



## **Naturgy Finance B.V.**

*(Formerly, Gas Natural Fenosa Finance B.V.; incorporated with limited liability in the Netherlands and having its statutory domicile in Amsterdam)*

### **€500,000,000 UNDATED 5.25 YEAR NON-CALL DEEPLY SUBORDINATED GUARANTEED FIXED RATE RESET SECURITIES unconditionally and irrevocably guaranteed on a subordinated basis by**

## **Naturgy Energy Group, S.A.**

*(Formerly, Gas Natural SDG, S.A.; incorporated with limited liability in the Kingdom of Spain)*

The €500,000,000 Undated 5.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the “**Securities**”) are issued by Naturgy Finance B.V. (the “**Issuer**” or “**NF**”) and unconditionally and irrevocably guaranteed on a subordinated basis by Naturgy Energy Group, S.A. (the “**Guarantee**” and the “**Guarantor**”, respectively).

The Securities will bear interest on their principal amount (i) at a fixed rate of 2.374 per cent. per annum from (and including) the Issue Date to (but excluding) the First Reset Date (as defined in the section headed “Terms and Conditions of the Securities” (the “**Conditions**”)) payable annually (except for a short first Interest Period) in arrear on 23 February in each year, with the first Interest Payment Date (as defined below), commencing on 23 February 2022; and (ii) from (and including) the First Reset Date (as defined in the Conditions), at the applicable 5 Year Swap Rate in respect of the relevant Reset Period plus: (A) in respect of the period commencing on the First Reset Date to (but excluding) the First Step-up Date, 2.437 per cent. per annum; (B) in respect of the period commencing on the First Step-up Date to (but excluding) the Second Step-up Date, 2.687 per cent. per annum; and (C) from and including the Second Step-up Date 3.437 per cent. per annum, all as determined by the Agent Bank (as defined in the Conditions) subject to the operation of Condition 4(d), payable annually in arrear on 23 February in each year (each, an Interest Payment Date, as defined in the Conditions), commencing on 23 February 2028.

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in Condition 5 (*Optional Interest Deferral*). Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest (as defined in the Conditions). The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time in accordance with the Conditions. Notwithstanding the foregoing, the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Arrears of Interest was first deferred, all as more particularly described in Condition 5(c) (*Optional Interest Deferral—Mandatory Settlement of Arrears of Interest*).

The Securities will be undated securities in respect of which there is no specific maturity date and shall be redeemable (at the option of the Issuer) in whole, but not in part, on any date during the period commencing on (and including) 23 November 2026 and ending on (and including) the First Reset Date or upon any Interest Payment Date thereafter, at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date (as defined in the Conditions) and any outstanding Arrears of Interest (including any Additional Interest Amounts thereon). The Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at any time (other than during the Relevant Period and on any subsequent Interest Payment Date) at the Make-whole Redemption Amount (each such term as defined in the Conditions). In addition, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event, or a Substantial Purchase Event (each such term as

defined in the Conditions), the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the amount set out, and as more particularly described, in Condition 6 (*Redemption and Purchase*).

The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves, all as more particularly described in Condition 2 (*Status and Subordination of the Securities and Coupons*). The payment obligations of the Guarantor under the Guarantee will constitute direct, unsecured and subordinated obligations of the Guarantor and will at all times rank *pari passu* and without any preference among themselves. In the event of the Guarantor being declared in insolvency under Spanish insolvency law, the rights and claims of Holders (as defined in the Conditions) against the Guarantor in respect of or arising under the Guarantee will rank, as against the other obligations of the Guarantor, in the manner more particularly described in Condition 3 (*Guarantee, Status and Subordination of the Guarantee*).

Payments in respect of the Securities will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature of the Netherlands or the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described in Condition 8 (*Taxation*).

Application has been made to admit the Securities to the official list of the Luxembourg Stock Exchange (the “**Official List**”) and to trading on the Luxembourg Stock Exchange’s Euro MTF Market (the “**Euro MTF Market**”). The Euro MTF Market is not a regulated market for the purposes of Directive 2014/65/EU (as amended, “**MIFID II**”) of the European Parliament and of the Council on markets in financial instruments. References in this Offering Circular to the Securities being “listed” (and all related references) shall mean that the Securities have been admitted to the Official List and admitted to trading on the Euro MTF Market.

The Securities have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”) and are subject to U.S. tax law requirements. The Securities are being offered outside the United States by the Joint Bookrunners (as defined in “*Subscription and Sale*”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Securities will be in bearer form and in the denomination of €100,000. The Securities will initially be represented by a temporary global security (the “**Temporary Global Security**”), without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) on or about the Issue Date. Interests in the Temporary Global Security will be exchangeable for interests in a permanent global security (the “**Permanent Global Security**”) and together with the Temporary Global Security, the “**Global Securities**”) in the circumstances set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for definitive Securities (the “**Definitive Securities**”) in the circumstances set out in the Permanent Global Security. See “*Summary of Provisions relating to the Securities while in Global Form*”.

The Securities are expected to be rated BB+ by Standard & Poor’s Ratings Europe Limited (“**S&P**”) and BBB- by Fitch Ratings Limited (“**Fitch Ratings**”). Each of S&P and Fitch Ratings is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

The determination of the Prevailing Interest Rate in respect of the Securities is dependent upon the relevant 6-month Euro Interbank Offered Rate (“**EURIBOR**”) administered by the European Money Markets Institute and the 5 Year Swap Rate appearing on the Reuters Screen Page “ICESWAP2/EURSFIXA” provided by ICE Benchmark Administration Limited. As at the date of this Offering Circular, the European Money Markets Institute is included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“**ESMA**”) pursuant to Article 36 of Regulation (EU) No 2016/1011 (the “**Benchmarks Regulation**”). The transitional provisions in Article 51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration Limited is not currently required to obtain recognition, endorsement or equivalence.

**Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Offering Circular.**

*Global Coordinator and Joint Bookrunner*

**Morgan Stanley**

*Joint Bookrunners*

**BBVA**

**CaixaBank**

**Crédit Agricole CIB**

**HSBC**

**Mizuho Securities**

**Société Générale**

**Corporate & Investment Banking**

**BofA Securities**

**Citigroup**

**Deutsche Bank**

**J.P. Morgan**

**MUFG**

**UniCredit**

17 November 2021

## IMPORTANT NOTICES

This Offering Circular constitutes a prospectus for the purposes of the Luxembourg Act dated July 16, 2019 on Prospectuses for securities. This document does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129, as amended (the “**Prospectus Regulation**”). Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular and declares that, to the best of its knowledge, the information contained in this Offering Circular is in accordance with the facts and makes no omission likely to affect its import. Information appearing in this Offering Circular is only accurate as of the date on the front cover of this Offering Circular. The business, financial condition, results of operations and prospects of the Issuer and the Guarantor may have changed since such date.

This Offering Circular may only be used for the purposes for which it has been published.

This Offering Circular is to be read in conjunction with all the documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Each of the Issuer (in respect of itself) and the Guarantor (in respect of itself and the Issuer) has confirmed to the Joint Bookrunners named under “*Subscription and Sale*” below (the “**Joint Bookrunners**”) that this Offering Circular contains all information regarding the Issuer, the Guarantor and the Securities which is (in the context of the issue of the Securities) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions and intentions expressed in this Offering Circular on the part of the Issuer or the Guarantor (as the case may be) are honestly held or made; and that there are no other facts the omission of which would make this Offering Circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect and that the Issuer and the Guarantor (as applicable) have made all reasonable enquiries to ascertain all facts material for the purposes aforesaid.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Securities other than as contained in this Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Bookrunners.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Securities shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Securities or to advise any investor in the Securities of any information coming to their attention.

The Joint Bookrunners have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability (whether fiduciary, in tort or otherwise) is accepted by the Joint Bookrunners as to the accuracy or completeness of the

information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Securities. The Joint Bookrunners accept no liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Securities.

To the fullest extent permitted by law, none of the Joint Bookrunners accepts any responsibility for any act or omission of the Issuer or the Guarantor, or for the contents of this Offering Circular or for any other statements made or purported to be made by any Joint Bookrunner or on their behalf in connection with the Issuer, the Guarantor or the issue and offering of any Securities. Each of the Joint Bookrunners accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any act or omission of the Issuer or the Guarantor, or this Offering Circular or any such statement.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Securities.

The distribution of this Offering Circular and the offering, sale and delivery of Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities and on distribution of this Offering Circular and other offering material relating to the Securities, see “*Subscription and Sale*”.

In particular, the Securities have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Circular, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area, references to “**U.S.\$**” are to United States dollars, the lawful currency of the United States of America, references to “**£**” are to the currency of the United Kingdom and references to “**euro**” or “**€**” are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

As used in this Offering Circular, “**Group**” or “**Naturgy**” means the Guarantor and its consolidated subsidiaries, unless the context requires otherwise.

The Securities are securities which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters, and may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (ii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (iii) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities, and the impact this investment will have on the potential investor's overall investment portfolio.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular or incorporated by reference herein. Potential investors should not construe anything in this Offering Circular as legal, tax, business or financial advice. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Securities.

**MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.**

**UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.**

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "IDD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.**

**PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available**

to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In connection with the issue of the Securities, Morgan Stanley Europe SE (the “Stabilisation Manager”) (or persons acting on behalf of the Stabilisation Manager) may over allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person(s) acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

#### **No Active Trading Market**

The Securities are new securities which may not be widely distributed and for which there is currently no active trading market. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although application has been made to admit the Securities to the official list of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange’s Euro MTF Market, there is no assurance that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Securities.

#### **ALTERNATIVE PERFORMANCE MEASURES**

Certain alternative performance measures (as defined in the ESMA Guidelines on Alternative Performance Measures) (“**Alternative Performance Measures**” or “**APMs**”) are included in this Offering Circular (which reference includes any information incorporated by reference herein). Such APMs, which are not required by, and have not been prepared in accordance with, International Financial Reporting Standards as adopted by the European Union (“**IFRS-EU**”), have been extracted or derived from the accounting records of the Group.

The Guarantor believes these measures will assist securities analysts, investors and other interested parties in the understanding of the Group’s results of operations and financial position. These APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS-EU. Such APMs have not been audited or reviewed, and are not recognised measures of financial performance or liquidity under IFRS-EU but are used by management to monitor the underlying performance of the business, operations and financial condition of the Group.

These APMs may not be indicative of the Group’s historical results, nor are such measures meant to be predictive of its future results. The Guarantor has presented these APMs in this Offering Circular because it considers them to be important supplemental measures of the Group’s performance or liquidity, because these and similar measures are seen to be used widely in the sector in which it operates as a means of evaluating a company’s operating performance and liquidity. However, not all companies calculate such APMs in the same

manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies under the same or similar names, and they should not be considered as a substitute for financial measures computed in accordance with IFRS-EU.

Accordingly, undue reliance should not be placed on such APMs contained in this Offering Circular.

For the definitions and reconciliations of such APMs, see “Alternative performance metrics” in Annex I to the consolidated annual directors’ report of the Guarantor for the year ended 31 December 2020 and Appendix I of the interim consolidated directors’ report of the Guarantor for the six-month period ended 30 June 2021 (the “**Interim Consolidated Directors’ Report 2021**”) which are incorporated by reference in this Offering Circular for information on APMs contained in this Offering Circular.



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## RISK FACTORS

*Any investment in the Securities is subject to a number of risks. Prior to investing in the Securities, prospective investors should carefully consider risk factors associated with any investment in the Securities, the business of the Issuer and the Guarantor and the industries in which each of them operates, together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Securities” below or elsewhere in this Offering Circular have the same meanings in this section.*

*The Issuer and the Guarantor have identified in this Offering Circular a number of factors which could materially adversely affect their businesses and ability to make payments due under the Securities and the Guarantee, respectively, and believe that the factors described below represent the principal risks inherent in investing in the Securities.*

*Those risk factors that the Issuer and the Guarantor believe are the most material as at the date of this Offering Circular have been presented first in each category. The order of presentation of the categories themselves or the remaining risk factors in each category is not intended to be an indication of the probability of their occurrence or of their potential effect on the Issuer’s or the Guarantor’s ability to fulfil their obligations under the Securities.*

*Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor, and if any such risk should occur, the price of the Securities may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Securities is suitable for them in light of the information in this Offering Circular and their personal circumstances.*

### **(I) RISK FACTORS THAT MAY AFFECT THE ISSUER’S AND THE GUARANTOR’S ABILITY TO FULFIL THEIR OBLIGATIONS UNDER THE SECURITIES**

The risk factors set out below are applicable to the Issuer as a member of the Group, and the Guarantor.

#### **1. LEGAL AND REGULATORY RISKS**

##### ***Risks relating to the Group’s regulatory environment***

The Group operates in a highly regulated environment that impacts both regulated and liberalised activities and, as a result, the Guarantor and its subsidiaries are required to comply with a wide variety of legal rules and regulations applying to the natural gas and electricity sectors. In particular, gas and electricity distribution are regulated businesses in most of the countries in which the Group carries out these activities. In addition, the Group is subject to laws and regulations concerning prices, environmental requirements and other aspects of its activities in each of the countries in which it operates. An overview of such laws and regulations is available at Note 2 of Appendix IV of the Guarantor’s consolidated annual accounts for the year ended 31 December 2020, which are incorporated by reference in this Offering Circular, together with some further descriptions of recent regulatory developments set out in “*Description of Naturgy Energy Group, S.A.—Legislation in Spain*”.

Although such overview contains all the information that the Group considers material as at the date of this Offering Circular and in the context of the issue of the Securities, it does not constitute an exhaustive description of all applicable laws and regulations affecting the Group.

Prospective investors and their advisers should make their own analysis of the legislation and regulations applicable to the Group and of the impact they may have on the Group and any investment in the Securities and should not rely on such overview only.

The laws and regulations governing the natural gas and electricity sectors in the countries where the Group operates are typically subject to periodic review by the regulatory authorities. Following such reviews, or as a result of the approval of new laws and regulations, the regulatory frameworks prevailing in those jurisdictions, along with the interpretation of the applicable rules, may be modified, and such modifications may be significant in certain instances. Additionally, the regulatory authorities periodically update the tariffs and remunerations of the regulated activities, which may result in adverse variations in the income or remuneration of the Group.

As at the date of this Offering Circular, such tariff reviews are ongoing in Chile, Mexico and Brazil for gas distribution activities, and tariff reviews are foreseen in Panama and Argentina for 2022.

In particular, during the year 2020 the Spanish National Commission on Markets and Competition (*Comisión Nacional de los Mercados y la Competencia*) (the “CNMC”) continued the work started in 2019 of setting new framework methodologies for the calculation of the remuneration of the electricity and gas transmission and distribution activities as well as the annual remuneration of those activities for the period 2020 to 2025 for electricity and 2021 to 2026 for gas.

Regarding electricity distribution, the CNMC proposed already in 2019 to maintain the remuneration methodology for the next regulatory period with a moderate remuneration decrease to be applied progressively over the six-year period. During 2020, the CNMC approved the methodology for the calculation of the tolls payable for the use of the electricity transmission and distribution networks. These tolls have applied since 1 June 2021.

Regarding gas distribution, the CNMC approved the remuneration methodology maintaining the activity-based remuneration from the previous period, with a remuneration reduction estimated at 16.8% (compared to 2020) as sector average for the last year of the six-year period to be applied progressively (with an average reduction for the six-year period estimated at 9.6%), always assuming demand is unchanged.

As was the case for the electricity sector, the CNMC also approved in 2020 the methodology for the calculation of the tolls to be paid for the use of the gas transportation, regasification and distribution networks. Regasification tolls have applied since 1 October 2020, and transportation and distribution tolls have applied since 1 October 2021.

Detailed information on the remuneration for electricity and gas transmission and distribution activities can be found on the CNMC website ([www.cnmc.es](http://www.cnmc.es)).

In December 2020, the Spanish Ministry for Ecological Transition and Demographic Challenge (“MITERD”) proposed a new draft law to create a National Fund for the Sustainability of the Electricity System (the “**National Fund**”) to share the specific remuneration regulated scheme of existing renewables, high efficiency cogeneration and waste installations, which until now was included in the electricity bill, between the electricity, natural gas and oil sectors. This proposal is currently before the Spanish parliament and is expected to be approved by the end of 2021. The National Fund affects the competitiveness of energy products by transferring costs that electricity consumers currently bear to consumers of gas and petroleum products and, therefore, may affect the future evolution of the Group’s businesses.

In June 2021, the MITERD proposed a new draft law to act on the remuneration of CO<sub>2</sub> not emitted in the electricity market, with the aim of reducing the extra remuneration received by non-emitting infra-marginal power generation plants (mainly nuclear and hydropower stations commissioned before the entry into force of the market for emission rights in 2005), due to the pricing mechanism in the Spanish electricity system that follows a marginalist scheme: the price is set by the last technology to enter the system to cover electricity demand and the price has risen considerably due to, among other reasons, the increase in CO<sub>2</sub> emissions rights. The proposal is currently before the Spanish parliament and is expected to be approved by the end of 2021 and would impact the hydroelectric and nuclear generation businesses of the Group.

On 14 September 2021, the Spanish government approved Royal Decree-law 17/2021 (*Real Decreto-ley 17/2021*) establishing new temporary measures to mitigate the impact on consumers of high electricity market prices. These measures affect various areas in which the Group operates, such as generation or gas and electricity commercialisation. These measures include the establishment of a temporary reduction of the extra remuneration received by non-emitting infra-marginal power generation plants for the price of gas internalised in the wholesale electricity market, the establishment of long-term auctions for the allocation of manageable and non-emitting infra-marginal energy produced by the four Spanish “dominant operators” (one of which is the Group) or a limitation on the increase of the regulated gas tariff during one semester, recovering the amounts owed in the following reviews. Fiscal measures are also included in this package, reducing taxation in electricity bills until the end of 2021. The Group believes that these measures and proposals will have a material adverse impact on the Group’s generation activities in Spain, although it has been announced that the practical application of certain measures would be modified and, in any case, as of the date of this Offering Circular, its combined impact cannot be quantified.

On 26 October 2021, the Spanish government approved Royal Decree-law 23/2021 (*Real Decreto-ley 23/2021*) which details some of the measures contained in Royal Decree-law 17/2021 with the effect of excluding from the reduction of extra remuneration the energy volumes that are sold to end consumers at a fixed price under supply contracts signed before 14 September 2021, or if signed thereafter, which have a minimum duration of 12 months. While this clarification reduces the impact of this measure on the Group since substantially all its infra-marginal power production is sold under this type of supply, it cannot be ruled out that such measures will continue to be modified or complemented or that new measures are established. As at the date of this Offering Circular, there are press reports that the Spanish government is still considering additional measures that could mainly impact Group's renewables power production, but no official announcement has been made.

The Group is unable to predict future changes to any of the laws or regulations applicable to its businesses or their interpretation. The introduction of any such changes or new regulatory requirements may adversely impact the remuneration received by the Group for its regulated activities, as well its operating, capital and raw material costs, all of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### ***Risks relating to concessions, licences and other administrative authorisations***

Given the highly regulated nature of some of the gas and electricity sectors in which the Group operates, some of its activities are subject to obtaining relevant concessions, licences or other administrative authorisations, which can be time-consuming and costly. Operating without the necessary concessions, licences or authorisations can result in a sanction.

The return on, and performance of, the Group's investments in regulated jurisdictions are therefore conditional on obtaining and maintaining the relevant administrative concessions and authorisations in the medium and long term, which, in many cases, is outside of the Group's control. Any new political, social or economic conditions in these jurisdictions could affect the validity of the Group's concessions, licences or other administrative authorisations, as well as have unforeseeable consequences for the Group's business plan and materially adversely affect the revenue from the Group's regulated activities and return on investment in such jurisdictions.

In addition, it should be noted that many of the Group's concessions are subject to the satisfaction of certain commitments which, if not met, can lead to sanctions, reductions in revenue, revocation of the concessions and enforcement of any guarantees or surety bonds, which could materially and adversely impact the return on the Group's investments and, as a result, have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### ***Risks relating to environmental laws and regulations***

The Group is subject to extensive environmental protection laws and regulations that require the preparation of environmental impact studies, the maintenance of relevant authorisations, licences and permits and the fulfilment of certain other requirements. Any such environmental authorisations and licences may not be granted or may be revoked as a result of a breach of the conditions imposed by such authorisations or otherwise.

