1H19 Results

24 July 2019

Contents

1. Executive summary

	reported			ordinary		
(€m)	1H19	1H18	Change	1H19	1H18	Change
EBITDA	2,150	2,004	7.3%	2,277	2,105	8.2%
Net income	592	-3,281	-	692	532	30.1%
Capex	699	1,145[1]	-39.0%	-	-	-
Net debt (at 30/06)	14,826	15,309[2]	-3.2%	-	-	-
Free cash flow after minorities	1,448	2,589	-44.1%	-	-	-

Note:
1. Including €380m related to two LNG tankers in time-charter regime incorporated during 1H18 (non-cash investments)
2. As of 31/12/2018. IFRS16 adjusted.

- The end of the first half of 2019 marks the first year of operation since the company launched its new Strategic Plan 2018-22, laying the foundations of its value creation strategy.
- The first six months of the year have been marked by the solid performance of the Infrastructure businesses and the stability in Gas & Power despite a more challenging energy scenario when compared against the previous year.
- On the Infrastructure side, relevant tariff updates in Latin America, recognizing the FX and inflation movements during 2018, together with stability in the European operations, have contributed to an overall strong performance in the period.
- In Gas & Power, the first half results have been driven by a notable improvement in G&P services sales, which has experienced a strong margin recovery in power supply, more than offsetting a more challenging scenario in International LNG and Europe Power generation. The company's new commercial policies and de-risking efforts, together with efficiencies, have also helped offset the global decline in gas prices during the period.

Other relevant issues

- On July 5, 2019 the National Commission on Markets and Competition (CNMC) published the first drafts of the regulatory memos for consultation that will establish the remuneration methodology of the regulated activity of electricity and gas distribution from 2020 and 2021 respectively. The CNMC has opened an allegation process which ends, in principle, on August 9. Through this process, the company will try to ensure that the new remuneration framework continues to recognize a reasonable and predictable remuneration in the long term, both for investments already executed as well as for future ones.

Progress on Strategic Plan 18-22

During the first half of the year Naturgy has continued to make steady progress on the development of its value creation strategy based on 4 key pillars:

Simplicity & accountability: the company has continued to hone its business positioning as envisioned in its Strategic Plan, exiting from non-core businesses and geographies. A few examples of this include the agreement to dispose 100% of its Moldovan electricity distribution and commercialization subsidiaries or the sale of the interests in Kangra coal mine in South Africa.

Moreover, the company has signed agreements for the disposals of Transemel, an electricity transmission asset in Chile. It has also entered into an asset swap in Argentina, improving its competitive position in the region where it operates.

All in all, Naturgy continues to demonstrate its ability to simplify its business positioning and geographical footprint of the Group, with a view to allocate its capital and resources to those businesses which maximize long term value creation for its stakeholders.

Optimization: the efficiencies achieved since the launch of the Strategic Plan are noticeable across the businesses and will remain a key driver of performance going forward. In this respect, the company has incurred capture costs of €110m during 1H19, accounting for the bulk of non-ordinary effects in the period. Naturgy has accelerated on the delivery of its efficiency plan and expects to deliver at least €150m in efficiencies by year end, exceeding its initial commitment of €100m for 2019. The company reiterates its total commitment of €500m efficiencies by 2022.

In terms of de-risking, visibility in the Infrastructure LatAm businesses has improved as a result of the recent tariff updates, and the company has continued to work on improving the risk profile of its merchant activities. As such, in International LNG, for example, Naturgy has already secured approximately 90% of its LNG volumes for the year while in Power supply, it has continued to reduce its portfolio of fixed price sales contracts with a view to reduce pool price risk by matching fixed contracts to the company's infra marginal production via PPA's.

Capital discipline: Naturgy's solid results and increased focus on cash flow generation have allowed it to reduce its net debt levels in the period, despite the cash outflows related to shareholder remuneration and the investments in the development of its renewable projects and networks businesses. During the last twelve months the company has allocated 70% of its total capex to renewables and electricity networks. Naturgy continues to develop its awarded renewable projects while building an additional pipeline whose development will ultimately be subject to the company's Golden Rules of investment.

Shareholder remuneration: the Board of Directors has approved a dividend payment of 0.294 €/share on 31st July 2019, corresponding to the 1st interim dividend of 2019 out of the total 1.37 €/share dividend committed against 2019 results, which represents a 5% increase vs. 2018. Furthermore, the company has completed the first €400m tranche of its share buyback program. The Board of Directors has approved the cancelation of the shares acquired under this program, expected to take place during the month of August and authorized the launch of the new €400m tranche until the end of June 2020, in the absence of any inorganic opportunities which meet the company's strict profitability criteria.

Summary – 1H19 results

- Business performance during 1H19 has been marked by the solid performance of the Infrastructure businesses and the stability in Gas&Power, despite the development of a more challenging scenario vs. last year.
- **EBITDA** in 1H19 reached €2,150m after non-ordinary effects. Stripping these out, ordinary EBITDA rose 8% to €2,277m mainly supported by the improvement in the Infrastructure businesses and the efficiencies across businesses.
- **Net income** in 1H19 amounted to €592m while ordinary Net income rose 30% to €692m, supported by the activity improvement and lower D&A.
- Total **capex** amounted to €699m in the period, mainly reflecting ongoing investments in renewable projects as well as investments in remunerated networks, consistent with our Golden Rules of investment. Since the launch of the SP 18-22 a year ago, Naturgy has invested approximately 70% of its capex in renewables and electricity networks, consistent with its long term electrification ambitions.
- As of 30 June 2019, **net debt** amounted to €14,826m, down 3.2% vs. 31 December 2018, thanks to the increased focus on cash flow generation of the company and despite the €560m dividend payment and €288m in shares bought back during the first half of the year. As a result, Net Debt / LTM EBITDA declined to 3.6x from 3.8x as of 31 December 2018.
- All in all, the 1H19 results continue to illustrate Naturgy's progress towards the successful implementation of its 2018-2022 Strategic Plan.

2. Key comparability factors and non-ordinary items

Perimeter changes

- The main transactions completed in 2018 with an impact in comparability in 1H19 vs. 1H18 results are the following:

  - The disposal of the gas distribution and supply business in Italy, together with the transfer of the gas supply contract. The contribution of these businesses in 1H18 was €194m recognised under "Income from discontinued operations" in the consolidated income statement.
  - The disposal of the remaining 41.9% of the gas distribution business in Colombia. The contribution of this business in 1H18 was €7m recognised under "Income from discontinued operations" in the consolidated income statement.
  - The sale of a 20% minority stake in the gas distribution business in Spain for €1,500m, which resulted in an increase of €1,016m in the "Equity" caption in the consolidated balance sheet as of 30 June 2018, but with no relevant impact on the P&L for comparison purposes.
  - In December 2018 the sale of Kangra Coal was completed for an equity value of €28m. The contribution of this business in 1H18 was -€150m, including a write-down of the investment for -€141m, recognised under "Income from discontinued operations" in the consolidated income statement.

- In addition, on 27 June 2018 Naturgy reached an agreement to sell its entire stake in Iberafrica Power, in Kenya, to AEP Energy Africa Limited with a estimated Enterprise Value of USD 62 million. Nevertheless, and after several deadline extensions, in march 2019 the agreement was terminated, thus restarting the disposal process. The contribution of this business in 1H18 was -€5m, including a write-down of the investment for -€7m, recognized under "Income from discontinued operations" in the consolidated income statement.

- On 12 April 2019 Naturgy announced an agreement for the sale of 100% of its interests in its Moldova electricity distribution activities. The transaction values the company's equity at €141m (including pre-closing dividends) and is not expected to generate significant capital gains for Naturgy. The contribution of this business in 1H18 was -€61m, including a write-down of the investment for -€73m, recognised under "Income from discontinued operations" in the consolidated income statement.

- Last, on April 2019 Naturgy completed the sale of 45% of its interests in its associated affiliate Torre Marenostrum, S.L. to Inmobiliaria Colonial for €28m, generating capital gains of €20m.

Non-ordinary items

Non-ordinary items are summarized below:

	EBITDA		Net income	
(€m)	**1H19**	**1H18**	**1H19**	**1H18**
Gas transport & procurement retroactivity	-	-38	-	-28
Chile extraordinary expenses	-	-32	-	-20
Restructuring costs	-110	-24	-82	-22
Asset write-down	-	-	-20	-3,783
Other impairments ahead of SP 2018-22	-	-	-	-48
CNMC CCGT fine	-20	-	-20	-
Discontinued operations and minority interests	-	-	-	44
Chile mergers tax effect	-	-	-	42
Sales of land and buildings	3	6	22	4
Other	-	-13	-	-2
Total non ordinary items	**-127**	**-101**	**-100**	**-3,813**

- **At the EBITDA level, non-ordinary impacts in 1H19 amount to -€127m**, the bulk of them corresponding to capture costs derived from the implementation of the efficiency plan and the CNMC CCGT fine.

- At the **Net income level, non-ordinary items in 1H19 amount to -€100m**, mostly driven by the same concepts mentioned above.

