



Results first half 2018

26 July 2018

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Executive summary

Recurring EBITDA and net profit amounted to €2,105 and €532 million respectively in the first half of 2018.

- › Recurring EBITDA amounted to €2,105 million in the first half of 2018 and increases a 5.7% in respect to the first half of 2017 due to an improvement of recurrent activity, basically Gas & Power. Exchange rate fluctuations in the period by all the currencies in which the group operates has had a negative impact of -€106 million.
- › Net recurrent profit in the first half of 2018 amounted to €532 million and increases a 22.3% in respect of the first half of 2017, driven by the recurrent activity improvement and by the sustained debt structure optimization that leads to lower financial costs.
- › Net free consolidated cash-flow of the Group of the first half of the year reaches €2,555 million pushed by divestments of the period.
- › Material and intangible investments of the first half of 2018 amount to €1,145 million increasing a 55.4% with respect to the same period of the previous year, basically due to the addition to two new gas carriers acquired under finance lease (one in March 2018 and another in June 2018). Without considering this investment in the gas carriers, investments would increase by a 3.8%.
- › As of 30 June 2018, Net financial debt amounts to €12,362 million and the Net financial debt/EBITDA and EBITDA/Cost of net financial debt were 3.2x and 7.3x respectively improving as compared with those of the previous period (3.7x and 6.4x).
- › On 27 June 2018, the Shareholders' Meeting approved the distribution of income, consisting of allocating €1,001 million out of 2017 income to dividends, the same amount as in the preceding year, representing a 73.6% payout. That is a dividend of €1 per share, of which €0.330 per share was paid as an interim dividend in cash on 27 September 2017 and the remaining €0.670 per share was paid, also in cash, on 5 July 2018.
- › On 27 June 2018, the Shareholders' Meeting approved the new Strategic Plan 2018-2022, which established a new industrial model and for the business units, and the activities and markets continuity in the future, and an update of the main assumptions and business projections in light of the new context variables for the next five years.
- › In the context of the new Strategic Plan 2018-2022 and as part of the new shareholder remuneration policy that includes a minimum dividend of Euros 1.30 per share out of 2018 earnings, the Board of Directors declared the first interim dividend for 2018 in the amount of Euros 0.280 per share, payable entirely in cash on 31 July 2018.
- › On 22 February 2018, Repsol reached an agreement to sell its 20.072% stake in the capital of Naturgy Energy Group, S.A. to Rioja Bidco Shareholdings, S.L.U., a company controlled by funds advised by CVC. The transaction was completed on 18 May 2018, with the result that Repsol, S.A. ceased to be a shareholder of the company.

Non-recurring items and other highlights

- › In the first half of 2018 non-recurrent impacts in EBITDA have been registered amounting to -€101 million (+€39 million in the first half of the previous year) that correspond to restructuring costs (-€24 million), retroactive gas supply and transportation costs (-€38 million), extraordinary fire prevention costs, trial and penalties in Chile (-€32 million) and others (-€7 million).
- › Following the approval of the new Strategic Plan 2018-2022, assets were impaired in the amount of €4,851 million due to re-measurement of the estimated future cash flows on the basis of the Plan as well as on other factors that have occurred in the period; the impairment was recognised under "Depreciation and impairment of fixed assets" (€4,279 million) and "Profit/(loss) of companies measured under the equity method" (€572 million) in the consolidated income statement.
- › The following transfers were completed in the first half of 2018: i) the remaining 41.9% of the gas distribution business in Colombia for €334 million, equal to its carrying amount, net of the dividends received; consequently, this did not have any impact on the consolidated income statement; ii) the gas distribution and supply business in Italy, as well as the transfer of the gas supply contract, for €766 million, generating a capital gain of €188 million after taxes which was recognised under "Profits from discontinued operations net of taxes" in the consolidated income statement; and iii) the sale of a 20% minority stake in the gas distribution business in Spain for €1,500 million, which resulted in an increase of €1,016 million in the "Reserves" caption in the consolidated balance sheet.
- › On 27 June 2018, Naturgy reached an outline agreement to sell its 70% stake in Kangra Coal (mining business in South Africa) to Menar Holding. Completion of the sale is subject to the execution of the pre-emptive acquisition right held by Izimbiwa Coal Inv., Naturgy's partner in Kangra, and owner of the remaining 30%, and to fulfilment of the established time periods and procedures. The transaction represents an equity value of €28 million for Naturgy's 70% stake.
- › On 27 June 2018, Naturgy reached an agreement to sell its entire stake in Iberafrica Power, in Kenya, to AEP Energy Africa Limited. The deal represents an enterprise value of USD 62 million. Completion of the transaction is subject to obtaining the necessary regulatory approvals and clearance from the competition authorities and is expected to take place in the fourth quarter of this year.
- › The new Strategic Plan 2018-2022 main objective is to guide the company towards value creation and establishes the new industrial model bases to answer energetic transition challenges. Naturgy's value-creation commitment rests on four basic pillars: simplicity and accountability, disciplined investment, optimisation, and shareholder remuneration.

At organisational level, changes have been made in corporate governance and in the organisation structure to facilitate decision-making and autonomy in the business units, always underpinned by oversight from headquarters. The focus on simplicity is also reflected in the Group's strategic positioning to focus on Naturgy's core geographies and businesses. The Strategic Plan also steps up discipline in investing by setting hurdle rates and risk management criteria to ensure value creation and profitable growth in both organic and inorganic investments, always within the framework of the Group's industrial model and in pursuit of the objectives set in the strategic positioning. The focus on value creation and increasing cash flow will make it possible to enhance shareholder remuneration within the period of the Strategic Plan and lay the foundations for growth, subject always to the requirement that value be created.

1. Main aggregates

1.1. Main financial aggregates

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|--------|--------|-------|--------------------------------------|--------|--------|-------|
| 5,790 | 5,497 | 5.3 | Net sales | 12,176 | 11,569 | 5.2 |
| 951 | 1,005 | -5.4 | EBITDA | 2,004 | 2,030 | -1.3 |
| -3,658 | 585 | - | Operating income | -3,224 | 1,172 | - |
| -3,601 | 252 | - | Net income | -3,281 | 550 | - |
| - | - | - | Average number of shares (million) | 1,001 | 1,001 | - |
| - | - | - | Share price at 30/06 (€) | 22.68 | 20.49 | 10.7 |
| - | - | - | Stock market capitalisation at 30/06 | 22,696 | 20,504 | 10.7 |
| - | - | - | Earnings/losses per share * (€) | -3.28 | 0.55 | - |
| 288 | 419 | -31.3 | Net capital expenditure | -1,429 | 740 | - |
| -4,722 | -1,083 | - | Equity (at 30/06) | 15,220 | 18,246 | -16.6 |
| -4,484 | -903 | - | Attributed equity (at 30/06) | 11,442 | 14,609 | -21.7 |
| -669 | 354 | - | Net borrowings (at 30/06) | 12,362 | 15,818 | -21.8 |

* Based on an average number of shares amounting to 1,000,462,104 at 30 June 2018 (1,000,518,692 at 30 June 2017).

1.2. Ratios

| | | 1H18 | 1H17 |
|--------------------------------|-------|------|------|
| Leverage (at 30/06) | % | 44.8 | 46.4 |
| EBITDA/Net financial debt cost | times | 7.3 | 6.4 |
| Net financial debt/EBITDA | times | 3.2 | 3.7 |

1.3. Key operating figures

Gas & Power

Supply business

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|---------------|---------------|------------|---------------------------------|----------------|----------------|------------|
| 54,309 | 52,944 | 2.6 | Gas supply (GWh) | 126,587 | 123,024 | 2.9 |
| 50,297 | 49,641 | 1.3 | Europe wholesale | 109,052 | 107,232 | 1.7 |
| 4,012 | 3,303 | 21.5 | Spain retail | 17,535 | 15,792 | 11.0 |
| 8,637 | 8,384 | 3.0 | Electricity supply (GWh) | 18,328 | 17,524 | 4.6 |

LNG International business

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|---------------|---------------|-------------|--------------------|---------------|---------------|-------------|
| 35,820 | 27,766 | 29.0 | Sales (GWh) | 76,793 | 55,603 | 38.1 |

Generation business

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|---------------|---------------|-------------|---------------------------------------|---------------|---------------|------------|
| 10,328 | 10,594 | -2.5 | Electric energy produced (GWh) | 22,259 | 22,092 | 0.8 |
| 6,082 | 5,886 | 3.3 | Spain | 13,279 | 13,161 | 0.9 |
| 5,522 | 5,351 | 3.2 | Generation | 11,849 | 11,895 | -0.4 |
| 1,058 | 272 | - | Hydroelectric | 2,335 | 737 | - |
| 829 | 960 | -13.6 | Nuclear | 2,060 | 2,185 | -5.7 |
| 399 | 1,163 | -65.7 | Coal | 1,203 | 2,832 | -57.5 |
| 3,236 | 2,956 | 9.5 | CCGTs | 6,251 | 6,141 | 1.8 |
| 560 | 535 | 4.7 | Renewables and Cogeneration | 1,430 | 1,266 | 13.0 |
| 4,246 | 4,708 | -9.8 | International | 8,980 | 8,931 | 0.5 |
| 3,668 | 4,234 | -13.4 | Mexico (CCGTs) | 7,847 | 7,925 | -1.0 |
| 124 | 83 | 49.4 | Mexico (Wind) | 362 | 306 | 18.3 |
| 37 | - | - | Brazil (Solar) | 67 | - | - |
| 97 | 117 | -17.1 | Costa Rica (Hydroelectric) | 154 | 196 | -21.4 |
| 21 | 20 | 5.0 | Panama (Hydroelectric) | 40 | 38 | 5.3 |
| 299 | 254 | 17.7 | Dominican Republic (Fuel) | 510 | 466 | 9.4 |
| - | - | - | Installed capacity (MW) | 15,630 | 15,306 | 2.0 |
| - | - | - | Spain | 12,718 | 12,716 | - |
| - | - | - | Generation | 11,569 | 11,569 | - |
| - | - | - | Hydroelectric | 1,954 | 1,954 | - |
| - | - | - | Nuclear | 604 | 604 | - |
| - | - | - | Coal | 2,010 | 2,010 | - |
| - | - | - | CCGTs | 7,001 | 7,001 | - |
| - | - | - | Renewables and Cogeneration | 1,149 | 1,147 | 0.2 |
| - | - | - | International | 2,912 | 2,590 | 12.4 |
| - | - | - | Mexico (CCGTs) | 2,289 | 2,035 | 12.5 |
| - | - | - | Mexico (Wind) | 234 | 234 | - |
| - | - | - | Brazil (Solar) | 68 | - | - |
| - | - | - | Costa Rica (Hydroelectric) | 101 | 101 | - |
| - | - | - | Panama (Hydroelectric) | 22 | 22 | - |
| - | - | - | Dominican Republic (Fuel) | 198 | 198 | - |

Infrastructure

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|----------------|----------------|-------------|---|----------------|----------------|-------------|
| 107,144 | 103,814 | 3.2 | Gas Distribution (GWh) | 224,119 | 217,771 | 2.9 |
| 43,977 | 42,255 | 4.1 | Spain | 102,730 | 98,913 | 3.9 |
| 43,977 | 42,255 | 4.1 | TPA ¹ | 102,730 | 98,913 | 3.9 |
| 63,167 | 61,559 | 2.6 | Latin America | 121,389 | 118,858 | 2.1 |
| 32,439 | 34,543 | -6.1 | Gas Sales | 61,713 | 64,853 | -4.8 |
| 30,728 | 27,016 | 13.7 | TPA | 59,676 | 54,005 | 10.5 |
| 13,576 | 13,053 | 4.0 | Electricity Distribution (GWh) | 27,513 | 26,928 | 2.2 |
| 8,102 | 7,782 | 4.1 | Spain | 16,294 | 15,977 | 2.0 |
| 8,102 | 7,782 | 4.1 | TPA | 16,294 | 15,977 | 2.0 |
| 5,474 | 5,271 | 3.9 | Latin America | 11,219 | 10,951 | 2.4 |
| 4,635 | 4,828 | -4.0 | Electricity Sales | 9,642 | 10,130 | -4.8 |
| 839 | 443 | 89.4 | TPA | 1,577 | 821 | 92.1 |
| 3,682 | 3,521 | 4.6 | Electricity Transmission (GWh) | 7,573 | 7,396 | 2.4 |
| 3,682 | 3,521 | 4.6 | Latin America | 7,573 | 7,396 | 2.4 |
| - | - | - | Gas distribution connections points (thousand) (at 30/06) | 10,586 | 10,345 | 2.3 |
| - | - | - | Spain | 5,391 | 5,336 | 1.0 |
| - | - | - | Latin America | 5,195 | 5,009 | 3.7 |
| - | - | - | Electricity distribution connections (thousand) (at 30/06) | 7,510 | 7,388 | 1.7 |
| - | - | - | Spain | 3,730 | 3,712 | 0.5 |
| - | - | - | Latin America | 3,780 | 3,676 | 2.8 |
| 34,985 | 20,720 | 68.8 | Gas transportation -EMPL (GWh) ² | 71,066 | 49,433 | 43.8 |

¹ Third-Party Access (energy distributed). Includes TPA services in secondary transmission.

