficient taxable profits are expected to be generated within the planning period to ensure the recovery of the deferred tax assets recognised for accounting purposes as at 30 June 2024. The recoverability of these assets was estimated using the same judgements and assumptions as for calculating the recoverable amount of non-financial assets.

6 Regulation

The Paris Agreement has had a major impact on the development of new climate policies and the adoption of new regulations. The European Union (EU), having assumed the commitment to climate neutrality by 2050 and "The European Green Deal" which embodies the EU's new growth strategy, has approved various regulations in this area. Spain has also issued regulations in this area, notably the Climate Change and Energy Efficiency Law 7/2021; consequently, the regulations in connection with climate change and the energy transition are constantly in flux and might have negative effects or offer opportunities for the Group's activities.

Similarly, with the entry into force on January 1 of this year of the new European Sustainability Reporting Standards (ESRS), the Group is working on adapting the information available in line with the new requirements, and in particular with regard to climate change, with a view to the Sustainability Report for the 2024 financial year to be published in 2025.

7 Distribution of dividends

Climate change risks are not expected to affect the Company's capacity to pay dividends to shareholders because of its strong cash flow and existing reserves.

In the case of regulated lines of business, a scenario in which the conditions for maintaining the current rate of investment continue to exist is compatible with the levels of dividend payments observed to date. However, in the case of deregulated lines of business, their future capacity to pay dividends is difficult to foresee due to unknown risks and uncertainties that might cause actual results, performance or events to differ substantially from those envisaged in the Group's projections.

8 Physical risks

The design and construction of Naturgy's assets serve to mitigate physical risks, whether or not related to climate change, and the associated costs are included in the initial recognition of these assets in the consolidated balance sheet. Naturgy recognises the need for a more comprehensive analysis and assessment of the climate-change resilience of all its assets, while continuing to monitor this issue to ensure that its operations are safe and that the Group's facilities can continue to operate in extreme weather conditions. In recent years, there have been no weather events causing significant repercussions on operations or major financial losses. These physical risks are assessed for all the Group's assets and are considered in impairment tests through each asset's generation/utilisation rates.

In the long term, Naturgy's business portfolio is expected to evolve in line with the energy transition, while considering at all times the balance in the energy trilemma: sustainability, security and affordability. Decision-making on the future business portfolio will be guided by the pace of the company's progress as it moves towards meeting the objectives of the Paris Agreement. Setting the energy system on the path to net zero emissions will require unprecedented coordinated action between energy suppliers, consumers and, above all, governments.

c. Military conflict in Ukraine and the Israel-Gaza war

More than two years after Russia invaded Ukraine in February 2022, there is no sign of a resolution of the conflict as of the date of the authorisation of these financial statements.

Since the end of 2023, the war has continued without significant changes that might indicate the parties' intention to reach a ceasefire agreement.

Considering the benchmark scenario and in compliance with the recent recommendations by the ESMA, Naturgy is monitoring the status and evolution of the situation generated by the crisis in order to manage potential risks. The analyses carried out aim to assess the indirect impacts of the conflict on business activity, the financial situation and economic performance, focusing particularly on commodity price trends and the reduced availability of material supplies from areas affected by the conflict.

In this context, as part of its diversified portfolio, Naturgy has a long-term contract for the procurement of gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50,1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) and is not affected by any type of sanction that prevents the normal supply to Naturgy. This contract has take-or-pay clauses that cover its entire term. Since the beginning of the conflict, Naturgy has received the volumes strictly established in the contract. In the first half of 2024, this contract accounted for 17% of Naturgy's overall procurements (15% in 2023).

Naturgy has no counterparties are susceptible to being affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or have investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of those measures and sanctions. For further details on interest rate, commodity price, credit and liquidity risks, see Note 13.

Meanwhile, Israel's military actions continue in Palestinian territory following the terrorist attack in October 2023. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

Naturgy holds a 100% stake in Spanish Israeli Operation and Maintenance Company Ltd that has been providing services in the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reports less than Euros 1 million in EBITDA. Despite the conflict, the company has continued to operate normally.

As this scenario is constantly evolving and it is difficult to predict the extent or duration of the conflict, Naturgy constantly monitors the relevant macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

d. Estimated revenue from renewable energy generation facilities under the specific remuneration scheme

To determine the accounting adjustment for deviations in the market price for renewable generation facilities subject to the specific remuneration regime, as described in note 2.4.23 to the consolidated financial statements for the year ended 31 December 2023, Naturgy considered the market prices for the years 2024, 2025 and 2026 established in Royal Decree-Law 5/2023, of 28 June, and the methodology to establish the weighted average value of the basket for the year 2023.

In accordance with the accounting treatment detailed in Note 2.4.23 to the consolidated financial statements for the year ended 31 December 2023, Naturgy determines, based on the best estimate of energy market price trends, whether leaving the remuneration system would have significantly more adverse economic consequences than remaining in it, without applying the general approach for the recognition of liabilities and only recognising an asset in the event of positive market deviations. The unrecognised liability in this connection amounted to Euros 24 million as at 30 June 2024 and Euros 77 million as at 31 December 2023.

2.6. Changes in consolidation scope

Appendix I. lists the changes to the consolidation scope in the six-month period ended 30 June 2024 and in 2023; the main changes are described below.

2024

On 23 January 2024, Naturgy, through subsidiary Naturgy Renovables, S.L.U., acquired 14.8% of Evacuación Villanueva del Rey, S.L.

On 26 January 2024, Naturgy, through subsidiary Global Power Generation, S.A., acquired 15% of Sobrao I Solar Energía SPE, Ltda. and 15% of Sertao I Solar Energía SPE, Ltda., as a result of which it now owns 100% of both companies.

On 19 April 2024, Naturgy, through subsidiary Fraser Coast Development Finco PTY, Ltd., acquired 100% of Fraser Coast Solar Development PTY, Ltd.

For acquisitions of companies in the first half of 2024, Naturgy carried out an analysis to determine, for applicable acquisitions, whether a business or a group of assets has been acquired, concluding that in the first half of 2024 there have been no business combinations.

2023

On 31 January 2023, through subsidiary Naturgy Renovables, S.L.U, Naturgy acquired a 100% interest in Romera Eco Power, S.L., Mangos Energy, S.L., Encarnaciones Energy, S.L. and Sol Morón Energy, S.L. and, indirectly, 32.83% of Sun&Wind Sierra Sur, A.I.E.

On 28 March 2023, through subsidiary Naturgy Renovables, S.L.U, Naturgy acquired a 100% interest in Andújar 100 Solar, S.L. and a 60.1% interest in ICE Andújar, S.L.

On 27 April 2023, through subsidiary Naturgy Renovables, S.L.U, Naturgy acquired 100% of Hazas Energy, S.L., Josmanil Energy, S.L., Cabreras Wind Energy, S.L., Villanueva Energy, S.L. and Villanueva Two Energy, S.L., and, indirectly, 67.17% of Sun&Wind Sierra Sur, A.I.E.

On 26 July 2023, through subsidiary Naturgy Renovables, S.L.U., Naturgy acquired 100% of Lepe Solar 40, S.L.

On 3 August 2023, through subsidiary Naturgy Renovables, S.L.U, Naturgy acquired 100% of ASR Wind, S.L., which heads a group of nine companies (Parque Eólico Pujalt, S.L., Parque Eólico del Magré, S.L., Parque Eólico Magaz, S.L., Parque Eólico Cova Da Serpe II, S.L., Parque Eólico Sierra Sesnández, S.L., Parque Eólico Loma del Capón, S.L., Desarrollos Eólicos Manchegos El Pinar, S.L., Energías Alternativas Castilla La Mancha, S.L. and Energías Renovables del Duero, S.L.) which, in turn, hold an interest in two companies (SET Veciana, S.L. and SEC Valcaire, S.L.).

On 1 September 2023, Desarrollo de Energías Renovables de Navarra, S.A., Naturgy Future, S.L., Eólica Tramuntana, S.L., Parque Eólico Cinseiro, S.L. and Andújar 100 Solar, S.L. were merged into Naturgy Renovables, S.L.U., with effect for accounting purposes from 1 January 2023, except for 100 Solar, S.L., whose merger is effective for accounting purposes from the acquisition date.

On 13 September 2023, through subsidiary Naturgy Nuevas Energías, S.L.U., Naturgy acquired a 65% interest in Bioenergía y Valoraciones Ambientales Sevilla, S.L.

In Australia, Naturgy acquired 100% of Bundaberg Development Finco PTY, Ltd. in March 2023, Bundaberg Solar Development PTY, Ltd. in September 2023, and Glenellen Asset Trust and Glenellen Asset PTY Ltd. in October 2023.

In November 2023, Naturgy, through its U.S. subsidiary Naturgy Candela Devco, LLC, completed the sale of Yeager Solar Project, LLC, Yeager Solar Project2, LLC, and Vulcan Solar Project, LLC. These companies, which are involved in renewable generation projects in the United States, were sold for a pre-tax profit of Euros 10 million.

On 30 November 2023 the companies Lepe 40 Solar, S.L.U., Hazas Energy, S.L., Josmanil Energy, S.L., Cabreras Wind Energy, S.L., Villanueva Energy, S.L., Villanueva Two Energy, S.L., Cortijo Nuevo Energy, S.L., ASR Wind, S.L., Parque Eólico Pujalt, S.L., Parque Eólico del Magré, S.L., Parque Eólico Magaz, S.L., Parque Eólico Cova Da Serpe II, S.L., Parque Eólico Sierra Sesnández, S.L., Parque Eólico Loma del Capón, S.L., Desarrollos Eólicos Manchegos El Pinar, S.L., Energías Alternativas Castilla La Mancha, S.L. and Energías Renovables del Duero, S.L. were merged into Naturgy Vento, S.A.U. (whose name was Energías Especiales Alcoholeras, S.A. until 28 June 2023). As the merged companies were acquired during the year, the date of acquisition of each company by Naturgy was considered as the effective date for accounting purposes.

For acquisitions of companies made in 2023, Naturgy carried out the analysis to determine, for each acquisition, whether it had acquired a business or a group of assets, concluding, for the most part, that they were acquisitions of assets and did not constitute businesses, with the exception of those detailed in Note 32 to the consolidated financial statements for the year ended 31 December 2023.

Note 3. Segment financial information

Following the process of continuous transformation, changes were made to the financial reporting structure in 2023 to adapt it to the grouping of Naturgy's businesses into two major areas: Distribution Networks and Energy Markets.

In addition, some changes were made to the composition of Naturgy's operating segments in order to ensure greater clarity on the progress of operations in view of developments in the economic context in which the Group operates. These changes were accompanied by a modification of Naturgy's model for reporting to the Board of Directors, which is responsible for regularly reviewing the results of the segments within the company's operational decision-making process in order to decide on the resources to be allocated to each of them and assess their performance.

The changes made to the composition of the operating segments are as follows:

- Separation of Argentina's gas and electricity segments.
- Integration of the International LNG, Markets and Procurement and Pipelines segments into the new Energy Management segment.
- Separation of the Renewables segments in Spain and the United States.
- Integration of a holding unit with transversal activities into Distribution Networks and Energy Markets.
- Creation of the Renewable Gases segment.

These changes were applied to the comparative information as at 30 June 2023 and the information as of that date was restated to reflect the changes made to the segment structure in the second half of 2023.

As at 30 June of 2024, the business segments have been grouped into two main blocks:

– **Distribution Networks:** groups together the business segments devoted to managing regulated gas and electricity distribution and transport infrastructures:

  - **Gas Spain:** regulated gas distribution business in Spain.
  - **Gas Mexico:** regulated gas distribution and supply in Mexico.
  - **Gas Brazil:** the regulated gas distribution and supply in Brazil.
  - **Gas Argentina:** regulated gas distribution and supply in Argentina.
  - **Gas Chile:** gas network and supply business in Chile.
  - **Electricity Spain:** regulated electricity distribution in Spain.
  - **Electricity Panama:** regulated electricity distribution and supply in Panama.
  - **Electricity Argentina:** regulated electricity distribution and supply in Argentina.

As of 30 June 2023, these segments formed the Networks Iberia and Networks Latin America areas.

This block also includes a holding company carrying out horizontal activities directly linked to this grouping's businesses.

- **Energy Markets:** includes the deregulated business segments as follows:

  - **Energy Management:** includes the following activities:
    - liquefied natural gas trading and shipping.
    - procurement and other gas infrastructure management and supply to energy-intensive consumers.
    - management of the Medgaz gas pipeline (equity-accounted).

  - **Thermal Generation:**
    - **Spain:** includes managing the conventional thermal generation fleet (which uses fuel for heat generation and which is not covered by a special regime) in Spain (nuclear and combined cycle).
    - **GPG Latin America:** includes management of conventional thermal generation facilities of Global Power Generation (GPG) in Mexico, the Dominican Republic and Puerto Rico, the latter being equity-accounted through EcoEléctrica LP.

  - **Renewable Generation:**
    - **Spain:** includes management of facilities and generation projects using wind energy, mini hydro, solar and cogeneration, as well as hydroelectric power generation in Spain, and the development pipeline in other European countries.
    - **GPG Latin America:** includes managing the renewable electricity facilities and generation projects of GPG located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
    - **GPG Australia:** includes managing the existing renewable power generation fleet and project pipeline owned by GPG in Australia.
    - **USA:** includes managing photovoltaic generation projects being developed in the United States.

  - **Renewable Gases:** management of renewable gas projects, mainly biomethane and green hydrogen.

  - **Supply:** its goal is to manage the supply of gas, electricity and services to end customers by adopting new technologies and services and exploiting the brand's full potential.

It also includes a holding company carrying out horizontal activities directly linked to the grouping's businesses.

- **Other:** basically, includes the corporation's operating expenses and other lesser and residual activities.

Segment results and investments for the periods of reference are as follows:

Segment financial information - Interim income statement

2024	Distribution Networks										Energy Markets													
												Thermal Generation		Renewable Generation										
	Gas Spain	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Holding and Eli.	Total	Energy management	Spain	GPG LatAm	Spain	USA	GPG LatAm	GPG Australia	Renew. Gas	Supply	Holding and Eli.	Total	Rest	Eli.	Total
Consolidated Net sales	471	332	797	224	397	398	510	97	—	3,226	2,055	332	415	46	4	72	16	22	2,880	2	5,844	1	—	9,071
Net sales between segments	40	—	—	—	—	17	—	—	—	57	541	317	—	349	—	4	—	—	513	(1,184)	540	—	(597)	—
Net sales	511	332	797	224	397	415	510	97	—	3,283	2,596	649	415	395	4	76	16	22	3,393	(1,182)	6,384	1	(597)	9,071
Procurements	(50)	(159)	(617)	(119)	(115)	—	(355)	(43)		(1,458)	(2,139)	(396)	(196)	(17)	—	(17)	—	(17)	(2,839)	1,181	(4,440	—	597	(5,301)
Personnel expenses, net	(26)	(11)	(10)	(25)	(13)	(22)	(4)	(9)	(6)	(126)	(14)	(31)	(11)	(23)	(2)	(7)	(3)	(3)	(37)	(9)	(140)	(22)	—	(288)
Other operating income/expenses/ grant allocations	(42)	(14)	(32)	(42)	(25)	(52)	(23)	(15)	—	(245)	(59)	(125)	(20)	(106)	(5)	(13)	7	(3)	(65)	—	(389)	(2)	—	(636)
EBITDA	393	148	138	38	244	341	128	30	(6)	1,454	384	97	188	249	(3)	39	20	(1)	452	(10)	1,415	(23)	—	2,846
Amortisation & impairment losses	(130)	(32)	(28)	(4)	(28)	(131)	(29)	—	—	(382)	(43)	(50)	(40)	(122)	(4)	(16)	(17)	(2)	(69)	—	(363)	(19)	—	(764)
Impairment due to credit losses	(1)	(12)	(8)	(3)	1	1	(6)	(1)	—	(29)	42	(14)	(2)	(3)	—	—	—	(1)	(44)	—	(22)	18	—	(33)
Other results	—	—	—	—	42	—	—	—	—	42	(235)	—	—	—	—	—	—	—	—	—	(235)	—	—	(193)
Operating results	262	104	102	31	259	211	93	29	(6)	1,085	148	33	146	124	(7)	23	3	(4)	339	(10)	795	(24)	—	1,856
Net financial income/(expense)	(48)	(28)	7	(19)	32	(79)	(40)	(12)	(14)	(201)	(49)	(10)	6	(31)	(1)	8	(16)	(1)	12	(26)	(108)	864	(770)	(215)
Results of equity-consolidated companies	—	1	—	—	9	1	—	—	—	11	17	—	32	(4)	—	—	—	—	—	—	45	—	—	56
Corporate income tax	(61)	(29)	(38)	(1)	(78)	(33)	(16)	(9)	9	(256)	(11)	(10)	(40)	(23)	(7)	28	(2)	1	(97)	1	(160)	34	—	(382)
Invest. in property, plant & equipment, intangible assets and right of use assets	52	32	27	9	25	182	51	8	—	386	3	58	14	207	145	3	102	2	63	—	597	7	—	990

2023	Distribution Networks										Energy Markets													
												Thermal Generation		Renewable Generation										
	Gas Spain	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Holding and Eli.	Total	Energy management	Spain	GPG LatAm	Spain	USA	GPG LatAm	GPG Australia	Renew. Gas	Supply	Holding and Eli.	Total	Rest	Eli.	Total
Consolidated Net sales	490	361	876	196	406	381	427	77	—	3,214	3,582	532	342	22	—	50	14	—	4,265	33	8,840	—	—	12,054
Net sales between segments	45	—	—	—	—	17	—	—	—	62	1,512	633	—	316	—	4	—	—	626	(2,016)	1,075	24	(1,161)	—
Net sales	535	361	876	196	406	398	427	77	—	3,276	5,094	1,165	342	338	—	54	14	—	4,891	(1,983)	9,915	24	(1,161)	12,054
Procurements	(51)	(193)	(670)	(118)	(250)	—	(323)	(37)	—	(1,642)	(4,117	(901)	(183)	(42)	—	(4)	—	—	(4,337)	1,986	(7,598)	(1)	1,139	(8,102)
Personnel expenses, net	(27)	(10)	(10)	(23)	(14)	(23)	(4)	(8)	(6)	(125)	(14)	(31)	(10)	(21)	(1)	(7)	(2)	(1)	(34)	(9)	(130)	(63)	—	(318)
Other operating income/expenses/ grant allocations	(45)	(18)	(31)	(43)	(24)	(53)	(23)	(13)	(9)	(259)	(100)	(124)	(19)	(70)	(5)	(12)	(7)	(1)	(173)	(22)	(533)	(15)	22	(785)
EBITDA	412	140	165	12	118	322	77	19	(15)	1,250	863	109	130	205	(6)	31	5	(2)	347	(28)	1,654	(55)	—	2,849
Amortisation & impairment losses	(131)	(32)	(26)	(4)	(33)	(126)	(29)	—	—	(381)	(42)	(50)	(206)	(94)	(47)	(39)	(6)	—	(57)	(1)	(542)	(21)	—	(944)
Impairment due to credit losses	—	(3)	(10)	(2)	1	5	(5)	(1)	—	(15)	(39)	(39)	—	—	—	—	—	—	(59)	—	(137)	—	—	(152)
Other results	—	—	—	—	—	—	—	—	—	—	(40)	—	—	—	—	—	—	—	—	—	(40)	—	—	(40)
Operating results	281	105	129	6	86	201	43	18	(15)	854	742	20	(76)	111	(53)	(8)	(1)	(2)	231	(29)	935	(76)	—	1,713
Net financial income/(expense)	(56)	(26)	(14)	3	9	(39)	(36)	(16)	(14)	(189)	(24)	(21)	(3)	(33)	—	(27)	(5)	—	(8)	(33)	(154)	832	(739)	(250)
Results of equity-consolidated companies	—	1	—	—	10	1	—	—	—	12	11	—	31	(11)	—	—	—	—	—	—	31	—	—	43
Corporate income tax	(60)	(27)	(39)	—	(22)	(41)	(2)	(3)	8	(186)	(97)	(6)	(31)	(23)	6	8	3	1	(90)	6	(223)	38	—	(371)
Invest. in property, plant & equipment, intangible assets and right of use assets	57	29	30	11	24	165	52	8	—	376	1	37	29	130	81	10	148	—	53	—	489	9	—	874

(*) For comparative purposes, segment information for the first half of 2023 has been restated in accordance with the operating segments defined in 2023.

Note 4. Non-financial asset impairment losses

Definition of Cash Generating Units

At 30 June 2024, the Cash-Generating Units (CGUs) are grouped in accordance with the description of the business structure set out in Note 4 "Non-financial asset impairment losses" to the consolidated financial statements for the year ended 31 December 2023.

Impairments

As indicated in the 2023 consolidated financial statements, non-financial assets are tested for impairment whenever an event or change in circumstances indicates that their carrying amount might not be recoverable, and it is reviewed at least once per year in the case of goodwill or intangible assets that are either not in operation or have an indefinite useful life.

As at 30 June 2024, Naturgy updated the estimates of the recoverable value of CGUs whose value in use coincides with, or is very similar to, the net carrying amount, considering changes in market conditions or in the regulatory situation. In addition, the recoverable value was restated in the case of CGUs where circumstances have arisen that give rise to indications of impairment.

The methodology used to update the recoverable value of the CGUs is described in Note 2.4.6 to the 2023 consolidated financial statements.

The recoverable value of the CGUs was assessed on the basis of the Strategic Plan 2021-2025 approved by the Board of Directors on 28 July 2021 and subsequently updated by the Board in July 2023, adapted for regulatory updates and trends in energy variables, taking account of projected demand, investment plans to maintain the production capacity of the business lines' assets and the market conditions in which they operate. The time-frame of the projections has been extended to a ten years or the remaining useful life for certain assets and concessions. When estimating cash flows, different possible future scenarios have also been considered if they provide more relevant information for representing the future economic conditions of the assets.

Naturgy's management model allows that any signs of impairment arising as a result of the current macroeconomic environment are identified in a timely manner, allowing appropriate action to be taken.

In particular, the following aspects should be highlighted for their importance in the tests:

– Impact of the Ukraine and Middle East conflicts, and the economic environment:

Cash flows take account of the impacts on the international gas markets and the electricity market.

In the context of Spain, the publication at the end of 2023 of Royal Decree 8/2023 of December 27 has been considered. This decree progressively eliminates many of the exceptional measures approved in previous years to address the escalation of gas and electricity prices resulting from the war in Ukraine during 2024, as well as the new extension of some of these measures by Royal Decree 4/2024.

As for the economic situation, trends in interest rates and the perception of risk, which has a particular impact on discount rates, were considered.

– Effects of climate change:

Projected cash flows represent Naturgy's current ambition to drive the energy transition and decarbonisation in response to Naturgy's strategy, which takes account of the objectives of the Paris Agreement.

In particular, the assumptions considered for the pricing path used in the projections are in line with the energy transition, and the projected cash flows take into account greenhouse gas emission reduction targets as well as the impacts of climate change on the recoverability of non-financial assets. For a detailed analysis, see Note 2.5.b.

Aspects of the projections used

The most sensitive aspects of the projections used are as follows:

– Gas Distribution Networks Argentina:

In 2020, due to the non-updating of tariffs, there was an impairment recorded in the net operating assets of CGU Gas Networks Argentina.

Under the guidelines of Decree No. 55/23 of March 2024, an agreement was established in March 2024 providing for a temporary adjustment of the gas distribution tariff. Following this agreement, on March 28, 2024, Enargas approved new tariffs effective from April 2024, restoring the corresponding tariff value and establishing a monthly tariff update formula.

Subsequently, Enargas decided not to apply the monthly tariff adjustment, aiming to contain inflation in the country. As of the date of preparation of the condensed consolidated financial statements as at 30 June 2024, the application of the tariff update formula remains suspended.

Additionally, the new tariffs have not had a significant impact on the amounts billed to customers as at 30 June 2024, as they correspond to low consumption typical of the summer season in Argentina. Therefore, there persists a potential risk of legal challenges regarding the tariff adjustments.

In this context, characterized by ongoing regulatory changes and uncertainty regarding the evolution of tariff updates and their impacts, Naturgy has not updated the impairment test as at 30 June 2024, considering that projected scenarios already reflect this uncertainty. However, Naturgy will continue to monitor the regulatory developments to determine if the circumstances that led to the impairment recorded in 2020 have been resolved.

– Thermal Generation Spain:

As indicated in note 4 to the 2023 consolidated financial statements, the projections for this CGU take account of the possible impacts of the energy transition, considering the increased use of renewable energy sources and the projections of Spain's Integrated National Energy and Climate Plan (NECP), which consider the need for the total installed capacity of the combined cycle generation units in the projection timeframe (2033).

The output, electricity price, fuel costs, and operating and maintenance costs in the estimate of the recoverable amount were determined in accordance with the value in use, as detailed in Note 4 to the consolidated financial statements for the year ended 31 December 2023.

The main assumptions used in restating the fair value of this CGU are as follows:

	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Price pool €/MWh(*)	57.1	65.0	74.0	68.0	70.0	73.0	78.0	85.0	85.0	85.0
Brent (USD/bbl)(*)	83.0	78.0	74.0	72.0	78.3	78.0	77.5	88.0	90.0	92.0
Gas Henry Hub (USD/MMBtu)(*)	2.6	3.6	3.9	3.9	4.2	4.2	4.2	4.4	4.6	4.7
PVB €/MWh(*)	33.0	36.0	31.0	27.0	25.0	26.0	28.0	30.0	31.0	31.0
CO_2(€/t)(*)	65.7	71.0	73.0	76.0	86.0	88.0	92.0	97.0	101.5	121.0

(*) estimated amounts at the date of the test.

Cash flow projections consider the regulatory changes under Royal Decree Law 8/2023, as well as the new extension of some of these measures by Royal Decree Law 4/2024 (Appendix II).

The following were also considered:

– the approval of Royal Decree 589/2024 for the nuclear generation facilities, which increases the amount of ENRESA's fee as a result of the construction of the decentralized temporary storage facilities (ATD).

- the Regulation and Directive amending the Electricity Market, presented by the European Commission on 14 March 2023, which, among other matters, encourages the use of forward contracts, PPAs and contracts for differences for new investments in power generation, eliminates the temporary nature of capacity mechanisms, increases system flexibility using demand response and storage, provides measures to be adopted by member states in the event of a crisis, and affords more protection for end consumers.

- the extension for nuclear generation facilities of the existing power purchase agreements with the group's supply companies.

Additionally, to date, Naturgy has not opted for temporary closures of the ten authorized plants following the Supreme Court ruling in 2023. Therefore, this fact has not been considered in the impairment test update for the 2024 fiscal year.

- Thermal Generation in Mexico:

When updating the recoverable amount of the Mexican combined cycle plants, the company maintained the assumption as to the increase in development permits for renewable energy facilities, which will affect the market price used in the projections to the end of the long-term power purchase agreements with the Federal Electricity Commission (CFE).

The projections assume that the emission rights required to match the tons of CO2 emitted will be obtained free of charge or, when they are no longer available free of charge, that the CO2 costs will be passed on through the sale price as an additional operating cost, in a similar way to what occurs in the European market.

- Renewable Generation Spain:

The assumptions concerning changes in the pool price for the Renewable Power Generation and Hydroelectric Power Generation CGUs coincide with those considered in the Thermal Generation Spain CGU.

The output, electricity price and operating and maintenance costs in the estimate of the recoverable amount of the hydroelectric power generation CGU were determined in accordance with the value in use, as detailed in Note 4 to the consolidated financial statements for the year ended 31 December 2023. For the electricity produced, developments in precipitation and their impact on water flows are taken into account.

In the case of Renewable Generation Spain CGU, fair value less selling costs is considered to be the best estimate of the recoverable amount and, therefore, its valuation includes the necessary flows that market players would take into account when assessing the value of the CGU based on the present value method. Fair value was determined on the basis of external sources of information and the company's estimate is, therefore, a level 3 estimate.

Cash flow projections were updated considering the regulatory changes made by Royal Decree Law 8/2023, the new extension of some of these measures by Royal Decree Law 4/2024 (Appendix II), and the following measures:

- the extension of the existing power purchase agreements with the group's supply companies.

- the inclusion in cash flows of new projects available for development, repowering, storage and hybridisation, as well as the value of the generation capacity of new renewable generation projects.

- the approval of Order TED/353/2024, of 11 April, establishing the values of the remuneration for operation in the calendar second half of 2023, which are applicable to certain facilities for the production of electricity from renewable energy sources, cogeneration and waste, and approving new standard facilities and their relevant remuneration parameters.

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- Order TED/526/2024, of 31 May, which establishes the methodology for updating the operating remuneration of electricity generation facilities whose operating costs depend essentially on the price of fuel and updates their operating remuneration values, applicable as from 1 January 2024.

Additionally, as a result of complaints filed by citizen and environmentalist groups against wind power projects in Spain, impairment was measured in the case of several facilities that are affected to cover the eventuality that the complaints are definitively upheld.

- Renewable Generation Chile:

On 12 July 2023, Ibereólica Cabo Leones II S.A. was authorized by the National Electricity Coordinator to rejoin the short-term market following the suspension of the long-term power purchase agreement.

This reinstatement had the effect of unblocking the payment instructions in favour of the company that had been withheld since its removal from that market in October of the previous year. Since then, the company has been operating normally in the market, fulfilling the commitments established in the supply agreements with the distribution companies.

At first, the situation improved considerably with respect to the period prior to its exclusion from the market as the price mismatches between the system nodes had narrowed due, among other factors, to improved precipitation and the relative stabilisation of fossil fuel prices, resulting in a reduction in prices at the nodes most dependent on those generation sources. However, the company's market conditions have worsened in recent months as a result of poorer performance by those variables.

Moreover, the structural problems derived from the deficits in the transmission networks and the diversity of the generation mix at each node are persisting and make it necessary for the company to closely monitor how those variables are trending.

In this situation, the assumptions made in the 2023 impairment test are being maintained and no scenarios are being considered that might result in a significant increase in the impairment already recognised for this company's assets.

Discount rates and growth rates used

The pre-tax discount rates used in the impairment tests carried out in the six-month period ended 30 June 2024 and in 2023 are as follows:

Discount rate	**June 2024**	2023
Energy and network management		
Thermal Generation Spain	8.4 %	9.0 %
Thermal Generation Mexico (1)	12.1 %	12.6 %
Spain Renewable Electricity Generation Spain	7.5 %	7.8 %
Hydroelectric Power Generation Spain	7.9 %	8.4 %

(1) Rate determined in USD

The growth rates in the impairment tests carried out in the six-month period ended 30 June 2024 and in 2023 are as follows:

Growth rate	**June 2024**	2023
Energy and network management		
Thermal Generation Spain	1.8 %	2.0 %
Thermal Generation Mexico	1.7 %	2.1 %
Spain Renewable Electricity Generation Spain	1.8 %	2.0 %
Hydroelectric Power Generation Spain	1.8 %	2.0 %

Result of the tests

As a result of the impairment tests carried out in the six-month period ended 30 June 2024, the recoverable values, calculated in accordance with the methodology described in Note 2.4 of the consolidated financial statements for the annual period ended 31 December 2023, no impairment provisions or reversals were required in these interim consolidated financial statements, except for:

Six-month period ended 30 June 2024

Impairment in the amount of Euros 4 million was recognised under "Depreciation/amortisation and impairment losses" for the Renewable Generation Spain CGU to account for the impact if appeals filed against the permits of several wind farms under construction are successful; impairment was recognized for the relevant property, plant, and equipment.

Sensitivity analysis

A sensitivity analysis was applied to the results of the aforementioned impairment tests. The following variations in the key assumptions for each of them were considered separately, with the following result:

Six-month period ended 30 June 2024

Thermal Generation Spain: the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail impairment of Euros 35 million.
- a decrease in the discount rate of 50 basis points would not result in impairment.
- a decrease in electricity output of 5% would entail impairment of Euros 137 million.
- a decrease in the average electricity price of Euros 1/MWh over the remaining life of the facility together with the related variation in the cost of gas and CO2, would entail impairment of Euros 36 million.

Hydroelectric Generation Spain: the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would not result in impairment.
- a decrease in the growth rate of 50 basis points would not result in impairment.
- a decrease in electricity output of 5% would not result in impairment.
- a decrease of Euros 1/MWh in the average electricity price over the facility's remaining life would result in a reduction of the fair value of the CGU by Euros 11 million, without triggering impairment.

Renewable Generation Spain: the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would not result in impairment.
- a decrease in electricity production of 5% would not result in impairment.
- a decrease of Euros 1/MWh in the average electricity price over the facility's remaining life would lead to a reduction in the fair value of CGU by 63 million euros, without triggering impairment.
- an increase in operating and maintenance costs of 5% would not result in any impairment.
- an increase of 5% in the investment cost would not result in any impairment.

Thermal generation Mexico: The result of the sensitivity analysis is as follow:

- an increase in the discount rate of 50 basis points would not result in impairment.
- a decrease in the growth rate of 50 basis points would not result in impairment.
- a 5% decrease in the price at which electricity is sold to the market would result in a reduction of the CGU's fair value by Euros 45 million, without triggering impairment.

Other CGUs

Apart from the tests referred to above, no additional sensitivity analysis was performed for the remaining CGUs for the six-month period ended 30 June 2024 since there are no signs of impairment.

Note 5. Intangible assets, property, plant and equipment, and right-of-use assets

The changes in the six-month period ended 30 June 2024 are as follows:

	Goodwill	Other Intangible assets	Total Intangible assets	Property, plant and equipment	Right-of-use assets
Gross cost	2,930	5,821	8,751	40,220	1,851
Accumulated depreciation and impairment losses	—	(2,782)	(2,782)	(21,554)	(662)
Carrying amount at 31.12.2023	**2,930**	**3,039**	**5,969**	**18,666**	**1,189**
Investment (Note 3)	—	137	137	800	53
Divestment	—	—	—	(4)	(5)
Amortisation charge (Note 18)	—	(163)	(163)	(534)	(63)
Impairment losses (Notes 4 & 18)	—	—	—	(4)	—
Currency translation differences (1)	9	(45)	(36)	51	3
Assets adquisition (Note 2.6)	—	9	9	1	—
Reclassifications and other	—	18	18	(2)	—
Carrying amount at 30.06.2024	**2,939**	**2,995**	**5,934**	**18,974**	**1,177**
Gross cost	2,939	6,167	9,106	40,948	1,898
Accumulated depreciation and impairment losses	—	(3,172)	(3,172)	(21,974)	(721)
Carrying amount at 30.06.2024	**2,939**	**2,995**	**5,934**	**18,974**	**1,177**

(1) Includes the effect of inflation in Argentina.

As detailed in Note 4, the impairment tests performed in the six-month period ended 30 June 2024 resulted in the recognition of Euros 4 million in impairment related to the property, plant and equipment of several wind farms under construction in the Renewable Generation Spain business.

During the first half of 2023, impairments of Euros 253 million were recognised, of which Euros 168 million relate to goodwill impairment in the Thermal Generation Mexico CGU, Euros 13 million are associated with property, plant and equipment of a wind farm under development in the Renewable Generation Spain business, Euros 47 million to two projects acquired from the Renewable Generation USA business (Euros 34 million corresponding to intangible assets and Euros 13 million to property, plant and equipment) and Euros 25 million to the impairment of property, plant and equipment of Cabo Leones (Renewable Generation Chile).

During the first half of 2024, acquisitions of renewable assets totalling Euros 10 million were recorded, with 9 million euros allocated to Other Intangible Assets and 1 million euros to Property, Plant, and Equipment in the Renewable Generation business of GPG Australia. This was derived from the acquisition through Fraser Coast Solar Development Finco PTY, Ltd. (see Note 2.6), of a solar and battery park in advanced stages of development, with projected generation capacities of 330 MW and 180 MW, respectively.