Foreign exchange impact

Exchange rate fluctuations in the period are summarized below:

	YTD Jun '19	Change (%)	FX effect (€m)	
			EBITDA	**Net income**
USD/€	1.13	-6.6%	31	10
MXN/€	21.65	-6.2%	8	2
BRL/€	4.34	4.8%	-7	-1
ARS/€ [1]	48.59	86.2%	-36	-23
CLP/€	762.78	3.0%	-7	-2
Other	-	-	1	0
Total	**-**	**-**	**-10**	**-14**

Note:
1. Exchange rate as at 30 June 2019 as a consequence of considering Argentina as an hyperinflationary economy

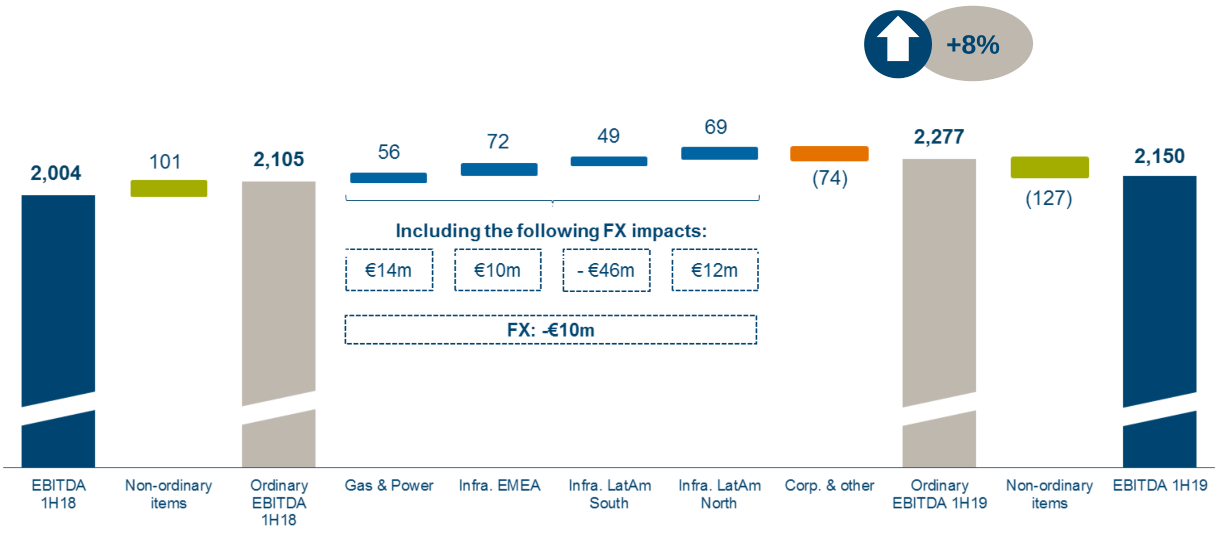
3. Consolidated results

	reported			ordinary		
(€m)	**1H19**	**1H18**	**Change**	**1H19**	**1H18**	**Change**
Net sales	11,639	12,176	-4.4%	11,639	12,176	-4.4%
EBITDA	**2,150**	**2,004**	**7.3%**	**2,277**	**2,105**	**8.2%**
Other results	20	-	-	-	-	-
Depreciation, amortisation and impairment expenses	-794	-5,165	-84.6%	-774	-832	-7.0%
Impairment of credit losses	-62	-63	-1.6%	-62	-63	-1.6%
EBIT	**1,314**	**-3,224**	**-**	**1,441**	**1,210**	**19.1%**
Financial result	-331	-306	8.2%	-331	-312	6.1%
Profit/(loss) of companies measured under the equity method	38	-559	-	38	13	-
Income tax	-220	926	-	-247	-203	21.7%
Income from discontinued operations	-	-15	-	-	-	-
Non-controlling interest	-209	-103	102.9%	-209	-176	18.8%
Net income	**592**	**-3,281**	**-**	**692**	**532**	**30.1%**

- **Net sales** totaled **€11,639m** in 1H19, **4.4%** below 1H18, mainly as a result of lower energy prices and volumes sold in the liberalized businesses that offset the growth in the infrastructure activity.

- Consolidated **EBITDA** in the period amounted to **€2,150m**, a **7.3%** increase vs. 1H18, supported by a solid performance in the infrastructure businesses, the new commercial strategy in supply activity and efficiency gains. **Stripping out non-ordinary effects, ordinary EBITDA grew by 8.2%**.

EBITDA evolution (€m)



(€m)	reported 1H19	reported 1H18	reported Change	ordinary 1H19	ordinary 1H18	ordinary Change
Gas & Power	640	595	7.6%	695	639	8.8%
Infrastructure EMEA	919	891	3.1%	970	898	8.0%
Infrastructure LatAm South	448	362	23.8%	449	400	12.3%
Infrastructure LatAm North	189	123	53.7%	190	121	57.0%
Rest	-46	33	-	-27	47	-
Total	**2,150**	**2,004**	**7.3%**	**2,277**	**2,105**	**8.2%**

- The **financial result amounted to -€331m** (+8.2%) driven by a higher cost of the net financial debt as a result of the application of IFRS 16, which has added financial leases costs previously registered as other financial expenses.
- The average cost of gross financial debt for 1H19 stands at 3.2%[1], and 81% of gross debt is at fixed rates.

Financial result (€m)	reported 1H19	reported 1H18	reported Change
Cost of net financial debt	-308	-274	12.4%
Other financial expenses/income	-23	-32	-28.1%
Total	**-331**	**-306**	**8.2%**

- **Equity-accounted affiliates** contributed €38m in 1H19 mostly as a result of the contributions from Ecoeléctrica (€25m) and CGE subgroup affiliates (€18m).
- The **effective tax rate** as of 30 June 2019 stood at **21.5%.**
- In 1H19 there was no contribution **from discontinued** operations. 1H18 discontinued operations contributed to the P&L as detailed below:

Income from discontinued operations (€m)	reported 1H18
Colombia gas	7
Italy	194
Kenya	-5
Moldova	-61
Kangra	-150
Total	**-15**

Note:
1. Cost from IFRS 16 debt not included

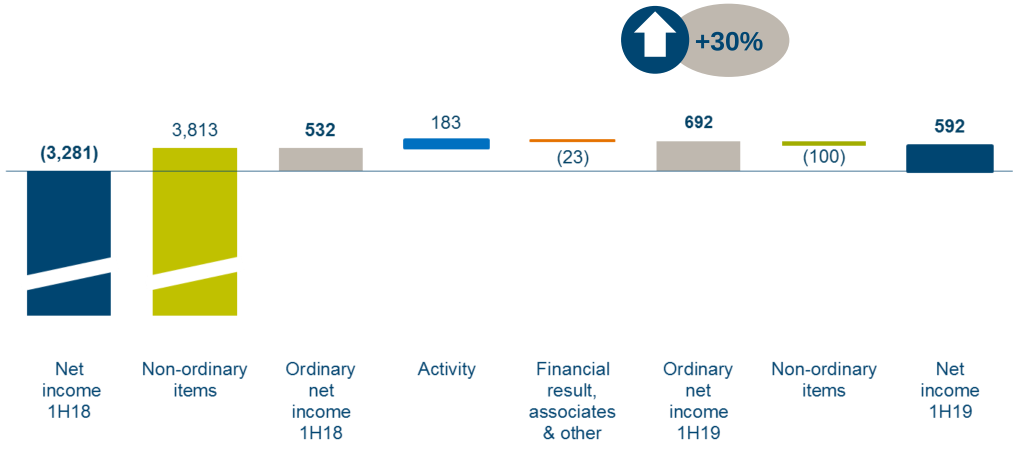
Income attributed to non-controlling interests amounted to -€209m in 1H19:

	reported		
Income attributed to non-controlling interests (€m)	**1H19**	**1H18**	**Change**
EMPL	-30	-26	15.4%
Nedgia	-38	-20	-
Other affiliates[1]	-111	-25	-
Other equity instruments[2]	-30	-30	0.0%
Total	**-209**	**-103**	**-**

Notes:
1. Including International Power Generation, gas distribution companies in Chile, Brazil, Mexico and Argentina, and the electricity distribution companies in Chile and Panama
2. Including accrued interest on perpetual subordinated notes

Net ordinary income in 1H19 amounted to €692m, up 30.1%, excluding non-ordinary items.

Net income evolution (€m)



4. Results by business unit

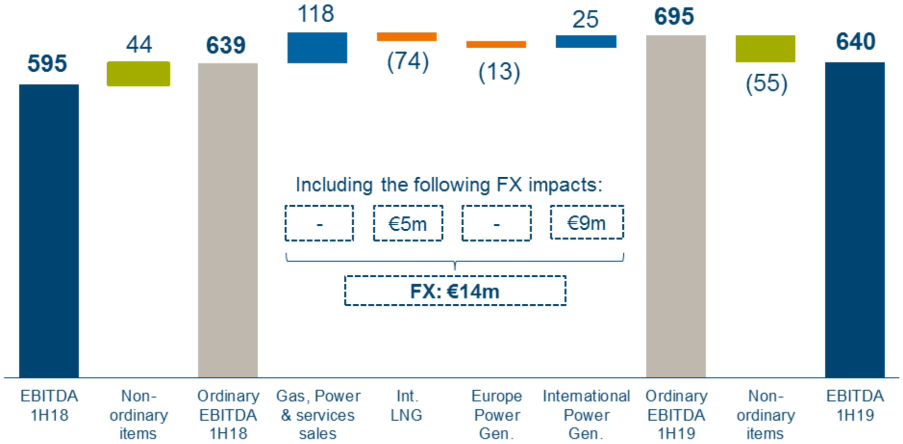
Gas & Power

EBITDA (€m)	reported 1H19	reported 1H18	reported Change	ordinary 1H19	ordinary 1H18	ordinary Change
Gas, power and services sales	198	55	-	216	98	-
International LNG	158	233	-32.2%	159	233	-31.8%
Europe power generation	120	166	-27.7%	154	167	-7.8%
International power generation	164	141	16.3%	166	141	17.7%
Total	**640**	**595**	**7.6%**	**695**	**639**	**8.8%**

Please refer to Annex for additional P&L disclosure

Ordinary EBITDA advanced 8.8% during the period, with a strong performance from Gas, power and service sales as well as International power generation. International LNG and Europe power generation were negatively affected by lower sales and margins during the period.