² Gasoducto Magreb-Europa.

2. Analysis of consolidated results

The main details of the income statement are as follows:

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|--------|-------|-------|--|--------|--------|-------|
| 5,790 | 5,497 | 5.3 | Net sales | 12,176 | 11,569 | 5.2 |
| 951 | 1,005 | -5.4 | EBITDA | 2,004 | 2,030 | -1.3 |
| -4,609 | -427 | - | Depreciation, amortisation and impairment expenses | -5,228 | -858 | - |
| -3,658 | 578 | - | Operating Income | -3,224 | 1,172 | - |
| -146 | -173 | -15.6 | Financial result | -306 | -349 | -12.3 |
| -574 | 7 | - | Equity-accounted affiliates | -559 | 7 | - |
| 1,024 | -91 | - | Income tax | 926 | -183 | - |
| -199 | 23 | - | Income from discontinued operations | -15 | 64 | - |
| -48 | -92 | -47.8 | Non-controlling interest | -103 | -161 | -36.0 |
| -3,601 | 252 | - | Net income | -3,281 | 550 | - |

IFRS 9 "Financial instruments" came into force on 1 January 2018; and IFRS 15 "Revenue from contracts with customers". Their application did not have a material impact (reduction of equity as of 1 January 2018 by €17 million). IFRS 15 impact in the first half resulted in the capitalisation of €24 million in customer contract acquisition costs under intangible assets and an increase in amortisation of that intangible asset by €17 million. As for IFRS 9, the impact of recognising impairment for financial assets based on the credit loss model was an increase in expenses of €8 million, while the impact of the new approach to accounting for transactions to modify financial liabilities led to an increase in financial expenses of €2 million.

2.1. Changes in consolidation scope and other material transactions

The consolidated equity and results of Naturgy as at 30 June 2018 were particularly affected by the following events and transactions in the period:

- The divestment processes resulting from efforts to optimise the business portfolio and from the ongoing review of businesses and geographies are as follows:

The following transfers were completed in the first half of 2018: i) the remaining 41.9% of the gas distribution business in Colombia for €334 million, equal to its carrying amount, net of the dividends received; consequently, this did not have any impact on the consolidated income statement; ii) the gas distribution and supply business in Italy, as well as the transfer of the gas supply contract, for €766 million, generating a capital gain of €188 million after taxes which was recognised under "Profits from discontinued operations net of taxes" in the consolidated income statement; and iii) the sale of a 20% minority stake in the gas distribution business in Spain for €1,500 million, which resulted in an increase of €1,016 million in the "Reserves" caption in the consolidated balance sheet.

In addition, the "Profits from discontinued operations net of taxes" account in the consolidated income statement was increased by a total of €221 million as a result of remeasurement of the fair values, net of selling costs, of investments held for sale in Moldova (€73 million) euros, based on the progress with the sale process using market variables, in Kenya (€7 million), based on the agreed sale price, and €141 million for the difference between the carrying amount of the coal field in South Africa (Kangra) and its fair value less selling costs, estimated on the basis of the price and the conditions of the sale agreement.

- The exhaustive review of the value of the assets as a result of the approval on 27 June 2018 of the new Strategic Plan 2018-2022, which established: i) a new industrial model and for the business units, ii) the activities and markets into which Naturgy plans to expand, and their continuity in the future, and iii) an update of the main assumptions and business projections in light of the new context variables for the next five years. From this review, as well as from other factors that have occurred in the period,

resulted the recognition of impairment in the amount of €4,851 million in the consolidated income statement under "Depreciation and impairment of fixed assets" (€4,279 million) and "Profit/(loss) of companies measured under the equity method" (€572 million).

- Additionally, prior to the approval of the new Strategic Plan, other assets were impaired under "Depreciation and impairment of fixed assets" in the amount of €54 million.

2018

Once the competition authorities had given their approval, the sale of the gas distribution and supply companies in Italy was completed on 1 and 22 February 2018. Additionally, the assignment of the gas supply contract was completed on 18 April 2018. The sale price amounted to €766 million, and there was an after-tax capital gain of €188 million.

On 19 March 2018, Naturgy, through subsidiary Global Power Generation, agreed to acquire two solar photovoltaic projects in Brazil. The development of these projects, located in the state of Minas Gerais, will require approximately €95 million of investment; they total 83 MW of capacity and are expected to come into operation in the fourth quarter of 2018.

On 19 March 2018, following approval by the competition authorities, a minority 20% stake in the company Holding de Negocios de Gas, S.A., which owns the gas network assets in Spain, was sold to a consortium of long-term infrastructure investors comprising Allianz Capital Partners and Canada Pension Plan Investment Board, for €1,500 million, resulting in a €1,016 increase in reserves.

The deadline for acceptance of the tender offer for Gas Natural, ESP was 28 May 2018, as a result of which the sale of the remaining 41.9% of the gas distribution business in Colombia for €334 million was completed; the transaction was settled on 1 June 2018.

2017

There were no significant changes in consolidation scope in the first six months of 2017.

2.2. Analysis of results

2.2.1. Net sales

Net sales totalled €12,176 million in the first half of 2018, a 5.2% increase with respect to the same period of 2017, due basically to higher volumes and prices in the gas business compared with the same period of the previous year.

2.2.2. EBITDA and EBIT

Consolidated EBITDA in the first half of 2018 amounted to €2,004 million, 1.3% less than in the same period of the previous year.

Foreign currency fluctuations in consolidation by all the group's currencies had a negative impact on EBITDA in the first half of 2018 amounting to €106 million with respect to the same period of 2017.

Contribution to EBITDA by business

In the next table is shown the EBITDA contribution by business before and after the non-recurrent items of each period:

| (€ millions) | 1H18 Recurrent | Non Recurrent | 1H18 | 1H17 Recurrent | No Recurrent | 1H17 |
|----------------------------|-------------------|------------------|--------------|-------------------|-----------------|--------------|
| Gas & Power | 639 | -44 | 595 | 504 | 45 | 549 |
| Infrastructure EMEA | 898 | -7 | 891 | 893 | -14 | 879 |
| Infrastructure LatAm South | 400 | -38 | 362 | 407 | 0 | 407 |
| Infrastructure LatAm North | 121 | 2 | 123 | 139 | 0 | 139 |
| Rest | 47 | -14 | 33 | 48 | 8 | 56 |
| EBITDA | 2,105 | -101 | 2,004 | 1,991 | 39 | 2,030 |

EBITDA from Naturgy's international account for 49.5% of the consolidated total, compared with 49.3% in the same period of last year. EBITDA from operations in Spain also keep its relative weight on the total consolidated at 50.5% vs 50.7% in the same period of previous year.

Depreciation and amortisation and impairment charges as at 30 June 2018 amounted to Euros 5,165 million, including Euros 4,279 million in impairment of generation assets (Euros 3,929 million), computer software (Euros 171 million), capitalised costs in the Guadalquivir area storage projects (Euros 117 million) and other non-viable projects (Euros 62 million) recognised after discounting future cash flows as a result of approving the Strategic Plan 2018-2022. They also include Euros 54 million in impairments recognised before the plan was approved.

Provisions for bad debts amounted to €63 million, in line with the €58 million booked last year.

EBIT in the first half of 2018 was negative in the amount of -€3,224 million as a result of the impairments.

2.2.3. Financial result

The breakdown of the financial result is as follows:

| 2Q18 | 2Q17 | (€ million) | 1H18 | 1H17 |
|-------------|-------------|--|-------------|-------------|
| -136 | -155 | Cost of net financial debt | -274 | -315 |
| -15 | -21 | Other financial expenses/income | -41 | -41 |
| 5 | 4 | Financial income Costa Rica ¹ | 9 | 7 |
| -146 | -172 | Financial result | -306 | -349 |

¹ The Costa Rica generation concessions are accounted for as finance leases in accordance with IFRIC 12.

The cost of net interest-bearing debt in the first half of 2018 was €274 million, i.e. lower than in the same period of the previous year due to lower rates on new issues used to refinance maturing debt or redeem bonds, and to the cancellation of bank debt.

The average cost of gross financial debt is 3.0%, and 89% of the debt is at fixed rates.

2.2.4. Equity-accounted affiliates

Equity-accounted affiliates contributed -€559 million in the first half of 2018 (€7 million in the same period of 2017) due to recognising impairment of the holding in the Unión Fenosa Gas subgroup (-€538 million) and of the holding in Ecoeléctrica (-€34 million).

2.2.5. Income tax

The effective tax rate as of 30 June 2018, based on the best estimate of the effective tax rate for the full year, without taking into account all the non-recurrent impacts of the impairments and the decrease of the deferred taxes due to the Chile merges, was 21.7%, compared with 21.5% in the same period of the previous year.

2.2.6. Income from discontinued operations

In the first half of 2018, income from discontinued operations amounted to -€15 million (€64 million in the first half of 2017), corresponding to Italy (€194 million, including the €188 million gain on the sale of the holdings), gas distribution in Colombia (€7 million), electricity distribution in Moldova (-€61 million that includes a write-down of the investment amounting Euros 73 million), electricity generation in Kenya (-€5 million that includes a write-down of the investment amounting Euros 7 million) and mining in South Africa (-€150 million that includes a write-down of the investment amounting Euros 141 million).

2.2.7. Non-controlling interest

The main items in this account are the non-controlling interests in EMPL, International Electricity Generation (GPG), Nedgia (gas distribution in Spain), gas distribution companies in Chile, Brazil and Mexico, and the electricity distribution companies in Chile and Panama, as well as accrued interest on perpetual subordinated notes.

Income attributed to non-controlling interests amounted to -€103 million in the first half of 2018 (-€161 million in the first half of 2017).

2.2.8. Net income

Net profit amounted to -€3,281 million (€550 million in the first half of 2017). Excluding the non-recurring effects in the period, net profit amounted to €532 million, compared with €435 million in the same period of the previous year, an increase of 22.3%.

3. Balance sheet and cash flow

The key balance sheet figures are as follows:

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|--------|--------|---|---|--------|--------|-------|
| -4,063 | -800 | - | Power, plant and equipment and intangible | 28,366 | 33,663 | -15.7 |
| -669 | 354 | - | Net financial debt | 12,362 | 15,818 | -21.8 |
| -4,722 | -1,083 | - | Equity | 15,220 | 18,246 | -16.6 |
| -4,484 | -903 | - | Attributed equity | 11,442 | 14,609 | -21.7 |

3.1. Investments

The breakdown of net investments by type is as follows:

| (€ million) | 1H18 | 1H17 | % |
|--|---------------|------------|-------------|
| Investments in property, plant and equipment and intangible assets | 1,145 | 737 | 55.4 |
| Financial assets | 35 | 27 | 29.6 |
| Total gross investments | 1,180 | 764 | 54.5 |
| Divestments and others | -2,609 | -24 | - |
| Total net investments | -1,429 | 740 | - |

Investments in property, plant and equipment and intangible assets amounted to €1,145 million in the first half of 2018, a 55.4% increase with respect to the same period of the previous year, basically because of the recognition of two new gas carriers under finance lease (€380 million: one in March 2018 and the other in June 2018).

Excluding investment in gas carriers, capital expenditure increased by 3.8%.

Divestments and other items include the sale of the businesses in Italy for €766 million, the proceeds from the sale of a 20% non-controlling stake in Holding de Negocios de Gas (€1,500 million) and the proceeds from the sale of the remaining 41.9% stake in the gas distribution business in Colombia (€334 million).