As at 30 June 2024, Naturgy had investment commitments totalling Euros 681 million (Euros 784 million as at 31 December 2023) relating basically to the construction of new renewable generation facilities and the development of the gas and electricity distribution network.

The changes in, and composition of, goodwill by CGU in the six-month period ended 30 June 2024 are as follows:

	01.01.2024	Currency translation differences	Impairment losses	30.06.2024
Networks	**1,297**	**1**	**—**	**1,298**
Gas Mexico	23	(1)	—	22
Gas Brazil	14	(1)	—	13
Gas Chile	55	(2)	—	53
Electricity Spain	1,070	—	—	1,070
Electricity Panama	135	5	—	140
Markets	**1,633**	**8**	**—**	**1,641**
Energy Management	19	—	—	19
Thermal Generation	291	**9**	**—**	300
GPG LatAm	291	9	—	300
Renewable Generation	896	(1)	—	895
Spain	885	—	—	885
GPG LatAm	9	(1)	—	8
USA	2	—	—	2
Supply	427	—	—	427
Total	**2,930**	**9**	**—**	**2,939**

Note 6. Investments in companies

Associates and joint ventures

During the six-month periods ended 30 June 2024 and 2023, there were no significant changes in the Investments accounted for using the equity method. The changes in this heading relate basically to variations in these companies' equity.

Note 7. Financial assets

Set out below is a breakdown of financial assets as at 30 June 2024 and 31 December 2023, by nature and category:

30.06.2024	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Equity instruments	8	—	—	8
Derivatives (Note 13)	85	16	—	101
Other financial assets	—	—	392	392
Non-current financial assets	**93**	**16**	**392**	**501**
Derivatives (Note 13)	98	20	—	118
Other financial assets	—	—	245	245
Current financial assets	**98**	**20**	**245**	**363**
Total	**191**	**36**	**637**	**864**

31.12.2023	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Equity instruments	7	—	—	7
Derivatives (Note 13)	82	11	—	93
Other financial assets	—	—	384	384
Non-current financial assets	**89**	**11**	**384**	**484**
Derivatives (Note 13)	86	52	—	138
Other financial assets	—	—	297	297
Current financial assets	**86**	**52**	**297**	**435**
Total	**175**	**63**	**681**	**919**

Financial assets recognised at fair value as at 30 June 2024 and 31 December 2023 are classified as follows:

	30.06.2024				31.12.2023			
Financial assets	**Level 1 (listed price on active markets)**	**Level 2 (observable variables)**	**Level 3 (non-observable variables)**	**Total**	**Level 1 (listed price on active markets)**	**Level 2 (observable variables)**	**Level 3 (non-observable variables)**	**Total**
Fair value through other comprehensive income	—	183	8	191	—	168	7	175
Fair value through profit or loss	—	36	—	36	—	63	—	63
Total	**—**	**219**	**8**	**227**	**—**	**231**	**7**	**238**

Fair value through other comprehensive income

– Equity instruments:

As described in note 9 to the consolidated financial statements as at 31 December 2023, the 85.4% holding in Electrificadora del Caribe, S.A. ESP (Electricaribe) is valued at Euros 0 million as at 30 June 2024 and 31 December 2023. Associated with this investment and its impairment, a deferred tax asset for the amount of Euros 105 million is recognised as at 30 June 2024 and 31 December 2023 relating to the tax loss that will be deductible once the company is liquidated.

– Derivatives:

Relate to the valuation of hedging derivatives linked to financial liabilities amounting to Euros 183 million (Note 13), of which Euros 98 million are classified as current assets (Euros 168 million as at 31 December 2023, of which Euros 86 million were classified as current).

Fair value through profit or loss

– Derivatives:

Includes derivatives linked to the financial liabilities of Ibereólica Cabo Leones II and GPG Solar Chile 2017 S.p.A amounting to Euros 34 million (Euros 26 million as at 31 December 2023) (Note 13). At the date of authorisation of these Interim consolidated financial statements, as indicated in Note 12, certain obligations under the project financing agreement of GPG Solar Chile 2017, S.p.A. have been breached and, therefore, the derivatives associated with that debt have been classified under current derivatives.

Under the agreement concluded in March 2021 in relation to Unión Fenosa Gas, this company is entitled to a contingent payment for the sale of a gas supply contract with a fair value that was estimated at the completion date to be Euros 19 million. The fair value recognised under current financial assets for this item as at 31 December 2023 amounts to Euros 37 million. That price adjustment was collected in February 2024 in the amount of Euros 39 million based on the average TTF value of the TTF gas index up to settlement.

Amortised cost

Other financial assets as at 30 June 2024 contains mainly the following:

- Trade receivables totalling Euros 40 million, of which 30 million euros are non-current and 10 million euros are current (36 million euros as at 31 December 2023, of which Euros 26 million were non-current and Euros 10 million were current). These include mainly receivables for energy management facilities, accruing at an average interest rate of 3.92% as at 30 June 2024 and 31 December 2023.

- Deposits and guarantees amounting to Euros 145 million, of which Euros 108 million are non-current and Euros 37 million are current (Euros 142 million as at 31 December 2023: Euros 106 million non-current and Euros 36 million current), which include basically amounts deposited with the competent Public Administrations, in accordance with the applicable legislation, for guarantees and deposits received from customers at the time of contracting as security for the supply of electricity and natural gas, as well as deposits related to derivative positions when trading in organized markets.

- Temporary mismatches between electricity system revenues and costs funded by Naturgy pursuant to Law 24/2013 of 26 December. This amount will be recovered through electricity system settlements. The amount pending receipt following the settlements for the year generates a recovery right in the following five years, plus interest at a market rate. The entire amount of this financing has been recognised as a short-term item on the understanding that it is a temporary mismatch that will be recovered through system settlements within one year. As at 30 June 2024, in the amount of Euros 33 million (there was no outstanding balance for these temporary discrepancies at 31 December 2023).

- Temporary mismatches between gas system revenues and costs amounting to Euros 126 million (Euros 176 million as at 31 December 2023) which, pursuant to Order TED/1022/2021 of 27 September, must be recovered in the following gas year. Specifically, TED Order 1022/2021 stipulates that the annual mismatch will be recovered through the first available settlement of the following gas year. The entire amount of this financing has been recognised as a short-term item on the understanding that it is a temporary mismatch that will be recovered through system settlements within one year.

- The value of generation concessions in Costa Rica that are treated as receivables under IFRIC 12 "Service concession arrangements" in the amount of Euros 93 million (Euros 97 million as at 31 December 2023), of which Euros 9 million are classified under current assets (Euros 10 million in 2023). These receivables are classified under this heading as they represent an unconditional right to receive fixed or determinable amounts of cash. The concession for hydroelectric power generation at La Joya expired on 30 June 2023 and the concession corresponding to the Torito plant remained in force (Note 33 to the consolidated financial statements as at 31 December 2023).

- Receivables of Euros 89 million relating to the accrued electricity distribution remuneration pending collection under system settlements, which will be collected through these settlements in a term greater than 12 months (Euros 85 million as at 31 December 2023), classified as non-current assets.

– As at 31 December 2023, this included receivables of Euros 39 million, classified as current assets, relating to guaranteed deferred receipts under the agreement reached in March 2021 with the Egyptian government in relation to disputes with Unión Fenosa Gas, S.A. (merged with Naturgy Aprovisionamientos, S.A. in 2022) that were collected in the first half of 2024.

Note 8. Other non-current assets and trade and other receivables

The breakdown of "Other non-current assets" and "Trade and other receivables" as at 30 June 2024 and 31 December 2023, by nature and category, is as follows:

30.06.2024	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Derivatives (Note 13)	81	—	—	81
Other assets	—	—	309	309
Other non-current assets	**81**	**—**	**309**	**390**
Derivatives (Note 13)	44	12	—	56
Other assets	—	—	2,995	2,995
Trade and other receivables	**44**	**12**	**2,995**	**3,051**
Total	**125**	**12**	**3,304**	**3,441**

31.12.2023	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Derivatives (Note 13)	123	—	—	123
Other assets	—	—	302	302
Other non-current assets	**123**	**—**	**302**	**425**
Derivatives (Note 13)	11	4	—	15
Other assets	—	—	3,239	3,239
Trade and other receivables	**11**	**4**	**3,239**	**3,254**
Total	**134**	**4**	**3,541**	**3,679**

Financial assets recognised at fair value as at 30 June 2024 and 31 December 2023 are classified as follows:

	30.06.2024				31.12.2023			
Financial assets	**Level 1 (listed price on active markets)**	**Level 2 (observable variables)**	**Level 3 (non-observable variables)**	**Total**	**Level 1 (listed price on active markets)**	**Level 2 (observable variables)**	**Level 3 (non-observable variables)**	**Total**
Fair value through other comprehensive income	—	125	—	125	—	134	—	134
Fair value through profit or loss	1	11	—	12	1	3	—	4
Total	**1**	**136**	**—**	**137**	**1**	**137**	**—**	**138**

Fair value through other comprehensive income

Derivatives at fair value through other comprehensive income under financial assets include operational gas price hedging derivatives amounting to Euros 119 million (Euros 85 million as at 31 December 2023), of which Euros 77 million are classified as non-current (Euros 76 million as at 31 December 2023) (Note 13).

Additionally, this heading includes the value of derivatives associated with long-term electricity sales contracts from some of the installations in Australia, valued at 4 million euros, classified as non-current (Euros 49 million as at 31 December 2023, of which Euros 47 million were classified as non-current).

Amortised cost

"Other current assets" basically include:

- Receivables recognised for linear application over the contract term of agreements for the assignment of electricity generation capacity to the Mexican Federal Electricity Commission (Contract asset). As at 30 June 2024, they represent a balance of Euros 176 million (Euros 171 million as at 31 December 2023).

- An amount of Euros 77 million (Euros 98 million as at 31 December 2023) in connection with the Brazilian Federal Supreme Court decision of May 2021 in favour of CEG and CEG Rio in which it recognised their entitlement to collect the amounts paid unduly due to the inclusion of the Imposto sobre Operações relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação (ICMS) in the calculation base of the Programas de Integração Social (PIS) and the Contribuição para Financiamento da Seguridade Social (COFINS). This asset, which the Brazilian companies have been authorized to offset since December 2023, was recognised with a credit to an account payable under "Other non-current liabilities" in the consolidated balance sheet based on the understanding that the tax credit will be passed on to end customers through tariff revisions, though not in the short term. As at 30 June 2024, the amount recorded for this item under "Other non-current liabilities" amounts to Euros 115 million (Euros 122 million as at 31 December 2023).

- In addition, as at 30 June 2024, this item included Euros 45 related to price adjustment deviations for Renewable Generation facilities in Spain subject to specific remuneration schemes (Euros 23 million as at 31 December 2023).

As at 30 June 2024, "Trade and other receivables" includes accrued balances for electricity and gas sales not yet invoiced amounting to Euros 1,282 million (Euros 1,027 million as at 31 December 2023).

Additionally, the previous item includes the amount related to the increase in commodity prices not passed on to the regulated tariff for natural gas, due to the difference between the cost of raw materials calculated according to the current methodology and that resulting from the application of Royal Decree-Law 17/2021, of September 14, and which, as a consequence of the settlement mechanism established by Royal Decree-Law 18/2022, of October 18, will be recovered through settlements by the CNMC. The amount recorded for this concept as at 30 June 2024, totalling Euros 0.4 million (Euros 15 million as at 31 December 2023).

As at 30 June 2024, Naturgy has outstanding balances totaling Euros 546 million (Euros 692 million as at 31 December 2023), which have been subject to non-recourse factoring operations. Consequently, these amounts have been derecognized from the asset side of the consolidated balance sheet as at 30 June 2024, and 31 December 2023.

Note 9. Non-current assets and disposal groups of assets held for sale and discontinued operations

As at 30 June 2024 and 31 December 2023, the Group had not recognised any non-current assets held for sale or any related liabilities.

As at 30 June 2024, "Profit for the period from discontinued operations, net of taxes", amounted to Euros 22 million, included Euros 18 million for the re-estimate of the indemnities agreed with the buyer in the sale of the "Chile electricity distribution" business, which was completed in July 2021, and Euros 4 million associated with the sale of the Gas Distribution Italy business that was completed in February 2018.

Note 10. Equity

The main equity items are analysed below:

Share capital and share premium

The variations during the first half of 2024 and in 2023 in the number of shares and the share capital and share premium accounts are as follows:

	Number of shares	Share capital	Share premium	Total
01.01.2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
31.12.2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
30.06.2024	**969,613,801**	**970**	**3,808**	**4,778**

All issued shares are fully paid up and carry equal voting and dividend rights.

There were no changes in the number of shares or in the "Share capital" and "Share premium" accounts in the six-month period ended 30 June 2024 or the year ended 31 December 2023.

The Company's Board of Directors, for a maximum term of five years as from 15 March 2022, is empowered to increase share capital by a maximum of 50% of the Company's share capital at the time of the authorisation, through one or more cash payments at the time and in the amount that it deems fit, issuing ordinary, privileged or redeemable shares with or without voting rights, with or without a share premium, without requiring any further authorisation from the shareholders, with the possibility of deciding to partly or wholly override preferential subscription rights, up to a limit of 20% of share capital at the date of this authorisation, and to amend the Articles as required due to the capital increase or increases performed by virtue of that authorisation, including the possibility of incomplete subscription, in accordance with the provisions of Article 297.1.b) of the Spanish Companies Law. Additionally, based on this authorisation, it will carry out any necessary procedures and actions before domestic and overseas securities market agencies to request the listing, continuance and/or, as the case may be, delisting of the issued shares.

The Spanish Capital Companies Law specifically allows the use of the "Share premium" balance to increase capital and imposes no specific restrictions on its use.

The main holdings in the share capital of Naturgy Energy Group as at 30 June 2024 and 31 December 2023, based on publicly available information or disclosures made to Naturgy Energy Group, S.A., are as follows:

	Interest in share capital %	
	30.06.2024	31.12.2023
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona,“la Caixa” (1)	26.7	26.7
- Global Infrastructure Partners III (2)	20.6	20.6
- CVC Capital Partners SICAV-FIS, S.A. (3)	20.7	20.7
- IFM Global Infrastructure Fund (4)	15	14.9
- Sonatrach (5)	4.1	4.1

(1) Through Criteria Caixa, S.A.U.
(2) Global Infrastructure Partners III, whose investment manager is Global Infrastructure Management LLC, holds its interest indirectly through GIP III Canary 1, S.à.r.l.
(3) Through Rioja Acquisitions S.à.r.l.
(4) Through Global InfraCo O (2), S.a.r.l.
(5) Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

All Naturgy shares are traded on the four official Spanish stock exchanges and the continuous market, and form part of Spain’s Ibex 35 stock index.

Naturgy Energy Group S.A.'s share price on 30 June 2024 was Euros 20.16 (Euros 27.00 on 31 December 2023).

In February 2024, Morgan Stanley Capital International (MSCI), a global benchmark for institutional investments and numerous mutual funds and exchange-traded funds, announced changes to the composition of several of its indexes. As a result, Naturgy ceased to be a component of several MSCI indices, effective as of market close on the last business day of February. The exclusion was based on the market value of Naturgy's free float, which has recently fallen below MSCI's minimum inclusion thresholds, and was unrelated to its current operating and financial performance.

Share-based payments

As described in Note 14 to the consolidated financial statements as at 31 December 2023, on 31 July 2018 the Board of Directors approved a long-term variable incentive plan (LTI) for the Executive Chairman and 25 other executives. The main characteristics of the plan were approved by the general meeting of shareholders on 5 March 2019. That incentive system covered the period of the Business Plan 2018-2022.

On 25 November 2021, the Board of Directors of Naturgy decided, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, to extend the LTI plan 2018-2022 with a new expiration date of 31 December 2025 for current executives, in order to contribute to the fulfilment of the Strategic Plan 2021-2025. The entry into force of the extension of the LTI was approved by Naturgy's shareholders in general meeting on 15 March 2022.

As a result of accruing the estimated fair value of the granted equity instruments over the term of the plan and the incremental value associated with the extension of the term of the instrument, an amount of Euros 1 million (Euros 3 million as at 30 June 2023) was recognised in the consolidated income statement for the six-month period ended 30 June 2024 under "Personnel expenses" with a credit to "Reserves" in the consolidated balance sheet.

Based on a reasoned proposal by the Appointments, Remuneration and Corporate Governance Committee, the Board of Directors may adopt the decisions it deems necessary to administer, interpret, rectify, elaborate upon or continue the incentive scheme in the event of substantial variations in the circumstances of the Plan, taking into account the Company's interests and the objectives of the Plan.

It may also decide to terminate the plan early, either to achieve such continuity or in the event of what it deems to be a substantial change in circumstances.

On 22 April 2024, at the proposal of the Executive Chairman and in order to be able to act with absolute independence and neutrality and to avoid any conflict of interest linked to the outcome of any potential bid for Naturgy shares, the Board of Directors approved an amendment to the Executive Chairman's long-term variable incentive plan (ILP). Through this amendment, the Company returned to the initial remuneration scheme provided for in his February 2018 contract and in the Remuneration Policy approved by the Shareholders' Meeting in June 2018.

The amended scheme is linked to the objectives of the Strategic Plan, and is no longer share-based. However, the main terms of the previous plan are maintained, such as the possibility of forfeiting the incentive, the duration and expiration of the plan, and the clawback clause. Additionally, under the amended plan, the Chairman may not receive more than he might have collected under the previous plan.

This amendment will be submitted for approval by the next Shareholders' Meeting; in the meantime, it is considered to be provisional and contingent upon such authorisation.

Treasury shares

Movements in own shares of Naturgy Energy Group, S.A. in the six-month period ended 30 June 2024 and in 2023 are as follows:

	Number of shares	Amount (million euro)	% Capital
01.01.2023	**8,695,493**	**201**	**0.9 %**
Share acquisition plan	210,000	6.0	— %
Delivery to employees	(172,992)	(5)	— %
30.06.2023	**8,732,501**	**202**	**0.9 %**
Share acquisition plan	147,094	4	— %
31.12.2023	**8,879,595**	**206**	**0.9 %**
Share acquisition plan	—	—	— %
30.06.2024	**8,879,595**	**206**	**0.9 %**

In the six-month period ended 30 June 2024 and in 2023, there were no gains or losses on transactions with own shares such as to have an impact on reserves.

On 2 April 2024, the Shareholders' Meeting authorised the Board of Directors to purchase fully paid Company shares in one or more transactions in a period of not more than five years; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares nor higher than their listed price.

Transactions involving own of Naturgy Energy Group, S.A. relate to:

Six-month period ended 30 June 2024

There were no transactions with own shares in the six-month period ended 30 June 2024.

2023

In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the Shareholders' Meeting on 5 March 2019, within the Share Acquisition Plan 2020-2023, the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion in March 2023. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., subject to an annual limit of Euros 12,000. During March 2023, 210,000 own shares were acquired for Euros 6 million; in April 2023, a total of 172,992 shares were delivered to employees for an amount of Euros 5 million; and in July 2023, 147,094 own shares were acquired for Euros 4 million, leaving a surplus of 184,102 own shares which has been added to the 55,898 surplus shares from the 2019-2021 Share Acquisition Plans.

As at 30 June 2024 and 31 December 2023, this item also includes 8,639,595 own shares to cover the potential delivery of shares resulting from the increase in the value of the shares relating to the long-term variable incentive plan (see paragraph on share-based remuneration in this note).

Earnings per share

Earnings per share are calculated by dividing the net income attributable to the equity holders of the parent Company by the average number of ordinary shares outstanding during the year:

	30.06.2024	30.06.2023
Profit attributable to equity holders of the parent company	1,043	1,045
Average number of ordinary shares in issue	960,734,206	960,867,266
Earnings per share from continuing operations (in euro):		
- Basic	1.11	1.09
- Diluted	1.11	1.09
Earnings per share from discontinued activities (in euro):		
-Basic	(0.02)	—
-Diluted	(0.02)	—

The weighted average number of ordinary shares used in calculating earnings per share in the first half of 2024 and 2023 is as follows:

	2024	2023
Average number of ordinary shares	969,613,801	969,613,801
Average number of treasury shares	(8,879,595)	(8,746,535)
Average number of shares in issue	**960,734,206**	**960,867,266**

Basic earnings per share are the same as diluted earnings per share since there were no instruments susceptible of conversion into ordinary shares during those years and the conditions for including the shares under the incentive described in the section on Share-based payments in the calculation of diluted earnings per share were not met.

Dividends

Dividend payments made by Naturgy Energy Group, S.A., the Naturgy Group parent company, in the first six months of 2024 and 2023 are detailed below:

	30.06.2024			30.06.2023		
	% of Nominal	Euros per share	Amount (1)	% of Nominal	Euros per share	Amount (1)
Ordinary shares	40 %	0.40	388	50 %	0.50	485
Other shares (without voting rights, redeemable, etc.)	—	—	—	—	—	—
Total dividends paid	**40 %**	**0.40**	**388**	**50 %**	**0.50**	**485**
a) Dividends charged to income statement or reminder	40 %	0.40	388	50 %	0.50	485
b) Dividends charged to reserves or share premium account	—	—	—	—	—	—
c) Dividends in kind	—	—	—	—	—	—

(1) Dividends paid, net of those received by group companies, amount to Euros 384 million as at 30 June 2024 (Euros 480 million as at 30 June 2023).

In addition, the dividends paid to non-controlling interests in the six-month period ended 30 June 2024 amounted to Euros 76 million (Euros 39 million in the six-month period ended 30 June 2023), of which Euros 32 million related to remuneration on other equity instruments (Euros 29 million in the six-month period ended 30 June 2023). Total dividend payments therefore amounted to Euros 460 million (Euros 519 million in the six-month period ended 30 June 2023).

30 June 2024

On 26 February 2024, the Board of Directors approved the following proposal for the distribution of the Company's net profit for 2023 and retained earnings, for submission to the annual general meeting:

AVAILABLE FOR DISTRIBUTION

Profit.. 1,211
Retained earnings.. 2,592
Available for distribution.............................. 3,803

DISTRIBUTION:

TO DIVIDEND: The gross aggregate amount will be equal to the sum of the following amounts (the “Dividend”):

i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2023 paid by Naturgy Energy Group, S.A., jointly equivalent to Euro 1.00 per share for the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements and in accordance with the legal requirements, which disclosed the existence of sufficient liquidity for the distribution of these interim dividends out of profit for 2023, and

ii. the amount obtained by multiplying Euros 0.40 per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the “Supplementary Dividend”) are determined.

Euros 969 million of that dividend had already been paid on 7 August and 7 November 2023. The Supplementary Dividend was paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). That dividend was paid to shareholders as from 9 April 2024.

The Board of Directors was expressly empowered to delegate its powers to the director(s) it deems fit, with express powers of substitution, so that they may perform all the actions required to carry out the distribution and, in particular, without limitation, so that they may designate the entity that is to act as payment agent.

TO RETAINED EARNINGS: Determinable amount obtained by subtracting the dividend amount from the distribution base.

TOTAL DISTRIBUTED 3,803

The general meeting of shareholders held on 2 April 2024 approved a supplementary dividend of Euros 0.40 per share for shares not directly held as treasury stock on the payment date, which was fully paid on 9 April 2024.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,446 million.

On 22 July 2024, the Board of Directors of Naturgy Energy Group, S.A. declared an interim dividend of Euros 0.5 per share out of 2024 profits for shares not classified as direct treasury stock on the date of distribution, payable on 1 August 2024.

Naturgy Energy Group, S.A. had sufficient liquidity to pay the interim dividend at the approval date in accordance with the Spanish Companies Law. The provisional liquidity statement as at 30 June 2024 drawn up by the Directors on 22 July 2024 was as follows:

Profit after tax		873
Reserves to be replenished		—
Maximum amount distributable		**873**
Forecast maximum interim dividend payment (1)		**485**
Cash resources	1,964	
Undrawn credit facilities	5,352	
Total liquidity		**7,316**

(1) Amount considering total shares issued

30 June 2023

On 20 February 2023, the Board of Directors approved the proposal, for submission to the general meeting of shareholders, for the distribution of Naturgy Energy Group, S.A.'s net profit for 2022 and retained earnings from previous years, as detailed in Note 14 to the consolidated financial statements for the year ended 31 December 2022.

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting included a supplementary payment of Euros 0.50 per share for each qualifying share outstanding at the proposed date of payment.

Finally, the general meeting of shareholders on 28 March 2023 approved a supplementary dividend of Euros 0.50 per share for shares not directly held as treasury stock on the payment date, which was fully paid on 4 April 2023.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,592 million.

Other equity items

Movements in other equity items break down as follows:

	Financial assets at fair value	Hedging operations	Tax effect	Total asset and liability revaluation reserves	Currency translation differences	Total
31.12.2023	**(468)**	**326**	**50**	**(92)**	**(1,381)**	**(1,473)**
Change in value	—	(616)	124	**(492)**	52	(440)
Taken to income statement	—	137	(23)	**114**	2	116
Other	—	—	—	**—**	—	—
30.06.2024	**(468)**	**(153)**	**151**	**(470)**	**(1,327)**	**(1,797)**

The “Exchange differences" item includes the exchange differences described in Note 2.4.2 to the consolidated financial statements for the year ended 31 December 2023 as a result of the euro's fluctuation against the main currencies of Naturgy's overseas companies. This heading also includes the effect of the restatement of the financial statements of companies in hyperinflationary economies.

Non-controlling interest

Movements in non-controlling interests during the six-month period ended 30 June 2024 are as follows:

Balance at 31 December 2023	**2,481**
Total comprehensive income for the period	217
Distribution of dividends	(67)
Early redemption subordinated debenture issuance	(500)
Payments return on other equity instruments	(29)
Other changes	1
Balance at 30 June 2024	**2,103**

In April 2024, Naturgy redeemed a Euro 500 million issue made in April 2015 with a coupon of 3.375%.

Note 11. Provisions

The breakdown of provisions at 30 June 2024 and 31 December 2023 is as follows:

	30.06.2024	31.12.2023
Provisions for employee obligations	393	388
Other provisions	1,212	1,460
Non-current provisions	**1,605**	**1,848**
Current provisions	**189**	**543**
Total	**1,794**	**2,391**

The "Provisions for employee benefits" item includes the provisions for "Pensions and other similar obligations" and "Other employee benefits" detailed in Note 16 to the 2023 consolidated financial statements.

In connection with "Other employee benefits", together with the approval of the Strategic Plan 2021-2025, an extension of the long-term incentive plan for Naturgy executives not included in the plan mentioned in Note 10 that was implemented with the Strategic Plan 2018-2022 was approved. This change maintains the aim of aligning shareholders' interests, implementation of the Strategic Plan, and executives' multi-year variable remuneration. The amendment extends the term of the plan until 31 December 2025 for certain serving beneficiaries in order to contribute to the achievement of the Strategic Plan 2021-2025.

The provision for this commitment amounted to Euros 32 million as at 30 June 2024 (Euros 29 million as at 31 December 2023).

The "Other provisions" heading mainly includes provisions set up to cover obligations derived from decommissioning and from tax claims, as well as lawsuits and arbitration, insurance and other liabilities. Note 26 contains further information related to litigation and arbitration.

Changes in the balance of "Other provisions" in the six-month period ended ended 30 June 2024, primarily includes the reduction of the provision related to the existing litigation between the group's company in Chile, Metrogas S.A., and Transportadora de Gas del Norte S.A. (Note 26), as well as the amount of Euros 22 million referred to in Note 9 to these Interim consolidated financial statements that is associated with the indemnities agreed with the purchasers of the "Chile Electricity Distribution" and "Italy Gas Distribution" businesses.

The "Current provisions" heading relates mainly to CO2 emissions estimated as at 30 June 2024 in the amount of Euros 110 million (Euros 413 million as at 31 December 2023). During this period, the CO2 emission allowances related to emissions made in the year 2023 were surrendered, resulting in a current provisions impact of Euros 413 million, offset by emission allowances recorded under "Inventories".

This item also includes provisions for onerous contracts, as described in Note 2.4.19. to the 2023 consolidated financial statements, amounting to Euros 10 million as at 30 June 2024 (Euros 10 million as at 31 December 2023).

Note 12. Financial liabilities

Set out below is a breakdown of financial liabilities, excluding “Trade and other payables”, as at 30 June 2024 and 31 December 2023, by nature and category:

At 30 June 2024	Creditors and payables	Hedging derivatives	Total
Bank borrowings	5,089	—	**5,089**
Bonds and other negotiable securities	7,157	—	**7,157**
Derivatives (Note 13)	—	2	**2**
Lease liabilities	1,309	—	**1,309**
Other financial liabilities	—	—	**—**
Non-current financial liabilities	**13,555**	**2**	**13,557**
Bank borrowings	1,360	—	**1,360**
Bonds and other negotiable securities	1,046	—	**1,046**
Derivatives (Note 13)	—	8	**8**
Lease liabilities	165	—	**165**
Other financial liabilities	8	—	**8**
Current financial liabilities	**2,579**	**8**	**2,587**
Total financial liabilities at 30.06.2024	**16,134**	**10**	**16,144**

At 31 December 2023	Creditors and payables	Hedging derivatives	Total
Bank borrowings	6,197	—	**6,197**
Bonds and other negotiable securities	5,932	—	**5,932**
Derivatives (Note 13)	—	1	**1**
Lease liabilities	1,296	—	**1,296**
Other financial liabilities	—	—	**—**
Non-current financial liabilities	**13,425**	**1**	**13,426**
Bank borrowings	1,432	—	**1,432**
Bonds and other negotiable securities	931	—	**931**
Derivatives (Note 13)	—	5	**5**
Lease liabilities	167	—	**167**
Other financial liabilities	9	—	**9**
Current financial liabilities	**2,539**	**5**	**2,544**
Total financial liabilities at 31.12.2023	**15,964**	**6**	**15,970**

At the date of authorisation of these consolidated interim financial statements, Naturgy is not in breach of its financial obligations or of any type of obligation that might trigger early maturity of its financial commitments, except for GPG Solar Chile 2017, S.p.A. for which certain obligations under financing contracts have not been fulfilled, as was also the case at 2023 year-end. A waiver has been obtained from the lending banks to avoid early termination unless default occurs, and the debt continues to be classified as current.

Additionally, at the end of June 2024, Cabo Leones II S.A. is in compliance with the conditions and will meet the maturity of the debt in June 2024, although it is not possible to guarantee fulfilment of those conditions in December 2024, since the structural problems derived from the deficits in the transmission networks and diversity of the generation mix in each node are persisting.

As at 30 June 2024, the debt amounts to Euros 164 million at Cabo Leones II, S.A. and Euros 81 million at GPG Solar Chile 2017 S.p.A. In the case of the Renewables Generation Spain business, there are two companies with debts amounting to Euros 65 million that are subject to covenants in December 2024 that might prove difficult to fulfil given the situation of the electricity market during the year.

In these cases of possible breach of the debt covenants, Naturgy will evaluate the need to restructure the current debt and will engage in negotiations with the banks, depending on how the market situation and cash flow expectations develop.

Financial liabilities recognised at fair value as at 30 June 2024 and 31 December 2023 are classified as follows:

	30.06.2024				31.12.2023			
Financial liabilities	**Level 1 (listed price on active markets)**	**Level 2 (observable variables)**	**Level 3 (non-observable variables)**	**Total**	**Level 1 (listed price on active markets)**	**Level 2 (observable variables)**	**Level 3 (non-observable variables)**	**Total**
Fair value through profit or loss	—	—	—	—	—	—	—	—
Hedging derivatives	—	10	—	10	—	6	—	6
Total	**—**	**10**	**—**	**10**	**—**	**6**	**—**	**6**

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	30.06.2024	**31.12.2023**	**30.06.2024**	**31.12.2023**
Issuing of debentures and other negotiable securities	5,089	6,197	4,847	5,988
Loans from financial institutions and other financial liabilities	7,157	5,932	7,148	5,868

The bonds and other marketable securities are listed and, therefore, their fair value is estimated on the basis of their listed price (Level 1). In bank borrowings and other financial liabilities, the fair value of the debt at fixed interest rates is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available as at 30 June 2024 and 31 December 2023 for borrowings with similar credit and maturity characteristics. These valuations are based on the listed prices of similar financial instruments in an official market or on observable information in an official market (Level 2).

Changes in debt securities in the six-month period ended 30 June 2024 and in 2023 are as follows:

	01.01.2024	Issues	Buy-backs or redemptions	Adjustments, exch. rates & other	**30.06.2024**
Issued in a European Union Member State which required the filing of a prospectus	**6,999**	—	(1,154)	(25)	**5,820**
Issued in a European Union Member State which did not require the filing of a prospectus	**—**	—	—	—	**—**
Issued outside a European Union Member State	**630**	195	(163)	(33)	**629**
Total	**7,629**	**195**	**(1,317)**	**(58)**	**6,449**

	01.01.2023	Issues	Buy-backs or redemptions	Adjustments, exch. rates & other	**31.12.2023**
Issued in a European Union Member State which required the filing of a prospectus	**7,508**	—	(550)	41	**6,999**
Issued in a European Union Member State which did not require the filing of a prospectus	**—**	—	—	—	**—**
Issued outside a European Union Member State	**695**	—	(105)	40	**630**
Total	**8,203**	**—**	**(655)**	**81**	**7,629**

The total nominal amount drawn under the Euro Medium Term Notes (EMTN) programme, which had a limit of Euros 12,000 million as at 30 June 2024, amounted to Euros 5,851 million euros (Euros 7,005 million as at 31 December 2023).

The amount drawn against other tradeable bonds and stock certificates as at 30 June 2024 was Euros 629 million (Euros 629 million as at 31 December 2023).

Six-month period ended 30 June 2024

There were no issues under the EMTN programme in the six-month period ended 30 June 2024.

Bonds under that programme amounting to a total of Euros 1,154 million with an average coupon of 1.75% matured in 2024.

A bond issued by Naturgy México S.A. de CV in the amount of MXN 2,900 million (equivalent to Euros 159 million) matured in March 2024. In that same month, Naturgy México S.A. de CV issued a bond in the amount of MXN 3,500 million (equivalent to Euros 195 million), maturing in 3 years and with an interest rate of TIIE +0.49%.

During 2024, no issues were made under the Euro Commercial Paper (ECP) programme and there were no outstanding issues under this programme as at 30 June 2024.

The group continues to work on strengthening its financial profile. In this regard, new financing operations have been formalized with credit institutions in Spain amounting to Euros 725 million euros, in addition to the Euros 750 million formalized in 2023. Internationally, new financing operations amount to Euros 137 million. In addition, refinancing operations with credit institutions in Spain and internationally amounted to Euros 455 million and Euros 198 million, respectively.

Six-month period ended 30 June 2023

There were no issues under the EMTN programme in the six-month period ended 30 June 2023.

In 2023, bonds matured for a total amount of Euros 550 million with an average coupon of 3.53%.

During 2023, no issues were made under the Euro Commercial Paper (ECP) programme and there were no outstanding issues under this programme as at 30 June 2023.

Refinancing transactions with credit institutions in Spain and in international business amounted to Euros 3,464 million and Euros 396 million, respectively, and included the refinancing of two syndicated credit lines in Spain for Euros 2,000 million and Euros 1,000 million, extending their maturity by another year (maturity in 2026 and 2025, respectively).

As at 30 June 2024, similarly to 2023 year-end, Naturgy has a comfortable debt maturity profile and balance sheet position, as well as flexibility in its investments and operating expenses to enable it to cope with the current economic situation.

Financing linked to the fulfilment of ESG (environmental, social and corporate governance) objectives.