EBITDA evolution (€m)

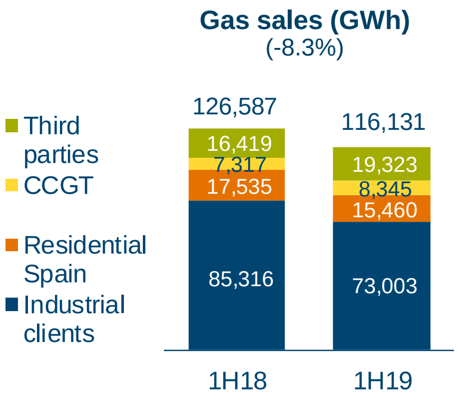


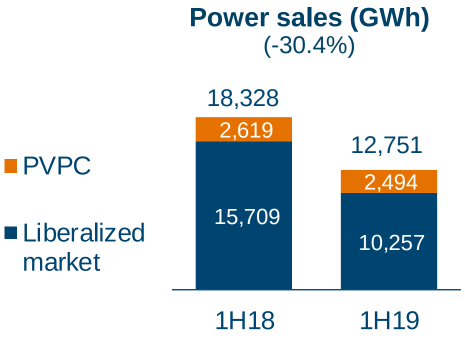
Gas, power & services sales

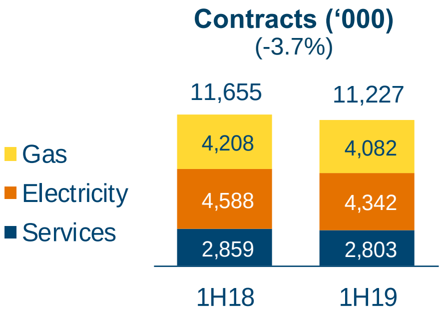
- **Ordinary EBITDA reached €216m in 1H19 from €98m in 1H18** mainly as a result of i) higher power margins resulting from the company's new commercial strategy which has reduced exposure to fixed price contracts, (ii) efficiencies and iii) higher gas margins that offset the lower sales in the Spanish industrial and retail segments due to higher average temperatures.

- Gas sales declined by 8.3% in the first half of the year mainly as a result of lower sales in the Spanish residential and industrial segments (-11.8% and -14.4% respectively), partially compensated by higher sales to CCGTs (+14.0%) and third parties (+17.7%).

- Power sales fell by 30.4% in the period mostly resulting from lower sales in the liberalized market (-34.7%) following our strategy to focus on margins and reduce fixed-price selling contracts to match our infra-marginal production. PVPC sales declined by 4.8%.





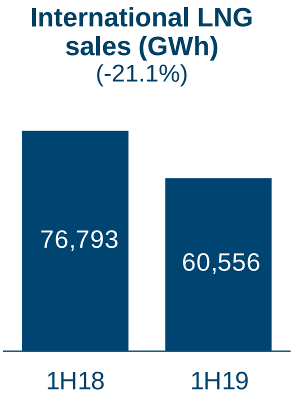


International LNG

- **Ordinary EBITDA reached €159m, down 31.8%,** as a result of lower volumes and margins in the period. As mentioned in the past, market conditions in 1H18, and during year 2018 as a whole, were extraordinary and should not be extrapolated for year 2019.

- The contribution to EBITDA from the maritime transport activity amounted to €84m in 1H19 (€68m in 1H18).

- Volumes sold declined by 21.1% vs. 1H18 because of the reduction in short-term sales (-49.6%). Long-term sales continue to show a healthy growth (+56.5%) supported by the commercial efforts intended to reduce margin volatility.



Europe Power Generation

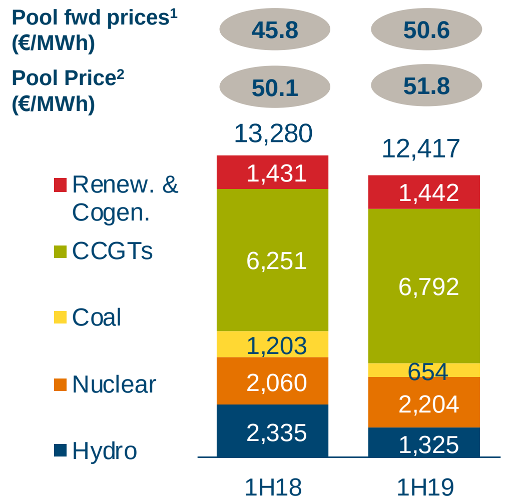
- **1H19 Ordinary EBITDA amounted to €154m, down 7.8%,** mainly driven by: i) lower margins in CCGTs as a result of higher costs resulting from an increase in CO_2 prices, ii) lower hydro production, and iii) suspension of CCGT availability payments.

- Total production declined by 6.5%, although unevenly split; hydro production fell by 43.3%, while other renewable and thermal production increased by 0.8% and 1.4% respectively.

- Pool prices increased slightly vs 1H18, averaging €51.8/MWh in the semester, up 3.4% as a result of a more thermal generation mix.

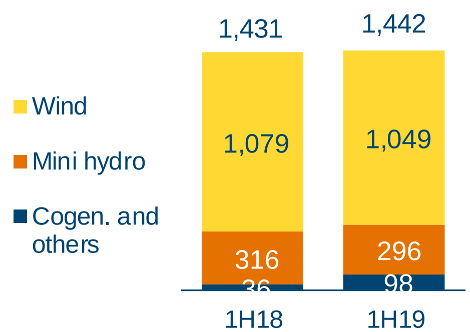
- Naturgy continued to increase its renewable exposure through the development of 667MW of wind and 250MW of solar projects awarded in the Spanish auctions, all of which are expected to come into operation during 2019. As such, the operating installed capacity as of 30 June 2019 reached 1,318MW, a 14.7% increase over one year prior.

Europe power production (GWh)
(-6.5%)



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

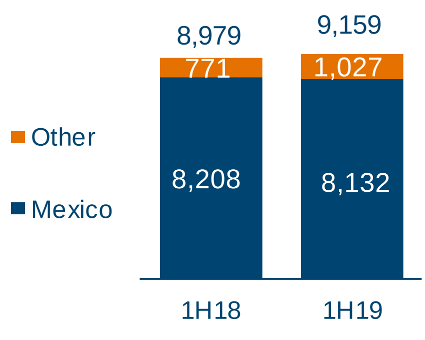
Europe renewable power production (GWh)
(+0.8%)



International Power Generation

- **Ordinary EBITDA in the period reached €166m, up 17.7%.** Growth was supported by new installed capacity put into operation in Brazil and Australia in 2018, as well as by better margins of excess energy sales in Mexico and merchant sales in the Dominican Republic. The above were partially offset by lower PPA revenues in Mexico.

International power production (GWh)
(+2.0%)



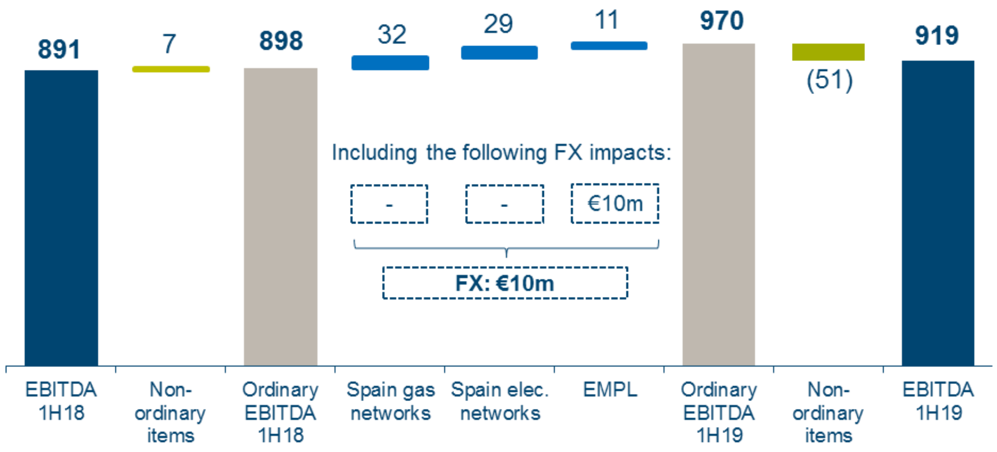
Infrastructure EMEA

EBITDA (€m)	reported 1H19	reported 1H18	reported Change	ordinary 1H19	ordinary 1H18	ordinary Change
Spain gas networks	443	432	2.5%	469	437	7.3%
Spain electricity networks	322	316	1.9%	347	318	9.1%
EMPL	154	143	7.7%	154	143	7.7%
Total	**919**	**891**	**3.1%**	**970**	**898**	**8.0%**

Please refer to Annex for additional P&L disclosure

Ordinary EBITDA reached €970m (+8.0%) in the first half of the year as a result of a good performance across all businesses and efficiencies.