Capital expenditure and intangible assets, by activity

| (€ million) | 1H18 | % contribution | 1H17 | % contribution | % variation |
|--|--------------|----------------|------------|----------------|--------------|
| Gas & Power | 623 | 54.4 | 169 | 22.9 | 268.6 |
| Supply of gas, electricity and services | 35 | 3.1 | 25 | 3.4 | 40.0 |
| International LNG | 380 | 33.2 | 0 | 0.0 | - |
| Generation | 109 | 9.5 | 54 | 7.3 | 101.9 |
| Generation International (GPG) | 99 | 8.6 | 90 | 12.2 | 10.0 |
| Infrastructure EMEA | 185 | 16.2 | 190 | 25.8 | -2.6 |
| Gas distribution Spain | 94 | 8.2 | 82 | 11.1 | 14.6 |
| Electricity distribution Spain | 90 | 7.9 | 106 | 14.4 | -15.1 |
| EMPL | 1 | 0.1 | 2 | 0.3 | -50.00 |
| Infrastructure LatAm South | 238 | 20.8 | 230 | 31.2 | 3.5 |
| Gas distribution Argentina | 22 | 1.9 | 15 | 2.0 | 46.7 |
| Electricity distribution Argentina | 5 | 0.4 | 6 | 0.8 | -16.7 |
| Gas distribution Brazil | 35 | 3.1 | 49 | 6.6 | -28.6 |
| Electricity distribution and transmission Chile | 106 | 9.3 | 119 | 16.1 | -10.9 |
| Gas distribution and supply Chile | 64 | 5.6 | 37 | 5.0 | 73.0 |
| Gas distribution Peru | 6 | 0.5 | 4 | 0.5 | 50.0 |
| Infrastructure LatAm North | 80 | 7.0 | 93 | 12.6 | -14.0 |
| Gas distribution Mexico | 35 | 3.1 | 41 | 5.6 | -14.6 |
| Electricity distribution Panama | 45 | 3.9 | 52 | 7.1 | -13.5 |
| Rest | 19 | 1.7 | 55 | 7.5 | -65.5 |
| Total capital expenditure and intangible assets | 1,145 | 100.0 | 737 | 100.0 | 55.4 |

The gas business represented 54.4% of the consolidated total due to the addition of two new gas carriers under finance lease (€380 million).

Infrastructure EMEA accounts for 16.2% of total consolidated capital expenditure, having declined by 2.6% year-on-year.

Infrastructure LatAm South accounted for 20.8% of the consolidated total, having increased by 3.5% year-on-year, basically because of higher investment in Chile.

Infrastructure LatAm North accounted for 7.0% of total consolidated capital expenditure, having declined by 14.0% with respect to the same period of the previous year.

Excluding the two gas carriers tankers acquired under finance lease in 2018, capital expenditure in Spain increased by 18.5% and accounted for 45.2% of the total, compared with 38.4% the previous year. Capital expenditure outside Spain declined by 5.6% to account for 54.8% of the total (vs. 61.6% the previous year).

Maintenance capex in the first half of 2018 amounted to €309 million, compared with €345 million in the same period of the previous year, a 10.4% reduction. Growth capex amounted to €836 million (€456 million excluding the two gas carriers acquired under finance lease) compared with €392 million, a 16.3% increase without considering the ships.

Additionally, in the first half of 2018 inorganic investments in two photovoltaic projects in Brazil have been made. Development of this projects, located in Minas Gerais State, would require an approximately investment of €95 million and a capacity of 83 MW and are expected to start operations in the fourth quarter of 2018.

3.2. Debt and finances

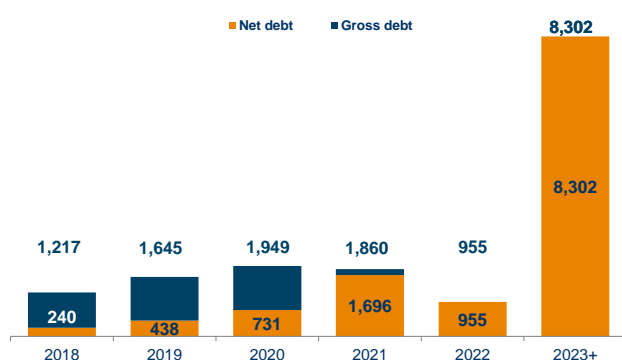
3.2.1. Interest-bearing debt

At 30 June 2018, net interest-bearing debt amounted to €12,362 million and leverage was 44.8% (€15,818 million and 46.4% at 30 June 2017).

The net debt/EBITDA ratio was 3.2 and the EBITDA/interest ratio was 7.3 at 30 June 2018, evidencing an improvement in fundamentals with respect to the preceding year (3.7 and 6.4, respectively).

The net interest-bearing debt taking into account the estimated impact of the IFRS 16 application would amount €14,000 million and would place the leverage ratio in 47.9%. Also, the net debt/EBITDA ratio would be 3.6.

Maturity of financial debt (€ million)



A total of 94.5% of net interest-bearing debt matures in or after 2020. The average term of the debt is 6.3 years.

The figure shows Naturgy's net and gross debt maturity calendar at 30 June 2018. Gross debt amounted to €15,928 million.

Of the net financial debt, 4.2% is short term and the other 95.8% is long term.

The structure of net interest-bearing debt having consideration for the impact of financial hedges, most of the debt (89%) is at fixed rates.

The breakdown of net interest-bearing debt by currency at 30 June 2018, in absolute and relative terms, is shown in the next table:

| (€ million) | 30/06/18 | % |
|--|---------------|--------------|
| EUR | 9,768 | 79.0 |
| CLP | 1,760 | 14.2 |
| US\$ | 262 | 2.1 |
| MXN | 311 | 2.5 |
| BRL | 234 | 1.9 |
| Other | 27 | 0.3 |
| Total net interest-bearing debt | 12,362 | 100.0 |

3.2.2. Liquidity

At 30 June 2018, cash and cash equivalents together with available bank finance totalled €10,686 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, with the following breakdown:

| Liquidity source (€ million) | Limit | Drawn | Available |
|------------------------------|--------------|------------|---------------|
| Committed credit lines | 6,973 | 213 | 6,760 |
| Uncommitted credit lines | 548 | 114 | 434 |
| Cash and cash equivalents | - | - | 3,492 |
| Total | 7,521 | 327 | 10,686 |

Additionally, at 30 June 2018, the company had €6,815 million available in the form of shelf registrations for financial instruments, including €4,960 million in the Euro Medium Term Notes (EMTN) programme; €500 million in the Euro Commercial Paper (ECP) programme; and a combined €1,355 million in the stock market certificates programmes on the Mexico Stock Exchange, the commercial paper programme on the Panama Exchange and the bond lines in Chile.

3.2.3. Main financial transactions

In January 2018, Naturgy issued €850 million in 10-year bonds with a 1.5% coupon, the proceeds from which were used to tender for €916 million in bonds maturing between 2019 and 2023. Additionally, two bonds totalling €1,099 million with an average coupon of 4.59% matured in the first quarter of 2018.

In March 2018, Gas Natural Mexico issued €153 million in 3-year bonds with a variable coupon of TIIE plus 0.40% and 7-year bonds with a coupon of 8.89%.

In the first half of 2018, issues under the Euro Commercial Paper (ECP) programme totalled €3,044 million (€2,133 million in the same period of 2017). The outstanding balance of issues under the ECP programme stands at €500 million (there were no outstanding issues at 31 December 2017).

On 1 July 2018 an ING credit facility has been renewed amounting to €300 million.

3.2.4. Credit rating

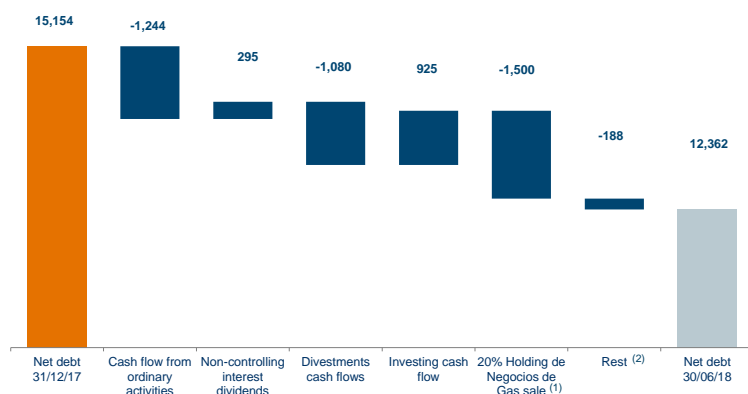
The accompanying table shows the credit rating of Naturgy's long-term and short-term debt:

| Agency | Short term | Long term |
|---------|------------|-----------|
| Fitch | F2 | BBB+ |
| Moody's | P-2 | Baa2 |
| S&P | A-2 | BBB |

On 18 July 2018, S&P ratified the long-term credit rating (BBB) and stable outlook after the presentation of the new Strategic Plan.

3.3. Cash flows

The cash flow and reconciliation of net interest-bearing debt in the first half of 2018 are as follows:



⁽¹⁾ Includes the proceeds from the sale of a non-controlling 20% stake in Holding de Negocios de Gas, S.A.

⁽²⁾ Reflects translation differences, changes in consolidation scope and other effects.

Other impacts include translation differences.

3.4. Equity and shareholder remuneration

The distribution of 2017 income proposed to the Shareholders' Meeting on 27 June 2018 entailed allocating €1,001 million to dividends, the same amount as in the previous year. That represents a dividend of €1 per share and a pay-out of 73.6%, i.e. a dividend yield of 5.2% based on the share price on 31 December 2017 (€19.25).

An interim dividend amounting to €0.33 per share out of 2017 earnings was paid entirely in cash on 27 September 2017, and the €0.67 per share supplementary dividend was paid on 5 July 2018.

In the context of the new Strategic Plan 2018-2022 and as part of the new shareholder remuneration policy that includes a minimum dividend of €1.30 per share out of 2018 earnings, the Board of Directors declared the first interim dividend for 2018 in the amount of €0.28 per share, payable entirely in cash on 31 July 2018.

At 30 June 2018, Naturgy's shareholders' equity totalled €15,220 million. Of that total, €11,442 million is attributable to Naturgy.

4. Analysis of results by activity

The criteria used to assign amounts to the activities are as follows:

- › All revenues and expenses relating directly and exclusively to a specific business activity are allocated directly to it.
- › The margin on intercompany transactions is allocated on the basis of the market which is the final destination of the sale.
- › Corporate expenses and revenues are assigned on the basis of their use by the individual business lines.

4.1. Gas & Power

4.1.1. Supply of gas, electricity and services

This business includes wholesale gas procurement and supply in the Spanish liberalised market, the supply of gas and electricity and of other products and services related to retail supply in the Spanish liberalised market, supply of gas at the last resort tariff (TUR) in Spain and supply of electricity at the small consumer voluntary price (PVPC) in Spain.

4.1.1.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|------------|-----------|---------------|--|-----------|-----------|-------------|
| 3,039 | 2,802 | 8.5 | Net sales | 6,768 | 6,500 | 4.1 |
| -2,934 | -2,602 | 12.8 | Procurement | -6,457 | -6,190 | 4.3 |
| -34 | -25 | 36.0 | Net personnel expenses | -64 | -54 | 18.5 |
| -97 | -106 | -8.5 | Other revenues/expenses | -192 | -215 | -10.7 |
| -26 | 69 | -137.7 | EBITDA | 55 | 41 | 34.1 |
| -16 | -4 | 300.0 | Depreciation, amortisation and impairment expenses | -31 | -13 | 138.5 |
| -17 | -11 | 54.5 | Impairment of credit losses | -30 | -28 | 7.1 |
| -59 | 54 | -209.3 | Operating Income | -6 | - | - |

Net sales amounted to €6,768 million, a 4.7% increase with respect to last year. EBITDA amounted to €55 million, 34.1% more than in the same period of the previous year due to improved retail margins.

The €17 million increase in depreciation and amortisation charges in the period is due mainly to the application of IFRS 15.

4.1.1.2. Main aggregates

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|---------------|---------------|------------|---|----------------|----------------|-------------|
| 54,309 | 52,944 | 2.6 | Gas supply (GWh) | 126,587 | 123,024 | 2.9 |
| 50,297 | 49,641 | 1.3 | Wholesale Europe | 109,052 | 107,232 | 1.7 |
| 4,012 | 3,303 | 21.5 | Retail Spain | 17,535 | 15,792 | 11.0 |
| 8,637 | 8,384 | 3.0 | Electricity sales (GWh): | 18,328 | 17,524 | 4.6 |
| - | - | - | Retail contracts (Spain) (miles, at 30/06) | 11,655 | 11,740 | -0.7 |
| - | - | - | Energy contracts | 8,796 | 8,856 | -0.7 |
| - | - | - | Energy services contracts | 2,859 | 2,884 | -0.9 |
| - | - | - | Contracts per customer (Spain) | 1.52 | 1.52 | - |
| - | - | - | Gas contract market share (Spain) | 53.8 | 55.0 | 1.2 p.p. |

Procurement

In June, Sonatrach and Naturgy strengthened their relationship by extending the contracts for the purchase of Algerian gas until the end of the next decade; their alliance ensures a stable supply of gas to Spain.