In addition, the Group is subject to changes in the legal and regulatory framework related to environmental and climate change concerns in the countries in which it operates. Given the continued and increased attention to climate change and the global drive towards low-carbon economies and energy sources, the Group's business could be impacted by the implementation of new legal and regulatory measures (including taxes) aimed at mitigating the effects of climate change, resulting in increased compliance costs and operational restrictions for the Group. In addition, there can be no assurance that the Group will be able to adapt its business model and strategy successfully to any such changes to the legal and regulatory framework applicable to it.

Any of the above could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### ***Risks relating to litigation and arbitration***

The sectors in which the Group operates have grown more litigious in recent years, as a result of the volatility of fuel and natural gas prices and greater competition in the liberalised market, among other factors. The

Guarantor and certain of its subsidiaries are currently involved in a number of judicial, arbitration and regulatory proceedings and, as at the date of this Offering Circular, it is foreseeable that those will substantially increase in the coming months due to the high volatility of energy commodities and its price differentials. While the Group will try to settle proceedings by reaching agreements (as it has achieved in the past), if litigation proceedings are commenced and continued, their retroactive effects could reach relevant economic amounts once the awards are issued several years after their initiation. Given the nature of the Group's business and the sectors in which it operates, the amounts involved in such proceedings can be significant. See "*Description of Naturgy Energy Group, S.A.—Litigation and Arbitration*" for a description of the Group's main judicial, arbitration and regulatory proceedings as at the date of this Offering Circular.

An adverse outcome in one or more of those proceedings (including out-of-court settlements), or any future proceedings, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

## 2. RISKS RELATING TO THE GROUP'S BUSINESS ACTIVITIES AND INDUSTRIES

### *The Group is exposed to price variations in crude oil, natural gas and electricity*

A significant portion of the Group's operating expenses relate to the purchase of natural gas and liquefied natural gas ("LNG") for commercialisation in the regulated and deregulated markets in which it operates and for fuelling its combined cycle gas turbine ("CCGT") plants for electricity generation. Although the prices that the Group charges its gas customers generally reflect the market price of natural gas, in changing market conditions the adjustments it makes to its sale prices may not fully reflect the changes in the cost of natural gas supplies. In addition to increasing costs in the Group's natural gas business, higher gas prices can also inflate its electricity generation costs, as natural gas is used to fuel its CCGT plants. Lower short-term gas prices may also harm the competitiveness of the Group's gas procurement portfolio for supplying its customers and limit the competitiveness of its CCGT power production since lower spot gas prices can imply lower procurement costs for competing gas suppliers and also lower power wholesale prices, putting pressure on companies with long-term purchase commitments.

The prices for such commodities have historically fluctuated and the Group cannot be certain that prices will remain within projected levels. Despite the fact that the annual average price of a barrel of Brent crude oil was stable in preceding years, at U.S.\$111.3 in 2011, U.S.\$111.6 in 2012, U.S.\$108.7 in 2013 and U.S.\$99.1 in 2014, prices are now highly volatile, amounting to an average of U.S.\$52.5 in 2015, U.S.\$43.7 in 2016, U.S.\$54.3 in 2017, U.S.\$67.7 in 2018, U.S.\$64.2 in 2019, and U.S.\$41.69 in 2020 (source: *Platts Brent Dated*). The average price of a barrel of Brent crude oil amounted to U.S.\$67.73 in the period from January through September 2021 and U.S.\$69.33 in the period from January through October 2021, while the average forward price for a barrel of crude oil for 2022 amounted to U.S.\$78.53 as at 8 November 2021 (source: *Platts Brent Dated*). Crude oil and natural gas prices are also influenced by geopolitical factors, including but not limited to, demand in China, India and Japan, oversupply and overdemand of crude oil and raw materials, the initial general collapse and current surge in the commodity markets due to the slowdown of global economic activity and subsequent recovery as a result of the COVID-19 pandemic, the strong U.S. dollar and general market volatility. Additionally, new procurement contracts from the U.S. (Sabine Pass and Corpus Christi) are exposed to the Henry Hub index, which is also highly volatile, with the annual average price of one million British Thermal Units (BTU) of natural gas amounting to U.S.\$2.46 in 2016, U.S.\$3.10 in 2017, U.S.\$2.86 in 2018 and U.S.\$2.56 in 2019 and U.S.\$2.08 in 2020 (source: *NYMEX New York Mercantile Exchange*). The average price of one million British Thermal Units (BTU) for the months of January through September 2021 and January through October 2021 amounted to U.S.\$3.54 and U.S.\$3.74, respectively (source: *NYMEX New York Mercantile Exchange*). Finally, increasingly liquid final destination markets may not sufficiently reflect existing long-term gas procurement contract prices.

The price of electricity in Spain is also highly volatile due to the market share of renewable technologies and their dependence on climate conditions and also because of the volatility of thermal energy technologies that define the price of electricity in Spain since it is the marginal technology required to cover electricity demand. The average price per MWh of electricity fell from €47.25 in 2012 to €44.19 in 2013 and to €41.97 in 2014, rising to €52.02 in 2015, falling significantly to €39.67 in 2016, rising again to €52.24 in 2017 and to €57.29 in 2018, falling to €47.68 in 2019, falling further to €33.97 in 2020 and rising significantly to €68.94 in the period from January through August 2021, and standing at €156.14 and €200.01 for the months of September 2021 and October 2021, respectively (source: *OMIE*) and further increasing as reflected by the forward curves of

pool prices mainly due to the increase in CO<sub>2</sub> and market gas prices, with the weather and the variability in dispatch of renewable energy (hydro, wind and solar) as other causes.

The Group's business activities include wholesale natural gas sales to electricity producers and others. With respect to such transactions, its results of operations are likely to depend largely upon prevailing market prices in regional markets and other competitive markets. These market prices may not correlate with long-term gas procurement contracts. As a result, the Group's natural gas wholesale business is exposed to risks of fluctuating commodity prices and movements in the price of electricity.

There can be no assurance that the Group will be able to fully pass on its costs to its gas and electricity customers or to negotiate a decrease in wholesale prices with its suppliers, or otherwise offset such variations through hedging arrangements and other risk management techniques.

Additionally, long-term gas purchase contracts typically provide for regular price revision mechanisms: the parties have the right to request a review of the gas purchase price in certain circumstances, and in the event the parties are unable to reach an agreement, such contracts provide for an independent system or formula for setting the price. The Group is periodically subject to such procedures, which may potentially result in the unfavourable pricing of gas or delayed or lack of pass-through of market conditions to the gas suppliers. Long-term gas purchase contracts also typically require the purchase of a certain amount of natural gas and LNG during specified contract periods, usually on a yearly basis. The Group is contractually bound to purchase such minimum volumes even if it does not take the gas (sometimes known as "take-or-pay" clauses). Some agreements provide for a recovery of the amount paid to purchase such minimum gas volumes (sometimes known as "make-up" clauses) in certain circumstances. However, the Group may be subject to such "take-or-pay" clauses without the possibility to recover the gas volumes or amounts it pays.

Any such variations in commodity prices could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### ***Impact of weather and climate conditions***

The demand for electricity and natural gas, as well as electricity and gas prices, are closely related to climate. Generally, natural gas demand is higher during the cold weather months of October through March in Europe and Mexico (or April through September in Argentina and Chile and, to a lesser extent, Brazil) and lower during the warm weather months of April through September in Europe and Mexico (or October through March in Argentina and Chile and, to a lesser extent, Brazil). A significant portion of demand for natural gas in the winter months relates to the production of electricity and heat and, in the summer months, to the production of electricity for air-conditioning systems. The revenues and results of operations of the Group's natural gas operations could be negatively affected by periods of unseasonable warm weather during the autumn and winter months, due to decreases in factors such as price and volume. Likewise, electricity demand may decrease during mild summers as a result of reduced demand for air-conditioning, negatively impacting revenues generated from the Group's electricity generation and distribution businesses and its commercialisation of natural gas.

The Group's operations involve hydroelectric and wind generation in Spain and Latin America, and, accordingly, the Group is dependent upon hydrological conditions prevailing from time to time in the geographic regions in which its hydroelectric and wind generation facilities are located. If hydrological and wind conditions result in droughts or other conditions that negatively affect the Group's hydroelectric and wind generation business, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Moreover, the Group may be impacted by the physical and environmental effects of climate change, which are difficult to predict. Possible outcomes include less stable or predictable weather patterns, which could result in more frequent or severe storms and other weather conditions (such as flooding, drought and hurricanes) that could increase the Group's operating costs and interfere with its business operations, particularly when located in areas that typically experience more severe weather conditions, such as atypical wind/cyclonic storms in Spain; hurricanes, earthquake and tsunami in Puerto Rico; hurricanes, earthquake, tsunami and flooding in Mexico; earthquake in Chile and earthquake and flooding in Panama and Costa Rica. In addition, significant climatic changes, including a gradual, steady increase in global temperatures, could affect consumer behaviour and global or regional demand for energy products such as natural gas. There can be no assurance that the Group will be able to adapt its business model and strategy successfully to the evolving physical and

environmental effects of climate change. Any failure to do so could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### ***Environmental and climate related risks***

The Group is subject to risks associated with key environmental issues such as climate change, water and biodiversity. These risks include changes to energy policies, laws and regulations aimed at mitigating climate change, which includes driving renewable energies and the promotion of energy efficiency. Any such changes could result in increased compliance costs and operational restrictions for the Group. See “—*Legal and Regulatory Risks—Risks relating to environmental laws and regulations*”.

The Group is also exposed to the physical and environmental effects of climate change, which could negatively affect the operation of the Group's power generation and electricity distribution assets as well as resulting in a change to consumer behaviour and reduced demand for the Group's products. See “—*Impact of weather and climate conditions*”.

The growing public concern with regards to climate change or environmental protection more generally could also have an adverse impact on the Group's ability to carry out new investment projects or otherwise harm its reputation. For example, concerns about fugitive emissions of methane in natural gas extraction processes could result in natural gas being seen as equally harmful as more carbon-intensive fossil fuels.

In addition, if the Group fails to keep pace with technological improvements or innovations that support the transition to a lower carbon, energy efficient economic system, this could have an adverse effect on its business and prospects.

While the Group analyses these and other risks associated with climate change and the wider environment and establishes goals to mitigate their impact on the Group, there can be no assurance that the Group will be able to mitigate such risks effectively or at all. As a result, any of the above could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### ***Gas volume risks***

Most purchases of natural gas and LNG are made pursuant to long-term contracts with clauses (sometimes known as “take-or-pay” clauses) that require the Group to purchase a certain amount of natural gas and LNG during specified contract periods. Pursuant to these contracts, even if the Group requires less than the minimum contracted amount, it is still contractually bound to pay for the minimum contracted amount, thereby paying for an amount of gas or LNG that is greater than its operational needs or to pay a fixed price amount for such gas irrespective of whether it takes the gas or not. When the Group enters into contracts with “take-or-pay” provisions, it negotiates the contracted amount based on forecasts of its anticipated future needs and the competitiveness of such gas. Such forecasts are based on previous experience and the information then available to the Group, but actual volume requirements may prove to be lower than those projected at the time the contracts are entered into. Any significant variation in the forecasted levels of demand or price competitiveness could result in the Group being required to pay for quantities of natural gas that exceed its actual needs, regardless of whether it elects to take delivery of the excess quantities of gas, which could, in turn, have a material adverse effect on the Group's operational costs and, as a result, its business, prospects, financial condition and results of operations.

There may exist other volume risks, such as unexpected demand contractions due to mild weather or sudden unexpected demand rise such as the surge in consumption experienced as at the date of this Offering Circular due to, among other things, the supply-demand shock resulting from the rapid economic recovery following the COVID-19 pandemic. A further risk may derive from the fact that certain industrial customers may not be able to maintain their activity level at the current level of energy prices, which could therefore reduce their demand.

As at the date of this Offering Circular, there is a supply and demand shock in the international energy commodity markets that started in the third quarter of 2021. This is marked by a strong recovery in demand coupled with a supply that has not experienced the same surge although both are expected to align eventually. Many integrated oil and gas companies have been reluctant to finance new projects, as their broader goal is the transition to renewables and, as a result, gas storage levels in Europe as at the date of this Offering Circular are significantly lower than historic averages. Under this scenario, any shortage experienced by the Group's gas

suppliers may have a material adverse effect on the Group's operating costs and, consequently, on its business, prospects, financial condition and results.

#### ***Development of the Group's electricity activities***

The success of the Group's electricity sector operations could be adversely affected by factors beyond the control of the Group, including the following:

- increases in the cost of generation, including increases in fuel costs and CO<sub>2</sub> prices;
- reduced competitiveness of the Group's gas procurement to be used in the Group's power generation facilities;
- the possibility of a reduction in the projected rate of growth in electricity usage as a result of factors such as economic or weather conditions;
- the implementation of energy conservation schemes;
- risks incidental to the operation and maintenance of electricity generation facilities;
- the increasing price volatility that has resulted from deregulation and changes in the market as well as recent commodity price environment, due to the supply-demand shock resulting from the rapid post-COVID-19 economic recovery;
- surplus electricity generation capacity in the markets served by the electricity plants the Group owns or in which it has an interest;
- generation-commercialisation imbalances that may result in the exposure of the Group to electricity price volatility;
- the imposition of new requirements by regulatory authorities resulting from the current increases in the price of power in the jurisdictions in which the Group operates; and
- alternative sources and supplies of energy becoming available due to new technologies and increasing interest in renewable energy and cogeneration.

Should any of these risks materialise, they could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### ***Level of competitiveness in supply activities in the gas and electricity market***

The Group operates in a highly competitive environment in the gas and electricity markets in the different countries in which it carries on its business. In particular, the liberalisation processes that have taken place in energy markets both in Spain and in other key markets have had a negative impact on energy prices and margins as they are influenced by international energy prices and tend to be more volatile. This can generate inefficiencies in the pass-through of the volatility of the energy scenario to customers. As at the date of this Offering Circular, there is a supply and demand shock in the international energy commodity markets that started in the third quarter of 2020 as a result of the rapid post-COVID-19 economic recovery, with an extraordinary occasional sharp escalation in energy prices. There is also a negative impact on the market share of retail supply, especially in the gas business. The Group may continue to lose market share due to the entry of new suppliers into the market or existing suppliers. Its portfolio of long-term gas supply contracts may become less competitive if the relevant price indices of such portfolio and those of the final markets differ. A further decline in market share could have a significant adverse effect on the Group's business, prospects, financial condition and results of operations.

In the electricity industry, liberalisation has led to increased competition as a result of consolidation and the entry of new market participants in the European Union electricity markets, including the Spanish electricity market. The liberalisation of the electricity industry in the European Union has also led to lower electricity prices in some market segments as a result of the entry of new competitors and cross-border energy suppliers as well as the establishment of European electricity exchanges, which in turn has led to increased liquidity in



the electricity markets. This liberalisation of the electricity market means that many areas of the Group's business must develop in a more competitive environment.

If the Group were unable to adapt to or adequately manage this competitive market its business, prospects, financial condition and results of operations could be materially adversely affected.

### **3. RISKS RELATING TO THE GROUP'S OPERATIONS**

#### ***Operating risks***

The Group's operations are subject to certain inherent risks, including fraud events, cyber-criminal attacks, pipeline ruptures, breakdowns affecting its electricity generation assets and LNG tankers, explosions, pollution, release of toxic substances, fires, adverse weather conditions or catastrophic natural events (such as earthquake, hurricanes and floods that have affected the islands of Puerto Rico in the past decades), failure by gas and fuel suppliers or other third parties to fulfil contractual obligations, sabotage, accidental damage to its gas and electricity distribution networks or electricity generation assets and other hazards and *force majeure* events, any of which could result in personal injury and/or damage to, or the destruction of, the Group's facilities and other properties or an interruption in gas supply and/or electricity generation.

Moreover, Naturgy's construction projects are subject to certain intrinsic risks, such as accidental damage, supplier stock ruptures, cargo delays or cancellations, supplier design errors, fires, adverse weather conditions, release of toxic substances, explosions, failure by suppliers or other third parties to fulfil contractual obligations and other hazards and *force majeure* events, any of which could result in personal injury and/or damage to, or the destruction of, the Group's facilities and other properties affecting the construction planning and delaying the start of operations of new generation assets.

Additionally, the Group may be subject to civil, administrative and criminal liability claims for personal injury and/or other damages caused in the ordinary course of its activities, such as loss of information of third parties due to cyber-criminal attack, failures in its distribution network, gas explosions, wildfires, pollution or toxic spills or incidents with its generating plants. Such claims could result in the payment of compensation under the laws of certain countries where the Group operates, which could, to the extent the Group's civil liability insurance policies do not cover such damages, have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Furthermore, if operations at compression stations on the Europe-Maghreb pipeline were to be interrupted, suppliers may notify the Group of a reduction in supply levels or seek to enforce *force majeure* provisions with a view to terminating the corresponding supply agreements. The Group is not generally able to predict the occurrence of these or similar events and they may cause unanticipated interruptions in its gas supply and electricity generation activities. While the Group seeks to obtain insurance cover for risks such as damage to property and loss of profit, its financial condition and results of operations may be adversely affected to the extent any losses are uninsured, exceed the applicable limitations under its insurance policies, are subject to the payment of excesses or to the extent the premiums payable in respect of such policies are increased as a result of insurance claims.

The Group enters into long-term gas supply contracts and, consequently, its gas supply is subject to the risk of non-fulfilment by its contractual counterparties. In the event that insufficient gas is supplied to the Group due to the failure of a counterparty to deliver contracted amounts of gas or for any other reason, the Group could be required to seek alternative sources of gas in order to ensure continued supply. This may require purchases on the "spot" market (a non-organised market aimed at short-term commercialisation in gas, primarily LNG), to acquire the gas required. Such "spot" purchases may only be available on more expensive terms than under the current supply contracts to which the Group is party, and this cost may not be recoverable under such contracts. The Group cannot provide any assurance that, in such circumstances, it would be able to acquire the gas needed to guarantee supply on reasonable terms, or at all, and any failure to do so could have a negative effect on its business, prospects, financial condition and results of operations.

If any of these operating risks were to materialise, they could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### ***Construction and development of new infrastructure***

The construction and development of natural gas supply and distribution infrastructure and the exploration, production and sale of LNG, as well as electricity generation and distribution projects, can be time-consuming and highly complex. Any increase in the costs of, cancellation of and/or delay in the completion of, the Group's projects under development and projects proposed for development could have a material adverse effect on its business, prospects, financial condition and results of operations. In particular, if the Group were unable to complete projects under development, it would not be able to recover the costs incurred and its profitability, and, as a result, its business, prospects, financial condition and results of operations, could be materially adversely affected.

#### ***Risks related to cybersecurity***

The Group may be affected by threats to the availability, confidentiality, integrity and privacy of both information assets and technologies which support its business processes, as well as the risk of non-compliance with regulations related to cybersecurity.

Examples of these threats include unauthorised access to, as well as the use, disclosure, degradation, interruption, modification or destruction of information, including as a consequence of acts of terrorism, malicious attacks, sabotage and other intentional acts. Malware attacks and unauthorised access to the Group's IT systems may also affect essential services operations and compromise business data and customer information resulting in fines and penalties as a consequence of the violation of data protection regulations and other legal requirements. Such threats could also damage the reputation of the Group.

Any of the above could have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

## **4. RISKS RELATING TO MACRO-ECONOMIC CONDITIONS AND COUNTRY RISKS**

#### ***The uncertain macroeconomic climate***

The global growth outlook remains marked by extreme uncertainty. Current risk factors mainly result from the progression of the COVID-19 (commonly referred to as "coronavirus") pandemic as infection rates in regions important to the Group remain high. The uncertainty surrounding the coronavirus and its effects on the global economy, as of the date of this Offering Circular, is expected to continue to significantly impact global growth in the fourth quarter of 2021, affecting both supply and demand. A sharp recovery may also affect the supply-demand balance in certain raw materials and commodities (as explained above in "*Risks Relating to the Group's Business Activities and Industries—Level of competitiveness in supply activities in the gas and electricity market*") which may adversely affect the Group's activities.

