



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 2023)

(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 2023, 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 2023 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 2022. 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 2023 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 interim financial statements for the six-month period ended 30 June 2023. 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

21 July 2023

Interim consolidated
financial report
as at 30 June **2023**

This Interim consolidated financial report as at 30 June 2023 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. and subsidiaries
Interim financial report as at 30 June 2023

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023

Interim consolidated balance sheet
Interim consolidated income statement
Interim consolidated statement of comprehensive income
Interim consolidated statement of changes in equity
Interim consolidated cash flow statement
Notes to the condensed interim consolidated accounts

Naturgy**Interim consolidated balance sheet as at 30 June 2023 and 31 December 2022 (million euros)**

	Note	30.06.2023	31.12.2022
ASSETS			
Intangible assets	5	5,923	5,972
Goodwill		2,819	2,998
Other intangible assets		3,104	2,974
Property, plant and equipment	5	17,658	17,379
Right-of-use assets	5	1,141	1,162
Investments recorded using the equity method	6	626	656
Non-current financial assets	7	535	493
Other non-current assets	8	475	496
Derivatives		99	180
Other assets		376	316
Deferred tax assets		2,121	2,210
NON-CURRENT ASSETS		28,479	28,368
Non-current assets held for sale	9	—	—
Inventories		909	1,828
Trade and other receivables	8	3,519	5,801
Trade receivables for sales and services		3,032	5,152
Other receivables		408	349
Derivatives		33	210
Current tax assets		46	90
Other current financial assets	7	358	408
Cash and cash equivalents		4,555	3,985
CURRENT ASSETS		9,341	12,022
TOTAL ASSETS		37,820	40,390
EQUITY AND LIABILITIES			
Capital		970	970
Share premium		3,808	3,808
Treasury shares		(202)	(201)
Reserves		5,365	4,871
Profit for the period attributed to the parent company		1,045	1,649
Interim dividend		—	(679)
Other equity items		(1,848)	(2,844)
Equity attributed to the parent company		9,138	7,574
Non-controlling interests		2,458	2,405
EQUITY	10	11,596	9,979
Deferred income		938	926
Non-current provisions	11	1,826	1,656
Non-current financial liabilities	12	12,778	13,999
Borrowings		11,516	12,689
Lease liabilities		1,262	1,309
Other financial liabilities		—	1
Deferred tax liabilities		1,898	1,951
Other non-current liabilities		1,287	2,100
Derivatives	13	748	1,664
Other liabilities		539	436
NON-CURRENT LIABILITIES		18,727	20,632
Liabilities related to non-current assets held for sale	9	—	—
Current provisions	11	336	700
Current financial liabilities	12	2,782	2,302
Borrowings		2,606	2,110
Lease liabilities		166	177
Other financial liabilities		10	15
Trade and other payables		4,093	6,562
Trade payables		2,562	4,471
Other payables		593	414
Derivatives	13	649	1,624
Current tax liabilities		289	53
Other current liabilities		286	215
CURRENT LIABILITIES		7,497	9,779
TOTAL EQUITY AND LIABILITIES		37,820	40,390

Notes 1 to 27 contained in the Notes to the Condensed interim consolidated accounts and the Appendixes are an integral part of the Interim consolidated balance sheet as at 30 June 2023 and 31 December 2022.

Naturgy**Interim consolidated income statement for the six month period ending at 30 June 2023 and 30 June 2022 (million euros)**

		Six month ended on June 30	
	Note	2023	2022
Net sales	14	12,054	16,737
Procurements	15	(8,102)	(13,841)
Other operating income	17	138	106
Personnel expenses, net	16	(318)	(267)
Other operating expenses	17	(948)	(716)
Gain/(loss) on disposals of fixed assets		—	3
Release of fixed asset grants to income and other		25	25
GROSS OPERATING PROFIT		2,849	2,047
Depreciation, amortisation and impairment losses	18	(944)	(704)
Impairment due to credit losses	13	(152)	(127)
Other results	19	(40)	(114)
OPERATING PROFIT/(LOSS)		1,713	1,102
Financial income		133	57
Financial expenses		(400)	(391)
Variations in fair value of financial instruments		(10)	7
Net exchange differences		27	(9)
NET FINANCIAL INCOME /(EXPENSE)	20	(250)	(336)
Profit/(loss) of entities recorded by equity method		43	65
PROFIT/(LOSS) BEFORE TAXES		1,506	831
Corporate income tax	23	(371)	(194)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		1,135	637
Profit for the period from discontinued operations, net of taxes	9	—	(16)
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD		1,135	621
Attributable to:			
The parent company		1,045	557
From continuing operations		1,045	573
From discontinued operations		—	(16)
Non-controlling interests		90	64
Basic and diluted earnings per share in euros from continuing operations attributable to the equity holders of the parent company (Note 10)		1.09	0.60
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	0.58

Notes 1 to 27 contained in the Condensed interim consolidated accounts and the Appendixes are an integral part of the Interim consolidated statement of income for the six-month periods ended 30 June 2023 and 2022.

Naturgy**Interim consolidated statement of comprehensive income for the six month period ending at 30 June 2023 and 30 June 2022 (million euros)**

	Six months ended on June 30		
	Note	2023	2022
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		1,135	621
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY			
ITEMS THAT WILL NOT BE TRANSFERRED TO PROFIT/(LOSS):		—	18
Financial assets at fair value through other comprehensive income		—	—
Actuarial gains and losses and other adjustments		—	24
Tax effect of actuarial gains and losses and other adjustments		—	(6)
ITEMS THAT WILL SUBSEQUENTLY BE TRANSFERRED TO PROFIT/(LOSS):		1,032	(2,210)
Cash flow hedges		1,024	(2,607)
<i>Gains / (Losses) per valuation</i>		596	(4,492)
<i>Releases to income statement</i>		428	1,885
Currency translation differences		130	6
<i>Gains / (Losses) per valuation</i>		90	6
<i>Releases to income statement</i>		40	—
Equity-consolidated companies		—	24
<i>Currency translation differences - Gains/ (Losses) per valuation</i>		—	24
<i>Currency translation differences - Releases to income statement</i>		—	—
<i>Cash flow hedges - Gains / (Losses) per valuation</i>		—	—
Tax effect		(122)	367
OTHER COMPREHENSIVE INCOME FOR THE YEAR		1,032	(2,192)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,167	(1,571)
Attributable to:			
The parent company		2,041	(1,689)
From continuing operations		2,041	(1,673)
From discontinued operations		—	(16)
Non-controlling interests		126	118

Notes 1 to 27 contained in the Notes to the Condensed interim consolidated accounts and the Appendixes are an integral part of the Interim consolidated statement of comprehensive income for the six-month periods ended 30 June 2023 and 2022.

Naturgy
Interim consolidated statement of changes in equity for the six month period ending at 30 June 2023 and 31 December 2022 (million euros)

	Equity attributed to the parent company (Note 10)									Non-controlling interests (Note 10)	Equity	
	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 31.12.2021	970	3,808	(204)	4,078	1,214	(1,237)	(2,378)	(362)	(3,977)	5,889	2,984	8,873
Total comprehensive income for the year	—	—	—	18	557	(56)	(2,208)	—	(2,264)	(1,689)	118	(1,571)
Operations with shareholders or owners	—	—	3	718	(1,214)	—	—	—	—	(493)	(162)	(655)
Dividend distribution	—	—	—	729	(1,214)	—	—	—	—	(485)	(162)	(647)
Trading in treasury shares	—	—	3	—	—	—	—	—	—	3	—	3
Share-based payments	—	—	—	(11)	—	—	—	—	—	(11)	—	(11)
Other changes in equity	—	—	—	(4)	—	—	—	—	—	(4)	(18)	(22)
Other changes	—	—	—	(4)	—	—	—	—	—	(4)	(18)	(22)
Balance at 30.06.2022	970	3,808	(201)	4,810	557	(1,293)	(4,586)	(362)	(6,241)	3,703	2,922	6,625
Total comprehensive income for the year	—	—	—	56	1,092	(33)	3,430	—	3,397	4,545	147	4,692
Operations with shareholders or owners	—	—	—	(676)	—	—	—	—	—	(676)	(141)	(817)
Dividend distribution	—	—	—	(679)	—	—	—	—	—	(679)	(141)	(820)
Trading in treasury shares	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payments	—	—	—	3	—	—	—	—	—	3	—	3
Other changes in equity	—	—	—	2	—	—	—	—	—	2	(523)	(521)
Other changes	—	—	—	2	—	—	—	—	—	2	(523)	(521)
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 period	—	—	—	—	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)
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	—
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

Notes 1 to 27 contained in the Notes to the Condensed interim consolidated accounts and the Appendixes are an integral part of the Interim statement of changes in consolidated equity as at 30 June 2023 and 31 December 2022.

Naturgy**Interim consolidated cash flow statement for the six month period ending at 30 June 2023 and 30 June 2022 (million euros)**

		Six months ended on June 30	
	Note	2023	2022
Profit/(loss) before tax		1,506	831
Adjustments to income:	21	736	1,143
Depreciation/amortisation and impairment losses	21	944	704
Other adjustments to net profit	21	(208)	439
Changes in working capital	21	993	868
Other cash flow generated from operations:	21	(84)	(413)
Interest paid	21	(353)	(296)
Interest collected	21	92	21
Dividends collected	21	70	56
Income tax paid	21	107	(194)
CASH FLOW GENERATED FROM OPERATING ACTIVITIES		3,151	2,429
Cash flows into investing activities:		(1,370)	(874)
Group companies acquisitions, net of cash and equivalents	21	(114)	(15)
Property, plant and equipment and intangible assets		(1,243)	(739)
Other financial assets		(13)	(120)
Proceeds from divestitures:		91	36
Group companies, associates and business units	21	—	7
Property, plant and equipment and intangible assets		—	17
Other financial assets		91	12
Other cash flows from investing activities:		40	37
Other proceeds from investing activities		40	37
CASH FLOWS FROM INVESTING ACTIVITIES		(1,239)	(801)
Receipts/(payments) on equity instruments:		(11)	(2)
Issue/disposal		—	—
Acquisition		(11)	(2)
Receipts and payments on financial liability instruments:		(789)	(722)
Issue		361	494
Repayment and amortisation		(1,150)	(1,216)
Dividends paid (and remuneration on other equity instruments)	10	(519)	(647)
Other cash flows from financing activities		(5)	(15)
CASH FLOW GENERATED FROM FINANCING ACTIVITIES		(1,324)	(1,386)
Effect of fluctuations in exchange rates		(18)	158
VARIATION IN CASH AND CASH EQUIVALENTS		570	400
Cash and cash equivalents at beginning of the year		3,985	3,965
Cash and cash equivalents at year end		4,555	4,365

Notes 1 to 27 contained in the Notes to the Condensed interim consolidated accounts and the Appendix are an integral part of the Interim consolidated cash flow statement for the six-month periods ended 30 June 2023 and 2022.

Notes to the Condensed interim consolidated financial statements at 30 June 2023

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 objects or nature, by subscribing, acquiring or holding shares, participation units or any other securities deriving from the 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 Accounts for the year ended 31 December 2022.

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 10 February 2022, Naturgy announced the decision of its Board of Directors to launch the Gemini project, consisting of a sweeping restructuring of the group of companies of which Naturgy Energy Group, S.A. is the parent. Specifically, the plan entails a spin-off from Naturgy Energy Group, S.A. to create two large groups with clearly different business profiles.

The first of the groups resulting from the proposed spin-off would be headed by Naturgy itself (MarketsCo, after the spin-off), as the surviving company, and would encompass, in an integrated manner, the deregulated businesses comprising the development of renewable energy, the portfolio of energy customers and associated services, the conventional generation assets, and trading in wholesale energy markets. The second of the groups resulting from the proposed spin-off would be headed by a newly-created company (NetworksCo), as the beneficiary of the spin-off, encompassing all the businesses involved in managing regulated gas and electricity distribution and transmission infrastructures.

The Gemini project was designed to simplify and streamline the management of each of the grouped businesses so as to fast-track the Group's Strategic Plan, driving growth and its contribution to the energy transition. However, at the date of preparing these condensed interim consolidated accounts, the Gemini project has been postponed and there is now no clear schedule for its implementation. The analysis carried out to date confirms the advisability and strategic sense of the Gemini project, but its implementation schedule must be readjusted to the current, volatile market environment, to developments in the European energy sector and to its regulatory uncertainties, many of which are still in the process of being determined.

Accordingly, the Board of Directors does not judge that, at 30 June 2023, the conditions for considering that the Gemini project is highly likely to materialise are fulfilled, as required by accounting regulations to classify the net assets subject to the spin-off as held for sale and for distribution to shareholders.

Note 2. Basis of presentation and accounting policies

2.1. Basis of presentation

The consolidated annual accounts of Naturgy Energy Group, S.A. for the year ended 31 December 2022 were approved by the shareholders at a General Meeting on 28 March 2023.

These condensed interim consolidated accounts of Naturgy at 30 June 2023 were authorised by the Board of Directors on 20 July 2023 pursuant to IAS 34 "Interim financial reporting" and should be read together with the consolidated annual accounts for the year ended 31 December 2022, 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 annual accounts for the year ended 31 December 2022. Instead, the accompanying selected notes to the accounts 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 2022, the date of the above-mentioned consolidated annual accounts, and 30 June 2023.

The figures set out in these condensed interim consolidated accounts 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 2023, 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
IFRS 17 "Insurance contracts"	New standard that replaces IFRS 4.	1 January 2023
IAS 8 (amendment) "Definition of accounting estimates"	New definition of accounting estimates.	1 January 2023
IAS 1 (amendment) "Disclosure of accounting policies"	Elaborates on the criteria for disclosing material accounting policies.	1 January 2023
IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction"	Limits the exemption on initial recognition for deferred tax assets and liabilities for certain one-time transactions.	1 January 2023
IFRS 17 (amendment) "Initial application of IFRS 17 and IFRS 9—Comparative Information"	Transitional option relating to comparative information on financial assets presented upon initial application of IFRS 17.	1 January 2023
Standards issued by the IASB and yet to be adopted by the European Union		Entry into force for annual periods commencing
IAS 12 (amendment) "Income tax: International Tax Reform — Pillar Two Model Rules"	Responds to the accounting problems that might arise from the Pillar Two Model Rules	1 January 2023

None of these standards, interpretations or amendments was applied early. The application of these standards, interpretations and amendments did not have a material impact on these condensed interim consolidated accounts, except for the impacts arising from the amendment to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction", which reduces the scope of the exemption from initial recognition so that it does not apply to transactions that give rise to deductible and taxable temporary differences, whereby it is necessary to recognise deferred tax assets and deferred tax liabilities associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

The recognition of these prepaid and deferred taxes also applies to the period in 2022 presented for comparison purposes, with an impact on equity of Euros 3 million that is non-material for the purposes of these condensed interim accounts taken as a whole.

Management is closely monitoring developments with the implementation of international tax reforms that introduce an additional minimum global tax (Pillar II). Since the end of the last annual reporting period, the International Accounting Standards Board has 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 annual accounts. However, since none of the jurisdictions in which the Group operates had enacted, or substantially enacted, tax legislation related to the top-up tax as of the date of authorisation of the condensed interim consolidated accounts at 30 June 2023, there was no impact on same. Given the aforementioned exception, management is currently evaluating the current potential tax impacts of the top-up tax. The Group may potentially be subject to the top-up tax because it has operations in Ireland, where the statutory tax rate is 12.5%, and in Puerto Rico, where, as a result of the special tax regime granted to our subsidiaries, their effective tax rate is below 15%. At 30 June 2023, the Group does not have sufficient information to determine the potential quantitative impact.

The Interest Rate Benchmark Reform (IBOR reform) was completed on 30 June 2023 given the cessation of the publication of Libor-dollar benchmarks and the new hybrid calculation methodology for Euribor that was approved by the authorities in 2019.

Naturgy has been directly affected by this reform because interbank interest rates (IBOR) were used as a reference in funding contracts and derivative financial instruments of the group. Naturgy uses interest rate derivatives (mainly interest rate swaps) to hedge cash flows. Some derivative financial instruments were indexed to floating interest rates that have been affected by the IBOR reform, mainly Euribor and Dollar-Libor. During the transition period, from January 2021 to June 2023, Naturgy adopted the temporary exceptions (IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) "Interest Rate Benchmark Reform: Phase 2") and avoided interrupting existing hedging relationships.

With respect to Euribor, it was not necessary to amend existing contracts and, likewise, it is understood that those financial instruments indexed to Euribor are not exposed to a high degree of uncertainty.

In the case of the change from the Libor-dollar index to SOFR, the non-disruptive transition of contracts was completed at 30 June 2023 with the exception of a loan at a Chilean subsidiary whose replacement will be effective upon expiration of the current drawdown period and all derivatives have already been amended to reference SOFR.

At 30 June 2023, the nominal amount of hedging instruments indexed to IBOR indexes, excluding Euribor, is as follows:

	Currency	Notional (million USD)	
		30.06.2023	31.12.2022
Interest rate swaps indexed to Dollar Libor	USD	—	944

At 30 June 2023, the nominal amount of bank borrowings and of bonds or other marketable securities indexed to IBOR indexes, excluding Euribor, is as follows:

	Currency	30.06.2023	31.12.2022
Bank funding indexed to Dollar Libor	USD	16	2,114

Standards that will enter force on or after 1 January 2024

Standards issued by the IASB and yet to be adopted by the European Union		Entry into force for annual periods
IFRS 16 (amendment) "Lease liability in a sale and leaseback"	Determination of the accounting treatment by a seller-lessee	1 January 2024
IAS 1 Presentation of Financial Statements (amendment)	Classification of liabilities as current and non-current.	1 January 2024
IAS 1 (amendment) "Non-current liabilities with covenants"	Accounting for a liability subject to a covenant	1 January 2024
IAS 7 and IFRS 7 (amendment) "Supplier finance arrangements"	Disclosures about such agreements	1 January 2024

None of these standards or amendments was applied early. The application of these amendments is not expected to give rise to a material impact.

2.4. Accounting policies

The accounting policies applied in these condensed interim consolidated accounts are the same as those applied in the consolidated annual accounts for the year ended 31 December 2022, except for the adoption of the new EU-IFRS standards, interpretations and amendments that came into force on 1 January 2023.

2.5. Significant accounting estimates, assumptions and judgements

The preparation of the interim consolidated accounts 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 judgments" in the consolidated annual accounts for the year ended 31 December 2022.

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

b. COVID-19

The pandemic continued to tail off in the first half of 2023, with increasing immunity in the population due to vaccination and to infection, a decrease in mortality and a reduction in pressure on health systems. In this context, most countries adopted strategies to coexist with the virus and avoid control measures that might interrupt normal life and economic activities.

Despite the decrease in its virulence and incidence, the virus has not ceased to be a threat to health and to the world economy.

The Group continues to monitor short- and long-term trends in the economic cycle with the objective of minimising adverse effects of new outbreaks or sharp recoveries on the business, prospects, financial position and results of operations.

The estimates and assumptions required to prepare these interim consolidated accounts took account of those prospects and are detailed in the corresponding notes.

c. Military conflict between Russia and Ukraine

More than a year after Russia's invasion of Ukraine, the war has resulted in thousands of deaths, the displacement of a considerable part of the Ukrainian population across Europe, and extensive damage to the infrastructure of the country under attack.

Many countries responded immediately by contributing humanitarian and military aid to Ukraine, as well as imposing measures and sanctions on Russia.

The direct consequences of the war and the effects of the aforementioned measures and sanctions have had serious consequences on the world economy, generating increases in commodity prices, inflationary pressures, supply chain constraints and volatility in the financial and commodity markets.

Particularly in the energy sector, the war triggered one of the worst global crises in recent times, with skyrocketing and highly volatile energy prices, while the Western powers adopted measures to suspend the purchase of fossil fuels from Russia. Despite a turbulent 2022, the situation eased somewhat in the first part of this year due to high inventories, increased supply and contained growth in demand.

Considering the scenario in question and in compliance with the 2022 recommendations by the European Securities and Markets Authority (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, with particular reference to the generalised increase in commodity prices and the reduced availability of material supplies from areas affected by the conflict. In this context, as part of its diversified portfolio, Naturgy is party to a long-term contract concluded in 2013 with an international consortium comprising Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) to procure gas originating in Russia that is not affected by any type of sanction. In the first half of 2023, this contract accounted for 14% of Naturgy's overall procurements (14% in 2022). In addition, Naturgy has no counterparties potentially affected by the sanctions.

Naturgy has no holdings in companies operating in Russia or Belarus, or investments in those countries. Nor does it have any cash or cash equivalent balances that are restricted as a result of the aforementioned measures and sanctions. For further details on interest rate, commodity price, credit and liquidity risks, see Note 13.

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.

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

To determine the accounting adjustment for deviations in the market price at renewable generation facilities subject to the specific remuneration regime, as described in note 2.4.23 to the consolidated annual accounts for the year ended 31 December 2022, Naturgy considered the market prices for the years 2023, 2024 and 2025 established in Royal Decree-Law 5/2023, of June 28, as well as 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 of the consolidated annual accounts for the year ended 31 December 2022, Naturgy determines, based on the best estimate of the evolution of energy market prices, whether abandoning the remuneration system would not have significantly more adverse economic consequences than remaining in it and, in this situation, it does not apply the general approach for recognising the liability and recognises only the asset in the event of positive market deviations. The unrecognised liability in this connection amounted to Euros 81 million at 30 June 2023 and Euros 145 million at 31 December 2022.

2.6. Changes in consolidation scope

Appendix I. lists the main changes to the consolidation scope in the six-month period ended 30 June 2023 and in 2022.

2023

The company Nueva Electricidad del Gas, S.A.U. was liquidated on 5 January 2023, with no impact on the interim consolidated income statement at 30 June 2023.

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

On 23 February 2023, the company Naturgy Comercializadora Empresas, S.A.U. was incorporated.

On 28 March 2023, Naturgy acquired, through its subsidiary Naturgy Renovables, S.L.U., 100% of the company Andújar 100 Solar, S.L.

On 30 March 2023, H2Meirama, S.L. was incorporated.

On 27 April 2023, Naturgy acquired, through its subsidiary Naturgy Renovables, S.L.U., 100% of the companies Hazas Energy, S.L., Josemanil Energy, S.L., Cabrerías Wind Energy, S.L., Villanueva Energy, S.L., Villanueva Two Energy, S.L., and Cortijo Nuevo Energy, S.L.

On 7 June, Greene W2BM, S.L. was incorporated.

As indicated in Note 2.4.1. to the consolidated annual accounts at 31 December 2022, Naturgy performed an analysis of the acquisitions made by Naturgy Renovables, S.L.U. during the first six months of 2023 to determine whether they are acquisitions of lines of business, and it concluded that they are acquisitions of assets and not lines of business, since the fair value of the acquired gross assets relates to renewable facilities that are in the development phase.

2022

On 8 February 2022, 33.33% of Infraestructuras San Serván SET 400, S.L. was acquired, and on 8 March 2022, 100% of Montalto di Castro Solar, S.R.L. was acquired. On 15 July 2022, 100% of Foggia Solar, S.r.l. was acquired. Those acquisitions did not have a material impact on the consolidated annual accounts at 31 December 2022. On 15 November 2022, 13.77% of Infraestructuras San Serván SET 400, S.L. was sold.

In May 2022, through its subsidiary Naturgy Renovables, S.L.U., Naturgy acquired an additional 50% of Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L., thereby attaining a 100% controlling interest. These companies are now consolidated as subsidiaries (Note 22).

In December 2022, the sale of 100% of the holding in Naturgy Almacенamientos Andalucía, S.A. was completed, generating a pre-tax loss of Euros 2 million. The assets of Petroleum Oil & Gas España, S.A. were also sold, generating a pre-tax profit of Euros 5.4 million.

On 12 December 2022, the merger of Unión Fenosa Gas, S.A. with Naturgy Aprovisionamientos, S.A. was registered, with accounting effects from 1 January 2022. For these purposes, the merger balance sheet used was that of Unión Fenosa Gas, S.A. at 31 December 2021 and the accounting entries of the merged company in the year were entered in the annual accounts of Naturgy Aprovisionamientos, S.A. This transaction had no impact on the consolidated annual accounts at 31 December 2022.

Note 3. Segment financial information

Within the framework of the continuous transformation process and with the objective of having a financial reporting structure that is adapted to Naturgy's businesses, during the first half of 2023 a new strategic area, Renewable Gases, was added to the three areas that existed at 31 December 2022: Energy and Network Management, Renewables and New Businesses (now Renewable Generation), and Marketing.

At the same time, some changes were made in the composition of the operating segments that will provide greater clarity on the progress of operations. These changes were accompanied by a change in the model for reporting to Naturgy's senior management, which is responsible for regularly reviewing the results of the segments within the company's operating decision-making process in order to decide on the resources to be allocated to each of them and to evaluate their performance.

In addition to the creation of Gases Renovables, which was integrated into Renewables and New Businesses at 31 December 2022, the changes in the composition of the operating segments are as follows:

- The International LNG and Markets and Procurements segments were merged.
- Renewables Spain and Renewables USA were separated.

These changes were also applied to the comparative information for June 2022, which has been restated to reflect the modifications to the defined segment structure during the year.

– Energy Management and Networks:

- Iberian Networks:
 - Gas networks Spain: encompasses the regulated gas distribution business in Spain.
 - Electricity networks Spain: encompasses the regulated electricity distribution business in Spain.
- Latin American Networks:
 - Gas and electricity networks in Argentina.
 - Gas networks in Brazil.
 - Gas networks and supply in Chile.
 - Gas networks in Mexico.
 - Electricity networks in Panama.
- Energy Management:
 - LNG and Markets and Procurements, which includes the following activities:
 - supply of liquefied natural gas and shipping by sea (named International LNG up to 31 December 2022).
 - procurement and other gas infrastructure management and supply to energy-intensive consumers. (at 31 December 2022, all these activities were part of the Markets and Procurements segment).
 - Gas pipelines: manages the Medgaz gas pipelines (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).

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

- **Renewable gases:** manages renewable gas projects, specifically biomethane and green hydrogen. At 31 December 2022, it was part of the Renewables and New Businesses segment.

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

- **Rest:** basically refers to the corporation's operating expenses, as well as other activities under the category of New Businesses up to 31 December 2022.

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

Segment financial information - Interim statement of income

2023	Energy management and Networks													Renewable Generation										Total	
	Networks Spain			Networks Latam						Energy management				Total	Spain	USA	Latam	Australia	Total	Renew. Gas	Supply	Rest	Eli.		
	Gas net.	Electr. net.	Total	Argentina	Brazil	Chile	Mexico	Panama	Total	LNG and Markets	Pipelines	Spain CG	Latam CG												Total
Consolidated Net sales	490	381	871	273	876	406	361	427	2,343	3,582	—	532	342	4,456	7,670	22	—	50	14	86	—	4,265	33	—	12,054
Net sales between segments	45	17	62	—	—	—	—	—	—	950	—	633	—	1,583	1,645	316	—	4	—	320	—	626	23	(2,614)	—
Intersegment Net sales	—	—	—	—	—	—	—	—	—	637	—	—	—	637	637	—	—	—	—	—	—	—	—	(637)	—
Net sales (by segment)	535	398	933	273	876	406	361	427	2,343	5,169	—	1,165	342	6,676	9,952	338	—	54	14	406	—	4,891	56	(3,251)	12,054
Procurements (by segment)	(51)	—	(51)	(155)	(670)	(250)	(193)	(323)	(1,591)	(4,192)	—	(901)	(183)	(5,276)	(6,918)	(42)	—	(4)	—	(46)	—	(4,337)	(27)	3,226	(8,102)
Personnel expenses, net	(28)	(24)	(52)	(31)	(10)	(15)	(10)	(4)	(70)	(18)	—	(31)	(10)	(59)	(181)	(21)	(1)	(7)	(2)	(31)	(1)	(33)	(72)	—	(318)
Other operating income/expenses	(45)	(53)	(98)	(56)	(31)	(24)	(18)	(24)	(153)	(101)	—	(125)	(19)	(245)	(496)	(70)	(5)	(12)	(7)	(94)	(1)	(173)	(46)	25	(785)
EBITDA	411	321	732	31	165	117	140	76	529	858	—	108	130	1,096	2,357	205	(6)	31	5	235	(2)	348	(89)	—	2,849
Depreciation, amortisation & impairment losses	(132)	(126)	(258)	(4)	(26)	(33)	(32)	(28)	(123)	(42)	—	(49)	(206)	(297)	(678)	(94)	(47)	(39)	(6)	(186)	—	(57)	(23)	—	(944)
Impairment due to credit losses	—	5	5	(3)	(10)	1	(3)	(5)	(20)	(39)	—	(39)	—	(78)	(93)	—	—	—	—	—	—	(59)	—	—	(152)
Other results	—	—	—	—	—	—	—	—	—	(40)	—	—	—	(40)	(40)	—	—	—	—	—	—	—	—	—	(40)
Operating results	279	200	479	24	129	85	105	43	386	737	—	20	(76)	681	1,546	111	(53)	(8)	(1)	49	(2)	232	(112)	—	1,713
Results of equity-consolidated companies	—	1	1	—	—	10	1	—	11	3	8	—	31	42	54	(11)	—	—	—	(11)	—	—	—	—	43
Invest. in property, plant & equipment, intangible assets and right of use assets	57	165	222	19	30	24	29	52	154	1	—	37	29	67	443	130	81	10	148	369	—	53	9	—	874

2022	Energy management and Networks													Renewable Generation										Total	
	Networks Spain			Networks Latam						Energy management				Total	Spain	USA	Latam	Australia	Total	Renew. Gas	Supply	Rest	Eli.		
	Gas net.	Electr. net.	Total	Argentina	Brazil	Chile	Mexico	Panama	Total	LNG and Markets	Pipelines	Spain CG	Latam CG												Total
Consolidated Net sales	555	400	955	291	902	388	512	433	2,526	6,103	—	1,556	492	8,151	11,632	46	—	61	11	118	—	4,951	36	—	16,737
Net sales between segments	39	18	57	—	—	—	—	—	—	1,251	—	151	—	1,402	1,459	240	—	4	—	244	—	908	25	(2,636)	—
Intersegment Net sales	—	—	—	—	—	—	—	—	—	1,000	—	—	—	1,000	1,000	—	—	—	—	—	—	—	—	(1,000)	—
Net sales (by segment)	594	418	1,012	291	902	388	512	433	2,526	8,354	—	1,707	492	10,553	14,091	286	—	65	11	362	—	5,859	61	(3,636)	16,737
Procurements (by segment)	(60)	—	(60)	(157)	(724)	(345)	(364)	(339)	(1,929)	(7,975)	—	(1,515)	(340)	(9,830)	(11,819)	(45)	—	(12)	—	(57)	—	(5,522)	(41)	3,598	(13,841)
Personnel expenses, net	(27)	(22)	(49)	(28)	(10)	(13)	(9)	(4)	(64)	(19)	(8)	(29)	(8)	(64)	(177)	(18)	—	(7)	(1)	(26)	(1)	(32)	(31)	—	(267)
Other operating income/expenses	(51)	(51)	(102)	(54)	(26)	(18)	(16)	(22)	(136)	25	2	(89)	(17)	(79)	(317)	(58)	(25)	(11)	(10)	(104)	—	(148)	(51)	38	(582)
EBITDA	456	345	801	52	142	12	123	68	397	385	(6)	74	127	580	1,778	165	(25)	35	—	175	(1)	157	(62)	—	2,047
Depreciation, amortisation & impairment losses	(137)	(124)	(261)	(4)	(26)	(29)	(26)	(26)	(111)	(59)	—	(45)	(39)	(143)	(515)	(91)	(2)	(15)	(6)	(114)	—	(48)	(27)	—	(704)
Impairment due to credit losses	—	(6)	(6)	—	(13)	—	(3)	(7)	(23)	—	—	(12)	—	(12)	(41)	—	—	—	—	—	—	(86)	—	—	(127)
Other results	—	—	—	—	—	(128)	—	—	(128)	—	—	—	—	—	(128)	9	—	—	—	9	—	—	5	—	(114)
Operating results	319	215	534	48	103	(145)	94	35	135	326	(6)	17	88	425	1,094	83	(27)	20	(6)	70	(1)	23	(84)	—	1,102
Results of equity-consolidated companies	—	1	1	—	—	7	—	—	7	4	10	—	25	39	47	18	—	—	—	18	—	—	—	—	65
Invest. in property, plant & equipment, intangible assets and right of use assets	50	98	148	20	18	19	20	56	133	1	—	39	54	94	375	114	36	12	111	273	—	71	10	—	729

Note 4. Non-financial asset impairment losses

Definition of Cash Generating Units

At 30 June 2023, the Cash Generating Units (CGUs) are grouped according to the business description in Note 4. “Non-financial asset impairment losses” in the consolidated annual accounts for the year ended 31 December 2022, except for the merger of the International LNG and Markets and Procurements CGUs, because a single management unit controls these businesses' operations and assets. No asset impairment losses were recognised or reversed in these CGUs at 30 June 2023 or at 31 December 2022.