The renewal of the contracts enables Naturgy to maintain a very large volume and ensures an optimal mix of natural gas (NG) and liquefied natural gas (LNG) in its inputs.

The first shipment of LNG under the long-term contract signed with the Russian company Yamal LNG was unloaded on 21 June 2018. This is the first of a total of 37 shiploads that will reach south-western Europe each year until 2041. This contract expands Naturgy's portfolio of strategic suppliers and reinforces the diversity of supply in this region of Europe with the first long-term contract for the supply of LNG from Russia.

Wholesale supply

Wholesale supply in Spain totalled 75,728 GWh, a 1.2% increase with respect to the same period of the previous year.

Naturgy has a strong position in natural gas supply in Europe, with a presence in France, Belgium, Luxembourg, the Netherlands, Germany, Ireland and Portugal. Its customers are mainly industrial and services companies and the public sector.

Sales in France totalled 20.1 TWh in the first half. Sales in Belgium, Luxembourg, the Netherlands, Germany and Ireland amounted to 9.9 TWh in the same period.

Naturgy is still Portugal's second-largest operator (and its largest foreign operator), with a market share of approximately 14%, and it sold 3.2 TWh there in the first half of 2018.

Retail supply

In the retail market, Naturgy focuses on meeting its customers' energy needs. With a range of quality products and services, it has 11.7 million active gas, electricity and maintenance contracts.

Naturgy provides a comprehensive service by integrating the supply of both energies (gas and electricity) with maintenance services to achieve efficiencies and enhance customer satisfaction; it supplies both energies to over 1.5 million homes, a large percentage of which have a maintenance contract in place.

With a strong focus on continued growth in the retail business, the company sells products and services throughout Spain, having signed 745 thousand new contracts in the first half of 2018.

The offering of services for residential and SME customers has enabled the company to increase the number of active contracts to 2.8 million, managed through the group's own operating platform with 121 associated firms connected via a mobile online system. As a result of this performance, the portfolio of energy and services contracts in the retail segment increased in value.

Naturgy continues to focus on developing natural gas service stations that are open to the public. In the first half of 2018, the company had 49 natural gas service stations, supplying both compressed and liquefied natural gas. A total of 30 stations are open to the public and 19 are private. Additionally, Naturgy is running four special projects developed to encourage the vehicular natural gas use.

As for electricity supply, 18,328 GWh were sold in the first half of 2018, including sales in the liberalised market and under the last resort tariff, a 4.6% increase. The electricity supply portfolio is in line with Naturgy's strategy of maximising margins, optimising market share, and hedging against price variations in the electricity market.

4.1.2. International LNG

This includes trading of liquefied natural gas in international markets and maritime transportation.

4.1.3.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|-----------|-----------|-------------|--|------------|------------|-------------|
| 808 | 545 | 48.3 | Net sales | 1,795 | 1,124 | 59.7 |
| -727 | -487 | 49.3 | Procurement | -1,555 | -952 | 63.3 |
| -1 | -1 | - | Net personnel expenses | -2 | -3 | -33.3 |
| -3 | -4 | -25.0 | Other revenues/expenses | -5 | -6 | -16.7 |
| 77 | 53 | 45.3 | EBITDA | 233 | 163 | 42.9 |
| -21 | -12 | 75.0 | Depreciation, amortisation and impairment expenses | -36 | -24 | 50.0 |
| - | - | - | Impairment of credit losses | - | - | - |
| 56 | 41 | 36.6 | Operating Income | 197 | 139 | 41.7 |

EBITDA in the LNG business amounted to €233 million in the first half of 2018, a 42.9% increase year-on-year.

4.1.3.2. Main aggregates

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|--------|--------|------|---|-----------|-----------|------|
| 35,820 | 27,766 | 29.0 | Gas sales (GWh) | 76,793 | 55,603 | 38.1 |
| - | - | - | Shipping fleet capacity (m ³) | 1,463,149 | 1,095,532 | 33.6 |

LNG trading in the international market increased by 38.1% in the first half to 76,793 GWh. This increase was due to the availability of larger volumes under Naturgy's long-term procurement contracts, as well as the completion of a larger number of LNG optimisation and trading transactions.

The company continues to diversify into international markets, having sold gas in the Americas and Asia. This strengthens the company's presence in the main international LNG markets, providing it with a medium-term position in growing countries and new markets.

The shipping fleet expanded with the addition of two new vessels under long-term charter to handle the larger procurement volume.

4.1.3. Generation in Europe

Includes power generation in Spain, also conventional and renewable.

4.1.3.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|---------------|------------|-------------|--|---------------|------------|--------------|
| 437 | 363 | 20.4 | Net sales | 912 | 940 | -3.0 |
| -225 | -187 | 20.3 | Procurement | -465 | -458 | 1.5 |
| -27 | -31 | -12.9 | Net personnel expenses | -56 | -60 | -6.7 |
| -112 | -102 | 9.8 | Other revenues/expenses | -225 | -215 | 4.7 |
| 73 | 43 | 69.8 | EBITDA | 166 | 207 | -19.8 |
| -4,039 | -111 | - | Depreciation, amortisation and impairment expenses | -4,147 | -224 | - |
| - | - | - | Impairment of credit losses | - | - | - |
| -3,966 | -68 | - | Operating Income | -3,981 | -17 | - |

Net sales in the electricity generation business in Spain amounted to €912 million, 3.0% less than in the same period of the previous year, while EBITDA amounted to €166 million, 19.8% less than in the same period last year.

Depreciation and amortisation charges and impairment losses amounted to €4,147 million, including €3,929 million of impairments as a result of discounting future cash flows following approval of the Strategic Plan 2018-2022.

Market situation

Electricity demand in mainland Spain amounted to 126.4 TWh in the first half of the year, an increase of 1.2% with respect to the same period of 2017. Adjusting for temperatures and the calendar effect, growth would have been 1.1% in 2018.

Peak capacity usage in one hour was registered on 27 June: 36,927 MW, i.e. below the 39,017 MW attained in the same quarter of the previous year (22 June 2017) and well below the all-time summer record of 40,934 MW reached in July 2010.

The balance of physical international interchanges amounted to 6,033 GWh in the first half of 2018, 18.7% more than the 5,081 GWh registered in the same period of the previous year.

Consumption for pumped storage year-to-date amounted to 2,243 GWh, i.e. 7.5% more than in 2017 due to lower market prices in comparison with last year.

Net domestic electricity output increased by 0.6% overall in the first half of 2018.

Compared with the same quarter of 2017, renewable output increased 23.3% and covered 44.6% of demand, compared with 36.6% the previous year.

Wind output in the first half amounted to 27,779 GWh (+10.4% year-on-year) and covered 22.0% of demand, two points more than in the same period of 2017.

In terms of hydroelectric energy capability, the second quarter of 2018 was rated as wet, with an exceedance probability of 20% when compared with the historical average; i.e. statistically, 20 out of every 100 years would be dryer. The trend during the quarter was similar.

Non-renewable output fell by -13.0% in the first half.

The thermal gap narrowed by -22.6% in the first half, achieving coverage that was 6 points lower than in the same period of 2017 (19.6% vs. 25.6%).

Nuclear output declined by -10.7% in the full year.

Coal-fired production decreased by -31.0% year-to-date.

CCGT output declined by -8.5% and Other non-renewable thermal, cogeneration and waste-to-power experienced an increase of 1.6% in the first half with respect to same period of last year.

The weighted average price in the daily power generation market was €52.48/MWh in the quarter, i.e. €4.7 more than the year-ago quarter (€47.79/MWh). Year-to-date, the weighted average price in the electricity pool was €50.92/MWh, i.e. 1.97% less than in the same period of 2017.

Brent crude prices rose from an average of \$65.54/bbl in the first quarter of 2018 to \$67.62/bbl in the second quarter (+3.2%), as monthly prices were at their highest since the end of 2014. API 2, Europe's main coal price indicator, decreased by \$12.44/ton in the quarter, from an average of \$94.56/ton in the first quarter of 2018 to \$82.12/ton in the second quarter. The price of CO₂ emission rights (EUAs on Bluenext) averaged €11.41/ton, 45.4% more than in the previous quarter and in line with early 2011 levels.

4.1.3.2. Main aggregates

The key figures of Naturgy's electricity activities in Spain are as follows:

Power generation capacity

| | 1H18 | 1H17 | % |
|-----------------------------|--------|--------|-----|
| Installed capacity (MW) | 12,719 | 12,716 | - |
| Generation | 11,569 | 11,569 | - |
| Hydroelectric | 1,954 | 1,954 | - |
| Nuclear | 604 | 604 | - |
| Coal | 2,010 | 2,010 | - |
| CCGTs | 7,001 | 7,001 | - |
| Renewables and cogeneration | 1,150 | 1,147 | 0.3 |
| Wind | 982 | 979 | 0.3 |
| Mini hydroelectric | 110 | 110 | - |
| Cogeneration and others | 58 | 58 | - |

Electricity generated and sold

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|-------|-------|-------|--------------------------------|--------|--------|----------|
| 6,083 | 5,886 | 3.3 | Electric energy produced (GWh) | 13,280 | 13,161 | 0.9 |
| 5,522 | 5,351 | 3.2 | Generation | 11,849 | 11,895 | -0.4 |
| 1,058 | 272 | - | Hydroelectric | 2,335 | 737 | 216.8 |
| 829 | 960 | -13.6 | Nuclear | 2,060 | 2,185 | -5.7 |
| 399 | 1,163 | -65.7 | Coal | 1,203 | 2,832 | -57.5 |
| 3,236 | 2,956 | 9.5 | CCGTs | 6,251 | 6,141 | 1.8 |
| 561 | 535 | 4.9 | Renewables and cogeneration | 1,431 | 1,266 | 13.0 |
| 384 | 397 | -3.3 | Wind | 1,079 | 987 | 9.3 |
| 159 | 118 | 34.7 | Mini hydroelectric | 316 | 240 | 31.7 |
| 18 | 20 | -10.0 | Cogeneration and others | 36 | 39 | -7.7 |
| -0.6 | -0.6 | 0.0 | Market share of generation | 16.8 | 16.5 | 0.3 p.p. |

Naturgy generated 6,083 GWh of electricity in mainland Spain in the second quarter of 2018, i.e. 3.3% more than in the same period of 2017. Of that figure, 5,522 GWh were from conventional sources, a 3.2% increase with respect to the same period last year. Output year-to-date increased by 0.9%, or fell by -0.4% considering only conventional generation.

Conventional hydroelectric output totalled 1,058 GWh in the quarter, almost four times the figure for the year-ago quarter, while it increased by 216.8% year-to-date.

The first quarter of 2018 was average in terms of precipitation, and this situation was maintained in the second quarter, ending June with an exceedance probability of 39%, i.e. in statistical terms, 39 out of every 100 years would be wetter.

Reservoirs in the Naturgy watersheds were at 54% of capacity, twenty points higher than at the end of 2Q17 and 37 points higher than at the beginning of the year.

Nuclear output declined by -14.3% in 2Q18 with respect to 2Q17, although the figures are affected by changes in the dates of scheduled shut-downs. Nuclear output fell by -6.4% year-to-date.

Coal-fired output totalled 399 GWh in the quarter, compared with 1,163 GWh in the same period of last year. Overall, coal-fired output declined by -57.5% in 2018, with 14% total capacity utilisation.

CCGT output in the second quarter of 2017 totalled 3,236 GWh, 9.5% more than in the same period of 2017. In the first half, CCGT output increased by 1.8%. CCGT utilisation year-to-date was 21%, more than double that of the industry as a whole.

Emissions of CO₂ in the first half of 2018 from Naturgy's coal-fired power plants and CCGTs that are affected by the regulation governing greenhouse gas emissions trading totalled 3.6 million tons (-1.4 million tons with respect to the same period of 2017). That decrease was mainly due to coal-fired power plants, caused by lower utilisation as a result of greater precipitation and the use of renewable sources in the first half of 2018 in comparison with the previous year.

Naturgy applies a comprehensive approach to its portfolio of CO₂ emission rights for the post-Kyoto (2013-2020) period, acquiring the necessary emission rights and credits through active participation in auctions and the secondary market.