This virus has affected all of the countries in which we operate, including, among others, Spain, Mexico, Brazil, Chile and Argentina. These jurisdictions have implemented and may continue to implement certain restrictions to avoid the spread of the virus, such as mobility bans between countries and specific regions, closure of schools, offices and factories, and bans of public, sports and entertainment gatherings.

Moreover, in macroeconomic terms, certain countries have experienced or are experiencing widespread increases in unemployment levels and decreases in industrial production. Governments and central banks have implemented several fiscal and monetary measures with the aim of reactivating the economy. Since the appearance of COVID-19, there has been an increase in the costs of maritime and road transport caused by the reduction in the volume of goods movement worldwide. Public debt has increased significantly due to support and spending measures. In addition, since June 2021 there has been an interruption or slowdown of supply chains, a sharp contraction in GDP, a substantial increase in economic uncertainty and greater volatility in financial markets.

The Group is exposed to the uncertain macroeconomic climate in a number of ways:

- An economic downturn in any of the countries in which the Group operates negatively affects business and consumer confidence, unemployment trends and the state of the residential and commercial real estate sector. This in turn, may impact the Group's customers, resulting in their inability to pay amounts owed to the Group and may affect demand for the Group's goods and services. What is more, given that

as at 30 June 2021, more than half of the Group's operating assets were located in Spain, any economic downturn affecting the Spanish economy would have a material adverse effect on the Group's business.

- An economic downturn also negatively affects the state of the equity, bond and foreign exchange markets, including their liquidity. This might affect the reasonable value of financial assets and liabilities and increase the Group's financing costs, all of which could give rise to an impairment of the goodwill and the intangible or tangible fixed assets of the Group.
- A sharp economic recovery may create short to mid-term disbalances, including supply-demand disbalances, which may increase procurement costs and the Group may not be able to pass on such cost increases to its customers. In general, sudden increases in the spot markets where the Group operates due to energetic supply-demand disbalances, can generate inefficiency in the pass-through of the volatility of the energy scenario to its customers.
- The current energy transition transformation may adversely impact the Group's activities, in particular due to increasing governmental intervention in the energy sector.

The Group is not able to predict how the economic cycle is likely to develop in the short term, including as a result of the impact of COVID-19 or otherwise. Any further deterioration or a rapid change of the current economic situation in the markets in which the Group operates could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

### ***Geographical exposure***

The Group has interests in countries with varied political, economic and social environments, focused on three main geographical areas, Europe, Latin America and the Middle East and the Maghreb.

#### *Europe*

Operations and investments in Europe are exposed to various risks, including, but not limited to, risks relating to the following:

- unexpected and sudden changes in governmental regulation; and
- changes in governmental, fiscal, economic or tax policies.

#### *Latin America*

A significant portion of the Group's operating income is generated by its Latin American subsidiaries. Operations and investments in Latin America are exposed to various risks that are inherent to the region:

- significant governmental influence over local economies;
- substantial fluctuations in economic growth;
- high levels of inflation;
- devaluation, depreciation or over-valuation of local and foreign currencies;
- exchange controls or restrictions on expatriation of earnings;
- volatile domestic interest rates;
- changes in governmental, fiscal, economic or tax policies;
- unexpected changes in governmental regulation;
- expropriation of assets or businesses;
- social unrest; and

- general political and macro-economic instability.

Most or all of these factors have arisen at various times in the last two decades in the most important Latin American markets: Argentina, Brazil, Chile, Colombia and Mexico.

*The Middle East and the Maghreb*

The Group has both proprietary assets and significant gas supply contracts in various countries in the Middle East and the Maghreb. Political instability in the area can result in physical damage to assets of companies in which the Group participates as well as in obstructing the operations of these or other companies causing interruption in gas supply.

The Group is not able to predict the occurrence of any of these risks or other risks related to the Group's operations and interests in Latin America or the Middle East and the Maghreb, or the magnitude of their impact, and any of the above risks could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

## 5. RISKS RELATING TO THE GROUP'S STRATEGY

*Business strategy*

On 27 July 2021, the Guarantor's Board of Directors approved a new Strategic Plan for the period 2021 through 2025 (the "**Strategic Plan**"), during which the Group aims to strengthen its role in the energy transition and decarbonisation. The Strategic Plan is part of the Group's strong commitment to Environmental, Social and Governance ("**ESG**") criteria that the Group has been implementing in recent years and includes a Sustainability Plan with targets for 2025 in the ESG areas. This includes the objective of achieving zero emissions by 2050 and close to 60% of installed power from renewable sources, among other targets and objectives. See "*Description of Naturgy Energy Group, S.A.—New Strategic Plan 2021-2025*" for a description of the Group's new Strategic Plan.

The Group's ability to achieve these strategic targets and objectives is subject to a variety of risks. These risks include:

- an inability to manage more challenging gas markets and price evolution, resulting in an adverse impact on the profitability of the Group's liberalised businesses;
- an inability to successfully manage the requirements of regulatory frameworks if stricter-than-expected regulatory measures were to be imposed in relation to the international distribution of gas and electricity generation;
- an inability to successfully manage the businesses of the Group in the context of the changing political and regulatory environment, including the potential risk of intervention and/or liquidation of any of the Group's businesses. In particular, an inability to manage new populist political and social environments in countries that lead to worse regulations in regulated businesses impacting the profitability of the Group's businesses in such countries;
- the possibility of a new recession in the Spanish, European, Latin American or any other economy where the Group operates, or the actual or threatened default by any major economy on its sovereign debt, which would negatively affect the performance of the Group's businesses;
- an inability to properly manage foreign exchange evolutions, resulting in a negative impact on the Group's profitability;
- an inability to extend contracts that expire over the short and medium term, resulting in decreased cash flow and a negative impact on the Group's profitability;
- a stagnation in the number of customers due to a lack of success in marketing campaigns targeted at gas and electricity consumers;

- an inability to achieve the desired level of flexibility and diversification in gas supplies and access to gas reserves;
- an inability to renegotiate contracts that expire or the conditions of which no longer reflect the existing market situation, which may negatively impact the Group’s profitability;
- an inability to terminate or renegotiate in satisfactory terms the existing long-term contracts in the context of the current uncertain business environment;
- the inclusion of “take-or-pay” or minimum payment clauses in supply or capacity contracts, potentially imposing an obligation on the Group to pay for a larger volume of gas or associated services than it requires or to pay for a minimum amount of gas or services, irrespective of whether it takes the gas or uses the services or not;
- an inability to consolidate the Group’s multi-service business strategy or to increase the current rate of multi-product contracts per customer;
- an inability to achieve the energy transition and the reorientation of the Group’s business strategy at the speed and success required by the market and public policies;
- an inability to execute the Group’s current efficiency plan;
- an inability to fulfil the current dividend plan as a result of lower cash generation; and
- an inability to successfully manage the Group’s minority shareholders in the different businesses belonging to the Group.

The Group may be significantly affected by the regulatory decisions adopted or announced after the Council of Ministers of 14 September 2021. See “—*Legal and Regulatory Risks—Risks relating to the Group’s regulatory environment*” above for more information.

The Group has analysed the effects and potential economic, accounting and other impacts these measures may have, as well as any mitigating actions to be taken. However, at this time, it is impracticable to measure such effects due to the uncertainties mentioned above and the difficulty involved in modelling the impact on its business. Any of these factors could affect the effective fulfilment of the Strategic Plan, which is subject, like any plan, to the regulatory hypotheses, scenarios as well as their projections materialising, and the measures designed being implemented in the manner and within the timeframe envisaged.

The Group can provide no assurance that it will be able to implement its Strategic Plan successfully, either in full or in part. Were the Group to fail to achieve the strategic objectives and targets formulated in the Strategic Plan, or if those targets and objectives, once attained, did not generate the benefits initially anticipated, this could have a material adverse effect on the Group’s business, prospects, financial condition and results of operations.

***Risks related to acquisitions, investments and disposals***

As part of the Group’s strategy, the Group may engage in acquisitions, investments and total or partial disposals of interests. There can be no assurance that the Group will identify suitable acquisition opportunities, obtain the financing necessary to complete and support such acquisitions or investments, acquire businesses on satisfactory terms, or that any acquired business will prove to be profitable. In addition, acquisitions, investments and divestments involve a number of risks associated with unanticipated events, including difficulties in relation to the operational integration of such new businesses in the Group or the disintegration of such businesses from the Group and risks arising from provisions in contracts that are triggered by a change of control of an acquired company or from provisions in contracts relating to the units to be divested. Any total or partial disposal of any interest may also adversely affect the Group’s financial condition. Any of the above factors could have a material adverse impact on the Group’s business, prospects, financial condition and results of operations.

**(II) RISKS RELATING TO WITHHOLDING**

### ***Risks in relation to Spanish Taxation in respect of payments made by the Guarantor***

Whilst the Guarantor considers that payments under the Guarantee should be characterised as an indemnity and, accordingly, be made free and clear of, and without withholding or deduction for, any taxes imposed by the Kingdom of Spain, there are certain circumstances outside the Guarantor's control, which would require the Guarantor to withhold tax at the then-applicable rate (currently 19 per cent.) from any payment of interest in respect of the Securities. In such circumstances, neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding and investors would receive less interest than expected. This could also adversely affect the price of the Securities. See "*Taxation—Spanish Tax— Payments made by the Guarantor*".

Prospective purchasers of the Securities should consult their own tax advisers as to the consequences under the tax laws of the Kingdom of Spain of receiving payments of interest under the Securities.

### ***Risks in relation to Dutch taxation - No obligation to pay additional amounts if payments in respect of the Securities are subject to the 2021 Netherlands conditional interest withholding tax***

The Netherlands introduced a withholding tax on interest payments which entered into effect as of 1 January 2021. This interest withholding tax applies to interest payments made by the Issuer to affiliated entities (i) resident in low-tax jurisdictions designated as such by the Dutch Ministry of Finance (generally, a jurisdiction (a) with a corporation tax on business profits with a general statutory rate of less than 9%, or (b) a jurisdiction included in the EU list of non-cooperative jurisdictions), or (ii) in certain abusive situations. Generally, an entity is considered to be affiliated (*gelieerd*) to the Issuer for these purposes if such entity, either individually or as part of a collaborating group (*samenwerkende groep*), has a decisive influence on the Issuer's decisions, in such a way that it, or the collaborating group of which it forms part, is able to determine the activities of the Issuer. An entity, or the collaborating group of which it forms part, that holds more than 50% of the voting rights in the Issuer, or in which the Issuer holds more than 50% of the voting rights, is in any event considered to be affiliated. An entity is also considered to be affiliated if a third party holds more than 50% of the voting rights both in such entity and the Issuer.

In case payments made by the Issuer in respect of the Securities are subject to this interest withholding tax under the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*) as published in the Official Gazette (*Staatsblad*) Stb. 2019, 513 of 27 December 2019, the Issuer will make the required withholding of such taxes for the account of the relevant holder(s) of Securities without being obliged to pay Additional Amounts to the relevant holder(s) of Securities in respect of the interest withholding tax, pursuant to Condition 8(a) (*Additional Amounts*) of the Securities. Prospective investors in the Securities should consult their own tax advisers as to whether this interest withholding tax is relevant to them.

## **(III) RISKS RELATED TO THE STRUCTURE OF THE SECURITIES**

### ***The Issuer's obligations under the Securities and the Coupons are subordinated and unsecured***

The Issuer's obligations under the Securities will be unsecured and subordinated obligations of the Issuer and will rank junior to the claims of unsubordinated and other subordinated creditors of the Issuer, except for subordinated creditors whose claims are expressed to rank *pari passu* with the Securities. See Condition 2 (*Status and Subordination of the Securities and Coupons*). By virtue of such subordination, payments to a Holder of Securities will, in the event of an Issuer Winding-up (as described in the Conditions) only be made after, and any set-off by a Holder of Securities shall be excluded until, all obligations of the Issuer resulting from higher ranking claims have been satisfied. This could cause a Holder of Securities to recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer or for payments to the Holders of Securities to be delayed compared to holders of such other claims. Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under, or in connection with, the Securities and each Holder shall, by virtue of being the Holder of any Security, be deemed to have waived all such rights of set-off. Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

### ***The Guarantee is a subordinated and unsecured obligation***

The Guarantor's obligations under the Guarantee will be unsecured and subordinated obligations of the Guarantor. In the event of the Guarantor being declared in insolvency (*concurso*) under Spanish insolvency law, the Guarantor's obligations under the Guarantee will, subject to mandatory provisions of Spanish applicable

law, be subordinated in right of payment to the prior payment in full of all other liabilities of the Guarantor, except for obligations which rank equally with, or junior to, the Guarantee. See Condition 3 (*Guarantee, Status and Subordination of the Guarantee*).

Holders of the Securities are advised that unsubordinated liabilities of the Guarantor may also arise out of events that are not reflected on the balance sheet of the Guarantor including, without limitation, the issuance of guarantees on an unsubordinated basis. Claims made under such guarantees will become unsubordinated liabilities of the Guarantor that in the insolvency of the Guarantor will need to be paid in full before the obligations under the Guarantee may be satisfied.

***There are no events of default under the Securities***

The Conditions do not provide for events of default allowing acceleration of the Securities if certain events occur. Accordingly, if the Issuer or the Guarantor fails to meet any obligations under the Securities or the Guarantee, as the case may be, including the payment of any interest, Holders of the Securities will not have the right to require the early redemption of the Securities. Upon a payment default, the sole remedy available to the Holders for recovery of amounts owing in respect of any payment of principal or interest on the Securities will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

***The Securities are undated securities***

The Securities are undated securities, with no specified maturity date. The Issuer is under no obligation to redeem or repurchase the Securities at any time and the Holders have no right to require redemption of the Securities. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time and may not recover their investment in the foreseeable future.

***The Issuer may redeem the Securities under certain circumstances***

Holders should be aware that the Securities may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount (plus any accrued and outstanding interest and any outstanding Arrears of Interest) on any date during the Relevant Period and on any Interest Payment Date thereafter (in each case, as defined in the Conditions). In addition, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time (other than during the Relevant Period and on any subsequent Interest Payment Date) at the Make-whole Redemption Amount (in each case, as defined in the Conditions).

The redemption at the option of the Issuer may affect the market value of the Securities. During any period when the Issuer may, or may be perceived to be able to, elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem the Securities when its cost of borrowing is lower than the interest rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Securities being redeemed and may only be able to do so at a significantly lower rate of return. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Securities are also subject to redemption in whole, but not in part, at the Issuer's option upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event (each as defined in Condition 17 (*Definitions*)). The relevant redemption amount may be less than the then current market value of the Securities.

***The Issuer may redeem the Securities after a Tax Event relating to the intra-group loan***

The net proceeds of the issue of the Securities will be on-lent by the Issuer to the Guarantor pursuant to a Subordinated Loan (as defined in the Conditions). The Issuer may redeem the Securities in certain circumstances, including if, as a result of a Tax Law Change (as defined in the Conditions), in respect of (i) the Issuer's obligation to make any payment under the Securities (including any Interest Payment) on the next following Interest Payment Date or (ii) the obligation of the Guarantor to make any payment in favour of the Issuer under the Subordinated Loan on the next following due date for such payment, the Issuer or the Guarantor (as the case may be) would no longer be entitled to claim a deduction in respect of computing its tax liabilities

in the Netherlands, in the Kingdom of Spain or in the jurisdiction of any substitute Issuer (as the case may be), or such entitlement is materially reduced.

The direct connection between a Tax Event and the Subordinated Loan may limit the Issuer's ability to prevent the occurrence of a Tax Event, and may increase the possibility of the Issuer exercising its option to redeem the Securities upon the occurrence of a Tax Event.

***The current IFRS accounting classification of financial instruments such as the Securities as equity instruments may change which may result in the occurrence of an Accounting Event***

In June 2018, the IASB (International Accounting Standards Board) published the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity" (the "**DP/2018/1 Paper**") and several public meetings were held, including on 16 December 2020, 16 February 2021 and 28 April 2021 to discuss the proposal. During the 16 December 2020 meeting, the IASB decided to add the "Financial Instruments with Characteristics of Equity" project to its standard-setting programme. During the 16 February 2021 meeting, (i) the IASB discussed potential refinements to disclosure proposals explored in the DP/2018/1 Paper – namely, proposals for information about priority on liquidation, potential dilution, and terms and conditions, but was not asked to make any decisions but directed the staff to further consider the objectives of the proposed disclosures and their scope and (ii) the IASB also discussed challenges in accounting for financial instruments with obligations that arise only on liquidation of an entity and also discussed potential classification, presentation and disclosure requirements to address those challenges and tentatively decided not to change how such instruments should be classified; but instead to develop presentation and disclosure requirements in relation to them.

While the final timing and outcome are uncertain, if the proposals set out in the DP/2018/1 Paper are implemented in their current form, the IFRS equity classification of financial instruments such as the Securities may change. If such a change leads to an Accounting Event, the Issuer will have the option to redeem, in whole but not in part, the Securities pursuant to Condition 6(d) (*Redemption for Accounting Reasons*) of the Securities or substitute or vary the terms of the Securities pursuant to Condition 12(c) (*Substitution and Variation*) of the Securities.

The implementation of any of the proposals set out in the DP/2018/1 Paper or any other similar such proposals that may be made in the future, including the extent and timing of any such implementation, if at all, is uncertain. Accordingly, no assurance can be given as to the future classification of the Securities from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event.

***The Issuer has the right to defer interest payments on the Securities***

The Issuer may, at its discretion, elect to defer (in whole or in part) any payment of interest on the Securities. Any such deferral of interest payment shall not constitute a default for any purpose. See Condition 5 (*Optional Interest Deferral*). Any interest in respect of the Securities the payment of which is deferred will, so long as the same remains outstanding, constitute Arrears of Interest. Arrears of Interest will be payable as outlined in Conditions 5(b) (*Optional Interest Deferral—Optional Settlement of Arrears of Interest*) and 5(c) (*Optional Interest Deferral—Mandatory Settlement of Arrears of Interest*). While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities or, in certain limited circumstances, on certain instruments ranking *pari passu* or junior to the Securities (as further set out in Condition 5(c)). In such event, the Holders are not entitled to claim immediate payment of interest so deferred.

As a result of the interest deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which interest payments are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's and/or the Guarantor's financial condition. Investors should be aware that any deferral of interest payments may have an adverse effect on the market price of the Securities.

***Substitution or variation of the Securities***

There is a risk that, after the issue of the Securities, a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event may occur which would entitle the Issuer, without any requirement for the consent or approval of the Holders, to substitute or vary the Securities (including the substitution of the Securities for securities issued by a wholly-owned finance subsidiary of the Guarantor resident in a taxing jurisdiction other than the Netherlands or Spain), subject to certain conditions intended to protect the interests of the Holders, so that after such substitution or variation the Securities remain or become, as the case may be, eligible for the



same or (from the perspective of the Issuer or the Guarantor) more favourable tax, accounting or ratings treatment than the treatment to which they were entitled prior to the relevant event occurring.

Furthermore, there is a risk that if at any time after the Issue Date, the Issuer is required to withhold on account of Taxes levied in the Netherlands on any payment under the Securities, the Issuer may, without any requirement for the consent of the Holders, substitute or vary the Securities.

Any such substitution or variation may have an adverse impact on the price of, and/or the market for, the Securities.

***Changes in rating methodologies may lead to the early redemption of the Securities***

S&P and Fitch Ratings (in each case as defined in the Conditions) may change, amend or clarify their rating methodology or may change their interpretation thereof, and as a result the Securities may no longer be eligible for the same or a higher amount of “equity credit” attributable to the Securities at the date of their issue, in which case the Issuer may redeem all of the Securities (but not some only), as provided in Condition 6(e) (*Redemption and Purchase—Redemption for Rating Reasons*).

***No limitation on issuing or guaranteeing senior or pari passu securities or other liabilities***

There is no restriction on the amount of securities or other liabilities which the Issuer or the Guarantor may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Securities or the Guarantee (as the case may be). The issue of any such securities, the granting of any such guarantees or the incurrance of any such other liabilities may reduce the amount (if any) recoverable by Holders on the insolvency, winding-up, liquidation or dissolution of the Issuer or the Guarantor (as the case may be) and/or may increase the likelihood of a deferral of Interest Payments under the Securities.