The New Businesses CGU is now called Renewable Gases and includes the biomethane and green hydrogen assets. The other assets that were classified under New Businesses at 31 December 2022 are included in the Other CGUs at 30 June 2023.

Information on recognised impairments

As indicated in the 2022 consolidated annual accounts, 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.

In June 2023, Naturgy updated the estimates of the recoverable value of CGUs whose value in use coincides with, or is very close to, the net carrying amount, considering changes in market conditions or regulatory changes. 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 of the 2022 consolidated annual accounts.

The current macroeconomic environment, strongly affected by the war between Russia and Ukraine (see note 2.5.c), was taken into account. Naturgy's management model ensures that any signs of deterioration arising as a result of the current macroeconomic environment are identified in a timely manner, allowing appropriate action to be taken.

The increase in interest rates and the increase in the perception of risk resulting in an increase in discount rates were also taken into account. Cash flows also reflect increases in inflation with effects mainly in the short term.

In connection with the effects of climate change, described and analysed in note 2.4.25.k to the consolidated annual accounts at 31 December 2022, the cash flows projected in the impairment tests take into account greenhouse gas emission reduction targets and the impacts of climate change on the recoverability of non-financial assets.

Aspects about the projections used

The most sensitive aspects included in the projections used are as follows:

- Latin American Networks: for the gas network CGU in Argentina:
 - Variations in tariffs. Estimate of expected future tariff increases.
 - Cost of raw materials and consumables. Estimated on the basis of predictive modelling based on an understanding of energy markets in the country.
 - Operation and maintenance costs. Estimate of cost performance.
 - Investments. Taking into account the necessary investments to maintain the regular use of the network and supply quality and safety.
- Thermal generation Spain:

As indicated in note 4 to the 2022 consolidated annual accounts, the projections for this CGU consider 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 envisage the need for the total installed capacity of the combined cycle generation units in the projection timeframe (2032).

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 annual accounts for the year ended 31 December 2022 .

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

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Price pool €/MWh	96.1	102,0	108,0	85,0	83,0	88,0	88,0	88,0	83,5	82,4
Brent (USD/bbl)	77.1	79,1	78,0	76,0	74,3	79,7	82,7	85,7	97,1	99,4
Gas Henry Hub (USD/MMBtu)	2.8	3,5	4,0	4,1	4,3	4,7	4,5	4,4	4,4	4,4
CO2 €/t	86.5	95,0	95,8	99,7	104,7	110,5	117,5	122,5	113,7	115,1

The projected flows assume the exceptional measures approved to address the increase in electricity prices will be extended during 2023 (Appendix II):

- the reduction in the remuneration of non-emitting facilities due to the gas price internalised in the wholesale gas market established by Royal Decree Law 17/2021
 - the production cost adjustment mechanism to reduce the price of electricity in the wholesale market regulated by Royal Decree Law 10/2022.
 - temporary suspensions of the taxes established in Law 15/2012.
 - Additionally, the temporary energy tax provided for in Law 38/2022, defined as a temporary public benefit of 1.2% of revenue for 2022 and 2023, was considered.
- Thermal power generation Mexico:

When updating the recoverable value of the combined cycle plants in Mexico, it was assumed that there would be an increase in the permits for development of renewable energy facilities, which would affect the market price used in the projections upon expiration of the long-term power purchase agreements with the CFE.

- Hydroelectric power generation in Spain:

The assumptions concerning changes in the pool price 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 were determined in accordance with the value in use, as detailed in Note 4 to the consolidated annual accounts for the year ended 31 December 2022. For the electricity produced, developments in precipitation and their impact on water flows are taken into account.

The projected flows assume the exceptional measures approved to address the increase in electricity prices will be extended during 2023 (Appendix II):

- the reduction in the remuneration of non-emitting facilities due to the gas price internalised in the wholesale gas market established by Royal Decree Law 17/2021.
- the measures envisaged to regulate water stored for hydroelectric use.
- temporary suspensions of the taxes established in Law 15/2012.
- Additionally, the temporary energy tax provided for in Law 38/2022, defined as a temporary public benefit of 1.2% of revenue for 2022 and 2023, was considered.

– Renewable generation Spain:

As a result of the court ruling adopting precautionary measures to suspend the permits granted to a renewable wind power facility under construction in Spain, the impairment of the facility was estimated for the event that the appeals are ultimately upheld.

– Renewable generation USA:

Construction costs of renewable projects in the USA have increased as a result of the measures adopted in the USA in connection with photovoltaic plant components from China and inflation. This increase in costs evidences a worsening of these assets' economic performance with respect to expectations and, consequently, the impairment test for the projects in the USA was updated.

– Renewable generation Chile:

In the case of Renewable Generation Chile, due to the situation in the electricity market in Chile the company Ibereólica Cabo Leones II S.A. requested the suspension of the long-term power purchase agreement and was suspended as a market operator as from 8 October 2022. During 2023, the Company has continued negotiations with the National Energy Commission, which entail assessing the continuity of the Company as a market player; consequently, the scenario of non-suspension of the long-term power purchase agreement is now considered to have a higher probability than was assumed in the impairment test performed in 2022.

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 2023 and in 2022 are as follows:

Discount rate	June 2023	2022
Energy and network management		
Gas distribution Argentina (1)	24.0 %	22.8 %
Thermal generation Spain	8.8 %	8.2 %
Thermal Generation Mexico	12.6 %	12.0 %
Renewable generation		
Hydroelectric generation Spain	7.4 %	6.8 %
Latin America Renewables (2)	10.8 %	10.8 %
USA Renewables	7.0 %	6.5 %

(1) Rate determined in USD

(2) Only includes Chile renewable generation

The growth rates in the impairment tests carried out in the six-month period ended 30 June 2023 and in 2022 are as follows:

Growth rate	June 2023	2022
Energy and network management		
Gas distribution Argentina	13.7 %	12.6 %
Thermal generation Spain	2.0 %	2.0 %
Thermal Generation Mexico	2.1 %	2.1 %
Renewable generation		
Hydroelectric generation Spain	2.0 %	2.0 %
Latin America Renewables (1)	2.1 %	2.1 %
USA Renewables	2.1 %	2.1 %

(1) Only includes Chile renewable generation

Result of the tests

As a result of the impairment tests carried out in the six-month period ended 30 June 2023 and in 2022, the recoverable values, calculated in accordance with the methodology described in Note 2.4 to the 2022 consolidated annual accounts, were higher than the carrying amounts recognised in these interim consolidated accounts, except for:

Six-month period ended June 30, 2023

Impairment in the amount of Euros 253 million was recognised under "Depreciation/amortisation and impairment losses" as follows:

- Thermal generation Mexico: as a result of updating the impairment test for the Thermal generation Mexico CGU, impairment of goodwill amounting to Euros 168 million was recognised.
- Renewable generation Spain: the impact of the precautionary measure suspending the permit for a wind farm under construction was evaluated, and an impairment of Euros 13 million corresponding to property, plant and equipment was recognised (Note 5).
- Renewable generation USA: the various projects were assessed, resulting in the recognition of impairment in the amount of Euros 47 million, of which Euros 34 million corresponds to intangible assets (Note 5) and Euros 13 million to property, plant and equipment (Note 5) relating to two of the projects acquired, basically due to the increase in construction costs. The value of these projects, determined on the basis of their value in use, which is equivalent to their carrying amount, is Euros 137 million.
- Renewable generation Chile: as a result of the situation with Cabo Leones described above, impairment in the amount of Euros 25 million was recognised for property, plant and equipment (Note 5). The recoverable amount of Cabo Leones, which is equivalent to its carrying amount, is Euros 169 million.

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 June 30, 2023

Thermal power generation Spain: the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail an impairment of Euros 53 million.
- a decrease in the growth rate of 50 basis points would entail an impairment of Euros 17 million.
- a decrease in electricity output of 5% would entail an impairment of Euros 85 million.
- a decrease in the average electricity price of Euros 1/MWh over the remaining life of the facility together with the variation in the related cost of gas and CO2 would entail an impairment of Euros 47 million.

Hydroelectric power generation in Spain: the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail an impairment of Euros 45 million.
- a decrease in the growth rate of 50 basis points would entail an impairment of Euros 14 million.
- a decrease in electricity output of 5% would entail an impairment of Euros 75 million.
- a decrease in the average electricity price over the facility's remaining life of Euros 1/MWh would entail an impairment of Euros 1.3 million.

Gas distribution Argentina: the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail a decline in value of Euros 5 million.
- a decrease in the growth rate of 50 basis points would entail a decline in value of Euros 2 million.
- a decrease in the rate/remuneration trend of 5% would entail a decline in value of Euros 2 million.

- an increase in operating and maintenance costs of 5% would entail a decline in value of Euros 7 million.
- an increase in investments of 5% would entail a decline in value of Euros 3 million.

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

- an increase in the discount rate of 50 basis points would entail an additional impairment of Euros 36 million.
- a decrease in the growth rate of 50 basis points would entail an additional impairment of Euros 9 million.
- a 5% decrease in the sale market price of electricity would entail an additional impairment of Euros 60 million.

Renewable generation USA: The result of the sensitivity analysis is as follow:

- an increase in the discount rate of 50 basis points would entail an impairment of Euros 13 million.
- an increase in construction costs of 5% would entail an additional impairment of Euros 2 million.
- a decrease in electricity sale prices of 5% would entail an additional impairment of Euros 4 million.

Electricity generation Chile:

With the weighting of scenarios considered in the impairment test for Ibereólica Cabo Leones, there are no scenarios that might give rise to a material increase in the impairment already recognised for this company's assets.

Other CGUs

Apart from the aforementioned tests, no additional sensitivity analysis was performed for the other CGUs for the six-month period ended 30 June 2023, as there was no indication 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 2023 are as follows:

	Goodwill	Other Intangible assets	Total Intangible assets	Property, plant and equipment	Right-of-use assets
Gross cost	2,998	5,990	8,988	37,724	1,712
Amortisation fund and impairment losses	—	(3,016)	(3,016)	(20,345)	(550)
Carrying amount at 31.12.2022	2,998	2,974	5,972	17,379	1,162
Investment (Note 3)	—	133	133	706	35
Divestment	—	—	—	(1)	(1)
Amortisation charge (Note 18)	—	(141)	(141)	(496)	(54)
Impairment losses (Note 4 & 18)	(174)	(28)	(202)	(51)	—
Currency translation differences (1)	(5)	56	51	73	(1)
Business combinations (Note 2.6)	—	104	104	18	—
Reclassifications and other	—	6	6	30	—
Carrying amount at 30.06.2023	2,819	3,104	5,923	17,658	1,141
Gross cost	2,819	6,312	9,131	38,680	1,744
Amortisation fund and impairment losses	—	(3,208)	(3,208)	(21,022)	(603)
Carrying amount at 30.06.2023	2,819	3,104	5,923	17,658	1,141

⁽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 2023 resulted in the recognition of Euros 253 million in impairment. Impairment of Euros 17 million was recognised in the first half of 2022 in respect of cogeneration projects in the Renewable generation Spain business segment as a result of the current energy and regulatory scenario, which was reversed in the second half of 2022 after the publication of amendments to legislation.

At 30 June 2023, Naturgy had investment commitments totalling Euros 845 million (Euros 969 million at 31 December 2022) 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 or aggregated CGUs in the six-month period ended 30 June 2023 are as follows:

	01.01.2023	Currency translation differences	Impairment losses	30.06.2023
Networks and Energy management	1,795	(6)	(168)	1,621
Electricity networks Spain	1,070	—	—	1,070
Markets and LNG	19	—	—	19
Thermal generation Mexico	473	(9)	(168)	296
Brazil gas networks	13	1	—	14
Chile gas networks	59	2	—	61
Mexico gas networks	21	3	—	24
Panama Electricity networks	140	(3)	—	137
Renewable generation	776	1	(6)	771
Spain	757	—	—	757
USA	9	—	(6)	3
LatAm	10	1	—	11
Supply	427	—	—	427
Total	2,998	(5)	(174)	2,819

Note 6. Investments in companies

Associates and joint ventures

Changes in the Investments in associates and joint ventures item relate basically to changes in the equity of those companies.

In the six-month period ended 30 June 2022, the main change in Investments accounted for using the equity method relates to the agreement reached with the Acciona group to separate the wind farms that they managed jointly through Desarrollo de Energías Renovables de Navarra, S.A., P.E. Cinseiro, S.L and Explotaciones Eólicas Sierra de Utrera, S.L (Note 22).

Under the agreement, Naturgy Renovables, S.L.U. acquired an additional 50% of the companies Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L. from the Acciona group, as a result of which it attained a 100% controlling interest and consolidated them as subsidiaries, as a result of which they ceased to be recognised using the equity method.

Note 7. Financial assets

Set out below is a breakdown of financial assets at 30 June 2023 and 31 December 2022, by nature and category:

30.06.2023	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Equity instruments	7	—	—	7
Derivatives (Note 13)	141	—	—	141
Other financial assets	—	—	387	387
Non-current financial assets	148	—	387	535
Derivatives (Note 13)	84	65	—	149
Other financial assets	—	—	209	209
Current financial assets	84	65	209	358
Total	232	65	596	893

31.12.2022	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Equity instruments	8	—	—	8
Derivatives (Note 13)	152	37	—	189
Other financial assets	—	—	296	296
Non-current financial assets	160	37	296	493
Derivatives (Note 13)	62	32	—	94
Other financial assets	—	—	314	314
Current financial assets	62	32	314	408
Total	222	69	610	901

Financial assets recognised at fair value at 30 June 2023 and 31 December 2022 are classified as follows:

Financial assets	30.06.2023				31.12.2022			
	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	—	225	7	232	—	214	8	222
Fair value through profit or loss	—	65	—	65	—	69	—	69
Total	—	290	7	297	—	283	8	291

Fair value through other comprehensive income

- Equity instruments:

As described in Note 9 to the consolidated annual accounts at 31 December 2022, the holding in Electrificadora del Caribe, S.A. ESP (Electricaribe) is valued at Euros 0 million at 30 June 2023 and 31 December 2022. Additionally, a deferred tax asset of Euros 105 million has also been recognised at 30 June 2023 and 31 December 2022 for the tax loss that will be deductible once settlement is attained.

- Derivatives:

Relates to the valuation of hedging derivatives linked to financial liabilities amounting to Euros 225 million (Note 13), of which Euros 84 million is classified as current assets (Euros 214 million at 31 December 2022, of which Euros 62 million were classified as non-current).

Fair value through profit or loss

- Derivatives:

In the context of the agreement concluded in relation to Unión Fenosa Gas (Note 32 to the consolidated annual accounts for the year ended 31 December 2022), a contingent account receivable was disclosed for the sale of a gas procurement contract with an estimated fair value at the completion date of Euros 19 million. The aforementioned price adjustment will be collected in January 2024 based on the average TTF price until settlement; the amount is capped and, consequently, the fair value recognised under this heading in current financial assets at 30 June 2023 is Euros 37 million (Euros 37 million at 31 December 2022, classified as non-current).

Also included are derivatives linked to the financial liabilities of Ibereólica Cabo Leones II and GPG Solar Chile 2017 SPA amounting to Euros 28 million (Euros 32 million at 31 December 2022) (Note 13).

Amortised cost

Other financial assets at 30 June 2023 contains mainly the following:

- Current and non-current "Trade receivables" totalling Euros 39 million (Euros 23 million at 31 December 2022) mainly include receivables for the provision of energy management services which accrued interest at an average rate of 3.92% at 30 June 2023 and 31 December 2022.
- "Deposits and guarantees" in the amount of Euros 165 million, of which Euros 107 million are non-current and Euros 58 million are current (Euros 244 million at 31 December 2022, of which Euros 107 million non-current and Euros 137 million current), that basically includes amounts deposited with the competent public administrations under applicable legislation in respect of guarantees and deposits received from customers when contracts are concluded to secure the supply of electricity and natural gas, as well as deposits related to derivative positions.
- Temporary mismatches between electricity system revenues and costs, which are 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. The balance of these temporary mismatches was Euros 0 million at 30 June 2023 (Euros 6 million at 31 December 2022).
- Temporary mismatches between gas system revenues and costs in the amount of Euros 31 million (Euros 73 million at 31 December 2022) that, pursuant to Commission Regulation (EU) 2017/460 of 16 March 2017, Royal Decree-Law 1/2019, of 11 January, and Order TED/1022/2021, of 27 September, must be recovered in the subsequent gas year. Specifically, Order TED/1022/2021 establishes that the annual mismatch will be recovered in the first available settlement for 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 108 million (Euros 117 million at 31 December 2022), of which Euros 15 million is classified in current assets (Euros 16 million in 2022). These receivables are classified under this heading as they represent an unconditional right to receive fixed or determinable amounts of cash.
- Receivables in the amount of Euros 41 million relating to the guaranteed deferred payments under the agreement with the Egyptian government described in Note 32 to the consolidated annual accounts at 31 December 2022 (Euros 41 million at 31 December 2022), classified as current assets.
- Receivables in the amount of Euros 83 million classified as non-current relating to the accrued electricity distribution remuneration that is outstanding under system settlements and will be collected through such settlements in a period of over 12 months from 2024 onwards (Euros 57 million at 31 December 2022), classified as non-current assets.

- Current accounts receivable in the amount of Euros 45 million relating to Naturgy's reinsurance company in relation to amounts to be recovered for losses that have occurred on the group's assets (Euros 14 million at 31 December 2022).

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

The “Other non-current assets” and “Trade and other receivables” accounts at 30 June 2023 and 31 December 2022, classified by nature and category, are as follows:

30.06.2023	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Derivatives (Note 13)	99	—	—	99
Other assets	—	—	376	376
Other non-current assets	99	—	376	475
Derivatives (Note 13)	28	5	—	33
Other assets	—	—	3,486	3,486
Trade and other receivables	28	5	3,486	3,519
Total	127	5	3,862	3,994

31.12.2022	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Derivatives (Note 13)	180	—	—	180
Other assets	—	—	316	316
Other non-current assets	180	—	316	496
Derivatives (Note 13)	174	36	—	210
Other assets	—	—	5,591	5,591
Trade and other receivables	174	36	5,591	5,801
Total	354	36	5,907	6,297

Financial assets recognised at fair value at 30 June 2023 and 31 December 2022 are classified as follows:

Financial assets	30.06.2023				31.12.2022			
	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	—	127	—	127	23	331	—	354
Fair value through profit or loss	5	—	—	5	16	20	—	36
Total	5	127	—	132	39	351	—	390

Fair value through other comprehensive income

In financial assets, derivatives at fair value through other comprehensive income include operational gas price hedging derivatives amounting to Euros 111 million (Euros 310 million at 31 December 2022), of which Euros 83 million are classified as non-current (Euros 159 million at 31 December 2022) (Note 13).

This item also contains operating derivatives for hedging electricity prices, including the power purchase agreement for the electricity produced by a photovoltaic plant in the United States in the amount of Euros 16 million at 30 June 2023 (Euros 20 million at 31 December 2022).

Amortised cost

"Other non-current assets" refer basically to:

- Unbilled revenues recognised in respect of levelling the duration of service contracts relating to the assignment of electricity generation capacity with Mexico's Federal Electricity Commission. At 30 June 2023, the balance was Euros 174 million (Euros 190 million at 31 December 2022).
- An amount of Euros 186 million (Euros 101 million at 31 December 2022) in connection with the Brazilian Federal Supreme Court's May 2021 ruling in favour of Naturgy companies CEG and CEG Rio, acknowledging their entitlement to receive the amounts paid incorrectly 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) tax in the calculation base of the "Programas de Integração Social" (PIS) and the "Contribuição para Financiamento da Seguridade Social" (COFINS). This asset was recognised with a credit to "Other non-current liabilities" in the consolidated balance sheet on the understanding that the tax credit will be passed on to end users through tariff reviews, even though it will not be disbursed in the short term.

At 30 June 2023, the "Trade and other receivables" account contains accrued balances for unbilled electricity and gas sales amounting to Euros 1,432 million (Euros 1,634 million at 31 December 2022). At 31 December 2022, the forecasts for unbilled sales include the amount relating to the increase in the cost of raw materials that has yet to be passed through into the last resort tariff for natural gas, amounting to Euros 277 million as a result of the difference between the cost of raw materials calculated in accordance with the current methodology and that resulting from the application of Royal Decree-Law 17/2021 of 14 September. Although the adjustment to the increase in the last resort gas tariff is maintained as a result of the settlement mechanism established by Royal Decree-Law 18/2022, of 18 October, no amount pending billing to customers under this heading is recognised at 30 June 2023 since these amounts are recovered through settlements made by the CNMC.

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

At 30 June 2023 and 31 December 2022, the Group did not have any non-current assets held for sale or any related liabilities.

At 30 June 2022, the "Net profit for the period from discontinued operations, net of taxes" account contains Euros 16 million for the re-estimation (net of taxes) of the indemnities agreed with the buyer in the sale of the "Electricity distribution in Chile" business detailed in note 11 to the 2022 consolidated annual accounts.

Note 10. Net Equity

The main equity items are analysed below:

Share capital and share premium

The variations during the first half of 2023 and in 2022 in the number of shares and the share capital and share premium accounts are as follows:

	Number of shares	Share capital	Share premium	Total
01.01.2022	969,613,801	970	3,808	4,778
Variation	—	—	—	—
31.12.2022	969,613,801	970	3,808	4,778
Variation	—	—	—	—
30.06.2023	969,613,801	970	3,808	4,778

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

In the six-month period ended 30 June 2023 and the year ended 31 December 2022, there were no changes in the number of shares or in the "Share capital" and "Share premium" accounts.

The Company's Board of Directors is empowered, for a maximum term of five years as from 15 March 2022, to increase share capital by at most 50% of the Company's share capital at the time of the authorisation, at one or more times, for 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 possibility of partly or wholly overriding preferential subscription rights up to at most 20% of share capital at the date of this authorisation, and to amend the By-laws as required due to the capital increase or increases performed by virtue of that authorisation, with the possibility of incomplete subscription, in accordance with the provisions of Article 297.1.b) of the Spanish Companies Act.

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 Act 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, S.A. at 30 June 2023 and 31 December 2022, based on publicly available information and the disclosures made to Naturgy Energy Group, S.A., are as follows:

	Interest in share capital %	
	30.06.2023	31.12.2022
- 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)	14.5	14.0
- Sonatrach	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 Acquisitions S.à.r.l.

(4) Through Globl InfraCo O (2), S.à.r.l.

All Naturgy shares are traded on the four official Spanish Stock Exchanges and the continuous market, and form part of Spain's Ibx 35 stock index.

The share price of Naturgy Energy Group, S.A. at 30 June 2023 was Euros 27.26 (Euros 24.31 at 31 December 2022).

Share-based payments

As described in Note 14 to the consolidated annual accounts at 31 December 2022, on 31 July 2018, the Board of Directors approved a long-term variable incentive (LTI) plan for the Executive Chairman and 25 other executives, the main characteristics of which 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 Business 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 3 million (Euros 3 million at 30 June 2022) was recognised in the consolidated income statement for the six-month period ended 30 June 2023 under "Personnel expenses" with a credit to "Reserves" in the consolidated balance sheet.

Own shares

Movements involving own shares of Naturgy Energy Group, S.A. during the six-month period ended 30 June 2023 and in 2022 are as follows:

	Number of shares	Amount (million euro)	% Capital
01.01.2022	8,802,821	204	0.9
Share acquisition plan	15,000	—	—
Delivery to employees	(122,328)	(3)	—
30.06.2022	8,695,493	201	0.9
Share acquisition plan	—	—	—
31.12.2022	8,695,493	201	0.9
Share acquisition plan	210,000	6	—
Delivery to employees	(172,992)	(5)	—
30.06.2023	8,732,501	202	0.9

No income was obtained on transactions with own shares in the six-month period ended 30 June 2023 or in 2022.

On 5 March 2019, the shareholders in general meeting authorised the Board of Directors to purchase fully paid Company shares within a period of five years, in one or more transactions; the nominal value of the shares acquired directly or indirectly, 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 or higher than their quoted price.

The minimum and maximum acquisition price will be the share price on the continuous market of the Spanish stock exchanges plus or minus 5%.

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

Six-month period ended 30 June 2023

- Share acquisition plan: In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the general meeting held 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 an amount of Euros 6 million and, during April 2023, a total of 172,992 shares were delivered to employees for an amount of Euros 5 million, leaving a surplus of 37,008 own shares which were added to the 55,898 shares left over from the Share Acquisition Plans for 2019 through 2021.

2022

- Share acquisition plan: As mentioned in the previous paragraph, as part of the Share Acquisition Plan 2020-2023, the plan for 2021, for Naturgy employees in Spain, was set in motion in December 2021. This plan was completed in January 2022 through the acquisition of 15,000 own shares in addition to the 127,453 shares acquired in December 2021, for an amount of Euros 0.4 million. During January 2022, a total of 122,328 shares amounting to Euros 3 million were delivered to employees. The surplus of 20,125 treasury shares was added to the 35,773 shares left over from the 2020 and 2019 Share Acquisition Plans.

At 30 June 2023 and 31 December 2022, 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:

	30.06.2023	30.06.2022
Profit attributable to equity holders of the parent company	1,045	557
Average number of ordinary shares in issue	960,867,266	960,898,198
Earnings per share from continuing operations (in euro):		
- Basic	1.09	0.6
- Diluted	1.09	0.6
Earnings per share from discontinued activities (in euro):		
-Basic	—	(0.02)
-Diluted	—	(0.02)

The weighted average number of ordinary shares used in the calculation of earnings per share in the first half of 2023 and in 2022 is as follows:

	2023	2022
Average number of ordinary shares	969,613,801	969,613,801
Average number of treasury shares	(8,746,535)	(8,715,603)
Average number of shares in issue	960,867,266	960,898,198

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 as at 30 June 2023.

Dividends

Set out below is a breakdown of the payments of dividends made in 2023 and 2022:

	30.06.2023			30.06.2022		
	% of Nominal	Euros per share	Amount (1)	% of Nominal	Euros per share	Amount (1)
Ordinary shares	50 %	0.50	485	50 %	0.50	485
Other shares (without voting rights, redeemable, etc.)	—	—	—	—	—	—
Total dividends paid	50 %	0.50	485	50 %	0.50	485
a) Dividends charged to income statement or reminder	50 %	0.50	485	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 480 million at 30 June 2023 (Euros 481 million at 30 June 2022).

Additionally, dividends paid to non-controlling shareholders in the six-month period ended 30 June 2023 amounted to Euros 10 million and remuneration for other equity instruments amounted to Euros 29 million (Euros 166 million in total at 30 June 2022).

30 June 2023

On 20 February 2023, the Board of Directors adopted the following proposal for the distribution of the Company's net profit for 2022 and retained earnings, for submission to the annual general meeting:

BASIS OF DISTRIBUTION

Profit.....	1,435
Retained earnings.....	2,320
Available for distribution.....	3,755

DISTRIBUTION:

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

- i. Euros 679 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2022 paid by Naturgy Energy Group, S.A., jointly equivalent to Euros 0.70 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 prepared and in accordance with the legal requirements, which revealed the existence of sufficient liquidity for the distribution of these interim dividends out of the profit for 2022, and
- ii. The amount obtained by multiplying Euros 0.50 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 679 million of that dividend were paid on 18 August and 18 November 2022. 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 will be paid to shareholders from 4 April 2023 onwards.

To that end, the Board of Directors was empowered, with express powers of substitution by director(s) whom it sees fit, to perform all the actions required to carry out the distribution and, in particular, without limitation, so that they may designate the entity to act as payment agent.

TO RETAINED EARNINGS: Determinable amount to be obtained by subtracting the amount allocated to Dividends from the Basis for Distribution.

TOTAL DISTRIBUTED 3,755

The Shareholders' Meeting held on 28 March 2023 approved the supplementary dividend of Euros 0.50 per share for all shares not classified as direct treasury stock on the date of distribution; this dividend was paid in full on 4 April 2023.

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

On 20 July 2023, the Board of Directors of Naturgy Energy Group, S.A. declared an interim dividend of Euros 0.5 per share out of 2023 profits, for shares not classified as direct treasury stock on the date of distribution, payable as from 7 August 2023.

Naturgy Energy Group, S.A. had sufficient liquidity to pay the interim dividend at the approval date in accordance with the Spanish Companies Act. The provisional liquidity statement as at 30 June 2023 drawn up by the Directors on 20 July 2023 is as follows:

Profit after tax		841
Reserves to be replenished		—
Maximum amount distributable		841
Forecast maximum interim dividend payment (1)		485
Cash resources	2,309	
Undrawn credit facilities	5,283	
Total liquidity		7,592

(1) Amount considering total shares issued

30 June 2022

On 3 February 2022, the Board of Directors approved a proposal and submitted it to the general meeting of shareholders for the distribution of the net profit of Naturgy Energy Group, S.A. for 2021 and retained earnings from previous years, detailed in Note 14 of the notes to the consolidated annual accounts for the year ended 31 December 2021.

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 15 March 2022 approved a supplementary dividend of Euros 0.50 per share for shares not classified as direct treasury stock on the distribution date, which was fully paid in cash on 22 March 2022.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,320 million.

Other equity components

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
31.12.2022	(468)	(1,323)	273	(1,518)	(1,326)	(2,844)
Change in value	—	582	(57)	525	61	586
Taken to income statement	—	432	(62)	370	40	410
Other	—	—	—	—	—	—
30.06.2023	(468)	(309)	154	(623)	(1,225)	(1,848)

The "Exchange differences" item includes the exchange differences described in Note 2.4.2 to the consolidated annual accounts for the year ended 31 December 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 annual accounts of companies in hyperinflationary economies.