ESG-linked financing relates to credit lines in Spain, the cost of which is linked to at least one of the following ESG indicators:

- Direct GHG emissions: three-year average reduction (Mt CO_2/GWh)
- CO_2 intensity of electricity generation: three-year average reduction (tCO_2/GWh)
- Water consumption: three-year average reduction (hm3)
- Women in management positions (%)

The adjustment to the cost of debt is linked to the level of compliance with the above metrics and their variation with respect to the previous year's indicators.

These credit lines, amounting to Euros 4,902 million as at 30 June, 2024, (Euros 4,946 million as at 31 December 2023) have not been drawn down and, therefore, the impact on borrowing costs of the degree of compliance with these indicators is not material.

In addition, the terms of that financing do not disclose the existence of an embedded derivative that needs to be separated.

Note 13. Risk management

Risk management is described in detail in note 18 to the consolidated financial statements for the year ended 31 December 2023. The main aspects of financial risk are updated as at 30 June 2024 below:

Interest rate risk

The purpose of interest rate risk management is to balance floating- and fixed-rate borrowings in order to reduce borrowing costs within the established risk parameters.

Naturgy employs financial swaps to manage exposure to interest rate fluctuations, by swapping floating rates for fixed rates.

A total of 70% of Naturgy's debt as at 30 June 2024 is at fixed interest rates, while exposure to floating interest rates is limited.

Floating interest rates are tied mainly to Euribor, SOFR and indexed rates in Mexico, Brazil, Argentina and Chile.

The sensitivity of results and equity (Other equity items) to interest rate fluctuations is as follows:

	Increase/decrease in interest rates (basis points)	Effect on profit before tax	Effect on equity before tax
30.06.2024	+50	(24)	48
	-50	24	(48)
31.12.2023	+50	(20)	46
	-50	20	(46)

After observing a decline in Eurozone inflation from a peak of 10.6% in October 2022 to 2.6% in May 2024, the European Central Bank determined in June 2024 to lower the three official interest rates by 25 basis points, with the result that the main refinancing rate was reduced to 4.25%.

In any event, Naturgy's floating rate debt as at 30 June 2024 represents only 30% of the total.

Exchange rate risk

In order to mitigate these risks to the extent possible, Naturgy finances its investments in local currency. Furthermore, as far as possible, it tries to match costs and revenues in the same currency, as well as amounts and maturities of assets and liabilities arising from operations denominated in currencies other than the euro.

For open positions, risks in non-functional currencies are managed, where considered necessary, through financial swaps and foreign exchange fluctuation insurance within the limits approved for hedging instruments.

Additionally, net assets of overseas companies whose functional currency is not the euro are subject to foreign exchange risk when their financial statements are translated to euros during the consolidation process. Exposure to risk countries where there is more than one exchange rate is not material.

The impact of exchange rate fluctuations on the translation of the main items in the condensed consolidated interim financial statements as at 30 June 2024 was as follows:

Million euros	% variation vs June 2023 (1)	Ebitda	Net sales	Net financial debt (2)
U.S. Dollar (USD)	—	(1)	(2)	48
Mexican Peso (MXN)	(5.8)%	11	24	(28)
Brazilian Real (BRL)	0.2 %	(1)	(1)	(9)
Argentine Peso (ARS)	248.7 %	(96)	(496)	2
Chilean Peso (CLP)	16.8 %	(20)	(22)	(8)
Others currencies	—	(1)	(4)	14
Total		**(108)**	**(501)**	**19**

(1) Accumulated average rates, except in the case of Argentina, where the closing rate is used as Argentina is classified as a hyperinflationary economy.
(2) Defined in accordance with note 18 to the consolidated financial statements as at 31 December 2023.

Commodity price risk

A large portion of Naturgy's operating results are linked to gas purchased for supply to a diversified portfolio of customers.

These gas supply contracts are mostly signed on a long-term basis with purchase prices based on a combination of commodity (basically crude oil and its derivatives) prices and natural gas hub prices.

However, selling prices to final customers are generally agreed on a short/medium-term basis and are conditioned by the supply/demand balance existing at a given time in the gas market. This may result in decoupling with respect to gas procurement prices.

Therefore, Naturgy is exposed to the risk of fluctuations in gas procurement prices with respect to selling prices to end customers. This exposure is managed and mitigated by natural hedging, as an attempt is made to balance the commodity exposures of both prices. In addition, some procurement contracts allow this exposure to be managed through volume flexibility and price review mechanisms.

Where it is not possible to achieve a natural hedge, the position is managed, within reasonable risk parameters, using derivatives to reduce exposure to price decoupling risk, which are generally designated as hedging instruments. However, these hedges may prove to be ineffective in the event of changes in the expected dates of the purchase and sale transactions, a reduction in the volumes hedged, or a decoupling from the indices hedged in the purchase and sale transactions.

In the integrated electricity businesses, the Group's aggregate exposure is determined by the strategic generation/ marketing positioning and by the final sales pricing policies in electricity supply.

Gas prices began to escalate late in 2021 and peaked in 2022 following the impact of the war in Ukraine. Prices began to decline in 2023 and this trend is being maintained in 2024, prices having stabilised somewhat in the first half of this year.
The sensitivity of results and equity (Other equity items) to changes in the fair value of derivatives arranged to hedge commodity prices and in derivatives used for trading purposes is analysed below:

	Increase/decrease in gas price	Effect on profit before tax	Effect on equity before tax
30.06.2024	**10%**	**(26)**	**(234)**
	-10%	**26**	**234**
31.12.2023	10%	—	(73)
	-10%	—	73

	Increase/decrease in electricity price	Effect on profit before tax	Effect on equity before tax
30.06.2024	**10%**	**(2)**	**(132)**
	-10%	**4**	**132**
31.12.2023	10%	(3)	(87)
	-10%	2	87

The Group is also exposed to fluctuations in the price of CO2 emission rights prices, primarily related to power generation in its combined cycle plants.

Business segment sensitivity to the prices of oil, gas and electricity is described below:

- Gas and electricity distribution: This is a regulated activity in which revenue and profit margins are linked to distribution infrastructure management services, irrespective of the prices of the commodities distributed.

- Gas and electricity: Profit margins on gas and electricity supply activities are directly affected by commodity prices. In this regard, Naturgy has a risk policy that determines, among other aspects, the tolerance range based on applicable risk limits. Measures employed to keep risk within the stipulated limits include active supply management, balanced acquisitions and sales formulae, and specific hedging so as to maximise the risk-profit relationship. Supplementary to the policy described above, Naturgy has ordinary and extraordinary price review clauses in a large part of its supply portfolio. These clauses make it possible, in the medium term, to modulate the impact of decoupling between Naturgy's selling prices in its markets and the evolution of prices in its procurement portfolio.

Credit risk

With regard to credit risk, trade receivables are disclosed in the consolidated balance sheet net of provisions for impairment due to expected credit losses estimated by Naturgy on the basis of available information about past events (such as customer payment behaviour), current conditions and forward-looking factors (e.g. macroeconomic factors such as GDP, inflation, interest rates, etc.) that might impact the credit risk of Naturgy's debtors in accordance with the prior segregation of customer portfolios.

Credit risk relating to trade accounts receivable has been limited in the past because, given the short period for collection from customers, significant amounts do not accumulate individually before supply can be suspended due to non-payment, in accordance with the applicable regulations.

With respect to other exposures to counterparties, such as transactions involving financial derivatives and the investment of cash surpluses, credit risk is mitigated by carrying out such transactions with reputable financial institutions in line with internal criteria. There were no material non-payments or defaults in the six-month period ended 30 June ended 30 June 2024 or in 2023.

The main guarantees that are arranged are bank guarantees, sureties and deposits. As at 30 June 2024, Naturgy had received guarantees totalling Euros 680 million to cover customer risk (Euros 682 million as at 31 December 2023).Guarantees amounting to Euros 1 million were executed in the six-month period ended 30 June 2024 (Euros 0.5 million through 31 December 2023).

As at 30 June 2024 and 31 December 2023, Naturgy did not have significant concentrations of credit risk. Concentration risk is minimised through diversification by managing and combining various areas of impact. Firstly, by having a customer base that is broadly distributed on an international scale; secondly, the product range is diverse, from energy supply to the implementation of tailored energy solutions; thirdly, there are different customer types, such as residential customers, self-employed entrepreneurs and small and large businesses in both the public and private sectors and in different segments of the economy.

An ageing analysis of financial assets and related expected losses as at 30 June 2024 and 31 December 2023 is set out below:

30.06.2024	Total	Current	0-180 days	180-360 days	More than 360 days
Expected loss ratio	26.3%	0.6%	19.1%	77.5%	94.0%
Trade receivables for sales and provisions of services	3,343	2,094	376	151	722
Expected loss	880	12	72	117	679

31.12.2023	Total	Current	0-180 days	180-360 days	More than 360 days
Expected loss ratio	24.6%	1.1%	17.5%	86.6%	97.1%
Trade receivables for sales and provisions of services	3,698	2,441	394	217	646
Expected loss	910	26	69	188	627

The expected loss ratio is calculated as the expected loss divided by customer receivables for sales and services rendered.

As at 30 June 2024, the balance of the provision for impairment of credit losses (expected loss) includes the delinquency of traders in the Wholesale Electricity Market in the amount of Euros 95 million. As at 31 December 2023, the balance for this item amounted to Euros 95 million, of which Euros 39 million were provided for in the first half of 2023.

Concerning supplier credit risk, the solvency of each supplier of products and services is guaranteed through recurring analysis of their financial information, particularly prior to new engagements. To this end, the relevant assessment criteria are applied depending on the supplier's criticality in terms of service or concentration. This procedure is supported by oversight and supplier management mechanisms and systems.

Naturgy has updated its credit risk management model based on economic forecasts in the main countries in which it operates, taking into account various factors including the ongoing geopolitical conflicts affecting the world economy and financial markets (see Note 2.5), but the Group's financial statements have not been materially affected by changes in debtor payment performance.

Liquidity risk

Available liquidity as at 30 June 2024 and 31 December 2023 is analysed below:

Liquidity source	2024	2023
Undrawn credit facilities	5,662	5,551
Cash and cash equivalents	4,087	3,686
Total	**9,749**	**9,237**

There is also additional unused capacity to issue debt in capital markets amounting to Euros 7,220 million (Euros 6,099 million as at 31 December 2023).

In an international context that is deeply influenced by the war in Ukraine and current conflicts, and within the framework of the Group's financial policy, Naturgy maintains available funds to honour its obligations and to implement its business plans, guaranteeing at all times the optimum level of liquid funds and seeking to maximise efficiency in the management of financial resources.

Capital management

Naturgy's long-term credit rating is as follows:

	2024	2023
Standard & Poor's (S&P)	BBB (*)	BBB (*)
Fitch	BBB (*)	BBB (*)

(*) S&P: Stable outlook, Fitch: Stable outlook.

As at 30 June 2024, bank borrowings amounting to Euros 4,007 million and outstanding bonds amounting to Euros 183 are subject to the fulfilment of certain financial ratios (Euros 3,911 million and Euros 195 million, respectively, as at 31 December 2023).

Most of the outstanding borrowings include a clause relating to a change in control, attained either by acquisition of more than 50% of the voting shares or by obtaining the right to appoint the majority of the members of the Board of Naturgy Energy Group, S.A. These clauses are subject to additional conditions and, therefore, their activation depends on the simultaneous occurrence of some of the following events: a material downgrade in the credit rating caused by the change in control, or the loss of investment grade status granted by rating agencies; inability to honour the financial obligations of the contract; a material detrimental event for the creditor; or a material adverse change in creditworthiness. These clauses entail the repayment of drawn-down debt, although they usually have a longer term than that granted in cases of early termination.

Specifically, as is habitual in the Euromarket, the outstanding bonds, in the amount of Euros 5,851 million (Euros 7,005 million as at 31 December 2023), might have to be repaid early if such a change in control triggered a downgrade of more than two full notches in at least two of the Company's three ratings, or if all the ratings fell below investment grade, and provided that the Rating Agency stated that the rating downgrade was a result of the change in control.

There are also loans for an amount of Euros 3,339 million that could be subject to early repayment in the event of a change of control (Euros 2,248 million as at 31 December 2023). Most of this amount is linked to infrastructure financing with funds from the European Investment Bank that require a rating downgrade in addition to a change of control, and have special repayment terms that are longer than those relating to early termination events.

Derivative financial instruments

The breakdown of derivative financial instruments by category and maturity is as follows:

	30.06.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
Hedging derivative financial instruments	**166**	**496**	**205**	**178**
Interest rate hedges				
Cash flow hedges	85	—	78	—
Interest and exchange rate hedges				
Cash flow hedges	—	—	—	—
Exchange rate hedges				
Cash flow hedges	—	2	4	1
Price of commodities hedges				
Cash flow hedges	81	494	123	177
Other financial instruments	**16**	**3**	**11**	**—**
Price of commodities	—	3	—	—
Interest rate	16	—	11	—
Derivative financial instruments – non current	**182**	**499**	**216**	**178**
Hedging derivative financial instruments	**144**	**501**	**98**	**313**
Interest rate hedges				
Cash flow hedges	79	—	68	—
Exchange rate hedges				
Cash flow hedges	19	8	18	5
Fair value hedges	2	4	1	5
Price of commodities hedges				
Cash flow hedges	44	489	11	303
Other financial instruments	**30**	**20**	**55**	**19**
Price of commodities	12	20	40	19
Interest rate	18	—	15	—
Derivative financial instruments current	**174**	**521**	**153**	**332**
Total	**356**	**1,020**	**369**	**510**

The fair value of derivatives is determined based on the listed price in an active market (Level 1) and observable variables in an active market (Level 2).

"Other financial instruments" include derivatives not qualifying for hedge accounting.

As at 30 June 2024, asset derivatives linked to financial liabilities amount to Euros 219 million (Euros 194 as at 31 December 2023) relating to:

- interest rate derivatives amounting to Euros 101 million in non-current assets and Euros 97 million in current assets (Euros 89 million in non-current assets and Euros 83 million in current assets as at 31 December 2023).

- exchange rate hedging derivatives amounting to Euros 21 million in current assets (Euros 4 million in non-current assets and Euros 18 million in current assets as at 31 December 2023).

Commodity price hedging derivatives recognised under assets are detailed in Note 8 "Other non-current assets and trade and other receivables".

"Other non-current liabilities" include, in addition to long-term gas price hedging derivatives in the amount of Euros 239 million (Euros 105 million as at 31 December 2023), the market value of certain power purchase agreements of the Australian subsidiaries amounting to Euros 209 million as at 30 June 2024 (Euros 51 million as at 31 December 2023) and of the U.S. subsidiaries amounting to Euros 46 million (Euros 21 million as at 31 December 2023).

"Trade Payables and Other Payables" include, in addition to commodity price derivatives amounting to Euros 488 million as at 30 June 2024 (Euros 293 million as at 31 December 2023), the market value of power purchase agreements at the the Australian subsidiaries amounting to Euros 15 million as at 30 June 2024 (Euros 23 million as at 31 December 2023) and of the U.S. subsidiaries amounting to Euros 6 million (Euros 6 million as at 31 December 2023).

The impact on the consolidated income statement of derivative financial instruments is as follows:

	Six months June 2023		Six months June 2022	
	Operating results	**Financial results**	**Operating results**	**Financial results**
Cash flow hedge (1)	(132)	37	133	21
Fair value hedge	(1)	—	(12)	—
Other financial instruments	4	13	5	(11)
Total	**(129)**	**50**	**126**	**10**

(1) During the first six months of 2024, revenue includes Euros 36 million arising from the maturity of gas sales hedging instruments that, as at 31 December 2023, were recognised as ineffective in that amount as a result of decoupling from the indexes hedged in the sales transactions (revenue included Euros 585 million in the period ended 30 June 2023).

The breakdown of derivative financial instruments as at 30 June 2024 and 2023, their fair value and maturities of their notional values, are as follows:

								30.06.2024
	Fair value							**Notional value**
(million euros)		**2024**	**2025**	**2026**	**2027**	**2028**	**Subsequent years**	**Total**
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	71	42	505	55	336	216	505	1,659
Financial swaps (USD)	47	1	2	668	2	2	23	698
Financial swaps (MXN)	7	—	—	91	—	—	—	91
Financial swaps (AUD)	39	3	5	4	6	5	246	269
Options (EUR)	—	—	—	—	—	—	—	—
EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Foreign exchange insurance (USD)	(6)	245	232	—	—	—	—	477
Foreign exchange insurance (AUD)	15	537	104	—	—	—	—	641
Foreign exchange insurance (BRL)	—	—	—	—	—	—	—	—
Fair value hedges:								
Foreign exchange insurance (BRL)	2	44	—	—	—	—	—	44
Foreign exchange insurance (EUR) (1)	1	14	—	—	—	—	—	14
Foreign exchange insurance (USD)	(5)	76	—	—	—	—	—	76
INTEREST AND EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Financial swaps (NOK)	—	—	—	—	—	—	—	—
COMMODITIES HEDGES:								
Cash flow hedges:								
Commodities price derivatives (EUR)	(17)	137	98	3	—	—	—	238
Commodities price derivatives (USD)	(621)	432	1,094	471	24	24	149	2,194
Commodities price derivatives (AUD)	(220)	38	104	117	115	116	969	1,459
OTHER:								—
Commodities price derivatives (EUR)	1	354	—	—	—	—	—	354
Commodities price derivatives (USD)	(12)	186	3	—	—	—	—	189
Financial swaps (USD)	34	71	5	6	7	8	110	207
Total	**(664)**	**2,180**	**2,152**	**1,415**	**490**	**371**	**2,002**	**8,610**

(1) Arranged by companies using a functional currency other than the euro.

								31.12.2023
	Fair Value value							Notional value
(million euros)		2024	2025	2026	2027	2028	Subsequent years	Total
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	62	77	505	55	336	185	37	1,195
Financial swaps (USD)	43	2	2	647	2	2	22	677
Financial swaps (MXN)	5	—	—	95	—	—	—	95
Financial swaps (AUD)	36	5	5	4	5	5	243	267
EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Foreign exchange insurance (USD)	10	306	125	—	—	—	—	431
Foreign exchange insurance (AUD)	6	482	26	—	—	—	—	508
Fair value hedges:								
Foreign exchange insurance (BRL)	—	16	—	—	—	—	—	16
Foreign exchange insurance (EUR) (1)	—	14	—	—	—	—	—	14
Foreign exchange insurance (USD)	(4)	104	—	—	—	—	—	104
COMMODITIES HEDGES:								
Cash flow hedges:								
Commodities price derivatives (EUR)	(61)	212	34	—	—	—	—	246
Commodities price derivatives (USD)	(264)	455	511	211	24	24	145	1,370
Commodities price derivatives (AUD)	(21)	62	102	115	113	114	953	1,459
OTHER:								
Commodities price derivatives (EUR)	(6)	1	—	—	—	—	—	1
Commodities price derivatives (USD)	31	43	—	—	—	—	—	43
Commodities price derivatives (AUD)	(4)	4	—	—	—	—	—	4
Financial swaps (USD)	26	71	5	6	7	7	107	203
Total	**(141)**	**1,854**	**1,315**	**1,133**	**487**	**337**	**1,507**	**6,633**

(1) Arranged by companies using a functional currency other than the euro.

Details of commodity derivatives and volumes (in physical units) by maturity as at 30 June 2024 and 31 December 2023 are as follows:

30.06.2024	Fair value (Euros million)	Physical units						
		2024	2025	2026	2027	2028	Subsequent years	Total
Procurements hedges								
Gas (TBTU)	(22)	125	212	74	—	—	—	411
Electricity (GWh)	(12)	633	278	44	—	—	—	955
Sales hedges								
Gas (TBTU)	(556)	97	184	74	—	—	—	355
Electricity (GWh)	(268)	1,110	3,240	3,432	3,410	3,407	25,742	40,341
Others (non hedge)	(11)	—	—	—	—	—	—	—
Total	**(869)**							

31.12.2023	Fair value (Euros million)	Physical units						
		2023	2024	2025	2026	2027	Subsequent years	Total
Procurements hedges								
Gas (TBTU)	(100)	113	86	28	—	—	—	227
Electricity (GWh)	(25)	933	149	—	—	—	—	1,082
Sales hedges								
Gas (TBTU)	(179)	60	63	28	—	—	—	151
Electricity (GWh)	(42)	1,513	3,037	3,672	3,649	3,645	27,884	43,400
Others (non hedge)	21	—	—	—	—	—	—	—
Total	**(325)**							

Note 14. Revenue

The breakdown of this heading by category in the consolidated income statement for first six months of 2024 and 2023 is as follows, with the relevant operating segment reporting structure:

	Distribution Networks									Energy Markets								
2024	**Gas Spain**	**Gas Mexico**	**Gas Brazil**	**Gas Argentina**	**Gas Chile**	**Elec. Spain**	**Elec. Panama**	**Elec. Argentina**	**Total**	**Energy management**	**Thermal Generation**	**Renewable Generation**	**Renew. Gas**	**Supply**	**Holding and Eli.**	**Total**	**Rest**	**Total**
Sales of gas and access to distribution networks	438	315	792	223	396	—	—	—	**2,164**	866	—	—	—	1,437	—	**2,303**	—	**4,467**
Sales of electricity and access to distribution networks	—	—	—	—	1	384	503	96	**984**	53	560	132	—	1,219	—	**1,964**	—	**2,948**
LNG sales	—	—	—	—	—	—	—	—	**—**	1,136	—	—	—	—	—	**1,136**	—	**1,136**
Registrations and facility checks	13	3	1	—	—	5	1	—	**23**	—	—	—	—	23	—	**23**	—	**46**
Assignment power generation capacity	—	—	—	—	—	—	—	—	**—**	—	187	—	—	—	—	**187**	—	**187**
Rentals meters and facilities	12	—	2	—	—	9	—	—	**23**	—	—	—	—	149	—	**149**	—	**172**
Other income	8	14	2	1	—	—	6	1	**32**	—	—	6	22	52	2	**82**	1	**115**
Total	**471**	**332**	**797**	**224**	**397**	**398**	**510**	**97**	**3,226**	**2,055**	**747**	**138**	**22**	**2,880**	**2**	**5,844**	**1**	**9,071**

	Distribution Networks									Energy Markets								
2023	**Gas Spain**	**Gas Mexico**	**Gas Brazil**	**Gas Argentina**	**Gas Chile**	**Elec. Spain**	**Elec. Panama**	**Elec. Argentina**	**Total**	**Energy management**	**Thermal Generation**	**Renewable Generation**	**Renew. Gas**	**Supply**	**Holding and Eli.**	**Total**	**Rest**	**Total**
Sales of gas and access to distribution networks	460	344	871	195	401	—	—	—	**2,271**	1,362	—	—	—	2,423	—	**3,785**	—	**6,056**
Sales of electricity and access to distribution networks	—	—	—	—	3	366	424	76	**869**	112	717	38	—	1,597	—	**2,464**	—	**3,333**
LNG sales	—	—	—	—	—	—	—	—	**—**	2,108	—	—	—	—	—	**2,108**	—	**2,108**
Registrations and facility checks	1	3	—	—	—	5	1	—	**10**	—	—	—	—	5	—	**5**	—	**15**
Assignment power generation capacity	—	—	—	—	—	—	—	—	**—**	—	156	—	—	—	—	**156**	—	**156**
Rentals meters and facilities	12	—	2	—	—	10	—	—	**24**	—	—	—	—	153	—	**153**	—	**177**
Other income	17	14	3	1	2	—	2	1	**40**	—	1	48	—	87	33	**169**	—	**209**
Total	**490**	**361**	**876**	**196**	**406**	**381**	**427**	**77**	**3,214**	**3,582**	**874**	**86**	**—**	**4,265**	**33**	**8,840**	**—**	**12,054**

Reporting by geographic area

Naturgy's net sales by country is analysed below:

	30.06.2024	30.06.2023
Spain	**4,368**	**6,320**
Rest of Europe	**1,225**	**2,039**
France	582	780
Portugal	262	309
United Kingdom	23	470
Netherlands	208	340
Turkey	—	66
Croatia	—	45
Italy	29	29
Belgium	29	—
Germany	92	—
Other Europe	—	—
Latin American	**3,012**	**2,976**
Brazil	808	887
Mexico	727	674
Argentina	353	306
Panama	511	427
Chile	406	423
Puerto Rico	150	179
Dominican Republic	54	55
Other Latin America	3	25
Other	**466**	**719**
USA	52	347
South Korea	63	116
Japan	51	110
Thailand	55	57
China	168	66
Australia	16	14
India	61	—
Other countries	—	9
Total	**9,071**	**12,054**

In accordance with the treatment described in Note 2.4.17. of the 2023 Consolidated Financial Statements, "Revenue" for the first half of 2024 includes Euros 13 million as the net result of adjustments for positive and negative price deviations in the Renewable Generation Spain business subject to specific remuneration schemes. This amount is recorded under "Trade and other non-current receivables" for 45 million euros as at 30 June 2024 (Note 8), and under "Other current and non-current liabilities" for Euros 77 million in the consolidated balance sheet. In the first half of 2023, the impact recognized in results was Euros -53 million.

Note 15. Procurements

The breakdown of this heading in the consolidated income statement for the first six months of 2024 and 2023 is as follows:

	2024	2023
Energy purchases	4,456	7,121
Access to transmission networks	628	619
Other purchases and changes in inventories	217	362
Total	**5,301**	**8,102**

Note 16. Staff expenses

The breakdown of this heading in the consolidated income statement for the first six months of 2024 and 2023 is as follows:

	2024	2023
Wages and salaries	239	230
Termination benefits	6	16
Social security costs	46	44
Defined contribution plans	12	12
Share-based payments (Note 10)	1	3
Own work capitalised	(38)	(35)
Other	22	48
Total	**288**	**318**

The average number of employees of Naturgy in the six-month periods ended 30 June 2024 and 2023 is as follows:

	2024	2023
Men	4,631	4,750
Women	2,402	2,340
Total	**7,033**	**7,090**

The average number of employees of Naturgy includes the average number of employees in joint ventures which, pro-rated by the company's percentage stake, was 146 (150 as at 30 June 2023).

The calculation of the average number of employees did not consider employees of companies which are classified as discontinued operations by the application of IFRS 5 or of companies carried by the equity method, as detailed below:

	2024	2023
Discontinued operations (1)	20	21
Equity-consolidated companies	56	55

(1) The employees pertain to the coal-fired power generation activity in Spain, which was discontinued in 2020; they are currently engaged in decommissioning the coal-fired plants.

Note 17. Other operating revenues and expenses

"Other operating revenues" in the six-month period ended 30 June 2024 amounted to Euros 134 million (Euros 138 million as at 30 June 2023).

As at 30 June 2023, this caption included Euros 64 million arising from the recognition, on 8 June 2023, by the Supreme Court, of the entitlement of Group company Comercializadora Regulada Gas & Power, S.A. to be indemnified for the amounts paid in respect of financing the energy subsidy (bono social) regulated in Royal Decree 897/2017, of 6 October. That amount was paid by the Administration in August 2023.

On 17 July 2024, Naturgy was notified of the Supreme Court's ruling dated 4 July 2024, regarding the enforcement incident filed by Naturgy, the hearing of which took place on 17 April 2024. As a result, Naturgy has been granted the right to be compensated in the amount of Euros 63 million plus interest for the amounts paid in connection with the financing costs of the social bond in the free market, which were borne by the Group's free market trading companies. This amount was recognized in the first half of 2024 under "Other operating income," with the corresponding entry in "Other receivables" on the consolidated balance sheet.

The breakdown of "Other operating expenses" in the consolidated income statement for first six months of 2024 and 2023 is as follows:

	2024	2023
Taxes	284	339
Operation and maintenance	169	169
Advertising and other commercial services	49	44
Professional services and insurance	57	79
Concession construction or improvements services (IFRIC 12)	32	36
Supplies	27	30
Services to customers	26	28
Lean Services	62	68
Other	95	155
Total	**801**	**948**

The "Taxes" item in the six-month period ended 30 June 2024 includes the amount of the energy levy: Euros 89 million (Euros 165 million as at 30 June 2023). Naturgy Energy Group, S.A., the company required to make the payment because it is the main operator in the energy sector, passed the charge on to the other companies that make up the tax group.

Note 18. Depreciation, amortisation and non-financial asset impairment

The breakdown of this heading in the consolidated income statement for the first six months of 2024 and 2023 is as follows:

	2024	2023
Amortisation	760	691
Asset impairment (Note 4)	4	253
Total	**764**	**944**

Note 19. Other results

This item describes the results arising from the changes and/or updates to provisions in the first six months of 2024 in connection with the situation described in the section on lawsuits and arbitration in Note 26.

As at 30 June 2023, Euros 40 million related to losses arising from translation differences related to the liquidation of Gas Natural Exploración, S.L., which took place in October 2023.

Note 20. Net financial revenues/(expenses)

The breakdown of this heading in the consolidated income statement for the first six months of 2024 and 2023 is as follows:

	2024	2023
Dividends	—	—
Interest income	102	80
Other (1)	125	53
Total financial income	**227**	**133**
Cost of borrowings (2)	(355)	(326)
Interest expenses pension plans	(9)	(10)
Other financial expense	(73)	(64)
Total financial expense	**(437)**	**(400)**
Variations in the fair value of financial instruments (3)	11	(10)
Net exchange differences	(16)	27
Net financial income/(expense)	**(215)**	**(250)**

(1) As at 30 June 2024, includes revenue from the partial reversal of the provision related to the claim against Metrogas, S.A. by Transportadora de Gas del Norte, S.A. (TGN) (Note 26), as well as revenue from the financial update of the compensation recognized for financing the social bond in the free market (Note 17).

(2) Includes the cost of financial liabilities for leasing (Euros 46 million in 2024 and Euros 41 million in 2023) and other refinancing costs (Euros 10 million in 2024 and Euros 14 million in 2023).

(3) Mainly relates to the change in value of derivative financial instruments (Note 13). As at 30 June 2024, this includes the ineffectiveness of the financial derivatives of Ibereólica Cabo Leones II, S.A. and GPG Solar Chile 2017 S.p.A. for Euros 10 million (Euros -11 million as at 30 June 2023).

Note 21. Cash generated by operating activities and other cash-flow breakdowns

	2024	2023
Profit before tax	**1,697**	**1,506**
Adjustments to profit/(loss):	**853**	**736**
Depreciation, amortisation and impairment losses (Note 18)	764	944
Other adjustments to net income:	89	(208)
Net financial income (Note 20)	215	250
Results of equity-accounted companies	(56)	(43)
Other results (Note 19)	193	40
Transfer of deferred revenues	(31)	(25)
Other adjustments (1)	(232)	(430)
Changes in working capital (excluding the effects of scope changes and currency translation differences):	**(99)**	**993**
Inventories	188	516
Trade and other receivables	273	1,820
Trade and other payables	(560)	(1,343)
Other cash flows from operating activities:	**(450)**	**(84)**
Interest paid	(370)	(353)
Interest received	102	92
Dividends received	47	70
Income tax paid	(229)	107
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**2,001**	**3,151**

(1) Other adjustments to results in 2024 and 2023 mainly include movements in provisions related to the processes described in Note 26 and the effects associated with the ineffectiveness recorded from hedging derivatives for the sale of gas and electricity (Note 13).

Investment payments in Group companies, associates and business units in the six-month period ended 30 June 2024 and 2023 break down as follows:

	2024	2023
Cluster Solar Marisol assets acquisition (1)	—	(42)
Andújar Solar assets acquisition (1)	—	(28)
Eólico Marisol assets acquisition (1)	—	(44)
Fraser Coast Solar Development PTY, Ltd. assets acquisition	(10)	—
Total	**(10)**	**(114)**

(1) Appendix I contains a detail of the acquired companies.

Note 22. Business combinations

There were no business combinations in the six-month periods ended 30 June 2024 and 2023 (Note 2.6).

Note 23. Tax situation

The corporate income tax expense is as follows:

	For the period ended 30 June	
	2024	2023
Current-year tax	359	406
Deferred tax	23	(35)
Corporate income tax	**382**	**371**

The effective rate at 30 June 2024 was 22.5%, compared with 24.6% the previous year. In2024, the effective rate has been affected mainly by the non-deductibility of the energy levy (note 17), for the reversal of certain tax provisions and for the discount applicable to certain dividends, as well as by trends in earnings in countries with different tax rates. In 2023 it was mainly affected by the non-deductibility of the energy tax, the non-deductibility of the goodwill impairment of the Thermal Generation Mexico CGU (note 5) and by the evolution of results in countries with different tax rates.

Note 24. Information on transactions with related parties

For the purposes of this section, related parties are as follows:

- Significant Naturgy shareholders, i.e. those directly or indirectly owning an interest of 5% or more, and those who, though not significant, have exercised the power to nominate a member of the Board of Directors.

  On the basis of that definition, Naturgy's significant shareholders are as follows:
  - Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa", through Criteria Caixa S.A.U. (Criteria)
  - Global Infrastructure Partners III and related companies, whose investment manager is Global Infrastructure Management, LLC., held indirectly through GIP III Canary 1, S.à.r.l.(GIP)
  - CVC Capital Partners SICAV-FIS, S.A., through Rioja Acquisitions, S.à.r.l. (CVC)
  - IFM Global Infrastructure Fund, through Global InfraCo O (2), S.à.r.l. (IFM)

- Directors and executives/Senior management of the company, and their close relatives. The term "director" means a member of the Board of Directors and the term "executive" refers to persons with senior management functions who report directly to the Board of Directors and its committees, to the Executive Chairman or to the Internal Audit Manager. Transactions with directors and executives/Senior management are disclosed in Note 25.

- Transactions between Group companies form part of ordinary activities and are effected on an arm's-length basis. Group company balances include the amount that reflects Naturgy's share of the balances and transactions with companies recognised under the equity method.

The aggregate amounts of transactions with related parties are follows (thousand euro):

2024	**Significant shareholders**				**Directors**	**Group companies**
Expense and Income (thousand euro)	Criteria	CVC	GIP	IFM		
Financial expenses	—	—	—	—	—	34
Leases	—	—	—	—	—	2
Receipt of services	—	—	—	—	—	678
Purchase of goods (1)	—	—	—	—	—	36,385
Other expenses	—	—	—	—	—	—
Total expenses	**—**	**—**	**—**	**—**	**—**	**37,099**
Financial income	—	—	—	—	—	411
Leases	—	—	—	—	—	—
Provision of services	—	—	—	—	—	—
Sale of goods (1)	505	422	—	634	—	34,609
Other income	—	—	—	—	—	976
Total income	**505**	**422**	**—**	**634**	**—**	**35,996**

(1) Basically includes purchases and sales of energy, mainly with Qalhat LNG S.A.O.C., Sociedad Galega do Medio Ambiente, S.A. and CH4 Energía S.A. de C.V.

	Significant shareholders				**Directors**	**Group companies**
Other transactions (thousand euro)	Criteria	CVC	GIP	IFM		
Acquisition of property, plant and equipment, intangible assets or other assets	—	—	—	—	—	—
Financing agreements: loans and capital contributions (lender)	—	—	—	—	—	—
Dividends and other profits distributed	103,584	80,343	80,055	58,242	—	—

2023	**Significant shareholders**				**Directors**	**Group companies**
Expense and Income (thousand euro)	Criteria	CVC	GIP	IFM		
Financial expenses	—	—	—	—	—	70
Leases	—	—	—	—	—	2
Receipt of services	—	—	—	—	—	713
Purchase of goods (1)	—	—	—	—	—	35,087
Other expenses	—	—	—	—	—	—
Total expenses	**—**	**—**	**—**	**—**	**—**	**35,872**
Financial income	—	—	—	—	—	513
Leases	—	—	—	—	—	—
Provision of services	—	—	—	—	—	—
Sale of goods (1)	1,927	831	—	—	120	27,208
Other income	—	—	—	—	—	930
Total income	**1,927**	**831**	**—**	**—**	**120**	**28,651**

(1) Basically includes purchases and sales of energy, mainly with Qalhat LNG S.A.O.C., Sociedad Galega do Medio Ambiente, S.A. and CH4 Energía S.A. de C.V.