If the Issuer’s and/or the Guarantor’s financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer and/or the Guarantor were liquidated (whether voluntarily or not), the Holders could suffer loss of their entire investment.

***Interest rate reset may result in a decline of yield***

The Securities pay interest at a fixed interest rate that will be reset during the term of the Securities and therefore the Holders are exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of the Securities in advance.

***Any decline in the credit ratings of the Issuer and/or the Guarantor may affect the market value of the Securities***

The Securities have been assigned a rating by S&P and Fitch Ratings. The rating granted by each of S&P and Fitch Ratings or any other rating assigned to the Securities may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Securities. A credit rating is not a statement as to the likelihood of deferral of interest on the Securities. Holders have a greater risk of deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions.

In addition, each of S&P and Fitch Ratings, or any other rating agency may change its methodologies for rating securities with features similar to the Securities in the future. If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Securities.

***Risks relating to EURIBOR and the 5 Year Swap Rate***

The determination of the Prevailing Interest Rate in respect of the Securities is dependent upon the relevant 6-month EURIBOR administered by the European Money Markets Institute at the relevant time (as specified in the Conditions) and the 5 Year Swap Rate appearing on the Reuters Screen Page “ICESWAP2/EURSFIXA” provided by ICE Benchmark Administration Limited.

EURIBOR, the 5 Year Swap Rate and other reference rates and indices, including interest rate benchmarks, which are deemed to be “benchmarks” are the subject of recent national and international regulatory guidance and proposals for reform. This has resulted in regulatory reform and changes to existing benchmarks, with further changes anticipated. These reforms may cause such benchmarks to perform differently than in the past,

to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Securities.

Regulation (EU) 2016/1011 (the Benchmarks Regulation) was published in the Official Journal of the EU on 29 June 2016 and has applied from 1 January 2018 and, following the exit of the UK from the European Union, the Benchmarks Regulation forms part of domestic law in the UK by virtue of the EUWA (the “**UK Benchmarks Regulation**”). The Benchmarks Regulation and the UK Benchmarks Regulation could have a material impact on the Securities, in particular, if the methodology or other terms of EURIBOR and the 5 Year Swap Rate are changed in order to comply with the requirements of such regulations. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the such benchmarks.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. The potential elimination of a benchmark, or changes in the manner of administration of a benchmark, could require an adjustment to the Conditions, or result in other consequences, in respect of the Securities.

Under the Conditions, certain replacement provisions will apply if a benchmark (or any component part thereof) used as a reference for the calculation of interest amounts payable under the Securities were to be discontinued or otherwise become unavailable. See Condition 4(d) (*Benchmark Replacement*).

If a Benchmark Event occurs (which, among other events, includes the permanent discontinuation of the Original Reference Rate), the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the interest rate is likely to result in the Securities performing differently (which may include payment of a lower interest rate) than they would do if the Original Reference Rate were to continue to be referenced.

In addition, if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate, the 5 Year Swap Rate applicable to the next succeeding Reset Period shall be equal to the rate applicable in respect of the immediately preceding Reset Period or, if there has not been a First Reset Date, the interest rate applicable on the Issue Date. This will result in the Securities, in effect, becoming fixed rate securities.

No Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to (i) result in a reduction of the amount of “equity credit” assigned to the Securities by any Rating Agency when compared to the “equity credit” assigned to the Securities immediately prior to the occurrence of the relevant Benchmark Event from such Rating Agency or (ii) otherwise prejudice the eligibility of the Securities for “equity credit” from any Rating Agency.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation and the UK Benchmarks Regulation reforms in making any investment decision with respect to the Securities.

#### (IV) **RISKS RELATING TO INSOLVENCY LAW**

##### *Risks arising in connection with EU insolvency law*

From 26 June 2017, Regulation 2015/848 on insolvency proceedings (recast) (the “**EU Insolvency Regulation**”) is applicable to all the EU countries except for Denmark. This means that this regulation shall be applicable to all those insolvency proceedings that are initiated in an EU country (except for Denmark), when the centre of main interest of the debtor is located in such countries.

One of the most relevant aspects of this regulation is that the type of proceedings to which this regulation applies (foreseen under Annex A of the EU Insolvency Regulation) has increased, and pre-insolvency proceedings are now included. As regards to Spain, the EU Insolvency Regulation includes homologation proceedings, extrajudicial payment proceedings, or anticipated arrangement proposals and with regards to the Netherlands includes the suspension of payments and bankruptcy.

If the centre of main interests of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to

open insolvency proceedings against that company only if such company has an “establishment” in the territory of such other Member State. An “establishment” is defined as any place of operations where a debtor carries out or has carried out in the 3-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State and so may impact the ability of Holders of the Securities to commence insolvency proceedings against the Issuer or the Guarantor outside the centre of main interest of such companies.

(V) **RISKS RELATED TO THE SECURITIES GENERALLY**

Set out below is a brief description of certain risks relating to the Securities generally:

***Majority decisions bind all Holders***

The Conditions contain provisions for calling meetings of Holders of the Securities to consider matters affecting their interests generally. At the first call for a meeting, one or more persons present or represented holding Securities representing 20 per cent. in nominal amount of the Securities outstanding is sufficient to form a quorum for the transaction of business (or two thirds in the case of an Extraordinary Resolution). At an adjourned meeting, it is sufficient for one Holder (irrespective of its holding) to be present or represented to form a quorum. These provisions permit the defined majorities to bind all Holders of the Securities including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

***Exchange rate fluctuations may affect the value of the Securities***

The Issuer will pay principal and interest on the Securities in euro. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. Any of the foregoing events could adversely affect the price of the Securities.

## OVERVIEW OF THE SECURITIES

*This overview must be read as an introduction to this Offering Circular and any decision to invest in the Securities should be based on a consideration of the Offering Circular as a whole, including the documents incorporated by reference.*

*Words and expressions defined in the “Terms and Conditions of the Securities” below or elsewhere in this Offering Circular, have the same meanings in this overview.*

<b>Issuer:</b>	Naturgy Finance B.V.
<b>Guarantor:</b>	Naturgy Energy Group, S.A.
<b>Description of the Securities:</b>	€500,000,000 Undated 5.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the “ <b>Securities</b> ”).
<b>Global Coordinator and Joint Bookrunner:</b>	Morgan Stanley Europe SE
<b>Joint Bookrunners:</b>	Banco Bilbao Vizcaya Argentaria, S.A., BofA Securities Europe SA, Crédit Agricole Corporate and Investment Bank, CaixaBank S.A., Citigroup Global Markets Europe AG, Deutsche Bank Aktiengesellschaft, HSBC Continental Europe, J.P. Morgan AG, Mizuho Securities Europe GmbH, MUFG Securities (Europe) N.V., Société Générale and UniCredit Bank AG.
<b>Fiscal Agent:</b>	Citibank, N.A., London Branch.
<b>Issue Price:</b>	100 per cent. of the principal amount of the Securities.
<b>Issue Date:</b>	23 November 2021.
<b>Maturity Date:</b>	Undated.
<b>Interest:</b>	<p>The Securities will bear interest on their principal amount:</p> <ul style="list-style-type: none"><li>(i) from (and including) the Issue Date to (but excluding) the First Reset Date at a rate of 2.374 per cent. per annum, payable annually (except for a short first Interest Period) in arrear on each Interest Payment Date, commencing on 23 February 2022; and</li><li>(ii) from (and including) the First Reset Date, at the applicable 5 Year Swap Rate in respect of the relevant Reset Period plus:<ul style="list-style-type: none"><li>(A) in respect of the period commencing on the First Reset Date to (but excluding) the First Step-up Date, 2.437 per cent. per annum;</li><li>(B) in respect of the period commencing the First Step-up Date to (but excluding) the Second Step-up Date, 2.687 per cent. per annum; and</li><li>(C) from and including the Second Step-up Date, 3.437 per cent. per annum,</li></ul></li></ul> <p>all as determined by the Agent Bank (subject to the operation of Condition 4(d)), payable annually in arrear on each Interest Payment</p>

Date, commencing on 23 February 2028, subject to Condition 5 (*Optional Interest Deferral*),

all as more particularly described in Condition 4 (*Interest Payments*).

**Interest Payment Dates:** Interest payments in respect of the Securities will be payable annually in arrear on 23 February in each year, commencing on 23 February 2022.

**Status of the Securities:** The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and will at all times rank *pari passu* and without any preference among themselves.

**Subordination of the Securities:** In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with, the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. Condition 2(b) (*Status and Subordination of the Securities and Coupons—Subordination of the Securities*) is an irrevocable stipulation (*derdenbeding*) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce Condition 2(b) (*Status and Subordination of the Securities and Coupons—Subordination of the Securities*) under Section 6:253 of the Dutch Civil Code.

**Guarantee and Status of Guarantee:** Payment of all sums expressed to be payable by the Issuer under the Securities and the Coupons will be unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis.

Subject to mandatory provisions of Spanish applicable law, the payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and will at all times rank *pari passu* and without preference among themselves.

**Subordination of the Guarantee:** Subject to mandatory provisions of Spanish applicable law, in the event of the Guarantor being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of the holders of all Parity Obligations of the Guarantor, and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.

**Optional Interest Deferral:** The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in Condition 5 (*Optional Interest Deferral*). Non-payment of interest so

deferred shall not constitute a default by the Issuer or Guarantor under the Securities or the Guarantee or for any other purpose. Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest.

**Optional Settlement of Arrears of Interest:**

Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time upon giving not more than 14 and no less than 7 Business Days' notice to the Holders, the Fiscal Agent and the Paying Agents prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date. See Condition 5(b) (*Optional Settlement of Arrears of Interest*).

**Mandatory Settlement of Arrears of Interest:**

The Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

“**Mandatory Settlement Date**” means the earliest of:

- (i) as soon as reasonably practicable (but not later than the fifteenth business day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;
- (ii) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the Interest Payment in respect of the relevant Interest Period; or
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 6 (*Redemption and Purchase*) or become due and payable in accordance with Condition 9 (*Enforcement Events and No Events of Default*).

Subject to certain exceptions, as more particularly described in Condition 5 (*Optional Interest Deferral*), a “**Compulsory Arrears of Interest Settlement Event**” shall have occurred if:

- (i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made (i) in respect of any of the 2005 Preferred Securities or (ii) exclusively in Ordinary Shares of the Guarantor); or
- (ii) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations (other than a repurchase, redemption or acquisition of any of the 2005 Preferred Securities).

See Condition 5(c) (*Mandatory Settlement of Arrears of Interest*).

*If a Mandatory Settlement Date does not occur prior to the calendar day which is the fifth anniversary of the Interest Payment Date on which the relevant Deferred Interest Payment was first deferred, it is the intention, though not an obligation, of the Issuer to pay all outstanding Arrears of Interest (in whole but not in part) on the next following Interest Payment Date.*

**Optional Redemption:**

The Issuer may redeem the Securities in whole, but not in part, on any date during the period commencing on (and including) 23 November 2026 and ending on (and including) the First Reset Date, or (ii) on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. The Issuer may redeem the Securities in whole, but not in part, at any time (other than during the Relevant Period and on any subsequent Interest Payment Date) at the Make-whole Redemption Amount.

In addition, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event, the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the prices set out, and as more particularly described, in Condition 6 (*Redemption and Purchase*).

**Events of Default:**

There are no events of default in respect of the Securities. However, subject to mandatory provisions of Spanish applicable law, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor, or the Guarantor becomes insolvent (*en estado de insolvencia*) pursuant to article 2 of the Spanish insolvency law, any Holder of a Security, in respect of such Security and provided that such Holder does not contravene an Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case, the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Securities, including the institution of proceedings for the declaration of insolvency (*declaración de concurso*) under Spanish insolvency law of the Guarantor and/or proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution, liquidation or insolvency proceeding of the Guarantor for such amount.

**Additional Amounts:**

Payments in respect of the Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, taxes of the Netherlands

or the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described in Condition 8(a) (*Taxation-Additional Amounts*).

**Form:**

The Securities will be in bearer form and will initially be represented by a Temporary Global Security, without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Interests in the Temporary Global Security will be exchangeable for interests in a Permanent Global Security as set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for Definitive Securities in the circumstances set out in the Permanent Global Security. See “*Summary of Provisions relating to the Securities while in Global Form*”.

**Substitution and Variation**

If at any time after the Issue Date, the Issuer and/or the Guarantor determines that a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, the Issuer may, subject to Condition 12(c) (*Meetings of Holders of Securities and Modification, Substitution and Variation—Substitution and Variation*) (without any requirement for the consent or approval of the Holders) and having given not less than 10 nor more than 40 days’ notice to the Fiscal Agent and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable), on any applicable Interest Payment Date (i) exchange the Securities into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor, or (ii) vary the terms of the Securities, so that after such substitution or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer or the Guarantor) more favourable tax, accounting or ratings treatment than the treatment to which they were entitled prior to the relevant event occurring.

If at any time after the Issue Date, the Issuer is required to withhold on account of Taxes levied in the Netherlands on any payment under the Securities, the Issuer may, subject to Condition 12(c) (*Meetings of Holders of Securities and Modification, Substitution and Variation—Substitution and Variation*) of the Securities (without any requirement for the consent of the Holders), on any applicable Interest Payment Date, without the consent of the Holders, (i) exchange the Securities into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor, or (ii) vary the terms of the Securities.

**Substitution of the Issuer:**

The Issuer and the Guarantor may without the consent of any Holder substitute for the Issuer any other body corporate incorporated in any country in the world as the debtor in respect of the Securities and the Fiscal



Agency Agreement, provided the requirements in Condition 17 (*Substitution of the Issuer*) are complied with.

**Denominations:**

The Securities will be issued in the denomination of €100,000.

**Governing Law:**

The Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee, the Securities, and the Coupons and any non-contractual obligations arising out of, or in connection with, them are governed by, and shall be construed in accordance with, English law, other than the provisions of Condition 2(b) (*Status and Subordination of the Securities and Coupons–Subordination of the Securities*) which are governed by and construed in accordance with the laws of the Netherlands, and the provisions of Condition 3(c) (*Guarantee, Status and Subordination of the Guarantee–Subordination of the Guarantee*), and the corresponding provisions of the Guarantee, which are governed by and construed in accordance with the laws of the Kingdom of Spain. See Condition 16 (*Governing Law*).

**Replacement Intention:**

*As at 17 November 2021, it is the Guarantor’s intention (without thereby assuming any obligation whatsoever) at any time, that it or the Issuer will redeem or repurchase the Securities (or any part thereof) only to the extent that the amount of “equity credit” (as defined below) of the Securities (or any part thereof) to be redeemed or repurchased does not exceed the aggregate amount of “equity credit” of the Replacement Securities (as defined below) sold or issued on or prior to the date of such redemption or repurchase, unless:*

- (i) the rating (or such similar nomenclature then used by S&P) assigned by S&P to the Guarantor is at least equal to the rating assigned to the Guarantor on the date of the most recent additional hybrid security issuance (excluding any refinancings without net new issuance) which was assigned by S&P a similar “equity credit” and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or*
- (ii) in the case of a repurchase or a redemption, taken together with other relevant repurchases or redemptions of hybrid securities of the Group, such repurchase or redemption is of less than (a) 10 per cent. of the aggregate principal amount of hybrid capital of the Group outstanding in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of hybrid capital of the Group outstanding in any period of 10 consecutive years, or*
- (iii) the Securities are redeemed pursuant to a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event, or*
- (iv) the Securities are not assigned any category of “equity credit” at the time of such redemption or repurchase, or*

- (v) *in the case of any repurchase or redemption, such repurchase or redemption relates to an aggregate principal amount of Securities repurchased or redeemed that would allow the Group's aggregate principal amount of hybrid capital remaining outstanding after such repurchase or redemption to be equal to or greater than the maximum aggregate principal amount of the Group's hybrid capital to which S&P, would assign any category of "equity credit" under its prevailing methodology, or*
- (vi) *such redemption or repurchase occurs on or after the Interest Payment Date falling on or after 23 February 2047.*

*For the purposes of the paragraph above:*

*"equity credit" means the equity credit assigned to the relevant securities at the time of their issuance, sale, repurchase or redemption, as applicable (or such similar nomenclature used by S&P from time to time); and*

*"Replacement Securities" means securities (other than the Securities) sold or issued by the Guarantor or any subsidiary of the Guarantor to third party purchasers (other than group entities of the Guarantor) and which are assigned by S&P, at the time of their sale or issuance, an "equity credit" that is equal to or greater than the "equity credit" assigned to the Securities (or any part thereof) to be redeemed or repurchased at their time of issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities).*

**Rating:**

The Securities are expected to be rated BB+ by S&P and BBB- by Fitch Ratings. Each of S&P and Fitch Ratings is established in the European Union and registered under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Listing and Admission to Trading:**

Application has been made for the Securities to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market.

**Selling Restrictions:**

The United Kingdom, the EEA, the United States of America, Canada, Switzerland, Hong Kong, Italy and the Kingdom of Spain. See "*Subscription and Sale*".

Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.

**Use and Estimated Net Amount of Proceeds:**

The net proceeds of the issue of the Securities, expected to amount to €498,000,000, will be on-lent to the Guarantor to be used by the Guarantor and its consolidated subsidiaries for general corporate and financing purposes, which may include the redemption or repurchase of existing debt securities of the Guarantor or any of its consolidated subsidiaries,

including, without limitation, preferred securities, bonds or other types of financial instruments.

**Risk Factors:**

Prospective investors should carefully consider the information set out in “*Risk Factors*” in conjunction with the other information contained or incorporated by reference in this Offering Circular.

**ISIN:**

XS2406737036.

**Common Code:**

240673703.

## DOCUMENTS INCORPORATED BY REFERENCE

The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Offering Circular provided however that (i) any statement contained in any document incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such statement and (ii) any information which is not expressly listed in the table below does not form part of this Offering Circular and is either not relevant or is covered elsewhere in this Offering Circular.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Fiscal Agent, unless such documents have been modified or superseded, and on the website of the Guarantor at:

In case of the document listed under (A) in the table below:

[https://www.naturgy.com/en/files/Naturgy\\_9M21\\_results\\_pres.pdf](https://www.naturgy.com/en/files/Naturgy_9M21_results_pres.pdf)

In case of the document listed under (B) in the table below:

[www.naturgy.com/en/files/Interim\\_Financial\\_Statements\\_Naturgy\\_June\\_2021.pdf](http://www.naturgy.com/en/files/Interim_Financial_Statements_Naturgy_June_2021.pdf)

In case of the document listed under (C) in the table below:

[https://www.naturgy.com/en/files/DOC5\\_\\_Consolidated\\_Annual\\_Report\\_Naturgy\\_2020.pdf](https://www.naturgy.com/en/files/DOC5__Consolidated_Annual_Report_Naturgy_2020.pdf)

In case of the document listed under (D) in the table below:

[https://www.naturgy.com/files/Consolidated\\_Financial\\_Statements\\_Naturgy\\_2019.pdf](https://www.naturgy.com/files/Consolidated_Financial_Statements_Naturgy_2019.pdf)

In case of the document listed under (E) in the table below:

[https://www.naturgy.com/files/CCAA\\_NFBV\\_2020\\_EN.pdf](https://www.naturgy.com/files/CCAA_NFBV_2020_EN.pdf)

In case of the document listed under (F) in the table below:

[https://www.naturgy.com/files/Naturgy\\_Finance\\_BV\\_2019\\_annual\\_accounts\\_with\\_auditor\\_report.pdf](https://www.naturgy.com/files/Naturgy_Finance_BV_2019_annual_accounts_with_auditor_report.pdf)

The page references indicated for each document are to the page numbering of the electronic copies of such documents as available at the links set forth above.