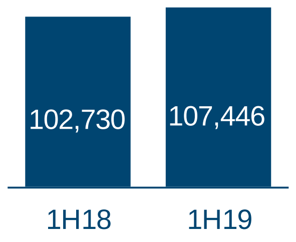
EBITDA evolution (€m)



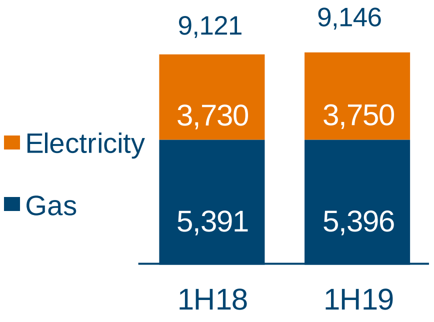
Spain gas networks

- **Ordinary EBITDA in 1H19 increased 7.3% to €469m,** mainly driven by lower opex from efficiency improvements and higher volumes.
- Gas sales and connection points grew by 4.6% and 0.1% respectively.

Gas sales Spain (GWh)
(+4.6%)



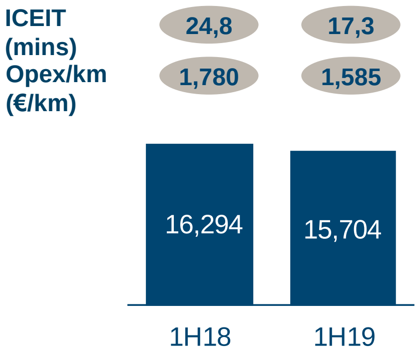
Connection points ('000)
(+0.3%)



Spain electricity networks

- **1H19 Ordinary EBITDA amounted to €347m, a 9.1% increase** with respect to 1H18 due to efficiency gains and the accrual of new investments brought into operation.
- Unitary opex per km of installed network continue to improve, decreasing 11.0% during the period to 1,585 €/km.

Electricity sales Spain (GWh)
(-3.6%)



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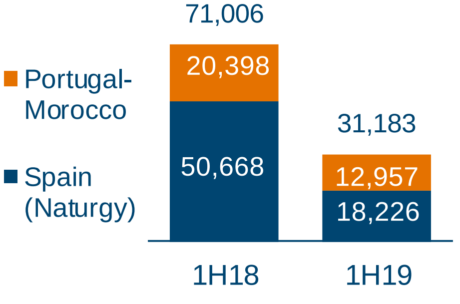
- **1H19 Ordinary EBITDA increased by 7.7% to €154m.** Growth was mainly explained by a positive FX impact (€10m) and tariff update, despite the significant reduction in transported gas because of lower demand. The above illustrates the low sensitivity of EBITDA to volume.

Gas transport (GWh)
(-56.1%)



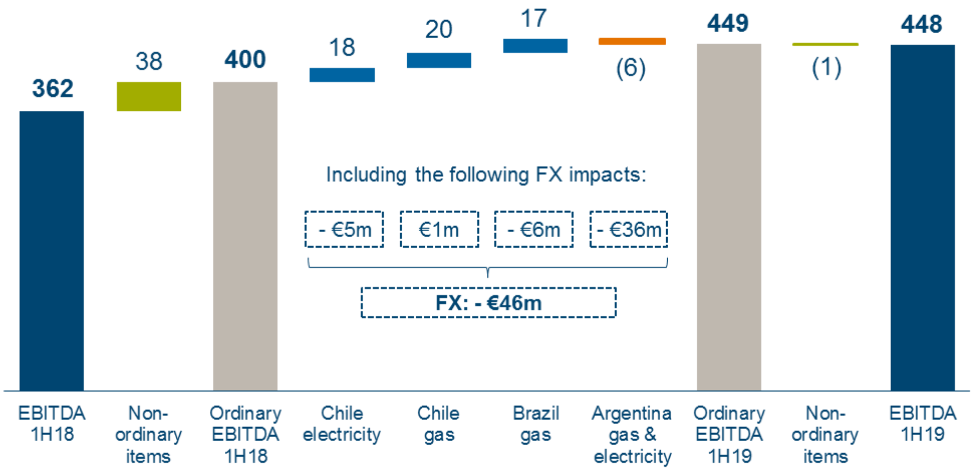
Infrastructure South LatAm

EBITDA (€m)	reported 1H19	reported 1H18	reported Change	ordinary 1H19	ordinary 1H18	ordinary Change
Chile electricity	163	124	31.5%	162	144	12.5%
Chile gas	118	87	35.6%	118	98	20.4%
Brazil gas	125	110	13.6%	126	109	15.6%
Argentina gas and electricity	43	43	0.0%	44	51	-13.7%
Peru gas	-1	-2	-50.0%	-1	-2	-50.0%
Total	**448**	**362**	**23.8%**	**449**	**400**	**12.3%**

Please refer to Annex for additional P&L disclosure

Ordinary EBITDA amounted to 449€m in the period, 12.3% higher than the previous year, driven by tariff updates and efficiencies, and despite the negative FX evolution (-€46m).

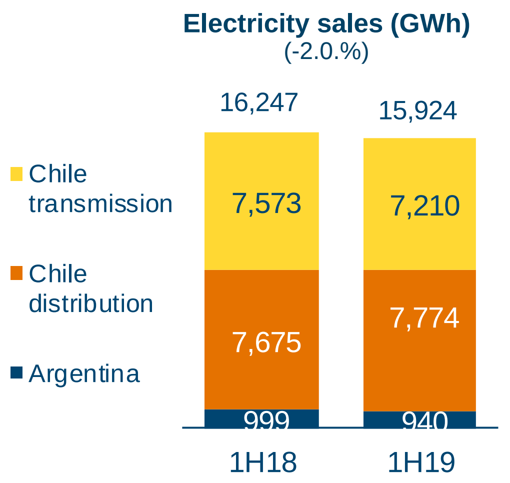
EBITDA evolution (€m)



Chile electricity

- **1H19 Ordinary EBITDA reached €162m, up 12.5% vs. 1H18**, mainly as a result of i) higher regulated revenues and tariff indexation, and ii) lower opex from efficiency improvements. On the opposite side, the FX impact amounted to -€5m.

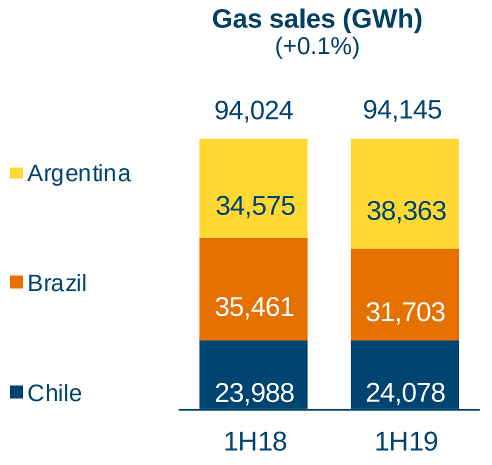
- At the operating level, the business experienced growth in connection points (+2.5%) and a slight decrease in overall electricity sales (-1.7%) coming from the transmission activity.



Chile gas

- **Ordinary EBITDA totaled €118m, 20.4% more** than 1H18, driven by i) higher supply volumes in all segments, ii) higher supply margins in sales to distributors and power generators, and iii) tariff indexation, efficiency improvements and good performance of the retail/commercial segment in the distribution activity.

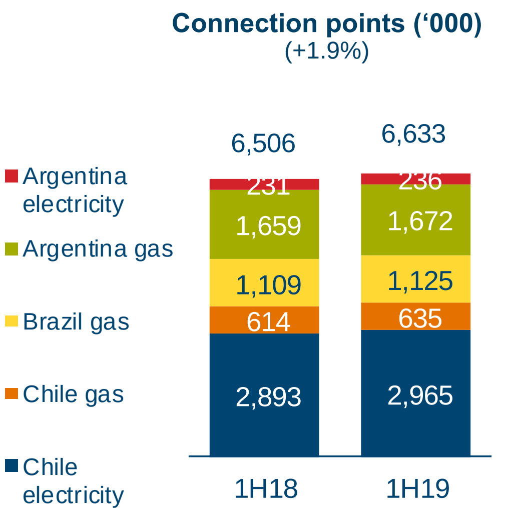
- Gas sales remained stable (+0.4%), after the demand increase in the supply activity was offset by a reduction in gas distributed, mostly to the industrial/power generation segments. Connection points increased by 3.3%.



Brazil gas

- **1H19 Ordinary EBITDA increased 15.6% to €126m** on the back of tariff indexation and efficiency improvements, which were partially offset by FX impact (-€6m) and lower demand, in particular for electricity generation.

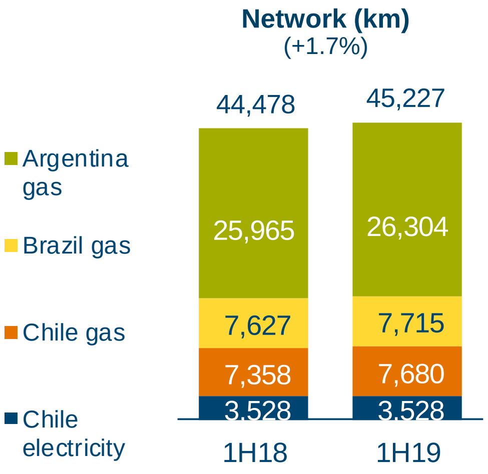
- Overall gas sales were down 10.6% driven by lower demand from power generation and industrial segments, and lower sales to the retail segment due to mild weather; connection points grew 1.4% in the period.



Argentina gas and electricity

- **1H19 Ordinary EBITDA amounted to €44m, a 13.7% decrease** over 1H18 mainly as a result of the negative FX impact (-€36m). Not considering this impact, EBITDA would have grown over 56.9% on the back of i) the final application of the new tariff framework in April 2018, ii) tariff indexation, and iii) gas sales growth.