Non-controlling interest

Movements in non-controlling interests during the six-month period ended 30 June 2023 are as follows:

Balance at 31 December 2022	2,405
Total comprehensive income for the period	126
Distribution of dividends	(43)
Payments return on other equity instruments	(29)
Other changes	(1)
Balance at 30 June 2023	2,458

Note 11. Provisions

The breakdown of provisions at 30 June 2023 and 31 December 2022 is as follows:

	30.06.2023	31.12.2022
Provisions for employee obligations	360	344
Other provisions	1,466	1,312
Non-current provisions	1,826	1,656
Current provisions	336	700
Total	2,162	2,356

The "Provisions for obligations to employees" item includes the provisions for "Pensions and other similar obligations" and "Other employee benefits" detailed in Note 16 of the 2022 consolidated annual accounts.

In connection with the "Other employee benefits", the extension of the long-term incentive plan implemented with the Business Plan 2018-2022 was approved for Naturgy executives not included in the plan mentioned in Note 10 at the same time as the approval of the Business Plan 2021-2025. This change maintains the aim of aligning shareholders' interests, the fulfilment of the Business 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 fulfilment of the Business Plan 2021-2025.

In order to compensate for the delay in collection derived from the extension of the plan, a cash compensation was established which was paid upon the acceptance of the amendment and approval of the new LTI plan by the general meeting on 15 March 2022.

The provision for this commitment at 30 June 2023 amounted to Euros 37 million (Euros 25 million at 31 December 2022).

The "Other provisions" heading mainly refers to provisions recognised to cover obligations derived from decommissioning facilities, tax claims, litigation and arbitration, insurance and other liabilities. Note 26 contains further information on contingent liabilities related to litigation and arbitration.

In particular, at 30 June 2023, "Other non-current provisions" includes a provision of Euros 314 million (Euros 319 million at 31 December 2022) for the lawsuit between the Group company in Chile, Metrogas, S.A., and Transportadora de Gas del Norte S.A., as described in Note 26.

The "Current provisions" heading relates mainly to estimated CO2 emissions in the amount of Euros 203 million at 30 June 2023 (Euros 599 million in 2022).

Note 12. Financial liabilities

Set out below is a breakdown of financial liabilities, excluding "Trade and other payables", as at 30 June 2023 and 31 December 2022, by nature and category:

At 30 June 2023	Creditors and payables	Hedging derivatives	Total
Bank borrowings	5,270	—	5,270
Bonds and other negotiable securities	6,246	—	6,246
Derivatives (Note 13)	—	—	—
Lease liabilities	1,262	—	1,262
Other financial liabilities	—	—	—
Non-current financial liabilities	12,778	—	12,778
Bank borrowings	1,143	—	1,143
Bonds and other negotiable securities	1,424	—	1,424
Derivatives (Note 13)	—	39	39
Lease liabilities	166	—	166
Other financial liabilities	10	—	10
Current financial liabilities	2,743	39	2,782
Total financial liabilities at 30.06.2023	15,521	39	15,560

At 31 December 2022	Creditors and payables	Hedging derivatives	Total
Bank borrowings	5,221	—	5,221
Bonds and other negotiable securities	7,468	—	7,468
Derivatives (Note 13)	—	—	—
Lease liabilities	1,309	—	1,309
Other financial liabilities	1	—	1
Non-current financial liabilities	13,999	—	13,999
Bank borrowings	1,350	—	1,350
Bonds and other negotiable securities	735	—	735
Derivatives (Note 13)	—	25	25
Lease liabilities	177	—	177
Other financial liabilities	15	—	15
Current financial liabilities	2,277	25	2,302
Total financial liabilities at 31.12.2022	16,276	25	16,301

Financial assets at fair value at 30 June 2023 and 31 December 2022 are classified as follows:

Financial liabilities	30.06.2023				31.12.2022			
	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	—	39	—	39	—	25	—	25
Total	—	39	—	39	—	25	—	25

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

	Carrying amount		Fair value	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Issuing of debentures and other negotiable securities	6,246	7,468	5,849	6,957
Loans from financial institutions and other financial liabilities	5,270	5,222	5,240	5,166

Bonds and other marketable securities are quoted and, consequently, their fair value is estimated on the basis of their quoted price (Level 1). In loans from financial institutions and other financial liabilities, the fair value of loans with 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 at 30 June 2023 and 31 December 2022 for borrowings with similar credit and maturity characteristics. These valuations are based on the quoted price of similar financial instruments in an official market or on observable information in an official market (Level 2).

Issues of debt securities in the six-month period ended 30 June 2023 and in 2022 were as follows:

	01.01.2023	Issues	Buy-backs or redemptions	Adjustments, exch. rates & other	30.06.2023
Issued in a European Union Member State which required the filing of a prospectus	7,508	—	(550)	(41)	6,917
Issued in a European Union Member State which did not require the filing of a prospectus	—	—	—	—	—
Issued outside a European Union Member State	695	—	—	58	753
Total	8,203	—	(550)	17	7,670

	01.01.2022	Issues	Buy-backs or redemptions	Adjustments, exch. rates & other	31.12.2022
Issued in a European Union Member State which required the filing of a prospectus	7,939	300	(754)	23	7,508
Issued in a European Union Member State which did not require the filing of a prospectus	—	—	—	—	—
Issued outside a European Union Member State	647	—	(7)	55	695
Total	8,586	300	(761)	78	8,203

The total amount drawn under the Euro Medium Term Note (EMTN) programme stands at Euros 7,106 million (Euros 7,656 million as at 31 December 2022). The programme limit as at 30 June 2023 is Euros 12,000 million.

Six-month period ended 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 have been made under the Euro Commercial Paper (ECP) programme in 2023 and there were no outstanding issues under this programme at 30 June 2023.

The group continues to work on strengthening its financial profile. In this line, refinancing operations with credit institutions in Spain and in international business amounted to Euros 3,464 million and Euros 396 million, respectively, and include the refinancing of two syndicated credit lines in Spain for Euros 2,000 million and Euros 1,000 million with an extension of maturity by an additional year (maturing in 2026 and 2025, respectively).

Six-month period ended 30 June 2022

There were no issues under the EMTN programme in 2022.

In 2022, a bond matured for a total amount of Euros 454 million with an average coupon of 3.88%.

In 2022, issues under the Euro Commercial Paper (ECP) programme totalling Euros 300 million were carried out. There were no outstanding issues at 30 June 2022.

Refinancing transactions with credit institutions in Spain and in international business amounted to Euros 3,384 million and Euros 239 million, respectively, and include:

- Refinancing of the syndicated credit facility in Spain for Euros 2,000 million, with an extension of the maturity for an additional year (maturing in 2025).

Naturgy also enjoys a comfortable debt maturity profile and balance sheet position both at 30 June 2023 and at 31 December 2022, as well as flexibility in its capital expenditure and operating expenses to cope with the current economic situation.

Note 13. Risk management

Risk management is described in detail in note 18 to the consolidated annual accounts for the year ended 31 December 2022. The main aspects of financial risk are updated as at 30 June 2023 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.

A total of 79% of Naturgy's debt at 30 June 2023 is at fixed interest rates, while exposure to floating interest rates is limited.

The floating interest rate is exposed mainly to fluctuations of the EURIBOR, SOFR and the indexed rates of Mexico, Brazil, Argentina and Chile.

Note 2.3 details the main aspects in connection with the transition resulting from the IBOR reform.

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
30.06.2023	+50	(16)	45
	-50	16	(45)
31.12.2022	+50	(16)	47
	-50	16	(47)

In the context of the Ukraine conflict, the European Central Bank decided to reduce its bond-buying stimulus plan launched in March 2020 in response to rising inflation, and to raise interest rates. Although Eurozone inflation showed signs of moderation during the first half of 2023, the European Central Bank has continued its policy of raising interest rates. Those increases may raise the cost of debt and limit access to capital markets. In any event, Naturgy's floating-rate debt at 30 June 2023 represents only 21% of the total.

Exchange rate risk

In order to mitigate these risks Naturgy finances, to the extent possible, its investments in local currency. Furthermore, where 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 non-Euro currencies.

For open positions, the risks in investments in currencies other than the functional currency are managed through financial swaps and exchange rate insurance within the limits approved for hedging instruments.

Additionally, net assets of foreign companies whose functional currency is not the euro are subject to exchange rate 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 non-material.

The impact of exchange rate fluctuations on the translation of the main items in the condensed interim accounts at 30 June 2023 was as follows:

Million euros	% variation vs 2022 *	Ebitda	Net sales	Net financial debt
USD	(1.2)%	9	24	(21)
MXN	(11.4)%	18	56	83
BRL	(1.3)%	1	8	12
ARS	113.4 %	(31)	(232)	12
CLP	(3.6)%	(1)	4	14
Others		—	—	(36)
Total		(4)	(140)	64

*Cumulative average rates, except for Argentina, where the closing exchange rate is applied as a consequence of treating Argentina as a hyperinflationary economy.

Commodity price risk

A large portion of Naturgy's operating results is 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 different commodity prices, basically crude oil and its derivatives and natural gas hubs.

However, sale prices to end customers are generally arranged on a short/medium term basis and depend on the supply-demand balance in the gas market at any given time. This may result in decoupling with respect to gas procurement prices.

Consequently, Naturgy is exposed to variations in gas procurement prices with respect to the sale price 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 supply contracts allow this exposure to be managed through volume flexibility and repricing mechanisms.

When it is not possible to achieve a natural hedge the position is managed, within reasonable risk parameters, through derivatives to reduce exposure to price decoupling risk, generally through hedging instruments. Nevertheless, these hedges may prove to be ineffective as a result of changes in the expected dates of the purchase and sale transactions, a reduction with respect to the hedged volumes, and decoupling with respect to 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 marketing.

Throughout 2022, the price of companies, particularly gas, increased significantly due to the energy crisis resulting from the scarcity of raw materials caused by the international blockade on Russia after the outbreak of war in Ukraine. Gas prices eased somewhat in the first half of 2023 as a result of the high level of inventories, increased supply and contained growth in demand.

Finally, the Group is exposed to fluctuations in the price of CO2 emission allowances, allocated to generation in its combined cycle plants. Naturgy invests part of its cash surpluses temporarily in notes linked to CO2.

The sensitivity of profit and equity (Other equity items) to fair value changes in derivatives arranged to hedge commodity prices and derivatives used for trading purposes is analysed below:

	Increase/decrease in gas price	Effect on profit before tax	Effect on equity before tax
30.06.2023	10%	—	(141)
	-10%	—	141
31.12.2022	10%	—	(303)
	-10%	—	303

	Increase/decrease in electricity price	Effect on profit before tax	Effect on equity before tax
30.06.2023	10%	—	(142)
	-10%	—	142
31.12.2022	10%	—	(129)
	-10%	—	129

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

- Gas and electricity distribution: It is a regulated activity with revenue and profit margins are linked to distribution infrastructure management services rendered, 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 stipulates the tolerance range, based on applicable risk limits, among other aspects. 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 above-mentioned policy, Naturgy has mechanisms for ordinary and extraordinary price reviews, by means of the relevant clauses, with a large part of its procurement portfolio. These clauses allow, in the medium term, the modulation of impacts in the event of any decoupling between Naturgy's selling prices in its markets and the evolution of prices in its supply portfolio.

Credit risk

With regard to credit risk, trade receivables are reflected in the consolidated balance sheet net of provisions for impairment due to expected credit losses estimated by Naturgy on the basis of available information on past events (such as customer payment behaviour), current conditions and forward-looking factors (e.g. macroeconomic factors such as GDP, unemployment, inflation, 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 is historically limited because, given the short collection periods of customers, significant amounts do not accumulate individually before supply can be suspended due to non-payment, in accordance with 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 highly solvent financial institutions in line with internal requirements. There were no significant non-payments or defaults in the six-month period ended 30 June 2023 or in 2022.

The main guarantees negotiated are bank guarantees, parent company guarantees, sureties and deposits. At 30 June 2023, Naturgy had received guarantees totalling Euros 695 million to cover customer risk (Euros 669 million at 31 December 2022). During the six-month period ended 30 June 2023, guarantees in the amount of Euros 11 million (Euros 11 million at 31 December 2022) were executed.

At 30 June 2023 and 31 December 2022, Naturgy did not have significant concentrations of credit risk. The risk of concentration is minimised through diversification, managing and combining various areas of impact. Firstly, by having a customer base that is broadly distributed on an international scale; secondly, a diverse product range, 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 at 30 June 2023 and 31 December 2022 is set out below:

30.06.2023	Total	Current	0-180 days	180-360 days	More than 360 days
Expected loss ratio	24.0 %	0.9 %	26.2 %	81.9 %	94.9 %
Trade receivables for sales and provisions of services	3,988	2,702	375	241	670
Expected loss	956	24	98	197	636

31.12.2022	Total	Current	0-180 days	180-360 days	More than 360 days
Expected loss ratio	14.3 %	0.9 %	19.0 %	78.5 %	92.2 %
Trade receivables for sales and provisions of services	6,009	4,716	485	163	645
Expected loss	857	42	92	128	595

The provision for expected losses during the first half of 2023 amounted to Euros 152 million (Euros 127 million during the first half of 2022).

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 supplier oversight and management mechanisms and systems.

Naturgy keeps its credit risk management model up to date based on economic forecasts in the main countries in which it operates, taking into account various factors including the war in Ukraine, and the consolidated accounts at 30 June 2023 and 31 December 2022 were not significantly impacted by changes in its debtors' payment behaviour.

Liquidity risk

Available liquidity at 30 June 2023 and 31 December 2022 is analysed below:

Liquidity source	Availability 2023	Availability 2022
Undrawn credit facilities	5,553	5,497
Cash and cash equivalents	4,555	3,985
Total	10,108	9,482

There is also additional unused capacity to issue debt in capital markets amounting to Euros 6,012 million (Euros 5,458 million at 31 December 2022).

In an international context that is deeply influenced by the war in Ukraine, and within the framework of the Group's financial policy, the Naturgy 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

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

	2023	2022
Standard & Poor's	BBB (*)	BBB (**)
Fitch	BBB (*)	BBB (**)

(*)S&P: Stable outlook; Fitch: Stable outlook

(**)S&P: Negative outlook; Fitch: Stable outlook

At 30 June 2023, bank borrowings totalling Euros 3,968 million and outstanding bonds amounting to Euros 213 million are subject to the fulfilment of certain financial ratios (Euros 3,950 million and Euros 208 million, respectively, at 31 December 2022).

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 meet the financial obligations of the contract; a material detrimental event for the creditor; or a material adverse change in creditworthiness. These clauses would entail repayment of the outstanding debt, although the time period would normally be longer than in the event of early termination.

As is customary in the Euromarket, the bonds issued, in the amount of Euros 7,106 million (Euros 7,656 million at 31 December 2022), might be accelerated in the event of a change of control triggering a downgrade of more than two full notches in at least two of the three ratings and all the ratings falling below investment grade, provided that the rating agency states that the rating downgrade is the result of the change of control.

There are also loans for an amount of Euros 1,697 million that could be subject to early repayment in the event of a change in control (Euros 1,353 million at 31 December 2022). Most of this amount is linked to infrastructure financing with funds from the European Investment Bank that require a rating downgrade in addition to the change in 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:

	30.06.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
Hedging derivative financial instruments	240	748	332	1,664
Interest rate hedges				
Cash flow hedges	130	—	150	—
Interest and exchange rate hedges				
Cash flow hedges	—	—	—	—
Exchange rate hedges				
Cash flow hedges	11	—	2	—
Price of commodities hedges				
Cash flow hedges	99	748	180	1,664
Other financial instruments	—	—	37	—
Price of commodities	—	—	37	—
Derivative financial instruments – non current	240	748	369	1,664
Hedging derivative financial instruments	112	662	238	1,585
Interest rate hedges				
Cash flow hedges	74	—	46	—
Interest and exchange rate hedges				
Cash flow hedges	—	33	—	25
Exchange rate hedges				
Cash flow hedges	10	1	16	1
Fair value hedges	—	9	2	5
Price of commodities hedges				
Cash flow hedges	28	619	174	1,554
Other financial instruments	70	26	66	64
Price of commodities	42	26	34	64
Interest rate	28	—	32	—
Derivative financial instruments current	182	688	304	1,649
Total	422	1,436	673	3,313

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

“Other financial instruments” includes the derivatives not qualifying for hedge accounting.

At 30 June 2023, asset derivatives linked to financial liabilities amount to Euros 253 million (Euros 246 million at 31 December 2022) corresponding to:

- interest rate derivatives amounting to Euros 130 million in non-current assets and Euros 102 million in current assets (Euros 150 million in non-current assets and Euros 78 million in current assets at 31 December 2022).
- cash flow hedging derivatives for an amount of Euros 11 million in non-current assets and Euros 10 million in current assets (Euros 2 million in non-current assets and Euros 16 million in current assets at 31 December 2022).

The "Other non-current liabilities" contains, in addition to long-term gas price hedging derivatives, the market value of the Australian subsidiaries' power purchase contracts amounting to Euros 238 million at 30 June 2023 (Euros 264 million at 31 December 2022).

The "Trade and other payables" account contains commodity price derivatives amounting to Euros 619 million at 30 June 2023 (Euros 1,597 million at 31 December 2022), as well as the value of the Australian subsidiaries' short-term power purchase agreements in the amount of Euros 26 million at 30 June 2023 (Euros 21 million at 31 December 2022).

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)	133	21	(1,880)	(18)
Fair value hedge	(12)	—	(11)	(1)
Other financial instruments	5	(11)	(19)	1
Total	126	10	(1,910)	(18)

(1) As a result of the evolution of the hedged indexes and the decoupling of sales transactions with respect to the hedged indexes, as well as the expiration of some hedging instruments affected by ineffectiveness recognised at 31 December 2022, the "Net sales" account in the six-month period ended 30 June 2023 contains Euros 585 million (no impact recognised in the period ended 30 June 2022). The value of the derivatives giving rise to ineffectiveness is Euros -504 million, of which the effective part, amounting to Euros 319 million, is recognised in "Other equity items".

The fair value and breakdown, by maturities, of the notional values are as follows:

30.06.2023

	Fair value						Notional value	
(million euros)	2023	2024	2025	2026	2027	Subsequent years	Total	
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	95	62	77	505	55	336	222	1,257
Financial swaps (USD)	60	—	2	2	658	2	25	689
Financial swaps (MXN)	6	—	—	—	96	—	—	96
Financial swaps (AUD)	42	2	5	5	4	5	246	267
Options (EUR)	1	40	—	—	—	—	—	40
EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Foreign exchange insurance (USD)	3	146	90	42	—	—	—	278
Foreign exchange insurance (AUD)	17	—	344	3	—	—	—	347
Foreign exchange insurance (BRL)	—	—	—	—	—	—	—	—
Fair value hedges:								
Foreign exchange insurance (BRL)	(5)	72	—	—	—	—	—	72
Foreign exchange insurance (EUR) (1)	—	7	—	—	—	—	—	7
Foreign exchange insurance (USD)	(4)	61	—	—	—	—	—	61
INTEREST AND EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Financial swaps (NOK)	(33)	101	—	—	—	—	—	101
COMMODITIES HEDGES:								
Cash flow hedges:								
Commodities price derivatives (EUR)	(54)	253	70	18	—	—	—	341
Commodities price derivatives (USD)	(921)	228	470	520	215	25	199	1,657
Commodities price derivatives (AUD)	(265)	31	88	109	110	111	1,106	1,555
OTHER:								
Commodities price derivatives (EUR)	(21)	1	—	—	—	—	—	1
Commodities price derivatives (USD)	37	37	—	—	—	—	—	37
Financial swaps (USD)	28	209	—	—	—	—	—	209
Total	(1,014)	1,250	1,146	1,204	1,138	479	1,798	7,015

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

	Fair Value value						Notional value	
(million euros)	2023	2024	2025	2026	2027	Subsequent years	Total	
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	93	196	77	505	55	336	222	1,391
Financial swaps (USD)	59	—	2	2	671	2	25	702
Financial swaps (MXN)	5	—	—	—	85	—	—	85
Financial swaps (AUD)	39	4	4	4	3	5	191	211
Options (EUR)	—	40	—	—	—	—	—	40
EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Foreign exchange insurance (USD)	2	154	—	—	—	—	—	154
Foreign exchange insurance (AUD)	14	160	85	—	—	—	—	245
Fair value hedges:								
Foreign exchange insurance (BRL)	—	15	—	—	—	—	—	15
Foreign exchange insurance (EUR) (1)	—	7	—	—	—	—	—	7
Foreign exchange insurance (USD)	(2)	117	—	—	—	—	—	117
INTEREST AND EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Financial swaps (NOK)	(25)	101	—	—	—	—	—	101
COMMODITIES HEDGES:								
Cash flow hedges:								
Commodities price derivatives (EUR)	(17)	529	33	15	—	—	—	577
Commodities price derivatives (USD)	(2,562)	351	475	517	201	8	85	1,637
Commodities price derivatives (AUD)	(285)	58	91	113	114	115	1,143	1,634
OTHER:								
Commodities price derivatives (EUR)	(30)	7	—	—	—	—	—	7
Commodities price derivatives (USD)	37	—	37	—	—	—	—	37
Financial swaps (USD)	32	215	—	—	—	—	—	215
Total	(2,640)	1,954	804	1,156	1,129	466	1,666	7,175

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

The breakdown of commodity derivatives and the related volumes (in physical units), by maturities, at 30 June 2023 and 31 December 2022, is as follows:

30.06.2023	Fair value (Euros million)	Physical units						Subsequent years	Total
		2023	2024	2025	2026	2027			
Procurements hedges									
Gas (TBTU)	(35)	76	107	85	28	—	—	—	296
Electricity (GWh)	(15)	381	220	149	—	—	—	—	750
Sales hedges									
Gas (TBTU)	(941)	45	59	63	28	—	—	—	195
Electricity (GWh)	(249)	905	2,699	3,533	3,645	3,643	33,596	—	48,021
Others (non hedge)	16	—	—	—	—	—	—	—	—
Total	(1,224)								

31.12.2022	Fair value (Euros million)	Physical units						Subsequent years	Total
		2023	2024	2025	2026	2027			
Procurements hedges									
Gas (TBTU)	196	129	106	85	28	—	—	—	348
Electricity (GWh)	23	448	193	149	—	—	—	—	790
Sales hedges									
Gas (TBTU)	(2,819)	83	59	63	28	—	—	—	233
Electricity (GWh)	(264)	1,542	2,699	3,241	3,240	3,239	30,694	—	44,655
Others (non hedge)	7	—	—	—	—	—	—	—	—
Total	(2,857)								

Note 14. Net sales

The breakdown of this heading in the consolidated income statement for the first half of 2023 and for 2022, by category, based on the segment reporting structure, is as follows:

2023	Networks Spain	Networks Latam	Energy management	Energy management and Networks	Renewable Generation	Supply	Rest	Total
Sales of gas and access to distribution networks	460	1,811	1,362	3,633	—	2,423	—	6,056
Sales of electricity and access to distribution networks	366	503	829	1,698	38	1,597	—	3,333
LNG sales	—	—	2,108	2,108	—	—	—	2,108
Registrations and facility checks	6	4	—	10	—	5	—	15
Assignment power generation capacity	—	—	156	156	—	—	—	156
Rentals meters and facilities	22	2	—	24	—	153	—	177
Other income	17	23	1	41	48	87	33	209
Total	871	2,343	4,456	7,670	86	4,265	33	12,054

2022	Networks Spain	Networks Latam	Energy management	Energy management and Networks	Renewable Generation	Supply	Rest	Total
Sales of gas and access to distribution networks	523	2,000	2,773	5,296	—	2,407	—	7,703
Sales of electricity and access to distribution networks	387	495	2,079	2,961	88	2,301	—	5,350
LNG sales	—	—	3,130	3,130	—	—	—	3,130
Registrations and facility checks	15	5	—	20	—	18	—	38
Assignment power generation capacity	—	—	166	166	—	—	—	166
Rentals meters and facilities	22	2	—	24	—	152	—	176
Other income	8	24	3	35	30	73	36	174
Total	955	2,526	8,151	11,632	118	4,951	36	16,737

Reporting by geographic area

Naturgy's net sales by country is analysed below:

	30.06.2023	30.06.2022
Spain	6,320	9,335
Rest of Europe	2,039	1,828
France	780	640
Portugal	309	286
United Kingdom	470	7
Netherlands	340	87
Turkey	66	94
Croatia	45	145
Italy	29	174
Poland	—	183
Greece	—	127
Other Europe	—	85
Latin American	2,976	3,705
Brazil	887	1,002
Mexico	674	974
Argentina	306	602
Panama	427	435
Chile	423	389
Puerto Rico	179	239
Dominican Republic	55	55
Other Latin America	25	9
Other	719	1,869
USA	347	648
South Korea	116	340
Japan	110	160
Thailand	57	219
China	66	263
Australia	14	11
India	—	111
Other countries	9	117
Total	12,054	16,737

Note 15. Procurements

The breakdown of this heading in the consolidated income statement for the first six months of 2023 and 2022 is as follows:

	2023	2022
Energy purchases	7,121	13,016
Access to transmission networks	619	751
Other purchases and changes in inventories	362	74
Total	8,102	13,841

In the six-month period ended 30 June 2022, this item contained Euros 108 million relating to unpaid invoices claimed in connection with the provision for litigation at the group company in Chile, Metrogas, S.A., described in Note 26.

Note 16. Staff expenses

The breakdown of this heading in the consolidated income statement for the first six months of 2023 and 2022 is as follows:

	2023	2022
Wages and salaries	230	215
Termination benefits	16	15
Social security costs	44	41
Defined contribution plans	12	10
Share-based payments (Note 10)	3	3
Own work capitalised	(35)	(33)
Other	48	16
Total	318	267

The average number of employees of Naturgy in the six-month periods ended 30 June 2023 and 2022 is as follows:

	2023	2022
Men	4,750	4,950
Women	2,340	2,358
Total	7,090	7,308

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 150 (155 as at 30 June 2022).

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

	2023	2022
Discontinued operations (1)	21	23
Equity-consolidated companies	55	56

(1) The employees included under this heading correspond to the coal-fired generation activity in Spain, which was discontinued in 2020, and they are now assigned to decommissioning coal-fired power plants.

Note 17. Other operating revenues and expenses

"Other operating revenues" for the six-month period ended 30 June 2023 amounted to Euros 138 million (Euros 106 million at 30 June 2022).

On 8 June 2023, the Supreme Court recognized the right of the group company, Comercializadora Regulada Gas and Power, to be compensated for the amounts paid to fund the energy subsidy ("bono social") regulated in Royal Decree 897/2017, of 6 October, with the result that the Administration must pay the amount of Euros 64 million within a maximum period of one month. At 30 June 2023, that amount was recognised under "Other operating revenue".

The breakdown of the "Other operating expenses" heading in the consolidated income statement for the first six months of 2023 and 2022 is as follows:

	2023	2022
Taxes (1)	339	183
Withdrawal costs for onerous contracts	—	20
Operation and maintenance	169	131
Advertising and other commercial services	44	49
Professional services and insurance	79	55
Concession construction or improvements services (IFRIC 12)	36	27
Supplies	30	28
Services to customers	28	29
Lean Services (2)	68	71
Other	155	123
Total	948	716

(1) In the six-month period ended 30 June 2023, the "Taxes" caption includes the amount corresponding to the energy levy in the amount of Euros 165 million.

The company obliged to pay for being the main operator in the energy sector, Naturgy Energy Group, S.A., has proceeded to pass it on to the rest of the companies that are part of the tax group.

(2) Includes transformation costs of Euros 3 million at 30 June 2023 and Euros 13 million at June 2022.

Note 18. Depreciation and non-financial asset impairment losses

The breakdown of this heading in the consolidated income statement for the first six months of 2023 and 2022 is as follows:

	2023	2022
Amortisation	691	687
Asset impairment (Note 4)	253	17
Total	944	704

Note 19. Other results

This item for the six-month period ended 30 June 2023 includes Euros 40 million of losses derived from translation differences on the liquidation of the company Gas Natural Exploración, S.L., which is expected to be executed during the second half of 2023.

This item contained mainly the following items in the same period of 2022:

- the outcome of the agreement reached with Acciona with respect to an additional 50% of the companies Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L. (Notes 2.6. and 22) for an amount of Euros 9 million.
- the recognition of Euros -128 million of the provision associated with the litigation by the group company in Chile, Metrogas, S.A., described in Note 26, for the portion corresponding to the claim for the early termination of the contracts (loss of profit).

Note 20. Net financial income (expenses)

The breakdown of this heading in the consolidated income statement for the first six months of 2023 and 2022 is as follows:

	2023	2022
Dividends	—	—
Interest income	80	17
Other	53	40
Total financial income	133	57
Cost of borrowings (1)	(326)	(265)
Interest expenses pension plans	(10)	(5)
Other financial expense (2)	(64)	(121)
Total financial expense	(400)	(391)
Variations in the fair value of financial instruments (3)	(10)	7
Net exchange differences	27	(9)
Net financial income/(expense)	(250)	(336)

(1) Includes the cost of finance lease liabilities (Euros 41 million in 2023 and Euros 42 million in 2022) and other refinancing costs (Euros 14 million in 2023 and Euros 13 million in 2022).

(2) Includes the financial expenses related to the litigation of the group company in Chile, Metrogas, S.A., described in Note 26.

(3) Includes fair value changes in equity instruments and changes in the value of derivative financial instruments. At 30 June 2023, this includes the ineffective portion of the financial derivatives for Iberéolica Cabo Leones II, S.A and GPG Solar Chile 2017 S.P.A. in the amount of Euros 11 million.

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

	2023	2022
Profit before tax	1,506	831
Adjustments to profit/(loss):	736	1,143
Depreciation, amortisation and impairment losses (Note 18)	944	704
Other adjustments to net income:	(208)	439
Net financial income (Note 20)	250	336
Results of equity-accounted companies	(43)	(65)
Transfer of deferred revenues	(25)	(25)
Other adjustments (1)	(390)	193
Changes in working capital (excluding the effects of scope changes and currency translation differences):	993	868
Inventories	516	(198)
Trade and other receivables	1,820	(425)
Trade and other payables	(1,343)	1,491
Other cash flows from operating activities:	(84)	(413)
Interest paid	(353)	(296)
Interest received	92	21
Dividends received	70	56
Income tax paid	107	(194)
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	3,151	2,429

(1) At 30 June 2023, this includes mainly the effects of recognising the ineffective portion of derivatives hedging gas and electricity sales. At 30 June 2022, it included the amount of the provision recognised for the claim for outstanding invoices and loss of profit in the litigation of the group company in Chile, Metrogas, S.A. (Note 15 & 19).

The detail of payments for the acquisition of subsidiaries, net of cash and cash equivalents, in the six-month periods ended 30 June 2023 and 2022 is as follows:

	2023	2022
San Servan acquisition	—	(5)
Cluster Solar Marisol acquisition (1)	(42)	—
Andújar Solar acquisition (1)	(28)	—
Eólico Marisol acquisition (1)	(44)	—
Global agreement with Acciona (Note 22)	—	(9)
Montalto acquisition	—	(1)
Total	(114)	(15)

(1) The Appendix I includes the companies detailed.

Receipts due to divestments of Group companies, associates and business units in the six-month period ended 30 June 2023 and 2022 break down as follows:

	2023	2022
Tecnatom sale	—	6
Ute Tramfang sale	—	1
Total	—	7

Note 22. Business combinations

Six-months period ended 30 June 2023

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

Six-month period ended 30 June 2022

Acquisition of renewable assets

In May 2022, Naturgy, through Naturgy Renovables, S.L.U., reached a comprehensive agreement with the Acciona group to separate the wind farms that they managed jointly through Desarrollo de Energías Renovables de Navarra, S.A., P.E. Cinseiro, S.L. and Explotaciones Eólicas Sierra de Utrera, S.L.