<u>Information incorporated by reference</u>	<u>Page references</u>
(A) <b>The sections listed below of the unaudited condensed interim consolidated financial information of Naturgy Energy Group, S.A. for the nine-month period ended 30 September 2021:</b>	
(a) <i>Scenario</i>	<b>4-6</b>
(b) <i>Consolidated results</i>	<b>9-12</b>
(c) <i>Appendix</i>	<b>15-27</b>
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<b>(B) The English language translation of the condensed interim financial statements of Naturgy Energy Group, S.A. for the six-month period ended 30 June 2021, including the interim directors' report and the auditor's limited review report thereon ("2021 Interim Financial Statements"):</b>		
(a)	<i>Report on Limited Review of Condensed Consolidated Interim Financial Statements</i>	<b>2-4</b>
(b)	<i>Condensed interim consolidated accounts as at 30 June 2021</i>	<b>5-59</b>
-	Interim consolidated balance sheet	6
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(c)	<i>Consolidated Directors' Report as at 30 June 2021</i>	<b>59-92</b>
-	Appendix I: Alternative performance metrics	90-92
(d)	<i>Report on Limited Review of Condensed Interim Financial Statements</i>	<b>93-95</b>
(e)	<i>Condensed interim accounts as at 30 June 2021</i>	<b>96-129</b>
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<b>(C)</b>		<b>The sections listed below of the 2020 Annual Consolidated Financial Report of Naturgy Energy Group, S.A., including the English language translation of the audited consolidated annual accounts as at and for the year ended 31 December 2020 together with the audit report thereon:</b>	
	(a)	<i>Auditor's report on the consolidated financial statements</i>	<b>2-7</b>
	(b)	<i>Consolidated annual accounts of Naturgy Energy Group, S.A. and subsidiary companies comprising the Naturgy Energy Group, S.A. Group for the financial year 2020:</i>	<b>8-161</b>
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	-	Consolidated income statement for the year ended 31 December 2020	11
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	(c)	<i>Annual Consolidated Directors' Report 2020</i>	<b>162-637</b>
<b>(D)</b>		<b>The sections listed below of the 2019 Annual Consolidated Financial Report of Naturgy Energy Group, S.A., including the English language translation of the audited consolidated annual accounts as at and for the year ended 31 December 2019 together with the audit report thereon:</b>	
	(a)	<i>Auditor's report on the consolidated financial statements</i>	<b>2-8</b>
	(b)	<i>Consolidated annual accounts of Naturgy Energy Group, S.A. and subsidiary companies comprising the Naturgy Energy Group, S.A. Group for the financial year 2019:</i>	<b>9-160</b>
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	(c) <i>Annual Consolidated Directors' Report 2019</i>	<b>161-386</b>
<b>(E)</b>	<b>The annual financial report of Naturgy Finance B.V. as at and for the year ended 31 December 2020:</b>	
	(a) <i>Annual Report</i>	<b>1-11</b>
	- Board of Managing Directors Report	3-8
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<b>(F)</b>	<b>The annual financial report of Naturgy Finance B.V. as at and for the year ended 31 December 2019:</b>	
	(a) <i>Annual Report</i>	<b>1-11</b>
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Any documents themselves incorporated by reference in the documents incorporated by reference into this Offering Circular shall not form part of this Offering Circular. Those parts of the documents incorporated by reference into this Offering Circular which are not specifically incorporated by reference into this Offering

Circular are either not relevant for prospective investors in the Securities or the relevant information is included elsewhere in this Offering Circular.

The Issuer produces and publishes only non-consolidated financial statements and does not produce interim financial statements.

For the avoidance of doubt, unless specifically incorporated by reference into this Offering Circular, information contained on any website referred to in this Offering Circular does not form part of this Offering Circular.



## TERMS AND CONDITIONS OF THE SECURITIES

*The following are the terms and conditions substantially in the form in which they will be endorsed on the Securities. Sentences in italics shall not form part of these terms and conditions.*

The issue of the €500,000,000 Undated 5.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the “**Securities**”) was authorised by a resolution of the Board of Managing Directors of the Issuer and a resolution of the Sole Shareholder of the Issuer, both dated 9 November 2021 and the guarantee of the Securities was authorised by a resolution of the Board of Directors of the Guarantor dated 16 September 2021. A fiscal agency agreement dated 23 November 2021 (the “**Fiscal Agency Agreement**”) has been entered into in relation to the Securities between the Issuer, the Guarantor, Citibank, N.A., London Branch as fiscal agent, Citibank, N.A., London Branch as agent bank and the paying agents named therein. The fiscal agent, the agent bank and the paying agents for the time being are referred to below respectively as the “**Fiscal Agent**”, the “**Agent Bank**” and the “**Paying Agents**” (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the Securities and the coupons relating to them (the “**Coupons**”, which expression includes, where the context so permits, talons for further coupons (the “**Talons**”). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agents. The Holders of the Securities and the Holders of the Coupons (each as defined in Condition 1(b) below) (whether or not attached to the relevant Securities) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

### 1 Form, Denomination and Title

- (a) **Form and denomination:** The Securities are serially numbered and in bearer form in the denomination of €100,000, each with Coupons attached on issue.
- (b) **Title:** Title to the Securities and Coupons passes by delivery. The holder of any Security or Coupon (a “**Holder**”) will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person shall be liable for so treating the Holder.

### 2 Status and Subordination of the Securities and Coupons

- (a) **Status of the Securities and Coupons:** The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and shall at all times rank *pari passu* and without any preference among themselves.
- (b) **Subordination of the Securities:** In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. This Condition 2(b) is an irrevocable stipulation (*derdenbeding*) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce this Condition 2(b) under Section 6:253 of the Dutch Civil Code.

*The Issuer does not have any Preferred Shares outstanding and the Issuer's Articles of Association do not provide for the issuance of such shares by the Issuer. For so long as any of the Securities remains outstanding, the Guarantor and the Issuer do not intend to issue any Preferred Shares of the Issuer.*

### **3 Guarantee, Status and Subordination of the Guarantee**

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Securities and the Coupons on a subordinated basis. Its obligations in that respect (the “**Guarantee**”) are set out in the deed of guarantee dated the Issue Date and made by the Guarantor for the benefit of the Holders.
- (b) **Status of the Guarantee:** The payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and shall at all times rank *pari passu* and without any preference among themselves.
- (c) **Subordination of the Guarantee:** Subject to mandatory provisions of Spanish applicable law, in the event of the Guarantor being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of the holders of all Parity Obligations of the Guarantor and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.

### **4 Interest Payments**

#### (a) **General**

The Securities bear interest at the Prevailing Interest Rate from (and including) 23 November 2021 (the “**Issue Date**”) in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Securities with respect to any Interest Period annually in arrear on each Interest Payment Date in each case as provided in this Condition 4.

#### (b) **Interest Accrual**

The Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 6 or the date of any substitution thereof pursuant to Condition 12(c) unless, upon due presentation, payment of all amounts due in respect of the Securities is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Security shall be calculated per €100,000 in principal amount thereof (the “**Calculation Amount**”). The interest payable on each Security on any Interest Payment Date shall be calculated by multiplying the Prevailing Interest Rate for the Interest Period ending immediately prior to such Interest Payment Date by the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Interest in respect of any Security for any Interest Period and where it is necessary to compute an amount of interest in respect of any Security for a period which is less than a complete year, shall be calculated on the basis of the actual number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next succeeding Interest Payment Date.

(c) **Prevailing Interest Rate**

Unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 4, the Securities will bear interest on their principal amount as follows:

- (i) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 2.374 per cent. per annum, payable annually (except for a short first Interest Period) in arrear on each Interest Payment Date, commencing on 23 February 2022; and
- (ii) from (and including) the First Reset Date, at the applicable 5 Year Swap Rate in respect of the relevant Reset Period plus:
  - (A) in respect of the period commencing on the First Reset Date to (but excluding) the First Step-up Date, 2.437 per cent. per annum;
  - (B) in respect of the period commencing on the First Step-up Date to (but excluding) the Second Step-up Date, 2.687 per cent. per annum; and
  - (C) from and including the Second Step-up Date, 3.437 per cent. per annum,(each a “**Subsequent Fixed Interest Rate**”),

all as determined by the Agent Bank (subject to the operation of Condition 4(d)), payable annually in arrear on each Interest Payment Date, commencing on 23 February 2028, subject to Condition 5,

and where:

“**5 Year Swap Rate**” means, in respect of any Reset Period, the mid-swap rate as displayed on Reuters screen “ICESWAP2/EURSFIXA” or, if such rate is not displayed on such screen as at the relevant time, the mid-swap rate as displayed on a successor page (in each case, the “**Reset Screen Page**”) as at 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date.

Subject to the operation of Condition 4(d), in the event that the relevant 5 Year Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the 5 Year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date.

“**Reset Reference Bank Rate**” means the percentage rate determined by the Agent Bank on the basis of the 5 Year Swap Rate Quotations provided by five leading swap dealers (selected by the Issuer) in the interbank market (the “**Reset Reference Banks**”) to the Issuer and the Agent Bank at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If (a) at least three quotations are provided, the 5 Year Swap Rate will be determined by the Agent Bank on the basis of the arithmetic mean (or, if only three quotations are provided, the median) of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (b) only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; (c) only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided; and (d) no quotations are provided, the Reset Reference Bank Rate for the relevant period will be: (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 5 Year Swap Rate as displayed on the Reset Screen Page at 11:00 a.m. (Central European Time) on the date most closely preceding the relevant Reset Interest Determination Date, or (ii) in the case of the Reset Period commencing on the First Reset Date, -0.076 per cent. per annum.

The “**5 Year Swap Rate Quotations**” means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 Day Count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of five years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on the basis of the actual number of days elapsed and a year of 360 days).

(d) **Benchmark Replacement**

(i) **Independent Adviser**

Notwithstanding the provisions above in this Condition 4, if the Issuer (in consultation with the Fiscal Agent) determines that a Benchmark Event has occurred in relation to the Original Reference Rate when any interest rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Independent Adviser determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(d)(ii)) and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments (in accordance with Condition 4(d)(iv)). In making such determination, the Independent Adviser appointed pursuant to this Condition 4(d)(i) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agents or the Holders for any determination made by it pursuant to this Condition 4(d).

If (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4(d)(i) prior to the relevant Reset Interest Determination Date, the 5 Year Swap Rate applicable to the next succeeding Reset Period shall be equal to the 5 Year Swap Rate last determined in relation to the Securities in respect of the immediately preceding Reset Period. If there has not been a First Reset Date, the interest rate shall be 2.374 per cent. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4(d)(i).

(ii) **Successor Rate or Alternative Rate**

If the Independent Adviser, following consultation with the Issuer, determines that:

- (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread, if any, shall subsequently be used in place of the Original Reference Rate to determine the interest rate (or the relevant component part thereof) for all future payments of interest on the Securities; or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread, if any, shall subsequently be used in place of the Original Reference Rate to determine the interest rate (or the relevant component part thereof) for all future payments of interest on the Securities.

(iii) **Adjustment Spread**

If the Independent Adviser, following consultation with the Issuer, determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may

be), the Independent Adviser, following consultation with the Issuer, shall determine the quantum of, or the formula or methodology for determining, the Adjustment Spread and such Adjustment Spread shall then be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

**(iv) Benchmark Amendments**

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4(d) and the Independent Adviser and the Issuer agree that amendments to these Conditions and/or the Fiscal Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “Benchmark Amendments”), then the Independent Adviser and the Issuer shall agree the terms of the Benchmark Amendments. In such case, the Issuer shall, subject to giving notice thereof in accordance with Condition 4(d)(v), without any requirement for the consent or approval of Holders, vary these Conditions and/or the Fiscal Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 4(d)(iv), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4(d), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to (i) result in a reduction of the amount of “equity credit” assigned to the Securities by any Rating Agency when compared to the “equity credit” assigned to the Securities immediately prior to the occurrence of the relevant Benchmark Event from such Rating Agency or (ii) otherwise prejudice the eligibility of the Securities for “equity credit” from any Rating Agency.

The Paying Agents shall not be obliged to effect any Benchmark Amendment if in the sole opinion of the relevant Paying Agent doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the relevant Agent in these Conditions and/or the Fiscal Agency Agreement in any way.

**(v) Notices**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(d) will be notified promptly by the Issuer to the Agent Bank, the Paying Agents and, in accordance with Condition 14, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

Notwithstanding any other provision of this Condition 4(d), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Agent Bank’s opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 4(d), the Agent Bank shall promptly notify the Issuer thereof and the Issuer shall direct the Agent Bank in writing as to which

alternative course of action to adopt. If the Agent Bank is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Agent Bank shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

**(vi) Survival of Original Reference Rate**

Without prejudice to the obligations of the Issuer under Condition 4(d)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 4(c) will continue to apply unless and until the Issuer determines that a Benchmark Event has occurred.

**(e) Publication of Subsequent Fixed Interest Rates**

The Issuer shall cause notice of each Subsequent Fixed Interest Rate and the corresponding amount payable per Calculation Amount determined in accordance with this Condition 4 and the relevant dates scheduled for payment to be given to the Fiscal Agent, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 14, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The relevant Subsequent Fixed Interest Rate and the dates scheduled for payment so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions.

**(f) Agent Bank and Reset Reference Banks**

The Issuer will maintain an Agent Bank as from the Issue Date and, with effect from the first Reset Interest Determination Date, the Issuer will (or the Agent Bank will in consultation with the Issuer) select the number of Reset Reference Banks provided above where the Prevailing Interest Rate is to be calculated by reference to them. The name of the initial Agent Bank is Citibank, N.A., London Branch and its initial specified office is Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

The Issuer may from time to time replace the Agent Bank or any Reset Reference Bank with another leading financial institution. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Prevailing Interest Rate in respect of any Reset Period as provided in Condition 4(c), the Issuer shall forthwith appoint another leading financial institution to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

**(g) Determinations of Agent Bank Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent Bank the Fiscal Agent, the Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**5 Optional Interest Deferral**

- (a) **Deferral of Interest Payments:** The Issuer may, subject as provided in Conditions 5(b) and 5(c) below, elect in its sole discretion to defer (in whole or in part) any Interest Payment that is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 14, the Fiscal Agent and the Paying Agents not more than 14 and not less than 7 Business Days prior to the relevant Interest Payment Date. Any Interest Payment that the Issuer has elected to defer pursuant to this Condition 5(a) and that has not been satisfied is referred to as a “**Deferred Interest Payment**”.

If any Interest Payment is deferred pursuant to this Condition 5(a) then such Deferred Interest Payment shall itself bear interest (such further interest being “**Additional Interest Amount**” and, together with the Deferred Interest Payment, “**Arrears of Interest**”), at the relevant Prevailing Interest Rate applicable from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which such Deferred Interest Payment is paid in accordance with Conditions 5(b) and 5(c), in each case such further interest being compounded on each Interest Payment Date. Any such Arrears of Interest will be calculated by the Agent Bank.

Non-payment of interest deferred pursuant to this Condition 5(a) shall not constitute a default by the Issuer or the Guarantor under the Securities or the Guarantee or for any other purpose.

- (b) **Optional Settlement of Arrears of Interest:** Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time (the “**Optional Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 14, the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

If amounts in respect of Deferred Interest Payments and Additional Interest Amounts are paid in part:

- (i) all unpaid amounts of Deferred Interest Payments shall be payable before any Additional Interest Amounts;
  - (ii) Deferred Interest Payments accrued for any period shall not be payable until full payment has been made of all Deferred Interest Payments that have accrued during any earlier period and the order of payment of Additional Interest Amounts shall follow that of the Deferred Interest Payments to which they relate; and
  - (iii) the amount of Deferred Interest Payments or Additional Interest Amounts payable in respect of any of the Securities in respect of any period, shall be pro rata to the total amount of all unpaid Deferred Interest Payments or, as the case may be, Additional Interest Amounts accrued on the Securities in respect of that period to the date of payment.
- (c) **Mandatory Settlement of Arrears of Interest:** Notwithstanding the provisions of Condition 5(b), the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with Condition 14, the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Mandatory Settlement Date.

*If a Mandatory Settlement Date does not occur prior to the calendar day which is the fifth anniversary of the Interest Payment Date on which the relevant Deferred Interest Payment was first deferred, it is the intention, though not an obligation, of the Issuer to pay all outstanding Arrears of Interest (in whole but not in part) on the next following Interest Payment Date.*

**“Mandatory Settlement Date”** means the earliest of:

- (i) as soon as reasonably practicable (but not later than the fifteenth Business Day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;
- (ii) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the Interest Payment in respect of the relevant Interest Period; or
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 6 or become due and payable in accordance with Condition 9.

A **“Compulsory Arrears of Interest Settlement Event”** shall have occurred if:

- (i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made (i) in respect of any of the 2005 Preferred Securities or (ii) exclusively in Ordinary Shares of the Guarantor); or
- (ii) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations (other than a repurchase, redemption or acquisition of any of the 2005 Preferred Securities),

save in the case of (a) any such Dividend Declaration or such redemption, repurchase or acquisition that is mandatory under the terms of any such Parity Obligations;; (b) any Dividend Declaration in respect of any such dividend, distribution or payment by the Issuer to the Guarantor; (c) any Dividend Declaration or repurchase which is required to be validly resolved on, declared, paid or made in respect of, any share option or share incentive plan in each case reserved for directors, officers and/or employees of the Guarantor or any of its Affiliates or any associated liquidity agreements or any associated hedging transactions; (d) any purchase of Ordinary Shares of the Guarantor by or on behalf of the Guarantor as part of an intra-day transaction that does not result in an increase in the aggregate number of Ordinary Shares of the Guarantor held by or on behalf of the Guarantor as treasury shares at 8:30 a.m. Central European time on the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred; (e) any repurchase or acquisition of Parity Obligations that is made for a consideration less than the aggregate nominal or par value of such Parity Obligations that are purchased or acquired; (f) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from mandatory obligations or hedging of any convertible securities issued by the Issuer or the Guarantor; or (g) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from the settlement of existing equity derivatives after the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

A Compulsory Arrears of Interest Settlement Event shall not occur pursuant to paragraph (i) above in respect of any pro rata payment of deferred or arrears of interest on any Parity Obligations which is made simultaneously with a pro rata payment of any Arrears of Interest provided that such pro rata payment of deferred or arrears of interest on a Parity Obligation is not proportionately more than the pro rata settlement of any such Arrears of Interest.

**“Dividend Declaration”** means the authorisation by resolution of the general meeting of shareholders or the board of directors or other competent corporate body (as the case may be) of the Issuer or the



Guarantor (as applicable) of the payment, or the making of, a dividend or other distribution or payment (or, if no such authorisation is required, the payment, or the making of, a dividend or other distribution or payment).

## 6 Redemption and Purchase

- (a) **Final redemption:** Subject to any early redemption described below, the Securities are undated securities with no specified maturity date. The Securities may not be redeemed at the option of the Issuer other than in accordance with Conditions 6(b), 6(c), 6(d), 6(e), 6(f) or 6(g).
- (b) **Issuer's Call Option:** The Issuer may, by giving not less than 10 nor more than 40 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable), redeem the Securities in whole, but not in part, (i) on any date during the Relevant Period, or (ii) on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.
- (c) **Redemption for Taxation Reasons:** If, immediately prior to the giving of the notice referred to below, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 40 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6(h), redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at (i) their Early Redemption Amount (in the case of a Tax Event if the Redemption Date falls prior to the start of the Relevant Period) or (ii) their principal amount (in the case of (a) a Withholding Tax Event or (b) a Tax Event if the Redemption Date falls on or after the start of the Relevant Period), together, in each case, with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.
- (d) **Redemption for Accounting Reasons:** If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 40 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6(h), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the start of the Relevant Period, or (ii) at their principal amount if the Redemption Date falls on or after the start of the Relevant Period, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

The Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event from (and including) the Accounting Event Adoption Date.

- (e) **Redemption for Rating Reasons:** If, immediately prior to the giving of the notice referred to below, a Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 40 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6(h), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the start of the Relevant Period, or (ii) at their principal amount if the Redemption Date falls on or after the start of the Relevant Period, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

- (f) **Redemption following a Substantial Purchase Event:** If, immediately prior to the giving of the notice referred to below, a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 10 nor more than 40 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6(h), redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon expiry of such notice, the Issuer shall redeem the Securities.
- (g) **Redemption at the option of the Issuer at the Make-Whole Redemption Amount:** The Issuer may, by giving not less than 10 nor more than 40 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Make-whole Redemption Date**")), redeem the Securities in whole, but not in part, at any time (other than during the Relevant Period and on any subsequent Interest Payment Date) at the Make-whole Redemption Amount.
- (h) **Preconditions to Redemption:** Prior to serving any notice of redemption pursuant to this Condition 6 (other than Condition 6(b) and Condition (g)), the Guarantor shall:
- (i) deliver to the Fiscal Agent a certificate signed by two directors of the Guarantor or two attorneys duly authorised by the Board of Directors of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied;
  - (ii) in the case of a Tax Event or Withholding Tax Event deliver to the Fiscal Agent an opinion of independent legal or other tax advisers to the effect set out in paragraph (i) above;
  - (iii) in the case of an Accounting Event, deliver to the Fiscal Agent the relevant letter or report from the relevant accountancy firm; and
  - (iv) in the case of a Capital Event, deliver to the Fiscal Agent the relevant confirmation from the relevant Rating Agency.

