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## Justification of the new proposal for the application of the 2019 result

1. Naturgy's Energy Group S.A Board of Director's meeting on the 4<sup>th</sup> of February 2020 agreed on the proposal for the distribution of profits, which is also set out in notes 11 and 15 to the consolidated and individual annual accounts, respectively, for the year ended on the 31st of December 2019, which were prepared by the Board of Directors at that meeting. The aforementioned notes included information on the following interim dividends

On the 23<sup>rd</sup> of July 2019, the Company's Board of Director's meeting approved the distribution of an interim dividend from 2019 profits of EUR 0.294 per share, paid on the 31<sup>st</sup> of July 2019 on the shares outstanding at that date in the amount of EUR 289 million.

Naturgy Energy Group, S.A. had, at the date of approval of the interim dividend, the necessary liquidity to proceed with its payment in accordance with the provisions of the Law on Corporations. The provisional liquidity statement prepared by the Directors on 23<sup>rd</sup> of July 2019 is as follows:

Profit after tax	838
Reserves to be replenished	-
Maximum amount distributable	838
Forecast maximum interim dividend payment (1)	294
Cash resources	1.395
Undrawn credit facilities	5.035
Total liquidity	6.430

(1) Amount considering total shares issued

On the 29<sup>th</sup> of October 2019, the Company's Board of Director's meeting approved the distribution of a second interim dividend from 2019 profits of EUR 0.473 per share, paid on the 12<sup>nd</sup> of November 2019 on the shares outstanding at that date in the amount of EUR 465 million.

Naturgy Energy Group, S.A. had, at the date of approval of the second interim dividend, the necessary liquidity to proceed with its payment in accordance with the provisions of the Law on Corporations. The provisional liquidity statement prepared by the Directors on 29<sup>th</sup> of October 2019 is as follows:

Profit after tax	1.095
Reserves to be replenished	-
Maximum amount distributable	1.095
Dividend on account result 2019	289
Forecast maximum interim dividend payment (1)	465
Cash resources	1.238
Undrawn credit facilities	4.982
Total liquidity	6.220

(1) Amount considering total shares issued

2. After the state of emergency declaration and with the aim to protect the security and health of all the shareholders, employees and partners, the company decided the company decided to postpone the General Shareholders' Meeting scheduled for 17<sup>th</sup> of March 2020

In order to avoid negatively affecting its shareholders and especially the more than 70,000 minority shareholders, the Board of Directors of Naturgy Energy Group, S.A. agreed on a third interim dividend out of 2019 results of 0.593 euros per share paid on 25<sup>th</sup> of March 25, 2020 on outstanding shares in the amount of 576 million euros.

The Company had, at the date of approval of the third interim dividend, the necessary liquidity to proceed with its payment in accordance with the provisions of the Law on Corporations. The provisional liquidity statement prepared by the Directors on 16<sup>th</sup> of March 2019 is as follows

Profit after tax	4.415
Reserves to be replenished	-
<b>Maximum amount distributable</b>	<b>4.415</b>
Dividend on account result 2019	754
Forecast maximum interim dividend payment (1)	584
Cash resources	1.100
Undrawn credit facilities	4.807
<b>Total liquidity</b>	<b>5.907</b>

(1) Amount considering total shares issued

3. For the purpose of proposing a supplementary dividend, as of 15 April 2020, Naturgy Energy Group, S.A. has the following liquidity:

Profit after tax 838	4.415
Reserves to be replenished	-
<b>Maximum amount distributable</b>	<b>4.415</b>
Dividend on account result 2019	1.330
Forecast maximum interim dividend payment (1)	10
Cash resources	948
Undrawn credit facilities	4.907
<b>Total liquidity</b>	<b>5.855</b>

(1) Amount considering total shares issued

4. The Board is required to amend the proposal for the distribution of profits included in the notes to the financial statements already prepared, reducing the final dividend from EUR 0.603 to EUR 0.010 per share in order not to exceed the overall dividend yield for 2019 envisaged in the Strategic Plan (EUR 1.370 per share). This overall amount was proposed to the shareholders' meeting called for 17 March 2020, which could not be held due to the situation created by COVID-19.

Consequently, the new proposed distribution of results is as follows

**AVAILABLE FOR DISTRIBUTION**

Available for distribution..... 4.415

**DISTRIBUTION:**

TO DIVIDENDS: the gross aggregate amount shall be equal to the sum of the following quantities (the "Dividend"):

- (i) Euros 1330 million relating to the three interim dividends for 2019 paid by the Company, equivalent jointly to Euros 1,36 per share by the number of shares that were not direct treasury shares on the relevant dates; and

- (ii) the amount obtained by multiplying Euros 0.010 per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the complementary dividend are determined (“Complementary dividend”).

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

*Total distributed* ..... 4,415

This proposal for the distribution of profits prepared by the Board for approval by the Annual General Meeting includes as supplementary payment of Euros 0.010 per share for each qualifying share outstanding at the proposed date of payment, 3 June 2020. In this respect, in the event that at the time of distribution of the fourth and last payment of the proposed 2019 dividend (Euros 0.010 per share) the same number of treasury shares is maintained as at the 2019 year end (5,183,890 treasury shares, see section on Treasury shares), the amount applied to voluntary reserves would be Euros 3,076 million.

5.- The Board of Directors considers that the reformulation of the annual accounts is not necessary, since the present amendment to the proposal for the distribution of profits aims precisely at maintaining the substance of the original distribution of profits , taking into account the third interim dividend distributed since then in the amount of EUR 0.593 per share. This interim dividend was agreed after verifying that the necessary liquidity was available to proceed with its payment in accordance with the provisions of the Law on Corporations.

6. The Board of Directors considers that the amendment to the Proposal for the distribution of the profits mentioned above is not of such importance that it could affect the evaluation of the users of the annual accounts and therefore considers that the reformulation of the annual accounts should not be carried out.

The present document is the one considered by the Board of Directors on 15<sup>th</sup> April 2020 when it adopted its decision to amend the proposal for the distribution of profits for 2019.

Executive Chairman of the Board of Directors

Secretary to the Board of Directors