Based on the agreement, Naturgy Renovables, S.L.U. acquired an additional 50% of the companies Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L. from Acciona (and attained a 100% stake, obtaining control and consolidating them as subsidiaries). It also acquired 25% of Explotaciones Eólicas Sierra de Utrera, increasing its controlling stake from 75% to 100%, without a change of control.

Under that same transaction, certain wind farms owned by Desarrollo de Energías Renovables de Navarra, S.A. were sold to the Acciona group.

The acquisition cost of the business combination was Euros 58 million. Goodwill was calculated at Euros 7 million as the difference between the acquisition cost and interest in the fair value of the identifiable assets and liabilities existing at the transaction date.

Acquisition cost	58
Fair value of net assets	51
Goodwill	7

	Fair value	Carrying amount
Property, plant and equipment	28	21
Right-of-use assets	2	2
Deferred tax assets	1	1
Commercial debts and others bills to receive the pay	34	34
Cash and other equivalent liquid assets	20	20
Total Assets	85	78
Provisions	5	5
Non-current financial liabilities	2	2
Deferred tax liability	3	1
Commercial debtors and other accounts payable	23	23
Other current liabilities	1	1
Total Liabilities	34	32
Fair value of net assets acquired	51	46
Acquisition cost	58	
Purchase price 50% additional	(29)	
Cash and other equivalent liquid assets in the acquired subsidiary	(20)	
Net acquisition cost	9	
Purchase price 50% additional	29	
Cash and other equivalent liquid assets in the acquired subsidiary	20	
Net acquisition cost	9	

In the purchase price allocation process, assets susceptible to revaluation were identified on the balance sheet of Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L. at the acquisition date, namely property, plant and equipment with an additional value of Euros 7 million, which represents the value generated in the portfolio based on the installed capacity of the wind farms in these companies (87 MW).

Deferred tax liabilities were also recognised for the revaluation, whose contra-item is the goodwill that is not expected to be deductible.

Those net assets were valued basically in accordance with the following methodology:

- Projects were valued following the revenue approach and, in particular, through the discounted cash flow method, based on Level 3 inputs as the data were not observable on the market.
- The valuation was based on the required return on investment.

The amount of consolidated net income for the incremental period contributed from the acquisition date through 30 June 2022 was not material.

If the acquisition had taken place on 1 January 2022, consolidated revenue, EBITDA and consolidated profit attributable to equity holders of the parent company for the six-month period ended 30 June 2023 would have increased by Euros 55 million, Euros 41 million and Euros 19 million, respectively.

Note 23. Tax situation

The corporate income tax expense is as follows:

	For the period ended 30 June	
	2023	2022
Current-year tax	406	182
Deferred tax	(35)	12
Corporate income tax	371	194

The effective rate at 30 June 2023 was 25%, compared with 23% in the same period of the previous year, mainly due to 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 shareholders of Naturgy, 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.

Based on this definition, the significant shareholders of Naturgy are Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona ("la Caixa"), Global Infrastructure Partners III (GIP) and related companies, CVC Capital Partners SICAV-FIS, S.A. (through Rioja Acquisitions S.à.r.l.) and IFM Global Infrastructure Fund (IFM) through Global InfraCo O (2), S.à.r.l.

- 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" means personnel reporting directly to the Executive President and also the Internal Audit Manager. Transactions with directors and executives are disclosed in Note 25.
- Transactions between Group companies form part of ordinary activities and are made on an arm's-length basis. Group company balances include the amount that reflects Naturgy's share of the balances and transactions with companies carried by the equity method.

Aggregate transactions with related parties are follows (thousand euro):

2023	Significant shareholders						
	Expense and Income (thousand euro)	"la Caixa" group	CVC group	GIP group	IFM	Directors	Group companies
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., Sociedade Galega do Medio Ambiente, S.A. and CH4 Energía S.A. de C.V.

Other transactions (thousand euro)	Significant shareholders					
	"la Caixa" group	CVC group	GIP group	IFM	Directors	Group companies
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	—	—

2022	Significant shareholders					
	Expense and Income (thousand euro)	"la Caixa" group	CVC group	GIP group	Directors	Group companies
Financial expenses	—	—	—	—	—	—
Leases	—	—	—	—	—	2
Receipt of services	—	—	—	—	—	620
Purchase of goods (1)	—	—	—	—	—	42,824
Other expenses	—	—	—	—	—	—
Total expenses	—	—	—	—	—	43,446
Financial income	—	—	—	—	—	576
Leases	—	—	—	—	—	—
Provision of services	—	—	—	—	—	56
Sale of goods (1)	1,830	1,226	—	—	120	40,003
Other income	—	—	—	—	—	769
Total income	1,830	1,226	—	—	120	41,404

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

Other transactions (thousand euro)	Significant shareholders					Directors	Group companies
	"la Caixa" group	CVC group	GIP group	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	62,805	—	—	—

Note 25. Information on members of the Board of Directors and the Management Committee

Remuneration for the members of the Board of Directors and the Management Committee

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 Board committees totalled Euros 1,868 thousand at 30 June 2023 (Euros 1,893 thousand at 30 June 2022).

At 30 June 2023, the Board of Directors continued to be comprised of 12 members (12 members at 30 June 2022), the Audit and Control Committee had 5 members (5 members at 30 June 2022), the Appointments, Remuneration and Corporate Governance Committee had 5 members (5 members at 30 June 2022) and the Sustainability Committee had 4 members (4 members at 30 June 2022).

The members of the Board of Directors are covered with the same liability policy that insures all managers and directors of Naturgy. At 30 June 2023, the premium paid by Naturgy Energy Group, S.A. amounted to Euros 394 thousand (Euros 373 thousand at 30 June 2022).

For the sole purposes of the information contained in this section, the Management Committee is considered to be the Executive Chairman in relation to his executive functions, the executives reporting directly to the Executive Chairman and the Internal Audit Manager.

At 30 June 2023, nine persons make up this group, excluding the Executive Chairman and the Internal Audit Manager (nine persons at 30 June 2022). There were no changes in the Management Committee in the six-month period ended 30 June 2023.

The fixed remuneration, variable remuneration and other remuneration items accrued by the Management Committee amounted to Euros 5,407 thousand at 30 June 2023 (Euros 5,145 thousand at 30 June 2022).

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 778 thousand at 30 June 2023 (Euros 719 thousand at 30 June 2022).

As described in note 10, on 25 November 2021, Naturgy's Board of Directors decided, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, to extend the time period of the 2018-2022 LTI (the original plan ended in July 2023), and set it to expire on 31 December 2025 for current executives in order to contribute to the fulfilment of the Business 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. In order to compensate for this extension, the Board of Directors established an interim payment in 2021 relating to the value to be received for the 5-year period, which amounted to Euros 1,159 thousand per year. That amount was made available to the employees in two tranches: one in 2021, as indicated in note 35 to the 2021 consolidated annual accounts, and the remainder upon approval by the General Shareholders' Meeting on 15 March 2022. Advances amounting to Euros 103 thousand were paid in the first half of 2023.

Transactions with members of the Board of Directors and the Management Committee

The members of the Board of Directors and the Management Committee have not carried out related-party transactions with Naturgy Energy Group, S.A. or Group companies outside the ordinary course of business or in other than normal market conditions.

Note 26. Litigation and arbitration

Described below are the main changes during the first six months of 2023 in connection with the situation described in Note 36 "Litigation, arbitration, guarantees and commitments" in the consolidated annual accounts for the year ended 31 December 2022:

Claims for PIS and COFINS taxes in Brazil

In September 2005, the Río de Janeiro Tax Administration annulled the recognition that it had previously issued, in April 2003, for the offset of receivables in respect of PIS and COFINS sales taxes paid by Companhia Distribuidora de Gás do Rio de Janeiro - CEG, in which Naturgy holds an interest of 54.2%. The administrative court confirmed that ruling in March 2007 and the company filed a contentious-administrative appeal (Justicia Federal do Rio de Janeiro). Subsequently, notification of a public civil action against CEG relating to the same events was received on 26 January 2009. The total amount of tax in dispute, including interest, amounted to BRL 386 million (Euros 73 million) at that date. The updated amount at 30 June 2023 is BRL 497 million (Euros 94 million).

In November 2015, the Rio de Janeiro Federal Court issued a first instance ruling partially upholding CEG's appeal, ordering the refund and the payment of the tax debt plus costs in the amount of BRL 105 million (Euros 20 million) and rejecting the imposition of default interest and fines. The ruling was appealed by the Federal Treasury of Brazil and by CEG before the Federal Court of Rio de Janeiro (Chamber of Appeal). On 5 October 2022, during a hearing before the fourth specialised chamber of the Federal Regional Court, one of the judges involved requested a more detailed examination of the records of the case, thereby delaying the judgement. The decision on the appeal was still pending at 30 June 2023.

Claim against Metrogas, S.A.

In 2011 and 2015, Transportadora de Gas del Norte S.A. (TGN) lodged various complaints against Metrogas, S.A. (Metrogas), a Chilean company 55.6% owned by Naturgy, before the civil and commercial courts of first instance in Argentina for alleged breach of contract in the transport of Argentinian gas to Chile during the Argentina gas crisis.

In April 2017, Metrogas received a judicial notice declaring a joinder of claims, meaning that the total amount claimed by TGN stands at USD 227 million (Euros 209 million) plus interest.

On 4 August 2022, Metrogas received a first instance ruling ordering it to pay TGN approximately USD 250 million (Euros 230 million) for unpaid invoices and early termination of contracts (loss of earnings), plus costs and interest. This judgement is not final and may be appealed. Metrogas will use all available remedies to defend its interests and will appeal.

At 30 June 2023, the risk associated with this case was provisioned under "Non-current provisions" in the amount of Euros 314 million (Note 11).

Environmental incentive for coal plants in Spain

In 2007, the Spanish authorities introduced an environmental incentive to support the installation of new sulphur oxide filters in existing coal-fired plants. In November 2017, the European Commission opened an investigation to determine whether this incentive complied with the European Union's rules on state aid. As a result, a provision of Euros 19 million was recorded only for the amounts received from November 2017 onwards, leaving aside the sum of Euros 67 million relating to the period prior to 2017, when the Royal Decree was not in force.

On 8 September 2021, the European General Court dismissed the action for annulment brought by Naturgy against the Commission's decision (T-328/18). An appeal in cassation was lodged with the State Court of Justice, which had yet to rule at 30 June 2023. It is expected that the decision will uphold the General Court's 2021 decision requiring all the aid received to be refunded.

Renewable generation

The permits for certain renewable wind and solar generation facilities that are under construction or completed have been appealed against before the courts and their viability might be affected in the event that the appeals are upheld. The risk is not expected to materialise in any of these cases, although a maximum impact of Euros 204 million has been estimated for all the facilities involved.

The risks existing at 31 December 2022 in connection with the administrative authorisation for the Hawkesdale wind farm in Australia and the Bii Hioxo wind farm in Mexico that were considered unlikely to materialise have been resolved at 30 June 2023. However, the maximum impact is estimated at Euros 150 million at 30 June 2023, and there are still non-probable risks associated with renewable facilities outside Spain for a maximum amount of Euros 8 million.

Electricaribe

On 14 November 2016, the Superintendence for Residential Public Services of the Republic of Colombia (“the Superintendence”) announced the government take-over of Electricaribe, a Naturgy investee, as well as the removal of the members of the governing body and the general manager, and their replacement by a special agent appointed by the Superintendence. On 14 March 2017 the Superintendence announced the decision to liquidate Electricaribe. On 22 March 2017, Naturgy initiated arbitration proceedings before the Court of the United Nations Commission for International Trade Law (UNCITRAL) and, on 15 June 2018, it lodged a complaint in which it claimed approximately USD 1,600 million. On 4 December 2018, the Republic of Colombia submitted its answer to the complaint and filed a counterclaim for approximately USD 500 million. An arbitration award was issued in March 2021 dismissing the claims of both Naturgy and the Colombian State (Note 7).

Several Columbian government agencies have brought administrative and judicial proceedings against the Naturgy group or its employees on behalf of Electricaribe, including the Public Prosecutor’s Office, the Superintendence for Public Services and the Superintendence for Companies.

Disputed withholding tax assessments

On 7 July 2023, the Company was issued tax assessments in connection with withholdings from non-residents income tax. It is disputing the assessments and has entered submissions in this connection with the tax authorities. The Board of Directors does not consider that the risk disclosed in the assessments is likely to materialise.

Naturgy’s consolidated balance sheet at 30 June 2023 includes provisions for litigation, based on the best estimate made using the information available at the date of preparation of these consolidated annual accounts 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 the relevant section of this Note.

Note 27. Events after the reporting date

On 16 May 2023, Naturgy announced the acquisition of 100% of ASR Wind, which has a total of 422 MW in 12 operating wind farms in Spain. Naturgy plans to complete the transaction in the coming days once it obtains the relevant regulatory approvals. The value of the acquired company is Euros 650 million.

On July 11, 2023, Naturgy’s Board of Directors met to analyze the evolution of the 2021-2025 Strategic Plan and update the objectives for 2025.

On 20 July 2023, the Board of Directors declared an interim dividend out of 2023 results as described in Note 10 to these condensed interim consolidated accounts.

No other material events took place after the reporting date.

Appendix I. Variations in consolidation scope

The main changes in consolidation scope in the six-month period ended 30 June 2023 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
Nueva Electricidad del Gas, S.A.U, En Liquidación	Acquisition	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
Andújar Solar acquisition					
Andujar 100 Solar, S.L.	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
Eólico Marisol acquisition					
Hazas Energy, S.L.	Acquisition	April 27	100.0	100.0	Full
Josemanil Energy, S.L.	Acquisition	April 27	100.0	100.0	Full
Cabreras Wind Energy, S.L.	Acquisition	April 27	100.0	100.0	Full
Villanueva Energy, S.L.	Acquisition	April 27	100.0	100.0	Full
Villanueva Two Energy, S.L.	Acquisition	April 27	100.0	100.0	Full
Cortijo Nuevo Energy, S.L	Acquisition	April 27	100.0	100.0	Full
Greene W2BM, S.L.	Constitution	June 7	50.0	50.0	Equity

The main changes in the consolidation scope in 2022 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
Hamel Renewables Holdco LLC	Liquidation	January 19	100	—	—
Naturgy Perú, S.A	Liquidation	February 7	100	—	—
Infraestructuras San Serván SET 400, S.L.	Acquisition	February 8	33.33	33.33	Equity
Montalto di Castro Solar S.R.L.	Acquisition	March 8	100	100	Full
Metragaz, S.A.	Disposal	March 31	76.68	—	—
Instalaciones San Serván II 400, S.L	Acquisition	April 7	23.81	23.81	Equity
WIN4H2-RI, SL	Acquisition	April 29	50	50	Equity
Cunderdin Development Finco Pty Ltd	Incorporation	April 8	100	100	Full
Cunderdin Development Landco Pty Ltd	Incorporation	April 8	100	100	Full
Cunderdin Development Pty Ltd	Acquisition	April 14	100	100	Full
Naturgy InnovaHub, S.L.	Incorporation	May 12	100	100	Full
Explotaciones Eólicas Sierra de Utrera, S.L.	Acquisition	May 31	25	100	Full
Desarrollo de Energías Renovables de Navarra, S.A.	Acquisition	May 31	50	100	Full
P.E. Cinseiro, S.L.	Acquisition	May 31	50	100	Full
Gasoducto Gasandes, S.A. (Argentina)	Disposal	June 15	3.5	24.17	Equity
Gasoducto Gasandes, S.A. (Chile)	Disposal	June 15	3.5	24.17	Equity
Rice to Energy, S.L.	Incorporation	June 30	33.33	33.33	Equity
Energías Especiales Alcohólicas, S.A.	Acquisition	July 12	18	100	Full
Evacuacion San Serván 400, S.L.	Acquisition	July 13	31.25	31.25	Equity
Gestión Integral de Reciclaje de Aerogeneradores, S.L	Incorporation	July 13	33	33	Equity
Foggia Solar Srl	Acquisition	July 21	100	100	Full
GN Servicios Económicos, SAS	Liquidation	July 14	100	—	—
Gas Natural Servicios Integrales, SAS	Liquidation	August 3	100	—	—
United Saudi Spanish Power and Gas Services, LLC	Liquidation	August 24	100	—	—
Infraestructuras San Serván SET 400, S.L.	Disposal	November 15	13.77	19.23	Equity
Naturgy Almacenamientos Andalucía, S.A.	Disposal	December 15	100.0	—	—

Appendix II. Regulatory framework

In relation to the regulatory framework described in Appendix IV to the consolidated annual accounts for the year ended 31 December 2022, the following aspects for the first half of 2023 are worth noting:

1. European Regulatory Environment

The European regulatory environment in the first half of 2023 was marked by the approval of the first part of the "Fit for 55" legislative package, which had been in the pipeline since 2021 and proposes adjustments to European climate, energy, transport and taxation policies aimed at achieving the European Union's new, more ambitious targets of a 55% net reduction in emissions by 2030 with respect to 1990 (vs. the previous 40% target) and the goal of climate neutrality in emissions by 2050.

In particular, the items of legislation approved in April and May 2023 relate to CO₂ emission reduction policies by amending the existing Directives and Regulations on emissions trading:

- Directive (EU) 2023/959 of the European Parliament and of the Council of 10 May 2023 establishing a system for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814. Among other points, it increases the decarbonisation target assigned to this regulatory instrument to 62% with respect to 2005 for sectors subject to emissions trading (ETS sectors), extends the emissions trading scheme to the maritime transport sector and creates a parallel emissions system for the road transport and building sectors.
- Decision (EU) 2023/852 of 19 April 2023 amending Decision (EU) 2015/1814 as regards the number of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading system until 2030.
- Regulation (EU) 2023/857 of 19 April 2023 amending Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for non-ETS sectors. The 2030 emission reduction target for non-ETS sectors in the EU was increased to 40% with respect to 2005 (vs. the previous 30%) with a target for Spain of 37.7% (vs. 26.6% previously).
- Regulation (EU) 2023/851 of 19 April 2023 amending Regulation (EU) 2019/631 as regards strengthening the CO₂ emission performance standards for new passenger cars and new light commercial vehicles in line with the Union's increased climate ambition.
- Regulation (EU) 2023/955 of 10 May 2023 establishing a Social Climate Fund to address the social and distributional impacts on vulnerable customers and micro-enterprises and transport users arising from the creation of the emissions trading system in the building and road transport sectors.
- Regulation (EU) 2023/956 of 10 May 2023 establishing a carbon border adjustment mechanism to protect sectors at risk of carbon leakage and replacing the free allocation of allowances in these sectors.
- Regulation (EU) 2023/957 of 10 May 2023 amending Regulation (EU) 2015/757 in order to provide for the inclusion of maritime transport activities in the EU Emissions Trading System and for the monitoring, reporting and verification of emissions of additional greenhouse gases and emissions from additional ship types.

The rest of the "Fit for 55" legislative package is still under negotiation between the EU institutions and includes, among others, a revision of the Directive on the promotion of renewable energies, the Directive on energy efficiency in buildings, and the Regulation and Directive on the internal gas market, and a new Regulation on methane emissions, which are expected to be approved in 2023.

The debate in Europe also focused on the European Commission's proposal for the reform of the electricity market, presented on 14 March 2023, which includes promoting forward contracting with renewable energies, greater system flexibility using demand response and storage, greater integration of renewables, greater protection of consumers against volatility and greater capacity for market supervision by regulators.

Regulation (EU) 2023/706 introducing amendments to Regulation (EU) 2022/1369 as regards prolonging the 15% voluntary reduction in gas consumption for the period from 1 April 2023 to 31 March 2024, with the same exceptions as defined in Regulation (EU) 2022/1369.

2. Regulatory environment in Spain

2.1 Natural gas sector

Because they are applicable in 2023, it is worth noting the publication in the fourth quarter of 2022 of Royal Decree Law 18/2022 of 18 October and Royal Decree Law 20/2022 of 27 December, which extend through 2023 most of the exceptional measures approved in previous years to deal with the escalation of gas prices resulting from the war in Ukraine. These Royal Decree-Laws extend the following measures, among others, to 31 December 2023:

- limits on the increase in the cost of the raw material to be transferred to the TUR tariff in the quarterly revisions, as well as the new regulated tariff for centralised boilers, the deficit being financed by the central government budget.
- flexibility measures in contracting gas on the part of industries and the self-employed workers,
- the reduction of VAT to 5% for gas supply,
- the prohibition on disconnecting vulnerable consumers for non-payment, and
- the extension, in this case until 31 March 2024, of the exemptions from the payment of underground storage fees to facilitate compliance with the European Union's filling requirements.

Regarding the remuneration of regulated activities and tolls for the 2023 gas year and last resort tariffs for 2023, the following provisions were approved by the National Commission for Markets and Competition (CNMC) and the Ministry for the Ecological Transition and Demographic Challenge, within the scope of their respective competencies:

- CNMC Resolution of 19 May 2022 establishing the remuneration for the 2023 gas year for the companies that carry out the regulated activities of liquefied natural gas plants, transportation and distribution of natural gas.
- CNMC Resolution of 19 May 2022 establishing the access tolls to the transportation networks, local networks and regasification for the 2023 gas year.
- Order TED/929/2022, of 27 September, establishing the gas system charges and the remuneration and fees for basic underground storage facilities for the 2023 gas year.
- Resolution of 22 December 2022 of the Directorate-General of Energy Policy and Mines publishing the Tariff of Last Resort (TUR) for natural gas to be applied from 1 January 2023.
- Resolution of 28 March 2023 of the Directorate-General of Energy Policy and Mines publishing the Tariff of Last Resort (TUR) for natural gas to be applied from 1 April 2023.
- Resolution of 27 June 2023 of the Directorate-General of Energy Policy and Mines publishing the Tariff of Last Resort (TUR) for natural gas to be applied from 1 July 2023.

2.2 Electricity sector

As in the gas sector, it is worth noting Royal Decree Law 18/2022, of 18 October, and Royal Decree Law 20/2022, of 27 December, which extended during 2023 most of the exceptional measures approved in previous years to address the increase in electricity prices and consumer protection. This Royal Decree Law extended the following measures, among others, to 31 December 2023:

- the reduction in the remuneration of non-emitting facilities due to the gas price internalised in the wholesale gas market established by Royal Decree Law 17/2021,
- an increase in the discounts applied in the energy subsidy ("bono social") from 60% to 65% for vulnerable consumers and from 70% to 80% for severely vulnerable consumers, and an increase in the consumption limits giving entitlement to the energy subsidy, as well as creating a new category of consumer entitled to a 40% subsidy,
- a reduction in the VAT rate to 5% on electricity supplied to consumers at < 10 kW whenever the market price exceeds Euros 45/MWh and, in any case, for consumers who are receiving the energy subsidy,
- a reduction in the electricity tax to 0.5%, while respecting the minimum requirements of the Directive, and the suspension of the tax on the value of electricity production,
- the prohibition on disconnecting vulnerable consumers receiving the energy subsidy in the event of non-payment,
- 80% exemption on electricity tolls for electro-intensive industry (initially approved only until 30 June 2023 and extended to 31 December 2023 by Royal Decree Law 5/2023 of June 28), and
- measures providing flexibility to self-employed workers and companies to modify the contracted power under certain conditions.

Royal Decree Law 3/2023, of 28 March, extended to 31 December 2023 the production cost adjustment mechanism to reduce the price of electricity in the wholesale market regulated by Royal Decree Law 10/2022. The extension of this mechanism, also known as the "Iberian Mechanism", was approved by the European Commission on 25 April 2023.

Royal Decree Law 5/2023, approved on 28 June 2023, adopted and extended certain measures in response to the economic and social consequences of the Ukraine War, including notably the following measures in relation to renewable energies and cogeneration:

- The deadline for accrediting obtainment of the construction permit for projects in the permitting process was extended by 6 months; and
- an exceptional adjustment was made to the electricity market price references to be taken into account when updating the remuneration parameters for RECORE facilities (Renewable, cogeneration and waste) for the 2023-2025 semi-period, as well as the fuel prices to be taken into account when updating the remuneration for operation in the first and second half of 2023, and it was stated expressly that the Order updating the remuneration parameters of the standard facilities for the semi-period starting on 1 January 2023 will establish the necessary mechanisms so that the forecasts included therein do not entail a reduction in the remuneration for operation envisaged for the first half of 2023.

The Ministerial Order updating the remuneration parameters for each type of facility for the purposes of application to the 2023-2025 semi-period, and the Operating Remuneration for the first half of 2023, was approved on 30 June 2023 and was published in the Official State Gazette on 9 July 2023 (Order TED/741/2023).

Royal Decree Law 5/2023 also contains certain measures to promote electric vehicles, and to incorporate into the Electricity Sector Law the definition and basic regulation of Citizen Energy Communities and Renewable Energy Communities, in accordance with the provisions of the EU Directives.

Regarding the remuneration of regulated activities and the electricity tolls and charges applicable as from 1 January 2023, the following provisions were approved by the National Markets and Competition Commission (CNMC) and the Ministry for the Ecological Transition and Demographic Challenge, within the scope of their respective competencies:

- CNMC Resolution of 15 December 2022 establishing the values of the access tolls for the electricity transmission and distribution networks to be applied as from 1 January 2023.
- Order TED/1312/2022, of 23 December, establishing the prices of the electricity system charges applicable as from January 1, 2023.
- CNMC Resolution of 19 January 2023, provisionally establishing the remuneration for electricity distribution companies for the year 2023.
- CNMC Resolution of 19 January 2023 provisionally establishing the remuneration for companies owning electricity transmission facilities for the year 2023.

In relation to the electricity subsidy ("bono social eléctrico"), Order TED/81/2023, of 27 January, approved the distribution of the amounts to be financed in relation to the electricity subsidy for the year 2023 (since Royal Decree Law 6/2022, that financing is borne by all parties in the electricity system).

Royal Decree 446/2023, published on 15 June 2023 in the Official State Gazette, amended Royal Decree 216/2014 and established the methodology for calculating the voluntary tariff for small consumers (PVPC) of electricity to allow indexation of the PVPC to forward signals and thereby reduce its volatility. Accordingly, the calculation of the production cost to be included in the PVPC will gradually phase in references to the forward market from 1 January 2024, and its degree of indexation to the daily and intraday markets will be reduced in order to make it more stable. This Royal Decree also sets out a new billing term in the PVPC that includes the cost of financing the energy subsidiary ("bono social"), which is to be borne by the reference supply companies from the entry into force of Royal Decree Law 6/2022.

In the area of energy efficiency, Royal Decree 36/2023, of January 24, published in the Official State Gazette on 25 January 2023, establishes a system of Energy Saving Certificates (CAE) as an alternative to the obligation of making monetary contributions to the National Energy Efficiency Fund for parties that are so obliged. Under this (totally or partially) voluntary alternative approach, 40% of the obligations can be covered through CAEs in 2023, although the detailed rules for its application have yet to be produced.

Order TED/296/2023, of 27 March 2023, published in the Official State Gazette on 30 March 2023, establishes the obligation to contribute to the National Energy Efficiency Fund in 2023.

In tax matters, Law 38/2022, of 27 December 2022, published in the Official State Gazette on 28 December 2022, creates a temporary energy tax of 1.2% of net revenues in 2022 and 2023 (the calendar years prior to the years in which the payment obligation arises: 2023 and 2024) on the main operators in the energy sectors; revenues from regulated activities, among others, are excluded from the taxable revenue amount.

3. International regulatory environment

3.1 Natural gas sector

3.1.1. Natural gas distribution in Mexico

On 16 December 2022, the Comisión Reguladora de Energía (CRE) submitted to the Regulatory Improvement Commission (CONAMER) the Preliminary Draft of the "Resolution setting out the General Administrative Provisions on open access and provision of services in Integrated Natural Gas Systems" for public consultation on the CONAMER website. The public consultation period has concluded but the Preliminary Draft has not been approved by the CRE's Governing Body.

Regarding the Integral Tariff Review 2021-2025 for Permit G/041/DIS/1998 for Natural Gas Distribution through pipelines, in the area of Mexico City:

- On 2 March 2023, the CRE notified Comercializadora Metrogas of the Draft Resolution that determines the Revenue Requirement and approves the Initial Maximum Rate Schedule for the Fifth Period of service provision (the Draft Resolution).
- Submissions on the Draft Resolution were made on 11 April 2023 and, to date, the Commission has not issued a decision or a final resolution.

Resolution A/009/2023 of the Energy Regulatory Commission, published in the Official Gazette of the Federation on 9 May 2023, amends Resolution A/037/2016 and establishes the new criteria and methodology for determining the verification or inspection visits to be carried out in the area of hydrocarbons.

Pursuant to the 2023 Regulatory Program, on 9 May 2023 the CRE sent CONAMER the preliminary draft of the "General Administrative Provisions that specify the methodology for the determination of tariffs for the activities of Transportation by Pipeline and Storage of Natural Gas" and, on May 24, it sent the "Resolution by which the Energy Regulatory Commission issues the General Administrative Provisions regarding the development of the systems, open access and provision of Natural Gas Distribution services through pipelines" for public consultation on CONAMER's website.

3.1.2 Natural gas distribution in Argentina

On 4 January 2023, ENARGAS held Public Hearing No. 103 to consider:

- The transitory adjustment of the tariffs for the public service of natural gas transportation.
- The transitory adjustment of the tariffs of the public service of gas distribution through networks.
- The transfer into the tariffs of the purchased gas price and the consideration of the corresponding Accumulated Daily Differences (ADD).

In this respect, Naturgy BAN and Gasnor presented to the Hearing, having first submitted notes to ENARGAS, the proposed transition tariff tables and put forward a proposal for an average tariff adjustment of 189% as from 1 February 2023 on account of the pending increase under Resolutions ENRG No. 4354/17 and 4353/17.

Through ENARGAS Resolutions No. 105/23 for Naturgy BAN and No. 102/23 for Gasnor, ENARGAS implemented the adjustment of natural gas prices at the Point of Entry to the Transportation System (PIST) and the bonuses defined by the Energy Secretariat, and approved new rate tables effective as from 1 March and 1 May 2023, maintaining the values of the accumulated daily differences since their absolute values are very high in relation to the prices at the PIST.

The distribution companies have appealed the ENARGAS Resolutions that approved the new gas prices, arguing that the new rate tables directly affect the companies' distribution margins.

On 15 March 2023, ENARGAS formally sent distribution companies Naturgy BAN and Gasnor two notes containing the "Draft Second Addendum to the Transitory Renegotiation Resolution" for the adjustment of distribution tariffs effective April 2023. They maintain the general conditions of the Agreement signed in 2021, with the novelty that dividends may be distributed subject to a request being made ENARGAS, which must submit a report to the Ministry of Economy for authorisation.

On 28 April 2023, ENARGAS published Resolutions No. 191/23 for Naturgy BAN and No. 195/23 for Gasnor in which it approved two transitional tariff tables.

On 5 May 2023, ENARGAS sent a note to the distribution companies authorising them to invoice the outstanding Local Tax Balance differences corresponding to the annual periods between 1 April 2017 and 31 March 2022 at nominal values, for all user categories, in six equal consecutive monthly instalments in the service invoice in accordance with the balances determined in the relevant audits carried out by that Agency.