Naturgy's share of conventional output was 16.9% in the first half of 2018, 0.3 points more than in the same period of 2017.

As for renewable generation and cogeneration, during the second quarter of 2018 Naturgy Renovables commissioned its first wind farm in the Canary Islands: the Haria 2.35 MW wind farm on Gran Canaria is among the projects that the group registered in 2015 under the 450 MW quota opened by the Canary Islands Regional Government.

4.1.4. International generation (GPG)

This area encompasses the international generation assets and holdings in Brazil (commercial operation in September 2017), Mexico, Puerto Rico, the Dominican Republic, Panama and Costa Rica and the power generation projects in Australia and Chile, as well as assets operated for third parties via group company O&M Energy.

4.1.4.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|-----------|-----------|--------------|--|------------|------------|--------------|
| 215 | 224 | -4.0 | Net sales | 433 | 438 | -1.1 |
| -117 | -128 | -8.6 | Procurement | -243 | -247 | -1.6 |
| -10 | -8 | 25.0 | Net personnel expenses | -19 | -18 | 5.6 |
| -16 | -17 | -5.9 | Other revenues/expenses | -30 | -35 | -14.3 |
| 72 | 71 | 1.4 | EBITDA | 141 | 138 | 2.2 |
| -55 | -31 | 77.4 | Depreciation, amortisation and impairment expenses | -82 | -60 | 36.7 |
| - | - | - | Impairment of credit losses | - | - | - |
| 17 | 40 | -57.5 | Operating Income | 59 | 78 | -24.4 |

GPG's EBITDA in the first half of 2018 amounted to €141 million, up 2.2% year-on-year due basically to a higher EBITDA contribution from O&M Energy, Costa Rica and Brazil (which was not operational in 1H17), and despite an adverse currency effect (-€17 million, basically because of USD).

EBITDA by country

| | 1H18 | 1H17 | variation | currency translation |
|--------------|------------|------------|-------------|----------------------|
| Mexico | 122 | 129 | -5.4% | -14 |
| Rest | 19 | 9 | - | -3 |
| Total | 141 | 138 | 2.2% | -17 |

EBITDA in Mexico declined by -5.4% as a result of the exchange rate effect compensated with higher contribution margin, due basically to higher surplus output.

The Bii Hioxo plant performed better than last year because of a higher wind index.

EBITDA in the Dominican Republic increased by 8.3% year-on-year due to higher output and a higher margins in spot prices, higher demand, lower precipitation and the withdrawal of competitors from the system.

Brazil, which came into operation in September 2017, contributed €4.4 million in EBITDA in the first half of 2018.

EBITDA in Costa Rica increased by over 100% as a result of the recovery of water dispatching revenues (not paid in previous periods) and the penalty imposed by ICE in the second quarter of 2017 due to the delayed entry into commercial operation of the Torito plant.

On 19 March 2018 the acquisition of two photovoltaic projects in Brazil was agreed. Development of this projects, located in Minas Gerais State, would require an approximately investment of €95 million and a capacity of 83 MW and are expected to start operations in the fourth quarter of 2018.

4.1.4.2. Main aggregates

Power generation capacity

| | 1H18 | 1H17 | % |
|----------------------------|-------|-------|------|
| Installed capacity (MW) | 2,912 | 2,590 | 12.4 |
| Mexico (CCGT) | 2,289 | 2,035 | 12.5 |
| Mexico (Wind) | 234 | 234 | - |
| Brazil (Solar) | 68 | - | - |
| Costa Rica (Hydroelectric) | 101 | 101 | - |
| Panama (Hydroelectric) | 22 | 22 | - |
| Dominican Republic (Fuel) | 198 | 198 | - |

Electricity generated

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|-------|-------|-------|--------------------------------|-------|-------|-------|
| 4,245 | 4,708 | -9.8 | Electric energy produced (GWh) | 8,980 | 8,931 | 0.5 |
| 3,668 | 4,234 | -13.4 | Mexico (CCGT) | 7,847 | 7,925 | -1.0 |
| 124 | 83 | 49.4 | Mexico (Wind) | 362 | 306 | 18.3 |
| 37 | - | - | Brazil (Solar) | 67 | - | - |
| 96 | 117 | -17.9 | Costa Rica (Hydroelectric) | 154 | 196 | -21.4 |
| 21 | 20 | 5.0 | Panama (Hydroelectric) | 40 | 38 | 5.3 |
| 299 | 254 | 17.7 | Dominican Republic (Fuel) | 510 | 466 | 9.4 |

Availability factor (%)

| | 1H18 | 1H17 | var p.p. |
|---------------------------------|------|------|----------|
| Mexico (CCGT) | 90.8 | 95.6 | -4.8 |
| Costa Rica (Hydroelectric) | 99.3 | 96.8 | 2.5 |
| Panama (Hydroelectric and Fuel) | 81.8 | 90.1 | -8.3 |
| Dominican Republic (Fuel) | 93.9 | 92.1 | 1.8 |

Output from the CCGT plants in Mexico decreased year-on-year as a result of the longer maintenance shutdowns at Tuxpan. This effect was partly offset by the sale of larger surpluses, mainly by Norte Durango. The capacity increase year-on-year was due to the recognition of additional capacity in the CCGT plants and the high fogging process implemented in Norte Durango and Tuxpan. Differences in maintenance calendars between years resulted in lower availability than in 2017.

Wind power output by Bii Hioxo increased as a result of the higher wind index.

Hydroelectric output in Costa Rica was impaired by lower precipitation. As discussed in section 2.2.3, the Costa Rica concessions are accounted for as finance leases in accordance with IFRIC 12.

Output in Panama increased slightly year-on-year as a result of greater precipitation this year in the areas where the plants are located. The reduction in availability year-on-year is attributable to the damage to Unit 2 of the La Yeguada hydroelectric plant.

Output in the Dominican Republic increased year-on-year due to higher demand, lower precipitation and the withdrawal of more efficient plants from the system.

Naturgy's first photovoltaic project in Brazil entered commercial operation in September 2017: the Sobral I and Sertao I solar farms, with an installed capacity of 68 MW, are located in the Piauí region in northern Brazil.

4.2. Infrastructure EMEA

4.2.1. Gas distribution Spain

This area includes remunerated gas distribution and transportation as well activities that are charged for outside the regulated distribution system (meter rental, customer connections, etc.), and the piped liquefied petroleum gas (LPG) business.

4.2.1.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|------------|------------|------------|--|------------|------------|-------------|
| 305 | 306 | -0.3 | Net sales | 612 | 638 | -4.1 |
| -19 | -14 | 35.7 | Procurement | -41 | -50 | -18.0 |
| -22 | -23 | -4.3 | Net personnel expenses | -43 | -44 | -2.3 |
| -44 | -59 | -25.4 | Other revenues/expenses | -96 | -111 | -13.5 |
| 220 | 210 | 4.8 | EBITDA | 432 | 433 | -0.2 |
| -72 | -72 | - | Depreciation, amortisation and impairment expenses | -146 | -148 | -1.4 |
| -2 | -4 | -50.0 | Impairment of credit losses | -2 | -4 | - |
| 146 | 134 | 9.0 | Operating Income | 284 | 281 | 1.1 |

Net sales in the gas distribution business amounted to €612 million, i.e. €26 million less than the previous year due basically to the lower meter rental revenues due to application of the price reduction under Order ETU/1283/2017, of 22 December 2017, in force since January 2018.

These factors, coupled with the positive impact of efficiency measures on operating expenses, resulted in a 0.2% reduction in EBITDA.

4.2.1.2. Main aggregates

The main aggregates in gas distribution in Spain were as follows:

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|--------|--------|-------|---|---------|--------|-------|
| 43,977 | 42,255 | 4.1 | TPA - Sales (GWh) | 102,730 | 98,913 | 3.9 |
| -5,374 | 21,401 | - | LPG Sales (tn) | 54,166 | 85,223 | -36.4 |
| 2,309 | 214 | - | Distribution network (km) | 55,871 | 53,042 | 5.3 |
| 9 | 18 | -50.0 | Increase in connection points, thousand | 20 | 23 | -13.0 |
| - | - | - | Connection points (thousand) (at 30/06) | 5,391 | 5,336 | 1.0 |

Regulated gas sales increased by 3.9% (+3,817 GWh).

Demand growth was concentrated in the residential market. Growth far outstripped the same period of the previous year: +15% (+3,839 GWh) due to favourable weather conditions in March, which was the coldest in 15 years.

The decline in LPG sales was due to a reduction in the number of consumers using this fuel as a result of the shift to natural gas.

4.2.2. Electricity distribution Spain

The electricity distribution business in Spain includes regulated distribution of electricity and network services for customers, basically connections and hook-ups, metering and other actions associated with third-party access to Naturgy's distribution network.

4.2.2.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|------------|------------|-------------|--|------------|------------|------------|
| 216 | 209 | 3.3 | Net sales | 427 | 420 | 1.7 |
| - | - | - | Procurement | - | - | - |
| -20 | -19 | 5.3 | Net personnel expenses | -39 | -53 | -26.4 |
| -37 | -33 | 12.1 | Other revenues/expenses | -72 | -69 | 4.3 |
| 159 | 157 | 1.3 | EBITDA | 316 | 298 | 6.0 |
| -60 | -57 | 5.3 | Depreciation, amortisation and impairment expenses | -119 | -113 | 5.3 |
| - | 1 | -100.0 | Impairment of credit losses | - | - | - |
| 99 | 101 | -2.0 | Operating Income | 197 | 185 | 6.5 |

The Ministerial Order on electricity tolls for 2018 (ETU/1282/2017) establishes that, until the approval of the remuneration for transmission and distribution for 2018 under the provisions of Royal Decree 1047/2013, of 27 December, and Royal Decree 1048/2013, of 27 December, the remuneration established in Order IET/981/2016 and Order IET/980/2016, which established the remuneration for electricity transmission and distribution companies for 2016, will be paid pro rata.

Net revenues amounted to €427 million, i.e. slightly higher than in the same period of 2017, due to application of the aforementioned Ministerial Orders and to the accrual of investments that were brought into operation, considering also the adjustment to the finance percentage of the base, as published in the draft ministerial order covering the remuneration for distribution.

EBITDA amounted to €316 million in the first half of 2018, a 6.0% increase with respect to the same period of 2017, due to the positive impact of the reduction in personnel expenses (-26.4%) as a result of business efficiency measures implemented in 2017.

4.2.2.2. Main aggregates

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|-------|-------|-----|--|--------|--------|-------|
| 8,102 | 7,782 | 4.1 | Sales - TPA (GWh) | 16,294 | 15,977 | 2.0 |
| - | - | - | Connection points (thousand)(at 30/06) | 3,730 | 3,712 | 0.5 |
| - | - | - | ICEIT (minutes) | 25 | 67 | -62.7 |

Energy supplied increased by 2% in the first half with respect to the same period of 2017. The increase was 0.9% in year-on-year terms. Domestic demand amounted to 124,605 GWh in the first half of 2018, a 1% increase, according to figures from Red Eléctrica de Spain (REE).

The number of supply connections increased in the first half of 2018, by 9,952.

Despite the improvement with respect to the first half of 2017, outage statistics (ICEIT) were penalised in the first half of 2018 by storms in March. The same period of 2017 was also affected by major storms in Galicia (Jurgen, Kurt and Leiv) which had a very significant impact on figures in the first half.

As of 30 June 2018, smart meters accounted for 97.5% of the total, and 95.9% of meter readings are performed on a remote basis. The plan is to achieve 100% smart meters and remote readings in the residential market by 31 December 2018, as required by law. Nevertheless, in accordance with Order ETU 1282/2017, from 1 January 2019, electricity distribution companies are allowed to have up to 2% of their meters without upgrading provided that this is due to causes not attributable to the companies themselves, which must be supported and accepted by the National Markets and Competition Commission.

4.2.3. EMPL

This area refers to operation of the Maghreb-Europe gas pipeline.

4.2.3.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|-----------|-----------|-------------|--|------------|------------|--------------|
| 81 | 76 | 6.6 | Net sales | 157 | 159 | -1.3 |
| - | - | - | Procurement | - | - | - |
| -1 | -1 | - | Net personnel expenses | -2 | -2 | - |
| -9 | -5 | 80.0 | Other revenues/expenses | -12 | -9 | 33.3 |
| 71 | 70 | 1.4 | EBITDA | 143 | 148 | -3.4 |
| -13 | -9 | 44.4 | Depreciation, amortisation and impairment expenses | -26 | -18 | 44.4 |
| - | - | - | Impairment of credit losses | - | - | - |
| 58 | 61 | -4.9 | Operating Income | 117 | 130 | -10.0 |

Net revenues in the Infrastructure business totalled €157 million in the first half of 2018, a 1.3% decline year-on-year.