	Significant shareholders				**Directors**	**Group companies**
Other transactions (thousand euro)	Criteria	CVC	GIP	IFM		
Acquisition of property, plant and equipment, intangible assets or other assets	—	—	—	—	—	—
Financing agreements, loans and capital contributions(lender)	—	—	—	—	—	—
Dividends and other profits distributed	129,480	100,429	100,069	70,294	—	—

Note 25. Information on members of the Board of Directors and senior management

Remuneration of the Board of Directors and senior management

Remuneration accrued to the members of the Board of Directors of Naturgy Energy Group, S.A. by virtue of their membership of the Board and of Board committees totalled Euros 1,868 thousand as at 30 June 2024 (Euros 1,868 thousand as at 30 June 2023).

As at 30 June 2024, the Board of Directors comprised 12 members (12 members as at 30 June 2023), the Audit and Control Committee had 5 members (5 members as at 30 June 2023), the Appointments, Remuneration and Corporate Governance Committee had 5 members (5 members as at 30 June 2023) and the Sustainability Committee had 4 members (4 members as at 30 June 2023).

The members of the Board of Directors of Naturgy Energy Group, S.A., excluding the Executive Chairman, have not received remuneration from profit sharing, bonuses or indemnities, and have not been granted any loans or advances. Neither have they received shares or share options during the year, they have not exercised options and they do not have unexercised options.

The members of the Board of Directors are covered by the same liability policy that insures all directors and executives of Naturgy. As at 30 June 2024, the premium paid by Naturgy Energy Group, S.A. amounted to Euros 279 thousand (Euros 394 thousand as at 30 June 2023).

For the sole purposes of the information contained in this section, the senior management is understood to include the Executive Chairman in relation to his executive functions, the executives reporting directly to the Board of Directors, its committees or the Executive Chairman.

As a result of the definition established in the preceding paragraph, as at 30 June 2024, this group comprised 17 people (11 people as at 30 June 2023).

The fixed remuneration, variable remuneration and other remuneration items accrued by senior management amounted to Euros 6,868 thousand as at 30 June 2024 (Euros 5,407 thousand as at 30 June 2023).

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 956 thousand as at 30 June 2024 (Euros 778 thousand as at 30 June 2023).

During the six-month period ended 30 June 2024, the executives making up senior management did not receive any advances on long-term incentive plans (Euros 103 thousand in the first half of 2023).

Share-based remuneration is disclosed in note 10 to these Interim consolidated financial statements.

Transactions with members of the Board of Directors and senior management

The members of the Board of Directors and senior management did not carry out related-party transactions outside the ordinary course of business, or transactions conducted other than on an arm's-length basis, with Naturgy Energy Group, S.A. or Group companies.

Note 26. Litigation and arbitration

The main changes and/or updates to provisions in the first six months of 2024 in connection with the situation described in the section on lawsuits and arbitration in Note 36 “Litigation, arbitration, guarantees and commitments” in the consolidated financial statements for the year ended 31 December 2023 are as follows:

Claims for PIS and COFINS taxes in Brazil

On 6 December 2023, the Federal Court of Rio de Janeiro (Court of Appeals) rendered a judgment confirming the conviction received by CEG in 2015 at the trial level, including the principal amount plus interest. This decision may be appealed before the Court itself and the Supreme Court. Both the company and the Administration have appealed this ruling, so that the final award might be either higher or lower. Since the first two rulings were aligned, it is considered that the possibility of an increase or decrease in the award is remote and that the rulings are likely to be upheld. As at 30 June 2024, the updated amount is BRL 395 million, equivalent to Euros 67 million (Euros 74 million as at 31 December 2023). The probable outflow of resources related to this case will depend on the duration of the legal proceedings.

Claim against Metrogas, S.A.

Following Metrogas's appeal of the first-instance judgment, dated 7 May 2024, Argentina's Federal Civil and Commercial Court granted the appeal in its entirety, revoking the first-instance ruling and exonerating Metrogas. This decision is not final and, in June 2024, TGN filed an extraordinary appeal before the Supreme Court of Justice of the Nation and a claim of inapplicability of the law before the same Civil and Commercial Court, both of which are ongoing. Both appeals are extraordinary and restricted in scope, and are based on claims of arbitrariness made by TGN.

As at 30 June 2024, Naturgy maintains and has updated a provision in the form of a reduction in the balance as at 31 December 2023 based on the assessment of the changes that occurred during the first half of 2024 described in the preceding paragraph.

It is considered that disclosing further information on this matter might seriously impair Naturgy's position in the ongoing dispute with TGN and, therefore, it was decided to make the minimum disclosures required by IAS 37.92 for such cases.

Ongoing arbitration proceedings of the Group

The group regularly engages in arbitration proceedings, typically within the framework of its gas supply and sales contracts, concerning price revisions or volume discrepancies. These proceedings, due to the significant amounts involved and the duration of the procedures themselves, can be of substantial magnitude.

Disclosure of the details of the disputes, the amounts involved or the identity of the counterparties might seriously harm the position of Naturgy regarding the outcome of such litigation or the related negotiations and, consequently, it has been decided to provide only a minimal description as provided for by IAS 37.92 for such cases.

Ongoing litigation represents a probable risk amounting to Euros 233 million (Euros 79 million as at 31 December 2023), which is fully provisioned. Additionally, there is a risk with an estimated maximum impact of Euros 64 million that is considered to be unlikely to materialise.

Environmental incentive for coal plants in Spain

On 14 December 2023, the Court of Justice of the European Union upheld Naturgy's appeal against the judgement of the General Court. The judgement is based on formal grounds and, in particular, it states that the decision to open the investigation is not sufficiently reasoned. As of the date of preparation of these Interim consolidated financial statements, there have been no new developments regarding the situation described in the 2023 consolidated annual accounts.

As at 30 June 2024, the risk associated with this case was provisioned under "Non-current provisions" in the amount of Euros 100 million (Euros 97 million as at 31 December 2023) (Note 11).

Permits for Renewable generation facilities in Spain

The permits for certain renewable wind and solar generation facilities in Spain that are under construction or completed have been appealed before the courts and their viability might be affected in the event that the appeals are upheld. For cases where the risk is considered likely to materialise, an impact of Euros 26 million has been estimated (Euros 15 million as at 31 December 2023). For the other cases, the risk is not considered likely to materialise although a maximum associated impact of Euros 136 million (Euros 227 million as at 31 December 2023) has been estimated.

Electricaribe

The Colombian government, through its various entities, has ongoing administrative and judicial proceedings against the Naturgy group or its employees related to Electricaribe, including the Prosecutor's Office, the Superintendence of Public Services, and the Superintendence of Corporations.

As of the date of preparation of these financial statements, there have been no new developments regarding the situation described in the 2023 consolidated annual accounts.

Contested withholding tax assessments

On 7 July 2023, tax assessments for withholdings on account of non-resident income tax for the period 2018-2020, totalling Euros 186 million, including interest. An economic-administrative claim has been filed against these with the Central Economic-Administrative Tribunal. As at 30 June 2024, it is not considered probable that the risks associated with these claims will materialize.

Tax-related claims in other countries

Naturgy has filed various claims related to taxes and levies with the authorities in countries in which it operates. As at 30 June 2024, the risks believed likely to materialise in this connection are estimated at Euros 70 million (Euros 70 million as at 31 December 2023). The schedule for outflows of resources will depend on how these disputes, which are at an early stage, develop.

It is considered that disclosing further information on these claims could seriously impair Naturgy's position in the ongoing disputes with the relevant counterparties and, therefore, the disclosures are the minimum required by IAS 37.92 for such cases.

Complaint by Spain's National Court against Naturgy Generación S.L.U.

During the first half of 2024, the Public Prosecutor's Office of Spain's National Court (Audiencia Nacional) filed a complaint against Naturgy Generación S.L.U. in connection with an alleged crime in the bids made by the Sabón 3 combined cycle thermal power plant between March 2019 and December 2020.
As at 30 June 2024, notice had been received only of the order accepting the complaint for processing, and no other judicial action has been taken; accordingly, it is impossible to estimate the risk or possible monetary impact. Nevertheless, it is not considered likely to materialise.

Disciplinary proceedings against UFD Distribución Electricidad S.A.

As at 30 June 2024, the CNMC had two disciplinary proceedings under way for alleged abuse of dominant position by group company UFD Distribución Electricidad S.A. in connection with the rental of meters to certain customers and with alleged discrimination in the treatment of the Group’s electricity supply companies.
As at 30 June 2024, the CNMC has not disclosed the grounds of the proceedings and, consequently, it is impossible to make a reliable estimate of the risk or of the possible monetary impact. Nevertheless, it is not considered likely to materialise.

As at 30 June 2024, Naturgy's consolidated balance sheet includes provisions for litigation, based on the best estimate made using the information available, at the date of authorisation of these Interim consolidated financial statements, on their progress and ongoing negotiations, which cover the estimated risks. Naturgy therefore considers that no significant liabilities will be derived from the risks described in this Note.

Note 27. Events after the reporting date

On 17 July 2024, Naturgy was notified of the Supreme Court's ruling dated 4 July 2024 regarding the enforcement incident filed by Naturgy Energy Group, S.A. concerning the amounts paid for the financing of the social bond in the free market, borne by the Group's free market trading companies. This ruling highlights conditions that existed as of the closing date of the condensed consolidated financial statements.

On 22 July 2024, the Board of Directors declared an interim dividend out of 2024 earnings as described in Note 10 to these condensed consolidated interim financial statements.

Apart from that, there have been no other material events since the reporting date.

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Appendix I. Variations in consolidation scope

The main changes in consolidation scope in the six-month period ended 30 June 2024 are as follows:

Company name	Operation category	Effective date of operation	Voting rights acquired / eliminated (%)	Voting rights after the operation (%)	Consolidation method after the operation
Biometano Segriá, S.L.	Constitution	January 17	100.0	100.0	Full
Evacuación Villanueva del Rey, S.L.	Acquisition	January 23	14.8	14.8	Equity
Sobrao I Solar Energía, SPE, Ltda.	Acquisition	January 26	15.0	100.0	Full
Sertao I Solar Energía, SPE, Ltda.	Acquisition	January 26	15.0	100.0	Full
Energías Renovables Agüimes, S.L.	Constitution	February 8	100.0	100.0	Full
Gas Natural Fenosa Ingenieria México, S.A. de C.V.	Liquidation	March 13	100.0	—	Full
Win4H2-R1, S.L.	Disposal	March 21	50.0	—	Equity
UTE Ingeniería Desmantelamiento C.N.J. Cabrera 2024	Constitution	April 8	53.0	53.0	Equity
Fraser Coast Solar Development PTY, Ltd.	Acquisition	April 19	100.0	100.0	Full
Naturgy Informática, S.A.	Liquidation	June 12	100.0	—	Full
Global Power Generation Finco PTY, Ltd.	Constitution	June 18	100.0	100.0	Full

The main changes in the consolidation scope in 2023 were as follows:

Company name	Operation category	Effective date of operation	Voting rights acquired / eliminated (%)	Voting rights after the operation (%)	Consolidation method after the operation
Nueva Electricidad del Gas, S.A.U, en Liquidación	Liquidation	January 5	100.0	—	—
Cluster Solar Marisol acquisition					
Romera Eco Power, S.L.	Acquisition	January 31	100.0	100.0	Full
Mangos Energy, S.L.	Acquisition	January 31	100.0	100.0	Full
Encarnaciones Energy, S.L.	Acquisition	January 31	100.0	100.0	Full
Sol Morón Energy, S.L.	Acquisition	January 31	100.0	100.0	Full
Sun&Wind Sierra Sur, A.I.E.	Acquisition	January 31	100.0	100.0	Full
Naturgy Comercializadora Empresas, S.A.U	Constitution	February 23	100.0	100.0	Full
Bundaberg Development Finco PTY, Ltd.	Constitution	March 6	100.0	100.0	Full
Andújar Solar acquisition					
Andujar 100 Solar, S.L. (1)	Acquisition	March 28	100.0	100.0	Full
ICE Andújar, S.L.	Acquisition	March 28	60.1	100.0	Full
H2Meirama, S.L	Constitution	March 30	100.0	100.0	Full
Fraser Coast Development Finco, PTY, Ltd.	Constitution	March 30	100.0	100.0	Full
Eólico Marisol acquisition					
Hazas Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Josmanil Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Cabreras Wind Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Villanueva Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Villanueva Two Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Cortijo Nuevo Energy, S.L (2)	Acquisition	April 27	100.0	100.0	Full
Greene W2BM, S.L.	Constitution	June 7	50.0	50.0	Equity
Lepe Solar 40, S.L. (2)	Acquisition	July 26	100.0	100.0	Full
ASR Wind acquisition					
ASR Wind, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Pujalt, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico del Magré, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Magaz, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Cova da Serpe II, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Sierra Sesnández, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Loma del Capón, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Desarrollos Eólicos Manchegos El Pinar, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Energías Alternativas Castilla La Mancha, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Energias Renovables del Duero, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
SET Veciana, S.L.	Acquisition	August 3	48.4	48.4	Equity
SEC Valcaire, S.L.	Acquisition	August 3	46.9	46.9	Equity
Bioenergía y Valoraciones Ambientales Sevilla, S.L.	Acquisition	September 13	65.0	65.0	Full
First Independent Power (Kenya), Ltd.	Liquidation	September 21	100.0	—	—
Bundaberg Solar Development PTY, Ltd.	Acquisition	September 21	100.0	100.0	Full
Gas Natural Exploración, S.L.	Liquidation	October 16	100.0	—	—
Glenellen Asset Trust	Acquisition	October 27	100.0	100.0	Full
Glenellen Asset PTY Ltd	Acquisition	October 27	100.0	100.0	Full
Vulcan Solar Project, LLC	Alienation	November 21	100.0	—	—
Naturgy LNG, S.L.	Liquidation	December 21	100.0	—	—
GPG Ingeniería y Desarrollo de Generación, S.L.	Liquidation	December 28	100.0	—	—

(1) Merged into Naturgy Renovables, S.L.U. on 1 September 2023.
(2) Merged into Naturgy Vento, S.A. on 30 November 2023 (until 28 July 2023, the latter company was called Energías Especiales Alcoholeras).

Appendix II. Regulatory framework

In relation to the regulatory framework described in Appendix IV of the consolidated financial statements for the year ended 31 December 2023, the following aspects for the first half of 2024 are worth noting:

1. European Regulatory Environment

The European regulatory environment in the first half of 2024 was shaped by the culmination of the approval and publication of the last remaining regulatory texts of the "Fit for 55" Legislative Package, which had been under development since 2021 and includes adjustments to European climate, energy, transport and taxation policies aimed at achieving the European Union's new, more ambitious targets of a 55% net emissions reduction by 2030 with respect to 1990 (compared to the 40% previously in force) and the goal of climate neutrality of emissions by 2050. This legislative package includes mainly amendments to the existing Directives and Regulations on emissions trading, promotion of renewable energy, energy taxation, energy efficiency and the internal market for natural gas, renewables and hydrogen.

The following items of legislation were published in the first half of 2024:

- Regulation (EU) 2024/1106 of the European Parliament and of the Council of 11 April 2024 amending Regulations (EU) No 1227/2011 and (EU) 2019/942 as regards improving the Union's protection against market manipulation on the wholesale energy market. This Regulation came into force on 7 May 2024.

- Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings. This Directive aims to reduce buildings' greenhouse gas (GHG) emissions and their final energy consumption by 2030, and to establish a long-term vision with a view to achieving climate neutrality by 2050 (zero-emission building stock: increase the rate of renovation, decarbonise heating, etc.). This Directive must be transposed into domestic law from 1 January 2025.

- Directive (EU) 2024/1711 of the European Parliament and of the Council of 13 June 2024 amending Directives (EU) 2018/2001 and (EU) 2019/944 as regards improving the Union's electricity market design.

- Regulation (EU) 2024/1747 of the European Parliament and of the Council of 13 June 2024 amending Regulations (EU) 2019/942 and (EU) 2019/943 as regards improving the Union's electricity market design.

Among other matters, the latter two items of legislation encourage the use of forward contracts, PPAs and contracts for differences for new investments in power generation, eliminate the temporary nature of capacity mechanisms and simplify the approval procedure, and increase system flexibility using demand response and storage. They also regulate measures to be adopted by member states in the event of a crisis, and afford more protection for end consumers.

- Directive (EU) 2024/1788 of the European Parliament and of the Council of June 13, 2024, concerning common rules for the internal markets of renewable gas, natural gas, and hydrogen, amending Directive (EU) 2023/1791 and repealing Directive 2009/73/EC.

- Regulation (EU) 2024/1789 of the European Parliament and of the Council of June 13, 2024, concerning the internal markets for renewable gas, natural gas, and hydrogen, amending Regulations (EU) 1227/2011, (EU) 2017/1938, (EU) 2019/942, and (EU) 2022/869 and Decision (EU) 2017/684, and repealing Regulation (EC) 715/2009 (consolidated version).

These latter provisions incorporate regulation of renewable gases and hydrogen into the internal gas market regulation, and among other things, extend the demand aggregation mechanism for gas (although participation by companies will be voluntary) to facilitate joint gas purchasing at EU scale.

- Regulation (EU) 2024/1787 of the European Parliament and of the Council of June 13, 2024, concerning the reduction of methane emissions in the energy sector and amending Regulation (EU) 2019/942.

2. Regulatory environment in Spain

2.1 Natural gas industry

Noteworthy, because it is applicable in 2024, is Royal Decree-Law 8/2023 of 27 December, published at the end of 2023, which phases out, during 2024, a large part of the exceptional measures approved in previous years to address the escalation of gas prices caused by the war in Ukraine. This Royal Decree-Law eliminates or extends the following measures, among others:

- Extension of the cap on the increase in the raw material cost to be passed through into the last resort tariff (TUR) in the January and April 2024 quarterly reviews , as well as the new regulated tariff for centralised heating systems until 30 June 2024, any deficit being covered by the National Budget,
- Extension until 30 June 2024 of the flexibility measures in gas contracts for industries and self-employed workers,
- Reduced VAT rate of 10% from 1 January 2024 until 31 March 2024 for the supply of gas to all consumers,
- Extension through 30 June 2024 of the ban on cutting off gas and electricity supplies to vulnerable customers for reasons of non-payment.
- Non-extension beyond 31 March 2024 of the exemptions to underground storage charges in order to facilitate compliance with European Union filling requirements.

Subsequently, Royal Decree-Law 4/2024, dated 26 June, extending once again some of those measures, which were due to expire on 30 June 30, 2024, in accordance with Royal Decree-Law 8/2023, was published in the Official State Gazette on 27 June. In particular, only the following measures were extended:

- The prohibition on cutting off gas supplies to vulnerable consumers for reasons of non-payment has been extended until 31 December 2024.
- The Last Resort Tariff created for centralised boilers is to be maintained indefinitely.

Regarding the remuneration of regulated activities and tolls for the 2024 gas year and the last resort tariffs for 2024, the following provisions were approved by the National Commission for Markets and Competition (CNMC) and the Ministry of Ecological Transition and Demographic Challenge, within the respective scope of their competencies:

- CNMC Resolution of 30 May 2023 establishing the remuneration for the 2024 gas year (1 October 2023 to 30 September 2024) for companies carrying out regulated activities related to liquefied natural gas plants, transportation and distribution of natural gas.
- CNMC Resolution of 30 May 2023 establishing the access tolls for the transportation networks, local networks and regasification for the 2024 gas year (1 October 2023 to 30 September 2024).
- Order TED/1072/2023, of 26 September, establishing the gas system charges and the remuneration and fees for basic underground gas storage facilities for the 2024 gas year (from 1 October 2023 to 30 September 2024).
- Resolution of 28 December 2023 of the Directorate-General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 January 2024.
- Resolution of 26 March 2024 of the Directorate General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 April 2024.
- Resolution of 27 June 2024 of the Directorate General of Energy Policy and Mines, publishing the regulated natural gas tariff applicable from 1 July 2024.

On 16 April 2024, the Official State Gazette published the CNMC Resolution of 4 April 2024, which determines the transitory price for the rental of natural gas smart meters with a flow rate of less than or equal to 6 m^3/h for customers connected to networks of less than 4 bar and consumption less than or equal to 50 MWh/year.

In relation to renewable gases, on 30 April 2024 the Official State Gazette published the CNMC Resolution of 19 April 2024, which establishes the procedure for managing connections of biomethane generation plants to the transportation or distribution network.

On 30 May 2024, the Official State Gazette published the following provisions in connection with the 2025 gas year:

- CNMC Resolution of 23 May 2024 establishing the access tolls for the transportation networks, local networks and regasification for the 2025 gas year.
- CNMC Resolution of 23 May 2024 establishing the remuneration for the 2025 gas year for companies carrying out regulated activities related to liquefied natural gas plants, transportation and distribution of natural gas.

2.2 Electricity industry

As in the case of the gas industry, Royal Decree-Law 8/2023 of 27 December, published at the end of 2023, progressively eliminates, during 2024, a large part of the exceptional measures approved in previous years to address the escalation of gas prices caused by the war in Ukraine. This Royal Decree-Law eliminates or extends the following measures, among others:

- Non-extension of the reduction in the remuneration of non-emitting technologies through the gas price internalised in the wholesale gas market established by Royal Decree Law 17/2021, which lapsed on 31 December 2023.
- Non-extension of the production cost adjustment mechanism to reduce electricity prices in the wholesale market that was introduced by Royal Decree-Law 10/2022 and whose term of validity was approved by the European Commission until 31 December 2023.
- The higher tiers of discounts (65% for vulnerable consumers and 80% for very vulnerable consumers) were extended until 30 June 2024, as was the increase in the upper limit of entitlement for the energy subsidy (bono social) and a new category of consumer with entitlement to the energy subsidy, with a 40% discount.
- A reduced VAT rate of 10% is established as from 1 January 2024 (previously 5%) until 31 December 2024 for electricity supplies to consumers with capacity <10 kW whenever the market price exceeds Euros 45/ MWh and, in any case, for very vulnerable consumers or those at risk of social exclusion who are entitled to the energy subsidy.
- Phased increase of the electricity levy from 0.5% to 2.5% between 1 January 2024 and 31 March 2024, and to 3.8% between 1 April 2024 and 30 June 2024, while complying with the minimum levels imposed by the Directive.
- The gradual phasing in of the levy on electricity production, so that the tax base is 50% of revenue in the first quarter of 2024, 75% in the second quarter of 2024, and 100% thereafter.
- Extension until 30 June 2024 of the ban on cutting off supplies due to non-payment in the case of vulnerable consumers who qualify for the energy subsidy.
- Extension until 30 June 2024 of the 80% exemption on electricity tolls for electro-intensive industry.
- Extension until 30 June 2024 of the flexibility measures for self-employed workers and companies to modify their contracted power under certain conditions.

Subsequently, Royal Decree-Law 4/2024, dated 26 June, extending once again some of those measures, which were due to expire on 30 June 2024, in accordance with Royal Decree-Law 8/2023, was published in the Official State Gazette on 27 June. In particular, the following measures were extended:

- The higher discounts (65% and 80%) under the electricity subsidy (bono social eléctrico) were extended and are to be phased down to reach permanent values from 1 July 2025: 35% for vulnerable consumers and 50% for severely vulnerable consumers (these levels are higher than those in force before the crisis measures).

- The prohibition on cutting off gas supplies to vulnerable consumers for reasons of non-payment has been extended until 31 December 2024.

- The 80% exemption from electricity tolls for electro-intensive industry has been extended to 31 December 2024.

- The flexibility measures for self-employed workers and companies to modify their contracted power have been extended again, to 31 December 2024.

Regarding renewables, cogeneration and waste, Order TED/353/2024, of April 11, establishes the values of the remuneration for operation in the calendar second half of 2023, which are applicable to certain facilities for the production of electricity from renewable energy sources, cogeneration and waste, and approves new standard facilities and their relevant remuneration parameters.

On 4 June 2024, the Official State Gazette published Order TED/526/2024 of 31 May 2024, which establishes the methodology for updating the operating remuneration of electricity generation facilities whose operating costs depend essentially on the price of fuel and updates their operating remuneration values, applicable as from 1 January 2024. This order was issued in compliance with the mandate established in Royal Decree-Law 6/2022 and repeals Order IET/13445/2015, of 2 July. Under the new methodology, the remuneration for the operation of cogeneration and waste treatment facilities will be updated every quarter instead of every six months.

By application of this Order TED/526/2024, the Secretary of State for Energy issued the Resolution of 27 June 2024 updating the operating remuneration for the third calendar quarter of 2024 of electricity generation facilities whose operating costs depend essentially on the price of fuel.

Regarding the remuneration of regulated activities and electricity tolls and charges applicable as from 1 January 2024, the following provisions were approved by the National Markets and Competition Commission (CNMC) and the Ministry of Ecological Transition and the Demographic Challenge, within their respective areas of competence:

- CNMC Resolution dated 21 December 2023 establishing the access tolls for the electricity transmission and distribution networks applicable as from 1 January 2024.

- CNMC Resolution dated 21 December 2023 provisionally establishing the remuneration in 2024 for companies owning electricity transmission facilities.

- CNMC Resolution dated 21 December 2023 provisionally establishing the remuneration in 2024 for electricity distribution companies.

- Order TED/113/2024, of 9 February, setting the prices of the electricity system charges and establishing various regulated costs for the electricity system for 2024.

- CNMC Resolution dated 4 April 2024 establishing the remuneration in 2021 for companies owning electricity transmission facilities.

In relation to the electricity subsidy (bono social eléctrico), article 45 of Royal Decree-Law 8/2023 established the unit values to be applied for funding the subsidy in 2024; since the publication of Royal Decree-Law 6/2022, this burden is borne by all participants in the electricity system.

In the area of energy efficiency, Order TED/268/2024, of 20 March 2024, published in the Official State Gazette on 23 March 2024, establishes obligations in terms of energy saving, compliance through Energy Saving Certificates and the minimum contribution to the National Energy Efficiency Fund for the year 2024.

With regard to nuclear energy, Royal Decree 589/2024, of 26 June, amending the fixed unit tariff relating to the non-tax levy on operational nuclear power plants for the purpose of funding Empresa Nacional de Residuos Radiactivos, S.A., S.M.E. (Enresa), was published in the Official State Gazette on 27 June. In accordance with this Royal Decree, the rate applicable as of 1 July 2024 is Euros 10.36/MWh (previously, Euros 7.98/MWh).

With regard to taxation, Royal Decree-Law 8/2023 of 27 December extended to 2024 (with payment obligation in 2025) the temporary energy levy of 1.2% of net revenue, created by Law 38/2022 of 27 December, for the main operators in the energy sectors; amounts relating to regulated activities are excluded from the revenue base for calculating the levy. That same Royal Decree-Law announced the transformation of this temporary levy into a tax that will become part of the Spanish tax system and also introduced into the National Budget a tax incentive that will reduce the amount of the new tax based on strategic investments in the energy transition made on or after 1 January 2024.

Nevertheless, that Royal Decree-Law is being processed in Parliament as a Bill. It is currently under evaluation by the Finance Committee, with no visibility as to when it may be approved.

The government decided not to submit a National Budget for 2024; consequently, the announced tax incentive measure will not be approved and it is not currently contemplated in any proposal before Parliament.

3. Regulation of the gas industry in Latin America

3.1 Natural gas sector

3.1.1. Natural gas distribution in Brazil

CEG and CEG RIO

In December 2023, the Rio de Janeiro state regulator (AGENERSA) approved new gas distribution tariffs for CEG and CEG Rio, effective 1 January 2024, which include adjustments based on the variation in the price of natural gas and the IGP-M index. Also, as part of the process of liberalising the natural gas market that began in 2020, a regulatory framework has been published for the State of Rio de Janeiro that regulates the relationship between free customers and distribution companies. Currently, the combined cycle plants have access to the market and three industrial customers in Rio de Janeiro have applied to migrate to the market.

This regulatory framework associated with the liberalisation of the natural gas market established a distribution margin for free customers, with a 1.9% reduction in the tariff, and allows access to the free market for customers consuming more than 10,000 m^3/day.

Gas Natural Sao Paulo Sur, S.A. (SPS)

In April 2024, the São Paulo State Public Services Regulatory Agency (ARSESP) approved the São Paulo Financial Remuneration Rate for the next regulatory period. The approved rate is 7.88%, which Gas Natural Sao Paulo Sur, S.A. (SPS) appealed on the grounds that it is insufficient to remunerate the investments.

3.1.2 Natural gas distribution in Mexico

As at the date of authorisation of these financial statements, no decision has been issued in connection with the appeals filed with respect to the outcome of the Comprehensive Tariff Review 2021-2025 for the distribution permits in the areas of Monterrey, Federal District, Bajío, Saltillo, Toluca and Nuevo Laredo.

On 28 February 2024, the Energy Regulatory Commission approved its 2024 regulatory programme, which contemplates the following projects:

- In July 2024, submit for public consultation the draft Decision establishing the criteria for the injection of biomethane into natural gas distribution pipeline systems, to be approved by the Energy Regulatory Commission in October 2024.

- In July 2024, submit for public consultation the draft General Administrative Provisions that establish the requirements for applications and modifications of permits for transportation, storage, distribution, liquefaction, regasification, compression, decompression, sale to customers, management of integrated systems and supply of natural gas, oil, condensates, natural gas liquids and methane hydrates, which are expected to be approved in October 2024.

- In December 2024, submit for public consultation the draft of the General Administrative Provisions that specify the Methodology for the determination of tariffs for natural gas distribution by pipeline and storage, to be approved by the Energy Regulatory Commission in March 2025.

3.1.3 Natural gas distribution in Argentina

On 26 March 2024, Argentina's Executive Power signed agreements with the gas distributors which allowed the following tariff adjustments:

- Natural gas price seasonality.

- Maintenance of subsidies by segmentation according to Income Levels, Cold Zones and Social Tariff.

- Elimination of the subsidy for customers classified as SMEs (Small and Medium-Sized Enterprises).

- Increase in the distribution margin of 435% for Naturgy BAN, S.A. and 498% for Gasnor, S.A. effective 3 April 2024.

- The tariff will be updated every month starting May 2024 based on a polynomial formula that depends on 3 different indexes (wages, wholesale prices and construction prices).

- Commitment by Naturgy BAN, S.A. to invest ARS 15,050 million and by Gasnor, S.A. to invest ARS 3,900 million between April and December.

As a consequence of the evolution of Argentina's macroeconomic variables, the government has suspended the partial application of the Transitional Agreement, delaying the monthly tariff adjustment, which should have been applied from 1 May 2024; the time at which these monthly tariff adjustments will be applied has yet to be defined.

3.1.4 Natural gas distribution in Chile

There were no significant changes in the regulatory framework in the first half of 2024.

4. Regulation of the international electricity industry

4.1 Regulated activities in the international electricity industry — Distribution

4.1.1 Electricity distribution in Panama

The tariffs associated with electricity distribution and supply were established by Resolution AN No. 18496-Elec dated 21 June 2023, which approved the Maximum Permitted Revenue (IMP) for the period July 2022 - June 2026. These tariffs were updated during the first half of 2024 in line with the Consumer Price Index (CPI) in the corresponding proportion, in accordance with the Tariff Regime in force.

4.1.2 Electricity distribution in Argentina

On 24 January 2024, the Provincial Electricity Regulator approved Resolution EPRE No. 085/24, relating to the conclusion of the 6th Extraordinary Tariff Review, approving new maximum unit values of the Distribution Cost and Commercial Cost, to be applied to consumption as from 23 January 2024. For Energía San Juan S.A., this Resolution represents an increase of approximately 89% in the average sales tariff and 174% in the Distribution Added Value (VAD) that will be phased in over the six months following its entry into force.

In addition, the National Energy Secretariat published the new prices to be applied in the wholesale electricity market for energy, capacity and transmission for consumption during the three-month period from February to April, and it ordered the total elimination of subsidies in all tariffs except for all residential customers to whom the Social Tariff applies (approximately 25% of users).

Due to the high levels of inflation, the Regulator additionally established a monthly oversight mechanism to monitor the evolution of the inflation indexes that are used. Based on this mechanism, on 22 April 2024, the EPRE issued Resolution EPRE No. 420/24 in which it recognised the differences accrued as at 30 March 2024 in favour of Energía San Juan S.A.

Decree No. 465/2024, establishing a transition period until the implementation of the "Focused Energy Subsidies", projected for the months of June to November 2024, was published on 28 May 2024. The National State Subsidies (SEN) will be restructured during this transition period in order to ensure a gradual transition towards a system in which the actual costs of energy can be passed on to users, energy efficiency is encouraged, and vulnerable residential users' access to electricity is guaranteed.

On 2 July 2024, the Provincial Energy Regulator issued Resolution EPRE No. 653/24, initiating a public information process for the 7th Ordinary Tariff Review for the 2021-2025 five-year period. This process will determine the new distribution and supply costs to be applied to consumption from 23 July 2024 onwards. The public hearing has been scheduled for 31 July 2024.

4.2 Unregulated activities in the international electricity industry — Generation

4.2.1 Global Power Generation (GPG)

In **Mexico**, on 6 May 2024, the National Commission for Regulatory Improvement (CONAMER) released the first regulatory document on storage for consultation by stakeholders; the document aims to establish the general conditions under which electric energy storage systems (ESS) will be integrated into the national electric system (SEN).

The presidential elections on 2 June 2024 resulted in a qualified majority in the Congress of the Union (Chamber of Deputies and Senators), which, during the six-year term (2025-2030), will enable changes to be made to the Constitution derived from the programme released by that party, which drove major modifications in the country's energy policy during the previous six-year term.

In **Chile**, on 4 April 2024, the Ministry of Energy established the working groups with representatives of the industry to review the proposals to amend the Coordination and Operation Regulation (DS125 of 2019), which is one of the most important regulatory texts in defining the national electric system. The amendment process will be carried out in five phases that are scheduled to be completed and published for public consultation in December 2024.

There were presidential elections in **Panama** on 5 May 2024 and in the **Dominican Republic** on 19 May 2024, which are expected to result in regulatory changes, none of which are material at the date of authorisation of these financial statements.

There were no material changes in the first half of 2024 in the regulatory framework of the other countries in which the Naturgy Group engages in electricity generation through its subsidiary Global Power Generation (GPG) (Costa Rica, Puerto Rico, Brazil and Australia).

4.2.2 USA

The 24-month moratorium imposed by Joe Biden on import tariffs on solar panels from Cambodia, Malaysia, Thailand and Vietnam suspected to be artificially circumventing tariffs on solar panels from China came to an end in June 2024. In the same vein, in April 2024, the investigation was extended to photovoltaic cells from these four countries due to suspicions of dumping in these components, too.

CONSOLIDATED INTERIM DIRECTORS' REPORT AS AT 30 JUNE 2024

Consolidated Director's report corresponding to the six-month period ended 30 June 2024

1. Business evolution and results

1.1. Executive summary

Summary results of the period

	1H24	1H23	Change (%)
Ebitda	2,846	2,849	(0.1)
Consolidated profit attributable to the parent company	1,043	1,045	(0.2)
Capital expenditure (CAPEX)	937	839	11.7
Net financial debt (1)	11,838	12,090	(2.1)
Free cash flow after non-controlling interests	681	1,977	(65.5)

(1) As of 31 December 2023.

The first half of 2024 has been marked by lower energy prices compared to the first half of 2023, both in gas and electricity, resulting in a more challenging energy scenario. Following the volatility experienced in recent years, energy prices have rebalanced towards pre-energy crisis levels but remain sensitive to global ongoing developments.