- Overall sales and connection points grew in the period by 10.9% and 0.8% respectively, the former driven by industrial, GNV and TPA.



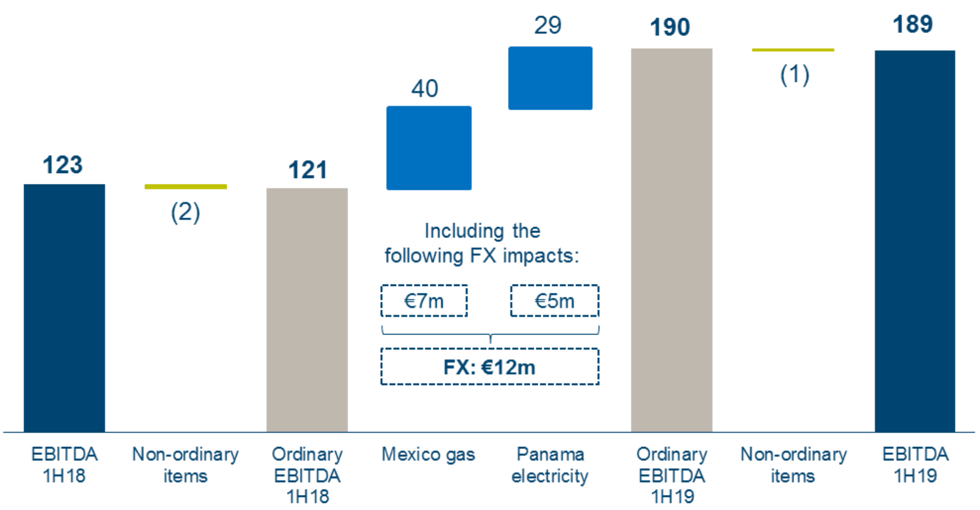
Infrastructure North LatAm

EBITDA (€m)	reported 1H19	reported 1H18	reported Change	ordinary 1H19	ordinary 1H18	ordinary Change
Mexico gas	115	78	47.4%	116	76	52.6%
Panama electricity	74	45	64.4%	74	45	64.4%
Total	**189**	**123**	**53.7%**	**190**	**121**	**57.0%**

Please refer to Annex for additional P&L disclosure

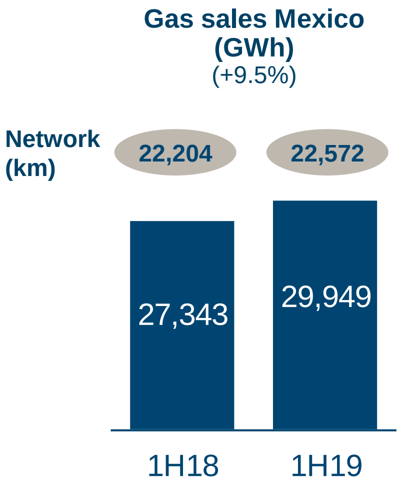
1H19 Ordinary EBITDA amounted to €190m, up 57.0%, on the back of positive regulatory impacts, higher demand, and efficiency improvements.

EBITDA evolution (€m)



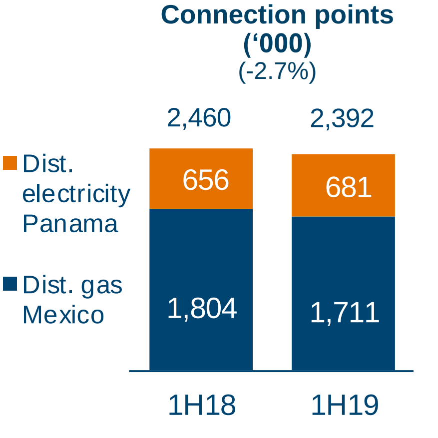
Mexico gas

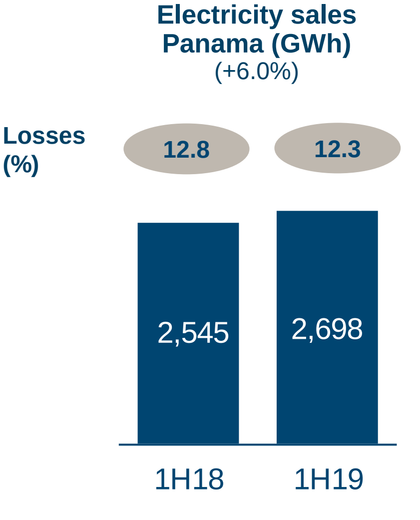
- **1H19 Ordinary EBITDA increased 52.6% to €116m.**
- The positive evolution of the business was driven by i) the annual indexation update, ii) demand growth, iii) better supply margins, and iv) efficiency improvements. In addition to these, there was a positive €7m FX impact.
- The new commercial strategy, aimed at improving customer profitability, explains the reduction in connection points (-5.1%).



Panama electricity

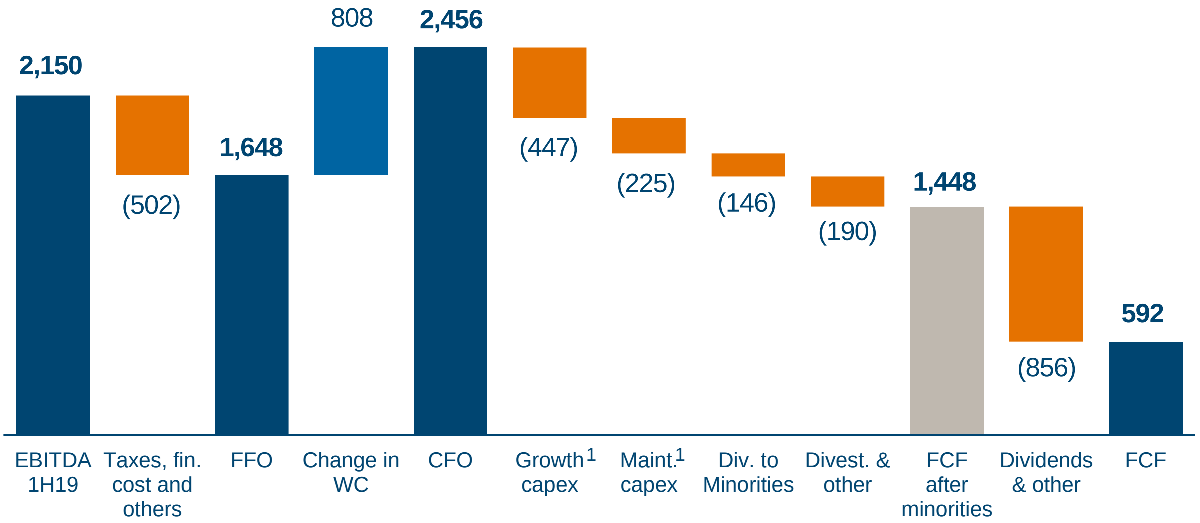
- **1H19 Ordinary EBITDA amounted to €74m, 64.4% higher** than in 1H18.
- The positive evolution was due to the annual indexation under the new regulatory period and the higher demand / temperatures as well as efficiency improvements. A €5m positive FX impact added to the good operational performance.
- Electricity sales and connection points grew by 6.0% and 3.8% respectively.





5. Cash flow

Cash flow evolution (€m)



Notes:

1. Net of cessions and contributions

- **1H19 free cash flow after minorities amounted to €1,448m.** In addition to the stronger operating results, the company experienced a positive evolution of its working capital, which is explained by an increased focus on working capital management as well as other seasonal circumstances occurring in the period.
- **Free cash flow after minorities** was mostly allocated to the payment of dividends and net debt reduction.

Capex

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

	Maintenence capex		
(€m)	**1H19**	**1H18**	**Change**
Gas & Power	66	76	-13.2%
Infrastructures EMEA	74	77	-3.9%
Infrastructures LatAm South	56	111	-49.5%
Infrastructures LatAm North	27	28	-3.6%
Rest	4	17	-76.5%
Total investments	**227**	**309**	**-26.5%**

- **Maintenance capex in 1H19** amounted to €227m, compared to €309m in 1H18, a 26.5% reduction resulting from capex optimization, most importantly in the infrastructure businesses, and certain delays in maintenance capex to the second half of the year.

Growth capex			
(€m)	1H19	1H18	Change
Gas & Power	270	547[1]	-50.6%
Infrastructures EMEA	97	108	-10.2%
Infrastructures LatAm South	67	127	-47.2%
Infrastructures LatAm North	38	52	-26.9%
Rest	-	2	-
Total investments	**472**	**836**	**-43.5%**

Note:

1. Including €380m related to two LNG tankers in time-charter regime incorporated during 1H18 (non-cash investments)

- **Growth capex** in the period represented approximately 70% of total capex, and amounted to €472m, down from last year's €836m. This reduction is explained mostly by the acquisition in 1H18 of two gas carriers for €380m.

- Growth capex in 1H19 includes the following:

  - A total of €219m invested during the period in the construction of different renewable projects in Spain (wind and solar), with 138 MW already put in operation in 1H19 and other 777 MW expected to come into operation during the year.
  - €24m invested in the development of 180 MW of wind capacity in Australia and 324 MW of wind and solar capacity in Chile that will come into operation before 3Q20 and 1Q21 respectively.