EBITDA declined by 3.4% year-on-year to €143 million due to the negative impact of the USD exchange rate (-€17 million) partially compensated with the increase in the transported volume and for the 3% increase in the transportation fee.

4.2.3.2. Main aggregates

The main aggregates in international gas transportation are as follows:

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|--------|--------|-------|----------------------------|--------|--------|------|
| 34,985 | 20,720 | 68.8 | Gas transport - EMPL (GWh) | 71,066 | 49,433 | 43.8 |
| 10,309 | 10,068 | 2.4 | Portugal-Morocco | 20,398 | 20,441 | -0.2 |
| 24,676 | 10,652 | 131.7 | Spain (Naturgy) | 50,668 | 28,992 | 74.8 |

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 71,066 GWh, 43.8% more than in the same period last year. Of that figure, 50,668 GWh were shipped for Naturgy through Sagane and 20,398 GWh for Portugal and Morocco.

Naturgy owns 14.9% of Medgaz, the company that owns and operates the Algeria-Europe subsea gas pipeline connecting Beni Saf with the Almeria coast in Spain (capacity: 8 bcm/year). That capacity is associated with a supply contract amounting to 0.8 bcm/year. A total of 4,023 GWh were shipped via the Medgaz pipeline for Naturgy in the first half of 2018.

4.3. Infrastructure LatAm South

This includes the regulated gas distribution business in Argentina, Brazil, Chile and Peru and the regulated electricity distribution business in Argentina and Chile. In Chile, it also includes the gas procurement and supply business and the electricity transmission business.

4.3.1. Gas distribution Argentina

4.3.1.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|-----------|-----------|--------------|--|-----------|-----------|----------|
| 174 | 151 | 15.2 | Net sales | 254 | 224 | 13.4 |
| -123 | -97 | 26.8 | Procurement | -167 | -152 | 9.9 |
| -5 | -8 | -37.5 | Net personnel expenses | -11 | -15 | -26.7 |
| -22 | -22 | - | Other revenues/expenses | -41 | -40 | 2.5 |
| 24 | 24 | - | EBITDA | 35 | 17 | - |
| -1 | -1 | - | Depreciation, amortisation and impairment expenses | -2 | -2 | - |
| -5 | -3 | 66.7 | Impairment of credit losses | -6 | -3 | - |
| 18 | 20 | -10.0 | Operating Income | 27 | 12 | - |

EBITDA of gas distribution in Argentina amounted to €35 million, with an increase of 105.9% respect the same period of the previous year, following the full application of the tariff review process, whose final stage was approved in April 2018 and despite Argentinian peso devaluation (-€20 million).

4.3.1.2. Main aggregates

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|--------|--------|-------|--|--------|--------|-------|
| 19,611 | 19,898 | -1.4 | Gas activity sales (GWh) | 34,576 | 34,880 | -0.9 |
| 8,936 | 8,889 | 0.5 | Gas sales | 14,138 | 13,860 | 2.0 |
| 10,675 | 11,009 | -3.0 | TPA | 20,438 | 21,020 | -2.8 |
| 83 | 34 | - | Distribution network (km) | 25,965 | 25,749 | 0.8 |
| 4 | 5 | -20.0 | Increase in connection points (thousand) | 8 | 10 | -20.0 |
| 4 | 5 | -20.0 | Connection points (thousand)(at 30/06) | 1,659 | 1,642 | 1.0 |

Gas sales volumes in the first half were in line with the previous year's figures, however, in operating segments there is a notable 9% increase in sales in the deregulated industrial market and higher sales to

residential-commercial customers due to lower average temperatures than last year, though this was offset by lower sales of automotive gas and lower TPA.

4.3.2. Gas distribution Brazil

4.3.2.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|-----------|-----------|--------------|--|------------|------------|--------------|
| 389 | 444 | -12.4 | Net sales | 735 | 803 | -8.5 |
| -299 | -336 | -11.0 | Procurement | -563 | -603 | -6.6 |
| -8 | -10 | -20.0 | Net personnel expenses | -20 | -21 | -4.8 |
| -21 | -28 | -25.0 | Other revenues/expenses | -42 | -53 | -20.8 |
| 61 | 70 | -12.9 | EBITDA | 110 | 126 | -12.7 |
| -17 | -16 | 6.3 | Depreciation, amortisation and impairment expenses | -30 | -33 | -9.1 |
| -1 | -2 | -50.0 | Impairment of credit losses | -2 | -2 | - |
| 43 | 52 | -17.3 | Operating Income | 78 | 91 | -14.3 |

Brazil EBITDA decrease 12.7% affected by foreign exchange effect amounting to -€23 million. Adjusting for the currency effect, EBITDA increased by 5%. Dispatching and TPA for thermal power plants was 8.9% lower than in the first half of 2017. In contrast, sales of automotive natural gas increased by 9.6% year-on-year as it proved more competitive than liquid fuels; industrial market sales declined by 4.2%, while gas sales in the residential-commercial market were in line with the previous year.

EBITDA performance is due to higher gas margins in the automotive and residential markets, mainly because higher volumes offset lower sales in other market segments. Additionally, tariffs increased due to retroactive updates and inflation adjustments.

4.3.2.2. Main aggregates

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|--------|--------|-------|--|--------|--------|------|
| 19,086 | 20,618 | -7.4 | Gas activity sales (GWh) | 35,461 | 37,197 | -4.7 |
| 15,454 | 17,461 | -11.5 | Gas sales | 28,850 | 31,579 | -8.6 |
| 3,632 | 3,157 | 15.0 | TPA | 6,611 | 5,618 | 17.7 |
| 39 | 56 | -30.4 | Distribution network (km) | 7,627 | 7,382 | 3.3 |
| 19 | 21 | -9.5 | Increase in connection points (thousand) | 19 | 21 | -9.5 |
| 19 | 21 | -9.5 | Connection points (thousand)(at 30/06) | 1,109 | 1,058 | 4.8 |

Sales declined by 4.7%: power generation and TPA sales fell by -8.9% due to lower thermal power plant utilisation, while industrial sales declined by 4.2% because of the crisis, as the macroeconomic situation is still recovering. Sales in the residential and commercial market declined slightly, by 0.3%, mainly as a result of lower consumption by large retailers. In contrast, automotive gas sales increased by 9.6% as it proved more competitive than liquid fuels and because of the larger demand for vehicle conversion in the period.

4.3.3. Electricity distribution and transmission Chile

Includes the electricity distribution and transmission business in Chile.

4.3.3.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|-----------|-----------|-------------|--|------------|------------|--------------|
| 526 | 609 | -13.6 | Net sales | 1,077 | 1,245 | -13.5 |
| -381 | -460 | -17.2 | Procurement | -789 | -949 | -16.9 |
| -28 | -34 | -17.6 | Net personnel expenses | -58 | -62 | -6.5 |
| -48 | -40 | 20.0 | Other revenues/expenses | -106 | -81 | 30.9 |
| 69 | 75 | -8.0 | EBITDA | 124 | 153 | -19.0 |
| -24 | -23 | 4.3 | Depreciation, amortisation and impairment expenses | -50 | -47 | 6.4 |
| -3 | -8 | -62.5 | Impairment of credit losses | -11 | -12 | - |
| 42 | 44 | -4.5 | Operating Income | 63 | 94 | -33.0 |

Chile contributed €211 million in EBITDA, basically as a result of non-recurring expenses related to tree felling and pruning, fire prevention, fines and penalties in the electricity distribution area, and the costs of litigation with gas producers.

4.3.3.2. Main aggregates

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|-------|-------|------|--|-------|-------|------|
| 3,725 | 3,560 | 4.6 | Electricity business sales (GWh) | 7,675 | 7,446 | 3.1 |
| 3,024 | 3,222 | -6.1 | Electricity sales | 6,377 | 6,842 | -6.8 |
| 701 | 338 | - | TPA | 1,298 | 604 | - |
| - | - | - | Connection points (thousand)(at 30/06) | 2,893 | 2,824 | 2.4 |
| 3,682 | 3,521 | 4.6 | Electricity transmitted (GWh) | 7,573 | 7,396 | 2.4 |
| - | - | - | Transmission network (km, at 30/06) | 3,528 | 3,528 | - |

There was a 2.4% year-on-year increase in electricity transmission, mainly due to greater activity in the first half. The transmission grid is 3,528 km long, the same as last year.

4.3.4. Gas distribution and supply Chile

Includes the gas distribution and gas supply business in Chile.

4.3.4.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|-----------|-----------|------------|--|-----------|------------|--------------|
| 210 | 302 | -30.5 | Net sales | 359 | 543 | -33.9 |
| -122 | -214 | -43.0 | Procurement | -222 | -402 | -44.8 |
| -7 | -9 | -22.2 | Net personnel expenses | -14 | -15 | -6.7 |
| -12 | -12 | - | Other revenues/expenses | -36 | -23 | 56.5 |
| 69 | 67 | 3.0 | EBITDA | 87 | 103 | -15.5 |
| -13 | -13 | - | Depreciation, amortisation and impairment expenses | -28 | -27 | 3.7 |
| - | - | - | Impairment of credit losses | - | - | - |
| 56 | 54 | 3.7 | Operating Income | 59 | 76 | -22.4 |

4.3.4.2. Main aggregates

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|-------|-------|------|--|--------|--------|------|
| 3,014 | 3,037 | -0.8 | Gas activity sales (GWh) | 5,222 | 5,166 | 1.1 |
| 1,508 | 1,667 | -9.5 | Gas sales | 3,102 | 3,404 | -8.9 |
| 7,598 | 7,618 | -0.3 | TPA | 15,664 | 15,040 | 4.1 |
| 71 | 61 | 16.4 | Distribution network (km) | 7,358 | 7,092 | 3.8 |
| 8 | 5 | 60.0 | Increase in connection points (thousand) | 12 | 9 | 33.3 |
| 8 | 5 | 60.0 | Connection points (thousand)(at 30/06) | 614 | 593 | 3.5 |

The number of gas supply connections year-on-year increased by 22 thousand, including growth in the residential-commercial (3.7%) and industrial (0.3%) segments with respect to the first half of 2017. As for gas sales and TPA, the strongest growth was observed in the TPA (4.1%) and industrial (4.1%) segments, while there was a decline year-on-year in sales for power generation (-8.7%) and to residential-commercial customers (-3.1%).

4.4. Infrastructure LatAm North

This refers to the regulated gas distribution business in Mexico and the electricity distribution business in Panama.

4.4.1. Gas distribution Mexico

4.4.1.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|-----------|-----------|--------------|--|-----------|-----------|--------------|
| 132 | 134 | -1.5 | Net sales | 277 | 281 | -1.4 |
| -71 | -74 | -4.1 | Procurement | -159 | -160 | -0.6 |
| -8 | -7 | 14.3 | Net personnel expenses | -16 | -13 | 23.1 |
| -12 | -12 | - | Other revenues/expenses | -24 | -21 | 14.3 |
| 41 | 41 | - | EBITDA | 78 | 87 | -10.3 |
| -10 | -8 | 25.0 | Depreciation, amortisation and impairment expenses | -20 | -17 | 17.6 |
| -5 | -3 | 66.7 | Impairment of credit losses | -8 | -6 | - |
| 26 | 30 | -13.3 | Operating Income | 50 | 64 | -21.9 |

In the first half of 2018, EBITDA in Mexico amounted to €78 million, i.e. -€9 million less than in the same period of 2017, basically because of devaluation of the Mexican peso.

4.4.1.2. Main aggregates

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|--------|--------|-------|--|--------|--------|-------|
| 13,925 | 16,074 | -13.4 | Gas activity sales (GWh) | 27,343 | 28,787 | -5.0 |
| 5,102 | 5,225 | -2.4 | Gas sales | 10,379 | 10,843 | -4.3 |
| 8,823 | 10,849 | -18.7 | TPA | 16,964 | 17,944 | -5.5 |
| 124 | 275 | -54.9 | Distribution network (km) | 22,204 | 21,385 | 3.8 |
| 10 | 31 | -67.7 | Increase in connection points (thousand) | 31 | 58 | -46.6 |
| 10 | 31 | -67.7 | Connection points (thousand)(at 30/06) | 1,804 | 1,716 | 5.1 |

The commercial strategy was redesigned in the first half to focus efforts on the most profitable areas, such as Mexico City and some areas of Monterrey. This strategy led to a reduction in new customer additions but they were of better quality.

