Naturgy

NATURGY ENERGY GROUP, S.A.

NATURGY ENERGY GROUP, S.A. in compliance with the provisions of article 228 of the consolidated text of Act 24/1988, of 28 July, on the Securities Market, hereby notifies the National Securities Market Commission (CNMV) of the following

REGULATORY DISCLOSURE

that responds to the request from CNMV received on December 4th and further details the Regulatory disclosure n. 268939 issued on August 3rd. This disclosure relates to the execution of the 2018-2022 Strategic Plan made public on June 28th 2018 regarding the implementation of a new Long term incentive plan (LTIP) for the approximately 150 key managers. It is aimed to align shareholders interests, execution of the Strategic Plan and the managers' long term variable pay.

This long term incentive program substitutes the previous PREMP system. The new program differs in several substantial aspects:

i) it is directly and exclusively linked to the total shareholders return during the Strategic Plan period; to that effect return is defined as the sum of the dividends effectively paid during the period and the share price performance in that same period.

ii) the incentive becomes due once the 2022 annual accounts have been approved by the Annual general shareholders meeting, instead of the yearly accruals of the old PREMP system.

iii) it includes a claw back clause for 18 months after becoming due

iv) it is the sole program for the whole period and supersedes the five yearly PREMP programs that would otherwise be required during the same period.

v) a minimum threshold of shareholders return is required for the incentive to become due. This is consistent with the financial discipline requirements contained in the Strategic Plan.

vi) the new LTIP differs significantly from the former PREMP that considered a basket of targets, mostly operational, which caused an overlap with the annual variable incentive.

vii) it will be paid in Naturgy shares as opposed to the former programs that were paid in cash.

In order to implement the LTIP for the top 26 managers, including the Executive chairman, Naturgy has created a special separated corporate vehicle to which sufficient resources and an adequate capital structure has been provided. This has allowed the vehicle to acquire 8.639.595 Naturgy shares at an average price of €23,15. The vehicle will obtain by the end of the period a financial return resulting from the dividends of its shares and the share price performance. At that moment, it will sell the necessary shares to repay all the resources received initially and once all the obligations with third parties are settled, it will distribute the excess to its participants in the form of shares. This scheme will minimize the LTIP effective cost because managers will only receive the surplus gains achieved in form of shares and only if a minimum shareholders return target is met. As of today, the vehicle does not have positive results and therefore, if the LTIP were to be made effective today, the participant managers would not receive any share as incentive.

As required by law, the amendment to the Executive chairman's contract, whose main terms were already approved by the Annual shareholders meeting last June, will be subject to a condition precedent and will therefore not entry into force until the approval of the LTIP by the next ordinary Annual shareholders meeting

The remaining managers have a similar scheme also exclusively linked to the total shareholders return, although in this case no specific shares holding vehicle has been established. The incentive is established through a financial calculation of the return on investment in the period. This incentive is also subject to the same minimum shareholders return target. It will be paid in cash.

All the managers participating in the LTIP have accepted waving their rights on the existing and future PREMPs.

Madrid, December 6th 2018