Additionally, both companies have asked the Regulator to consider paying the interest accrued between the time those differences arose and the time they are paid, as well as defining appropriate treatment of the balances belonging to those users who have deregistered or are dormant.

On 23 May 2023, the Energy Secretariat transferred part of the balances owed for the benefits of the Social Tariff regime under MINEM Resolution No. 508/17. That payment related to:

- The interim payment for the period August to October 2022.
- The positive adjustment from September 2021 to July 2022.

3.1.3 Natural gas distribution in Brazil

CEG and CEG RIO

At the Regulatory Session held on 25 May 2023, the application of the annual readjustment of the margins of CEG and CEG RIO in line with the inflation index of +5.90% was assured, and is applicable from 1 January 2023, considering the accumulated variation of the IGP-M index from 1 December 2021 to 30 November 2022.

Additionally, the difference in the variation of the IGP-M inflation index (+17.8%) corresponding to the period from 1 December 2020 to 30 November 2021 (in accordance with the Concession Contract) and the HICP inflation index of +10.74%, previously applied by determination of the 3rd Interlocutory Appeal Injunction No. 0013626-18.2022.8.19, was applied. The thermal generating sector did not have a complementary adjustment for IGP-M since its tariffs had already been updated by the IGP-M variation of 17.8% in 2022.

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

ARSESP Resolution No. 1.410/23, dated 26 May 2023, ensured the application of the annual readjustment of SPS margins by the inflation index (-2.21%).

In addition, with respect to the margins effective 31 May 2023, the following readjustments were applied:

- Adjustment of +7.05% to the residential, collective residential and commercial segments, corresponding to the staggered update of the accumulated variation of the IGP-M for the period from April 2020 to April 2021 (+32.02%), to be applied in 4 annual stages, 2023 being the third year of application of 7.05%.

- Application of the revised value of the initial maximum margin (P0) referring to the result of the 4th Integral Tariff Review (RTI) for 2018-2022, based on the validation of the regulatory asset base (RAB) by the Regulator, resulting in a reduction of -0.24% in the maximum values of the distribution margins.
- Compensatory adjustment of +6.9681% corresponding to the joint application of the value to be received for the one-year delay in the application of the result of the 4th RTI and the value to be returned for the margin applied, without the revaluation of the RAB, in the period from 31 May 2021 to 30 May 2023 (2nd and 3rd years of the tariff period).
- Compensatory adjustment of +21.5524% for the residential, collective residential and commercial segments, corresponding to the variation of the IGP-M for the period from May 2019 to April 2020 (delay of 1 year in application).
- Compensatory adjustment of +7.7721%, to the other consumer segments (except residential and commercial), referring to the amount of the IGP-M variation not applied for the period from May 2019 to April 2020 (delay of 2 years in application).

3.1.4 Natural gas distribution in Chile

A Committee of Experts was convened by the Ministry of Energy to analyse possible regulatory improvements to the natural gas market, and a report with its conclusions was presented on 22 May 2023. Extensive legislation is expected to be developed on the basis of this report, which could entail major changes in the national regulatory model.

3.2 Electricity sector - Distribution

3.2.1 Electricity distribution in Panama

On 31 March 2022, the regulator (ASEP) issued Resolution AN-17542, amended by Resolution AN-17554, to extend the validity of the Tariff Schedule applicable to regulated customers and for the use of the networks of the distribution companies EDEMET and EDECHI, approved for the period from 1 July 2018 to 30 June 2022, while the studies are being conducted for the new Maximum Allowed Revenue (IMP) from July 2022 to June 2026 and until the new Tariff Schedules are approved. It was established that the electricity service tariff to be applied in the first half of 2023 must be updated in accordance with the Distribution Regulation, following the RTI methodology for 2018-2022, which is still in force.

During the first half of 2023, ASEP made progress in the tariff study process for the New IMP for electricity distribution companies in Panama for the period from 1 July 2022 to 30 June 2026:

- Determination of the Rate of Return applicable to this period and approved through Resolution AN-18166-Elec dated 19 January 2023.
- Proposal of representative areas, benchmark companies and efficiency equations to be considered in calculating the IMP, through Resolution AN-18326-Elec of 28 March 2023, which has been appealed by the distribution companies and is under final review by ASEP.
- On 21 June 2023, the regulator (ASEP) published Resolution AN No. 18496 - Elec approving the Maximum Allowable Revenue (IMP) for electric distribution companies EDEMET and EDECHI for the period from 1 July 2022 to 30 June 2026. This resolution will be final once ASEP concludes the assessment of any appeals for reconsideration that may be filed. The results obtained from the approved IMP represent an increase of approximately 25% of the Distribution Added Value with respect to the previous RTI, in line with the increase in investments that are planned to be made during the period July 2022 to June 2026 for the development, growth and modernisation of the distribution network in the concession area of the distribution companies EDEMET and EDECHI.

This process will conclude with the final approval of the Maximum Allowable Revenue (IMP) for the period July 2022- June 2026 together with the tariff formulas and the new schedules, which must be in effect from 1 July 2023 until 30 June 2026 for their recovery.

In addition, the following resolutions and decrees were issued:

- Cabinet Resolution No. 02 of 12 January 2023 for the Ordinary Stabilisation Funds (Ordinary FET). It remains in force during 2023 for customers with simple low voltage tariffs who consume up to 300 kWh.

- Cabinet Resolution No. 02 dated 12 January 2023 for the Western Tariff Fund (FTO) that applies to EDECHI customers. Its application has been extended to 31 December 2023.
- Cabinet Resolution No. 18 of 14 March 2023 relating to the Tariff Stabilisation Fund (FET) at the expense of the state. The addition of PAB 36.5 million to compensate the electricity distribution companies for the contributions granted to their customers with simple low voltage tariff (bts) and consumption of up to 300 kWh per month, during the second half of 2022, was approved.
- The Cabinet did not extend to 2023 the temporary scheme of extraordinary contributions through the Tariff Stabilisation Fund (FET Extra) that was implemented at the time by the State to mitigate the impact of billing to end customers as a result of the COVID-19 pandemic, which was applied to users with low voltage tariffs with consumption of up to 750 kWh from 1 April 2020 to 31 December 2022, as established in Cabinet Resolution No. 133 of November 29, 2022; accordingly, this discount for customers was abolished.
- The partial monthly adjustments of the electricity tariffs for the months of November and December 2022 and the first months of 2023, applied during the first half of 2023, maintained the procedure established in the Distribution and Supply Regulation.
- On 15 February 2023, the State enacted Executive Decree No. 51, which contains detailed rules under Law 295 of 25 April 2022 and encourages the use of electricity for land transportation, establishing a regulatory framework for the development and operation of electric mobility in the Republic. This is all part of the Strategic Guidelines of the Energy Transition Agenda for the fulfilment of the Sustainable Development Goals (SDG 7) of the United Nations and the Paris Agreement. This public policy seeks to reduce greenhouse gas emissions, and promote and expand electric mobility and the use of renewable energies as a means of achieving the energy transition in land transportation.

3.2.2 Electricity distribution in Argentina

In February 2023, the Provincial Electricity Regulator approved Resolution EPRE N°152/23, authorising a 97.1% increase in the VAD (Distribution Added Value) for Energía San Juan S.A., effective 23 January 2023. The tariff increase was 70.2% due to the fact that part of the increase in the VAD was covered by the Regulator out of the Tariff Containment Fund, by applying the amounts corresponding to the Special Credit Regime under Article 87 Law No. 27,591.

As a consequence of the contribution made from that Fund, the end-user tariff experienced an increase of 27.6% from 1 April 2023, while users did not experience any variation in tariffs for consumption between 23 January and 31 March 2023 due to the extraordinary contribution from the Tariff Containment Fund.

3.3 Electricity sector - Generation

Global Power Generation (GPG)

There were no material changes during the first half of 2023 in the regulatory framework of any of the countries in which the Naturgy Group is engaged in power generation through its subsidiary Global Power Generation (GPG) (Costa Rica, Puerto Rico, Mexico, Chile, Brazil, Dominican Republic, Panama and Australia).

United States

The Naturgy Group's presence in the United States is focused on electricity generation based on solar technology, with more than 30 projects at different stages of development and construction.

The U.S. Inflation Reduction Act (IRA) was enacted at federal level in August 2022. It establishes major tax incentives for the promotion of renewable energies and decarbonisation, and offers additional bonuses for investments with a greater domestic production content or that are located in "Energy Communities", which are areas that are economically depressed and/or have a high pollution index, are close to a mine or coal-fired power plant that has been closed, or meet certain requirements with regard to unemployment statistics.

During the first half of 2023, the IRS (Internal Revenue Service) issued the Department of the Treasury Guidelines, which establish the criteria for determining the local manufacturing content of a project, as well as the requirements for identifying an energy community in order to benefit from the aforementioned bonuses in addition to the tax incentives.

At the state level, Texas passed several energy-related laws. They include House Bill 1500 and Senate Bill 2627, which aim to increase the reliability and resilience of the energy grid with new ERCOT reporting obligations on the part of operators and new incentives for grid reinforcement, storage and backup technologies, among others. The other two laws in the pipeline, which required additional controls and increased environmental procedures for renewable energy projects, as well as an increase in interconnection costs for these projects, were ultimately not approved.

With regard to permit processing, some states within the PJM power market, such as Ohio, approved new regulations that require a favourable report from the municipality in order for the competent state-level authority to issue administrative permits for the construction of projects, which is leading to the rejection of many new projects.

Naturgy Energy Group, S.A. and subsidiaries
Interim financial report as at 30 June 2023

CONSOLIDATED INTERIM DIRECTORS' REPORT AS AT 30 JUNE 2023

Consolidated Director's report corresponding to the six-month period ended 30 June 2023

1. Business evolution and results

1.1. Executive summary

Summary results of the period

	1H23	1H22	Change (%)
Ebitda	2,849	2,047	39.2
Consolidated profit attributable to the parent company	1,045	557	87.6
Capital expenditure (CAPEX)	839	721	16.4
Net financial debt (1)	10,752	12,070	(10.9)
Free cash flow after non-controlling interests	1,977	1,460	0.354

⁽¹⁾ As of 31 December 2022.

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

Networks businesses posted an EBITDA of €1,261 million in the period, an increase of 5.3% when compared to the same period of previous year. Networks Spain was mainly affected by lower remuneration and demand, particularly in gas, as a result of mild temperatures and lower industrial demand; Networks Latam for its part, mainly benefited from tariff updates reflecting inflation from prior periods.

The liberalized activities were responsible for the bulk of the Group's outperformance when compared to the first half of 2022, with Energy Management and Supply activities contributing most of the growth in the period.

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

Prudent financial management and capital discipline remained a priority during the first semester of 2023 in the face of ongoing market volatility and regulatory uncertainty.

Naturgy reduced its Net financial debt position from €12,070 million at the end of 2022 to €10,752 million as of 30 June 2023, while deploying €839 million investments and delivering on its shareholder remuneration commitments of 1.2 €/share per annum, as envisioned in its Strategic Plan 21-25. Net financial debt to EBITDA, considering last twelve months, has as a result decreased from 2.4x in December 2022 to 1.9x in the first semester of 2023.

Naturgy maintains an ample liquidity buffer, with € 10,108 million in available cash and equivalents and undrawn credit lines as at the end of the first half of 2023. On 30 May 2023, the rating agency S&P revised Naturgy's outlook to stable from negative and affirmed its BBB credit rating.

Capital Expenditure (CAPEX) during the first semester of 2023 stood at €839 million, an increase of 16.4% vs. same period of previous year. The Company has continued to increase its investments in renewable developments and envisions an acceleration of its capex program in the coming years.

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

In Australia, Naturgy has begun to operate its third wind farm, Berrybank II, increasing the company's total installed capacity in the country to 386MW. Naturgy envisions to reach an operating renewable capacity of approximately 1 GW in 2024, with the coming into operation of Ryan Corner wind farm (218MW) and the Hawkesdale wind farm (97MW) in Victoria, the Crookwell 3 wind farm in New South Wales (58MW) and Cunderdin hybrid solar (128MW) and battery (55MW/220MWh) plant in western Australia.

Investments in renewable energies confirm the company's strategic ambition towards a more sustainable energy mix and its commitment to the energy transition. Naturgy strives for a balanced solution to the energy trilemma, contributing to the decarbonization of the economy, while ensuring security of supply, as well as competitive and affordable energy for industrial and residential demand.

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

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

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

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

Energy demand and commodity prices

The first half of 2023 continued to experience declining energy demand in the countries where the Group operates. Electricity and gas demand in Spain decreased on average 6.9% and 12.5% respectively vs. the first semester of 2022, affected by macroeconomic uncertainty and mild temperatures throughout winter. Similarly, average demand on gas distributed activities in Chile and Brazil experienced a decrease of 1.5% and 34.0 % respectively vs. the first semester of 2022. On the other hand, gas and electricity demand in the remaining LatAm countries where the Group operates experienced some growth, 1.9% in Mexico, 9.6% and 3.9% in Argentina gas and electricity respectively, and 5.9% in Panama electricity.

Following the unprecedented rise of gas and electricity prices in 2022 linked to the ongoing Russia-Ukraine conflict, the first half of 2023 has experienced a decrease of energy prices, albeit with persisting volatility and high sensitivity to geopolitical events and risks of potential supply outages. Gas prices in Europe were mainly affected by lower demand and mild temperatures in Europe translating into high storage levels, as well as subdued gas demand from Asia.

In this context, average Brent prices were 25.8% lower than in the first semester of 2022, while gas prices on major hubs showed an important correction, with the TTF and JKM comparing -41.8% and -38.1% below respectively on average vs. the first semester of 2022. Wholesale electricity prices for their part compared 57.1% below on average vs. same period of previous year.

1.2. Key comparability factors

Reporting structure

In the context of continuous transformation and with the objective of maintaining a financial reporting structure adapted to Naturgy's businesses, during the first half of 2023 a new strategic area has been introduced "Renewable gases" which is added to the three areas already present as of 31 December 2022: Energy management and Networks, Renewables and New Business (from now on Renewable generation) and Supply.

At the same time, some changes were made in the composition of the business segments that will provide greater clarity on the progress of operations. These changes were accompanied by a change in the model for reporting to Naturgy's senior management, which is responsible for regularly reviewing the results of the segments within the company's operating decision-making process in order to decide on the resources to be allocated to each of them and to evaluate their performance.

- Integration of Markets & Procurement and International LNG business segments.
- Separation of the "Renewables Spain & USA" segment into two business segments.
- Creation of the "Renewable gases" business segment.
- Integration in "Rest" business segment the expenses of the rest of activities (other than renewables gases) previously reported under New businesses up to 31 December 2022.

The first half 2022 results have been restated accordingly.

Perimeter changes

There are no transactions completed in the first six months of 2023 with a relevant impact in comparability in the first half of 2023 vs. the first half of 2022 results.

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)%	9	4
MXN/€	19.66	(11.4)%	18	5
BRL/€	5.48	(1.3)%	1	—
ARS/€ (1)	280.09	113.4 %	(31)	(9)
CLP/€	871.11	(3.6)%	(1)	(3)
Other	—	—	—	—
Total	—	—	(4)	(3)

⁽¹⁾ Exchange rate as of 30 June 2023 as a consequence of considering Argentina as an hyperinflationary economy

During the first semester of 2023, the evolution of currencies had an impact on the Group's financial performance of €-4 million and €-3 million in EBITDA and Consolidated profit attributable to the parent company, respectively. In particular, the Mexican peso, the Brazilian reais, the Chilean peso and the USD experienced appreciations vs the first semester of 2022, whereas the Argentinean peso continued to depreciate vs. EUR.

1.3. Consolidated results

	1H23	1H22	Change (%)
Net sales	12,054	16,737	(28.0)
Ebitda	2,849	2,047	39.2
Depreciation, amortisation and impairment expenses	(944)	(704)	34.1
Impairment of credit losses	(152)	(127)	19.7
Other results	(40)	(114)	(64.9)
Operating Profit	1,713	1,102	55.4
Net financial income/ (expenses)	(250)	(336)	(25.6)
Profit of entities recorded by equity method	43	65	(33.8)
Corporate income tax	(371)	(194)	91.2
Profit for the year from discontinued operations, net of taxes	—	(16)	(100.0)
Non-controlling interest	(90)	(64)	40.6
Consolidated profit attributable to the parent company	1,045	557	87.6

Net sales

Net sales totalled €12,054 million in the first six months of 2023, down 28.0% vs. the first half of 2022, mainly as a result of the exceptionally high energy prices in the first half of 2022, following the commencement of the Russia – Ukraine conflict.

Ebitda

Consolidated Ebitda reached € 2,849 million in the first half of 2023, up 39.2% vs. the first half of 2022 supported by the strong performance of liberalized activities.

The breakdown by business of the Ebitda is as follows:

	1H23	1H22	Change (%)
Energy management and Networks	2,357	1,778	32.6
Renewable generation	235	175	34.3
Renewable Gases	(2)	(1)	100.0
Supply	348	157	121.7
Rest	(89)	(62)	43.5
EBITDA	2,849	2,047	39.2

Operating Profit

Depreciation, amortization and impairment expenses reached in the period € -944 million, 34.1% higher than in the first half of 2022 and include a €253 million impairment as of June 2023, mainly in LatAm thermal generation (€168m) consistent with the scenario. The balance relates to other impairments in renewables USA, Chile and Spain responding to specific circumstances in each case.

Impairment of credit losses reached €-152 million, higher than in the first half of 2022.

Net financial income

	1H23	1H22	Change (%)
Cost of net financial debt	(246)	(248)	(0.8)
Other financial expenses/income	(4)	(88)	(95.5)
Net financial income/ (expenses)	(250)	(336)	(25.6)

Financial result amounted to € 250 million, down 25.6% vs the first half of 2022, as June of 2022 was impacted by accrued interests linked to the Transportadora de Gas del Norte, S.A. (TGN) litigation provisions in Chile and, to a lesser extent, by the lower average net financial debt in the period, which was partially offset by higher cost of gross financial debt (3.8% in the first semester of 2023 vs. 2.8% as of June 2022, both excluding cost from IFRS 16 debt) due to higher interest rates, particularly in Latin America. As of 30 June 2023, 79% of gross debt is at fixed rates and 64% is denominated in Euros.

Profit of entities recorded by equity method

Equity-accounted affiliates contributed € 43 million vs. € 65 million as of June 2022, corresponding to Ecoeléctrica (€31 million), CGE sub-group (€10 million), Medina/Medgaz (€8 million), Qalhat (€3 million), Renewable Generation and Cogeneration (€ -11 million) and others (€ 2 million).

The reduction compared to the first semester of 2022 occurs as a result of the lower contribution of the associated interests in the renewable and cogeneration activities.

Corporate income tax

The effective tax rate for the first six months of 2023 stood at 25%, compared with 23% in the same period of the previous year, mainly due to the evolution of results in countries with different tax rates.

Profit for the year from discontinued operations, net of taxes

Profit from discontinued operations amounted to nil in the first half of 2023 vs. € -16 million in the first half of 2022, coming from electricity distribution Chile, as there are no discontinued operations in the current consolidation perimeter.

Consolidated profit attributable to the parent company

Consolidated profit attributable to the parent company reached €1,045m in the first six months of 2023, up 87.6% vs. the first half of 2022, supported by the strong performance of liberalized activities, notably Energy management and Supply, and despite the slightly weaker performance in Networks Spain and the higher funding costs, particularly in LatAm, as a result of higher interest rates.

Income attributed to non-controlling interests

Income attributed to non-controlling interests amounted to € 90 million in the first half of 2023, a 40.6% higher compared to as of 30 June 2022, as detailed in the following table:

	1H23	1H22	Change (%)
Europe Maghreb Pipeline, Ltd (EMPL)	0	2	(100.0)
Nedgia	(35)	(41)	(14.6)
Other affiliates (1)	(38)	1	(3900.0)
Other equity instruments	(17)	(26)	(34.6)
Total	(90)	(64)	40.6

⁽¹⁾ Including Renewable LATAM and Australia, LatAm thermal generation, gas distribution in Chile, Brazil, Mexico and Argentina, and electricity distribution in Panama.

Higher income attributed to non-controlling interests in the first semester of 2023 compared to same period of previous year, responds mainly to higher contribution of both Latam Networks, specially in Chile, and international renewables affiliates, despite of the impairment carried out in LatAm thermal generation during the first semester of 2023

The Other equity instruments caption includes the accrued interest on Deeply Subordinated Notes (hybrids) and is also lower vs. the first semester of 2022 as a result of the €500m hybrid redemption without replacement completed in November 2022.

1.4. Results by business unit

1.4.1. Energy management and networks

Below is the detail of the reported and ordinary Ebitda for the six-month period ended June 30, 2023 and 2022:

	1H23	1H22	Change (%)
Energy management and Networks	2,357	1,778	32.6
Networks Spain	732	801	(8.6)
Gas networks	411	456	(9.9)
Electricity networks	321	345	(7.0)
Networks LatAm	529	397	33.2
Chile gas	117	12	875.0
Brazil gas	165	142	16.2
Mexico gas	140	123	13.8
Panama electricity	76	68	11.8
Argentina gas	12	35	(65.7)
Argentina electricity	19	17	11.8
Energy management	1,096	580	89.0
LNG & Markets	858	385	122.9
Pipelines (EMPL)	0	(6)	(100.0)
Spain thermal generation	108	74	45.9
LatAm thermal generation	130	127	2.4

EBITDA increased 32.6% to €2,357 million during the first six months of 2023 driven by the good performance of Energy Management business which posted an aggregate Ebitda of € 1,096 million, up to 89.0% when compared to the first half of 2022, contributing the bulk of the Group's outperformance when compared to the first half of 2022.

The first half of 2023 experienced a decrease of gas prices, albeit with persisting volatility, mainly affected by lower demand and mild temperatures in Europe translating into high storage levels, as well as subdued gas demand from Asia.

Networks Spain aggregated Ebitda decreased 8.6% to € 732 million during the period, mainly driven by Gas Networks, which was impacted by lower gas demand in the residential segment, as a result of mild temperatures in winter, as well as lower industrial demand, following the highly volatile gas price environment experienced over the last twelve months. The ongoing regulatory adjustments to gas distribution remuneration due as part of the regulatory framework 2021-2026 also weighed negatively on Spain gas networks.

Networks Latam for its part, mainly benefited with an increase of 33.2%, reaching € 529 million as for 30 June 2023, from tariff updates reflecting inflation from prior periods, which was partly offset by the negative FX impact of - € 14 million, mainly due to Argentina.

1.4.1.1. Spain Networks

Spain gas networks

Results

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

In the first six months of 2023 Ebitda reached €411 million, down 9.9% vs. the first half of 2022, driven by a lower demand in both the residential segment, as a result of mild temperatures in winter, and the industrial segment, following the highly volatile gas price environment experienced over the last twelve months. The ongoing regulatory adjustments to gas distribution remuneration due as part of the regulatory framework 2021-2026 also weighed negatively.

Main aggregates

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

	1H23	1H22	Change (%)
TPA - Sales (GWh)	84,204	96,192	(12.5)
LPG Sales (tn)	34,651	48,325	(28.3)
Distribution network (km)	55,589	56,917	(2.3)
Increase in connection points, thousand	(11)	(2)	450.0
Connection points (thousand) (at 30/06)	5,359	5,380	(0.4)

Both Gas and LPG sales decreased by 12.5% and 28.3% respectively on an annual basis, while connection points remained stable (-0.4%) compared to the first six months of 2022.

Spain electricity networks

Results

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

In the first six months of 2023, Ebitda amounted to € 321 million, a 7.0% decrease compared to the first six months of 2022, mainly as a result of lower remuneration in incentives for energy losses, as well as lower remuneration in operation and maintenance (O&M) which is expected to improve later in the year as accrued investments are recognized.

Additionally, in the first half of 2023 experienced higher operational expenses due to higher activity and maintenance vs same period of 2022.

Main aggregates

	1H23	1H22	Change (%)
Sales - TPA (GWh)	12,198	13,109	(6.9)
Distribution network (km)	115,460	115,053	0.4
Connection points (thousand)	3,825	3,809	0.4
ICEIT (minutes)	14.0	16.4	(14.6)

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

1.4.1.2. Latam Networks

Chile gas

Includes the activities of gas distribution and supply.

Results

	1H23	1H22	Change (%)
Net sales	406	388	4.6
Procurement	(250)	(345)	(27.5)
Gross margin	156	43	262.8
Other operating income	1	1	—
Personnel expenses	(15)	(13)	15.4
Taxes	(2)	(2)	—
Other operating expenses	(23)	(17)	35.3
EBITDA	117	12	875.0
Depreciation, provisions and other results	(32)	(157)	(79.6)
EBIT	85	(145)	(158.6)

In the first six months of 2023, Ebitda totaled €117 million, 9.7x higher than in the first six months of 2022, which is mainly explained by the provision of €108m registered in the first semester of 2022 related to the first instance conviction sentence in favor of Transportadora de Gas del Norte, S.A. (TGN).

In addition, the positive performance in the distribution activity, benefiting from tariff updates, was offset by lower contribution from the supply activity, which experienced some margin compression despite higher sales. FX impact was not particularly relevant and amounted to €-1 million as of 30 June 2023

Main aggregates

	1H23	1H22	Change (%)
Gas activity sales (GWh)	18,650	18,580	0.4
Gas distribution sales (GWh)	4,901	4,978	(1.5)
Gas sales (GWh)	922	630	46.3
TPA (GWh)	12,827	12,972	(1.1)
Distribution network (km)	8,284	8,209	0.9
Increase in connection points (thousand)	6	5	20.0
Connection points (thousand)(at 30/06)	685	671	2.1

Total gas sales increased by 0.4%, mostly as a result of higher gas sales (46.3%), while distribution sales remained stable, with a slight reduction of 1.5% compared same period of previous year.

Connection points increased by 2.1%..

Brazil Gas Networks

Results

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

In the first six months of 2023 Ebitda totaled € 165 million, 16.2% higher as of 30 June 2022. Tariff updates were partially offset by lower demand, particularly in the power generation segment, due to abundant hydro resource in the year. FX impact was slightly positive in the period (€1 million).

Main aggregates

The main aggregates of the activity are as follows:

	1H23	1H22	Change (%)
Gas activity sales (GWh)	18,126	27,482	(34.0)
Gas sales	14,127	17,850	(20.9)
TPA	3,999	9,632	(58.5)
Distribution network (km)	8,321	8,241	1.0
Increase in connection points (thousand)	8	9	(11.1)
Connection points (thousand)(at 30/06)	1,184	1,171	1.1

Overall gas sales decreased 34.0% compared to the first six months of 2022, mainly as a result of lower demand for generation amid higher water reserves and of, to a lesser extent, lower both vehicular and industrial demand.

Connection points supply grew 1.1% in the period

Mexico Gas Networks

Results

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

On the first six months of 2023, Ebitda increased 13.8% to € 140 million supported by higher tariffs and distributed (TPA) sales together with positive FX evolution (€ 16 million). Conversely, supply margins were lower due to adjustments from previous years.

Main aggregates

The main aggregates of the activity are as follows:

	1H23	1H22	Change (%)
Gas activity sales (GWh)	23,590	23,151	1.9
Gas sales	12,031	11,957	0.6
TPA	11,559	11,194	3.3
Distribution network (km)	23,101	22,967	0.6
Increase in connection points (thousand)	(2)	2	(200.0)
Connection points (thousand)(at 30/06)	1,570	1,576	(0.4)

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

Panama electricity

Results

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

In the first six months of 2023, Ebitda amounted to € 76 million, up 11.8% compared to the first six months of 2022, driven by tariff updates and higher sales (5.9%). Positive FX contribution in the period was limited to €1 million.

Main aggregates

The main aggregates of the activity are as follows:

	1H23	1H22	Change (%)
Electricity business sales (GWh)	2,803	2,647	5.9
Electricity sales	2,309	2,180	5.9
TPA	494	467	5.8
Distribution network (km)	30,052	29,464	2.0
Connection points (thousand)(at 30/06)	762	742	2.7

Connection points grew by 2.7%.

Argentina gas

Results

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

Within the first six months of 2023, Ebitda amounted to € 12 million, down 65.7% compared to the first six months of 2022, mainly due to the negative FX impact (€-16 million). Higher demand, notably for the power generation segment, mainly due to higher consumption, and tariff updates (applied only from May), were not enough to compensate for the continued currency depreciation.

Main aggregates

The main aggregates of the activity are as follows:

	1H23	1H22	Change (%)
Gas activity sales (GWh)	47,930	43,730	9.6
Gas sales	21,527	23,877	(9.8)
TPA	26,403	19,853	33.0
Distribution network (km)	40,002	39,618	1.0
Increase in connection points (thousand)	5	(1)	(600.0)
Connection points (thousand)(at 30/06)	2,260	2,252	0.4

Gas activity sales increased by 9.6, while connection points remained stable (0.4%) compared to the first six months of 2022

Argentina electricity

Results

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

In the first six months of 2023, Ebitda amounted to € 19 million, 11.8% higher than in the first six months of 2022, mainly driven by tariff updates and sales growth (3.9% compared same period previous year), which were partly offset by the negative FX impact (€ 15 million).

Main aggregates

The main aggregates of the activity are as follows:

	1H23	1H22	Change (%)
Electricity business sales (GWh)	1,059	1,019	3.9
Distribution network (km)	10,152	10,026	1.3
Connection points (thousand)(at 30/6)	257	252	2.0

Electricity sales and connection points increased by 3.9% and 2.0% respectively when compared to first half of 2022.

1.4.1.3. Energy management

LNG & Markets

Results

	1H23	1H22	Change (%)
Net sales	5,169	8,354	(38.1)
Procurement	(4,192)	(7,975)	(47.4)
Gross margin	977	379	157.8
Other operating income	11	50	(78.0)
Personnel expenses	(18)	(19)	(5.3)
Taxes	(90)	(4)	2150.0
Other operating expenses	(22)	(21)	4.8
EBITDA	858	385	122.9
Depreciation, provisions and other results	(121)	(59)	105.1
EBIT	737	326	126.1

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

Within the first half of 2023, experienced a decrease of gas prices, albeit with persisting volatility, mainly affected by lower demand, due to mild temperatures in Europe, translating into high storage levels, as well as limited gas demand from Asia.

In the first six months of 2023, Ebitda reached € 858 million, mainly benefiting from the restatement of the ineffectiveness of gas and electricity sales hedging derivatives. Excluding the positive impact of the hedging reappraisal, with non-cash impact, results were below the first semester of 2022. FX positive impact contributed with € 7 million in the period.

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

Main aggregates

The main aggregates of the activity are as follows

	1H23	1H22	Change (%)
Gas supply (GWh)	98,237	124,461	(21.1)
CCGT	12,676	14,796	(14.3)
Third parties	31,357	50,664	(38.1)
LNG Gas sales (GWh)	54,204	59,001	(8.1)
Electricity sales (GWh)	502	884	(43.2)
Shipping fleet capacity (m3)	1,436,280	1,591,245	(9.7)

At 30 June 2023, total gas sales reached 98,237GWh, -21.1% vs.same period of previous year, and electricity sales decreased 43.2% compared as of 30 June 2022.

