

NATURGY ENERGY GROUP, S.A.

Naturgy Energy Group, S.A. (“Naturgy”), 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 of the following

PRIVILEGED INFORMATION

Naturgy and Sonatrach S.p.A. (“Sonatrach”) have entered into an agreement with Mubadala for the acquisition of the 42.09% stake that it holds in Medgaz, S.A. (“Medgaz” or the “Company”).

Following the completion of the transaction, Medgaz will be entirely owned by Sonatrach (with a 51.0% stake) and Naturgy (with the remaining 49.0%).

The transaction will allow Naturgy to transform its current 14.95% stake in Medgaz from a financial investment with very limited governance rights attached to it, into a strategic stake which will allow the joint control of the Company together with Sonatrach.

Naturgy will acquire 34.05% of Medgaz for c. €445M through a special purpose vehicle (SPV), which can be opened to a financial partner thus reducing Naturgy’s equity contribution. The SPV will be funded with a non-recourse loan of c. €260M to optimize its capital structure and upon completion of the transaction Naturgy will consolidate Medgaz under the equity method.

The transaction values 100% of Medgaz’s equity at c. €1.3Bn implying a c. €1.9Bn Enterprise Value, equivalent to 6.9x 2021E EBITDA, including the 2bcm approved expansion program of the current pipeline, which will increase capacity by 25% to 10 bcm per year and will be fully operational in 2021 with an investment of only c.€67M. Medgaz is expected to deliver dividends north of €130M per annum from 2021 onwards.

All in all, the transaction is consistent with Naturgy’s 2018-2022 Strategic Plan, focusing on value-accretive investments, with stable and predictable cash flows as evidenced by the fact that 100% of the pipeline capacity is already contracted via send or pay agreements in EUR until 2031, with solid and reliable counterparties.

The completion of the transaction, expected to occur prior to the end of March 2020 subject to the satisfaction of certain conditions and approvals, will not impact the company’s share buy-back commitments supported by its solid cash flow generation and strong balance sheet.

About Medgaz

Medgaz is responsible for the design, construction and operation of the deep-water gas pipeline from Algeria to Europe via Spain.

Sonatrach is the owner and operator of the pipeline from the Hassi R'Mel gas fields, to Beni Saf in the Algerian coast, where it connects with Medgaz. The Medgaz pipeline connects in Almeria to the Spanish network, operated by Enagas.

The project was awarded in 2006 by the Algerian state for a period of 35 years (until 2041), extendable for an additional 15 years period.

Madrid, 15 October 2019