Wind farm in Cadiz (Spain)

PV plant in Ciudad Real (Spain)

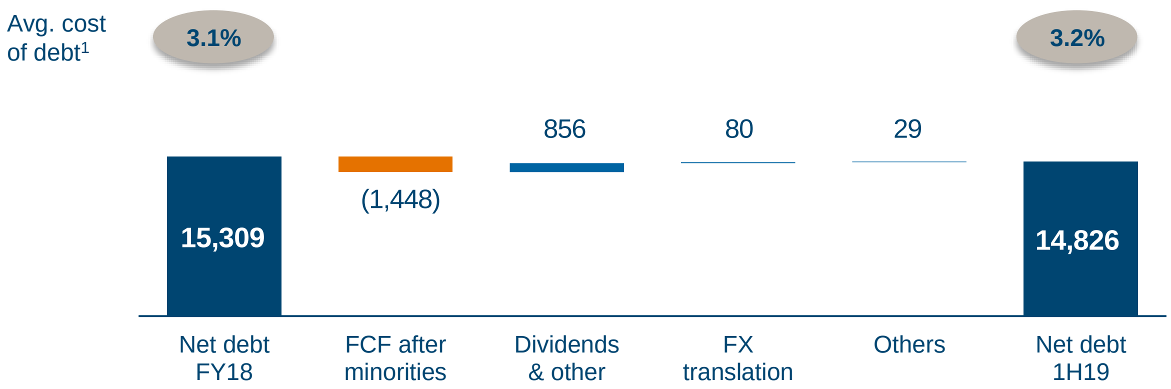
Divestments

No significant divestments were made during 1H19. Nevertheless, on 12 April 2019 Naturgy announced an agreement for the sale of 100% of its interests in its Moldova electricity distribution activities. The transaction values the companies' equity at €141m (including pre-closing dividends) and is not expected to generate significant capital gains for Naturgy.

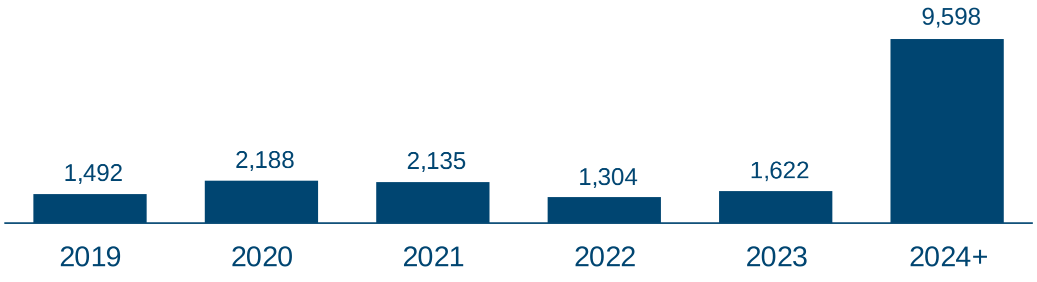
6. Financial position

- Net debt as of 30 June 2019, already considering IFRS 16 adjustments, stood at €14,826m, down €483m over the net debt figure reported as of year-end 2018, and despite the €856m allocated to dividend payment and share buy-back, and the €80m increase due to FX translation impact. As a result, Net Debt/LTM EBITDA declined to 3.6x from 3.8x as of 31 December 2018.
- Naturgy advances on the optimization of its capital structure as outlined in its 2018-2022 Strategic Plan, and continues the process of optimizing the financing allocated into each of the business units in order to increase accountability and funding autonomy in the same currency where cash flows are originated, and gain increased flexibility. Some of the operations fulfilled in 1H19 in accordance with this policy are the following:
  - GPG formalized a new syndicated loan for USD1,5bn with 5 years maturity (extendable +2 years) at a very competitive cost.
  - A loan for €98m was disposed to finance renewable assets in Crockwell (Australia) with a 7 year maturity.
  - Naturgy Mexico signed a credit line in Mexican pesos for an equivalent of €69m and withdrew loans for €92m with a 3 year maturity.

Net debt evolution (€m)



Gross debt maturities (€m)



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

Credit metrics	1H19	FY18
EBITDA/Net financial debt cost	7.0	7.5
Net debt /LTM EBITDA	3.6	3.8

Financial debt by currency		Consolidated Group		Chile		Brazil	Argentina	Peru	Mexico	Panama	Holding & others
		Jun'19	Dec'18	CLP	USD	BRL	ARS	USD	MXN	USD	EUR/Others
Net financial debt	€m	14,826	15,309	1,960	34	195	3	60	357	554	11,663
Average cost of debt [1]	%	3.2	3.1	5.8	5.6	7.7	66.6	3.4	8.9	4.4	2.2
% fixed rated (gross debt)	%	81	87	75	36	10	14	7	52	60	92

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

Annexes

Annex I: Financial Statements

Consolidated income statement

	reported			ordinary		
(€m)	**1H19**	**1H18**	**Change**	**1H19**	**1H18**	**Change**
Net sales	11,639	12,176	-4.4%	11,639	12,176	-4.4%
Procurement	-8,341	-8,907	-6.4%	-8,341	-8,860	-5.9%
Gross margin	**3,298**	**3,269**	**0.9%**	**3,298**	**3,316**	**-0.5%**
Operating expenses	-552	-674	-18.1%	-532	-638	-16.6%
Personnel costs	-550	-520	5.8%	-440	-496	-11.3%
Own work capitalised	49	56	-12.5%	49	56	-12.5%
Other operating income	93	110	-15.5%	90	104	-13.5%
Taxes	-188	-237	-20.7%	-188	-237	-20.7%
EBITDA	**2,150**	**2,004**	**7.3%**	**2,277**	**2,105**	**8.2%**
Other results	20	-	-	-	-	-
Depreciation, amortisation and impairment expenses	-794	-5,165	-	-774	-832	-7.0%
Impairment of credit losses	-62	-63	-1.6%	-62	-63	-1.6%
EBIT	**1,314**	**-3,224**	**-**	**1,441**	**1,210**	**19.1%**
Financial result	-331	-306	8.2%	-331	-312	6.1%
Profit/(loss) of companies measured under the equity method	38	-559	-	38	13	-
Profit before taxes	**1,021**	**-4,089**	**-**	**1,148**	**911**	**26.0%**
Income tax	-220	926	-	-247	-203	21.7%
Income from discontinued operations	0	-15	-	0	0	-
Non-controlling interest	-209	-103	-	-209	-176	18.8%
Net income	**592**	**-3,281**	**-**	**692**	**532**	**30.1%**

Naturgy

Consolidated Balance Sheet

(€m)	30/06/2019	31/12/2018
Non-current assets	**32,744**	**32,301**
Intangible assets	7,888	7,845
Property, plant and equipment	19,679	20,707
Right of use assets	1,417	0
Equity-accounted investments	809	816
Non-current financial assets	905	910
Other non-current assets	303	334
Deferred tax assets	1,743	1,689
Current assets	**8,988**	**8,330**
Non-current assets available for sale	285	202
Inventories	694	850
Trade and other accounts receivable	4,194	5,134
Other current financial assets	326	428
Cash and cash equivalents	3,489	1,716
TOTAL ASSETS	**41,732**	**40,631**

(€m)	30/06/2019	31/12/2018
Equity	**14,414**	**14,595**
Equity attributable to the parent company	10,835	10,948
Non-controlling interest	3,579	3,647
Non-current liabilities	**19,824**	**19,029**
Deferred revenues	895	863
Non-current provisions	1,127	1,125
Non-current financial liabilities	15,258	13,352
Deferred tax liabilities	2,232	2,149
Other non-current liabilities	312	1,540
Current liabilities	**7,494**	**7,007**
Liabilities linked to non-current assets available for sale	167	93
Current provisions	227	297
Current financial liabilities	3,081	2,079
Trade and other accounts payable	3,503	4,067
Other current liabilities	516	471
TOTAL LIABILITIES AND EQUITY	**41,732**	**40,631**

Summary cash flow statement

(€m)	1H19	1H18	Change
EBITDA	**2,150**	**2,004**	**7.3%**
Taxes	-107	-129	-17.1%
Net interest cost	-331	-306	8.2%
Other non-cash items	-64	-122	-47.5%
Funds from operations	**1,648**	**1,447**	**13.9%**
Change in working capital	808	-203	-
Cash flow from operations	**2,456**	**1,244**	**-**
Growth capex	-447	-429	4.2%
Maintenance capex	-225	-307	-26.7%
Divestments	31	2,580	-
Dividends to minorities	-146	-295	-50.5%
Others	-221	-204	8.3%
Free cash flow after minorities	**1,448**	**2,589**	**-44.1%**
Dividends, share buy-back & other	-856	-34	-
Net free cash flow	**592**	**2,555**	**-76.8%**

Naturgy

Quarterly EBITDA by business unit

(€m)	1Q19	2Q19	3Q19	4Q19	2019
Gas & Power	**401**	**239**	**-**	**-**	**640**
Gas, powery and services sales	110	88	-	-	198
International LNG	109	49	-	-	158
Europe power generation	102	18	-	-	120
International power generation	80	84	-	-	164
Infrastructures EMEA	**446**	**473**	**-**	**-**	**919**
Spain gas networks	209	234	-	-	443
Spain electricity networks	159	163	-	-	322
EMPL	78	76	-	-	154
Infrastructures LatAm South	**193**	**255**	**-**	**-**	**448**
Chile electricity	87	76	-	-	163
Chile gas	38	80	-	-	118
Brazil gas	58	67	-	-	125
Argentina gas	10	29	-	-	39
Argentina electricity	1	3	-	-	4
Peru gas	-1	-	-	-	-1
Infrastructures LatAm North	**101**	**88**	**-**	**-**	**189**
Mexico gas	61	54	-	-	115
Panama electricity	40	34	-	-	74
Rest	**-22**	**-24**	**-**	**-**	**-46**
TOTAL EBITDA	**1,119**	**1,031**	**-**	**-**	**2,150**