Pipelines (EMPL)

Results

	1H23	1H22	Change (%)
Net sales	—	—	—
Procurement	—	—	—
Gross margin	—	—	—
Other operating income	—	2	(100.0)
Personnel expenses	—	(8)	(100.0)
Taxes	—	—	—
Other operating expenses	—	—	—
EBITDA	—	(6)	(100.0)
Depreciation, provisions and other results	—	—	—
EBIT	—	(6)	(100.0)

This asset ended its activity on October 31, 2021, thus it does not contribute to the group's Ebitda.

Spain thermal generation

Results

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

In the first six months of 2023, Ebitda reached € 108 million, up 45.9% compared to the first six months of 2022 on the back of higher electricity production (CCGT) margins.

Despite lower production in the first semester of 2023 (-16.3%), the decrease of gas and CO2 prices combined with NTGY competitive advantages in terms of operational excellence and location, has allowed to capture higher margins compared to the first half year of 2022, when production was higher to cover the shortfall in renewables and hydro, which translated into lower margins, amid elevated gas and CO2 costs.

Pool prices decreased by 57.1% vs. prices for the first semester of 2022, averaging € 88.3/MWh in the period, as a result of lower gas and CO2 prices.

Main aggregates

The main aggregates of the activity are as follows

	1H23	1H22	Change (%)
Installed capacity (MW)	8,031	8,031	—
Nuclear	604	604	—
CCGTs	7,427	7,427	—
	1H23	1H22	Change (%)
Electric energy produced (GWh)	7,754	9,269	(16.3)
Nuclear	2,069	2,097	(1.3)
CCGTs	5,685	7,172	(20.7)

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

LatAm thermal generation

Results

	1H23	1H22	Change (%)
Net sales	342	492	(30.5)
Procurement	(183)	(340)	(46.2)
Gross margin	159	152	4.6
Other operating income	—	1	(100.0)
Personnel expenses	(10)	(8)	25.0
Taxes	(1)	(1)	—
Other operating expenses	(18)	(17)	5.9
EBITDA	130	127	2.4
Depreciation, provisions and other results	(206)	(39)	428.2
EBIT	(76)	88	(186.4)

Within the first six months of 2023, Ebitda reached € 130 million, up 2.4% compared to the first six months of 2022, mainly supported by higher production and better margins on merchant sales of energy production surpluses on top of energy produced for existing PPAs in Mexico. Positive FX impact was limited to €1 million in the period.

As of 30 June 2023, has been recognized a €168 million impairment, consistent with the current energetic scenario.

Main aggregates

The main aggregates of the activity are as follows

	1H23	1H22	Change (%)
Installed capacity (MW)	2,644	2,644	—
Mexico (CCGT)	2,446	2,446	—
Dominican Republic (Fuel)	198	198	—

	1H23	1H22	Change (%)
Electric energy produced (GWh)	6,660	6,339	5.1
Mexico (CCGT)	6,337	6,054	4.7
Dominican Republic (Fuel)	323	285	13.3

Total production increased by 5.1%, due to Mexican CCGTs increasing by 4.7% and other thermal (Dominican Republic) increasing by 13.3%.

1.4.2. Renewable generation

	1H23	1H22	Change (%)
Renewable generation	235	175	34.3
Spain	205	165	24.2
USA	(6)	(25)	(76.0)
Australia	5	—	—
LatAm	31	35	(11.4)

Renewable generation for its part reached an Ebitda of €235 million during the period, an increase of 34.3% when compared to the first semester of 2022. The positive evolution is mainly explained by higher installed capacity in renewable generation (7.1%) and higher production in Spain, notably in conventional hydro (131.6%) vs. the first semester of 2022.

As indicated earlier, a new business segment “Renewable gases” has been created, including the management of renewable gas projects, specifically biomethane and green hydrogen, whose contribution as this point remains non material (€ -1 million as of 30 June 2022), previously reported in “Renewables and New Business” segment.

In addition, at 30 June 2022 the expenses of the rest of activities (other than renewables gases) previously reported under New businesses at 31 December 2022 and integrated in “Rest” business segment amounted € 10 million.

Renewables Spain

Results

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

In the first six months of 2023, Ebitda amounted € 205 million, up 24.2% vs. the first six months of 2022, which is primarily explained by: i) additional installed capacity, and ii) higher production, notably on conventional hydro. This was partly offset by the lower regulated revenues (new parameters for the semi-period 2023-25) and lower overall selling prices.

Main aggregates

The main aggregates of the activity are as follows:

	1H23	1H22	Change (%)
Installed capacity (MW)	4,462	4,213	5.9
Hydroelectric	2,062	2,062	—
Wind	1,955	1,850	5.7
Solar	394	250	57.6
Cogeneration and others	51	51	—

	1H23	1H22	Change (%)
Electric energy produced (GWh)	4,826	3,161	52.7
Hydroelectric	2,175	939	131.6
Wind	2,189	1,910	14.6
Solar	314	204	53.9
Cogeneration and others	148	108	37.0
Market share of renewables	6.0 %	4.4 %	1,6 pp

Installed capacity as of 30 June 2023 reached 4,462MW, 249MW higher than in the first half of 2022, on which 144MW were solar technology and 105 MW wind technology.

Total production increased by 52.7 % vs same period of previous year, with a significant increase in hydroelectric production by 131.6%, wind by 14.6%, solar by 53.9% and other technologies by 37.0%, reaching a market share of 6.0%.

Renewables USA

Results

	1H23	1H22	Change (%)
Net sales	—	—	—
Procurement	—	—	—
Gross margin	—	—	—
Other operating income	—	—	—
Personnel expenses	(1)	—	—
Taxes	—	—	—
Other operating expenses	(5)	(25)	(80.0)
EBITDA	(6)	(25)	(76.0)
Depreciation, provisions and other results	(47)	(2)	2250.0
EBIT	(53)	(27)	96.3

Ebitda as of the first half of 2023, amounted to € -6million, due to operative expenses of the period. The first semester of 2022 was affected by a provision made over a guarantee granted, reaching a negative Ebitda of € 25 million.

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

Main aggregates

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

Renewables Australia

Results

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

In the first six months of 2023, Ebitda amounted € 5 million, by a higher production of 25.6% and the positive evolution of the mark to market valuation of existing PPAs that were partially offset by lower prices.

Main aggregates

The main aggregates of the activity are as follows:

	1H23	1H22	Change (%)
Installed capacity (MW)	386	277	39.4
Wind	386	277	39.4

	1H23	1H22	Change (%)
Electric energy produced (GWh)	481	383	25.6
Wind	481	383	25.6

Installed capacity as of 30 June 2023 reached 386MW, due to coming into operation BerryBank II wind plant during this semester, with an installed capacity of 109MW.

Additional project developments are well underway and expected to come into operation in the coming months.

Renewables LatAm

Results

	1H23	1H22	Change (%)
Net sales	54	65	(16.9)
Procurement	(4)	(12)	(66.7)
Gross margin	50	53	(5.7)
Other operating income	8	5	60.0
Personnel expenses	(7)	(7)	—
Taxes	(2)	(1)	100.0
Other operating expenses	(18)	(15)	20.0
EBITDA	31	35	(11.4)
Depreciation, provisions and other results	(39)	(15)	160.0
EBIT	(8)	20	(140.0)

In the first six months of 2023. Ebitda reached € 31 million, 11.4% lower than in the first six months of 2022, driven by lower revenues from Chile and higher operative expenses, partially offset by FX impact (€2 million).

Main aggregates

The main aggregates of the activity are as follows

	1H23	1H22	Change (%)
Installed capacity (MW)	847	825	2.7
Mexico (Wind)	234	234	—
Brazil (Solar)	153	153	—
Chile (Solar)	131	109	20.2
Chile (Wind)	206	206	—
Costa Rica (Hydroelectric)	101	101	—
Panama (Hydroelectric)	22	22	—

	1H23	1H22	Change (%)
Electric energy produced (GWh)	870	948	(8.2)
Mexico (Wind)	276	298	(7.4)
Brazil (Solar)	136	131	3.8
Chile (Solar)	143	123	16.3
Chile (Wind)	121	140	(13.6)
Costa Rica (Hydroelectric)	161	215	(25.1)
Panama (Hydroelectric)	33	41	(19.5)

Installed capacity in LatAm as of end of the first six months of 2023 reached 847MW, 22MW higher compared to the first six months of 2022.

Overall production decreased by 8.2%, with hydro decreasing by 24.2% and wind by 9.4%. On the other hand, solar production increased by 9.8% compared to the first semester of 2022.

1.4.3. Renewable gases

Results

A Renewable gases business segment has been created, including the management of renewable gas projects, specifically biomethane and green hydrogen, whose contribution as this point remains nonmaterial.

	1H23	1H22	Change (%)
Net sales	—	—	—
Procurement	—	—	—
Gross margin	—	—	—
Other operating income	—	—	—
Personnel expenses	(1)	(1)	—
Taxes	—	—	—
Other operating expenses	(1)	—	—
EBITDA	(2)	(1)	100.0
Depreciation, provisions and other results	—	—	—
EBIT	(2)	(1)	100.0

Main aggregates

Biomethane	1S23	1S22	Var (%)
Operation capacity (MW)	2	2	—
Production (MWh)	117	2,611	(95.5)

Naturgy currently operates a biomethane plant with 2MW of capacity which produced 117MWh during the first half year of 2023 and is progressing on a number of biomethane projects in Spain.

In addition, two hydrogen projects in Meirama (30MW) and in La Robla (280MW) are underway, with Naturgy evaluating a portfolio of additional options.

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

1.4.4. Supply

Results

	1H23	1H22	Change (%)
Net sales	4,891	5,859	(16.5)
Procurement	(4,337)	(5,522)	(21.5)
Gross margin	554	337	64.4
Other operating income	71	1	7000.0
Personnel expenses	(33)	(32)	3.1
Taxes	(93)	(45)	106.7
Other operating expenses	(151)	(104)	45.2
EBITDA	348	157	121.7
Depreciation, provisions and other results	(116)	(134)	(13.4)
EBIT	232	23	908.7

Within the first six months of 2023, Ebitda reached € 348 million, compared to € 157 million of first six months of 2022, mainly benefiting from higher margins and an improved competitive position, due to improvement in sales portfolio management and optimization of procurement costs.

Higher selling prices and lower procurement costs on average, were partially offset by lower sales.

Main aggregates

The main aggregates of the activity are as follows

	1H23	1H22	Change (%)
Gas sales (GWh)	38,278	45,568	(16.0)
Residential Spain	10,958	10,843	1.1
Industrial clients	26,104	32,655	(20.1)
SM&E	1,216	2,070	(41.3)
By segment	38,278	45,568	(16.0)
Liberalised	33,518	42,164	(20.5)
Regulated	4,760	3,404	39.8
Electricity sales (GWh):	9,834	11,532	(14.7)
Residential Spain	4,522	4,687	(3.5)
Industrial clients	4,356	4,727	(7.8)
SM&E	956	2,118	(54.9)
By segment	9,834	11,532	(14.7)
Liberalised	8,308	9,608	(13.5)
Regulated	1,526	1,924	(20.7)
Retail contracts (thousand)	10,778	10,888	(1.0)
Gas	3,623	3,633	(0.3)
Electricity	4,299	4,247	1.2
Services	2,856	3,008	(5.1)
Contracts per customer (Spain)	1.50	1.56	-0,06 pp
Gas contract market share (Spain)	45.4	45.6	-0,2 pp

Gas supply margins improved as renewed contracts reflect the increase of energy prices compared to previous periods. This was partly offset by lower sales amid the high temperatures in Spain 1H23, and the transfer of customers from liberalized to regulated tariffs (39.8%) mainly in the residential segment.

Gas sales decreased by 16.0% vs the first six months of 2022, with SME and industrial decreasing by 41.3% and 20.1% respectively vs. the first semester of 2022.

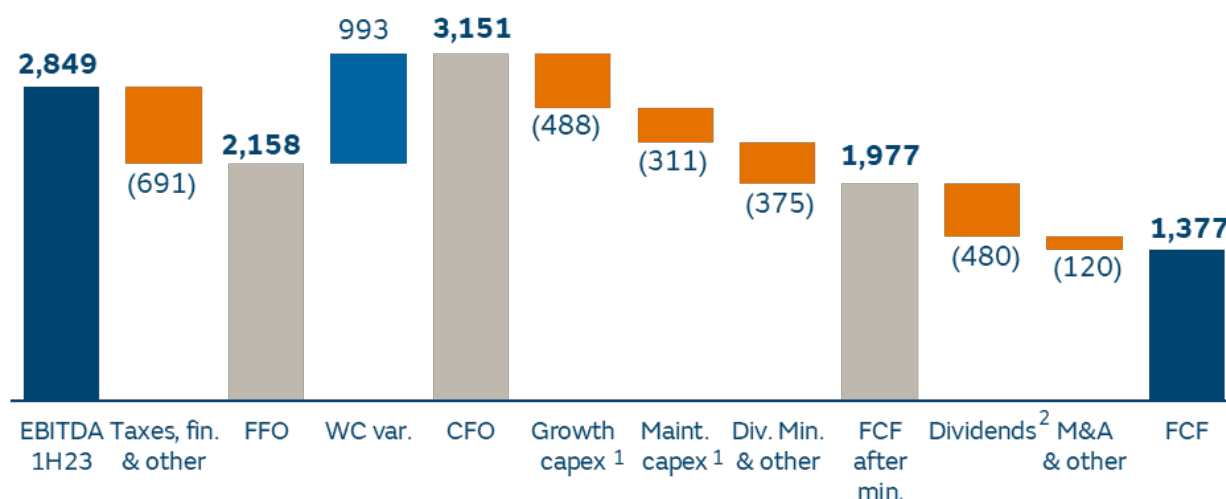
Power supply margins continued its recovery with the improvement in client portfolio management and costs optimization compared to first semester of 2022, which was affected by the cost of energy sales not covered via own inframarginal generation.

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

Total number of contracts in Spain decreased by -1.0% vs. the first six months of 2022, with no relevant impact in gas contract market share (-0,2 pp)

1.5. Cash flow

The evolution of cash flow for the first semester of 2023 is detailed below:



¹ Net of cessions and contributions

² Dividends paid net of those received by Group companies.

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

Within the first six months of 2023, FCF after non controlling interests amounted € 1,977 million underpinned by the strong performance of liberalized activities and the positive variation of working capital. As a result, Naturgy reduced its Net financial debt position from €12,070 million as of year ended 2022 to €10,752 million as of 30 of June of 2023.

The net financial debt reduction was achieved while deploying €799 million in capex over the period (16.8% vs the first semester of 2022) and delivering on shareholder remuneration commitments of 1.2 €/share per annum, which translated into a dividend payment of €480m in the period, corresponding to the final 2022 dividend payment.

In the period, FCF amounted € 1,377 million.

Capex

The breakdown of CAPEX by type was as follows:

	1H23	1H22	Change (%)
Investments in property, plant and equipment and intangible assets (Capex)	839	721	16.4
Other proceeds from investing activities	(40)	(37)	8.1
Net capital expenditure (Net Capex)	799	684	16.8

The breakdown of capex by activities is as follows:

	1H23	1H22	Change (%)
Energy management and Networks	435	373	16.6
Networks Spain	217	145	49.7
Gas networks	54	48	12.5
Electricity networks	163	97	68.0
Networks LatAm	153	133	15.0
Chile gas	24	18	33.3
Brazil gas	29	18	61.1
Mexico gas	29	21	38.1
Panama electricity	52	56	(7.1)
Argentina gas	11	12	(8.3)
Argentina electricity	8	8	—
Energy management	65	95	(31.6)
LNG & Markets	1	1	—
Pipelines (EMPL)	—	—	—
Europe thermal generation	35	39	(10.3)
LatAm thermal generation	29	55	(47.3)
Renewable generation	346	270	28.1
Spain	112	114	(1.8)
USA	81	36	125.0
Australia	145	111	30.6
LatAm	8	9	(11.1)
Renewable Gases	—	—	—
Supply	53	71	(25.4)
Rest	5	7	(28.6)
CAPEX	839	721	16.4

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

Maintenance capex in the first six months of 2023 amounted to € 316 million, compared to € 283 million same period previous year, as result of higher maintenance in Spain and Latam Networks, which is partially explained by currency appreciation.

Tangible and intangible growth investments (Capex) in the period represented more than 60% of total investments and amounted € 523 million in the first six months of 2023.

Growth capex in the first six months of 2023 mainly included:

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

In addition, Naturgy continues to progress on agreements confirming its commitment to renewables growth. In this respect :

- 182MW of additional capacity came into operation, of which 70MW in Spain (all wind), 109MW in Australia (all wind), and 3MW in Latam (solar)
- In Spain, Naturgy is engaged in the construction of some 30 wind farms and PV plants, equivalent to nearly 1GW of additional renewable capacity expected to come in operation during 2024. Additionally, during the first semester of 2023, Naturgy reached an agreement with Ardian for the acquisition of 100% of ASR Wind, a portfolio of 12 renewable energy projects composed of: i) 422MW regulated operating wind assets, and ii) 435MWp solar PV hybridization projects. Naturgy plans to complete the transaction in the coming days, once it obtains the relevant regulatory clearance.

Consequently, approximately 800MW of additional capacity, both wind and solar, are expected to come into operation in the second semester of 2023 and additional 300MW during 2024.

- In Australia during the first semester of 2023, Naturgy begun to operate its third wind farm (BerryBank II), increasing the company's total installed capacity to 386MW. While no additional installed capacity is expected to come into operation in the second semester of 2023. Naturgy envisions to reach an operating renewable capacity of approximately 1 GW in 2024.
- In the USA, the development of Naturgy's first solar plant is underway, with an installed capacity of 300MW, and expected coming into operation (COD) in 2024.

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

1.6. Financial Position

As of 30 June 2023, Net financial debt amounted to € 10,752 million, € 1,318 below year-end 2022 figure, reflecting the strong cash generation capacity of the group.

During the six first months of 2023, the most relevant transactions and refinancing operations included:

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

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

		1H23	1H22
EBITDA/Net financial debt cost	times	11.6	8.3
Net financial debt /LTM EBITDA (1)	times	1.9	2.4

(1) Comparative information as of 31 December 2022

Net debt to EBITDA of last twelve months, decreased from 2.4x in the first semester of 2022 to 1.9x as of 30 June 2023. The group maintains a strong financial position and has substantially reinforced its balance sheet strength over the last 12-18 months.

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

Liquidity (Euro million)

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

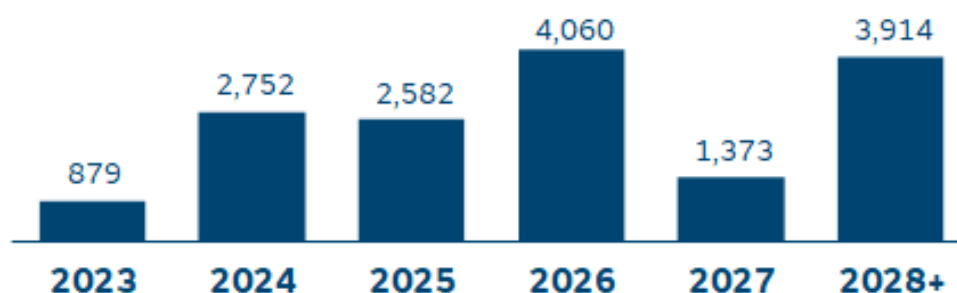
As of 30 June 2023, the detail of the Group's current liquidity is as follows:

	Consolidated		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
	1H23	2022	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Cash and equivalents	4,555	3,985	152	73	254	50	131	18	3,877
Undrawn committed credit lines	5,553	5,497	—	—	42	—	9	97	5,405
Total	10,108	9,482	152	73	296	50	140	115	9,282

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

	2023	2024	2025	2026	2027	2028+
Undrawn committed credit lines	91	1,669	1,583	2,205	—	5

The gross financial debt maturities as of 30 June 2023 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
		1H23	2022	CLP	USD	BRL	ARS	MXN	USD	EUR/Others
Net financial debt	€m	10,752	12,070	303	8	60	(18)	530	727	9,142
Average cost of debt (1)	%	3.8	2.8	9.4	6.7	14.5	83.5	10.4	8.1	1.7
% fixed rated (gross debt)	%	79	80	58	42	1	2	51	37	91

⁽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 3.8%, a slightly higher than in FY22 (2.8%).

2. Main risks, opportunities and uncertainties

During the first half of 2023, Naturgy applied the same risk management model described in section 4. Main risks, opportunities and uncertainties of the consolidated directors' report for the year ended 31 December 2022.

Naturgy defines five risk types in its Corporate Risk Map:

1. **Economic:** commodity, exchange rate, regulatory, volume, margin/price, legal and operational.
2. **Financial:** credit, interest rate, tax, liquidity and solvency, rating and provisions.
3. **Operational:** security, business continuity and crisis management, fraud against the company, cybersecurity, data protection, environmental, customer satisfaction and health and safety.
4. **Reputational/Sustainability:** reputational and ESG, compliance, people and climate change.
5. **Strategic:** associated with the profile of the Group's business portfolio.

The main economic (including legal risk) and financial risks are discussed in notes 13 and 26 to the condensed interim consolidated accounts at 30 June 2023. Climate change risk is discussed in note 2.4.25.k in the consolidated directors' report for the year ended 31 December 2022. The main operational and reputational/sustainability risks are discussed in the Sustainability Report and Non-Financial Information Statement for the year ended 31 December 2022.

Naturgy follows the strategy that was approved by its Board of Directors and presented on 28 July 2021, where the energy transition is considered 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 geographies
- Renewable generation
- Grid operation and expansion
- Technological development and innovation
- Portfolio of natural gas and LNG procurements

Horizontal uncertainties, such as the macroeconomic context and geopolitical exposure, that materialise and have an impact on many of the risk types managed by Naturgy. In terms of the macroeconomic situation, performance in the first half of 2023 was shaped by the evolution of the COVID-19 pandemic and Russia's invasion of Ukraine.

Specifically, most countries have adopted strategies to coexist with COVID-19 and avoid control measures that might interrupt normal life and economic activities.

With respect to Russia's invasion of Ukraine, the response of multiple countries has been mainly humanitarian and military aid to Ukraine and the imposition of measures and sanctions on Russia, with the main consequences of the war on the world economy being an increase in commodity prices, inflationary pressures, supply chain restrictions and volatility in the energy and commodity markets.

In the energy sector in particular, despite a very turbulent 2022, the situation eased somewhat in the first part of this year due to high inventories, increased supply and contained growth in demand thanks to a mild winter.

In this context, Naturgy is monitoring the current situation by constantly tracking macroeconomic and business variables in order to manage potential risks. The analyses carried out for this purpose assess the indirect impacts on the business, financial position and economic performance, with particular reference to the generalised increase in commodity prices and the reduced availability of material supplies.

With respect to gas contracts, a significant portion of the company's long-term procurements are still in their ordinary price review period; in the course of negotiations, the company pursues the best long-term interests of its shareholders, creditors and other stakeholders.

On the regulatory front, both European and national governments continue to issue regulations to mitigate the consequences of the war on the economy and on end users of energy. Changes in the regulatory framework are detailed in Appendix II to the condensed interim consolidated accounts at 30 June 2023.

Regarding geopolitical exposure, Naturgy continues to monitor the status and evolution of the risks affecting its interests in three geographic areas outside the European Union: Latin America, Middle East-Maghreb, and China-Taiwan.

3. Subsequent events

Events after the closing date, 30 June 2023, are described in Note 27 to the Interim consolidated financial statements as of 30 June 2023.

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 30.06.2023	Reconciliation of values at 30.06.2022	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 2,849 Million	Euros 2,047 Million	EBITDA (“Earnings Before Interest, Taxes, Depreciation and Amortization”) measures the Group’s operating profit before deducting interests, taxes, depreciations and amortizations. By dispensing with the financial, tax and accounting expenses magnitudes that do not entail a cash outflow, it allows evaluating the comparability of the results over time. It is an indicator widely used in the markets to compare the results of different companies.
Operating Expenses (OPEX)	Personnel expenses, net. (2) + Own work capitalised (4) (Note 16) + Other operating expenses (2) - Taxes (4) (Note 17)	Euros 962 Million = 318 + 35 + 948 - 339	Euros 833 Million = 267 + 33 + 716 - 183	Measure of the expenses incurred by the Group to carry out its business activities, without considering costs that do not involve cash outflows and taxes. Amount allowing comparability with other companies.
Capital expenditure (CAPEX)	Investment in intangible assets (4) (Note 5) + Investment in property, plant and equipment (4) (Note 5)	Euros 839 Million = 133 + 706	Euros 721 Million = 138 + 583	Measure of the investment effort of each period in assets of the different businesses, including accrued and unpaid investments. It allows to know the allocation of its resources and facilitate the comparison of the investment effort between periods. It is made up both of maintenance and growth investments (funds invested in the development or for the expansion of the Group's activities).
Net capital expenditure (Net CAPEX) (6)	CAPEX (5) - Other proceeds from investing activities (3)	Euros 799 million = 839-40	Euros 684 Million = 721-37	Measure of the investment effort of each period without considering the assets transferred or contributed by third parties.
Gross financial debt (7)	Non-current financial liabilities (1) (Note 12) + Current financial liabilities (1) (Note 12)	Euros 15,560 million = 12,778 + 2,782	Euros 16,301 million = 13,999 + 2,302	Measure of the Group's level of financial debt. Includes current and non-current concepts. This indicator is widely used in capital markets to compare different companies.
Net financial debt (7)	Gross financial debt (5) – Cash and cash equivalents (1) – Derivative financial assets linked to financial liabilities (4) (Note 13)	Euros 10,752 million = 15,560 - 4,555 - 253	Euros 12,070 million = 16,301 - 3,985 - 246	Measure of the Group's level of financial debt including current and non-current items, after discounting the cash and cash equivalents balance and asset derivatives linked to financial liabilities. This indicator is widely used in capital markets to compare different companies.

Alternative performance metrics	Definition and terms	Reconciliation of values at 30.06.2023	Reconciliation of values at 30.06.2022	Relevance
Leverage (%) (7)	Net financial debt (5) / (Net financial debt (5) + Equity (1))	48.1% = 10,752 / (10,752 + 11,596)	54.7% = 12,070 / (12,070 + 9,979)	Measure of the weight of external resources in the financing of business activity. This indicator is widely used in capital markets to compare different companies.
Cost of net financial debt	Cost of borrowings(4) (Note 20) – Interest income (4) (Note 20)	Euros 246 million = 326 - 80	Euros 248 million = 265 - 17	Measure of the cost of financial debt without considering income from financial interests. This indicator is widely used in capital markets to compare different companies.
EBITDA / Cost of net financial debt	EBITDA (5) / Cost of net financial debt (5)	11.6x = 2,849 / 248	8.3x = 2,047 / 248 Comparative information as of December 31 of the previous year: 9.9x = 4,954 / 501	Measure of the company's ability to generate operating resources in relation to the cost of financial debt. This indicator is widely used in capital markets to compare different companies.
Net financial debt / LTM (last twelve months) EBITDA (7)	Net financial debt (5) / EBITDA from the last twelve months (5)	1.9x = 10,752 / 5,756	2.4x = 12,070 / 4,954	Measure of the Group's ability to generate resources to meet financial debt payments. 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 1,377 million = 3,151 – 1,239 - 1,324 + 789	Euros 964 Million = 2.429 - 801 - 1.386 + 722	Measure of cash generation to assess the funds available to debt service.
Free cash flow after non-controlling interests	Net free cash flow (5)+ Parent company dividends net of collected by other group companies (4) + Purchase of treasury shares (4) +Investment payments (growth companies, associated and business units) (3)	Euros 1,977 Million = 1,377 + 480 + 6 + 114	Euros 1,460 Million = 964 + 481 +0 + 15	Measure of cash generation corresponding to operating and investment activities. It is used to evaluate funds available to pay dividends to shareholders, the payment of inorganic investments (acquisitions of companies or businesses) and to attend debt service.
Average cost of gross financial debt	Cost of borrowings (4) (Note 20) - cost of lease financial liabilities (4) (Note 20) - Other refinancing costs, projected in annual terms / monthly weighted average of the gross financial debt (excluding lease financial liabilities) (4) (Note12)	3.8% = (326-41-14)*(360/180) / 14,446	2.8% = (265-42-13) * (360/180) / 15,156 Comparative information as of December 31 of the previous year: 3.0% = (568-85-31) / 15,099	Measure of the effective interest rate of financial debt. This indicator is widely used in capital markets to compare different companies.

Alternative performance metrics	Definition and terms	Reconciliation of values at 30.06.2023	Reconciliation of values at 30.06.2022	Relevance
Liquidity (7)	Cash and other equivalent liquid (1) + Undrawn and fully committed lines of credit (4) (Note 13)	Euros 10,108 million = 4,555 + 5,533	Euros 9,482 Million = 3,985 + 5,497	Measure of the Group's ability to face any type of payment.
Economic value distributed	Procurements (2) + Other operating expenses (includes Taxes) (2) + Income tax payments (3) + Personnel expenses (2) + Work carried out for fixed assets (4) (Note 16) + Financial expenses (2) + Dividends paid by the parent company (4) (Note 10)+ Discontinued activities expenses (4) (Note 9)	Euros 10,176 million = 8,102 + 948 - 107 + 318 + 35 + 400 + 480 + 0	Euros 15,923 million = 13,841 + 716 + 194 + 267 + 33 + 391 + 481 + 0	Measure of the company's value considering the economic valuation generated by its activities, distributed to the different interest groups (shareholders, suppliers, employees, public administrations and society)

(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.

(7) Comparative information at 31 December 2022



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 2023)

(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 interim financial statements (hereinafter the "interim financial information") of Naturgy Energy Group, S.A. (the "Company"), which comprise the balance sheet at 30 June 2023, and the income statement, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes to the interim financial information (all condensed). The Directors of the Company are responsible for the preparation of this interim financial information in accordance with the accounting principles and the minimum content envisaged in articles 12 and 13 of Royal Decree 1362/2007 of 19 October 2007 and in Circular 3/2018 of the Spanish National Securities Market Commission (CNMV) for the preparation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information 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 information.



(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 information for the six-month period ended 30 June 2023 has not been prepared, in all material respects, in accordance with the accounting principles and the minimum content envisaged in articles 12 and 13 of Royal Decree 1362/2007 and in Circular 3/2018 of the Spanish National Securities Market Commission (CNMV) as regards the preparation of this interim financial information.

Emphasis of Matter

We draw your attention to note 2 in the accompanying interim financial information, which states that such interim financial information does not include all the information that would be required in a complete set of interim financial statements prepared in accordance with the financial reporting framework applicable to the entity in Spain. The accompanying interim financial information should therefore be read in conjunction with the Company's annual accounts for the year ended 31 December 2022. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying interim directors' report for the six-month period ended 30 June 2023 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 information, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim directors' report is not an integral part of the interim financial information. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial information for the six-month period ended 30 June 2023. Our work is limited to the verification of the 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 the Company.