Despite the less favorable backdrop, Naturgy business focus and risk management initiatives contributed to deliver strong and resilient results. During the period, the group´s EBITDA reached Euros 2,846 million in the first semester of 2024, flat compared to the first half of 2023, maintaining a balanced EBITDA contribution between regulated and liberalized activities, which represented approximately 51% and 49% of total EBITDA respectively.

During the first semester of 2024, Naturgy liberalized activities experienced lower profitability and contribution compared to the same period in 2023. In particular, Energy Management activity, including gas and LNG procurement and wholesale, experienced a significant margin contraction, following a very strong couple of years in 2022 and 2023. On the other hand, regulated activities proved resilient and experienced growth, supported by the positive regulatory developments in certain Latin America regions and growth in electricity distribution Spain.

During the first semester of 2024, Naturgy continued to execute on its Strategic Plan 2021-25 and invested Euros 937 million, mainly in Renewable Generation developments and Networks. Capital discipline remained a cornerstone amid the more challenging scenario and lower energy prices. Notwithstanding, renewable installed capacity reached 6.6 GW and over 2.2 GW renewable capacity are currently under construction, of which 1GW in Spain, 916 MW in Australia, and 262 MW in the USA. Approximately additional 800 MW are expected to become operational in the second half of 2024.

Furthermore, Naturgy continues to progress on renewable gases in Spain. During the first half of 2024, Naturgy launched its third biomethane plant in Spain and increased its renewable gas production capacity to 29 GWh per year, an amount equivalent to the gas consumption of c. 6,000 households. Naturgy progresses on a wide project portfolio in different stages of development throughout Spain and expects an additional plant in Valencia to become operational in the coming months. Spain is deemed as the third European country by biomethane production potential, although its production still lags comparable countries such as France or Denmark.

Naturgy's net financial debt as of 30 June 2024 stood at Euros 11,838 million compared to Euros 12,090m at the end of 2023. Net financial debt to EBITDA remained stable at 2.2x, same level as at the end of 2023. Moreover, the decrease in net financial debt does not take into consideration the Euros 500 million hybrids redeemed on 24 April 2024 and therefore Naturgy's overall indebtedness and balance sheet has continued to strengthen in the period. Furthermore, Naturgy maintains an ample liquidity buffer, with Euros 9,749 million in available cash and equivalents and undrawn credit lines as at the first half of 2024.

In terms of shareholder remuneration and during the first semester of 2024, Naturgy distributed Euros 384 million dividends on 9 April 2024, corresponding to the final dividend of 0.40 €/share payable against 2023 results, reaching a total dividend of 1.40 €/share, as committed. Naturgy will be paying its first 2024 interim dividend of 0.5 €/share on 1 August 2024.

Despite recent developments of complicated management, Naturgy has continued to execute on its strategic roadmap, investing in profitable growth projects, proactively managing regulatory developments and uncertainties, and improving long-term visibility by securing most of its 2024 sales for the year. Naturgy's outlook remains attractive and the company believes it is better positioned than ever to take advantage of ongoing opportunities and continue its transformational journey in line with the energy transition. However, during the first half of 2024, Naturgy's share price evolution was affected by developments beyond the company fundamentals.

Shareholder structure developments

During the second quarter of 2024, news flow pointed to the fact that some of Naturgy's shareholders had been exploring alternatives with regards to their shareholdings.

On 16 April 2024, Criteria Caixa confirmed it was in talks with a potential investor group that was in contact with some of Naturgy's reference shareholders and was interested in reaching a potential partnership agreement with Criteria Caixa. Criteria's conversations with this investor were considered at a preliminary stage.

On 17 Abril 2024, TAQA, an energy company controlled by the government of Abu Dhabi, confirmed it was holding talks with Criteria Caixa regarding a possible cooperation agreement related to Naturgy. TAQA also confirmed that it was holding talks with CVC and GIP regarding the possible acquisition of their shares in Naturgy. If such an acquisition were to occur, a public acquisition offer for the entire capital of Naturgy should be formulated. No agreement had been reached with Criteria Caixa, CVC or GIP.

On 10 June 2024, Criteria Caixa informed that its negotiations with TAQA regarding a possible cooperation relating to Naturgy had terminated with no agreement having been reached. Criteria Caixa reaffirmed its commitment as an investor to Naturgy's long term industrial plan and reiterated its explicit support to the company's transformation plan in line with the energy transition. For its part, on 11 June 2024, TAQA made a similar communication announcing that it would not carry out the transaction.

Naturgy has been a passive subject on the discussions and the company has continued to operate and advance on its strategic roadmap and managing the company in the best interest of its stakeholders.

MSCI (Morgan Stanley Capital International)

MSCI (Morgan Stanley Capital International), a global reference for institutional investors and a benchmark for many mutual funds and exchange-traded-funds (ETFs) announced constituent changes on various of its indices, following its February 2024 review. As a results of said review, Naturgy was removed as a constituent from various MSCI indices, effective as of the close of the last trading day of February. The exclusion was based on Naturgy's free float market value, number of shares in circulation without restrictions to be traded in the market, which had fallen below the minimum thresholds for MSCI inclusion criteria. The exclusion of Naturgy from the MSCI indices is completely unrelated to its operational and financial performance.

Energy demand and commodity prices

During the first semester of 2024, average gas and electricity prices in Europe were substantially lower compared to the first half of 2023, affected by supply and demand dynamics and mild temperatures in Europe.

In this context, gas prices on major hubs experienced relevant declines, with the TTF, JKM and HH comparing on average 48.7%, 44.6% and 29% below the first half of 2023 respectively. Wholesale electricity prices for their part compared 55.7% below on average vs. the first half of 2023. Finally, average Brent prices were 5.4% higher than in the first semester of 2023.

Demand had a mixed evolution across markets, with higher distributed energy in most of the gas and electricity networks except in Spain where gas demand in the residential segment decreased both in the distribution and supply activities (11% and 17%, respectively) and in Gas Brazil distribution declined by 6.7%. In Gas Distribution Mexico, Chile and Argentina experienced growth of 8.6%, 2.9% and 5.5% respectively while in Electricity Distribution Spain, Panama and Argentina posted 6.8%, 6.6% and 9.2% growth respectively.

Agreement on Sonatrach's procurement contract

A final price agreement has been reached with Sonatrach for 2024. This agreement guarantees a competitive price level for procurements in the present market context and confirms the strength in the relationship between Sonatrach and Naturgy, as well as the commitment with security of supply.

Outlook 2024 and new Strategic Plan 2025-30

Based on the company's strong 1H24 results and visibility on key performance drivers into year end, Naturgy estimates it may reach an EBITDA 2024E and Consolidated profit attributable to the parent company 2024E above Euros 5,300 million and Euros 1,800 million respectively. In addition, the company guides towards a total gross investment for the full year 2024 of around Euros 2,600 million and a net financial debt position as at the end of 2024 of approximately Euros 13,000 million.

The EBITDA and Consolidated profit attributable to the parent company guidance provided is substantially above Bloomberg consensus estimates for 2024, which stand at approximately Euros 4,900 million and Euros 1,700 million, respectively. This is a testament of the strong fundamentals and outlook 2024 and the company believes it benefits from a position of strength to continue its transformation.

In this respect, Naturgy is preparing a new 2025-30 Strategic Plan that will present an ambitious and attractive vision addressed to all stakeholders, focusing on industrial growth and value creation while strengthening the company's positioning for the energy transition.

1.2. Key comparability factors

Reporting structure

Following the process of continuous transformation, changes were made to the financial reporting structure in 2023 to adapt it to the grouping of Naturgy's businesses into two major areas: Distribution Networks and Energy Markets.

In addition, some changes were made to the composition of Naturgy's operating segments in order to ensure greater clarity on the progress of operations in view of developments in the economic context in which the Group operates. These changes were accompanied by a modification of Naturgy's model for reporting to the Board of Directors, which is responsible for regularly reviewing the results of the segments within the company's operational decision-making process in order to decide on the resources to be allocated to each of them and assess their performance.

The changes made to the composition of the operating segments are as follows:

- Separation of Argentina's gas and electricity segments.
- Integration of the International LNG, Markets and Procurement and Pipelines segments into the new Energy Management segment.
- Separation of the Renewables segments in Spain and the United States.
- Integration of a holding unit with transversal activities into Distribution Networks and Energy Markets.
- Creation of the Renewable Gases segment.

These changes were applied to the comparative information as at 30 June 2023 and the information as of that date was restated to reflect the changes made to the segment structure in the second half of 2023.

As at 30 June of 2024, the business segments are:

- **Distribution Networks:** groups together the business segments devoted to managing regulated gas and electricity distribution and transport infrastructures:

    - **Gas Spain:** regulated gas distribution business in Spain.
    - **Gas Mexico:** regulated gas distribution and supply in Mexico.
    - **Gas Brazil:** the regulated gas distribution and supply in Brazil.
    - **Gas Argentina:** regulated gas distribution and supply in Argentina.
    - **Gas Chile:** gas network and supply business in Chile.
    - **Electricity Spain:** regulated electricity distribution in Spain.
    - **Electricity Panama:** regulated electricity distribution and supply in Panama.
    - **Electricity Argentina:** regulated electricity distribution and supply in Argentina.

    As of 30 June 2023, these segments formed the Networks Iberia and Networks Latin America areas.

    This block also includes a holding company carrying out horizontal activities directly linked to this grouping's businesses.

- **Energy Markets:** includes the deregulated business segments as follows:

    - **Energy Management:** includes the following activities:
        - liquefied natural gas trading and shipping.
        - procurement and other gas infrastructure management and supply to energy-intensive consumers.
        - management of the Medgaz gas pipeline (equity-accounted).

    - **Thermal Generation:**
        - **Spain:** includes managing the conventional thermal generation fleet (which uses fuel for heat generation and which is not covered by a special regime) in Spain (nuclear and combined cycle).
        - **GPG Latin America:** includes management of conventional thermal generation facilities of Global Power Generation (GPG) in Mexico, the Dominican Republic and Puerto Rico, the latter being equity-accounted through EcoEléctrica LP.

    - **Renewable Generation:**
        - **Spain:** includes management of facilities and generation projects using wind energy, mini hydro, solar and cogeneration, as well as hydroelectric power generation in Spain, and the development pipeline in other European countries.
        - **GPG Latin America:** includes managing the renewable electricity facilities and generation projects of GPG located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
        - **GPG Australia:** includes managing the existing renewable power generation fleet and project pipeline owned by GPG in Australia.
        - **USA:** includes managing photovoltaic generation projects being developed in the United States.

    - **Renewable Gases:** management of renewable gas projects, mainly biomethane and green hydrogen.

    - **Supply:** its goal is to manage the supply of gas, electricity and services to end customers by adopting new technologies and services and exploiting the brand's full potential.

It also includes a holding company carrying out horizontal activities directly linked to the grouping's businesses.

- **Other:** basically, includes the corporation's operating expenses and other lesser and residual activities.

Perimeter changes

There are no transactions completed in the first six months of 2024 with a relevant impact in comparability in the first half of 2024 vs. the first half of 2023 results.

The main changes to the consolidation scope in the six-month period ended 30 June 2024, are described in Note 2.6 to the Interim consolidated financial statements as of 30 June 2024.

Foreign exchange impact

Exchange rate fluctuations in the period are summarized below:

Currency	Average exchange rate	Change (%)	EBITDA	Income attributable to equity holders of the parent
USD/€	1.08	—	(1)	(2)
MXN/€	18.52	(5.8)	11	3
BRL/€	5.49	0.2	(1)	(1)
ARS/€ (1)	976.63	248.7	(96)	(19)
CLP/€	1,017.47	16.8	(20)	(9)
Other	—	—	(1)	—
Total	**—**	**—**	**(108)**	**(28)**

(1) Exchange rate as of 30 June 2024 as a consequence of considering Argentina as a hyperinflationary economy

During the first semester of 2024, the evolution of currencies had an impact on the Group's financial performance of Euros -108 million and Euros -28 million in EBITDA and Consolidated profit attributable to the parent company, respectively. In particular, the Mexican peso experienced depreciations vs the first semester of 2023, whereas the Argentinean peso and the Chilean peso appreciated vs. EUR, remaining stable both the US dollar and the Brazilian real.

1.3. Consolidated results

	1H24	1H23	Change (%)
Net sales	9,071	12,054	(24.7)
Ebitda	**2,846**	**2,849**	**(0.1)**
Depreciation, amortisation and impairment expenses	(764)	(944)	(19.1)
Impairment of credit losses	(33)	(152)	(78.3)
Other results	(193)	(40)	382.5
Operating Profit	**1,856**	**1,713**	**8.3**
Net financial income/ (expenses)	(215)	(250)	(14.0)
Profit of entities recorded by equity method	56	43	30.2
Corporate income tax	(382)	(371)	3.0
Profit for the year from discontinued operations, net of taxes	(22)	—	—
Non-controlling interest	(250)	(90)	177.8
Consolidated profit attributable to the parent company	**1,043**	**1,045**	**(0.2)**

Net sales

Net sales totaled Euros 9,071 million in the first six half of 2024, down 24.7% vs. the first half of 2023, when prices began a downward trend that has continued in 2024, stabilizing somewhat at the end of the first half, following the exceptionally high prices that peaked in 2021 as a result of the war in Ukraine.

Ebitda

Consolidated Ebitda reached Euros 2,846 million in the first half of 2024, flat vs. the first half of 2023.

The group posted strong and resilient results despite the less favorable energy scenario, supported by growth in regulated businesses which was offset by the decrease in liberalized activities, notably in Energy Management

The breakdown by business of the Ebitda is as follows:

	1H24	1H23	Change (%)
Distribution Networks	1,454	1,250	16.3
Energy Markets	1,415	1,654	(14.4)
Rest	(23)	(55)	(58.2)
EBITDA	**2,846**	**2,849**	**(0.1)**

Operating Profit

Depreciation, amortization and impairment expenses reached in the period Euros 764 million, 19.1% lower than in the first half of 2023, primarily as a result of higher impairments reported in the first semester of 2023 (Euros 253 million) the majority of which corresponding to Latin America Thermal Generation.

Impairment of credit losses reached Euros 33 million in the first semester of 2024, 78.3% lower than in the first half of 2023. “Other results” amounted to Euros -193 million, as a result of changes and/or updates, in the first six months of 2024, of provisions in connection with the situation described in the Litigation and arbitration section note 26 to Interim consolidated financial statements as of 30 June 2024.

Net financial income

	1H24	1H23	Change (%)
Cost of net financial debt	(253)	(246)	2.8
Other financial expenses/income	38	(4)	(1,050.0)
Net financial income/ (expenses)	**(215)**	**(250)**	**(14.0)**

Financial result amounted to Euros 215 million, down 14.0% vs. the first half of 2023. Cost of net financial debt increased slightly due to higher interest rates in the period, reaching an average cost of gross financial debt of 4.0% in the first semester of 2024 vs. 3.9% as of year ended December 2023, both excluding cost from IFRS16 debt and other refinancing costs, partially compensated by higher remuneration from cash and equivalents. “Other financial expenses/income” benefited from provisions reversal.

As of 30 June 2024, 70% of gross debt is at fixed rates and 65% is denominated in Euros.

Profit of entities recorded by equity method

Equity-accounted affiliates contributed Euros 56 million positive vs. Euros 43 million as of June 2023, corresponding to Ecoeléctrica (Euros 32 million), Chile Gas (Euros 9 million), Medina/Medgaz (Euros 9 million), Qalhat (Euros 8 million), Renewable Generation and Cogeneration (Euros -4 million) and others (Euros 2 million).

The increase compared to the first semester of 2023 occurs as a result of the higher contribution of the associated interests in the renewable and cogeneration activities.

Corporate income tax

The effective tax rate for the first six months of 2024 stood at 22.5% compared with 24.6% the previous year.

Profit for the year from discontinued operations, net of taxes

Profit from discontinued operations amounted to Euros -22 million in the first half of 2024, corresponding to certain contingencies arising from previously sold businesses that are no longer within the consolidation perimeter.

Consolidated profit attributable to the parent company

Consolidated profit attributable to the parent company reached Euros 1,043 million in the first six months of 2024, decreased 0.2% vs. the first half of 2023, in line with the evolution at EBITDA level.

Income attributed to non-controlling interests

Income attributed to non-controlling interests amounted to Euros 250 million in the first half of 2024, significantly increasing compared to as of 30 June 2023, as detailed in the following table:

	1H24	1H23	Change (%)
Chile gas Networks	(99)	(36)	175.0
Spain Gas	(33)	(35)	(5.7)
Other affiliates (1)	(104)	(2)	5,100.0
Other equity instruments	(14)	(17)	(17.6)
Total	**(250)**	**(90)**	**177.8**

(1) Including Renowable GPG Latin America and GPG Australia, GPG Latin America Thermal Generation, Gas Distribution in Brazil, Mexico and Argentina, and Electricity Distribution in Panama.

The increase responds mainly to improved results in "Other affiliates" due to the higher contribution from Latin America businesses presenting relevant minority interests.

On the other hand, the reduction in "Other equity instruments", which includes the accrued interest on Deeply Subordinated Notes (hybrids), is explained by the Euros 500 million hybrid redemption without replacement completed on April 2024.

1.4. Results by business unit

1.4.1. Distribution Networks

Below is the detail of the reported and ordinary Ebitda for the six-month period ended June 30, 2024 and 2023:

	1H24	1H23	Change (%)
Distribution Networks	**1,454**	**1,250**	**16.3**
Spain Gas	393	412	(4.6)
Mexico Gas	148	140	5.7
Brazil Gas	138	165	(16.4)
Argentina Gas	38	12	216.7
Chile Gas	244	118	106.8
Spain Electricity	341	322	5.9
Panama Electricity	128	77	66.2
Argentina Electricity	30	19	57.9
Holding and eliminations	(6)	(15)	(60.0)

Networks aggregated Ebitda increased 16.3% to Euros 1,454 million during the first six months of 2024, supported by the positive regulatory review in Panama, the performance of Gas Chile and the relevant tariff updates in Argentina. These were partly offset by negative tariff updates in Brazil, per a negative IGPM evolution.

In Spain, growth in Spain Electricity was driven by investments and the growing asset base, while Gas distribution posted weaker results, affected by ongoing year regulatory adjustment and lower demand.

The FX impact amounted to Euros 108 million negative in the period, primarily attributed to the Argentinean peso depreciation (Euros -96 million).

Spain gas

Results

	1H24	1H23	Change (%)
Net sales	511	535	(4.5)
Procurement	(50)	(51)	(2.0)
Gross margin	**461**	**484**	**(4.8)**
Other operating income	17	17	—
Personnel expenses	(26)	(27)	(3.7)
Taxes	(9)	(9)	—
Other operating expenses	(50)	(53)	(5.7)
EBITDA	**393**	**412**	**(4.6)**
Depreciation, provisions and other results	(131)	(131)	—
EBIT	**262**	**281**	**(6.8)**

In the first six months of 2024, Ebitda reached Euros 393 million, down 4.6% vs. the first half of 2023, driven by lower regulated remuneration, as established in the current regulatory framework 2021-26, as well as lower demand as a result of mild temperatures in winter.

Main aggregates

The main aggregates in the gas distribution networks activity are as follows:

	1H24	1H23	Change (%)
TPA - Sales (GWh)	83,574	84,204	(0.7)
LPG Sales (tn)	38,614	34,651	11.4
Distribution network (km)	57,048	55,589	2.6
Increase in connection points, thousand	(12)	(11)	9.1
Connection points (thousand) (at 30/06)	5,340	5,359	(0.4)

Gas sales (excluding LPG sales) slightly decreased by 0.7% on an annual basis, while connection points remained stable with a little decrease (-0.4%) compared to the first six months of 2023.

Mexico Gas

Results

	1H24	1H23	Change (%)
Net sales	332	361	(8.0)
Procurement	(159)	(193)	(17.6)
Gross margin	**173**	**168**	**3.0**
Other operating income	12	6	100.0
Personnel expenses	(11)	(10)	10.0
Taxes	(1)	—	—
Other operating expenses	(25)	(24)	4.2
EBITDA	**148**	**140**	**5.7**
Depreciation, provisions and other results	(44)	(35)	25.7
EBIT	**104**	**105**	**(1.0)**

On the first six months of 2024, Ebitda increased 5.7% reaching Euros 148 million due to the regulatory update in tariffs and positive FX impact (Euros 9 million). Demand evolution was mixed, raising in the generation, TPA and vehicular segments, while reducing in the domestic segment.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Gas activity sales (GWh)	**25,619**	**23,590**	**8.6**
Gas sales	12,016	12,031	(0.1)
TPA	13,603	11,559	17.7
Distribution network (km)	23,249	23,101	0.6
Increase in connection points (thousand)	5	(2)	(350.0)
Connection points (thousand)(at 30/06)	1,575	1,570	0.3

Gas sales activity increased by 8.6% while connection points remained stable (0.3%).

Brazil Gas

Results

	1H24	1H23	Change (%)
Net sales	797	876	(9.0)
Procurement	(617)	(670)	(7.9)
Gross margin	**180**	**206**	**(12.6)**
Other operating income	18	21	(14.3)
Personnel expenses	(10)	(10)	—
Taxes	(3)	(3)	—
Other operating expenses	(47)	(49)	(4.1)
EBITDA	**138**	**165**	**(16.4)**
Depreciation, provisions and other results	(36)	(36)	—
EBIT	**102**	**129**	**(20.9)**

In the first six months of 2024 Ebitda reached Euros 138 million, 16.4% down as of 30 June 2023, as a consequence of lower tariffs, which are indexed to inflation (negative IGPM, General Price Index - Market, evolution), and lower demand, particularly in vehicular and residential segments. The negative FX impact amounted Euros 1 million.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Gas activity sales (GWh)	**16,903**	**18,126**	**(6.7)**
Gas sales	13,644	14,127	(3.4)
TPA	3,259	3,999	(18.5)
Distribution network (km)	8,382	8,321	0.7
Increase in connection points (thousand)	2	8	(75.0)
Connection points (thousand)(at 30/06)	1,188	1,184	0.3

Overall gas sales decreased 6.7% compared to the first six months of 2023, mainly as a result of lower demand in the vehicular and generation segments (-16.3% and -4.7%, respectively), which were mitigated by a slight growth in industrial (0.1%).

Connection points supply remained stable 0.3% in the period.

Argentina gas

Results

	1H24	1H23	Change (%)
Net sales	224	196	14.3
Procurement	(119)	(118)	0.8
Gross margin	**105**	**78**	**34.6**
Other operating income	8	9	(11.1)
Personnel expenses	(25)	(23)	8.7
Taxes	(16)	(17)	(5.9)
Other operating expenses	(34)	(35)	(2.9)
EBITDA	**38**	**12**	**216.7**
Depreciation, provisions and other results	(7)	(6)	16.7
EBIT	**31**	**6**	**416.7**

Within the first six months of 2024, Ebitda amounted to Euros 38 million, a very significant increase compared to the first six months of 2023, reflecting relevant tariff increases (tariff update applied from May ‘23 to April ‘24) and higher demand, partly offset by negative FX impact, which reached Euros 51 million in the period.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Gas activity sales (GWh)	**50,552**	**47,930**	**5.5**
Gas sales	16,569	21,527	(23.0)
TPA	33,983	26,403	28.7
Distribution network (km)	40,223	40,002	0.6
Increase in connection points (thousand)	1	5	(80.0)
Connection points (thousand)(at 30/06)	2,261	2,260	—

Overall gas activity sales increased by 5.5% driven by the retail (10.2%) and generation and TPA (8.3%) segments while the Industrial segment experienced the highest reduction (14.0%).

The connection points remained stable compared to the first six months of 2023.

Chile gas

Includes the activities of gas distribution and supply.

Results

	1H24	1H23	Change (%)
Net sales	397	406	(2.2)
Procurement	(115)	(250)	(54.0)
Gross margin	**282**	**156**	**80.8**
Other operating income	1	1	—
Personnel expenses	(13)	(14)	(7.1)
Taxes	(2)	(2)	—
Other operating expenses	(24)	(23)	4.3
EBITDA	**244**	**118**	**106.8**
Depreciation, provisions and other results	15	(32)	(146.9)
EBIT	**259**	**86**	**201.2**

In the first six months of 2024, Ebitda amounted Euros 244 million, a very significant increase compared to the first six months of 2023, which is mainly explained by tariff increases and demand growth in the distribution activity and provisions update by ongoing litigation, partially offset by negative FX impact (Euros 20 million).

Main aggregates

	1H24	1H23	Change (%)
Gas activity sales (GWh)	**16,707**	**18,650**	**(10.4)**
Gas distribution sales (GWh)	5,045	4,901	2.9
Gas sales (GWh)	873	922	(5.3)
TPA (GWh)	10,789	12,827	(15.9)
Distribution network (km)	8,339	8,284	0.7
Increase in connection points (thousand)	5	6	(16.7)
Connection points (thousand)(at 30/06)	697	685	1.8

Total gas sales decreased by 10.4%, as a result of lower sales in the TPA sales (15.9%) as well as in supply, although to a lower extent (5.3%). On the other side, distributed sales increased by 2.9% in the period.

Connection points increased by 1.8%.

Spain electricity networks

Results

	1H24	1H23	Change (%)
Net sales	415	398	4.3
Procurement	—	—	—
Gross margin	**415**	**398**	**4.3**
Other operating income	11	10	10.0
Personnel expenses	(22)	(23)	(4.3)
Taxes	(12)	(12)	—
Other operating expenses	(51)	(51)	—
EBITDA	**341**	**322**	**5.9**
Depreciation, provisions and other results	(130)	(121)	7.4
EBIT	**211**	**201**	**5.0**

In the first six months of 2024, Ebitda amounted to Euros 341 million, a 5.9% increase compared to the first six months of 2023, mainly owing to higher regulatory asset base supported by investment as well as lower penalties on energy losses.

Main aggregates

	1H24	1H23	Change (%)
Sales - TPA (GWh)	13,028	12,198	6.8
Distribution network (km)	115,819	115,460	0.3
Connection points (thousand)	3,846	3,825	0.5
ICEIT (minutes)	17.7	14.0	26.4

Electricity sales increased by 6.8% and connection points remained stable 0.5% during the period.

Panama electricity

Results

	1H24	1H23	Change (%)
Net sales	510	427	19.4
Procurement	(355)	(323)	9.9
Gross margin	**155**	**104**	**49.0**
Other operating income	4	3	33.3
Personnel expenses	(4)	(4)	—
Taxes	(3)	(4)	(25.0)
Other operating expenses	(24)	(22)	9.1
EBITDA	**128**	**77**	**66.2**
Depreciation, provisions and other results	(35)	(34)	2.9
EBIT	**93**	**43**	**116.3**

In the first six months of 2024, Ebitda amounted to Euros 128 million, up 66.2% compared to the first six months of 2023, supported by the positive impact of the regulatory review and higher demand due to higher temperatures.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Electricity business sales (GWh)	**2,987**	**2,803**	**6.6**
Electricity sales	2,475	2,309	7.2
TPA	512	494	3.6
Distribution network (km)	30,572	30,052	1.7
Connection points (thousand)(at 30/06)	780	762	2.4

Electricity sales increased by 6.6% compared same period of 2023, while connection points grew by 2.4%.

Argentina electricity

Results

	1H24	1H23	Change (%)
Net sales	97	77	26.0
Procurement	(43)	(37)	16.2
Gross margin	**54**	**40**	**35.0**
Other operating income	7	6	16.7
Personnel expenses	(9)	(8)	12.5
Taxes	(4)	(3)	33.3
Other operating expenses	(18)	(16)	12.5
EBITDA	**30**	**19**	**57.9**
Depreciation, provisions and other results	(1)	(1)	—
EBIT	**29**	**18**	**61.1**

In the first six months of 2024, Ebitda amounted to Euros 30 million, 57.9% higher than in the first six months of 2023, mainly driven by relevant tariff updated and demand growth. These positives were partially offset by the negative FX impact (Euros 45 million).

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Electricity business sales (GWh)	1,156	1,059	9.2
Distribution network (km)	10,334	10,152	1.8
Connection points (thousand)(at 30/6)	263	257	2.3

Electricity sales and connection points increased by 9.2% and 2.3% respectively when compared to first half of 2023.

1.4.2. Energy Markets

Below is the detail of the reported Ebitda for the six-month period ended June 30, 2024 and 2023

	1H24	1H23	Change (%)
Energy Markets	**1,415**	**1,654**	**(14.4)**
Energy Management	**384**	**863**	**(55.5)**
Thermal Generation	**285**	**239**	**19.2**
Spain	97	109	(11.0)
GPG Latin America	188	130	44.6
Renewable Generation	**305**	**235**	**29.8**
Spain	249	205	21.5
USA	-3	-6	(50.0)
GPG Latin America	39	31	25.8
GPG Australia	20	5	300.0
Renewable Gases	**-1**	**-2**	**(50.0)**
Supply	**452**	**347**	**30.3**
Holding and eliminations	**-10**	**-28**	**(64.3)**

The Energy Markets businesses posted an aggregate EBITDA of Euros 1,415 million, a decrease of 14.4% when compared to the first semester of 2023.

The first half of 2024 has been marked by lower energy prices compared to the first half of 2023, both in gas and electricity. As a result, liberalized activities experienced lower profitability and contribution compared to the same period in 2023.

In Energy Management activities, including gas and LNG procurement and supply, comparison with the first semester of 2023 was affected by a relevant impact in the restatement of the ineffectiveness of hedging derivatives.

Spain Thermal Generation experienced lower results due to lower production and margins, as higher renewable production translated into lower thermal needs during the period. Latin America Thermal Generation for its part experienced better results due to higher availability and production in Mexico.

Positive evolution in Renewable Generation is mainly explained by higher installed capacity and higher production in Spain, higher overall production in Latin America and a positive evolution of the mark-to-market valuation of existing PPAs in Australia.

Contribution from the Renewable Gases business segment, which includes the management of biomethane and green hydrogen projects, remains nonmaterial.

Finally, the Supply business in Spain benefited from a favorable final court ruling on the electricity social bonus and higher margins in gas supply, partially offset by lower margins in electricity.

1.4.2.1. Energy Management

Results

	1H24	1H23	Change (%)
Net sales	2,596	5,094	(49.0)
Procurement	(2,139)	(4,117)	(48.0)
Gross margin	**457**	**977**	**(53.2)**
Other operating income	11	11	—
Personnel expenses	(14)	(14)	—
Taxes	(41)	(90)	(54.4)
Other operating expenses	(29)	(21)	38.1
EBITDA	**384**	**863**	**(55.5)**
Depreciation, provisions and other results	(236)	(121)	95.0
EBIT	**148**	**742**	**(80.1)**

Energy Management reflects the integration of the former International LNG, Markets & Procurement and Pipelines segments.

In the first six months of 2024, Ebitda reached Euros 384 million, a 55.5% decrease vs. the first semester of 2023, with comparison affected by a relevant impact in the positive restatement of the ineffectiveness of hedging derivatives in the first semester of 2023. The negative FX impact amounted to Euros 1 million in the period.

Active management of LNG volumes has allowed to improve margins of covered volumes vs former targets.

On another note, a final price agreement has been reached with Sonatrach for 2024. This agreement guarantees a competitive price level for procurements in the present market context and confirms the strength in the relationship between Sonatrach and Naturgy, as well as the commitment with security of supply.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Gas supply (GWh)	**75,096**	**98,237**	**(23.6)**
CCGT	8,733	12,676	(31.1)
Third parties	17,035	31,357	(45.7)
LNG Gas sales (GWh)	49,328	54,204	(9.0)
Electricity sales (GWh)	645	502	28.5
Shipping fleet capacity (m3)	1,159,998	1,436,280	(19.2)

On 30 June 2024, total gas sales reached 75,096 GWh, decreasing 23.6% vs. same period of previous year. By contrast, electricity sales increased 28.5% compared as of 30 June 2023.

1.4.2.2. Thermal Generation

Spain

Results

	1H24	1H23	Change (%)
Net sales	649	1,165	(44.3)
Procurement	(396)	(901)	(56.0)
Gross margin	**253**	**264**	**(4.2)**
Other operating income	6	3	100.0
Personnel expenses	(31)	(31)	—
Taxes	(80)	(71)	12.7
Other operating expenses	(51)	(56)	(8.9)
EBITDA	**97**	**109**	**(11.0)**
Depreciation, provisions and other results	(64)	(89)	(28.1)
EBIT	**33**	**20**	**65.0**

In the first six months of 2024, Ebitda reached Euros 97 million, down 11.0% compared to the first six months of 2023, mainly due to lower thermal gap as a result of higher renewable production in the period, which has translated to a lower production and margins. In addition, there has been progress on EU regulatory discussions to introduce capacity payments in 2025.

Pool prices decreased by 55.7% vs. prices for the first semester of 2023, averaging 39.1 €/MWh in the period.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Installed capacity (MW)	**8,031**	**8,031**	**—**
Nuclear	604	604	—
CCGTs	7,427	7,427	—

	1H24	1H23	Change (%)
Electric energy produced (GWh)	**5,317**	**7,754**	**(31.4)**
Nuclear	1,836	2,069	(11.3)
CCGTs	3,481	5,685	(38.8)

Total production decreased by 31.4% in the period, due to CCGTs (38.8%) and nuclear production failing (11.3%).

GPG Latin America

Results

	1H24	1H23	Change (%)
Net sales	415	342	21.3
Procurement	(196)	(183)	7.1
Gross margin	**219**	**159**	**37.7**
Other operating income	1	—	—
Personnel expenses	(11)	(10)	10.0
Taxes	(1)	(1)	—
Other operating expenses	(20)	(18)	11.1
EBITDA	**188**	**130**	**44.6**
Depreciation, provisions and other results	(42)	(206)	(79.6)
EBIT	**146**	**(76)**	**(292.1)**

Within the first six months of 2024, Ebitda reached Euros 188 million, up 44.6% compared to the first six months of 2023, mainly supported by higher revenues in México due to higher availability and production. FX negative impact amounted to Euros 1 million in the period.

Negotiations are ongoing to extend long-term power purchase agreements (PPAs) with the Federal Electricity Commission (CFE) beyond 2027.

As of 30 June 2023, had been recognized a Euros 168 million impairment, consistent with the energetic scenario.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Installed capacity (MW)	**2,644**	**2,644**	**—**
Mexico (CCGT)	2,446	2,446	—
Dominican Republic (Fuel)	198	198	—

	1H24	1H23	Change (%)
Electric energy produced (GWh)	**7,557**	**6,660**	**13.5**
Mexico (CCGT)	7,272	6,337	14.8
Dominican Republic (Fuel)	285	323	(11.8)

Total production increased by 13.5%, with Mexican CCGTs increasing by 14.8% while production in Dominican Republic fell by 11.8%.

1.4.2.3. Renewable Generation

	1H24	1H23	Change (%)
Renewable Generation	**305**	**235**	**29.8**
Spain	249	205	21.5
USA	(3)	(6)	(50.0)
GPG Latin America	39	31	25.8
GPG Australia	20	5	300.0

Renewable Generation for its part reached an Ebitda of Euros 305 million during the period, an increase of 29.8% when compared to the first semester of 2023.

The positive evolution is mainly explained by higher overall installed capacity in renewable generation (15.7%, not considering 10 MW of battery storage) and higher production in Spain, notably in conventional hydro and wind.

Renewables Spain

Results

	1H24	1H23	Change (%)
Net sales	395	338	16.9
Procurement	(17)	(42)	(59.5)
Gross margin	**378**	**296**	**27.7**
Other operating income	3	4	(25.0)
Personnel expenses	(23)	(21)	9.5
Taxes	(57)	(29)	96.6
Other operating expenses	(52)	(45)	15.6
EBITDA	**249**	**205**	**21.5**
Depreciation, provisions and other results	(125)	(94)	33.0
EBIT	**124**	**111**	**11.7**

In the first six months of 2024, Ebitda amounted Euros 249 million, up 21.5% vs. the first six months of 2023, which is primarily explained by commissioning of new capacity as well as higher overall production, particularly in conventional hydro (48.9%) and wind (19.6%).