Any such certificate, opinion, letter, report or confirmation referred to in paragraphs (i) to (iv) above shall, absent manifest error, be final and binding on all parties.

- (i) **Cancellation:** All Securities redeemed in accordance with Conditions 6(b), 6(c), 6(d), 6(e), 6(f) and 6(g) and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or re-sold.
- (j) **Purchase:** Each of the Issuer, the Guarantor and their respective subsidiaries may at any time purchase Securities in the open market or otherwise at any price (provided that, if they should be surrendered to the Fiscal Agent for cancellation, they are purchased together with all unmatured Coupons and all unexchanged Talons relating to them). The Securities so purchased may be held, re-issued or re-sold or, at the option of the relevant purchaser, surrendered to the Fiscal Agent for cancellation, but while held by or on behalf of the Issuer, the Guarantor or any such subsidiary, shall not entitle the Holder to vote at any meetings of the Holders of Securities and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders of Securities or for the purposes of Condition 12.

*As at 17 November 2021, it is the Guarantor's intention (without thereby assuming any obligation whatsoever) at any time, that it or the Issuer will redeem or repurchase the Securities (or any part thereof) only to the extent that the amount of "equity credit" (as defined below) of the Securities (or any part thereof) to be redeemed or repurchased does not exceed the aggregate amount of "equity credit" of*

*the Replacement Securities (as defined below) sold or issued on or prior to the date of such redemption or repurchase, unless:*

- (i) the rating (or such similar nomenclature then used by S&P) assigned by S&P to the Guarantor is at least equal to the rating assigned to the Guarantor on the date of the most recent additional hybrid security issuance (excluding refinancings without net new issuance) which was assigned by S&P a similar “equity credit” and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or*
- (ii) in the case of a repurchase or a redemption, taken together with other relevant repurchases or redemptions of hybrid securities of the Group, such repurchase or redemption is of less than (a) 10 per cent. of the aggregate principal amount of hybrid capital of the Group outstanding in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of hybrid capital of the Group outstanding in any period of 10 consecutive years, or*
- (iii) the Securities are redeemed pursuant to a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event, or*
- (iv) the Securities are not assigned any category of “equity credit” at the time of such redemption or repurchase, or*
- (v) in the case of any repurchase or redemption, such repurchase or redemption relates to an aggregate principal amount of Securities repurchased or redeemed that would allow the Group’s aggregate principal amount of hybrid capital remaining outstanding after such repurchase or redemption to be equal to or greater than the maximum aggregate principal amount of the Group’s hybrid capital to which S&P, would assign any category of “equity credit” under its prevailing methodology, or*
- (vi) such redemption or repurchase occurs on or after the Interest Payment Date falling on or after 23 February 2047.*

*For the purposes of the paragraph above:*

*“equity credit” means the equity credit assigned to the relevant securities at the time of their issuance, sale, repurchase or redemption, as applicable (or such similar nomenclature used by S&P from time to time); and*

*“Replacement Securities” means securities (other than the Securities) sold or issued by the Guarantor or any subsidiary of the Guarantor to third party purchasers (other than group entities of the Guarantor) and which are assigned by S&P, at the time of their sale or issuance, an “equity credit” that is equal to or greater than the “equity credit” assigned to the Securities (or any part thereof) to be redeemed or repurchased at their time of issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities).*

## **7 Payments**

- (a) Method of Payment:** Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Security.

- (b) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Holders in respect of such payments.
- (c) **Unmatured Coupons:** Upon the due date for redemption of any Security, unmatured Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer and the Guarantor may require.
- (d) **Exchange of Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).
- (e) **Payments on business days:** If the due date for payment of any amount in respect of any Security or Coupon is not a business day in the place of presentation (and, in the case of payment by transfer to a euro account, a day that is not a Business Day), the Holder thereof shall not be entitled to payment until the next business day in the place of presentation (and, in the case of payment by transfer to a euro account, on the next day that is a Business Day). No further interest or other payment will be made as a consequence of such delay. In this Condition 7, “**business day**” means a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant city.
- (f) **Paying Agents:** The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Fiscal Agent and (ii) a Paying Agent (which may be the Fiscal Agent) having specified offices in London or an alternative European city (as the Issuer may select). Notice of any change in the Paying Agents or their specified offices will promptly be given to the Holders in accordance with Condition 14.

## 8 Taxation

- (a) **Additional Amounts:** All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Securities will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges (collectively, “**Taxes**”) of whatever nature imposed or levied by or on behalf of the Netherlands or the Kingdom of Spain, as the case may be, or any political subdivision thereof or any authority or agency therein or thereof having power to tax (each a “**Taxing Authority**”) or required pursuant to an agreement described in section 1471(b) of the Code, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

In that event, the Issuer, failing which the Guarantor, will pay such additional amounts (“**Additional Amounts**”) as may be necessary in order that the net amounts receivable by any Holder, or beneficial owner, after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received by such Holder, or beneficial owner, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable in relation to any payment in respect of any Securities or Coupon or (as the case may be) under the Guarantee:

- (i) to, or to a third party on behalf of, a Holder, or beneficial owner, of any Security or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Security or

Coupon by reason of his having some connection with the Netherlands or, as applicable, the Kingdom of Spain other than the mere holding of the Securities or Coupon; or

- (ii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such Additional Amounts on presenting the same for payment on the expiry of such period of thirty days; or
- (iii) presented for payment in the Kingdom of Spain; or
- (iv) to, or to a third party on behalf of a Holder or the beneficial owner of any Security or Coupon if the Issuer or the Guarantor does not receive in a timely manner a duly executed and completed certificate from the Fiscal Agent, pursuant to Law 10/2014 and Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011, of July 29, and any implementing legislation or regulation; or
- (v) while the Securities are represented by Definitive Securities, where such withholding or deduction of Taxes is imposed, withheld or deducted by reason of the failure of the Holder or the beneficial owner of any Security or Coupon to comply with the Issuer's or the Guarantor's request addressed to the Holder or the beneficial owner to provide a valid certificate of tax residence duly issued by the tax authorities of the country of tax residence of the beneficial owner of any Security or Coupon, which the Holder or the beneficial owner is required to provide by the applicable tax laws and regulations of the relevant Taxing Authority as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such relevant Taxing Authority; or
- (vi) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Securities or Coupon to another Paying Agent in a Member State of the European Union; or
- (vii) where such withholding or deduction is required to be made pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*); or
- (viii) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

In addition, Additional Amounts will not be payable with respect to (i) any Taxes that are imposed in respect of any combination of the items set forth above and to (ii) any Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment, to the extent that payment would be required by the laws of the relevant Taxing Authority to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the Holder.

- (b) **Tax Credit Payment:** If any Additional Amounts are paid by the Issuer or, as the case may be, the Guarantor under this Condition for the benefit of any Holder and such Holder determines that it has obtained (and has derived full use and benefit from) a credit against, a relief or remissions for, or repayment of, any Tax, then, if and to the extent that such Holder determines that (i) such credit, relief, remission or repayment is in respect of or calculated with reference to the Additional Amounts paid pursuant to this Condition; and (ii) its tax affairs for its tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled, such Holder shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment,

pay to the Issuer or, as the case may be, the Guarantor such amount as such Holder shall determine to be the amount which will leave such Holder (after such payment) in no worse after tax position than it would have been in had the additional payment in question not been required to be made by the Issuer or, as the case may be, the Guarantor.

- (c) **Tax Credit Clawback:** If any Holder makes any payment to the Issuer or, as the case may be, the Guarantor pursuant to this Condition and such Holder subsequently determines that the credit, relief, remission or repayment in respect of which such payment was made was not available or has been withdrawn or that it was unable to use such credit, relief, remission or repayment in full, the Issuer or, as the case may be, the Guarantor shall reimburse such Holder such amount as such Holder determines is necessary to place it in the same after tax position as it would have been in if such credit, relief, remission or repayment had been obtained and fully used and retained by such Holder, such amount not exceeding in any case the amount paid by the Holder to the Issuer or, as the case may be, the Guarantor.
- (d) **Tax Affairs:** Nothing in Conditions 8(b) and 8(c) above shall interfere with the right of any Holder to arrange its tax or any other affairs in whatever manner it thinks fit, oblige any Holder to claim any credit, relief, remission or repayment in respect of any payment made under this Condition in priority to any credit, relief, remission or repayment available to it nor oblige any Holder to disclose any information relating to its tax or other affairs or any computations in respect thereof.

If the Issuer or the Guarantor, as the case may be, becomes subject at any time to any taxing jurisdiction other than or in addition to the Netherlands or the Kingdom of Spain, as the case may be, references herein to the Netherlands and the Kingdom of Spain respectively shall be read and construed as references to the Netherlands or the Kingdom of Spain, as the case may be, and/or to such other jurisdiction.

- (e) **Definitions:** References in these Conditions to (i) “principal” shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it; (ii) “interest” shall be deemed to include all Arrears of Interest and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it; and (iii) “principal” and/or “interest” shall be deemed to include any Additional Amounts.
- (f) **Substitute taxing jurisdiction:** If, pursuant to the Issuer’s option under Condition 12(c), the Securities are exchanged for new securities of any wholly-owned direct or indirect finance subsidiary of the Guarantor that is subject to any taxing jurisdiction other than the Netherlands or Spain, respectively, references in these Conditions to the Netherlands or Spain shall be construed as references to the Netherlands or (as the case may be) Spain and/or such other jurisdiction.

## 9 Enforcement Events and No Events of Default

There are no events of default in respect of the Securities.

However, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor, or the Guarantor becomes insolvent (“*en estado de insolvencia*”) pursuant to article 2 of the Spanish insolvency law, any Holder of a Security, in respect of such Security and provided that such Holder does not contravene a previously adopted Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Securities, including the institution of proceedings for the declaration of insolvency (“*declaración de concurso*”) under Spanish insolvency law of

the Guarantor and/or proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution, liquidation or insolvency proceeding of the Guarantor for such amount.

Each Holder may, at its discretion and without further notice, institute such proceedings as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor under the Securities or the Guarantee but in no event shall the Issuer or the Guarantor by the virtue of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9 shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or the Guarantee or in respect of any other breach by the Issuer or the Guarantor of any of their respective other obligations under or in respect of the Securities or the Guarantee.

## **10 Prescription**

Claims in respect of principal and interest or any other amount will become void unless presentation for payment is made as required by Condition 7 within a period of 10 years in the case of principal (or any other amount in the nature of principal) and five years in the case of interest (or any other amount in the nature of interest, including Arrears of Interest) from the appropriate Relevant Date.

## **11 Replacement of Securities and Coupons**

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent subject to all applicable laws and listing authority, stock exchange, quotation system or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued. In case any such lost, stolen, mutilated, defaced or destroyed Coupon has become or is about to become due and payable, the Issuer in its discretion may, instead of delivering replacements therefor, pay such Coupon when due.

## **12 Meetings of Holders of Securities and Modification, Substitution and Variation**

- (a) **Meetings of Holders of Securities:** The Fiscal Agency Agreement contains provisions for convening meetings of Holders of Securities to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Holders of Securities holding not less than one twentieth in principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing at least two thirds of the aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders of Securities whatever the principal amount of the Securities held or represented. Any Extraordinary Resolution duly passed shall be binding on Holders of Securities (whether or not they were present at the meeting at which such resolution was passed) and on all Holders of Coupons.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders of Securities duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders of Securities.

- (b) **Modification:** The Securities, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Holders of Securities to correct a manifest error or in accordance

with Condition 4(d). No other modification may be made to the Securities, these Conditions the Deed of Covenant or the Deed of Guarantee except with the sanction of a resolution of the Holders of the Securities.

In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Holders of Securities, to any such modification unless, in the opinion of the Issuer and the Guarantor, (i) it is of a formal, minor or technical nature; (ii) it is made to correct a manifest error; or (iii) it is not materially prejudicial to the interests of the Holders of Securities.

- (c) **Substitution and Variation:** If at any time after the Issue Date the Issuer and/or the Guarantor determines that a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, the Issuer may, as an alternative to an early redemption of the Securities, on any applicable Interest Payment Date, without the consent of the Holders, (i) exchange the Securities (the “**Exchanged Securities**”) into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor (a “**Substitute Issuer**”) with a guarantee of the Guarantor, or (ii) vary the terms of the Securities (the “**Varied Securities**”), so that in either case (A) in the case of a Tax Event, in respect of (I) the Issuer’s (or Substitute Issuer’s) obligation to make any payment of interest under the Exchanged Securities or Varied Securities; or (II) the obligation of the Guarantor to make any payment of interest in favour of the Issuer (or Substitute Issuer) under the Subordinated Loan (or any replacement thereof between the Guarantor and Substitute Issuer), the Issuer, the Guarantor or the Substitute Issuer (as the case may be) is entitled to claim a deduction or a higher deduction (as the case may be) in respect of interest paid when computing its tax liabilities in the Netherlands, in Spain or in the taxing jurisdiction of the Substitute Issuer (as the case may be), as compared with the entitlement after the occurrence of the relevant Tax Event, (B) in the case of a Withholding Tax Event, in making any payments in respect of the Exchanged Securities or Varied Securities or the Exchanged or Varied Guarantee (as defined below) the Issuer, the Guarantor or the Substitute Issuer are not required to pay a greater amount of Additional Amounts in respect of the Exchanged Securities or Varied Securities or the Exchanged or Varied Guarantee, (C) in the case of an Accounting Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) is recorded as “equity” to the maximum extent possible pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of preparing the consolidated financial statements of the Guarantor, or (D) in the case of a Capital Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) or following any relevant refinancing of the Securities such part of the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) benefitting from “equity credit”, is assigned “equity credit” (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) by the relevant Rating Agency that is equal to or greater than that which was assigned to the Securities on the Issue Date (or, if “equity credit” is not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which “equity credit” is assigned by such Rating Agency).

Any such exchange or variation shall be subject to the following conditions:

- (i) the Issuer giving not less than 10 nor more than 40 days’ notice to the Fiscal Agent and the Holders in accordance with Condition 14;
- (ii) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Securities are for the time being admitted to trading, and (for so long as the rules of such exchange require) the publication of any appropriate supplement, listing particulars or offering circular in connection therewith, and the Exchanged Securities or Varied Securities



continue to be admitted to trading on the same stock exchange as the Securities if they were admitted to trading immediately prior to the relevant exchange or variation;

- (iii) the Exchanged Securities or Varied Securities shall: (A) rank at least *pari passu* with the ranking of the Securities prior to the exchange or variation, (B) have the benefit of a guarantee (the “**Exchanged or Varied Guarantee**”) from the Guarantor on terms not less favourable to Holders than the terms of the Guarantee (as reasonably determined by the Issuer or Substitute Issuer and the Guarantor) and (C) benefit from the same or more favourable interest rates and the same Interest Payment Dates, the same First Reset Date and early redemption rights (provided that the relevant exchange or variation may not itself trigger any early redemption right), the same rights to accrued interest or Arrears of Interest and any other amounts payable under the Securities which, in each case, has accrued to the Holders and has not been paid, the same rights to principal and interest, and, if publicly rated by a Rating Agency immediately prior to such exchange or variation, at least the same solicited credit rating immediately after such exchange or variation by each Rating Agency (as the case may be), as compared with the relevant rating(s) immediately prior to such exchange or variation (as determined by the Issuer or Substitute Issuer and the Guarantor using reasonable measures available to it including discussions with the relevant Rating Agency to the extent practicable) (D) shall not contain terms providing for the mandatory deferral of interest and (E) not contain terms providing for loss absorption through principal write-down or conversion to shares;
  - (iv) the preconditions to redemption set out in Condition 6(h) having been satisfied and the terms of the exchange or variation (in the sole opinion of the Issuer or Substitute Issuer or the Guarantor, as the case may be) not being prejudicial to the interests of the Holders, including compliance with (iii) above, as certified to the benefit of the Holders by two directors of the Guarantor or two attorneys duly authorised by the Board of Directors of the Guarantor, having consulted with an independent investment bank of international standing, and any such certificate shall, absent fraud or manifest error, be final and binding on all parties. However, a change in the governing law of the provisions of Condition 2(b) to the laws of the jurisdiction of incorporation of the Substitute Issuer, in connection with any substitution pursuant to this Condition 12(c), shall be deemed not to be prejudicial to the interests of the Holders; and
  - (v) the issue of legal opinions addressed to the Fiscal Agent from one or more international law firms of good reputation selected by the Issuer or the Guarantor and confirming (x) that each of the Issuer and the Guarantor has capacity to assume all rights, duties and obligations under the Exchanged Securities or Varied Securities and the Exchanged or Varied Guarantee (as the case may be) and has obtained all necessary corporate or governmental authorisation to assume all such rights and obligations and (y) the legality, validity and enforceability of the Exchanged Securities or Varied Securities.
- (d) Notwithstanding Condition 8(a), if at any time after the Issue Date, the Issuer is required to withhold on account of Taxes imposed or levied in the Netherlands on any payment under the Securities, the Issuer may on any applicable Interest Payment Date, without the consent of the Holders, (i) exchange the Securities into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor, or (ii) vary the terms of the Securities.
- (e) Any such exchange or variation set out in paragraph (d) above shall be subject to the fulfilment of the same conditions as described under Condition 12(c) in relation to Exchanged Securities or Varied Securities if a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, except that the fulfilment of the preconditions to redemption set out in Condition 6(h) as required by Condition 12(c)(v) above shall be replaced by the delivery by the Guarantor to the Fiscal Agent of a

certificate signed by two directors of the Guarantor or two attorneys duly authorised by the Board of Directors of the Guarantor and an opinion of independent tax advisers, in each case stating the Issuer is required to withhold on account of Taxes imposed or levied in the Netherlands on a payment under the Securities.

### **13 Further Issues**

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Securities) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities.

### **14 Notices**

All notices regarding the Securities shall be valid if published in one or more leading English language daily newspapers with circulation in the United Kingdom (which is expected to be the Financial Times) and (so long as the Securities are listed on the official list of the Luxembourg Stock Exchange and the rules of that stock exchange so require) published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

Notwithstanding the above, while all the Securities are represented by a Security in global form and the global form Security is deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg, notices to Holders of Securities may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg in accordance with their respective rules and operating procedures, and such notices shall be deemed to have been given to Holders on the date of delivery to Euroclear and/or Clearstream, Luxembourg. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to the Holders of Securities in accordance with this Condition.

Notices to be given by any Holder shall be in writing and given by lodging the same, together with the relative Security or Securities, with the Fiscal Agent. Whilst any of the Securities are represented by a global Security, such notice may be given by any Holder to the Fiscal Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

### **15 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

### **16 Governing Law**

- (a) **Governing Law:** The Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Securities and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, other than the provisions of Condition 2(b) which are governed by and construed in accordance with the laws of the Netherlands, and the provisions

of Condition 3(c), and the corresponding provisions of the Guarantee, which are governed by and construed in accordance with the laws of the Kingdom of Spain.

- (b) **Jurisdiction:** The Issuer and the Guarantor irrevocably agree for the benefit of the Holders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes (together “**Proceedings**”), which may arise out of, or in connection with, the Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Securities and, for such purpose, irrevocably submit to the jurisdiction of such courts. The Issuer and the Guarantor irrevocably and unconditionally waive and agree not to raise any objection which any of them may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agree that a judgement in any Proceedings brought in the courts of England shall be conclusive and binding upon each of them and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer and/or the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (c) **Agent for Service of Process:** The Issuer and the Guarantor irrevocably and unconditionally appoint Law Debenture Corporate Services Limited at 8th Floor, 100 Bishopsgate, London EC2N 4AG, England as agent for service of process in England in respect of any Proceedings in England and undertake that in the event of it ceasing so to act the Issuer and the Guarantor will forthwith appoint a further person as their agent for that purpose and notify the name and address of such person to the Fiscal Agent and agree that, failing such appointment within fifteen days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the specified office of the Fiscal Agent. Nothing contained herein shall affect the right of any Holder to serve process in any other manner permitted by law.