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

21 July 2023

Naturgy Energy Group, S.A.
Condensed Interim Accounts
30 June 2023

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 accounts



This Interim financial report as at 30 June 2023 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)**

		30.06.2023	31.12.2022
NON-CURRENT ASSETS	Note	29,332	29,321
Intangible assets		1	2
Patents, licences, trademarks and other		—	1
Other intangible assets		1	1
Property, plant and equipment		97	102
Land and buildings		86	90
Other property, plant and equipment		11	12
Long-term investments in group companies and associates	5	28,978	28,957
Equity instruments		14,960	14,960
Loans to companies		14,018	13,997
Long-term investments	6	64	77
Equity instruments		4	5
Derivatives		57	69
Other financial assets		3	3
Other non-current assets		63	63
Derivatives		63	63
Deferred tax assets		129	120
CURRENT ASSETS		3,658	4,286
Trade and other receivables		350	981
Trade receivables for sales and services		22	67
Trade receivables, group companies and associates		115	184
Derivatives		138	710
Other sundry receivables		72	—
Current tax assets		2	16
Other amounts receivable to Public Administrations		1	4
Short-term investments in group companies and associates	5	958	294
Loans to companies		338	292
Other financial assets		620	2
Short-term investments	6	39	28
Derivatives		34	16
Other financial assets		5	12
Short-term prepayments and accrued expenses		2	2
Cash and cash equivalents	4	2,309	2,981
Cash at banks and in hand		744	1,336
Other cash equivalents		1,565	1,645
TOTAL ASSETS		32,990	33,607

Notes 1 to 15 are an integral part of the condensed interim accounts.

Naturgy Energy Group, S.A.**Interim Balance sheet****(million euro)**

	Note	30.06.2023	31.12.2022
EQUITY	7	18,667	18,306
SHAREHOLDERS' FUNDS		18,599	18,240
Capital		970	970
Authorised capital		970	970
Share premium		3,808	3,808
Reserves		10,377	10,377
Legal and statutory		300	300
Other reserves		10,077	10,077
Treasury shares		(2)	(1)
Profit/(loss) for the year		841	1,435
Retained earnings		2,592	2,320
Interim dividend		—	(679)
Other equity instruments		13	10
VALUE CHANGE ADJUSTMENTS		68	66
Hedging operations		68	66
NON-CURRENT LIABILITIES		9,398	10,560
Long-term provisions		228	270
Long-term post-employment obligations		195	187
Other provisions		33	83
Long-term borrowings	8	1,945	1,939
Bank borrowings		1,944	1,938
Other financial liabilities		1	1
Amounts owing to group companies and associates falling due in more than one year	9	6,887	8,013
Deferred tax liabilities		275	275
Other liabilities		63	63
Derivatives		63	63
CURRENT LIABILITIES		4,925	4,741
Short-term borrowings	8	198	559
Bank borrowings		163	534
Derivatives		35	25
Amounts owing to group companies and associates falling due in less than one year	9	4,211	3,125
Trade and other payables		515	1,056
Trade payables		52	240
Trade payables, group companies and associates		138	71
Derivatives		138	711
Personnel (outstanding remuneration)		41	18
Current tax liabilities		39	—
Other amounts payable to Public Administrations		107	16
Short-term prepayments and accrued expenses		1	1
TOTAL EQUITY AND LIABILITIES		32,990	33,607

Notes 1 to 15 are an integral part of the condensed interim accounts.

Naturgy Energy Group, S.A.**Interim Income statement****(million euro)**

		30.06.2023	30.06.2022
Revenue	10	1,113	1,801
Sales		92	310
Income from equity instruments of group companies and associates		807	1,298
Income from marketable securities and other financial instruments of group companies and associates		214	193
Raw materials and consumables		(93)	(316)
Consumption of goods		(93)	(316)
Other operating income		30	34
Supplementary income and other operating income		30	34
Personnel expenses		(74)	(34)
Wages, salaries and related expenses		(68)	(29)
Social Security		(4)	(4)
Provisions		(2)	(1)
Other operating expenses		(48)	(74)
External services		(46)	(74)
Taxes		(2)	—
Fixed asset depreciation/amortisation		(5)	(6)
Impairment and results on disposals of fixed assets		20	558
Impairment of and losses from equity instruments of group companies and associates	5	16	558
Gain/(loss) on disposals of equity interests in Group companies and associates	5	4	—
OPERATING PROFIT/(LOSS)		943	1,963
Financial income		27	2
Negotiable securities and other financial instruments		27	2
- In third parties		27	2
Financial expenses		(162)	(142)
Borrowings from group companies and associates		(120)	(117)
Borrowings from third parties		(42)	(25)
Impairment and gains/(losses) on disposals of financial instruments		(1)	—
Impairments and losses		(1)	(1)
Gains/(losses) on disposals and others		—	1
NET FINANCIAL INCOME		(136)	(140)
PROFIT/(LOSS) BEFORE TAXES		807	1,823
Income tax		34	(7)
PROFIT FOR THE YEAR		841	1,816
Basic and diluted earnings per share in euro		0.88	1.89

Notes 1 to 15 are an integral part of the condensed interim accounts.

Naturgy Energy Group, S.A.
Interim Statement of changes in equity

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE	Note	(million euro)	
		30.06.2023	30.06.2022
PROFIT FOR THE YEAR		841	1,816
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		8	77
Cash flow hedges		6	78
Actuarial gains and losses and other adjustments		4	24
Tax effect		(2)	(25)
RELEASES TO INCOME STATEMENT		(3)	8
Cash flow hedges		(4)	10
Tax effect		1	(2)
TOTAL INCOME AND EXPENSE RECOGNISED IN EQUITY		846	1,901

Notes 1 to 15 are an integral part of the condensed interim accounts.

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 year	Interim dividend	Other instruments	Value changes adjustments	Total
Balance at 1.1.2022	970	3,808	11,304	(4)	—	1,778	1,706	(679)	18	(43)	18,858
Total recognised income and expense	—	—	16	—	—	—	1,816	—	3	66	1,901
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	(485)	—	—	—	—	(485)
- Trading in treasury shares	—	—	—	3	—	—	—	—	—	—	3
Other changes in equity	—	—	—	—	—	1,027	(1,706)	679	(14)	—	(14)
Balance at 30.06.2022	970	3,808	11,320	(1)	—	2,320	1,816	—	7	23	20,263
Total recognised income and expense	—	—	28	—	—	—	(381)	—	(3)	43	(313)
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	—	—	(679)	—	—	(679)
- Trading in treasury shares	—	—	—	—	—	—	—	—	—	—	—
Other changes in equity	—	—	(971)	—	—	—	—	—	6	—	(965)
Balance at 31.12.2022	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

Notes 1 to 15 are an integral part of the condensed interim accounts.

Naturgy Energy Group, S.A.**Interim Cashflow Statement****(en millones de euros)**

	30.06.2023	30.06.2022
Profit for the year before tax	807	1,823
Adjustments to results	(888)	(1,897)
Fixed asset depreciation/amortisation	5	6
Impairment adjustments	(15)	(558)
Change in provisions	11	—
Profit/(loss) on write-offs and disposals of financial instruments	(4)	(1)
Financial income	(1,048)	(1,493)
Financial expenses	162	142
Other income and expenses	1	7
Changes in working capital	47	78
Debtors and other receivables	36	13
Other current assets	1	—
Creditors and other payables	10	65
Other cash flows from operating activities	260	1,619
Interest paid	(189)	(188)
Dividends received	214	1,530
Interest collected	218	188
Income tax collections/(payments)	17	89
Cash flows from operating activities	226	1,623
Amounts paid on investments	(60)	(1,147)
Group companies and associates	(58)	(1,120)
Property, plant and equipment	(1)	(3)
Other financial assets	(1)	(24)
Amounts collected from divestments	28	891
Group companies and associates	21	889
Other financial assets	7	2
Cash flows from investing activities	(32)	(256)
Collections and payments on equity instruments	(1)	3
Acquisition of own equity instruments	(6)	—
Disposal of own equity instruments	5	3
Collections and payments financial liability instruments	(380)	(1,109)
Issuance	997	887
Bank borrowings	(1)	102
Payables to Group companies and associates	998	785
Repayment/redemption of	(1,377)	(1,996)
Bank borrowings	(365)	(322)
Payables to Group companies and associates	(1,002)	(1,671)
Other payables	(10)	(3)
Dividend payments	(485)	(485)
Cash flow from financing activities	(866)	(1,591)
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	(672)	(224)
Cash and cash equivalents at the beginning of the year	2,981	2,208
Cash and cash equivalents at the year end	2,309	1,984

Notes 1 to 15 are an integral part of the condensed interim accounts.

Notes to the condensed interim accounts of Naturgy at 30 June 2023

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Notes to the condensed interim accounts at 30 June 2023

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 for corporate purposes is at Avda. América 38, Madrid. On 27 June 2018, the Shareholders' Meeting resolved to change the company's name to Naturgy Energy Group, S.A. (it was 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 the gas and electricity business and any other type of existing energy source, the production and selling of electrical, electro-mechanical and electronic equipment and components, management of architectural projects, civil engineering works, public services and gas and hydrocarbon distribution in general; management of communications and telecommunications networks and maintenance of electro- and gas-related appliances; as well as consulting, business and energy planning services and the rationalisation of energy use, 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. The activity 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, at 30 June 2023, 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 10 February 2022, Naturgy announced the decision of its Board of Directors to launch the Gemini project, consisting of a sweeping restructuring of the group of companies of which Naturgy Energy Group, S.A. is the parent. Specifically, the plan entails a spin-off from Naturgy Energy Group, S.A. to create two large groups with clearly different business profiles.

The first of the groups resulting from the proposed spin-off would be headed by Naturgy itself (MarketsCo, after the spin-off), as the surviving company, and would encompass, in an integrated manner, the deregulated businesses comprising the development of renewable energies, the portfolio of energy customers and associated services, the conventional generation assets, and trading in wholesale energy markets. The second of the groups resulting from the proposed spin-off would be headed by a newly-created company (NetworksCo), as the beneficiary of the spin-off, encompassing all the businesses involved in managing regulated gas and electricity distribution and transmission infrastructures.

The Gemini project was designed to simplify and streamline the management of each of the grouped businesses so as to fast-track the Group's Strategic Plan, driving growth and its contribution to the energy transition. However, at the date of preparing these condensed interim accounts, the Gemini project has been postponed and there is now no clear schedule for its implementation. The analysis carried out to date confirms the advisability and strategic sense of the Gemini project, but its implementation schedule must be readjusted to the current, volatile market environment, and to developments in the European energy sector and its regulatory uncertainties, many of which are still in the process of being determined.

Accordingly, the Board of Directors does not judge that, at 30 June 2023, the conditions for considering that the Gemini project is highly likely to materialise are fulfilled, as required by accounting regulations to classify the net assets subject to the spin-off as held for sale and for distribution to shareholders.

Note 2. Basis of presentation, comparative information and accounting policies

The Company's annual accounts for 2022 were approved at the annual general meeting of shareholders on 28 March 2023.

The selected condensed interim financial information was prepared in connection with the publication of the half-yearly financial report required by Article 119 of Legislative Royal Decree 4/2015, of 23 October, approving the Consolidated Text of the Securities Market Law, and in accordance with the principles and content provided for in Articles 12 and 13 of Royal Decree 1362/2007, of 19 October, in relation to the transparency requirements imposed on issuers whose securities are admitted to trading on an official secondary market or other regulated market in the European Union and in Circular 3/2018, of June 28, on regular disclosures by issuers with securities admitted to trading on regulated markets regarding half-yearly financial reports. Consequently, it does not include all the information that would be required for a complete set of interim separate accounts prepared in accordance with the accounting principles and standards generally accepted in Spain. Consequently, the interim accounts should be read in conjunction with the Company's annual accounts for the year ended 31 December 2022.

As a result, it was not necessary to replicate or update certain notes or estimates contained in the company's annual accounts. Instead, the accompanying selected notes to the accounts include an explanation of events or changes that are significant for explaining any changes in the financial position and results of operations, comprehensive income, changes in equity and cash flows of the Company between 31 December 2022, the date of the above-mentioned accounts, and 30 June 2023.

These condensed interim accounts have been prepared based on the Company's accounting records in order to fairly present its equity and financial position at 30 June 2023, as well as the Company's results, changes in equity and cash flows for the period then ended.

At 30 June 2023, the Company's working capital was negative in the amount of Euros 1,267 million. In this respect, the Company's liquidity statements envisaged for this year together with the amounts available under credit lines (Note 4) will ensure coverage of same and, consequently, the Company's directors present these interim accounts on a going-concern basis.

The figures set out in these condensed interim accounts are expressed in million euros, this being the Company's functional and presentation currency, unless otherwise stated.

The condensed interim accounts at 30 June 2023 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 accounts, the figures corresponding to the previous period/year which formed part of the 2022 annual accounts and the condensed interim accounts at 30 June 2022.

Naturgy's condensed interim consolidated accounts at 30 June 2023 were authorised by the Board of Directors on 20 July 2023 in accordance with IAS 34 "Interim Financial Reporting". The main figures disclosed in them, expressed in million euros, which have been the subject of a limited review, are as follows:

Total assets	37,820
Equity attributed to the parent company	9,138
Non-controlling interests	2,458
Revenue	12,054
Profit after tax attributed to the parent company	1,045

Note 3. Accounting policies

The accounting policies and valuation standards applied by the Company to prepare these condensed interim accounts are the same as for the Company's annual accounts for the year ended 31 December 2022, as detailed in Note 3 to the annual accounts at 31 December 2022.

3.1 Significant accounting estimates and judgements

The preparation of the condensed interim accounts requires the use of estimates and assumptions. The measurement standards that require the greatest number of estimates are set out in note 3.19 to the annual accounts at 31 December 2022.

The main estimates at 30 June 2023 are as follows:

a. Impairment of investments in Group companies and associates

At June 2023, the Company updated the impairment tests for those investments in Group companies and associates whose recoverable value coincides with, or is very close to, the net carrying amount or that present signs of impairment, as set out in note 3.3 to the annual accounts at 31 December 2022. These impairment tests require the estimation of future business performance and 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 indicators of impairment of the financial investments in subsidiaries and associates at 30 June 2023, no impairment or reversal of impairment was disclosed except as detailed in Note 5.

b. COVID-19

The pandemic continued to tail off in the first half of 2023, with increasing immunity in the population due to vaccination and to infection, a decrease in mortality and a reduction in pressure on health systems. In this context, most countries adopted strategies to coexist with the virus and avoid control measures that might interrupt normal life and economic activities.

Despite the decrease in its virulence and incidence, the virus has not ceased to be a threat to health and to the world economy.

The Group continues to monitor short- and long-term trends in the economic cycle in connection with the impact of the dissemination of COVID-19, with the objective of minimising adverse effects of new outbreaks or sharp recoveries on the business, prospects, financial position and results of operations.

The estimates and assumptions required to prepare these interim consolidated accounts took account of those prospects and are detailed in the corresponding notes.

c. Military conflict between Russia and Ukraine

More than a year after Russia's invasion of Ukraine, the war has resulted in thousands of deaths, the displacement of a considerable part of the Ukrainian population across Europe, and extensive damage to the infrastructure of the country under attack.

The most developed democracies responded immediately by contributing humanitarian and military aid to Ukraine, as well as imposing measures and sanctions on Russia that affected world order.

The direct consequences of the war and the effects of the aforementioned measures and sanctions have had serious consequences on the world economy, generating increases in commodity prices, inflationary pressures, supply chain constraints and volatility in the financial and commodity markets.

Particularly in the energy sector, the war triggered one of the worst global crises in recent times, with skyrocketing and highly volatile energy prices, while the Western powers adopted measures to suspend the purchase of fossil fuels from Russia. Despite a turbulent 2022, the situation eased somewhat in the first part of this year due to high inventories, increased supply and contained growth in demand.

In this scenario, Naturgy is monitoring the status and development of the situation resulting from 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, with particular reference to the generalised increase in commodities prices and the reduced availability of material supplies from areas affected by the conflict. In this context, as part of its diversified portfolio, Naturgy is party to a long-term contract concluded in 2013 with an international consortium comprising Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) to procure gas originating in Russia that is not affected by any type of sanction. In the first half of 2023, this contract accounted for 14% of Naturgy's overall procurements (14% in 2022). In addition, Naturgy has no counterparties potentially affected by the sanctions.

Naturgy has no holdings in companies operating in Russia or Belarus, or investments in those countries. Nor does it have any cash or cash equivalent balances that are restricted as a result of the aforementioned measures and sanctions. For further details on interest rate, commodity price, credit and liquidity risks, see Note 4.

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.

Note 4. Main risks and uncertainties

The main risks and uncertainties are disclosed in the 2022 annual accounts. The main aspects of financial risk are updated as at 30 June 2023.

Risk management

Risk management is described in detail in note 14 to the 2022 annual accounts. The main aspects of financial risk are updated as at 30 June 2023 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.

A total of 63% of Naturgy's debt at 30 June 2023 is at fixed interest rates, while exposure to floating interest rates is limited.

The sensitivity of 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 2023	50	(4)	(15)
	(50)	4	15
31 December 2022	50	(5)	(19)
	(50)	5	19

In the context of the outbreak of the Ukraine conflict, the European Central Bank decided to reduce its bond-buying stimulus plan launched in March 2020 in response to rising inflation, and to raise interest rates. Although Eurozone inflation showed signs of moderation during the first half of 2023, the European Central Bank has continued its policy of raising interest rates. Those increases may raise the cost of debt and limit access to capital markets.

Exchange rate risk

In order to mitigate these risks, the Company finances its investments in local currency as far as possible. Furthermore, where 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 non-Euro currencies.

For open positions, the risks in investments in currencies other than the functional currency are managed, if it is considered necessary, by arranging financial swaps and foreign exchange insurance within the limits approved for hedging instruments.

The non-Euro currency with which the Company operates most is the US dollar. The sensitivity of the Company's profits and equity (value adjustments) to a 5% variation (increase or decrease) in the US dollar/euro exchange rate has not significant impacts.

Commodity price risk

A sizeable proportion of Naturgy's profits is linked to the purchase of gas for supplying 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 different commodity prices, basically crude oil and its derivatives and natural gas hubs.

However, sale prices to end customers are generally arranged on a short/medium term basis and depend on the supply-demand balance in the gas market at any given time. This may result in decoupling with respect to gas procurement prices.

Therefore, Naturgy is exposed to the risk of gas price fluctuations with respect to the selling price 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 supply contracts allow this exposure to be managed through volume flexibility and repricing mechanisms.

When it is not possible to achieve a natural hedge, the position is managed, within reasonable risk parameters, through derivatives to reduce exposure to price decoupling risk, generally through hedging instruments. Nevertheless, these hedges may prove to be ineffective as a result of changes in the expected dates of the purchase and sale transactions, a reduction with respect to the hedged volumes, and decoupling with respect to the indices hedged in the purchase and sale transactions.

The Company also purchases gas in the market to be supplied to other Naturgy companies.

In the vertically integrated electricity businesses, the company's aggregate exposure is determined by the strategic generation/supply position and by the final sale pricing policies in electricity supply.

Throughout 2022, commodity prices increased significantly due to the energy crisis resulting from the scarcity of commodities caused by the international blockade on Russia after the outbreak of war in Ukraine. Gas prices eased somewhat in the first half of 2023 as a result of the high level of inventories, increased supply and contained growth in demand.

Naturgy is also exposed to the price of CO₂ emission allowances, which are allocated for power generation by its combined cycle plants. Naturgy invests part of its cash surpluses temporarily in notes linked to CO₂.

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 described below:

- Gas and electricity distribution. This is a regulated activity in which revenue and profit margins are linked to distribution infrastructure management services rendered, 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 stipulates the tolerance range based on applicable risk limits, among other aspects. Measures employed to keep risk within the stipulated limits include active management of procurements, balanced acquisitions and sales formulae, and specific hedging so as to maximise the risk-reward relationship. Supplementary to the above-mentioned policy, Naturgy has mechanisms for ordinary and extraordinary price reviews, by means of the relevant clauses. These clauses make it possible, over the medium term, to modulate impacts in the event of any decoupling between Naturgy's selling prices in its markets and the evolution of prices in its procurement portfolio.

Credit risk

Credit risk relating to 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 of customers, which cannot individually accumulate significant amounts before supply can be suspended due to non-payment, in accordance with 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 operations with reputable financial institutions in line with internal criteria. There were no significant non-payments or defaults in the first six months of 2023 and 2022.

The age analysis of financial assets concluded that there were no unimpaired past-due financial assets at 30 June 2023 and 31 December 2022.

An ageing analysis of financial assets and related expected losses at 30 June 2023 and 31 December 2022 is set out below:

30.06.2023	Total	Current	0 to 180 days	180 to 360 days	Over 360 days
Expected loss ratio	54.2 %	—	—	—	100.0 %
Trade receivables for sales and services	48	22	—	—	26
Expected loss	26	—	—	—	26

31.12.2022	Total	Current	0 to 180 days	180 to 360 days	Over 360 days
Expected loss ratio	28.0 %	—	—	—	100.0 %
Trade receivables for sales and services	93	67	—	—	26
Expected loss	26	—	—	—	26

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

Concerning supplier credit risk, the solvency of each supplier of products and services is guaranteed through the 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 supplier oversight and management mechanisms and systems.

At 30 June 2023 and 31 December 2022, the Company did not have significant concentrations of credit risk.

At 30 June 2023, Naturgy 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 war in Ukraine; the interim accounts at 30 June 2023 and the annual accounts at 31 December 2022 were not significantly impacted by changes in debtors' payment behaviour.

Liquidity risk

At 30 June 2023, available liquidity totalled Euros 7,592 million (Euros 8,271 million in 2022), including cash and cash equivalents of Euros 2,309 million (Euros 2,981 million in 2022) together with undrawn bank financing and credit lines totalling Euros 5,283 million (Euros 5,290 million in 2022).

There is also additional unused capacity to issue debt in capital markets amounting to Euros 6,012 million (Euros 5,458 million at 31 December 2022).

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 the access to the financial markets at a competitive cost to cover financing needs.

Naturgy considers a long-term leverage ratio of approximately 50% as the indicator for its capital management target.

The Company's long-term credit rating is as follows:

	30.06.2023	31.12.2022
Standard & Poor's	BBB (*)	BBB (**)
Fitch	BBB (*)	BBB (**)

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

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

Note 5. Investments - Group companies and associates

Investments in group companies and associates are classified into categories as follows at 30 June 2023 and 31 December 2022:

At 30.06.2023	Financial assets at cost	Financial assets at amortised cost	Total
Equity instruments	14,960		14,960
Loans	—	14,018	14,018
Non-current	14,960	14,018	28,978
Loans	—	338	338
Other financial assets	—	620	620
Current	—	958	958
TOTAL	14,960	14,976	29,936

At 31.12.2022	Financial assets at cost	Financial assets at amortised cost	Total
Equity instruments	14,960	—	14,960
Loans	—	13,997	13,997
Non-current	14,960	13,997	28,957
Loans	—	292	292
Other financial assets	—	2	2
Current	—	294	294
TOTAL	14,960	14,291	29,251

Movements in non-current investments in group companies and associates in the six-month period ended 30 June 2023 and in 2022 are as follows:

	Holdings in group companies	Loans to group companies	Holdings in associates	Total
Balance at 01.01.2022	16,134	15,146	4	31,284
Additions	355	—	—	355
Divestments	(449)	(1)	—	(450)
Reclassification	—	(8)	—	(8)
Charge/reversal provisions	562	—	—	562
Balance at 30.06.2022	16,602	15,137	4	31,743
Additions	36	5	—	41
Divestments	(1,115)	(25)	—	(1,140)
Reclassification	(6)	(1,120)	—	(1,126)
Charge/reversal provisions	(561)	—	—	(561)
Balance at 31.12.2022	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

The main corporate transactions carried out by the Company were as follows:

Six-month period ended 30 June 2023

- Part of the dividend distribution was recognised as a decrease in the carrying amount of the interest in Holding Negocios de Electricidad, S.A., in the amount of Euros 25 million.

Six-month period ended 30 June 2022

- Cash contribution to offset losses incurred by Gas Natural Comercializadora, S.A. in the amount of Euros 321 million.
- Cash contribution to offset losses incurred by Naturgy Informática, S.A. in the amount of Euros 19 million.
- Acquisition from Naturgy Ciclos Combinados, S.L. of a holding in La Propagadora del Gas, S.A. for Euros 12 million.
- Part of the distribution of the share premium was recognised as a decrease in the carrying amount of the interest in Holding Negocios de Gas, S.A., in the amount of Euros 187 million.
- Part of the distribution of the share premium was recognised as a decrease in the carrying amount of the interest in Holding Negocios de Electricidad, S.A., in the amount of Euros 167 million.

- Part of the distribution of a supplementary dividend for 2021 and the share premium, amounting to Euros 94 million, was recognised as a decrease in the carrying amount of the holding in Naturgy Inversiones Internacionales, S.A.
- Shares in Naturgy InnovaHub, S.A. were subscribed for in the amount of Euros 2 million.
- Cash contribution to offset losses incurred by Petroleum Oil&Gas España, S.A. for Euros 1 million.

Impairment of assets

At 30 June 2023, net revenue was recognised for reversal of impairment of holdings in Group companies and associates amounting to Euros 16 million (Euros 558 million as net revenue from impairment reversal at 30 June 2022) under the heading “Impairment of and losses from equity instruments of Group companies and associates” in the income statement, as detailed below:

	30.06.2023	30.06.2022
Naturgy Generación, S.L.U.	45	(79)
Naturgy Nuevas Energías, S.L.U.	1	(4)
Naturgy Commodities Trading, S.A.	(20)	—
Naturgy Informática, S.A.	(8)	(3)
Naturgy Finance, BV	(1)	(1)
Unión Fenosa Gas, S.A.	—	633
Naturgy Engineering, S.L.	—	10
Naturgy Participaciones, S.A.U	—	8
Naturgy LNG, S.L	—	(6)
Lignitos de Meirama, S.A	—	(1)
Otras	(1)	1
Total	16	558

At 30 June 2023:

The most significant revenues from reversals in holdings in Group companies and associates in the first six months of 2023 relate to:

- **Naturgy Generación, S.L.U.:**

Impairment reversal of Euros 45 million was recognised at 30 June 2023 for the holding in that company, which is part of the Hydroelectric Generation Spain CGU.

The accumulated impairment at 30 June 2023 is Euros 2,146 million.

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

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Pool price €/MWh	96.1	102.0	108.0	85.0	83.0	88.0	88.0	88.0	83.5	82.4

The output, electricity price 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 annual accounts for the year ended 31 December 2022.

The projected flows assume that most of the exceptional measures approved to address the increase in electricity prices will be extended during 2023:

- the reduction in the remuneration of non-emitting facilities due to the gas price internalised in the wholesale gas market established by Royal Decree Law 17/2021
- the measures envisaged to regulate water stored for hydroelectric use.
- temporary suspensions of the taxes established in Law 15/2012.
- Additionally, the temporary energy tax provided for in Law 38/2022, defined as a temporary public benefit of 1.2% of revenue for 2022 and 2023, was considered.

The pre-tax discount rate used in the impairment tests carried out in the six-month period ended 30 June 2023 is 7.4% (6.8% at 31 December 2022) and the assumed growth rate is 2% (2% at 31 December 2022).

– **Naturgy Nuevas Energías, S.L.U.:**

The revenue from reversal of the impairment recognised on the holding, in the amount of Euros 1 million, was the result of positive developments in equity. The accumulated impairment at 30 June 2023 is Euros 11 million.:

In addition, the following impairments have been recognised based on the companies' equity:

– **Naturgy Commodities Trading, S.A:**

Euros 11 million relating to the holding in Naturgy Commodities Trading, S.L.U. due to the company's unfavourable performance. The accumulated impairment at 30 June 2023 is Euros 11 million. In addition, a charge provision for future liabilities amounting to Euros 9 million has been recognised under "Other long-term provisions".

– **Naturgy Informática, S.A:**

An impairment charge of Euros 8 million was recognised for the holding in Naturgy Informática, S.A. The accumulated impairment at 30 June 2023 is Euros 165 million.

– **Naturgy Finance, BV. :**

Impairment of Euros 1 million was recognised. The accumulated impairment recognised for the stake in Naturgy Finance, BV amounted to Euros 1 million at 30 June 2023.

- **Other:** relates to several equity holdings, including Petroleum Oil&Gas España, S.A.

At 30 June 2022:

– **Naturgy Generación, S.L.U.:**

The Euros 79 million impairment charge for this holding was included in the hydroelectric generation CGU in Spain following the spin-off performed in 2021.

The assumptions and projections affecting the hydroelectric generation CGUs were based on the best forward-looking information available to date.

The accumulated impairment recognised at 30 June 2022 for the stake in Naturgy Generación, S.A. amounted to Euros 2,265 million.

– **Unión Fenosa Gas (UFG):**

The valuation of the expected flows from the gas procurement contract with Oman that expires in 2025 and the estimate of the dividends from the 7.36% stake in the company Qalhat LNG S.A.O.C. were updated at 30 June 2022, resulting in a reversal of the Euros 633 million provision for impairment, which was subsequently eliminated as a result of the proposed merger of UFG into Naturgy Aprovevisionamientos, S.A., which was approved in the second half of 2022. The date from which the transactions of the absorbed company were deemed to be carried out by the absorbing company was 1 January 2022.

The accumulated impairment recognised for the 100% stake in Unión Fenosa Gas amounted to Euros 762 million as at 30 June 2022. At 30 June 2022, the recoverable amount calculated as the value in use of UFG, which is equivalent to its carrying amount, was Euros 1,927 million.

In addition, the following impairments were recognised based on the companies' equity:

– **Naturgy LNG, S.L.:**

The Euros 6 million impairment is due to the company's adverse performance. The accumulated impairment recognised for the stake in Naturgy LNG, S.L. amounted to Euros 65 million at 30 June 2022.

– **Naturgy Informática, S.A.:**

An impairment charge of Euros 3 million was recognised for the holding in Naturgy Informática, S.A. The accumulated impairment at 30 June 2022 was Euros 158 million.

– **Naturgy Nuevas Energías, S.L.U.:**

Impairment of Euros 4 million was recognised. The accumulated impairment at 30 June 2022 was Euros 2 million. In addition, a provision for future liabilities amounting to Euros 10 million was recognised "Other long-term provisions".

– **Naturgy Finance, B.V.:**

Impairment of Euros 1 million was recognised. The accumulated impairment recognised for the stake in Naturgy Finance, BV amounted to Euros 1 million at 30 June 2022.

– **Lignitos de Meirama, S.A.:**

Impairment of Euros 1 million was recognised. The accumulated impairment at 30 June 2022 was Euros 30 million.

In addition, revenue was recognised from the reversal of impairment of the following investments:

– **Naturgy Engineering, S.L.:**

An impairment reversal of Euros 10 million was recognised for the holding in Naturgy Engineering, S.L. The accumulated impairment at 30 June 2022 was Euros 30 million.

– **Naturgy Participaciones, S.A.U.:**

At 30 June 2022, the entire accumulated impairment of this investment, amounting to Euros 8 million, was reversed.

– **Others :**

Related mainly to the reversal of impairment losses on holdings in Petroleum Oil&Gas España, S.A, Gas Natural Exploración, S.L and Naturgy Ingeniería Nuclear, S.L.

Gain/(loss) on disposals of equity interests in group companies and associates

Based on the agreement reached in March 2021 between Naturgy and ENI S.p.a. with respect to the acquisition of a 50% stake UFG, whereby Naturgy attained 100% of that company and in which both parties agreed to bear, proportionately, any contingencies incurred by UFG, in March 2023 the Company collected Euros 4 million in revenue for that indemnity.