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Installed capacity (MW)	**5,086**	**4,462**	**14.0**
Hydroelectric	2,062	2,062	—
Wind	2,426	1,955	24.1
Solar	547	394	38.8
Cogeneration and others	51	51	—

	1H24	1H23	Change (%)
Electric energy produced (GWh)	**6,330**	**4,826**	**31.2**
Hydroelectric	3,239	2,175	48.9
Wind	2,619	2,189	19.6
Solar	341	314	8.6
Cogeneration and others	131	148	(11.5)
Market share of renewables	**7.1 %**	**6.0 %**	**1,1 pp**

Installed capacity as of 30 June 2024 reached 5,086 MW, 624 MW higher than in the first half of 2023, on which 153 MW were solar technology and 471 MW wind technology.

Total production increased by 31.2 % vs same period of previous year, with a significant increase in hydroelectric production by 48.9%, wind by 19.6%, solar by 8.6% partially offset by the decrease in other technologies by 11.5%, reaching a market share of 7.1%.

Renewables USA

Results

	1H24	1H23	Change (%)
Net sales	4	—	—
Procurement	—	—	—
Gross margin	**4**	**—**	**—**
Other operating income	1	—	—
Personnel expenses	(2)	(1)	100.0
Taxes	—	—	—
Other operating expenses	(6)	(5)	20.0
EBITDA	**(3)**	**(6)**	**(50.0)**
Depreciation, provisions and other results	(4)	(47)	(91.5)
EBIT	**(7)**	**(53)**	**(86.8)**

Ebitda as of the first half of 2024, amounted to Euros -3 million, improving 50.0% regarding the first semester of 2023 due to the commissioning of 7v Solar Ranch solar plant. Higher revenues were offset by higher operating expenses to attend increased capacity.

As of 30 June 2023, an impairment relating to two of the projects acquired had been recognized, basically due to the increase in construction costs, amounting to Euros 47 million.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Installed capacity (MW)	**302**	**—**	**—**
Solar	302	—	—

	1H24	1H23	Change (%)
Electric energy produced (GWh)	**216**	**—**	**—**
Solar	216		

Naturgy has started operations of its first solar plant in the USA, with an installed capacity of 302 MW. Additionally, Grimes solar plant construction is underway with an installed capacity of 262MW and commissioning expected for the first semester of 2025. In the period, production amounted to 216 GWh.

GPG Latin America

Results

	1H24	1H23	Change (%)
Net sales	76	54	40.7
Procurement	(17)	(4)	325.0
Gross margin	**59**	**50**	**18.0**
Other operating income	7	8	(12.5)
Personnel expenses	(7)	(7)	—
Taxes	(1)	(2)	(50.0)
Other operating expenses	(19)	(18)	5.6
EBITDA	**39**	**31**	**25.8**
Depreciation, provisions and other results	(16)	(39)	(59.0)
EBIT	**23**	**(8)**	**(387.5)**

In the first six months of 2024, Ebitda reached Euros 39 million, 25.8% higher than in the first six months of 2023, mostly driven by higher production and margins in the region which were partially offset by lower production in Panama and Costa Rica, the latter affected by the end of La Joya concession. FX impact was positive (Euros 2 million).

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Installed capacity (MW)	**817**	**847**	**(3.5)**
Mexico (Wind)	234	234	—
Brazil (Solar)	153	153	—
Chile (Solar)	152	131	16.0
Chile (Wind)	206	206	—
Costa Rica (Hydroelectric)	50	101	(50.5)
Panama (Hydroelectric)	22	22	—

	1H24	1H23	Change (%)
Electric energy produced (GWh)	**814**	**870**	**(6.4)**
Mexico (Wind)	274	276	(0.7)
Brazil (Solar)	137	136	0.7
Chile (Solar)	147	143	2.8
Chile (Wind)	129	121	6.6
Costa Rica (Hydroelectric)	91	161	(43.5)
Panama (Hydroelectric)	36	33	9.1

Installed capacity in GPG Latin America as of end of the first six months of 2024 reached 817 MW, 30 MW lower compared to the first six months of 2023 due to the end of La Joya concession in Costa Rica (50 MW), which led to hydro production decreasing by 34.5%% while wind and solar increased by 1.5% and 1.8% respectively.

GPG Australia

Results

	1H24	1H23	Change (%)
Net sales	16	14	14.3
Procurement	—	—	—
Gross margin	**16**	**14**	**14.3**
Other operating income	—	—	—
Personnel expenses	(3)	(2)	50.0
Taxes	—	—	—
Other operating expenses	7	(7)	(200.0)
EBITDA	**20**	**5**	**300.0**
Depreciation, provisions and other results	(17)	(6)	183.3
EBIT	**3**	**(1)**	**(400.0)**

In the first six months of 2024, Ebitda amounted to Euros 20 million, as a result of a positive trend in the market value of existing PPAs. "Other operating expenses" include a positive adjustment due to regularisation of the accounting treatment of leases under IFRS 16.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Installed capacity (MW)	**386**	**386**	**—**
Wind	386	386	—
Battery storage (MW)	**10**	**—**	**—**

	1H24	1H23	Change (%)
Electric energy produced (GWh)	**345**	**481**	**(28.3)**
Wind	345	481	(28.3)

Installed capacity as of 30 June 2024 reached 386 MW in wind technology and 10 MW of battery storage, that allow more efficient management of the energy produced and margin optimization.

1.4.2.4. Renewable Gases

Results

	1H24	1H23	Change (%)
Net sales	22	—	—
Procurement	(17)	—	—
Gross margin	**5**	**—**	**—**
Other operating income	—	—	—
Personnel expenses	(3)	(1)	200.0
Taxes	—	—	—
Other operating expenses	(3)	(1)	200.0
EBITDA	**(1)**	**(2)**	**(50.0)**
Depreciation, provisions and other results	(3)	—	—
EBIT	**(4)**	**(2)**	**100.0**

A Renewable gases business segment has been created, including the management of biomethane and green hydrogen projects, whose contribution as this point remains nonmaterial (Euros -1 million).

Main aggregates

Biomethane	1H24	1H23	Change (%)
Operation capacity (MW)	3	2	50.0
Production (MWh)	92	117	(21.4)

Naturgy currently operates 3 MW of biomethane capacity which produced 92 MWh during the first half year of 2024. During the first half of 2024, Naturgy launched its third biomethane plant in Spain and increased its renewable gas production capacity to 29 GWh per year.

Naturgy progresses on a wide project portfolio in different stages of development throughout Spain and expects an additional plant in Valencia to become operational in the coming months. In addition, two hydrogen projects in Meirama (30 MW) and in La Robla (280 MW) are underway.

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.

1.4.2.5. Supply

Results

	1H24	1H23	Change (%)
Net sales	3,393	4,891	(30.6)
Procurement	(2,839)	(4,337)	(34.5)
Gross margin	**554**	**554**	**—**
Other operating income	69	71	(2.8)
Personnel expenses	(37)	(34)	8.8
Taxes	(54)	(93)	(41.9)
Other operating expenses	(80)	(151)	(47.0)
EBITDA	**452**	**347**	**30.3**
Depreciation, provisions and other results	(113)	(116)	(2.6)
EBIT	**339**	**231**	**46.8**

Within the first six months of 2024, Ebitda reached Euros 452 million, compared to Euros 347 million of first six months of 2023.

In the electricity segment, there has been a favorable final court ruling on the electricity social bonus for liberalized customers for the 2016-21 period. In addition, lower margins due to scenario have been offset by the progressive elimination of a large part of the exceptional measures of price reduction approved by Royal Decree-Law 8/2023 of 27 December.

In the gas segment, margins showed resiliency supported by a lower provisioning prices and growth in service contracts.

Main aggregates

The main aggregates of the activity are as follows:

	1H24	1H23	Change (%)
Gas sales (GWh)	**35,812**	**38,278**	**(6.4)**
Residential Spain	9,058	10,958	(17.3)
Industrial clients	25,897	26,104	(0.8)
SM&E	857	1,216	(29.5)
By segment	**35,812**	**38,278**	**(6.4)**
Liberalised	30,770	33,518	(8.2)
Regulated	5,042	4,760	5.9
Electricity sales (GWh):	**9,096**	**9,834**	**(7.5)**
Residential Spain	4,698	4,522	3.9
Industrial clients	3,531	4,356	(18.9)
SM&E	867	956	(9.3)
By segment	**9,096**	**9,834**	**(7.5)**
Liberalised	7,552	8,308	(9.1)
Regulated	1,544	1,526	1.2
Retail contracts (thousand)	**10,731**	**10,778**	**(0.4)**
Gas	3,459	3,623	(4.5)
Electricity	4,327	4,299	0.7
Services	2,945	2,856	3.1
Contracts per customer (Spain)	**1.50**	**1.50**	**0.00 pp**
Gas contract market share (Spain)	**43.3**	**45.4**	**-2.1 pp**

Gas sales decreased by 6.4% vs. the first six months of 2023, with S&ME and residential segments down by 29.5% and 17.3% respectively, while industry segment remained stable (-0.8%).

Power sales decreased by 7.5%, with the industrial and S&ME segments decreasing by 18.9% and 9.3% respectively, while residential sales increased by 3.9%.

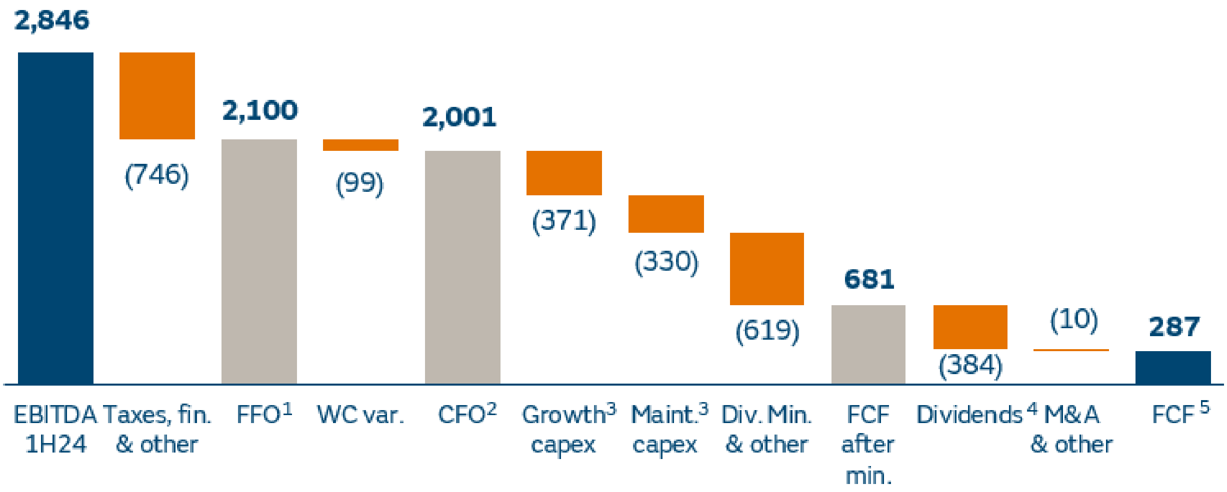
Total number of contracts remained stable (-0.4%) vs. the first semester of 2023.

On a different note, Naturgy has launched a new digital platform aimed to transform the interaction with customers with new AI tools.

Lastly, Naturgy has been the first company to redeem energy saving certificates (ESC) in Spain.

1.5. Cash flow

The evolution of cash flow for the first semester of 2024 is detailed below:



Notes:
1 FFO: Funds from operations
2 CFO: Cash flow from operations
3 Capex Net of cessions and contributions
4 Dividends paid net of those received by Group companies
5 FCF: Free cash flow

Within the first six months of 2024, FFO (funds from operations) was strong in the period underpinned by the good overall performance of Networks, Renewable Generation and Supply activities, allowing to reduce net debt event after dividends distribution and investments.

Naturgy's Net debt decreased Euros 252 million to Euros 11,838 million as of 30 June 2024 vs. Euros 12,090 million as of December 2023, even after the Euros 500 million hybrids redeemed on 24 April 2024 (not accounted as financial debt) and despite the Euros 701 million of cash outflow in capex and the cash dividend distribution of Euros 384 million in the period, corresponding to the final dividend on 2023 results.

Working capital experienced a small increase, consuming Euros 99 million cash in the period.

Capex

The breakdown of CAPEX by type was as follows:

	1H24	1H23	Change (%)
Investments in property, plant and equipment and intangible assets (Capex)	937	839	11.7
Other proceeds from investing activities	(236)	(40)	490.0
Net capital expenditure (Net Capex)	**701**	**799**	**(12.3)**

The breakdown of material and intangible investments between maintenance and growth provides useful information on the investment profile of the group.

	1H24	1H23	Change (%)
Distribution Networks	224	226	(0.9)
Energy Markets	104	85	22.4
Rest	6	5	20.0
Maintenance capex	**334**	**316**	**5.7**

Maintenance capex in the first six months of 2024 amounted to Euros 334 million, compared to Euros 316 million same period previous year.

	1H24	1H23	Change (%)
Distribution Networks	157	144	9.0
Energy Markets	446	379	17.7
Rest	—	—	—
Growth capex	**603**	**523**	**15.3**

Tangible and intangible growth investments (Capex) in the period represented more than 64% of total investments and amounted Euros 603 million in the first six months of 2024.

Growth capex in the first six months of 2024 mainly included:

- A total of Euros 157 million invested in the development of Networks, of which Euros 19 million in Gas Spain, Euros 16 million in Mexico Gas, Euros 6 million in Brazil Gas, Euros 2 million in Argentina Gas, Euros 15 million in Chiles Gas, Euros 67 million in Spain Electricity, Euros 24 million in Panama Electricity and Euros 8 million in Argentina Electricity.
- A total of Euros 386 million invested in the construction of different renewable projects, of which Euros 164 million in Spain, Euros 127 million in USA, Euros 1 million in GPG Latin America and Euros 94 million in GPG Australia.
- A total of Euros 2 million in the development of Renewable Gases.
- A total of Euros 58 million in the Supply activity.

Naturgy remains committed to renewables development and has reached 6.6 GW of installed capacity as of 30 June 2024. In this respect, 896 MW of additional capacity came into operation compared to the first semester of 2023, of which 624 MW in Spain and 30 2MW in USA, that do not include 10 MW of battery storage in Australia; GPG Latin America experienced a slight decrease of 30 MW following the closure of La Joya plant in Costa Rica.

In addition to this, the group has currently over 2.2 GW of renewable capacity under construction, of which 1 GW in Spain, 916 MW in Australia, and 262 MW in the USA. Out of these 2.2 GW, approximately 800 MW will become operational in 2024 (244 MW in Spain and 556 MW in Australia). Also, Naturgy has several projects financed with NextGeneration funds in an advance development stage, of which 118 MW repowering and 140 MW storage.

During 2025, Naturgy expects to put into operation approximately 0.6 GW of additional renewable capacity in Spain, of which 457 MW are already under construction.

In Australia, Naturgy continues with the construction and development of Glenellen (260 MW) in New South Wales and Bundaberg (100 MW) in Queensland, which are expected to become operational during 2025.
Lastly, in the USA Naturgy continues with the construction of the Grimes photovoltaic project (262 MW) in Texas, which will be its second installation in this geography, with commissioning in the first semester of 2025.

The Company is also leading renewable gas developments in Spain as a key pilar of decarbonization. Accordingly, by the end of 2024, Naturgy will have three biomethane production projects in operation: the Elena Plant, in Cerdanyola del Vallès (Barcelona), which was the first to inject renewable gas from landfills into the gas distribution network; the plant located at EDAR Bens (wastewater treatment plant), in A Coruña, and the Vila-sana plant (Lleida) installed on the Porgaporcs livestock farm. To these plants will be added, throughout 2025, one additional plant located in Valencia. In addition, Naturgy continues developing several hydrogen projects, with a focus to develop the activity for the long term.

1.6. Financial Position

As of 30 June 2024, Net financial debt amounted to Euros 11,838 million, Euros 252 million below year-end 2023 figure, reflecting the resiliency of Naturgy's businesses during the period.

During the six first months of 2024, the most relevant transactions and refinancing operations included:

- Refinancing of loans and revolving credit lines in Spain for a total of Euros 455 million and international businesses for a total of Euros 198 million.
- In Spain, Naturgy Energy Group S.A. has formalized new bilateral loans for Euros 725 million and has drawn down loans for Euros 750 million, formalized during 2023. Additionally, international businesses have signed new bilateral loans and revolving credit lines for Euros 137 million.
- Naturgy Mexico S.A. issued a bond for Euros 195 million with a maturity of 3 years and rate TIIE + 0.49%.
- Naturgy redeemed Euros 500 million deeply subordinated notes on 24 April 2024. Only Euros 500 million remain outstanding.

The evolution of the principal ratios applied referent to the Net financial debt is as follows:

		1H24	1H23
EBITDA/Net financial debt cost	times	11.2	11.6
Net financial debt /LTM EBITDA (1)	times	2.2	2.2

(1) Comparative information as of 31 December 2023

Net financial debt to EBITDA is maintained at 2.2x as of 30 June 2024, same as in FY23, showing the sound financial and leverage position of the group, even after the Euros 500m hybrids redeemed on April 2024 (not accounted as financial debt).

Naturgy maintains a BBB rating (stable outlook) with both S&P and Fitch.

Liquidity (Euro million)

Liquidity as of 30 June 2024 stood at Euros 9,749 million, including Euros 4,087 million in cash and equivalents and Euros 5,662 million in undrawn and fully committed credit lines. In addition, the ECP program is completely undrawn as of 30 June 2024.

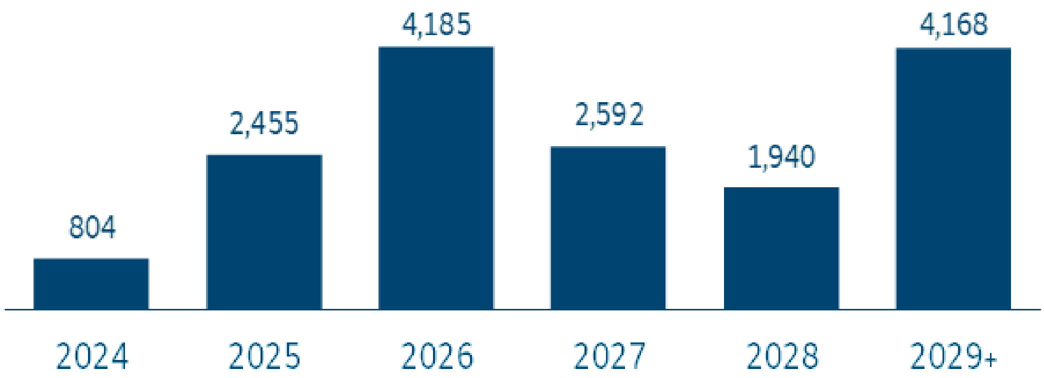
As of 30 June 2024, the detail of the Group's current liquidity is as follows:

	Consolidated		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
	1H24	**2023**	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Cash and equivalents	4,087	3,686	168	61	264	42	96	4	3,452
Undrawn committed credit lines	5,662	5,551	—	27	37	—	122	8	5,468
Total	9,749	9,237	168	88	301	42	218	12	8,920

The weighted average maturity of the undrawn credit lines stands at 20 months, according to the following detail:

	2024	2025	2026	2027	2028	2029+
Undrawn committed credit lines	42	1,701	3,876	39	—	4

The gross financial debt maturities as of 30 June 2024 are as follows:



The detail of the net financial debt, the average financial cost of the gross debt and the % of fixed gross debt for country and currency is as follows:

		Consolidated		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
		1H24	2023	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Net financial debt	€m	11,838	12,090	199	3	10	(15)	532	924	10,185
Average cost of debt (1)	%	4.04	3.9	8.8	8.4	12.3	89.9	10.6	8.4	2.1
% fixed rated (gross debt)	%	70	75	43	17	1	—	53	6	79

(1) Does not include neither cost from IFRS 16 debt nor other refinancing costs. Information as of 30 June projected in annual terms.

The average cost of gross financial debt for the period, excluding the cost of lease liabilities under IFRS 16 and other refinancing costs, is 4.0%, a slightly higher than in FY23 (3.9%).

2. Main risks, opportunities and uncertainties

During the first half of 2024, Naturgy applied the same risk management model described in section 4. Main risks, opportunities and uncertainties, from the Consolidated Directors' Report for the year ended 31 December 2023.

Naturgy defines five risk types in its Corporate Risk Map:

1. **Economic**: market (commodity, exchange rate, regulatory, volume, margin/price) and legal.
2. **Financial:** credit, interest rate, tax, liquidity, rating and provisions and guarantees.
3. **Operational**: insurable operational, security, crisis management and business continuity, fraud against the company, cybersecurity, data protection, environmental and biodiversity, and health and safety.
4. **Reputational**: reputational and ESG, compliance, customer satisfaction and people.
5. **Strategic**: associated with the profile of the Group's business portfolio, which includes climate change risk.

The main economic and financial risks are described in notes 13 and 26 to the condensed Interim Consolidated Financial Statements as of 30 June 2024. Climate change risk is detailed in note 2.5.b to the Interim Consolidated Financial Statements at 30 June 2024. The main Operational and Reputational/Sustainability risks are discussed in the Sustainability Report and Statement of Non-Financial Information for the year ended 31 December 2023.

Naturgy maintains the lines of strategy approved by the Board of Directors on 28 July 2021, and has improved its expectations for the coming years presented on 13 July 2023 after successfully executing the Strategic Plan, in which the energy transition is treated as an opportunity to transform the business and promote the necessary changes to achieve a low-carbon economy. In this context, Naturgy's main lines of opportunity are as follows:

- Focus on stable geographic areas
- Renewable generation
- Operation and growth in networks
- Technological development and innovation
- Portfolio of natural gas and LNG procurements

Horizontal uncertainties, such as the macroeconomic context and geopolitical exposure, materialize and have an impact on many of the risks managed by Naturgy. On the macroeconomic front, the war in Ukraine and Israel's military actions in Palestinian territory, following the terrorist attack in October 2023, marked the first half of 2024.

The war in Ukraine has continued without significant changes that might indicate the intention of the parties to reach a cease-fire agreement. Considering the benchmark scenario and in compliance with the recent recommendations by the ESMA, Naturgy is monitoring the status and evolution of the situation generated by the conflict in order to manage potential risks. The analyses carried out for this purpose assess the indirect impacts of the conflict on the business, financial situation and economic performance, with particular reference to the trend in commodity prices and the reduced availability of material supplies from conflict-affected areas.

In this context, in connection with gas procurement, Naturgy has a long-term contract for the procurement of gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50,1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) and is not affected by any type of sanction which prevent the normal supply to Naturgy. This contract has take-or-pay clauses that cover its entire term. Since the beginning of the conflict in February 2022, Naturgy has received the volumes strictly established in the contract which, in the first half of 2024, represented 17% of Naturgy's global procurements (15% in 2023).

None of Naturgy's counterparties are susceptible to being affected by the sanctions, it does not hold any interest in companies that operate in Russia or Belarus or have investments in those countries, nor does it have cash balances or equivalent liquid assets that are restricted as a result of those measures and sanctions.

Meanwhile, Israel's military actions continue in Palestinian territory following the terrorist attack in October 2023. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

The Naturgy group has a company in Israel called Spanish Israeli Operation and Maintenance Company Ltd that has been providing services at the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reports less than Euros 1 million in EBITDA. Despite the conflict, the company has continued to operate normally.

As this scenario is constantly evolving and it is difficult to predict the extent or duration of the conflict's impact, Naturgy constantly monitors the relevant macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

On the regulatory front, Naturgy continues to apply the regulations issued by both European and national governments to mitigate the consequences of the conflict on the macroeconomic situation and on end users of energy. The changes in the regulatory framework are described in Appendix II of the Interim Consolidated Financial Statements as of 30 June 2024.

3. Subsequent events

Events after the closing date, 30 June 2024, are described in Note 27 to the Interim consolidated financial statements as of 30 June 2024.

Appendix I. Alternative performance metrics

Naturgy’s' financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS.

The chosen APMs are useful for persons consulting the financial information as they allow an analysis of the financial performance, cash flows and financial situation of Naturgy, and a comparison with other companies.

Below is a glossary of terms with the definition of the APMs. Generally, the APM terms are directly traceable to the relevant items of the interim consolidated balance sheet, interim consolidated income statement, interim consolidated statement of cash flows or notes to the interim financial statements of Naturgy. Terms which cannot be directly cross-referenced are reconciled in the Glossary below.

Alternative performance metrics	Definition and terms	Reconciliation of values at 30.06.2024	Reconciliation of values at 30.06.2023	Relevance
EBITDA	EBITDA = Net sales (2) – Procurements (2) + Other operating income (2) – Personnel expenses, net (2) – Other operating expenses (2) + Gain/(loss) on disposals of fixed assets (2) + Release of fixed asset grants to income and other (2)	Euros 2,846 million	Euros 2,849 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, net (2) + Own work capitalised (4) (Note 16) + Other operating expenses (2) - Taxes (4) (Note 17)	Euros 843 million = 288 + 38 + 801 - 284	Euros 962 million = 318 + 35 + 948 - 339	Measure of the expenses incurred by the Group to carry out its business activities, without considering taxes. Amount allowing comparability with other companies.
Capital expenditure (CAPEX)	Investment in intangible assets (4) (Note 5) + Investment in property, plant and equipment (4) (Note 5)	Euros 937 million = 137 + 800	Euros 839 million = 133 + 706	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 capital expenditure (Net CAPEX) (6)	CAPEX (5) - Other proceeds from investing activities (3)	Euros 701 million = 937-236	Euros 799 million = 839 - 40	Measure of the investment effort of each period without considering the assets transferred or contributed by third parties.

Alternative performance metrics	Definition and terms	Reconciliation of values at 30.06.2024	Reconciliation of values at 30.06.2023	Relevance
Gross capital expenditure (Gross CAPEX)	CAPEX (5) + Cash flows into investing activities group companies acquisitions, net of cash and equivalents (3)	Euros 947 million = 937 + 10	Euros 953 million = 839 + 114	Measurement of the investment effort in each period in assets of the different businesses, including accrued and unpaid investments, and in assets acquired through subsidiary companies. It allows knowing the investment effort in maintenance and growth investments (resources invested in the development and growth of the Group's activities) and in investments, through the acquisition of companies.
Gross financial debt	Non-current financial liabilities (1) (Note 12) + Current financial liabilities (1) (Note 12)	Euros 16,144 million = 13,557 + 2,587	Euros 15,560 million = 12,778 + 2,782 Comparative information as of December 31 of the previous year: Euros 15,970 million = 13,426 + 2,544	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	Gross financial debt (5) – Cash and cash equivalents (1) – Derivative financial assets linked to financial liabilities (4) (Note 13)	Euros 11,838 million = 16,144 - 4,087 - 219	Euros 10,752 million = 15,560 - 4,555 - 253 Comparative information as of December 31 of the previous year: Euros 12,090 million = 15,970 - 3,686 - 194	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 (%)	Net financial debt (5) / (Net financial debt (5) + Equity (1))	49.9% = 11,838 / (11,838 + 11,876)	48.1% = 10,752 / (10,752 + 11,596) Comparative information as of December 31 of the previous year: 50.3% = 12,090 / (12,090 + 11,929)	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 borrowings (4) (Note 20) – Interest income (4) (Note 20)	Euros 253 million = 355 - 102	Euros 246 million = 326 - 80	Measure of the cost of financial debt net of income from financial interests. This indicator is widely used in capital markets to compare different companies.

Alternative performance metrics	Definition and terms	Reconciliation of values at 30.06.2024	Reconciliation of values at 30.06.2023	Relevance
EBITDA / Cost of net financial debt	EBITDA (5) / Cost of net financial debt (5)	11.2x = 2,846 / 253	11.6x = 2,849 / 246 Comparative information as of December 31 of the previous year: 11.3x = 5,475 / 485	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 / LTM (last twelve months) EBITDA	Net financial debt (5) / EBITDA from the last twelve months (2)	2.2x = 11,838 / 5,472	1.9x = 10,752 / 5,756 Comparative information as of December 31 of the previous year: 2.2x = 12,090 / 5,475	Measure of the Group's ability to generate resources to meet financial debt payments. This indicator is widely used in capital markets to compare different companies.
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 287 million = 2,001 – 740 - 864 -110	Euros 1,377 million = 3,151 – 1,239 - 1,324 + 789	Measure of cash generation to assess the funds available to debt service.
Free cash flow after non-controlling interests	Net free cash flow (5) + Parent company dividends net of colleted by other group companies (4) (Note 10) + Purchase of treasury shares (4) (Note 10) + Investment payments (growth companies, associated and business units) (3)	Euros 681 million = 287 + 384 + 0 + 10	Euros 1,977 million = 1,377 + 480 + 6 + 114	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.
Average cost of gross financial debt	Cost of borrowings (4) (Note 20) - cost of lease financial liabilities (4) (Note 20) - other refinancing costs, projectec in annual terms / monthly weighted average of the gross financial debt (excluding lease financial liabilities) (4) (Note12)	4.04% = (355 - 46 - 10) * (366 / 182) / 14,878	3.8% = (326 - 41 - 14) * (360/180) / 14,446 Comparative information as of December 31 of the previous year: 3.9% = (675 - 84 - 29) / 14,325	Measure of the effective interest rate of financial debt. This indicator is widely used in capital markets to compare different companies.

Alternative performance metrics	Definition and terms	Reconciliation of values at 30.06.2024	Reconciliation of values at 30.06.2023	Relevance
Liquidity	Cash and other equivalent liquid (1) + Undrawn and fully committed lines of credit (4) (Note 13)	Euros 9,749 million = 4,087 + 5,662	Euros 10,108 million = 4,555 + 5,533 Comparative information as of December 31 of the previous year: Euros 9,237 million = 3,686 + 5,551	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) (Note 16) + Financial expenses (2) + Dividends paid by the parent company (4) (Note 10) + Discontinued activities expenses (4) (Note 9)	Euros 7,500 million = 5,301 + 801 + 229 + 288 + 38 + 437 + 384 + 22	Euros 10,176 million = 8,102 + 948 - 107 + 318 + 35 + 400 + 480 + 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)

(1) Consolidated balance sheet line item.

(2) Consolidated income statement line item.

(3) Consolidated statement of cash flows line item.

(4) Figure detailed in the Notes to the Condensed interim consolidated accounts.

(5) Figure detailed in the APMs.

(6) Figure detailed in the Directors' Report.

Report on Limited Review of Naturgy Energy Group, S.A.

(Together with the condensed interim financial statements and the interim directors' report of Naturgy Energy Group, S.A. for the six-month period ended 30 June 2024)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Report on Limited Review of Condensed Interim Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Naturgy Energy Group, S.A., commissioned by the Directors of the Company

REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Naturgy Energy Group, S.A. (the "Company") and subsidiaries (together the "Group"), which comprise the balance sheet at 30 June 2024, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes (all condensed and consolidated). The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2024 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial statements.

Emphasis of Matter

We draw your attention to the accompanying note 2, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2023. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2024 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated interim financial statements for the six-month period ended 30 June 2024. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Naturgy Energy Group, S.A. and subsidiaries.

Other Matter

This report has been prepared as requested by the Company's Directors in relation to publication of the half-yearly financial report required by article 100 of Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Eduardo González Fernández

22 July 2024

Condensed interim financial statements of Naturgy Energy Group, S.A.

June 2024

Interim balance sheet
Interim income statement
Interim statement of recognised income and expenses
Interim statement of changes in equity
Interim cash flow statement
Notes to the condensed interim financial statements

This Interim financial report as at 30 June 2024 is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

Naturgy Energy Group, S.A.
Interim Balance sheet

			(million euro)
		30.06.2024	31.12.2023
NON-CURRENT ASSETS	**Note**	**29,227**	**30,215**
Intangible assets		25	1
Other intangible assets		25	1
Property, plant and equipment		101	97
Land and buildings		79	84
Other property, plant and equipment		22	13
Long-term investments in group companies and associates	5	28,787	29,879
Equity instruments		15,941	15,882
Loans to companies		12,846	13,997
Long-term investments	6	36	29
Equity instruments		4	4
Derivatives		29	22
Other financial assets		3	3
Other non-current assets		150	80
Derivatives		150	80
Deferred tax assets		128	129
CURRENT ASSETS		**3,925**	**2,082**
Trade and other receivables		318	152
Trade receivables for sales and services		3	2
Trade receivables, group companies and associates		73	68
Derivatives		135	5
Other sundry receivables		73	—
Current tax assets		32	65
Other amounts receivable to Public Administrations		2	12
Short-term investments in group companies and associates	5	1,600	294
Loans to companies		1,498	291
Other financial assets		102	3
Short-term investments	6	37	36
Derivatives		36	34
Other financial assets		1	2
Short-term prepayments and accrued expenses		6	2
Cash and cash equivalents	4	1,964	1,598
Cash at banks and in hand		1,259	1,137
Other cash equivalents		705	461
TOTAL ASSETS		**33,152**	**32,297**

Notes 1 to 15 are an integral part of the condensed interim financial statements.

Naturgy Energy Group, S.A.

Interim Balance sheet **(million euro)**

	Note	30.06.2024	31.12.2023
EQUITY	7	**18,515**	**18,023**
SHAREHOLDERS' FUNDS		**18,466**	**17,980**
Share capital		970	970
Authorised capital		970	970
Share premium		3,808	3,808
Reserves		10,360	10,360
Legal and statutory		300	300
Other reserves		10,060	10,060
Treasury shares		(6)	(6)
Profit/(loss) for the period		873	1,211
Retained earnings		2,446	2,592
Interim dividend		—	(969)
Other equity instruments		15	14
VALUE CHANGE ADJUSTMENTS		**49**	**43**
Hedging operations		49	43
NON-CURRENT LIABILITIES		**9,703**	**9,921**
Long-term provisions		290	294
Long-term post-employment obligations		203	204
Other provisions		87	90
Long-term borrowings	8	3,789	2,383
Bank borrowings		3,787	2,382
Finance lease liabilities		1	—
Other financial liabilities		1	1
Amounts owing to group companies and associates falling due in more than one year	9	5,205	6,896
Deferred tax liabilities		269	267
Other liabilities		150	81
Derivatives		150	81
CURRENT LIABILITIES		**4,934**	**4,353**
Short-term borrowings	8	122	165
Bank borrowings		119	165
Finance lease liabilities		1	—
Derivatives		2	—
Amounts owing to group companies and associates falling due in less than one year	9	4,341	3,967
Trade and other payables		470	220
Trade payables		47	72
Trade payables, group companies and associates		81	14
Derivatives		135	5
Other sundry payables		—	42
Personnel (outstanding remuneration)		35	40
Current tax liabilities		45	—
Other amounts payable to Public Administrations		127	47
Short-term prepayments and accrued expenses		1	1
TOTAL EQUITY AND LIABILITIES		**33,152**	**32,297**

Notes 1 to 15 are an integral part of the condensed interim financial statements.