(€m)	1Q18	2Q18	3Q18	4Q18	2018
Gas & Power	**399**	**196**	**340**	**425**	**1,360**
Gas, powery and services sales	81	-26	43	66	164
International LNG	156	77	114	149	496
Europe power generation	93	73	101	144	411
International power generation	69	72	82	66	289
Infrastructures EMEA	**441**	**450**	**442**	**469**	**1,802**
Spain gas networks	212	220	218	234	884
Spain electricity networks	157	159	154	160	630
EMPL	72	71	70	75	288
Infrastructures LatAm South	**137**	**225**	**143**	**286**	**791**
Chile electricity	55	69	73	46	243
Chile gas	18	69	78	46	211
Brazil gas	49	61	71	42	223
Argentina gas	11	24	-79	152	108
Argentina electricity	5	3	2		10
Peru gas	-1	-1	-1	-1	-4
Infrastructures LatAm North	**60**	**63**	**71**	**38**	**232**
Mexico gas	38	40	41	42	161
Panama electricity	22	23	30	-4	71
Rest	**16**	**17**	**-24**	**-175**	**-166**
TOTAL EBITDA	**1,053**	**951**	**972**	**1,043**	**4,019**

Accumulated EBITDA by business unit

(€m)	reported 1H19	reported 1H18	reported Change	ordinary 1H19	ordinary 1H18	ordinary Change	FX
Gas & Power	**640**	**595**	**7.6%**	**695**	**639**	**8.8%**	**14**
Gas, power and services sales	198	55	-	216	98	-	-
International LNG	158	233	-32.2%	159	233	-31.8%	5
Europe power generation	120	166	-27.7%	154	167	-7.8%	-
International power generation	164	141	16.3%	166	141	17.7%	9
Infrastructures EMEA	**919**	**891**	**3.1%**	**970**	**898**	**8.0%**	**10**
Spain gas networks	443	432	2.5%	469	437	7.3%	-
Spain electricity networks	322	316	1.9%	347	318	9.1%	-
EMPL	154	143	7.7%	154	143	7.7%	10
Infrastructures LatAm South	**448**	**362**	**23.8%**	**449**	**400**	**12.3%**	**-46**
Chile electricity	163	124	31.5%	162	144	12.5%	-5
Chile gas	118	87	35.6%	118	98	20.4%	1
Brazil gas	125	110	13.6%	126	109	15.6%	-6
Argentina gas and electricity	43	43	0.0%	44	51	-13.7%	-36
Peru gas	-1	-2	-50.0%	-1	-2	-50.0%	-
Infrastructures LatAm North	**189**	**123**	**53.7%**	**190**	**121**	**57.0%**	**12**
Mexico gas	115	78	47.4%	116	76	52.6%	7
Panama electricity	74	45	64.4%	74	45	64.4%	5
Rest	**-46**	**33**	**-**	**-27**	**47**	**-**	**0**
TOTAL EBITDA	**2,150**	**2,004**	**7.3%**	**2,277**	**2,105**	**8.2%**	**-10**

Results by business unit

1. Gas & Power

Gas, power & services sales (€m)	1H19	1H18	Change
Net sales	6,058	6,768	-10.5%
Procurement	-5,661	-6,457	-12.3%
Gross margin	**397**	**311**	**27.7%**
Other operating income	13	4	-
Personnel expenses	-71	-64	10.9%
Taxes	-31	-32	-3.1%
Other operating expenses	-110	-164	-32.9%
EBITDA	**198**	**55**	**-**
Depreciation and provisions	-74	-61	21.3%
EBIT	**124**	**-6**	**-**

International LNG (€m)	1H19	1H18	Change
Net sales	1,553	1,795	-13.5%
Procurement	-1,377	-1,555	-11.4%
Gross margin	**176**	**240**	**-26.7%**
Other operating income	1	1	0.0%
Personnel expenses	-12	-2	-
Taxes	0	0	-
Other operating expenses	-7	-6	16.7%
EBITDA	**158**	**233**	**-32.2%**
Depreciation and provisions	-60	-36	66.7%
EBIT	**98**	**197**	**-50.3%**

Europe power generation (€m)	1H19	1H18	Change
Net sales	834	912	-8.6%
Procurement	-455	-465	-2.2%
Gross margin	**379**	**447**	**-15.2%**
Other operating income	7	8	-12.5%
Personnel expenses	-73	-56	30.4%
Taxes	-95	-138	-31.2%
Other operating expenses	-98	-95	3.2%
EBITDA	**120**	**166**	**-27.7%**
Depreciation and provisions	-138	-4,147	-
EBIT	**-18**	**-3,981**	**-**

International power generation (€m)	1H19	1H18	Change
Net sales	456	433	5.3%
Procurement	-242	-243	-0.4%
Gross margin	**214**	**190**	**12.6%**
Other operating income	2	2	0.0%
Personnel expenses	-19	-19	0.0%
Taxes	-2	-1	-
Other operating expenses	-31	-31	0.0%
EBITDA	**164**	**141**	**16.3%**
Depreciation and provisions	-59	-82	-28.0%
EBIT	**105**	**59**	**78.0%**

2. Infrastructure EMEA

Spain gas networks (€m)	1H19	1H18	Change
Net sales	615	612	0.5%
Procurement	-41	-41	0.0%
Gross margin	**574**	**571**	**0.5%**
Other operating income	20	20	0.0%
Personnel expenses	-61	-43	41.9%
Taxes	-16	-16	0.0%
Other operating expenses	-74	-100	-26.0%
EBITDA	**443**	**432**	**2.5%**
Depreciation and provisions	-149	-148	0.7%
EBIT	**294**	**284**	**3.5%**

Spain electricity networks (€m)	1H19	1H18	Change
Net sales	435	427	1.9%
Procurement	-	-	-
Gross margin	**435**	**427**	**1.9%**
Other operating income	8	8	0.0%
Personnel expenses	-60	-39	53.8%
Taxes	-15	-14	7.1%
Other operating expenses	-46	-66	-30.3%
EBITDA	**322**	**316**	**1.9%**
Depreciation and provisions	-120	-119	0.8%
EBIT	**202**	**197**	**2.5%**

EMPL (€m)	1H19	1H18	Change
Net sales	165	157	5.1%
Procurement	-	-	-
Gross margin	**165**	**157**	**5.1%**
Other operating income	0	0	-
Personnel expenses	-3	-2	50.0%
Taxes	0	0	-
Other operating expenses	-8	-12	-33.3%
EBITDA	**154**	**143**	**7.7%**
Depreciation and provisions	-16	-26	-38.5%
EBIT	**138**	**117**	**17.9%**

3. Infrastructure LatAm South

Chile electricity (€m)	1H19	1H18	Change
Net sales	1,126	1,077	4.5%
Procurement	-846	-789	7.2%
Gross margin	**280**	**288**	**-2.8%**
Other operating income	6	6	0.0%
Personnel expenses	-45	-58	-22.4%
Taxes	-3	-4	-25.0%
Other operating expenses	-75	-108	-30.6%
EBITDA	**163**	**124**	**31.5%**
Depreciation and provisions	-57	-61	-6.6%
EBIT	**106**	**63**	**68.3%**

Chile gas (€m)	1H19	1H18	Change
Net sales	402	359	12.0%
Procurement	-247	-222	11.3%
Gross margin	**155**	**137**	**13.1%**
Other operating income	1	1	0.0%
Personnel expenses	-14	-14	0.0%
Taxes	-1	-1	0.0%
Other operating expenses	-23	-36	-36.1%
EBITDA	**118**	**87**	**35.6%**
Depreciation and provisions	-31	-28	10.7%
EBIT	**87**	**59**	**47.5%**

Brazil gas (€m)	1H19	1H18	Change
Net sales	881	735	19.9%
Procurement	-709	-563	25.9%
Gross margin	**172**	**172**	**0.0%**
Other operating income	11	24	-54.2%
Personnel expenses	-14	-20	-30.0%
Taxes	-2	-2	0.0%
Other operating expenses	-42	-64	-34.4%
EBITDA	**125**	**110**	**13.6%**
Depreciation and provisions	-32	-32	0.0%
EBIT	**93**	**78**	**19.2%**

Argentina gas (€m)	1H19	1H18	Change
Net sales	244	254	-3.9%
Procurement	-160	-167	-4.2%
Gross margin	**84**	**87**	**-3.4%**
Other operating income	16	21	-23.8%
Personnel expenses	-11	-11	0.0%
Taxes	-12	-15	-20.0%
Other operating expenses	-38	-47	-19.1%
EBITDA	**39**	**35**	**11.4%**
Depreciation and provisions	-14	-8	75.0%
EBIT	**25**	**27**	**-7.4%**

4. Infrastructure LatAm North

Mexico gas (€m)	1H19	1H18	Change
Net sales	333	277	20.2%
Procurement	-188	-159	18.2%
Gross margin	**145**	**118**	**22.9%**
Other operating income	7	4	75.0%
Personnel expenses	-10	-16	-37.5%
Taxes	0	-1	-
Other operating expenses	-27	-27	0.0%
EBITDA	**115**	**78**	**47.4%**
Depreciation and provisions	-31	-28	10.7%
EBIT	**84**	**50**	**68.0%**

Panama electricity (€m)	1H19	1H18	Change
Net sales	448	377	18.8%
Procurement	-350	-305	14.8%
Gross margin	**98**	**72**	**36.1%**
Other operating income	1	1	0.0%
Personnel expenses	-4	-6	-33.3%
Taxes	-2	-3	-33.3%
Other operating expenses	-19	-19	0.0%
EBITDA	**74**	**45**	**64.4%**
Depreciation and provisions	-23	-19	21.1%
EBIT	**51**	**26**	**96.2%**