At 30 June 2023, Non-current receivables from Group companies amounted to Euros 14,018 million (31 December 2022: Euros 13,997 million), maturing as follows:

Maturity	At 30.06.2023	At 31.12.2022
2024	3,362	3,362
2025	1,000	3,623
2026	3,328	1,000
2027	2,149	1,725
2028	1,350	1,350
2029	1,000	1,000
2030	1,000	1,000
2037	362	362
2040	467	575
Total	14,018	13,997

The changes in the items comprising receivables and other current financial assets in the six-month period ended 30 June 2023 and in 2022 are as follows:

	Loans to group companies	Other financial assets	Total
Balance at 1.1.2022	2,376	3	2,379
Additions	769	216	985
Divestments	(887)	(1)	(888)
Reclassifications and transfers	(9)	—	(9)
Balance at 30.06.2022	2,249	218	2,467
Divestments	(245)	(216)	(461)
Reclassifications and transfers	(1,712)	—	(1,712)
Balance at 31.12.2022	292	2	294
Additions	51	618	669
Divestments	(5)	—	(5)
Balance at 30.06.2023	338	620	958

There are no significant differences between the carrying amounts and fair values of the balances under Loans to group companies and other receivables.

The "Loans to Group companies" item includes loans to Group companies amounting to Euros 264 million (Euros 215 million in 2022) and accrued interest pending collection amounting to Euros 74 million (Euros 77 million in 2022).

At 30 June 2023, loans to Group companies and associates bore interest at a rate of 5.63% (3.86% in 2022) in the case of non-current loans and 3.77% (1.5% in 2022) in the case of current loans.

Dividends pending collection at 30 June 2023 amounted to Euros 618 million, recognised under "Other current financial assets" (Euros 0 million at 31 December 2022).

Note 6. Financial assets

Financial assets by class and category at 30 June 2023 and 31 December 2022 are as follows:

At 30 June 2023	Financial assets at amortised cost	At cost	Hedging derivatives	Total
Equity instruments	—	4	—	4
Derivatives	—	—	57	57
Other financial assets	3	—	—	3
Non-current investments	3	4	57	64
Derivatives	—	—	34	34
Other financial assets	5	—	—	5
Current investments	5	—	34	39
Total	8	4	91	103

At 31 December 2022	Financial assets at amortised cost	At cost	Hedging derivatives	Total
Equity instruments	—	5	—	5
Derivatives	—	—	69	69
Other financial assets	3	—	—	3
Non-current investments	3	5	69	77
Derivatives	—	—	16	16
Other financial assets	12	—	—	12
Current investments	12	—	16	28
Total	15	5	85	105

Financial assets at fair value at 30 June 2023 and 31 December 2022 are classified as follows:

Financial assets	30.06.2023				31.12.2022			
	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 other comprehensive income	—	—	—	—	—	—	—	—
Fair value through profit or loss	—	91	—	91	—	85	—	85
Total	—	91	—	91	—	85	—	85

Financial assets at cost

All financial assets at cost relate to unlisted shareholdings at 30 June 2023 and 31 December 2022.

Financial assets at amortised cost

The balance at 30 June 2023 and 31 December 2022 is as follows:

	At 30.06.23	At 31.12.22
Deposits and guarantee deposits	3	3
Non-current	3	3
Deposits and guarantee deposits	5	12
Current	5	12
Total	8	15

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 during six-month period ended 30 June 2023 and in 2022 in the number of shares and the share capital and share premium accounts are as follows:

	Number of shares	Share capital	Share premium	Total
At 1 January 2022	969,613,801	970	3,808	4,778
Variation	—	—	—	—
At 31 December 2022	969,613,801	970	3,808	4,778
Variation	—	—	—	—
At 30 June 2023	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 2023 or in 2022.

The Company's Board of Directors is empowered, for a maximum term of five years as from 15 March 2022, to increase share capital by at most 50% of the Company's share capital at the time of the authorisation, at one or more times, for cash payments, at the time and in the amount that it deems fit, by issuing ordinary, preferred or redeemable shares, with or without voting rights, with or without a share premium, without requiring any further authorisation from the shareholders, and with the possibility of partly or wholly overriding preferential subscription rights up to at most 20% of share capital at the date of this authorisation, and to amend the By-laws as required due to the capital increase or increases performed by virtue of that authorisation, with the possibility of incomplete subscription, in accordance with the provisions of Article 297.1.b) of the Spanish Companies Act. 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 Act 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 at 30 June 2023 and 31 December 2022, based on publicly available information and the disclosures made to the Company, are as follows:

	% interest in share capital	
	At 30.06.2023	At 31.12.2022
- 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)	14.5	14.0
- Sonatrach	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) Through Global InfraCo O (2) S.à.r.l.

All the Company's shares are traded on the four official Spanish Stock Exchanges and the "mercado continuo" and form part of Spain's Ibex35 stock index.

The price of the Company's shares at 30 June 2023 was Euros 27.26 (Euros 24.31 at 31 December 2022).

Reserves

“Reserves” includes the following reserves:

	30.06.2023	31.12.2022
Legal reserve	200	200
Statutory reserve	100	100
Voluntary reserves	9,731	9,731
Capital redemption reserve	31	31
Other reserves	315	315
Total	10,377	10,377

Legal reserve

Appropriations to the legal reserve are made in compliance with the Spanish Capital Companies Act, which stipulates that 10% of profits must be transferred to this reserve until it represents at least 20% of share capital. The legal 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 legal 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 the statutory reserve until it reaches at least 10% of share capital.

Capital redemption reserve

Following approval at the ordinary general meeting of shareholders held on 26 May 2020, a capital reduction was made during the year through the redemption of treasury 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 Act, 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 at 30 June 2023 and 31 December 2022.

Voluntary reserve and other reserves

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 stated in Naturgy's consolidated annual accounts.

In this connection, a negative change of Euros 971 million was recognised in 2022 due to the recognition of the merger by absorption of the investees Unión Fenosa Gas, S.A. and Naturgy Aprovisionamientos, S.A. described in note 7 to the 2022 annual accounts.

Share-based payments

As described in note 11 to the consolidated annual accounts at 31 December 2022, on 31 July 2018, the Board of Directors approved a long-term variable incentive (LTI) plan for the Executive Chairman and 25 other executives, the main characteristics of which 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 Business 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 3 million (Euros 2 million at 30 June 2022) was recognised in the income statement for the six-month period ended 30 June 2023 under "Personnel expenses" with a credit to "Other equity instruments" in the balance sheet.

Own shares

The movements in own shares in the first six months of 2023 and in 2022 are as follows:

	Number of shares	In million euro	% Capital
At 1 January 2022	163,226	4	—
Share Acquisition Plan	15,000	—	—
Delivered to employees	(122,328)	(3)	—
At 30 June 2022	55,898	1	—
Share Acquisition Plan	—	—	—
At 31 December 2022	55,898	1	—
Share Acquisition Plan	210,000	6	—
Delivered to employees	(172,992)	(5)	—
At 30 June 2023	92,906	2	—

No income was obtained on transactions with own shares in the first six months of 2023 or in 2022.

On 5 March 2019, the shareholders in general meeting authorised the Board of Directors to purchase, within five years, in one or more operations, fully paid Company shares; 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 or higher than their quoted price.

The minimum and maximum acquisition price will be the share price on the continuous market of the Spanish stock exchanges plus or minus 5%.

Transactions involving the Company's treasury shares relate to:

30 June 2023

Share acquisition plan: In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the general meeting held on 5 March 2019, within the Share Acquisition Plan 2020-2023, the one relating to 2023 for 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 an amount of Euros 5.6 million and, during April 2023, a total of 172,992 shares were delivered to employees for an amount of Euros 4.6 million, leaving a surplus of 37,008 own shares which were added to the 55,898 shares left over from the Share Acquisition Plans for 2019 through 2021.

2022

Share acquisition plan: As mentioned in the previous paragraph, as part of the Share Acquisition Plan 2020-2023, the plan for 2021 for Naturgy employees in Spain was set in motion. That plan was completed in January 2022 with the acquisition of 15,000 own shares, in addition to the 127,453 shares acquired in December 2021, for an amount of Euros 0.4 million, and a total of 122,328 shares amounting to Euros 3 million were delivered to employees. The surplus of 20,125 treasury shares was added to the 35,773 shares left over from the 2020 and 2019 Share Acquisition Plans.

Dividends

Set out below is a breakdown of the dividends paid in the six-month periods ended 30 June 2023 and 2022:

	30.06.2023			30.06.2022		
	% of Nominal	Euros per share	Amount	% sobre Nominal	Euros per share	Amount
Ordinary shares	50 %	0.50	485	50 %	0.50	485
Other shares (without voting rights, redeemable, etc.)	—	—	—	—	—	—
Total dividends paid	50 %	0.50	485	50 %	0.50	485
a) Dividends charged to income statement or retained earnings	50 %	0.50	485	50 %	0.50	485
b) Dividends charged to reserves or share premium account	—	—	—	—	—	—
c) Dividends in kind	—	—	—	—	—	—

30 June 2023

On 20 February 2023, the Board of Directors adopted the following proposal for the distribution of the Company's 2022 net profit and retained earnings, for submission to the annual general meeting:

BASIS OF DISTRIBUTION

Profit.....	1,435
Retained earnings.....	2,320
Available for distribution.....	3,755

DISTRIBUTION:

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

i. Euros 679 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2022 paid by Naturgy Energy Group, S.A., together equivalent to Euros 0.70 per share by 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 prepared in accordance with the legal requirements, which disclosed the existence of sufficient liquidity for the distribution of these interim dividends out of the profit for 2022, and

ii. The amount obtained by multiplying Euros 0.50 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 679 million of that dividend had already been paid on 18 August and 18 November 2022. 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 will be paid to shareholders on 4 April 2023.

The Board of Directors has the express powers to be substituted by the director(s) it deems fit 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 to act as payment agent.

TO RETAINED EARNINGS: Determinable amount to be obtained by subtracting the amount allocated to Dividends from the Basis for Distribution.

TOTAL DISTRIBUTED 3,755

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

The Shareholders' Meeting on 28 March 2023 approved the supplementary dividend of Euros 0.50 per share for all shares not classified as direct treasury stock on the date of distribution; this dividend was paid in cash on 4 April 2023.

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

On 20 July 2023, the Company's Board of Directors declared an interim dividend of Euros 0.50 per share out of 2023 profits, for shares not classified as direct treasury stock on the date of distribution, payable as from 7 August 2023.

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 Act. The provisional liquidity statement as at 30 June 2023 drawn up by the Directors on 20 July 2023 is as follows:

Profit after tax		841
Reserves to be replenished		—
Maximum amount distributable		841
Forecast maximum interim dividend payment (1)		485
Cash resources	2,309	
Undrawn credit facilities	5,283	
Total liquidity		7,592

(1) Amount considering total shares issued

30 June 2022

On 3 February 2022, the Board of Directors approved, for submission to the annual general meeting, the proposal for the distribution of the Company's 2021 net profit and retained earnings, as disclosed in note 11 to the annual accounts for the year ended 31 December 2021.

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, 22 March 2022.

The general meeting of shareholders on 15 March 2022 approved a supplementary dividend of Euros 0.50 per share for shares not classified as direct treasury stock on the distribution date, which was fully paid in cash on 22 March 2022.

Following payment of the supplementary dividend, the amount allocated to retained earnings was Euros 2,320 million.

Note 8. Financial liabilities

Set out below is a breakdown of financial liabilities, excluding "Trade and other payables", as at 30 June 2023 and 31 December 2022, by nature and category:

At 30.06.2023	Amortised cost	Hedging derivatives	Total
Borrowings from financial institutions	1,944	—	1,944
Other financial liabilities	1	—	1
Non-current borrowings	1,945	—	1,945
Borrowings from financial institutions	163	—	163
Derivatives	—	35	35
Current borrowings	163	35	198
Total	2,108	35	2,143

At 31.12.2022	Amortised cost	Hedging derivatives	Total
Borrowings from financial institutions	1,938	—	1,938
Other financial liabilities	1	—	1
Non-current borrowings	1,939	—	1,939
Borrowings from financial institutions	534	—	534
Derivatives	—	25	25
Current borrowings	534	25	559
Total	2,473	25	2,498

Financial assets at fair value at 30 June 2023 and 31 December 2022 are classified as follows:

Financial liabilities	At 30.06.2023				At 31.12.2022			
	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	—	35	—	35	—	25	—	25
Total	—	35	—	35	—	25	—	25

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

	Carrying amount		Fair value	
	At 30.06.2023	At 31.12.2022	At 30.06.2023	At 31.12.2022
Bank borrowings, derivatives and other financial liabilities	1,945	1,939	1,939	1,937

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 were determined based on market rates available at 30 June 2023 and 31 December 2022 for borrowings with similar credit and maturity characteristics. These valuations are based on the quoted price 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	Other financial liabilities	Total
Balance at 1.01.2022	2,774	80	1	2,855
Increase	101	—	—	101
Decrease	(322)	(47)	—	(369)
Balance at 30.06.2022	2,553	33	1	2,587
Increase	2	6	1	9
Decrease	(83)	(14)	(1)	(98)
Balance at 31.12.2022	2,472	25	1	2,498
Increase	—	10	—	10
Decrease	(365)	—	—	(365)
Balance at 30.06.2023	2,107	35	1	2,143

Borrowings in the six-month period ended 30 June 2023 bore an average effective interest rate of 2.09% (1.09% in the six-month period ended 30 June 2022) including the derivatives assigned to each transaction.

At 30 June 2023, bank borrowings include Euros 9 million in outstanding interest (Euros 9 million at 31 December 2022).

Institutional financing

The Company has a loan from the Official Credit Institute (ICO) arranged in the form of instruments maturing in 2029 at the latest for a total amount of Euros 130 million (Euros 140 million in 2022).

The European Investment Bank (EIB) has granted financing to Naturgy which, at 30 June 2023, was fully drawn down in the amount of Euros 1,097 million and matures between 2024 and 2037 (Euros 1,153 million drawn down at 31 December 2022). This loan could be subject to early repayment in the event of a change in control, additionally requiring a rating downgrade, and has special debt repayment terms that are longer than those in the event of early termination.

Other bank borrowings

At 30 June 2023, borrowings from non-institutional credit institutions amounted to Euros 875 million (Euros 1,175 million at 31 December 2022).

The Group continues to work on strengthening its financial profile and, in this respect, among the main funding transactions with credit institutions arranged in the first six months of 2023 were the refinancing of credit lines and loans in Spain for Euros 3,464 million (Euros 4,517 million in 2022).

Naturgy also enjoys a comfortable debt maturity profile and balance sheet position, as well as flexibility in its capital expenditure and operating expenses for coping with the current economic scenario.

Of total bank borrowings, Euros 1,073 million (Euros 1,094 million at 31 December 2022) is subject to compliance with certain financial ratios.

Note 9. Payables to Group companies and associates

Payables to Group companies are mainly debts recognised at amortised cost related to issuances by Naturgy Capital Markets, S.A. and Naturgy Finance, B.V. under the European Medium-Term Notes (EMTN) programme. This item also contains the balances payable to Naturgy Finance, B.V. in respect of perpetual subordinated debentures amounting to Euros 1,000 million (Euros 1,000 million at 31 December 2022) and to Unión Fenosa Preferentes, S.A. relating to preference shares totalling Euros 110 million (Euros 110 million at 31 December 2022). At 31 December 2022, this item also included Euros 862 million of debt to Naturgy Aprovisionamientos, S.A. following the merger by absorption of UFG and Naturgy Aprovisionamientos, S.A., described in Note 5 and in Notes 4 and 7 of the 2022 annual accounts. This debt was reclassified during the first half of 2023 as cash pooling balances with group companies.

Also included is accrued unmatured interest amounting to Euros 56 million (Euros 132 million in 2022) and balances with Group companies relating to cash pooling balances for Euros 2,643 million, bearing interest at a rate of 2.77% (Euros 1,222 million in 2022 which bore interest at 0.5%), as well as balances with Group companies relating to consolidated corporate income tax amounting to Euros 283 million (Euros 283 million at 31 December 2022).

A breakdown of amounts owed to Group companies due to bond issues by Naturgy Finance, B.V. and Naturgy Capital Markets, S.A. is as follows:

At 30 June 2023							
Programme/Company	Country	Year formalised	Currency	Programme limit	Drawn-down nominal amount	Available	Issuances per year
Euro Commercial Paper (ECP) programme							
Naturgy Finance B.V.	Netherlands	2010	Euro	1,000	—	1,000	—
European Medium Term Notes (EMTN) programme							
Naturgy Capital Markets, S.A. and Naturgy Finance, B.V.	Netherlands /Spain	1999	Euro	12,000	7,106	4,894	—

At 31 December 2022							
Programme/Company	Country	Year formalised	Currency	Programme limit	Drawn-down nominal amount	Available	Issuances per year
Euro Commercial Paper (ECP) programme							
Naturgy Finance B.V.	Netherlands	2010	Euro	1,000	—	1,000	300
European Medium Term Notes (EMTN) programme							
Naturgy Capital Markets, S.A. and Naturgy Finance, B.V.	Netherlands /Spain	1999	Euro	12,000	7,656	4,344	—

As is customary in the Euromarket, the bonds issued, in the amount of Euros 7,106 million (Euros 7,656 million at 31 December 2022), might be accelerated in the event of a change of control triggering a downgrade of more than two full notches in at least two of the three ratings and all the ratings falling below investment grade, provided that the rating agency states that the rating downgrade is the result of the change of control.

The main changes in the first six months of 2023 and 2022 are as follows:

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 have been made under the Euro Commercial Paper (ECP) programme in 2023 and there were no outstanding issues under this programme at 30 June 2023.

The group continues to work on strengthening its financial profile. In this line, refinancing operations with credit institutions in Spain amounted to Euros 3,464 million, and include the refinancing of two syndicated credit lines in Spain for Euros 2,000 million and Euros 1,000 million, with an extension of maturity for an additional year (maturing in 2026 and 2025, respectively).

30 June 2022

No issues were made under the EMTN programme in the first six months of 2022.

A bond matured in the first half of 2022 for a total amount of Euros 454 million with an average coupon of 3.88%.

Additionally, issues under the Euro Commercial Paper (ECP) programme totalling Euros 300 million were carried out. There were no outstanding issues at 30 June 2022.

Note 10. Revenue

Revenue breaks down as follows:

	30.06.2023	30.06.2022
Natural gas sales and other	92	310
Income from equity instruments of Group companies and associates	807	1,298
Income from marketable securities and other financial instruments of Group companies and associates	214	193
Total	1,113	1,801
	30.06.2023	30.06.2022
Domestic market	1,030	1,560
Export market:	83	241
- European Union	83	241
Total	1,113	1,801

Gas sales are made basically in the domestic market and relate to gas and electricity sales to other Naturgy companies.

The dividends from Group companies are as follows:

	30.06.2023	30.06.2022
Naturgy Aprovevisionamientos, S.A.	237	—
Holding Negocios Electricidad, S.A.	232	201
Naturgy Distribución Latinoamérica S.A.	194	252
Gas Natural Comercializadora, S.A.	100	—
Naturgy Iberia, S.A.	23	—
Naturgy Generación Térmica, S.L.	16	—
Naturgy Finance, B.V.	4	4
Naturgy Capital Markets, S.A.	1	1
Naturgy Inversiones Internacionales, S.A.	—	342
Holding Negocios Gas, S.A.	—	180
Unión Fenosa Gas, S.A.	—	137
Naturgy Ciclos Combinados, S.L.U.	—	38
Sagane, S.A.	—	76
Naturgy Participaciones, S.A.U.	—	3
Naturgy Generación, S.L.U.	—	64
Otros	—	—
Total	807	1,298

Note 11. Staff

The average number of Company employees is as follows:

	30.06.2023	30.06.2022
Men	152	140
Women	167	150
Total	319	290

Note 12. Information on transactions with related parties

The following are related parties for the purposes of this note:

- Significant shareholders of Naturgy, 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.

Based on this definition, at 30 June 2023, the significant shareholders of Naturgy are Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona ("la Caixa"), Global Infrastructure Partners III (GIP) and related companies, CVC Capital Partners SICAV-FIS, S.A. (through Rioja Acquisitions S.à.r.l.) and IFM Global Infrastructure Fund (IFM) (through IFM Global InfraCo O (2), S.à.r.l.).

- 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" means personnel reporting directly to the Executive President and also 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 conducted at arm's length.

The aggregated amounts of transactions with significant shareholders are as follows (in thousand euros):

Income and expense (in thousand Euros)	At 30.06.2023				At 30.06.2022			
	"la Caixa" group	CVC group	GIP group	IFM Group	"la Caixa" group	CVC group	GIP group	IFM Group
Receipt of services	—	—	—	—	—	—	—	—
Total expenses	—	—	—	—	—	—	—	—
Total income	—	—	—	—	—	—	—	—

Other transactions (in thousand Euros)	At 30.06.2023				At 30.06.2022			
	"la Caixa" group	CVC group	GIP group	IFM Group	"la Caixa" group	CVC group	GIP group	IFM Group
Dividends and other profits distributed	129,480	100,429	100,069	70,294	129,480	100,429	100,069	62,805

Note 13. Information on members of the Board of Directors and the Management Committee

Remuneration for members of the Board of Directors and the Management Committee

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 Board committees totalled Euros 1,868 thousand at 30 June 2023 (Euros 1,893 thousand at 30 June 2022).

At 30 June 2023, the Board of Directors continued to be comprised of 12 members (12 members at 30 June 2022), the Audit and Control Committee had 5 members (5 members at 30 June 2022), the Appointments, Remuneration and Corporate Governance Committee had 5 members (5 members at 30 June 2022) and the Sustainability Committee had 4 members (4 members at 30 June 2022).

The members of the Board of Directors are covered with the same liability policy that insures all managers and executives of Naturgy. At 30 June 2023, the premium paid by Naturgy Energy Group, S.A. amounted to Euros 394 thousand (Euros 373 thousand at 30 June 2022).

For the sole purposes of the information contained in this section, the Management Committee is considered to be the Executive Chairman in relation to his executive functions, the executives reporting directly to the Executive Chairman and the Internal Audit Manager.

At 30 June 2023, nine persons make up this group, excluding the Executive Chairman and the Internal Audit Manager (nine persons at 30 June 2022). There were no changes in the Management Committee in the six-month period ended 30 June 2023.

The fixed remuneration, variable remuneration and other remuneration items accrued by the Management Committee amounted to Euros 5,407 thousand at 30 June 2023 (Euros 5,145 thousand at 30 June 2022).

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 778 thousand at 30 June 2023 (Euros 719 thousand at 30 June 2022).

As described in note 7, on 25 November 2021, Naturgy's Board of Directors decided, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, to extend the time period of the 2018-2022 LTI (the original plan ended in July 2023), and set it to expire on 31 December 2025 for current executives in order to contribute to the fulfilment of the 2021-2025 Business Plan. The entry into force of the extension of the LTI was approved by Naturgy's shareholders at a general meeting on 15 March 2022. In order to compensate for this extension, the Board of Directors established an interim payment in 2021 relating to the value to be received for the 5-year period, which amounted to Euros 1,159 thousand per year. That amount was made available to employees in two tranches: one in 2021, as indicated in note 26 to the 2021 annual accounts, and the remainder upon approval by the General Shareholders' Meeting on 15 March 2022. Advances amounting to Euros 103 thousand were paid in the first half of 2023.

Transactions with members of the Board of Directors and the Management Committee

The members of the Board of Directors and the Management Committee have not carried out related-party transactions with Naturgy Energy Group, S.A. or Group companies outside the ordinary course of business or in other than normal market conditions.

Note 14. Contingent liabilities for litigation and arbitration

Described below are the main changes during the first six months of 2023 in connection with the situation described in the section on Contingent Liabilities for Litigation and Arbitration of Note 27 "Commitments and contingent liabilities" in the annual accounts for the year ended 31 December 2022:

Disputed withholding tax assessments

On 7 July 2023, the Company was issued tax assessments in connection with withholdings from non-residents income tax. It is disputing the assessments and has entered submissions in this connection with the tax authorities. The Board of Directors does not consider that the risk disclosed in the assessments is likely to materialise.

Note 15. Events after 30 June 2023

On 16 May 2023, Naturgy announced the acquisition of 100% of ASR Wind, which has a total of 422 MW in 12 operating wind farms in Spain. Naturgy plans to complete the transaction in the coming days once it obtains the relevant regulatory approvals. The value of the acquired company is Euros 650 million.

On July 11, 2023, Naturgy's Board of Directors met to analyze the evolution of the 2021-2025 Strategic Plan and update the objectives for 2025.

On 20 July 2023, the Board of Directors declared an interim dividend out of 2023 results as described in Note 7.

No other material events took place after the reporting date.

Naturgy Energy Group, S.A.
Condensed Interim Accounts
30 June 2023

DIRECTORS' REPORT



Condensed Interim directors' report as at 30 June 2023

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1. Main aggregate performances

Naturgy Energy Group, S.A. is a holding company, in which the most relevant ordinary activity corresponds to the administration and management of the shares of different subsidiary companies. Consequently, its results come mainly from dividends and income accrued from financing granted to Naturgy group companies.

The main figures of Naturgy Energy Group, S.A. and its evolution as of June 30, 2023 and December 31, 2022 are:

	30.06.2023	31.12.2022	%
Net turnover(*)	1,113	1,801	(38)%
Operating profit (*)	943	1,963	(52)%
Profit of the year (*)	841	1,816	(54)%
Shareholders' equity	18,599	18,240	2 %
Net equity	18,667	18,306	2 %
Current liabilities	2,143	2,498	(14)%

(*) Comparative information as of 30 June 2022

2. Significant events in the first half of 2023

Basically, the evolution of the result for the first half of 2023 and 2022 is explained by the income accrued in equity instruments of group companies.

The net amount of turnover in the six-month period ended 30 June 2023, amounts to Euros 1,113 million, of which Euros 92 million correspond to gas sales, Euros 807 million to dividends received from companies of the group and associates and Euros 214 million for the financing to companies of the Naturgy group (Euros 1,801 million at 30 June 2022, of which Euros 310 million euros corresponded to sales of gas, Euros 1,298 million euros to dividends received from group companies and associates, and Euros 193 million for financing Naturgy group companies).

The decrease in the amount of turnover by Euros 688 million (Euros 692 million increase in 2022) is the net effect of:

- Sales have decreased by Euros 218 million, basically due to the natural gas destined for the European market through other group companies (a decrease of Euros 150 million at 30 June 2022, basically due to the sale of natural gas destined for the European market through through other group companies).
- Decrease of Euros 491 million in the dividends received from the subsidiaries in the semester, mainly from the companies Naturgy Aprovisionamientos, S.A., Naturgy Distribución Latinoamérica. S.A., Holding Negocios de Electricidad, S.A., Gas Natural Comercializadora, S.A., Naturgy Iberia, S.A., Naturgy Generación Térmica, S.L.U., Naturgy Capital Markets, S.A. and Naturgy Finance BV (increase of Euros 817 million in the dividends received from the subsidiaries in the first half of 2022, mainly from the companies Holding Negocios de Gas, S.A, Naturgy Inversiones Internacionales, S.A, Naturgy Distribución Latinoamérica, S.A. and Holding Negocios de Electricidad, S.A.).
- Increase of Euros 21 million (increase of Euros 25 million at 30 June 2022) due to financial income from financing subsidiaries.

Supplies for the year amounted to Euros 93 million (Euros 316 million at 30 June 2022) mainly associated with gas supplies, decreasing by Euros 223 million in line with sales.

Other operating income of Euros 30 million, net personnel expenses of Euros 74 million, operating expenses of Euros 48 million, amortization of Euros 5 million and the reversal for impairment of holdings in group companies and associates for Euros 16 million, as well as the result for the sales of the shareholdings in group companies for Euros 4 million, take the operating result for the period to 943 million euros, decreasing by Euros 1,020 million compared to the same period of the previous year.

At 30 June 2022, other operating income of Euros 34 million, net personnel expenses of Euros 34 million, operating expenses of Euros 74 million, amortization of Euros 6 million and the reversal for impairment of investments in group companies and associates for Euros 558 million, brought the operating profit for the period to Euros 1,963 million.

The financial result has been negative by Euros 136 million (Euros 140 million in the same period of 2022).

Profit before taxes amounts to Euros 807 million and corporate tax amounts to Euros 34 million, which leaves the net result for the period at Euros 841 million, compared to Euros 1,816 million in the same period of the previous year .

3. Main risks and opportunities

The information broken down below refers to the consolidated group of Naturgy (hereinafter Naturgy), although the Company's main risks and opportunities are duly detailed in Note 14 of the Interim Individual Financial Statements.

During the first half of 2023, Naturgy applied the same risk management model described in section 4. Main risks, opportunities and uncertainties of the consolidated directors' report for the year ended 31 December 2022.

Naturgy defines five risk types in its Corporate Risk Map:

1. **Economic:** commodity, exchange rate, regulatory, volume, margin/price, legal and operational.
2. **Financial:** credit, interest rate, tax, liquidity and solvency, rating and provisions.
3. **Operational:** security, business continuity and crisis management, fraud against the company, cybersecurity, data protection, environmental, customer satisfaction and health and safety.
4. **Reputational/Sustainability:** reputational and ESG, compliance, people and climate change.
5. **Strategic:** associated with the profile of the Group's business portfolio.

The main economic (including legal risk) and financial risks are discussed in notes 13 and 26 to the condensed interim consolidated accounts at 30 June 2023. Climate change risk is discussed in note 2.4.25.k in the consolidated directors' report for the year ended 31 December 2022. The main operational and reputational/sustainability risks are discussed in the Sustainability Report and Non-Financial Information Statement for the year ended 31 December 2022.

Naturgy follows the strategy that was approved by its Board of Directors and presented on 28 July 2021, where the energy transition is considered 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 geographies
- Renewable generation
- Grid operation and expansion
- Technological development and innovation
- Portfolio of natural gas and LNG procurements

Horizontal uncertainties, such as the macroeconomic context and geopolitical exposure, that materialise and have an impact on many of the risk types managed by Naturgy. In terms of the macroeconomic situation, performance in the first half of 2023 was shaped by the evolution of the COVID-19 pandemic and Russia's invasion of Ukraine.

Specifically, most countries have adopted strategies to coexist with COVID-19 and avoid control measures that might interrupt normal life and economic activities.

With respect to Russia's invasion of Ukraine, the response of Western countries has been mainly humanitarian and military aid to Ukraine and the imposition of measures and sanctions on Russia, with the main consequences of the war on the world economy being an increase in commodity prices, inflationary pressures, supply chain restrictions and volatility in the energy and commodity markets.

In the energy sector in particular, despite a very turbulent 2022, the situation eased somewhat in the first part of this year due to high inventories, increased supply and contained growth in demand thanks to a mild winter.

In this context, Naturgy is monitoring the current situation by constantly tracking macroeconomic and business variables in order to manage potential risks. The analyses carried out for this purpose assess the indirect impacts on the business, financial position and economic performance, with particular reference to the generalised increase in commodity prices and the reduced availability of material supplies.

With respect to gas contracts, a significant portion of the company's long-term procurements are still in their ordinary price review period; in the course of negotiations, the company pursues the best long-term interests of its shareholders, creditors and other stakeholders.

On the regulatory front, both European and national governments continue to issue regulations to mitigate the consequences of the war on the economy and on end users of energy. Changes in the regulatory framework are detailed in Appendix II to the condensed interim consolidated accounts at 30 June 2023.

Regarding geopolitical exposure, Naturgy continues to monitor the status and evolution of the risks affecting its interests in three geographic areas outside the European Union: Latin America, Middle East-Maghreb, and China-Taiwan.

4. Events after the reporting date

Events after the closing date are described in Note 15 to the Interim Financial Statements at 30 June 2023.