As part of this refocus, stricter criteria were adopted for retaining customers with bad debt problems. This, coupled with the aggressive customer acquisition drive in recent years, increased customer churn in the period.

At the end of June 2018, there were 1,804 thousand customers (1,802 thousand residential-commercial), a 5.1% increase year-on-year, while the sales volume stood at 27,343 GWh, 5.0% less, due to performance by the TPA and industrial markets. Residential-commercial sales, which have higher margins, increased by 7%.

Affected by the new commercial policy, the distribution network increased by 3.8%, i.e. slightly more slowly than in the previous year (4.2%).

4.4.2. Electricity distribution Panama

4.4.2.1. Results

| 2Q18 | 2Q17 | % | (€ million) | 1H18 | 1H17 | % |
|-----------|-----------|--------------|--|-----------|-----------|--------------|
| 195 | 201 | -3.0 | Net sales | 377 | 407 | -7.4 |
| -159 | -160 | -0.6 | Procurement | -305 | -324 | -5.9 |
| -2 | -3 | -33.3 | Net personnel expenses | -6 | -6 | - |
| -11 | -13 | -15.4 | Other revenues/expenses | -21 | -25 | -16.0 |
| 23 | 25 | -8.0 | EBITDA | 45 | 52 | -13.5 |
| -9 | -8 | 12.5 | Depreciation, amortisation and impairment expenses | -17 | -16 | 6.3 |
| -1 | -1 | - | Impairment of credit losses | -2 | -2 | - |
| 13 | 16 | -18.8 | Operating Income | 26 | 34 | -23.5 |

EBITDA in the Panama business in the first half of 2018 amounted to €45 million, decreasing a 13.5% basically because of higher energy losses in the period. It is expected that part of this effect can be recovered in the remainder of the year.

4.4.2.2. Main aggregates

| 2Q18 | 2Q17 | % | | 1H18 | 1H17 | % |
|-------|-------|-------|--|-------|-------|-------|
| 1,291 | 1,292 | -0.1 | Electricity business sales (GWh) | 2,545 | 2,527 | 0.7 |
| 1,233 | 1,263 | -2.4 | Electricity sales | 2,434 | 2,477 | -1.7 |
| 58 | 29 | 100.0 | TPA | 111 | 50 | 122.0 |
| - | - | - | Connection points (thousand)(at 30/06) | 656 | 628 | 4.5 |

Electricity sales increased slightly year-on-year, though by less than the average increase of recent years. Temperatures year-to-date have been below the historical average, with the result that energy sale volumes have expanded by less than projected.

The number of supply connections increased by 4.5%, in line with the pace of growth in the previous year.

Regulatory disclosures

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2018:

- › Gas Natural Fenosa announces the dates scheduled for publishing its financial results in 2018 (disclosed 10 January 2018, registration number 260533).
- › Gas Natural SDG, S.A. discloses information on the tender offer for bonds (disclosed 16 January 2018, registration number 260680).
- › Gas Natural Fenosa completes an €850 million bond issue (disclosed 16 January 2018, registration number: 260729).
- › Gas Natural Fenosa files an invitation to the presentation of earnings for 2017 (disclosed 18 January 2018, registration number 260764).
- › Gas Natural SDG, S.A. discloses the indicative results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and Gas Natural Fenosa Finance B.V. and guaranteed by Gas Natural SDG, S.A. (disclosed 23 January 2018, registration number: 260925).
- › Gas Natural SDG, S.A. discloses the final results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and Gas Natural Fenosa Finance B.V. and guaranteed by Gas Natural SDG, S.A. (disclosed 23 January 2018, registration number: 260940).
- › Gas Natural Fenosa completes an €850 million bond issue (disclosed 29 January 2018, registration number: 261074).
- › Gas Natural Fenosa completes the sale of its 100% stake in Nedgia, SpA and Gas Natural Italia, SpA, under the agreement to sell its companies and assets in Italy (disclosed 1 February 2018, registration number 261214).
- › Gas Natural Fenosa announces that it is bringing forward the presentation scheduled for 7 February 2018 to 11:00 (CET) (disclosed 2 February 2018, registration number: 261231).
- › The Board of Directors of Gas Natural Fenosa appoints Mr. Francisco Reynés Massanet as Executive Chairman of the Board of Directors (disclosed 6 February 2017, registration number 261366).
- › Gas Natural Fenosa publishes its 2017 results (disclosed 7 February 2018, registration number 261373).
- › Gas Natural Fenosa files the presentation of earnings for 2017 (disclosed 7 February 2018, registration number 261378).
- › Gas Natural SDG, S.A. discloses information on earnings for the second half of 2017 (disclosed 16 February 2018, registration number 261659).
- › Gas Natural SDG, S.A. publishes its Annual Corporate Governance Report for 2017 (disclosed 16 February 2018, registration number 261660).
- › Gas Natural SDG, S.A. publishes its Annual Report on Director Remuneration for 2017 (disclosed 16 February 2018, registration number 261661).
- › Repsol discloses an agreement to sell 20% of the capital of Gas Natural SDG, S.A. to Rioja Bidco Shareholdings, S.L.U., a company controlled by funds advised by CVC (disclosed 22 February 2018, registration number 261846).
- › Corporación Financiera Alba discloses details of the agreement to acquire an indirect stake in Gas Natural Fenosa (disclosed 22 February 2018, registration number 261857).

- Gas Natural Fenosa completes the sale of its 100% stake in Gas Natural Vendita Italia, SpA under the agreement to sell its companies and assets in Italy (disclosed 22 February 2018, registration number 261863).
- Gas Natural Fenosa announces changes in the Board of Directors (disclosed 22 February 2018, registration number 261901).
- Gas Natural Fenosa announces changes in the Board of Directors and its Committees (disclosed 6 March 2018, registration number 262596).
- Gas Natural Fenosa discloses the implementation of the Employee Share Ownership Plan for 2018 (disclosed 14 March 2018, registration number 262885).
- Gas Natural Fenosa announces the new dates scheduled for publishing its financial results in 2018 (disclosed 16 March 2018, registration number 262971).
- Gas Natural Fenosa, through subsidiary Global Power Generation, has agreed to acquire two solar photovoltaic projects in Brazil (disclosed 19 March 2018, registration number 263050).
- Gas Natural Fenosa announces that it has completed the sale of 20% of Holding de Negocios de Gas, S.A. (disclosed 19 March 2018, registration number 263066).
- Repsol discloses information about the agreement with Rioja Bidco Shareholdings, S.L.U. for the sale of 20% of the capital stock of Gas Natural SDG, S.A. (disclosed 23 March 2018, registration number 263260).
- Gas Natural Fenosa publishes the invitation to the 1Q18 earnings presentation (disclosed 13 April 2018, registration number 264043).
- Gas Natural Fenosa discloses information on earnings for the first quarter of 2018 (disclosed 26 April 2018, registration number 264656).
- Gas Natural Fenosa files the presentation of earnings for the first quarter of 2018 (disclosed 26 April 2018, registration number 264660).
- Gas Natural SDG, S.A. announces changes in the Board of Directors (disclosed 18 May 2018, registration number 265800).
- Repsol announces completion of the sale of a 20% stake in Gas Natural SDG, S.A. to Rioja Bidco Shareholdings, and withdrawal of Repsol from the agreement with Criteria Caixa and GIP III Canary 1 regarding Gas Natural SDG, S.A. (disclosed 18 May 2018, registration number 265805).
- Corporación Financiera Alba, S.A. discloses the acquisition of an indirect stake in Gas Natural SDG, S.A. (disclosed 18 May 2018, registration number 265806).
- Corporación Financiera Alba, S.A. discloses a shareholder agreement between Corporación Financiera Alba, S.A. and Rioja Investment, S.à r.l, a company controlled by funds advised by CVC (disclosed 18 May 2018, registration number 265818).
- At an ordinary meeting on this day, the Board of Directors of Gas Natural SDG, S.A. resolved to give notice of the Ordinary Shareholders' Meeting (disclosed 21 May 2018, registration number 265982).
- Gas Natural Fenosa files notice of the Ordinary Shareholders' Meeting to be held on Wednesday, 27 June 2018 (disclosed 25 May 2018, registration number 266104).
- Gas Natural SDG, S.A. discloses the new organisation structure of the Gas Natural Fenosa group (disclosed 30 May 2018, registration number 266273).

- › Gas Natural Fenosa publishes a reminder of the date scheduled for unveiling its Strategic Plan 2018-2022, which will take place on 28 June 2018 in London (disclosed 1 June 2018, registration number 266345).
- › Gas Natural Fenosa discloses the sale of the remaining 41.9% of Gas Natural ESP (Colombia Gas) (disclosed 1 June 2018, registration number 266367).
- › Gas Natural Fenosa discloses the agreement signed with Sonatrach (disclosed 14 June 2018, registration number 266807).
- › Gas Natural Fenosa discloses the agreements to sell its holdings in Kangra Coal in South Africa and in Iberáfrica in Kenya (disclosed 27 June 2018, registration number 267193).
- › Naturgy Energy Group, S.A. (formerly Gas Natural SDG, S.A.) discloses the resolutions adopted by the Ordinary Shareholders' Meeting and by the subsequent Board of Directors meeting on this day (disclosed 27 June 2018, registration number 267229).
- › Naturgy Energy Group, S.A. files the presentation used by the Executive Chairman at the company's ordinary Shareholders' Meeting held on this day (disclosed 27 June 2018, registration number 267241).
- › Naturgy files the Chairman's presentation of the Strategic Plan to investors (disclosed 28 June 2018, registration number 267283).
- › Naturgy files the press release about the Strategic Plan (disclosed 28 June 2018, registration number 267304).
- › Naturgy presents a complement to the regulatory disclosure of 28 June 2018 registration number 267283 about the company's Strategic Plan (disclosed 18 July 2018, registration number 268005).
- › Naturgy publishes the invitation to the 2Q18 earnings presentation (disclosed 19 July 2018, registration number 268036).
- › Naturgy announces that the Board of Directors of Naturgy Energy Group, S.A. has approved the distribution of an interim dividend of €0.28 per share out of 2018 earnings to be paid on 31 July 2018 (disclosed 24 July 2018, registration number 268239).

Annexes. Financial statements

- > NATURGY: CONSOLIDATED INCOME STATEMENT
- > NATURGY: BREAKDOWN BY BUSINESS AREA
- > NATURGY: CONSOLIDATED BALANCE SHEET
- > NATURGY: CONSOLIDATED CASH FLOW STATEMENT

Consolidated income statement

| (€ million) | 1H18 | 1H17 |
|---|---------------|--------------|
| Net sales | 12,176 | 11,569 |
| Procurement | -8,907 | -8,263 |
| Gross margin | 3,269 | 3,306 |
| Other operating income | 104 | 128 |
| Personnel expenses | -464 | -469 |
| Taxes | -237 | -225 |
| Other operating expenses | -668 | -710 |
| EBITDA | 2,004 | 2,030 |
| Other results | - | - |
| Depreciation, amortisation and impairment expenses | -5,165 | -800 |
| Impairment of credit losses | -63 | -58 |
| OPERATING INCOME | -3,224 | 1,172 |
| Financial result | -306 | -349 |
| Result of disposal of financial instruments | - | - |
| Profit/(loss) of companies measured under the equity method | -559 | 7 |
| PROFIT BEFORE TAXES | -4,089 | 830 |
| Income tax | 926 | -183 |
| Income from discontinued operations | -15 | -64 |
| Non-controlling interest | -103 | -161 |
| ATTRIBUTABLE NET INCOME | -3,281 | 550 |