Naturgy Energy Group, S.A.
Interim Income statement

	Note	**30.06.2024**	30.06.2023
		(million euro)	
Revenue	10	1,029	1,113
Sales		4	92
Income from equity instruments of group companies and associates		774	807
Income from marketable securities and other financial instruments of group companies and associates		251	214
Raw materials and consumables		(4)	(93)
Consumption of goods		(4)	(93)
Other operating income		57	30
Supplementary income and other operating income		57	30
Personnel expenses		(36)	(74)
Wages, salaries and related expenses		(28)	(68)
Social Security		(6)	(4)
Provisions		(2)	(2)
Other operating expenses		(52)	(48)
External services		(68)	(46)
Taxes		(1)	(2)
Impairment losses and variation in trade provisions		17	—
Fixed asset depreciation/amortisation		(8)	(5)
Impairment and results on disposals of fixed assets		57	20
Impairment of and losses from equity instruments of group companies and associates	5	58	16
Gain/(loss) on disposals of equity interests in Group companies and associates	5	(1)	4
OPERATING PROFIT/(LOSS)		**1,043**	**943**
Financial income		30	27
Negotiable securities and other financial instruments		30	27
- In third parties		30	27
Financial expenses		(203)	(162)
Borrowings from group companies and associates		(127)	(120)
Borrowings from third parties		(76)	(42)
Impairment and gains/(losses) on disposals of financial instruments		—	(1)
Impairments and losses		—	(1)
NET FINANCIAL INCOME		**(173)**	**(136)**
PROFIT/(LOSS) BEFORE TAXES		**870**	**807**
Income tax		3	34
PROFIT FOR THE PERIOD		**873**	**841**
Basic and diluted earnings per share in euro		0.91	0.88

Notes 1 to 15 are an integral part of the condensed interim financial statements.

Naturgy Energy Group, S.A.
Interim Statement of changes in equity

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE	Note		(million euro)
		30.06.2024	30.06.2023
PROFIT FOR THE PERIOD		**873**	**841**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**20**	**8**
Cash flow hedges		25	6
Actuarial gains and losses and other adjustments		1	4
Tax effect		(6)	(2)
RELEASES TO INCOME STATEMENT		**(13)**	**(3)**
Cash flow hedges		(18)	(4)
Tax effect		5	1
TOTAL INCOME AND EXPENSE RECOGNISED IN EQUITY		**880**	**846**

Notes 1 to 15 are an integral part of the condensed interim financial statements.

Naturgy Energy Group, S.A.

Interim Statement of changes in equity

B) TOTAL STATEMENT OF CHANGES IN EQUITY **(million euro)**

	Share capital	Share premium	Reserves	Treasury shares	Profit or loss brought forward	Retained Earnings	Profit of the period	Interim dividend	Other instruments	Value changes adjustments	Total
Balance at 1.1.2023	**970**	**3,808**	**10,377**	**(1)**	**—**	**2,320**	**1,435**	**(679)**	**10**	**66**	**18,306**
Total recognised income and expense	—	—	—	—	—	—	841	—	3	2	846
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	(485)	—	—	—	—	(485)
- Trading in treasury shares	—	—	—	(1)	—	—	—	—	—	—	(1)
Other changes in equity	—	—	—	—	—	757	(1,435)	679	—	—	1
Balance at 30.06.2023	**970**	**3,808**	**10,377**	**(2)**	**—**	**2,592**	**841**	**—**	**13**	**68**	**18,667**
Total recognised income and expense	—	—	(17)	—	—	—	370	—	2	(25)	330
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	—	—	(969)	—	—	(969)
- Trading in treasury shares	—	—	—	(4)	—	—	—	—	—	—	(4)
Other changes in equity	—	—	—	—	—	—	—	—	(1)	—	(1)
Balance at 31.12.2023	**970**	**3,808**	**10,360**	**(6)**	**—**	**2,592**	**1,211**	**(969)**	**14**	**43**	**18,023**
Total recognised income and expense	—	—	—	—	—	—	873	—	1	6	880
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	(388)	—	—	—	—	(388)
- Trading in treasury shares	—	—	—	—	—	—	—	—	—	—	—
Other changes in equity	—	—	—	—	—	242	(1,211)	969	—	—	—
Balance at 30.06.2024	**970**	**3,808**	**10,360**	**(6)**	**—**	**2,446**	**873**	**—**	**15**	**49**	**18,515**

Notes 1 to 15 are an integral part of the condensed interim financial statements.

Naturgy Energy Group, S.A.

Interim Cashflow Statement

		(en millones de euros)
	30.06.2024	30.06.2023
Profit for the period before tax	**870**	**807**
Adjustments to results	**(916)**	**(888)**
Fixed asset depreciation/amortisation	8	5
Impairment adjustments	(75)	(15)
Change in provisions	1	11
Profit/(loss) on write-offs and disposals of financial instruments	1	(4)
Financial income	(1,055)	(1,048)
Financial expenses	203	162
Other income and expenses	1	1
Changes in working capital	**36**	**47**
Debtors and other receivables	(9)	36
Other current assets	(4)	1
Creditors and other payables	49	10
Other cash flows from operating activities	**771**	**260**
Interest paid	(224)	(189)
Dividends received	674	214
Interest collected	247	218
Income tax collections/(payments)	74	17
Cash flows from operating activities	**761**	**226**
Amounts paid on investments	**(327)**	**(60)**
Group companies and associates	(322)	(58)
Intangible assets	(3)	—
Property, plant and equipment	(2)	(1)
Other financial assets	—	(1)
Amounts collected from divestments	**124**	**28**
Group companies and associates	123	21
Other financial assets	1	7
Cash flows from investing activities	**(203)**	**(32)**
Collections and payments on equity instruments	**—**	**(1)**
Acquisition of own equity instruments	—	(6)
Disposal of own equity instruments	—	5
Collections and payments financial liability instruments	**196**	**(380)**
Issuance	2,009	997
Bank borrowings	1,474	(1)
Payables to Group companies and associates	535	998
Repayment/redemption of	(1,813)	(1,377)
Bank borrowings	(119)	(365)
Payables to Group companies and associates	(1,686)	(1,002)
Other payables	(8)	(10)
Dividend payments	**(388)**	**(485)**
Cash flow from financing activities	**(192)**	**(866)**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**366**	**(672)**
Cash and cash equivalents at the beginning of the year	1,598	2,981
Cash and cash equivalents at the year end	1,964	2,309

Notes 1 to 15 are an integral part of the condensed interim financial statements.

Table of Contents of the Notes to the condensed interim financial statements as at 30 June 2024

Notes to the condensed interim financial statements as at 30 June 2024

Note 1. General information

Naturgy Energy Group, S.A. ("the Company"), the parent company of the Naturgy group ("Naturgy"), was incorporated as a public limited company in 1843 and its registered office is at Avda. América 38, Madrid, Spain. On 27 June 2018, the shareholders, in general meeting, agreed to change the company's business name to Naturgy Energy Group, S.A. (formerly Gas Natural SDG, S.A.).

The company's corporate purposes, as per its articles of association, comprise the following activities:

a. All types of activities related to gas, electricity and any other type of existing energy source, the production and sale of electrical, electro-mechanical and electronic equipment and components, planning and execution of construction projects, management of architectural projects, civil engineering works, utilities and gas and hydrocarbon distribution in general; management of communications, telecommunications gas and hydrocarbon distribution networks in general, and maintenance of electrical and gas appliances; as well as business consulting, energy planning and energy use rationalisation services, research, development and exploitation of new technologies, communications, computer and industrial security systems; training and selection of human resources and real estate management and development.

b. Acting as a holding company, incorporating companies or holding shares, as a shareholder, in other companies no matter what their corporate purposes or nature, by subscribing, acquiring and holding shares, stakes or any other securities deriving from the same, subject to compliance with the legal requirements in each case.

The Company's main ordinary activity is the administration and management of its shareholdings in subsidiaries. Additionally, as at 30 June 2024, the Company has short-term gas procurement contracts.

The Company's shares are listed on the four Spanish stock exchanges and the continuous market and form part of the Ibex 35 stock index.

On 16 and 17 April, Criteria Caixa, S.A.U. and TAQA each issued a regulatory disclosure confirming that they were in discussions that could result in an offer for the shares of Naturgy Energy Group, S.A.

Subsequently, on 10 June 2024, Criteria Caixa, S.A.U. issued a communiqué in which it disclosed that the aforementioned negotiations had concluded without reaching any agreement. However, it reaffirmed its long-term commitment to Naturgy's project and announced that it was in talks to explore potential partners that might enable Naturgy to deepen its transformation and accelerate its energy transition. On 11 June 2024, TAQA issued a similar communiqué announcing that it would not be performing the transaction.

Note 2. Basis of presentation, comparability information and accounting policies

The Company's financial statements for 2023 were approved at the annual general meeting of shareholders on 2 April 2024.

The selected condensed interim financial information has been prepared in connection with the publication of the half-yearly financial report required by Article 100 of Law 6/2023, of 17 March, on Securities Markets and Investment Services, and in accordance with the principles and content provided for in Articles 12 and 13 of Royal Decree 1362/2007, of 19 October, regarding the transparency requirements relating to information on issuers whose securities are listed on an official secondary market or another regulated market in the European Union, and in Circular 3/2018, of June 28, on the periodic information of issuers with securities listed on regulated markets relating to half-yearly financial reports, and, consequently, does not include all the information that would be required in a full set of financial statements prepared in accordance with accounting principles and standards generally accepted under Spanish law. Therefore, the interim financial information should be read together with the Company's financial statements for the year ended 31 December 2023.

As a result, it was not necessary to replicate or update certain notes or estimates contained in the company's annual financial statements. Instead, the accompanying selected notes to the financial statements discuss events or changes that are significant for understanding any changes in the financial position and results of operations, comprehensive income, changes in equity and cash flows of the Company between 31 December 2023, the date of the above-mentioned financial statements, and 30 June 2024.

These condensed interim financial statements have been prepared on the basis of the Company's accounting records in order to fairly present its equity and financial position as at 30 June 2024, as well as the Company's results, changes in equity and cash flows for the period then ended.

As at 30 June 2024, the Company recognised working capital which was negative in the amount of Euros 1,009 million. In this respect, the Company’s liquidity statements envisaged for this year together with the amounts available under credit lines (Note 4) ensure coverage of same and, consequently, the Company's directors present these interim financial statements on the basis of the going concern principle.

Unless otherwise stated, the figures set out in these condensed interim financial statements are expressed in million euros, this being the Company's functional and presentation currency.

The condensed interim financial statements as at 30 June 2024 present, for comparative purposes, for each item in the balance sheet, income statement, statement of changes in equity, cash-flow statement and notes to the financial statements for 2024, the figures corresponding to the previous year which formed part of the annual financial statements for 2023 and the interim financial statements as at 30 June 2023.

The condensed interim consolidated financial statements of Naturgy as at 30 June 2024 were authorised by the Board of Directors on 22 July 2024 in accordance with IAS 34 "Interim Financial Reporting". The main figures (in million euros) disclosed in the financial statements, which were the subject of a limited review, are as follows:

Total assets	37,840
Equity attributed to the parent company	9,773
Non-controlling interests	2,103
Revenue	9,071
Consolidated net profit/(loss) for the period attributable to the Parent Company	1,043

Note 3. Accounting policies

The main accounting policies and valuation standards applied by the Company to prepare these condensed interim financial statements are the same as at 31 December 2023, as detailed in Note 3 to the financial statements as at 31 December 2023.

3.1 Significant accounting estimates and judgements

The preparation of condensed interim financial statements requires the use of estimates and assumptions.
Note 3.19 to the financial statements as at 31 December 2023 lists the valuation standards that are most reliant on estimates.

As at 30 June 2024, the main estimates are as follows:

a. Impairment of investments in Group companies and associates

As indicated in Note 3.3 to the financial statements as at 31 December 2023, the Company has updated as at June 2024 the impairment test of those investments in group and associated companies whose recoverable value coincides with or is very close to the net carrying amount or that show evidence of impairment. These impairment tests require the estimation of future business performance and of the most appropriate discount rate in each case. The Company considers that the estimates made are appropriate and consistent with the current market environment.

After reviewing the impairment indicators of the various investments in group companies and associates as at 30 June 2024, no impairment or reversal of impairment was disclosed except as detailed in Note 5.

b. Climate change and the Paris Agreement

Naturgy's 2021-2025 Strategic Plan includes a number of goals set by the Group in order to comply with the objectives of the Paris Agreement to achieve climate neutrality by 2050, at the latest, through a total reduction of Scope 1, 2 and 3 emissions, and establishes intermediate targets aligned with the 1.5ºC - 2ºC reduction pathways and with the Sustainable Development Goals (SDGs) of the United Nations. Upon completion of the Strategic Plan, the Group's greenhouse gas emissions (Scopes 1, 2 and 3) are expected to be reduced by 27% compared with 2017.

In 2023, total Scope 1, 2 and 3 emissions had been cut by 30% with respect to 2017.

The key factors envisaged for achieving these goals include the following:

- No coal-fired electricity was generated in 2024 and 2023 due to the closure of all Naturgy's coal-fired power plants in the first half of 2020, resulting in a significant reduction in Scope 1 emissions of greenhouse gases (GHG) and other atmospheric pollutants.

- The Strategic Plan provides for investments in renewable energies, particularly in solar photovoltaic, onshore wind and storage, as well as the development of innovation projects for distributed generation, renewable biomethane and hydrogen, and sustainable mobility that will enable the company to reduce its carbon footprint in the three scopes.

- Assist Helping customers reduce their carbon footprint by supplying renewable energy, offsetting emissions and saving energy through Energy Savings Certificates (ESCs).

- Investments are also envisaged to adapt existing grid infrastructures, which will play an essential role in the energy transition.

These investments will contribute to the future objective of transforming the energy mix envisaged in Spain's NCEP 2021-2030 and ratified in its draft NCEP 2023-2030, submitted to the EU in June 2023, which are also aligned with the EU objective of achieving climate neutrality by 2050. For the rest of the countries in which the group operates, it has taken into account the published national plans or, where no such plans exist, the goal of achieving net zero emissions by 2050.

Information on the Group's decarbonisation strategy is disclosed in the 2023 Sustainability Report and Statement of Non-Financial Information, which is prepared in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to which Naturgy has adhered and which it has steadily adopted since it was published in 2017.

At the end of 2023, the TCFD announced that it was disbanding as a working group, and the International Sustainability Standards Board (ISSB) has taken over the TCFD's oversight responsibilities as of 2024.

These condensed interim financial statements have been prepared taking into account the decarbonisation commitments made by Naturgy, in addition to the risks and uncertainties related to climate change and the decarbonisation of the economy. The main estimates and accounting judgments made are related to the effects of climate change and the energy transition on the recoverability of investments in group companies and associates, deferred tax assets, regulation and the distribution of dividends.

c. Military conflict in Ukraine and the Israel-Gaza war

More than two years after Russia invaded Ukraine in February 2022, there is no sign of a resolution of the conflict as of the date of the authorisation of these condensed interim financial statements.

Since the end of 2023, the war has continued without significant changes that might indicate the parties' intention to reach a ceasefire agreement.

Considering the benchmark scenario and in compliance with the recent recommendations by the ESMA, Naturgy is monitoring the status and evolution of the situation generated by the crisis in order to manage potential risks. The analyses carried out aim to assess the indirect impacts of the conflict on business activity, the financial situation and economic performance, focusing particularly on commodity price trends and the reduced availability of material supplies from areas affected by the conflict.

In this context, as part of its diversified portfolio, Naturgy has a long-term contract for the procurement of gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) which is not affected by any type of sanction preventing normal supply to Naturgy. This contract has take-or-pay clauses that cover its entire term. Since the beginning of the conflict, Naturgy has received the volumes strictly established in the contract. In the first half of 2024, this contract accounted for 17% of Naturgy's overall procurements (15% in 2023).

Moreover, none of Naturgy's counterparties are susceptible to being affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or have investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of those measures and sanctions. For further details on interest rate, commodity price, credit and liquidity risks, see Note 4.

Meanwhile, Israel's military actions continue in Palestinian territory following the terrorist attack in October 2023. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

Naturgy has a 100% shareholding in Israel in the company Spanish Israeli Operation and Maintenance Company Ltd that has been providing operation and maintenance services in the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reports less than Euros 1 million in annual EBITDA. Despite the conflict, the company has continued to operate normally.

As this situation is constantly evolving and it is difficult to predict the extent or duration of the conflict, Naturgy constantly monitors the relevant macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

Note 4. Main risks and uncertainties

The main risks and uncertainties are disclosed in the 2023 financial statements. The main aspects of financial risk are updated as at 30 June 2024.

Risk management

Risk management is described in detail in note 14 to the 2023 financial statements. The main aspects of financial risk are updated as at 30 June 2024 below:

Interest rate risk

The purpose of interest rate risk management is to balance floating- and fixed-rate borrowings in order to reduce borrowing costs within the established risk parameters.

Naturgy employs financial swaps to manage exposure to interest rate fluctuations, swapping floating rates for fixed rates.

70% of Naturgy debt as at 30 June 2024 is at fixed interest rates, while exposure to floating interest rates is limited.

The sensitivity of the Company's results and equity (value change adjustments) to interest rate fluctuations is as follows:

	Increase/decrease in interest rates (basis points)	Effect on profit before tax	Effect on equity before tax
30 June 2024	50	(10)	(22)
	(50)	10	22
31 December 2023	50	(7)	(13)
	(50)	7	13

After observing a decline in Eurozone inflation from a peak of 10.6% in October 2022 to 2.6% in May 2024, the European Central Bank decided in June 2024 to lower the three official interest rates by 25 basis points, with the result that the main refinancing rate was reduced to 4.25%.

Exchange rate risk

In order to mitigate these risks, Naturgy finances its investments in local currency as far as possible. Furthermore, where possible, it tries to match costs and revenues by reference to the same currency, as well as amounts and maturities of assets and liabilities arising from operations denominated in currencies other than the euro.

For open positions, risks in non-functional currencies are managed, where considered necessary, through financial swaps and foreign exchange insurance within the limits approved for hedging instruments.

The currency other than the euro with which the Company operates most is the US Dollar. The sensitivity of the Company's profits and equity (value change adjustments) to a 5% variation (increase or decrease) in the USD/EUR exchange rate has no material impact.

Commodity price risk

A sizeable proportion of Naturgy's profits are linked to the purchase of gas for supplying a diversified portfolio of customers.

Most gas procurement contracts are arranged on a long-term basis with purchase prices based on a combination of commodity prices, basically crude oil and its derivatives, and natural gas hub prices.

However, selling prices to final customers are generally agreed on a short/medium-term basis and are conditioned by the supply/demand balance existing at any given time in the gas market. This may result in decoupling with respect to gas procurement prices.

Therefore, Naturgy is exposed to the risk of fluctuations in gas procurement prices with respect to selling prices to end customers. This exposure is managed and mitigated by natural hedging, as an attempt is made to balance the commodity exposures of both prices. In addition, some procurement contracts allow this exposure to be managed through volume flexibility and price review mechanisms.

Where it is not possible to achieve a natural hedge, the position is managed, within reasonable risk parameters, using derivatives to reduce exposure to price decoupling risk; they are generally designated as hedging instruments. However, these hedges could prove to be ineffective as a result of changes in the expected dates of the purchase and sale transactions, of a reduction in the volumes hedged or of decoupling from the indices hedged in the purchase and sale transactions.

The Company also purchases gas in the market for supply to other Naturgy companies.

In the vertically integrated electricity businesses, the company's aggregate exposure is determined by the strategic generation/supply positioning and by the final sale pricing policies in the electricity supply business.

Gas prices began to escalate late in 2021 and peaked in 2022 following the impact of the war in Ukraine. Prices began to decline in 2023 and this trend is being maintained in 2024, prices having stabilised somewhat in the first half of this year.

The company is also exposed to the evolution of the price of CO_2 emission allowances, which are allocated for power generation by its combined cycle plants.

Naturgy does not have any material investments in upstream businesses or raw materials production.

Business segment sensitivity to the prices of oil, gas, coal and electricity is detailed below:

- Gas and electricity distribution. This is a regulated activity in which revenue and profit margins are linked to distribution infrastructure management services, irrespective of the prices of the commodities distributed.

- Gas and electricity. Profit margins on gas and electricity supply activities are directly affected by commodity prices. In this regard, Naturgy has a risk policy that determines, among other aspects, the tolerance range based on applicable risk limits. Measures employed to keep risk within the stipulated limits include active supply management, balanced acquisitions and sales formulae, and specific hedging so as to maximise the risk-profit relationship. Additionally, Naturgy has clauses enabling it to resort to ordinary and extraordinary price reviews. These clauses make it possible, in the medium term, to modulate the impact of decoupling between Naturgy's selling prices in its markets and the evolution of prices in its procurement portfolio.

Credit risk

In respect of credit risk, trade receivables is reflected in the balance sheet net of provisions for bad debts, estimated by the Company on the basis of the age of the debt and past experience in accordance with the prior segregation of customer portfolios and the current economic environment.

Credit risk relating to trade accounts receivable is historically limited given the short collection periods from customers, since they cannot accumulate a significant amount of debt before their supply is suspended for non-payment, in accordance with the applicable regulations.

With respect to other exposures to counterparties in transactions involving financial derivatives and the investment of cash surpluses, credit risk is mitigated by carrying out such transactions with reputable financial institutions in line with internal criteria. No significant defaults or losses arose in the six-month period ended 30 June 2024 or in 2023.

The age analysis of financial assets concluded that there were no unimpaired past due financial assets as at 30 June 2024 or 31 December 2023.

An age analysis of financial assets and related expected losses as at 30 June 2024 and 31 December 2023 is set out below:

30.06.2024	**Total**	**Current**	**0 to 180 days**	**180 to 360 days**	**Over 360 days**
Expected loss ratio	81.3 %	—	—	—	100.0 %
Trade receivables for sales and services	16	3	—	—	13
Expected loss	13	—	—	—	13

31.12.2023	**Total**	**Current**	**0 to 180 days**	**180 to 360 days**	**Over 360 days**
Expected loss ratio	92.9 %	—	—	—	100.0 %
Trade receivables for sales and services	28	2	—	—	26
Expected loss	26	—	—	—	26

The expected loss ratio is calculated as the expected loss divided by customer receivables for sales and services rendered. The variation with respect to 31 December 2023 is mainly due to the transfer of the collection right generated during the period in which the Company performed the activity of Representative before the Wholesale Electricity Market of Naturgy's generating companies due to the default of trading companies in the market.

Concerning supplier credit risk, the solvency of each supplier of products and services is guaranteed through recurring analysis of their financial information, particularly prior to new engagements. To this end, the relevant assessment criteria are applied depending on the supplier's criticality in terms of service or concentration. This procedure is supported by oversight and supplier management mechanisms and systems.

As at 30 June 2024 and 31 December 2023, Naturgy did not have significant concentrations of credit risk.

Naturgy has updated its credit risk management model based on economic forecasts in the main countries in which it operates, taking into account various factors including the ongoing geopolitical conflicts affecting the world economy and financial markets (see Note 3.1); no material impact has been disclosed on the interim financial statements as at 30 June 2024 and the financial statements as at 31 December 2023 as a result of changes in debtor payment performance.

Liquidity risk

As at 30 June 2024, available cash totalled Euros 7,316 million (Euros 6,944 million in 2023), including cash and cash equivalents of Euros 1,964 million (Euros 1,598 million in 2023) together with unused bank financing and credit lines totalling Euros 5,352 million (Euros 5,346 million in 2023).

There is also additional unused capacity to issue debt in capital markets amounting to Euros 7,022 million (Euros 6,099 million as at 31 December 2023).

In an international context that is deeply influenced by the war in Ukraine, and within the framework of the Group's financial policy, the Company has maintained the availability of funds to meet its obligations and to implement its business plans, guaranteeing at all times the optimum level of liquid resources and seeking to maximise efficiency in the management of financial resources.

Capital management

The main purpose of the Company’s capital management is to ensure a financial structure that can optimise the cost of capital and maintain a solid financial position, in order to combine shareholder value creation with access to the financial markets at a competitive cost to cover financing needs.

Naturgy's long-term goal for capital management is to maintain leverage around 50%.

The Company's long-term credit rating is as follows:

	30.06.2024	31.12.2023
Standard & Poor's (S&P)	BBB (*)	BBB (*)
Fitch	BBB (*)	BBB (*)

(*) S&P: Stable outlook, Fitch: Stable outlook

Note 5. Investments in group companies and associates

Investments in group companies and associates are classified into categories as follows as at 30 June 2024 and 31 December 2023:

At 30.06.2024	**Financial assets at cost**	**Financial assets at amortised cost**	**Total**
Equity instruments	15,941	—	15,941
Loans	—	12,846	12,846
Non-current	**15,941**	**12,846**	**28,787**
Loans	—	1,498	1,498
Other financial assets	—	102	102
Current	**—**	**1,600**	**1,600**
TOTAL	**15,941**	**14,446**	**30,387**

At 31.12.2023	**Financial assets at cost**	**Financial assets at amortised cost**	**Total**
Equity instruments	15,882	—	15,882
Loans	—	13,997	13,997
Non-current	**15,882**	**13,997**	**29,879**
Loans	—	291	291
Other financial assets	—	3	3
Current	**—**	**294**	**294**
TOTAL	**15,882**	**14,291**	**30,173**

The changes in the six-month period ended 30 June 2024 and in 2023 in the non-current investments in group companies and associates are as follows:

	Holdings in group companies	Loans to group companies	Holdings in associates	Total
Balance at 01.01.2023	**14,956**	**13,997**	**4**	**28,957**
Additions	—	1	—	1
Divestments	(25)	(10)	—	(35)
Reclassification	—	30	—	30
Charge/reversal provisions	25	—	—	25
Balance at 30.06.2023	**14,956**	**14,018**	**4**	**28,978**
Additions	935	—	—	935
Divestments	(43)	(1)	—	(44)
Reclassification	—	(20)	—	(20)
Charge/reversal provisions	30	—	—	30
Balance at 31.12.2023	**15,878**	**13,997**	**4**	**29,879**
Additions	1	—	—	1
Divestments	(1)	(37)	—	(38)
Reclassification	—	(1,114)	—	(1,114)
Charge/reversal provisions	59	—	—	59
Balance at 30.06.2024	**15,937**	**12,846**	**4**	**28,787**

The main corporate transactions carried out by the Company were as follows:

Six-month period ended 30 June 2024

- Acquisition of one share in the company Naturgy Informática, S.A. with the result that it became that company's sole shareholder, and subsequent liquidation of Naturgy Informática, S.A.U. The shareholding was derecognised in the amount of Euros 1 million.

  Also, prior to the liquidation of Naturgy Informática, S.A.U., in April 2024 the Company acquired its assets, mainly software licenses and computer hardware. This acquisition was offset by the Company against intercompany loans granted to Naturgy Informática, S.A.U. prior to the transaction date, for a net amount of Euros 37 million.

- Monetary contribution to offset losses incurred by Naturgy Innovahub, S.L.U. in the amount of Euros 1 million.

Six-month period ended 30 June 2023

- Part of the Euros 25 million dividend distribution by Holding Negocios de Electricidad, S.A. was recognised as a decrease in the carrying amount of the interest in that company.

Impairment of assets

As at 30 June 2024, Euros 58 million in net revenue were recognised as reversal of impairment of holdings in Group companies and associates (Euros 16 million as at 30 June 2023 as net income from the reversal of impairment) under “Impairment and losses on equity instruments in group companies and associates” in the income statement, as detailed below:

	30.06.2024	30.06.2023
Naturgy Generación, S.L.U.	66	45
General de edificios y solares, S.L.	1	—
Naturgy Nuevas Energías, S.L.U.	—	1
Naturgy Finance Iberia, S.A. (*)	(1)	(1)
Naturgy Commodities Trading, S.A.	(2)	(20)
Naturgy Informática, S.A.U.	(3)	(8)
Petroleum Oil & Gas España, S.A.	(3)	(1)
Total	**58**	**16**

(*) On 28 May 2024, the change in name from Naturgy Finance BV to Naturgy Finance Iberia, S.A. was registered together with the change in its corporate and tax domicile from the Netherlands to Spain.

30 June 2024:

The revenues from the reversal of impairment provisions for investments in group and associated companies during the first six months of 2024 are as follows:

– Naturgy Generación, S.L.U.:

A reversal of Euros 66 million of the provision for impairment of the shareholding in this company that is part of the Spanish hydroelectric power generation CGU was recognised as at 30 June 2024.

The accumulated impairment was Euros 2,042 million as at 30 June 2024.

The main assumptions used in restating the fair value of this holding are as follows:

	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Price pool €/MWh(*)	57.1	65.0	74.0	68.0	70.0	73.0	78.0	85.0	85.0	85.0

(*) estimated amounts at the date of the test.

The output, electricity price and operating and maintenance costs used in the estimate of the recoverable amount were determined in accordance with the value in use, as detailed in Note 4 to the financial statements for the year ended 31 December 2023. For the electricity produced, developments in precipitation and their impact on water flows are taken into account.

Cash flow projections consider the regulatory changes under Royal Decree Law 8/2023, as well as the new extension of some of these measures by Royal Decree Law 4/2024, the renewed extension of some of these measures by Royal Decree-Law 4/2024, and the extension of existing sales contracts with the group's marketers.

The pre-tax discount rate used in the impairment test for the six months ended 30 June 2024 was 7.9% (8.4% as at 31 December 2023) and the growth rate was assumed to be 1.8% (2% as at 31 December 2023).

As regards the other holdings in Group companies and associates as at 30 June 2024, the recoverable amounts calculated in accordance with the methodology described in Note 3.3 of the Financial Statements as of 31 December 2023, had not made it necessary to make provisions or reversals due to impairment of the holdings in Group companies recognised in these condensed interim financial statements.

The most sensitive matters in the impairment tests updated as at 30 June 2024 are as follows:

– Hydroelectric power generation Spain

The result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would not result in impairment.
- a decrease in the growth rate of 50 basis points would would not result in impairment.
- a decrease in electricity output of 5% would not result in impairment.
- a decrease of Euros 1/MWh in the average electricity price over the facility's remaining life would result in a reduction of the fair value of the CGU by Euros 11 million, without triggering impairment.

Additionally, the following impairments and impairment reversals based on the net equity of the companies were recorded:

– General de edificios y solares, S.L.:

As at 30 June 2024, impairment of the interest in this company was reversed in the amount of Euros 1 million, based on the evolution of its net equity. The accumulated impairment as at 30 June 2024 is Euros 5 million.

– Naturgy Informática, S.A.U.:

An impairment charge of Euros 3 million was recognised in connection with the holding in Naturgy Informática, S.A.U. on the basis of its liquidation value. This holding was derecognised in June 2024.

– Naturgy Commodities Trading, S.L.U.:

Impairment of Euros 2 million was recognised in the interest in Naturgy Commodities Trading, S.L.U. due to the company's adverse performance. The accumulated impairment as at 30 June 2024 is Euros 23 million.

– Petroleum Oil&Gas España, S.A.:

Impairment of Euros 2 million was recognised in the interest in this company due to its adverse performance. The accumulated impairment as at 30 June 2024 is Euros 78 million. Additionally, a provision of Euros 1 million for future risks is recognised under “Other long-term provisions”.

– Naturgy Finance Iberia, S.A.:

Impairment of Euros 1 million has been recognised. The accumulated impairment as at 30 June 2024 is Euros 1 million.

30 June 2023:

The main revenue items in connection with the reversal of impairment recognised on holdings in group companies and associates in the six-month period ended 30 June 2023 were as follows:

– Naturgy Generación, S.L.U.:

As at 30 June 2023, Euros 45 million of impairment recognised for this company in the Spanish hydroelectric power generation CGU were reversed.

The accumulated impairment as at 30 June 2023 was Euros 2,146 million.

The assumptions and projections in connection with the Hydroelectric Power Generation CGU were based on the best forward-looking information available to date.

– Naturgy Nuevas Energías, S.L.U.:

Euros 1 million in revenue were recognised for reversal of impairment of this holding as a result of good performance by its equity. The accumulated impairment as at 30 June 2023 was Euros 11 million.

In addition, the following impairments were recognised on the basis of the companies' net worth:

– Naturgy Commodities Trading, S.L.U.:

Euros 11 million in the interest in Naturgy Commodities Trading, S.L.U. due to the company's adverse performance. The accumulated impairment as at 30 June 2023 was Euros 11 million. Additionally, a provision of Euros 9 million for future risks was recognised under “Other long-term provisions”.

– Naturgy Informática, S.A.:

An impairment charge of Euros 8 million has been recognised for the holding in Naturgy Informática, S.A. The accumulated impairment as at 30 June 2023 was Euros 165 million.

– Naturgy Finance, BV. (registered as Naturgy Finance Iberia, S.A. as from 28 May 2024):

Impairment of Euros 1 million has been recognised. The accumulated impairment recognised for the stake in Naturgy Finance, BV amounted to Euros 1 million as at 30 June 2023.

– Other: relates to several holdings, principally Petroleum Oil&Gas España, S.A.

Gain/(loss) on disposals of equity interests in Group companies and associates

As at 30 June 2024, a loss of Euros 1 million was recognised for miscellaneous expenses associated with the liquidation and sale of holdings in group companies.

In the previous year, based on the purchase and sale agreement concluded in March 2021 between Naturgy and ENI S.p.a. relating to the acquisition of the holding in Union Fenosa Gas (UFG) such that Naturgy achieved a 100% interest, and in which any contingencies incurred by UFG are borne proportionally by both parties, the Company received revenue of Euros 4 million relating to this compensation in March 2023.

As at 30 June 2024, non-current loans to Group companies amounted to Euros 12,846 million (Euros 13,997 million as at 31 December 2023), maturing as follows:

Maturity	**At 30.06.2024**	At 31.12.2023
2025	—	1,000
2026	1,000	2,853
2027	5,124	3,599
2028	1,569	1,569
2029	2,430	2,430
2030	1,000	1,000
2031 and subsequent	1,723	1,546
Total	**12,846**	**13,997**

The changes in accounts receivable and other current financial assets in the six-month period ended 30 June 2024 and in 2023 are as follows:

	Loans to group companies and associates	Other financial assets	Total
Balance at 1.1.2023	**292**	**2**	**294**
Additions	51	618	669
Divestments	(5)	—	(5)
Balance at 30.06.2023	**338**	**620**	**958**
Additions	24	1	25
Divestments	(162)	(618)	(780)
Reclassifications and transfers	91	—	91
Balance at 31.12.2023	**291**	**3**	**294**
Additions	329	100	429
Divestments	(122)	(1)	(123)
Reclassifications and transfers	1,000	—	1,000
Balance at 30.06.2024	**1,498**	**102**	**1,600**

There are no significant differences between the carrying amounts and fair values of the balances under Loans to group and associates companies and other receivables.

The heading 'Loans to group and associates companies” comprises credits extended to group companies amounting to Euros 1,406 million (Euros 207 million in 2023). This balance includes balances with group and associates companies relating to consolidated corporate income tax in the amount of Euros 69 million and relating to consolidated VAT in the amount of Euros 84 million (Euros 69 million relating to consolidated corporate income tax and Euros 68 million relating to consolidated VAT in 2023). Additionally, Euros 92 million of accrued interest receivable are recognised under "Loans to Group and associated companies" (Euros 84 million in 2023).

Loans to group and associated companies accrued interest at a rate of 5.25% as at 30 June 2024 (5.57% in 2023) for non-current loans and a rate of 4.90% (4.06% in 2023) for current loans.

As at 30 June 2024, the balance of dividends receivable was Euros 100 million, recognised under "Other current financial assets" (zero as at 31 December 2023).

Note 6. Financial assets

Financial assets by class and category as at 30 June 2024 and 31 December 2023 are as follows:

At 30 June 2024	Financial assets at amortised cost	At cost	Hedging derivatives	Total
Equity instruments	—	4	—	4
Derivatives	—	—	29	29
Other financial assets	3	—	—	3
Non-current investments	**3**	**4**	**29**	**36**
Derivatives	—	—	36	36
Other financial assets	1	—	—	1
Current investments	**1**	**—**	**36**	**37**
Total	**4**	**4**	**65**	**73**

At 31 December 2023	Financial assets at amortised cost	At cost	Hedging derivatives	Total
Equity instruments	—	4	—	4
Derivatives	—	—	22	22
Other financial assets	3	—	—	3
Non-current investments	**3**	**4**	**22**	**29**
Derivatives	—	—	34	34
Other financial assets	2	—	—	2
Current investments	**2**	**—**	**34**	**36**
Total	**5**	**4**	**56**	**65**

Financial assets at fair value as at 30 June 2024 and 31 December 2023 are classified as follows:

	30.06.2024				31.12.2023			
Financial assets	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**
Fair value through profit or loss	—	65	—	65	—	56	—	56
Total	**—**	**65**	**—**	**65**	**—**	**56**	**—**	**56**

Financial assets at cost

All financial assets at cost relate to unlisted shareholdings as at 30 June 2024 and 31 December 2023.