## 17 Substitution of the Issuer

- (a) The Issuer and the Guarantor may without the consent of any Holder, substitute for the Issuer any other body corporate incorporated in any country in the world as the debtor in respect of the Securities and the Fiscal Agency Agreement (the “**Substituted Debtor**”) upon notice by the Issuer, the Guarantor and the Substituted Debtor to be given by publication in accordance with Condition 14, provided that:
- (i) neither the Issuer nor the Guarantor are in default in respect of any amount payable under the Securities;
  - (ii) the Issuer, the Guarantor and the Substituted Debtor have entered into such documents (the “**Documents**”) as are necessary to give effect to the substitution and in which the Substituted Debtor has undertaken in favour of each Holder to be bound by these Conditions and the provisions of the Fiscal Agency Agreement as the debtor in respect of the Securities in place of the Issuer (or of any previous substitute under this Condition 17);
  - (iii) if the Substituted Debtor is resident for tax purposes in a territory (the “**New Residence**”) other than that in which the Issuer prior to such substitution was resident for tax purposes (the “**Former Residence**”) the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 8, with, where applicable, the substitution of references to the Former Residence with references to the New Residence;
  - (iv) the Guarantor guarantees the obligations of the Substituted Debtor in relation to outstanding Securities;

- (v) the Substituted Debtor, the Issuer and the Guarantor have obtained all necessary governmental approvals and consents for such substitution and for the performance by the Substituted Debtor of its obligations under the Documents and for the performance by the Guarantor of its obligations under the Guarantee as they relate to the obligations of the Substituted Debtor under the Documents;
  - (vi) the stock exchange on which the Securities are listed shall have confirmed that, following the proposed substitution of the Substituted Debtor, the Securities will continue to be listed on such stock exchange;
  - (vii) a legal opinion shall have been delivered to the Fiscal Agent (from whom copies will be available) from lawyers of recognised standing in the country of incorporation of the Substituted Debtor, confirming, as appropriate, that upon the substitution taking place (A) the requirements of this Condition 17, save as to the giving of notice to the Holders, have been met and (B) the Securities, Coupons and Talons are legal, valid and binding obligations of the Substituted Debtor enforceable in accordance with their terms;
  - (viii) each Rating Agency has confirmed that upon such substitution becoming effective the Securities will either still be eligible for the same, or a higher amount of, “equity credit” (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as is attributed to the Securities on the date immediately prior to such substitution or such eligibility or attribution will not be adversely affected;
  - (ix) an officer of the Issuer or an officer of the Substituted Debtor shall have certified to the Fiscal Agent that, following consultation with an independent investment bank of international repute, an independent financial adviser with appropriate expertise or independent counsel of recognised standing, the Issuer or, as the case may be, the Substituted Debtor has concluded that such substitution (A) will not result in the Substituted Debtor having an entitlement, as at the date such substitution becomes effective, to redeem the Securities as a result of a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event and (B) will not result in the terms of the Securities immediately following such substitution being materially less favourable to Holders than the terms of the Securities immediately prior to such substitution; and
  - (x) if applicable, the Substituted Debtor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings in England arising out of or in connection with the Securities and any Coupons.
- (b) Upon the execution of the Documents and the delivery of the legal opinions, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Securities and the Fiscal Agency Agreement with the same effect as if the Substituted Debtor had been named as the Issuer herein, and the Issuer shall be released from its obligations under the Securities and under the Fiscal Agency Agreement.
  - (c) After a substitution pursuant to Condition 17(a), the Substituted Debtor may, without the consent of any Holder, effect a further substitution. All the provisions specified in Condition 17(a) and 17(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substituted Debtor.
  - (d) After a substitution pursuant to Condition 17(a) or 17(c) any Substituted Debtor may, without the consent of any Holder, reverse the substitution, *mutatis mutandis*.

- (e) The Documents shall be delivered to, and kept by, the Fiscal Agent. Copies of the Documents will be available free of charge at the specified office of each of the Paying Agents.

## 18 Definitions

In these Conditions:

“**2005 Preferred Securities**” means the €750,000,000 Non-Cumulative Perpetual Guaranteed Floating Rate Preferred Securities issued by Unión Fenosa Preferentes S.A.U. on 30 June 2005 (of which, as at 23 November 2021, €110,300,000 were outstanding);

“**2014 Non-Call Securities**” means the €1,000,000,000 Undated 8 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS1139494493), issued by the Issuer on 18 November 2014 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

“**2015 Non-Call Securities**” means the €500,000,000 Undated 9 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (ISIN: XS1224710399), issued by the Issuer on 24 April 2015 and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

“**30/360 Day Count**” means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period (such number of days being calculated on the basis of a 360 day year consisting of 12 months of 30 days each), divided by 360;

“**5 Year Swap Rate**” has the meaning given to it in Condition 4(c);

“**5 Year Swap Rate Quotations**” has the meaning given to it in Condition 4(c);

an “**Accounting Event**” shall be deemed to occur if the Issuer or the Guarantor has received, and notified the Holders in accordance with Condition 14 that it has so received, a letter or report of a recognised accountancy firm of international standing, stating that, as a result of a change in the accounting principles or rules or methodology (or in each case the application thereof), after the Issue Date (the earlier of such date that the aforementioned change is officially announced in respect of IFRS-EU or officially adopted or put into practice, the “**Accounting Event Adoption Date**”), the Securities may not or may no longer be recorded as “equity” in any of the consolidated financial statements of the Guarantor pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of preparing the annual, semi-annual or quarterly consolidated financial statements of the Guarantor. The Accounting Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date. The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on, and include the Accounting Event Adoption Date. For the avoidance of doubt such period shall include any transitional period between the Accounting Event Adoption Date and the date on which it comes into effect;

“**Additional Amounts**” has the meaning given to it in Condition 8(a);

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case which the Independent Adviser, following consultation with the Issuer, has determined to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) if no such recommendation has been made, or in the case of an Alternative Rate, the Independent Adviser, following consultation with the Issuer, determines, is customarily applied to the relevant

Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

- (iii) if the Independent Adviser determines that no such spread is customarily applied, the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

“**Affiliates**” means an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Guarantor;

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 4(d)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same interest period and in euros;

“**Arrears of Interest**” has the meaning given to it in Condition 5(a);

“**Benchmark Amendments**” has the meaning given to it in Condition 4(d)(iv);

“**Benchmark Event**” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Securities;
- (v) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (vi) it has become unlawful for any Paying Agent, the Issuer or other party to calculate any payments due to be made to any Holder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (A) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (B) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (C) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement;

“**business day**” has the meaning given to it in Condition 7(e);

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which the Target System is operating;

“**Calculation Amount**” has the meaning given to it in Condition 4(b);

“**Calculation Date**” means the third Business Day preceding the Make-whole Redemption Date;

a “**Capital Event**” shall be deemed to occur if the Issuer or the Guarantor (directly or via publication by such Rating Agency) has received, and notified the Holders in accordance with Condition 14 that it has so received, confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof, in each case occurring or becoming effective after the Issue Date all or any of the Securities will no longer be eligible (or if the Securities have been partially or fully refinanced since the Issue Date and are no longer eligible for “equity credit” from such Rating Agency in part or in full as a result, all or any of the Securities that would no longer have been eligible as a result of such amendment, clarification, change in hybrid capital methodology or change in the interpretation had they not been refinanced) for the same or a higher amount of “equity credit” (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Securities at the Issue Date (or, if “equity credit” is not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which “equity credit” is assigned by such Rating Agency for the first time);

“**Compulsory Arrears of Interest Settlement Event**” has the meaning given to it in Condition 5(c);

“**Condition**” means the terms and conditions of the Securities;

“**Deferral Notice**” has the meaning given to it in Condition 5(a);

“**Deferred Interest Payment**” has the meaning given to it in Condition 5(a);

“**Dividend Declaration**” has the meaning given to it in Condition 5(c);

“**Early Redemption Amount**” means in respect of a redemption of the Securities following the occurrence of a Tax Event, an Accounting Event or a Capital Event, 101 per cent. of the principal amount of the Securities;

“**Exchanged or Varied Guarantee**” has the meaning given to it in Condition 12(c);

“**Exchanged Securities**” has the meaning given to it in Condition 12(c);

“**First Reset Date**” means 23 February 2027;

“**First Step-Up Date**” means 23 February 2032;

“**Fitch Ratings**” means Fitch Ratings Limited;

“**Further Securities**” means any Securities issued pursuant to Condition 13 and forming a single series with the outstanding Securities;

“**Guarantor**” means Naturgy Energy Group, S.A.;

“**Holder**” has the meaning given to it in Condition 1(b);

“**IFRS-EU**” means International Financial Reporting Standards, as adopted by the European Union;

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4(d)(i);

“**Interest Payment**” means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the relevant Coupon for the relevant Interest Period in accordance with Condition 4;

“**Interest Payment Date**” means 23 February in each year;

“**Interest Period**” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“**Issue Date**” means 23 November 2021;

“**Issuer**” means Naturgy Finance B.V.;

“**Issuer Winding-up**” means a situation where (i) an order is made or a decree or resolution is passed for the winding-up, liquidation or dissolution of the Issuer, except for the purposes of a solvent merger, reconstruction or amalgamation, or (ii) a trustee (*curator*) is appointed by the competent District Court in the Netherlands in the event of bankruptcy (*faillissement*) affecting the whole or a substantial part of the undertaking or assets of the Issuer and such appointment is not discharged within 30 days;

“**Junior Obligations**” means the Junior Obligations of the Guarantor and the Junior Obligations of the Issuer;

“**Junior Obligations of the Guarantor**” means all obligations of the Guarantor issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Guarantee, including (i) Ordinary Shares of the Guarantor, and (ii) all present or future series of preferred securities (*participaciones preferentes*) issued directly by the Guarantor or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor in accordance with Law 10/2014 or any other law or regulation of Spain or any other jurisdiction applicable from time to time (including, for the avoidance of doubt, the guarantee granted by the Guarantor in connection with the 2005 Preferred Securities);

“**Junior Obligations of the Issuer**” means all obligations of the Issuer, issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Securities, including (i) Ordinary Shares of the Issuer, and (ii) Preferred Shares of the Issuer, if any;

“**Law 10/2014**” means the Additional Provision One of Law 10/2014 of the Kingdom of Spain (as amended or replaced from time to time);

“**Make-whole Redemption Amount**” means the sum of: (a) the greater of (x) the principal amount of the Securities so redeemed and (y) the sum of the then present values at the Make-whole Redemption Date of the remaining scheduled payments of principal and interest on such Securities up to and discounted from: (A) if the relevant Make-whole Redemption Date occurs prior to three months prior to the First Reset Date, 23 November 2026 or (B) thereafter on the next succeeding Interest Payment Date, if the relevant Make-whole Redemption Date occurs after the First Reset Date to such Make-whole Redemption Date in each case on an annual basis at the Make-whole Redemption Rate plus the relevant Make-whole Redemption Margin; and (b) any interest accrued but not paid (including any Arrears of Interest) on the Securities to, but excluding, the Make-whole Redemption Date, as determined by the Quotation Agent and as notified on the Calculation Date by the Quotation Agent to the Issuer and the Paying Agent;

“**Make-whole Redemption Date**” has the meaning given to it in Condition 6(g);

“**Make-whole Redemption Margin**” means:

- (i) 0.45 per cent. per annum if the relevant Make-whole Redemption Date occurs prior to the First Step-up Date;



- (ii) 0.50 per cent. per annum if the relevant Make-whole Redemption Date occurs on or after the First Step-up Date but prior to the Second Step-up Date; or
- (iii) 0.50 per cent. per annum if the relevant Make-whole Redemption Date occurs on or after the Second Step-up Date;

“**Make-whole Redemption Rate**” means (i) the mid-market yield to maturity of the Reference Security which appears on the Relevant Make-whole Screen Page on the third business day preceding the Make-whole Redemption Date at 11:00 a.m. (Central European time) or (ii) to the extent that the mid-market yield to maturity does not appear on the Relevant Make-Whole Screen Page at such time, the average of the number of quotations given by the Reference Dealers of the mid-market yield to maturity of the Reference Security on the third business day preceding the Make-whole Redemption Date at or around 11:00 a.m. (Central European time);

“**Mandatory Settlement Date**” has the meaning given to it in Condition 5(c);

“**Ordinary Shares of the Guarantor**” means ordinary shares in the capital of the Guarantor, having at the Issue Date a nominal value of €1.00 each;

“**Ordinary Shares of the Issuer**” means ordinary shares in the capital of the Issuer, having on the Issue Date a nominal amount of €453.78 each;

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the interest rate (or any component part thereof) on the Securities or any Successor Rate or Alternative Rate (or, in each case any component thereof), as applicable;

“**Parity Obligations**” means the Parity Obligations of the Guarantor and the Parity Obligations of the Issuer;

“**Parity Obligations of the Guarantor**” means any obligations of the Guarantor, issued directly by it or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor, which rank or are expressed to rank *pari passu* with the Guarantee (which include the guarantees granted by the Guarantor in connection with the 2014 Non-Call Securities and the 2015 Non-Call Securities);

“**Parity Obligations of the Issuer**” means any obligations of the Issuer, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities, including the 2014 Non-Call Securities and the 2015 Non-Call Securities;

“**Preferred Shares of the Issuer**” means any preference shares in the capital of the Issuer (and, if divided into classes, each class thereof);

“**Prevailing Interest Rate**” means the rate of interest payable on the Securities applicable from time to time pursuant to Condition 4;

“**Proceedings**” has the meaning given to it in Condition 16(b);

“**Quotation Agent**” means the agent to be appointed by the Issuer if required for the determination of the Make-whole Redemption Amount;

“**Rating Agency**” means S&P, Fitch Ratings or any other rating agency of equivalent international standing requested by the Issuer to grant a corporate credit rating to the Issuer or, in each case, an affiliate or any successor to the rating agency business thereof;

“**Redemption Date**” means the date fixed for redemption of the Securities pursuant to Condition 6;

“**Reference Security**” means DBR 0.25% February 2027 (ISIN: DE0001102416). If a Reference Security is no longer outstanding, a Similar Security will be chosen by the Quotation Agent at 11:00 a.m. (Central European

time) on the Calculation Date, quoted in writing by the Quotation Agent to the Issuer and published in accordance with Condition 14;

**“Relevant Date”** means (i) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or Guarantor, as the case may be, the date on which such payment first becomes due and payable, but if the full amount of moneys payable on such date has not been received by the Fiscal Agent on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders of Securities in accordance with Condition 14 and (ii) in respect of a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date that is one day prior to the date on which an order is made or a resolution is passed for the winding-up, or in the case of an administration, one day prior to the date on which any dividend is distributed;

**“Relevant Make-whole Screen Page”** means the relevant Bloomberg screen page (or any successor or replacement page, section or other part of the information service), or such other page, section or other part as may replace it on the information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying the mid-market yield to maturity for the Reference Security;

**“Relevant Nominating Body”** means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

**“Relevant Period”** means the period commencing on (and including) three months prior to the First Reset Date and ending on (and including) the First Reset Date;

**“Reset Date”** means the First Reset Date and each date falling on the fifth anniversary thereafter;

**“Reset Interest Determination Date”** means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period;

**“Reset Period”** means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date;

**“Reset Reference Banks”** has the meaning given to it in Condition 4(c);

**“Reset Reference Bank Rate”** has the meaning given to it in Condition 4(c);

**“Reset Screen Page”** has the meaning given to it in Condition 4(c);

**“S&P”** means Standard & Poor’s Credit Market Services Europe Limited;

**“Second Step-up Date”** means 23 February 2047;

**“Senior Obligations of the Guarantor”** means all obligations of the Guarantor, including subordinated obligations of the Guarantor according to Spanish insolvency law, other than Parity Obligations of the Guarantor and Junior Obligations of the Guarantor;

**“Senior Obligations of the Issuer”** means all obligations of the Issuer, including subordinated obligations of the Issuer according to Dutch insolvency law, other than Parity Obligations of the Issuer and Junior Obligations of the Issuer;

**“Sole Shareholder of the Issuer”** means Naturgy Energy Group, S.A.;

**“Subordinated Loan”** means the subordinated loan made by the Issuer to the Guarantor expected to be dated on or around 23 November 2021, pursuant to which the proceeds of the issue of the Securities are on-lent to the Guarantor;

a **“Substantial Purchase Event”** shall be deemed to have occurred if at least 75 per cent. of the aggregate principal amount of the Securities originally issued (which for these purposes shall include any Further Securities) is purchased by the Issuer, the Guarantor or any subsidiary of the Guarantor (and in each case is cancelled in accordance with Condition 6(i));

a **“Substitute Issuer”** has the meaning given to it in Condition 12(c);

**“Successor Rate”** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

**“Taxes”** has the meaning given to it in Condition 8(a);

a **“Tax Event”** shall be deemed to have occurred if, as a result of a Tax Law Change, in respect of (i) the Issuer’s obligation to make any payment under the Securities (including any Interest Payment) on the next following Interest Payment Date; or (ii) the obligation of the Guarantor to make any payment in favour of the Issuer under the Subordinated Loan on the next following due date for such payment, the Issuer or the Guarantor (as the case may be) would no longer be entitled to claim a deduction in respect of computing its tax liabilities in the Netherlands or in Spain (as the case may be), or such entitlement is materially reduced;

For the avoidance of doubt, a Tax Event shall not occur if payments of interest under the Subordinated Loan by the Guarantor are not deductible in whole or in part for Spanish corporate income tax purposes solely as a result of general tax deductibility limits set forth by Article 16 of the Spanish Corporate Income Tax Law, (Act 27/2004 dated 27 November 2014), as at 23 November 2021;

**“Tax Law Change”** means a change in or proposed change in, or amendment to, or proposed amendment to, the laws or regulations of the Netherlands or Spain or, in either case, any political subdivision or any authority thereof or therein having power to tax, including, without limitation, any treaty to which the Netherlands or Spain is a party, or any change in the official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretations thereof that differs from the previously generally accepted position in relation to similar transactions, which change, amendment or interpretation becomes or would become, effective after 23 November 2021;

**“Taxing Authority”** has the meaning given to it in Condition 8(a);

**“Varied Securities”** has the meaning given to it in Condition 12(c); and

a **“Withholding Tax Event”** shall be deemed to occur if as a result of a Tax Law Change, in making any payments in respect of the Securities or the Guarantee the Issuer or the Guarantor has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts in respect of the Securities or the Guarantee that cannot be avoided by the Issuer or the Guarantor, as the case may be, taking measures reasonably available to it.

## SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

The Securities will initially be in the form of the Temporary Global Security which will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg.

The Securities are not intended to be held in a manner which would allow Eurosystem eligibility.

The Temporary Global Security will be exchangeable in whole or in part for interests in a Permanent Global Security not earlier than 40 days after the later of the commencement of the offering and the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Security unless exchange for interests in a Permanent Global Security is improperly withheld or refused. In addition, interest payments in respect of the relevant Securities cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Security will become exchangeable in whole, but not in part, for Securities in definitive form (“**Definitive Securities**”) in the denomination of €100,000 each at the request of the bearer of the Permanent Global Security if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) if principal in respect of any of the Securities is not paid when due and payable.

Whenever the Permanent Global Security is to be exchanged for Definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Securities, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) the Temporary Global Security is not duly exchanged, whether in whole or in part, for the corresponding Permanent Global Security by 5.00 p.m. (London time) on the thirtieth day after the time at which the preconditions to such exchange are first satisfied; or
- (b) Definitive Securities have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Security for Definitive Securities; or
- (c) the Temporary or Permanent Global Security (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Securities has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary or Permanent Global Security on the due date for payment,

then the relevant Global Security (including the obligation to deliver Definitive Securities) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) and (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above), and the bearer of such Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Global Security or others may have under a deed of covenant to be dated 23 November 2021 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the relevant Global Security, will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Global Security becomes void, they had been the holders of Definitive Securities in an aggregate principal amount equal to the principal amount of Securities they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Security and Permanent Global Security will contain provisions which modify the Conditions of the Securities as they apply to such Temporary Global Security and Permanent Global Security. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Temporary Global Security and Permanent Global Security will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Security or (as the case may be) the Permanent Global Security to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Securities. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Security or (as the case may be) Permanent Global Security, the Issuer shall procure that the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

*Payments on business days:* In the case of all payments made in respect of the Temporary Global Security or Permanent Global Security “business day” means any day on which the TARGET System is open.