Capex

Growth capex (€m)	1H19	1H18	Change
Gas & Power	**270**	**547**	**-50.6%**
Gas, power & services sales	19	17	11.8%
International LNG	-	380	-
Europe power generation	219	79	177.2%
International power generation	32	71	-54.9%
Infrastructures EMEA	**97**	**108**	**-10.2%**
Spain gas networks	71	83	-14.5%
Spain electricity networks	26	25	4.0%
EMPL	-	-	-
Infrastructures LatAm South	**67**	**127**	**-47.2%**
Chile electricity	15	32	-53.1%
Chile gas	37	57	-35.1%
Brazil gas	8	21	-61.9%
Argentina gas	4	7	-42.9%
Argentina electricity	3	4	-25.0%
Peru gas	-	6	-
Infrastructures LatAm North	**38**	**52**	**-26.9%**
Mexico gas	14	28	-50.0%
Panama electricity	24	24	0.0%
Rest	**-**	**2**	**-**
Total investments	**472**	**836**	**-43.5%**

Maintenance capex (€m)	1H19	1H18	Change
Gas & Power	**66**	**76**	**-13.2%**
Gas, power & services sales	2	18	-88.9%
International LNG	2	-	-
Europe power generation	31	30	3.3%
International power generation	31	28	10.7%
Infrastructures EMEA	**74**	**77**	**-3.9%**
Spain gas networks	13	11	18.2%
Spain electricity networks	60	65	-7.7%
EMPL	1	1	0.0%
Infrastructures LatAm South	**56**	**111**	**-49.5%**
Chile electricity	30	74	-59.5%
Chile gas	5	7	-28.6%
Brazil gas	9	14	-35.7%
Argentina gas	12	15	-20.0%
Argentina electricity	-	1	-
Peru gas	-	-	-
Infrastructures LatAm North	**27**	**28**	**-3.6%**
Mexico gas	4	7	-42.9%
Panama electricity	23	21	9.5%
Rest	**4**	**17**	**-76.5%**
Total investments	**227**	**309**	**-26.5%**

Annex II: ESG metrics

ESG metrics		1H19	1H18	Change	Comments
Health and safety					
Lost time (LT) incidents (1)	units	8	11	-27.3%	The absence of lost time incidents in 2Q19 has allowed to improve significantly vs. 1H18
LT Frequency rate (2)	units	0.14	0.16	-12.5%	Despite the reduction in working hours during the period, the reduction in accidents has allowed for the metric to improve
Environment					
GHG Emissions	M tCO2 e	7.8	8.1	-3.7%	Decrease explained by a significant reduction in Spanish hydro and coal production, which has been offset by an increase in CCGT and nuclear production in Spain, as well as international renewable
Emission factor	t CO2/GWh	308.6	312.2	-1.2%	
Emissions-free installed capacity	%	27.3	26.1	4.5%	Increase due to new wind capacity coming into operation in Australia
Emissions-free net production	%	26.4	28.8	-8.3%	Decrease explained by the lower hydro production in Spain
Interest in people					
Number of employees	persons	11,706	13,908	-15.8%	Reduction in number of employees following the application of simplicity and efficiency policies
Training hours per employee	hours	14.1	25.2	-44.0%	raining hours have been affected by the reduction of employees and the divestment of certain affiliates
Women representation	%	31.7	30.3	4.6%	Increase in accordance with the commitment for diversity and gender equality policies
Society and integrity					
Economic value distributed	M€	10,687	10,870	-1.7%	Reduction mostly explained by lower purchases and external services
Notifications received by the ethics comittee	units	107	109	-1.8%	Stable evolution

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

Annex III: Regulatory disclosures

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

- Naturgy discloses information on earnings for the first quarter of 2019 (disclosed 30 April 2019, registration number 277682).
- Naturgy files the presentation on earnings for the first quarter of 2019 (disclosed 30 April 2019, registration number 277687).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between April 29 and May 3, 2019 (disclosed 6 May 2019, registration number 277752).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between May 6 and 10, 2019 (disclosed 13 May 2019, registration number 278106).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between May 13 and 17, 2019 (disclosed 20 May 2019, registration number 278396).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between May 20 and 24, 2019 (disclosed 27 May 2019, registration number 278605).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between May 27 and 31, 2019 (disclosed 3 June 2019, registration number 278780).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between June 3 and 7, 2019 (disclosed 10 June 2019, registration number 278997).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between June 10 and 14, 2019 (disclosed 17 June 2019, registration number 279213).
- Naturgy reports the transactions carried out by the Company under its Share buy-back programme between June 24 and 28, 2019 (disclosed 1 July 2019, registration number 279743).
- Naturgy announces its first half 2019 results release (disclosed 2 July 2019, registration number 279805).
- Naturgy discloses a statement in reference to the publication by The National Commission on Markets and Competition (CNMC) of the first drafts of the circulars that will establish the remuneration methodology for the regulated activities of electricity and gas distribution from 2020 and 2021 respectively (disclosed 5 July 2019, registration number 279922).

Additional regulatory disclosures can be found at:

www.cnmv.es

www.naturgy.com

Annex IV: Glossary of terms

Naturgys' financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS. Below is a glossary of terms with the definition of the APMs.

Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2019	30 June 2018	
Ebitda	Operating profit (2)	Euros 2,150 million	Euros 2,004 million	Measure of earnings before interest, taxes, depreciation and amortisation and provisions
Ordinary Ebitda	Ebitda - Non-ordinary items	2,277 = Euros 2,150 million + 127	2,105= Euros 2,004 million + 101	Ebitda corrected of impacts like restructuring costs and other non-ordinary items considered relevant for a better understanding of the underlying results of the Group.
Ordinary Net income	Attributable net income of the period (2) - Non-ordinary items	Euros 692 million = 592 + 100	Euros 532 million = -3,281 + 3,813	Attributable Net Income corrected of impacts like assets write-down, discontinued operations, restructuring costs and other non-ordinary items considered relevant for a better understanding of the underlying results of the Group.
Investments (CAPEX)	Investments in intangible assets (4) + Investments in property, plant & equipment (4)	Euros 699 million = 69 + 630	Euros 1,145 million = 121 + 1,024	Realised investments in property, plant & equipment and intangible assets.
Net Investments	CAPEX (5) + Financial investments (6) - Proceeds from divestitures of PPE and intangible assets (6) - Other proceeds/(payments) of investments activities (6)	Euros 672 million = 699 +0 -27 -0	Euros -1,429 million = 1,145 + 35 - 2,609	Total investments net of the cash received from divestments and other investing receipts.
Gross financial debt	Non-current financial liabilities (1) + "Current financial liabilities" (1)	Euros 18,339 million = 15,258 + 3,081	Euros 15,928 million = 13,711 + 2,217	Current and non-current financial debt
Net financial debt	Gross financial debt (5) - "Cash and cash equivalents" (1) - "Derivative financial assets" (4)	Euros 14,826 million = 18,339 - 3,489 - 24	Euros 12,362 million = 15,928 - 3,492 - 74	Current and non-current financial debt less cash and cash equivalents and derivative financial assets
Leverage (%)	Net financial debt (5) / (Net financial debt (5) + "Net equity" (1))	50.7% = 14,826 / (14,826 + 14,414)	44.8% = 12,362 / (12,362 + 15,220)	The ratio of external funds over total funds
Cost of net financial debt	Cost of financial debt (4) - "Interest revenue" (4)	Euros 308 million = 317 - 9	Euros 274 million = 286 - 12	Amount of expense relative to the cost of financial debt less interest revenue
Ebitda/Cost of net financial debt	Ebitda (5) / Cost of net financial debt (5)	7.0x = 2,150 / 308	7.3x = 2,004 / 274	Ratio between Ebitda and net financial debt
Net financial debt/LTM Ebitda	Net financial debt (5) / Ebitda in the last four quarters (5)	3.6x = 14,826 / 4,165	3.2x = 12,362 / 3,889	Ratio between net financial debt and Ebitda
Free Cash Flow after minorities	Free Cash Flow (5) + Dividends and other (4) + Acquisitions of treasury shares (4) + Inorganic investments payments (4)	Euros 1,448 million = 592 + 560 + 288 + 8	Euros 2,589 million = 2.555 + 0 + 7 + 27	Cash flow generated by the Company available to pay to the shareholders (dividends or treasury shares), the payment of inorganic investments and debt payments.
Free Cash Flow	Cash flow generated from operating activities (3) + Cash flows from investing activities (3) + Cash flow generated from financing activities (3) - Receipts and payments on financial liability instruments (3)	Euros 592 million = 2,456 - 859 + 172 - 1,177	Euros 2,555 million = 1,244 + 191 - 1,164 + 2,284	Cash flow generated by the Company available to pay the debt.

(1) Consolidated balance sheet line item
(2) Consolidated income statement line item
(3) Consolidated statement of cash flows line item
(4) Figure detailed in the notes to the consolidated financial statements
(5) Figure detailed in the Alternative Performance Metrics (APM).
(6) Figure detailed in the Directors' Report

Annex V: Contact details

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Annex VI: Disclaimer

This document is the property of Naturgy Energy Group, S.A. (Naturgy) and has been prepared for information purposes only.

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This document includes certain alternative performance measures ("APMs"), as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority in October 2015. For further information about this matter please refer to this presentation and to the corporate website (www.naturgy.com).

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