Financial assets at amortised cost

The balance as at 30 June 2024 and 31 December 2023 is as follows:

	At 30.06.2024	At 31.12.2023
Deposits and guarantee deposits	3	3
Non- current	**3**	**3**
Deposits and guarantee deposits	1	2
Current	**1**	**2**
Total	**4**	**5**

The fair values and carrying amounts of these assets do not differ significantly.

Note 7. Equity

The main equity items are as follows:

Share capital and share premium

The variations in the number of shares and the share capital and share premium accounts during the six-month period ended 30 June 2024 and in 2023 were as follows:

	Number of shares	Share capital	Share premium	Total
At 1 January 2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
At 31 December 2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
At 30 June 2024	**969,613,801**	**970**	**3,808**	**4,778**

All issued shares are fully paid up and carry equal voting and dividend rights.

There were no changes in the number of shares or in the "Share capital" and "Share premium" accounts during the first six months of 2024 or during 2023.

The Company's Board of Directors, for a maximum term of five years as from 15 March 2022, is empowered to increase share capital by a maximum of 50% of the Company's share capital at the time of the authorisation, through one or more cash payments at the time and in the amount that it deems fit, by issuing ordinary, privileged or redeemable shares with or without voting rights, with or without a share premium, without requiring any further authorisation from the shareholders, with the power to partly or wholly override preferential subscription rights, up to a limit of 20% of share capital at the date of this authorisation, and to amend the Articles of Association as required due to the capital increase or increases performed by virtue of that authorisation, with provision for incomplete subscription, all in accordance with the provisions of Article 297.1.b) of the Spanish Companies Law. Additionally, based on this authorisation, it will carry out any necessary procedures and actions before domestic and overseas securities market agencies to request the listing, continuance and/or, as the case may be, delisting of the issued shares.

The Spanish Capital Companies Law specifically allows the use of the "Share premium" balance to increase capital and imposes no specific restrictions on its use.

The main holdings in the Company's share capital as at 30 June 2024 and 31 December 2023, based on publicly available information or disclosures made to the Company, are as follows:

	% interest in share capital	
	At 30.06.2024	At 31.12.2023
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	26.7	26.7
-Global Infrastructure Partners III (2)	20.6	20.6
-CVC Capital Partners SICAV-FIS, S.A. (3)	20.7	20.7
-IFM Global Infrastructure Fund (4)	15.0	14.9
- Sonatrach (5)	4.1	4.1

(1) Holding through Criteria Caixa, S.A.U.

(2) Global Infrastructure Partners III, whose investment manager is Global Infrastructure Management LLC, holds its interest indirectly through GIP III Canary 1, S.à.r.l.

(3) Through Rioja Acquisition S.à.r.l.

(4) Capital Research and Management Company is not included, which on 31 December 2019 owns 3.0% of the share capital since it is considered floating capital and the 3% limit is exceeded or reduced occasionally.

(5) Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

All the Company's shares are traded on the four official Spanish stock exchanges and the continuous market, and form part of Spain's Ibex 35 stock index.

The Company's share price on 30 June 2024 was Euros 20.16 (Euros 27.00 on 31 December 2023).

In February 2024, Morgan Stanley Capital International (MSCI), a global benchmark for institutional investments and numerous mutual funds and exchange-traded funds, announced changes to the composition of several of its indexes. As a result, Naturgy ceased to be a component of several MSCI indices, effective as of market close on the last business day of February. The exclusion was based on the market value of Naturgy's free float, which has recently fallen below MSCI's minimum inclusion thresholds, and was unrelated to its current operating and financial performance.

Reserves

"Reserves" includes the following reserves:

	30.06.2024	31.12.2023
Legal reserve	200	200
Statutory reserve	100	100
Voluntary reserves	9,731	9,731
Capital redemption reserve	31	31
Other reserves	298	298
Total	**10,360**	**10,360**

Legal reserve

Appropriations to the statutory reserve are made in compliance with the Spanish Capital Companies Law, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital. The statutory reserve can be used to increase capital in the part that exceeds 10% of the capital once increased.

Except for the use mentioned above, and as long as it does not exceed 20% of share capital, the statutory reserve can only be used to offset losses in the event of no other reserves being available for this purpose.

Statutory reserve

Under the Company's Articles of Association, 2% of net profit for the year must be allocated to this reserve until it reaches at least 10% of share capital.

Capital redemption reserve

Following approval at the ordinary general meeting of shareholders on 26 May 2020, a capital reduction was made during the year through the redemption of own shares, reducing capital stock by Euros 14 million and voluntary reserves by Euros 284 million.

In addition, pursuant to Article 335 c) of the Spanish Capital Companies Law, a restricted capital redemption reserve was created for an amount equal to the par value of the redeemed shares. The total accumulated capital redemption reserve amounts to Euros 31 million as at 30 June 2024 and 31 December 2023.

Voluntary reserve and other reserves

This item relates basically to voluntary reserves for undistributed profits, also including the effects of the measurement of shareholdings in group companies as a result of transactions between group companies recognised in the same amounts as stated in Naturgy's consolidated financial statements.

Share-based payments

As described in Note 11 to the Company's financial statements as at 31 December 2023, on 31 July 2018 the Board of Directors approved a long-term variable incentive plan (LTI) for the Executive Chairman and 25 other executives. The main characteristics of the plan were approved by the general meeting of shareholders on 5 March 2019. That incentive system covered the period of the Business Plan 2018-2022.

On 25 November 2021, the Board of Directors of Naturgy decided, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, to extend the LTI plan 2018-2022 with a new expiration date of 31 December 2025 for current executives, in order to contribute to the achievement of the Strategic Plan 2021-2025. The entry into force of the extension of the LTI was approved by Naturgy's shareholders at a general meeting on 15 March 2022.

As a result of accruing the estimated fair value of the granted equity instruments over the term of the plan and the incremental value associated with the extension of the term of the instrument, an amount of Euros 1 million (Euros 3 million as at 30 June 2023) was recognised in the income statement as at 30 June 2024 under "Personnel expenses" with a credit to "Other equity instruments" in the balance sheet.

Based on a reasoned proposal by the Appointments, Remuneration and Corporate Governance Committee, the Board of Directors may adopt the decisions it deems necessary to administer, interpret, rectify, elaborate upon or continue the incentive scheme in the event of substantial variations in the circumstances of the Plan, taking into account the Company's interests and the objectives of the Plan.

It may also decide to terminate the plan early, either to achieve such continuity or in the event of what it deems to be a substantial change in circumstances.

On 22 April 2024, at the proposal of the Executive Chairman and in order to be able to act with absolute independence and neutrality and to avoid any conflict of interest linked to the outcome of any potential bid for Naturgy shares, the Board of Directors approved an amendment to the Executive Chairman's long-term variable incentive plan (ILP). Through this amendment, the Company returned to the initial remuneration scheme provided for in his February 2018 contract and in the Remuneration Policy approved by the Shareholders' Meeting in June 2018.

The amended scheme is linked to the objectives of the Strategic Plan, and is no longer share-based. However, the main terms of the previous plan are maintained, such as the possibility of forfeiting the incentive, the duration and expiration of the plan, and the clawback clause. Additionally, under the amended plan, the Chairman may not receive more than he might have collected under the previous plan.

This amendment will be submitted for approval by the next Shareholders' Meeting; consequently, in the meantime, it is considered to be provisional and contingent upon such authorisation.

Own shares

The changes in the Company's own shares in the six-month period ended 30 June 2024 and in 2023 are as follows:

	Number of shares	In million euro	% Capital
At 1 January 2023	**55,898**	**1**	**—**
Share Acquisition Plan	210,000	6	—
Delivered to employees	(172,992)	(5)	—
At 30 June 2023	**92,906**	**2**	**—**
Share Acquisition Plan	147,094	4	—
At 31 December 2023	**240,000**	**6**	**—**
At 30 June 2024	**240,000**	**6**	**—**

In the six-month period ended 30 June 2024 and in 2023, there were no gains or losses on transactions with own shares of the Company such as to have an impact on reserves.

On 2 April 2024, the Shareholders' Meeting authorised the Board of Directors to purchase fully paid Company shares in one or more transactions in a period of not more than five years; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares nor higher than their listed price.

Transactions involving the Company’s own shares relate to:

Six-month period ending 30 June 2024

During the six-month period ending 30 June 2024, there have been no transactions with treasury shares.

2023

- Share acquisition plan: In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the general meeting on 5 March 2019, within the Share Acquisition Plan 2020-2023, the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion in March 2023. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., capped at Euros 12,000 per year. During March 2023, 210,000 own shares were acquired for Euros 6 million and in April 2023 a total of 172,992 shares amounting to Euros 5 million were delivered to employees. In July 2023, 147,094 own shares were acquired for Euros 4 million with a surplus of 184,102 own shares, which was added to the 55,898 surplus shares from the Share Acquisition Plans in the years 2019 to 2021, with the total treasury shares being 240,000 shares as of 31 December 2023.

Dividends

Set out below is a breakdown of dividends paid in the first six-month periods of 2024 and 2023:

	30.06.2024			30.06.2023		
	% of Nominal	Euros per share	Amount	% sobre Nominal	Euros per share	Amount
Ordinary shares	40 %	0.40	388	50 %	0.50	485
Other shares (without voting rights, redeemable, etc.)	—	—	—	—	—	—
Total dividens paid	**40 %**	**0.40**	**388**	**50 %**	**0.50**	**485**
a) Dividends charged to income statement or retained earnings	40 %	0.40	388	50 %	0.50	485
b) Dividends charged to reserves or share premium account	—	—	—	—	—	—
c) Dividends in kind	—	—	—	—	—	—

30 June 2024

On 26 February 2024, the Board of Directors approved the following proposal for the distribution of the Company's 2023 net profit and retained earnings, for submission to the annual general meeting:

BASIS OF DISTRIBUTION

Profit... 1,211
Retained earnings.. 2,592
Available for distribution....................................... 3,803

DISTRIBUTION:

TO DIVIDEND: amount whose gross amount will be equal to the sum of the following amounts (the "Dividend"):

i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2023 paid by Naturgy Energy Group, S.A., jointly equivalent to Euros 1.00 per share for the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements and in accordance with the legal requirements, which disclosed the existence of sufficient liquidity for the distribution of these interim dividends out of profit for 2023, and,

ii. the amount obtained by multiplying Euros 0.40 per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the “Supplementary Dividend”) are determined.

Euros 969 million of that dividend had already been paid on 7 August and 7 November 2023. The Supplementary Dividend will be paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). That dividend was paid to shareholders as from 9 April 2024.

The Board of Directors is empowered, with express powers of substitution by the director(s) it sees fit to designate, to perform all the actions required to carry out the distribution and, in particular, without limitation, to designate the entity that is to act as payment agent.

TO RETAINED EARNINGS: Determinable amount to be obtained by subtracting the dividend amount from the distribution base..

TOTAL DISTRIBUTED 3,803

This proposal for the application of profits and retained earnings prepared by the Board for approval by the annual general meeting included a supplementary payment of Euros 0.40 per share for each qualifying share outstanding at the proposed date of payment (9 April 2024).

The general meeting of shareholders on 2 April 2024 approved a supplementary dividend of Euros 0.40 per share for shares not directly held as treasury stock on the payment date, which was fully paid on 9 April 2024.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,446 million.

On 22 July 2024, the Company's Board of Directors declared an interim dividend of Euros 0.50 per share out of 2024 profits for shares not classified as direct treasury stock on the date of distribution, payable as from 1 August 2024.

On the date the interim dividend was declared, the Company had the necessary liquidity to make the payment, as required by the Spanish Capital Companies Law. The provisional liquidity statement as at 30 June 2024 drawn up by the directors on 22 July 2024 is as follows:

Profit after tax		873
Reserves to be replenished		—
Maximum amount distributable		**873**
Forecast maximum interim dividend payment (1)		**485**
Cash resources	1,964	
Undrawn credit facilities	5,352	
Total liquidity		**7,316**

(1) Amount considering total shares issued

30 June 2023

On 20 February 2023, the Board of Directors approved the proposal, for submission to the general meeting of shareholders, for the distribution of the Company's net profit for 2022 and retained earnings from previous years, detailed in Note 11 of the notes to the financial statements for the year ended 31 December 2022.

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting included a supplementary payment of Euros 0.50 per share for each qualifying share outstanding at the proposed date of payment, 4 April 2023.

The general meeting of shareholders on 28 March 2023 approved a supplementary dividend of Euros 0.50 per share for shares not directly held as treasury stock on the payment date, which was fully paid in cash on 4 April 2023.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,592 million.

Note 8. Financial liabilities

Set out below is a breakdown of financial liabilities, excluding "Trade and other payables", as at 30 June 2024 and 31 December 2023, by nature and category:

At 30.06.2024	**Amortised cost**	**Hedging derivatives**	**Total**
Borrowings from financial institutions	3,787	—	3,787
Other financial liabilities	1	—	1
Finance lease liabilities	1	—	1
Non-current borrowings	**3,789**	**—**	**3,789**
Borrowings from financial institutions	119	—	119
Derivatives	—	2	2
Finance lease liabilities	1	—	1
Current borrowings	**120**	**2**	**122**
Total	**3,909**	**2**	**3,911**

At 31.12.2023	**Amortised cost**	**Hedging derivatives**	**Total**
Borrowings from financial institutions	2,382	—	2,382
Other financial liabilities	1	—	1
Non-current borrowings	**2,383**	**—**	**2,383**
Borrowings from financial institutions	165	—	165
Current borrowings	**165**	**—**	**165**
Total	**2,548**	**—**	**2,548**

Financial assets at fair value as at 30 June 2024 and 31 December 2023 are classified as follows:

	At 30.06.2024				At 31.12.2023			
Financial liabilities	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**
Headging derivatives	—	2	—	2	—	—	—	—
Total	**—**	**2**	**—**	**2**	**—**	**—**	**—**	**—**

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amount		**Fair value**	
	At 30.06.2024	At 31.12.2023	**At 30.06.2024**	At 31.12.2023
Bank borrowings, derivatives and other financial liabilities	3,789	2,383	3,799	2,377

The fair value of loans with fixed interest rates is estimated on the basis of the discounted cash flows over the remaining term of such debt. The discount rates are determined based on market rates available as at 30 June 2024 and 31 December 2023 for borrowings with similar credit and maturity characteristics. These valuations are based on the listed prices of similar financial instruments in an official market or on observable information in an official market (Level 2).

The movement in financial liabilities is as follows:

	Bank borrowings	Derivatives	Finance lease liabilities	Other financial liabilities	Total
Balance at 1.01.2023	**2,472**	**25**	**—**	**1**	**2,498**
Increase	—	10	—	—	10
Decrease	(365)	—	—	—	(365)
Balance at 30.06.2023	**2,107**	**35**	**—**	**1**	**2,143**
Increase	1,100	(10)	—	—	1,090
Decrease	(660)	(25)	—	—	(685)
Balance at 31.12.2023	**2,547**	**—**	**—**	**1**	**2,548**
Increase	1,478	2	2	—	1,482
Decrease	(119)	—	—	—	(119)
Balance at 30.06.2024	**3,906**	**2**	**2**	**1**	**3,911**

In the six-month period ended 30 June 2024, borrowings bore interest at average effective rate of 3.51% (2.09% in the six months ended 30 June 2023) including derivative instruments assigned to each transaction.

As at 30 June 2024, bank borrowings include Euros 16 million in interest pending payment (Euros 12 million as at 31 December 2023).

Most of the outstanding borrowings include a clause relating to a change in control, either by acquisition of more than 50% of the voting shares or by obtaining the right to appoint the majority of the members of the Board of Naturgy Energy Group, S.A. These clauses are subject to additional conditions and, therefore, their activation depends on the simultaneous occurrence of some of the following events: a material downgrade in the credit rating caused by the change in control, or the loss of investment grade status granted by rating agencies; inability to honour the financial obligations of the contract; a material detrimental event for the creditor; or a material adverse change in creditworthiness. These clauses involve the repayment of drawn-down debt, although they usually have a longer term than that granted in cases of early termination.

At the date of authorisation of these interim financial statements, the Company is not in breach of its financial obligations or of any type of obligation that could give rise to the acceleration of its financial commitments.

The main financial instruments are as follows:

Institutional financing

The Company has a loan from the Official Credit Institute (ICO) in the form of several instruments maturing in 2029 at the latest, for a total amount of Euros 110 million (31 December 2023: Euros 120 million).

The European Investment Bank (EIB) has granted financing to the Company which, as at 30 June 2024, is fully drawn down in the amount of Euros 1,713 million maturing between 2025 and 2044 (Euros 1,550 million drawn down as at 31 December 2023).

Other bank borrowings

As at 30 June 2024, payables to non-institutional credit institutions amount to Euros 2,068 million (31 December 2023: Euros 877 million).

The group continues to work on strengthening its financial profile. In this respect, during the first six months of 2024, new financing operations with credit institutions in Spain totalled Euros 725 million (Euros 750 million in 2023). Additionally, refinancing operations with credit institutions in Spain amounted to Euros 455 million (Euros 2,156 million in 2023).

Naturgy also enjoys a comfortable debt maturity profile and balance sheet position, as well as flexibility in its investments and operating expenses for coping with the current economic scenario.

Of total bank borrowings, Euros 1,002 million (Euros 1,023 million as at 31 December 2023) are subject to compliance with certain financial ratios.

Note 9. Payables to Group companies and associates

The breakdown of debts with group companies by maturity is as follows:

Maturity	At 30.06.2024	At 31.12.2023
2024	—	3,967
2025	4,341	1,200
2026	1,597	1,595
2027	1,494	1,493
2028	811	806
2029	1,193	1,192
Subsequent years	110	610
Total	**9,546**	**10,863**

As at 30 June 2024, payables to Group companies are mainly debts recognised at amortised cost related to issuances by Naturgy Finance Iberia, S.A. (Naturgy Finance, BV as at 31 December 2023) under the European Medium-Term Notes (EMTN) programme. As at 31 December 2023, they also include debts recognised at amortised cost related to issuances by Naturgy Capital Markets, S.A. that were cancelled upon maturity in April 2024.

They also include the debt to Naturgy Finance Iberia, S.A. in respect of perpetual subordinated bonds amounting to Euros 1,000 million (Euros 1,000 million as at 31 December 2023) and debt to Unión Fenosa Preferentes, S.A. relating to preference shares totalling Euros 110 million (Euros 110 million as at 31 December 2023).

Payables to group companies also include accrued unmatured interest amounting to Euros 47 million (Euros 113 million in 2023) and cash pooling balances with group companies for Euros 2,887 million (Euros 2,473 million in 2023), bearing interest at a rate of 3.90% (3.056% in 2023), as well as balances with group companies relating to consolidated corporate income tax amounting to Euros 203 million (Euros 209 million as at 31 December 2023) and balances with Group companies relating to consolidated VAT amounting to Euros 3 million (Euros 21 million as at 31 December 2023).

Payables to group companies in connection with bond issuance are as follows:

At 30 June 2024							
Programme/Company	**Country**	**Year formalised**	**Currency**	**Programme limit**	**Drawn-down nominal amount**	**Available**	**Issuances per year**
Euro Commercial Paper (ECP) programme							
Naturgy Finance Iberia, S.A. (*)	Spain	2010	Euro	1,000	—	1,000	—
European Medium Term Notes (EMTN) programme							
Naturgy Finance Iberia, S.A. (*)	Spain	1999	Euro	12,000	5,851	6,149	—

(*) On 28 May 2024, the change in name from Naturgy Finance BV to Naturgy Finance Iberia, S.A. was registered together with the change of its corporate and tax domicile from the Netherlands to Spain.

At 31 December 2023							
Programme/Company	**Country**	**Year formalised**	**Currency**	**Programme limit**	**Drawn-down nominal amount**	**Available**	**Issuances per year**
Euro Commercial Paper (ECP) programme							
Naturgy Finance, BV.	Spain	2010	Euro	1,000	—	1,000	—
European Medium Term Notes (EMTN) programme							
Naturgy Capital Markets, S.A. and Naturgy Finance, BV.	Spain	1999	Euro	12,000	7,005	4,995	—

As is habitual in the Euromarket, the outstanding bonds, in the amount of Euros 5,851 million (Euros 7,005 million as at 31 December 2023), might have to be repaid early if a change in control triggered a downgrade of more than two full notches in at least two of the Company's three ratings, or if all the ratings fell below investment grade, provided that the rating agency stated that the rating downgrade was a result of the change in control.

The main changes in the six-month periods ended 30 June 2024 and 2023 are as follows:

30 June 2024

No issues were made under the EMTN programme in the six-month period ended 30 June 2024.

In 2024, bonds matured for a total amount of Euros 1,154 million with an average coupon of 1.75%.

No issues were made under the Euro Commercial Paper (ECP) programme in 2024 and there were no outstanding issues under this programme as at 30 June 2024.

30 June 2023

No issues were made under the EMTN programme in the six-month period ended 30 June 2023.

In 2023, bonds matured for a total amount of Euros 550 million with an average coupon of 3.53%.

No issues were made under the Euro Commercial Paper (ECP) programme in 2023 and there were no outstanding issues under this programme as at 30 June 2023.

There are no significant differences between the carrying amounts and fair values of Payables to Group companies and associates.

Note 10. Revenues

Revenue breaks down as follows:

	30.06.2024	30.06.2023
Natural gas sales and other	4	92
Income from equity instruments of Group companies and associates	774	807
Income from marketable securities and other financial instruments of Group companies and associates	251	214
Total	**1,029**	**1,113**

	30.06.2024	30.06.2023
Domestic market	1,015	1,030
Export market:	14	83
- European Union	14	83
Total	**1,029**	**1,113**

Gas sales are made basically in the domestic market to other Naturgy companies.

The dividends paid by Group companies are as follows:

	30.06.2024	30.06.2023
Naturgy Aprovisionamientos, S.A.	205	237
Naturgy Distribución Latinoamérica S.A.	156	194
Naturgy Ciclos Combinados, S.L.U.	141	—
Naturgy Iberia, S.A.	121	23
Gas Natural Comercializadora, S.A.	100	100
Naturgy Generación Térmica, S.L.U.	26	16
Naturgy Infraestructuras EMEA, S.L.	21	—
Naturgy Finance Iberia, S.A. (*)	3	4
Naturgy Capital Markets, S.A.	1	1
Holding Negocios Electricidad, S.A.	—	232
Total	**774**	**807**

(*) Naturgy Finance, BV. as at 31 December 2023

Note 11. Workforce

The Company's average number of employees is as follows:

	30.06.2024	30.06.2023
Men	146	152
Women	171	167
Total	**317**	**319**

Note 12. Information on transactions with related parties

The following are related parties for the purposes of this note:

- Significant Naturgy shareholders, i.e. those directly or indirectly owning an interest of 5% or more, and those who, though not significant, have exercised the power to nominate a member of the Board of Directors.

  On the basis of that definition, Naturgy's significant shareholders as at 30 June 2024 are as follows:

  ▪ Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "La Caixa", held through Criteria Caixa S.A.U. (Criteria)
  ▪ Global Infrastructure Partners III and related companies, whose investment manager is Global Infrastructure Management LLC, holds its interest indirectly through GIP III Canary 1, S.à.r.l. (GIP)
  ▪ CVC Capital Partners SICAV-FIS, S.A., through Rioja Acquisitions, S.à.r.l. (CVC)
  ▪ IFM Global Infrastructure Fund, through Global InfraCo O (2), S.à.r.l. (IFM)

- Directors and executives of the Company and their immediate families. The term "director" means a member of the Board of Directors and the term "executive" refers to persons with senior management functions who report directly to the Board of Directors and its committees, to the Executive Chairman or to the Internal Audit Manager. Transactions with directors and executives are disclosed in Note 13.

- Transactions between Naturgy companies form part of ordinary activities and are effected on an arm's-length basis.

The overall amounts of transactions with significant shareholders are as follows, in thousand euro:

	At 30.06.2024				
	Significant Naturgy shareholders				Directors and executives
Income and expense (in thousand Euros)	**Criteria**	**CVC**	**GIP**	**IFM**	
Total expenses	—	—	—	—	—
Total income	—	—	—	—	—

Other transactions (in thousand Euros)	**Criteria**	**CVC**	**GIP**	**IFM**	**Directors and executives**
Dividends and other profits distributed	103,584	80,343	80,055	58,242	—

	At 30.06.2023				
	Significant Naturgy shareholders				Directors and executives
Income and expense (in thousand Euros)	**Criteria**	**CVC**	**GIP**	**IFM**	
Total expenses	—	—	—	—	—
Total income	—	—	—	—	—

Other transactions (in thousand Euros)	**Criteria**	**CVC**	**GIP**	**IFM**	**Directors and executives**
Dividends and other profits distributed	129,480	100,429	100,069	70,294	—

Note 13. Information on members of the Board of Directors and senior management

Remuneration for members of the Board of Directors and senior management

Remuneration accrued to the members of the Board of Directors of Naturgy Energy Group, S.A. by virtue of their membership of the Board and of Board committees totalled Euros 1,868 thousand as at 30 June 2024 (Euros 1,868 thousand as at 30 June 2023).

As at 30 June 2024, the Board of Directors comprised 12 members (12 members as at 30 June 2023), the Audit and Control Committee had 5 members (5 members as at 30 June 2023), the Appointments, Remuneration and Corporate Governance Committee had 5 members (5 members as at 30 June 2023) and the Sustainability Committee had 4 members (4 members as at 30 June 2023).

The members of the Board of Directors of Naturgy Energy Group, S.A., excluding the Executive Chairman, have not received remuneration from profit sharing, bonuses or indemnities, and have not been granted any loans or advances. Neither have they received shares or share options during the year, they have not exercised options and they do not have unexercised options.

The members of the Board of Directors are covered by the same liability policy that insures all directors and executives of Naturgy. As at 30 June 2024, the premium paid by Naturgy Energy Group, S.A. amounted to Euros 279 thousand (Euros 394 thousand as at 30 June 2023).

For the sole purposes of the information contained in this section, the senior management is understood to include the Executive Chairman in relation to his executive functions, the executives reporting directly to the Board of Directors, its committees or the Executive Chairman.

As a result of the definition established in the preceding paragraph, as at 30 June 2024, this group comprised 17 people (11 people as at 30 June 2023).

The fixed remuneration, variable remuneration and other remuneration items accrued by senior management amounted to Euros 6,868 thousand as at 30 June 2024 (Euros 5,407 thousand as at 30 June 2023).

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 956 thousand as at 30 June 2024 (Euros 778 thousand as at 30 June 2023).

During the six-month period ended 30 June 2024, the executives making up senior management did not receive any advances on Long-term incentive plan (Euros 103 thousand in the first half of 2023).

Share-based remuneration is disclosed in note 7 to these condensed interim financial statements.

Transactions with members of the Board of Directors and senior management

The members of the Board of Directors and senior management did not carry out related-party transactions outside the ordinary course of business, or transactions conducted other than on an arm's-length basis, with Naturgy Energy Group, S.A. or group companies.

Note 14. Contingent liabilities for litigation and arbitration

The main changes and/or updates to provisions in the first six months of 2024 in connection with the contingent liabilities for lawsuits and arbitration described in Note 27 “Commitments and contingent liabilities” in the financial statements for the year ended 31 December 2023 are as follows:

Contested withholding tax assessments

On 7 July 2023, tax assessments for withholdings on account of non-resident income tax for the period 2018-2020, totalling Euros 186 million, including interest. An economic-administrative claim has been filed against these with the Central Economic-Administrative Tribunal. As at 30 June 2024, it is not considered probable that the risks associated with these claims will materialize.

Note 15. Events after 30 June 2024

On 17 July 2024, Naturgy was notified of the Supreme Court's ruling dated 4 July 2024 concerning the enforcement incident filed by the Company regarding the amounts paid for the financing of the social bond in the free market, which were borne by the Group's free market trading companies. This ruling highlights conditions that existed as of the closing date of the condensed interim financial statements.

On 22 July 2024, the Board of Directors of Naturgy declared an interim dividend out of 2024 earnings as described in Note 7.

Apart from that, there have been no other material events since the reporting date.

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Condensed interim financial statements of Naturgy Energy Group, S.A.

June 2024

DIRECTORS' REPORT

Directors' report for the condensed interim financial statements as at 30 June 2024

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1. Key figures

Naturgy Energy Group, S.A. is a holding company whose main ordinary activity is the administration and management of holdings in subsidiaries. As a result, its earnings arise fundamentally from dividends and revenues from finance provided to companies in the Naturgy group.

The key figures of Naturgy Energy Group, S.A. and the changes as at 30 June 2024 and 31 December 2023 are as follows:

	30.06.2024	31.12.2023	**%**
Net turnover(*)	1,029	1,113	(8)%
Operating profit (*)	1,043	943	11 %
Profit of the period (*)	873	841	4 %
Shareholders' equity	18,466	17,980	3 %
Net equity	18,515	18,023	3 %
Current liabilities	3,911	2,548	53 %

(*) Comparative information as of 30 June 2023

2. Significant events in the first half

Changes in the first half of 2024 and 2023 relate basically to revenue accrued on equity instruments of group companies.

Revenue in the six-month period ended 30 June 2024 amounted to Euros 1,029 million, of which Euros 4 million were from the sale of gas, Euros 774 million were dividends collected from group companies and associates, and Euros 251 million were from finance provided to Naturgy group companies (Euros 1,113 million as at 30 June 2023, of which Euros 92 million were from the sale of gas, Euros 807 million were dividends collected from group companies and associates, and Euros 214 million were from finance provided to Naturgy group companies).

The Euros 84 million decline in revenue (Euros 688 million increase in 2023) is the net outcome of:

- A decrease of Euros 88 million in revenue basically in connection with natural gas sold to the European market through other group companies.

- A decrease of Euros 33 million in dividends received from subsidiaries in the first half, mainly from Naturgy Aprovisionamientos, S.A., Naturgy Distribución Latinoamérica, S.A., Naturgy Ciclos Combinados, S.L.U, Gas Natural Comercializadora, S.A., Naturgy Iberia, S.A., Naturgy Generación Térmica, S.L.U., Naturgy Capital Markets, S.A., Naturgy Infraestructuras EMEA, S.L. and Naturgy Finance Iberia, S.A.

- An increase of Euros 37 million in financial revenues on funding to subsidiaries.

Procurements, basically the purchase of gas, amounted to Euros 4 million in the year (Euros 93 million as at 30 June 2023), a Euros 89 million decrease, in line with sales performance.

Other operating revenue amounting to Euros 57 million, net personnel expenses to Euros 36 million, operating expenses to Euros 52 million, depreciation and amortisation to Euros 8 million, and reversal of impairment charges on holdings in group companies and associates to Euros 58 million, as well as Euros 1 million in losses on the disposal of holdings in group companies, resulted in operating profit for the period amounting to Euros 1,043 million, an increase of Euros 100 million with respect to the same period of the previous year.

As at 30 June 2023, other operating revenue amounting to Euros 30 million, net personnel expenses to Euros 74 million, operating expenses to Euros 48 million, depreciation and amortisation to Euros 5 million, and the reversal of impairment charges for group companies and associates to Euros 16 million, together with Euros 4 million in gains on the disposal of holdings in group companies, resulted in operating profit in the period amounting to Euros 943 million.

A financial loss of Euros 173 million was recognised (Euros 136 million in the same period of 2023).

Income before taxes amounted to Euros 870 million and the income tax to Euros 3 million of lower expenses, with the result that net profit for the period was Euros 873 million, compared with Euros 841 million in the same period of the previous year.

3. Main risks and opportunities

The information provided below refers to the Naturgy consolidated group (hereinafter Naturgy), although the Company's main risks and opportunities are duly disclosed in Note 4 of the Company's condensed interim financial statements.

During the first half of 2024, Naturgy followed the same risk management model as described in section 4. Main risks, opportunities and uncertainties, from the consolidated directors' report for the year ended 31 December 2023.

Naturgy defines five risk types in its Corporate Risk Map:

1 **Economic:** market (commodity, exchange rate, regulatory, volume, margin/price) and legal.
2 **Financial:** credit, interest rate, tax, liquidity, rating and provisions and guarantees.
3 **Operational:** insurable operational, security, crisis management and business continuity, fraud against the company, cybersecurity, data protection, environmental and biodiversity, and health and safety.
4 **Reputational:** reputational and ESG, compliance, customer satisfaction and people.
5 **Strategic:** associated with the profile of the Group's business portfolio, which includes climate change risk.

The main economic (including legal) and financial risks are described in notes 13 and 26 to the condensed interim consolidated financial statements as at 30 June 2024. Climate change risk is detailed in note 2.5.b to the Interim Consolidated Financial Statements at 30 June 2024. The main Operational and Reputational/Sustainability risks are discussed in the Sustainability Report and Statement of Non-Financial Information for the year ended 31 December 2023.

Naturgy maintains the lines of strategy approved by the Board of Directors on 28 July 2021, and has improved its expectations for the coming years presented on 13 July 2023 after successfully executing the Strategic Plan, in which the energy transition is treated as an opportunity to transform the business and promote the necessary changes to achieve a low-carbon economy. In this context, Naturgy's main lines of opportunity are as follows:

- Focus on stable geographic areas
- Renewable generation
- Operation and growth in networks
- Technological development and innovation
- Portfolio of natural gas and LNG procurements

Horizontal uncertainties, such as the macroeconomic context and geopolitical exposure, materialise and have an impact on many of the risks managed by Naturgy. On the macroeconomic front, the war in Ukraine and Israel's military actions in Palestinian territory, following the terrorist attack in October 2023, marked the first half of 2024.

The war in Ukraine has continued without significant changes that might indicate the intention of the parties to reach a cease-fire agreement. Considering the benchmark scenario and in compliance with the recent recommendations by the ESMA, Naturgy is monitoring the status and evolution of the situation generated by the conflict in order to manage potential risks. The analyses carried out for this purpose assess the indirect impacts of the conflict on the business, financial situation and economic performance, with particular reference to the trend in commodity prices and the reduced availability of material supplies from conflict-affected areas.

In this context, in connection with gas procurement, Naturgy has a long-term contract for the procurement of gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) and is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. Since the beginning of the conflict in February 2022, Naturgy has received the volumes strictly established in the contract which, in the first half of 2024, has represented 17% of Naturgy's global procurements (15% in 2023).

Moreover, none of Naturgy's counterparties are susceptible to being affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or have investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of those measures and sanctions.

Meanwhile, Israel's military actions continue in Palestinian territory following the terrorist attack in October 2023. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

Naturgy participates 100% in Israel in the company Spanish Israeli Operation and Maintenance Company Ltd that has been providing services at the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reports less than Euros 1 million in EBITDA. Despite the conflict, the company has continued to operate normally.

As this scenario is constantly evolving and it is difficult to predict the extent or duration of the conflict's impact, Naturgy constantly monitors the relevant macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

On the regulatory front, Naturgy continues to apply the regulations issued by both European and national governments to mitigate the consequences of the conflict on the macroeconomic situation and on end users of energy. The changes in the regulatory framework are described in Appendix II of the interim consolidated financial statements as at 30 June 2024.

4. Subsequent events

Events after 30 June 2024 are described in Note 15 to the condensed interim financial statements as at 30 June 2024.