Breakdown by business area

EBITDA

| (€ millions) | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 2018 |
|---|--------------|------------|------|------|------|
| Gas & Power | 399 | 196 | - | - | - |
| Gas, Electricity and services supply | 81 | -26 | | | |
| GNL International | 156 | 77 | | | |
| Generation Europe | 93 | 73 | | | |
| Generation International (GPG) | 69 | 72 | | | |
| Infrastructures EMEA | 441 | 450 | - | - | - |
| Gas distribution Spain | 212 | 220 | | | |
| Electricity distribution Spain | 157 | 159 | | | |
| EMPL | 72 | 71 | | | |
| Infrastructures LatAm South | 136 | 226 | - | - | - |
| Gas distribution Argentina | 11 | 24 | | | |
| Electricity distribution Argentina | 4 | 3 | | | |
| Gas distribution Brazil | 49 | 61 | | | |
| Electricity distribution and transmission Chile | 55 | 69 | | | |
| Gas distribution and supply Chile | 18 | 69 | | | |
| Gas distribution Peru | -1 | -1 | | | |
| Infrastructures LatAm North | 59 | 64 | - | - | - |
| Gas distribution Mexico | 37 | 41 | | | |
| Distribution Electricity Panama | 22 | 23 | | | |
| Rest | 16 | 17 | | | |
| TOTAL EBITDA | 1,051 | 953 | - | - | - |

| (€ millions) | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 |
|---|--------------|--------------|------------|------------|--------------|
| Gas & Power | 313 | 236 | 162 | 241 | 952 |
| Gas, Electricity and services supply | -28 | 69 | 17 | -47 | 11 |
| GNL International | 110 | 53 | 25 | 104 | 292 |
| Generation Europe | 164 | 43 | 55 | 111 | 373 |
| Generation International (GPG) | 67 | 71 | 65 | 73 | 276 |
| Infrastructures EMEA | 442 | 437 | 451 | 437 | 1,767 |
| Gas distribution Spain | 223 | 210 | 233 | 220 | 886 |
| Electricity distribution Spain | 141 | 157 | 154 | 147 | 599 |
| EMPL | 78 | 70 | 64 | 70 | 282 |
| Infrastructures LatAm South | 167 | 240 | 255 | 175 | 837 |
| Gas distribution Argentina | -7 | 24 | 22 | 6 | 45 |
| Electricity distribution Argentina | 5 | 6 | 4 | 4 | 19 |
| Gas distribution Brazil | 56 | 70 | 78 | 75 | 279 |
| Electricity distribution and transmission Chile | 78 | 75 | 64 | 62 | 279 |
| Gas distribution and supply Chile | 36 | 67 | 88 | 29 | 220 |
| Gas distribution Peru | -1 | -2 | -1 | -1 | -5 |
| Infrastructures LatAm North | 73 | 66 | 67 | 64 | 270 |
| Gas distribution Mexico | 46 | 41 | 43 | 38 | 168 |
| Distribution Electricity Panama | 27 | 25 | 24 | 26 | 102 |
| Rest | 30 | 26 | 28 | -7 | 77 |
| TOTAL EBITDA | 1,025 | 1,005 | 963 | 910 | 3,903 |

Investment in property, plant and equipment and intangible assets

| (€ millions) | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 2018 |
|---|------------|------------|------|------|------|
| Gas & Power | 294 | 329 | - | - | - |
| Gas, Electricity and services supply | 6 | 29 | | | |
| GNL International | 185 | 195 | | | |
| Generation Europe | 44 | 65 | | | |
| Generation International (GPG) | 59 | 40 | | | |
| Infrastructures EMEA | 74 | 111 | - | - | - |
| Gas distribution Spain | 33 | 61 | | | |
| Electricity distribution Spain | 41 | 49 | | | |
| EMPL | - | 1 | | | |
| Infrastructures LatAm South | 122 | 116 | - | - | - |
| Gas distribution Argentina | 13 | 10 | | | |
| Electricity distribution Argentina | 3 | 1 | | | |
| Gas distribution Brazil | 20 | 15 | | | |
| Electricity distribution and transmission Chile | 50 | 56 | | | |
| Gas distribution and supply Chile | 33 | 31 | | | |
| Gas distribution Peru | 3 | 3 | | | |
| Infrastructures LatAm North | 38 | 42 | - | - | - |
| Gas distribution Mexico | 16 | 19 | | | |
| Distribution Electricity Panama | 22 | 23 | | | |
| Rest | 5 | 14 | | | |
| Total in property, plant and equipment and intangible assets | 533 | 612 | - | - | - |

| (€ millions) | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 |
|---|------------|------------|------------|------------|--------------|
| Gas & Power | 69 | 100 | 72 | 153 | 394 |
| Gas, Electricity and services supply | 7 | 18 | 15 | 8 | 48 |
| GNL International | - | - | - | - | - |
| Generation Europe | 23 | 31 | 30 | 94 | 178 |
| Generation International (GPG) | 39 | 51 | 27 | 51 | 168 |
| Infrastructures EMEA | 84 | 106 | 91 | 194 | 475 |
| Gas distribution Spain | 42 | 40 | 35 | 95 | 212 |
| Electricity distribution Spain | 42 | 64 | 49 | 97 | 252 |
| EMPL | - | 2 | 7 | 2 | 11 |
| Infrastructures LatAm South | 112 | 118 | 132 | 134 | 496 |
| Gas distribution Argentina | 8 | 7 | 11 | 11 | 37 |
| Electricity distribution Argentina | 3 | 3 | 3 | 2 | 11 |
| Gas distribution Brazil | 24 | 25 | 28 | 43 | 120 |
| Electricity distribution and transmission Chile | 60 | 59 | 64 | 46 | 229 |
| Gas distribution and supply Chile | 15 | 22 | 19 | 24 | 80 |
| Gas distribution Peru | 2 | 2 | 7 | 8 | 19 |
| Infrastructures LatAm North | 39 | 54 | 59 | 73 | 225 |
| Gas distribution Mexico | 16 | 25 | 30 | 44 | 115 |
| Distribution Electricity Panama | 23 | 29 | 29 | 29 | 110 |
| Rest | 16 | 39 | 32 | 105 | 192 |
| Total in property, plant and equipment and intangible assets | 320 | 417 | 386 | 659 | 1,782 |

Maintenance and expansion gross investment

| (€ millions) | 1H18 | | | Gross Investment |
|---|-------------|------------|-----------|------------------|
| | Maintenance | Expansion | Financial | |
| Gas & Power | 76 | 547 | 35 | 658 |
| Gas, Electricity and services supply | 18 | 17 | - | 35 |
| GNL International | - | 380 | - | 380 |
| Generation Europe | 30 | 79 | - | 109 |
| Generation International (GPG) | 28 | 71 | 35 | 134 |
| Infrastructures EMEA | 77 | 108 | - | 185 |
| Gas distribution Spain | 11 | 83 | - | 94 |
| Electricity distribution Spain | 65 | 25 | - | 90 |
| EMPL | 1 | - | - | 1 |
| Infrastructures LatAm South | 111 | 127 | - | 238 |
| Gas distribution Argentina | 15 | 7 | - | 22 |
| Electricity distribution Argentina | 1 | 4 | - | 5 |
| Gas distribution Brazil | 14 | 21 | - | 35 |
| Electricity distribution and transmission Chile | 74 | 32 | - | 106 |
| Gas distribution and supply Chile | 7 | 57 | - | 64 |
| Gas distribution Peru | - | 6 | - | 6 |
| Infrastructures LatAm North | 28 | 52 | - | 80 |
| Gas distribution Mexico | 7 | 28 | - | 35 |
| Distribution Electricity Panama | 21 | 24 | - | 45 |
| Rest | 17 | 2 | - | 19 |
| Total investments | 309 | 836 | 35 | 1,180 |

| (€ millions) | 1H17 | | | Gross Investment |
|---|-------------|------------|-----------|------------------|
| | Maintenance | Expansion | Financial | |
| Gas & Power | 55 | 114 | 14 | 183 |
| Gas, Electricity and services supply | - | 25 | - | 25 |
| GNL International | - | - | - | - |
| Generation Europe | 39 | 15 | 14 | 68 |
| Generation International (GPG) | 16 | 74 | - | 90 |
| Infrastructures EMEA | 104 | 86 | - | 190 |
| Gas distribution Spain | 19 | 63 | - | 82 |
| Electricity distribution Spain | 83 | 23 | - | 106 |
| EMPL | 2 | - | - | 2 |
| Infrastructures LatAm South | 112 | 118 | 5 | 235 |
| Gas distribution Argentina | 12 | 3 | - | 15 |
| Electricity distribution Argentina | - | 6 | - | 6 |
| Gas distribution Brazil | 26 | 23 | - | 49 |
| Electricity distribution and transmission Chile | 70 | 49 | 5 | 124 |
| Gas distribution and supply Chile | 4 | 33 | - | 37 |
| Gas distribution Peru | - | 4 | - | 4 |
| Infrastructures LatAm North | 31 | 62 | - | 93 |
| Gas distribution Mexico | 7 | 34 | - | 41 |
| Distribution Electricity Panama | 24 | 28 | - | 52 |
| Rest | 42 | 13 | 8 | 63 |
| Total investments | 344 | 393 | 27 | 764 |

Consolidated balance sheet

| (€ million) | 30/06/18 | 30/06/17 |
|---------------------------------------|---------------|---------------|
| Non-current assets | 31,852 | 37,897 |
| Intangible assets | 7,958 | 10,538 |
| Property, plant and equipment | 20,408 | 23,125 |
| Equity-accounted investments | 855 | 1,548 |
| Non-current financial assets | 1,111 | 1,787 |
| Deferred tax assets | 1,520 | 899 |
| Current assets | 9,744 | 7,203 |
| Non-current assets available for sale | 247 | - |
| Inventories | 628 | 751 |
| Trade and other accounts receivable | 4,979 | 4,691 |
| Other current financial assets | 398 | 306 |
| Cash and cash equivalents | 3,492 | 1,455 |
| TOTAL ASSETS | 41,596 | 45,100 |

| (€ million) | 30/06/18 | 30/06/17 |
|---|---------------|---------------|
| Equity | 15,220 | 18,246 |
| Equity attributable to the parent company | 11,442 | 14,609 |
| Non-controlling interest | 3,778 | 3,637 |
| Non-current liabilities | 19,348 | 20,281 |
| Deferred revenues | 845 | 847 |
| Non-current provisions | 1,155 | 1,236 |
| Non-current financial liabilities | 13,711 | 14,485 |
| Deferred tax liabilities | 2,081 | 2,454 |
| Other non-current liabilities | 1,556 | 1,259 |
| Current liabilities | 7,028 | 6,573 |
| Liabilities linked to non-current assets available for sale | 90 | - |
| Current provisions | 118 | 132 |
| Current financial liabilities | 2,217 | 2,857 |
| Trade and other accounts payable | 3,521 | 3,226 |
| Other current liabilities | 1,082 | 358 |
| TOTAL LIABILITIES AND EQUITY | 41,596 | 45,100 |

Consolidated cash flow statement

| (€ million) | 1H18 | 1H17 |
|--|---------------|--------------|
| Cash flow operating activities | 1,244 | 1,148 |
| Income before taxes | -4,089 | 830 |
| Adjustment to result | 5,990 | 1,251 |
| Other operating cash flow | -454 | -675 |
| Operating cash flow | 1,447 | 1,406 |
| Changes in current capital | -203 | -258 |
| Cash flow investing activities | 191 | -947 |
| Investment payments | -959 | -1,005 |
| Divestment receipts | 1,121 | 34 |
| Other investing cash flow | 29 | 24 |
| Cash flow financing activities | -1,164 | -721 |
| Collections and (payments) for equity instruments | 1,493 | -2 |
| Collections and (payments) for financial liability instruments | -2,284 | 140 |
| Dividend payments and remuneration of other equity instruments | -295 | -805 |
| Other financing cash flows | -78 | -54 |
| Effect of exchange rates on cash and cash equivalents | 17 | -92 |
| Other variation in cash and cash equivalents | -21 | - |
| Net variation in cash and cash equivalents | 267 | -612 |
| Beginning cash and cash equivalents | 3,225 | 2,067 |
| Ending cash and cash equivalents | 3,492 | 1,455 |

Glossary of terms

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

| Alternative performance metrics | Definition |
|---------------------------------|--|
| EBITDA | EBIT - Depreciation and amortisation + Period provisions - Other income |
| Market capitalisation | No. of shares at end of period X Market price at end of period |
| Earnings per share | Net income for the period / No. of shares at end of period |
| Gross financial debt | Non-current financial liabilities + Current financial liabilities |
| Net financial debt | Gross financial debt - Cash and cash equivalents - Derivative financial assets |
| Leverage | Net financial debt/(Net financial debt + Equity) |
| Cost of net financial debt | Cost of financial debt - Interest revenues |
| Net capital expenditure | Investment in property, plant and equipment, intangible assets and financial assets - Receipts for divestment of property, plant and equipment and intangible assets - Other investing receipts/payments |
| Personnel expenses, net | Personnel expenses - Capitalised personnel expenses |
| Other revenues/expenses | Other operating revenues, Other operating expenses, recognition of fixed asset grants, etc. |

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