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Translation of a letter originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

16 April 2020

To the Board of Directors of Naturgy Energy Group, S.A.

Dear Sir/Madam,

At the meeting held on 4 February 2020 the Company's Board of Directors approved the following distribution of profits:

AVILABRE 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 754 million relating to the two interim dividends for 2019 paid by the Company, equivalent jointly to Euros 0.767 per share by the number of shares that were not direct treasury shares on the relevant dates; and*
- (ii) The amount obtained by multiplying 0.603 Euros 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 0.603 per share for each qualifying share outstanding at the proposed date of payment, 25 March 2020. In this respect, in the event that at the time of distribution of the third and last payment of the proposed 2019 dividend (Euros 0.603 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 3,071 million.

This proposal is also set out in notes 11 and 15 to the notes to the individual and consolidated annual accounts for the year ended 31 December 2019, which were authorized for issue by the Board of Directors at the aforementioned meeting, and on which we issued our audit reports on 6 February 2020 expressing an unqualified opinion.

As set out in the attached documentation (Appendix), at the meeting held on 15 April 2020 the Board of Directors decided to replace the originally agreed proposal for implementation of results by:

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 1,330 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 0.010 Euros 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.

In this context, had the new proposal been known at the time of its signing, we confirm that this decision would not have modified our audit opinions contained in the audit reports dated 6 February 2020 on the annual accounts of Naturgy Energy Group, S.A. and Naturgy Energy Group, S.A. and its subsidiaries for the year ended 31 December 2019.

This document refers exclusively to the decision to modify the proposal that will be submitted for approval by the General Shareholders Meeting regarding the application of the result. Since 6 February 2020, the date our audit report, we have not carried out any audit procedures on other matters or on any subsequent events that may have occurred since that date.

This letter is issued at the request of the Board of Directors of Naturgy Energy Group, S.A., for the purpose of informing the General Shareholders Meeting of Naturgy Energy Group, S.A. in accordance with the requirements contained in Article 40.6.bis of Royal Decree Law 8/2020 and may not be used for any other purpose.

ERNST & YOUNG, S.L.

Alfredo Eguiagaray
Partner

This is a free translation of a Spanish language document which has been provided for purposes of convenience. In case of discrepancies, the Spanish version shall prevail. Naturgy shall not be responsible for any deviations between the translation and the Spanish language document

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 4th 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 23rd 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 31st 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 23rd 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 29th 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 12nd 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 29th 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 17th 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 25th 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 16th of March 2019 is as follows

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

(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	-
Maximum amount distributable	4.415
Dividend on account result 2019	1.330
Forecast maximum interim dividend payment (1)	10
Cash resources	948
Undrawn credit facilities	4.907
Total liquidity	5.855

(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 15th 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