*Notices:* While all the Securities are represented by the Permanent Global Security (or by the Temporary Global Security) and the Permanent Global Security is (or the Temporary Global Security) is deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Holders of the Securities may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

## FORM OF GUARANTEE

*The text of the Deed of Guarantee is as follows:*

This Deed of Guarantee is made on 23 November 2021.

### BY

- (1) NATURGY ENERGY GROUP, S.A. (the “**Guarantor**”)

### IN FAVOUR OF

- (2) THE HOLDERS of any Security or Securities (as defined below) or the coupons relating to them; and
- (3) THE RELEVANT ACCOUNT HOLDERS (as defined in the Deed of Covenant described below).

### WHEREAS

- (A) Naturgy Finance B.V. (the “**Issuer**”) proposes to issue €500,000,000 Undated 5.25 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the “**Securities**”, which expression shall, if the context so admits, include the Global Securities (whether in temporary or permanent form)) in connection with which the Issuer and Guarantor have become parties to a fiscal agency agreement (the “**Fiscal Agency Agreement**”) dated 23 November 2021 between, *inter alios*, the Issuer, the Guarantor and Citibank, N.A., London Branch in its various capacities as set out therein relating to the Securities, and the Issuer has executed and delivered a deed of covenant (the “**Deed of Covenant**”) dated 23 November 2021.
- (B) The Guarantor has duly authorised the giving of a guarantee on a subordinated basis in respect of the Securities and the Deed of Covenant.

**THIS DEED WITNESSES** as follows:

### 1 Interpretation

- 1.1 All terms and expressions which have defined meanings in the Conditions (as defined in the Deed of Covenant), the Fiscal Agency Agreement or the Deed of Covenant shall have the same meanings in this Deed of Guarantee except where the context requires otherwise or unless otherwise stated.
- 1.2 Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.
- 1.3 All references in this Deed of Guarantee to an agreement, instrument or other document (including the Conditions, the Fiscal Agency Agreement and the Deed of Covenant) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time.
- 1.4 Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.
- 1.5 Clause headings are for ease of reference only.

### 2 Guarantee and Indemnity

- 2.1 The Guarantor hereby unconditionally and irrevocably guarantees on a subordinated basis:
  - 2.1.1 to each Holder the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of any Security as and when the same become due and payable and accordingly undertakes to pay to such Holder, forthwith upon demand by such Holder in

the manner and currency prescribed by the Conditions for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Security in accordance with the Conditions of the Securities and which the Issuer has failed to pay; and

2.1.2 to each Relevant Account Holder the due and punctual payment of all sums which become payable from time to time by the Issuer to such Relevant Account Holder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Relevant Account Holder, forthwith on demand by such Relevant Account Holder in the manner and currency prescribed by the Conditions for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay to such Relevant Account Holder in respect of the Direct Rights in accordance with the Deed of Covenant and which the Issuer has failed to pay.

2.2 The Guarantor unconditionally and irrevocably undertakes to each Holder and each Relevant Account Holder that, should any amount referred to in Clause 2.1 not be recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Security, any provision of any Security, the Deed of Covenant or any provision thereof being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that the same may have been known to such Holder or Relevant Account Holder, the Guarantor will, forthwith upon demand by such Holder or Relevant Account Holder, pay such sum by way of a full indemnity in the manner and currency prescribed by the Securities or (as the case may be) the Deed of Covenant. This indemnity constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent cause of action.

### **3 Taxes**

The Guarantor covenants in favour of each Holder and each Relevant Account Holder that it will duly perform and comply with its obligations expressed to be undertaken by it in Condition 8 (*Taxation*).

### **4 Preservation of Rights**

4.1 The obligations of the Guarantor herein contained shall be deemed to be undertaken as principal debtor.

4.2 The obligations of the Guarantor herein contained shall be continuing obligations notwithstanding any settlement of account or other matters or things whatsoever and, in particular but without limitation, shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under any Security or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Securities and under the Deed of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

4.3 Neither the obligations expressed to be assumed by the Guarantor herein contained nor the rights, powers and remedies conferred upon the Holders, the Relevant Account Holders or any of them by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:

4.3.1 the winding up, bankruptcy, moratorium or dissolution of the Issuer or analogous proceeding in any jurisdiction or any change in its status, function, control or ownership; or

4.3.2 any of the obligations of the Issuer under any of the Securities or the Deed of Covenant being or becoming illegal, invalid or unenforceable; or

4.3.3 time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under any of the Securities or the Deed of Covenant; or

- 4.3.4 any amendment to, or any variation, waiver or release of, any obligation of the Issuer under any of the Securities or the Deed of Covenant; or any other act, event or omission which, but for this Clause 4.3, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Holders, the Relevant Account Holders or any of them by this Deed of Guarantee or by law.
- 4.4 Any settlement or discharge between the Guarantor and the Holders, the Relevant Account Holders or any of them shall be conditional upon no payment to the Holders, the Relevant Account Holders or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Holders and the Relevant Account Holders shall each be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.
- 4.5 No Holder or Relevant Account Holder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:
- 4.5.1 to make any demand of the Issuer, other than (in the case of a Holder) the presentation of the relevant Security; or
- 4.5.2 to take any action or obtain judgment in any court against the Issuer; or
- 4.5.3 to make or file any claim or proof in a winding-up or dissolution of the Issuer and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Security, presentment, demand and protest and notice of dishonour.
- 4.6 The Guarantor agrees that so long as any amounts are or may be owed by the Issuer under any of the Securities or the Deed of Covenant or the Issuer is under any actual or contingent obligations thereunder, the Guarantor shall not exercise rights which the Guarantor may at any time have by reason of performance by the Guarantor of its obligations hereunder:
- 4.6.1 to claim any contribution from any other guarantor of the Issuer's obligations under the Securities or the Deed of Covenant; and/or
- 4.6.2 to take the benefit, in whole or in part, of any security enjoyed in connection with, any of the Securities or the Deed of Covenant issued by the Issuer, by any Holder or Relevant Account Holder; and/or
- 4.6.3 to be subrogated to the rights of any Holder or Relevant Account Holder against the Issuer in respect of amounts paid by the Guarantor under this Deed of Guarantee.

## **5 Conditions, Status and Subordination**

- 5.1 The Guarantor undertakes to comply with and be bound by those provisions of the Conditions which relate to it and which are expressed to relate to it.
- 5.2 The Guarantor undertakes that its obligations hereunder rank, and will at all times rank, as described in Condition 3(b) (*Guarantee, Status and Subordination of the Guarantee—Status of the Guarantee*).
- 5.3 In the event of the Guarantor being declared in insolvency (*concurso*) under Spanish insolvency law, the provisions of Condition 3(c) (*Guarantee, Status and Subordination of the Guarantee—Subordination of the Guarantee*) shall apply.



## **6 Delivery of Deed of Guarantee**

A duly executed original of this Guarantee shall be delivered promptly after execution to the Fiscal Agent and such original shall be held to the exclusion of the Guarantor until the date on which complete performance by the Guarantor of the obligations contained in this Guarantee and in the Securities occurs. A certified copy of this Guarantee may be obtained by any Holder or any Relevant Account Holder from the Fiscal Agent at its specified office at the expense of such Holder or Relevant Account Holder. Any Holder or Relevant Account Holder may protect and enforce his rights under this Guarantee (in the courts specified in Clause 10 below) upon the basis described in the Deed of Covenant (in the case of a Relevant Account Holder) and a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Paying Agent without the need for production in any court of the actual records described in the Deed of Covenant or this Guarantee. Any such certification shall be binding, except in the case of manifest error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Holders and Relevant Account Holders. This Clause shall not limit any right of any Holder or Relevant Account Holder to the production of the originals of such records or documents or this Guarantee in evidence.

## **7 Deed Poll; Benefit of Guarantee**

- 7.1 This Deed of Guarantee shall take effect as a Deed Poll for the benefit of the Holders and the Relevant Account Holders from time to time.
- 7.2 The obligations expressed to be assumed by the Guarantor herein shall enure for the benefit of each Holder and Relevant Account Holder, and each Holder and each Relevant Account Holder shall be entitled severally to enforce such obligations against the Guarantor.
- 7.3 The Guarantor may not assign or transfer all or any of its rights, benefits and obligations hereunder except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation of the Guarantor on the terms approved by an Extraordinary Resolution of the Holders.

## **8 Provisions Severable**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

## **9 Notices**

- 9.1 All communications to the Guarantor hereunder shall be made in writing (by letter or e-mail) and shall be sent to the Guarantor at:

Address: Avenida Diagonal 525, 08029 Barcelona, Spain

E-mail: [gd\\_naturgyfinancing@naturgy.com](mailto:gd_naturgyfinancing@naturgy.com)

Attention: Enrique Berenguer Marsal

or to such other address or e-mail address or for the attention of such other person or department as the Guarantor has notified to the Holders in the manner prescribed for the giving of notices in connection with the Securities.

- 9.2 Every communication sent in accordance with Clause 9.1 shall be effective upon receipt by the Guarantor; and provided, however, that any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

**10 Law and Jurisdiction**

- 10.1 Governing Law: This Deed of Guarantee and all non-contractual obligations arising out of or in connection with it shall be governed by, and shall be construed in accordance with, English law, except for the provisions of Condition 3(c) referred to in Clause 5.3, which shall be governed by and construed in accordance with Spanish law.
- 10.2 Subject to subclause 10.4 below, the Guarantor agrees for the benefit of the Holders and the Relevant Account Holders only that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Deed of Guarantee (including any dispute relating to any non-contractual obligations arising out of or in connection with this Deed of Guarantee) and accordingly submit to the exclusive jurisdiction of the courts of England.
- 10.3 Appropriate forum: The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any dispute and, accordingly, that it will not argue to the contrary.
- 10.4 The Holders and Relevant Account Holders may take any suit, action or proceedings (including any proceedings relating to any non-contractual obligations arising out of or in connection with this Deed of Guarantee) (together referred to as “**Proceedings**”) against the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions. The Guarantor hereby appoints Law Debenture Corporate Services Limited at 8th Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom to accept service of any Proceedings on its behalf or at any address of the Guarantor in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Holder or Relevant Account Holder addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder or Relevant Account Holder shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Holder or Relevant Account Holder to serve process in any other manner permitted by law.

In witness whereof this Deed has been signed as a deed by the Guarantor and is hereby delivered on the date first above written.

**SIGNED as a DEED and DELIVERED** )  
on behalf of Naturgy Energy Group, S.A. )  
a company incorporated in the Kingdom of Spain )  
by:..... )  
being a person who, in accordance with )  
the laws of that territory are acting under )  
the authority of the company )

## **USE AND ESTIMATED NET AMOUNT OF PROCEEDS**

The net proceeds of the issue of the Securities, expected to amount to €498,000,000, will be on-lent to the Guarantor to be used by the Guarantor and its consolidated subsidiaries for general corporate and financing purposes, which may include the redemption or repurchase of existing debt securities of the Guarantor or any of its consolidated subsidiaries, including, without limitation, preferred securities, bonds or other types of financial instruments.

## DESCRIPTION OF NATURGY FINANCE B.V.

### Incorporation and Status

Naturgy Finance B.V. was incorporated on 26 November 1993 under the name Union Fenosa Finance B.V. and operates under the laws of The Netherlands as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) with its corporate seat in Rotterdam, The Netherlands, for an indefinite period. On 23 March 2012, its name changed from Union Fenosa Finance B.V. to Gas Natural Fenosa Finance B.V. and its statutory seat changed from Rotterdam to Amsterdam. Its name changed to Naturgy Finance B.V. (“NF”) pursuant to an amendment to the articles of association on 6 August 2018. The registered office address of NF is at Barbara Strozilaan 201, 1083 HN Amsterdam, The Netherlands and the telephone number is +31 20 421 3290. NF is registered with the Trade Register of the Dutch Chamber of Commerce under number 24243533. The Legal Entity Identifier of NF is 2138005FTXOJUBQ5J563. NF’s website is [www.naturgy.com](http://www.naturgy.com).

### Share Capital

As at 31 December 2020, NF’s authorised share capital was €90,756.00 divided into 200 ordinary shares of €453.78 each. Its issued share capital is fully paid-up and is owned by the Guarantor. NF has no subsidiaries.

### Business

NF was incorporated to facilitate the raising of finance for the Group.

In order to achieve its objectives, NF is authorised to raise funds by issuing negotiable obligations, perpetual subordinated securities and commercial paper on the capital and money markets.

### Managing Directors

On 17 September 2015, the Guarantor, in its capacity as the sole shareholder of NF, resolved, among other things, to (i) amend the articles of association of NF, (ii) establish a Supervisory Board and an Audit Committee out of its members and (iii) change the composition of the Board of Management of NF, reducing its members from five to three. The creation of the Supervisory Board and the Audit Committee was aimed at improving the corporate governance of NF. The function of the Supervisory Board is to supervise NF’s Board of Management, the general course of affairs and business of NF.

The Board of Management of NF has the ultimate responsibility for the administration of the affairs of NF. The managing directors, their position in NF and their principal activities outside NF as at the date of this Offering Circular are as follows:

Name	Position	Principal activities outside NF
Enrique Berenguer Marsal	Managing Director	Finance Director of the Group
Gunther Axel Reinder Warris	Managing Director	Proxy holder A of Intertrust (Netherlands) B.V.
Valeria Torres Ledesma	Managing Director	—

The business address of NF and the managing directors is Barbara Strozilaan 201, 1083 HN Amsterdam, The Netherlands.

### Members of the Supervisory Board

The Supervisory Board of NF has the responsibility of supervising NF’s Board of Management, the general course of affairs and business of NF. In December 2019, the Supervisory Board also assumed the functions of NF’s Audit Committee. The members of the Supervisory Board, their position in NF and their principal activities outside NF as at the date of this Offering Circular are as follows:

Name	Position
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**Principal activities outside NF**

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Irene Velasco Miranda	Supervisory Board member	Head of the Accounting Planning and Corporate Operations Department of the Group
Carles Llobet Contijoch	Supervisory Board member	Member of the Finance Department of the Group
Maarten van Daalen	Supervisory Board member	Managing director of Amstelcorp B.V., a provider of legal, administrative and accounting services to international corporations

The business address of the members of the Supervisory Board is Barbara Strozzilaan 201, 1083 HN Amsterdam, The Netherlands.

**Conflicts of Interest**

There are no conflicts of interest between any duties owed by the managing directors and the members of the Supervisory Board of NF to NF and their respective private interests and/or duties.

## DESCRIPTION OF NATURGY ENERGY GROUP, S.A.

### Incorporation and Status

Naturgy Energy Group, S.A. (the “**Guarantor**”) was incorporated on 28 January 1843 for an indefinite period and operates under Spanish law as a limited liability company (*sociedad anónima*) registered at the Commercial Registry of Madrid with reference Volume 36,567, Folio 35, Page M-656514. Its change of name from Gas Natural SDG, S.A. to Naturgy Energy Group, S.A. was agreed on 27 June 2018 at the Guarantor’s general shareholders’ meeting and such name change took effect on that day. The registered office of the Guarantor is at Avenida de América, 38. 28028 Madrid, Spain and the telephone number is +34 93 402 93 04. The Legal Entity Identifier of the Guarantor is TL2N6M87CW970S5SV098. The Guarantor’s website is [www.naturgy.com](http://www.naturgy.com).

The Guarantor is the parent company of the Group. For an overview of the Guarantor’s subsidiaries, joint ventures, jointly-controlled assets and operations and associates, please see Appendix I to the 2021 Interim Financial Statements, which are incorporated by reference in this Offering Circular.

### Share Capital

As at the date of this Offering Circular, the authorised share capital of the Guarantor is €969,613,801, represented by book entries and forming a single class. The share capital is fully subscribed and paid up.

### Principal Shareholders

As at the date of this Offering Circular, the Guarantor’s largest shareholders are: (i) Criteria Caixa, S.A.U. (“**Criteria**”) with a shareholding of 26.7%, (ii) Rioja Acquisitions S.à.r.l with a shareholding of 20.7%, (iii) GIP III Canary 1 S.à.r.l. with a shareholding of 20.6%, (iv) Global InfraCo O (2) S.à r.l (“**Global InfraCo**”), a subsidiary of IFM Global Infrastructure Fund (“**IFM GIF**”), with a shareholding of 11.0% and (v) Société Nationale pour la Recherche, la Production, le Transport, la Transformation, et la Commercialisation des Hydrocarbures s.p.a. (“**Sonatrach**”) with a shareholding of 4.1%.

### Alternative Performance Measures

Naturgy’s financial disclosures as well as the information set forth in this Offering Circular (including in this section “*Description of Naturgy Energy Group, S.A.*”) 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 Measures (“**APMs**”), which are viewed as adjusted figures with respect to those presented in accordance with IFRS standards.

The chosen APMs are useful for persons consulting financial information as they allow for an analysis of the financial performance, cash flows and financial situation of Naturgy, as well as a comparison with other companies.

Generally, APM terms are directly traceable to the relevant items of the interim consolidated balance sheet, interim consolidated statement of income, interim consolidated cash flow statement or notes to the condensed consolidated interim financial statements of Naturgy. Terms which cannot be directly cross-referenced are reconciled in Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors’ Report 2021 which is incorporated by reference in this Offering Circular.

With regard to “Ordinary EBITDA” and “Ordinary Profit attributable to equity holders of the parent company”, which are both APMs, “Ordinary EBITDA” is defined as EBITDA minus non-ordinary items and “Ordinary Profit attributable to equity holders of the parent company” is defined as Profit attributable to equity holders of the parent company minus non-ordinary items. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors’ Report 2021 which is incorporated by reference in this Offering Circular, and the table further below setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Unless expressly specified otherwise in this Offering Circular, any reference to EBITDA in this Offering Circular refers to Reported EBITDA.

## History

The history of the Group can be traced back to 28 January 1843, when *Sociedad Catalana para el Alumbrado por Gas* was incorporated with the aim of installing a street lighting system in the city of Barcelona by means of gas manufactured from coal. In 1987, the company changed its name to Catalana de Gas, S.A. and, on 31 December 1991, Catalana de Gas, S.A. merged with and absorbed Gas Madrid, S.A. (incorporated in 1921), thus acquiring the piped gas distribution assets of the Repsol group. In March 1992, Catalana de Gas, S.A., the surviving entity from the merger, changed its name to Gas Natural SDG, S.A.

In the 1990s, the Group commenced a process of international expansion. In December 1992, the Group led a consortium that successfully bid for 70% of a concession to distribute natural gas in Argentina, and, in 1996, the Group became the majority shareholder in Metragaz, S.A. (“**Metragaz**”) and Europe-Maghreb Pipeline Ltd.

Since 1997, the Group continued its process of international expansion through the acquisition of gas and electricity assets in Latin America (including Brazil, Colombia, Mexico and Puerto Rico) and Western Europe (principally Italy and France). Pursuant to an agreement signed on 30 July 2008, the Guarantor acquired an additional stake in Unión Fenosa, S.A. (“**Unión Fenosa**”) from Actividades de Construcción y Servicios, S.A. (“**ACS**”) and subsequently launched a mandatory takeover bid for the remaining Unión Fenosa shares. The takeover offer was successful and the merger process between the Guarantor and Unión Fenosa was completed in September 2009.

On 8 January 2013, the Group signed an agreement with Algerian company Sonatrach to acquire 10% of Medgaz, S.A. (“**Medgaz**”). Medgaz operates the Algeria-Europe subsea gas pipeline connecting Beni Saf (Algeria) with the coast of Almería (Spain). On 30 July 2013, the Guarantor acquired from GDF Suez a 4.9% shareholding in Medgaz, thereby increasing its total stake to 14.9%.

On 15 October 2019, Naturgy reached an agreement to acquire an additional 34.05% stake in Medgaz from CEPSA Holding LLC, a wholly owned subsidiary of Mubadala Investment Company (“**Mubadala**”), for €445 million, through a special purpose vehicle (“**SPV**”). On 2 April 2020, BlackRock’s Global Energy & Power Infrastructure Fund (“**GEPIF**”) acquired a 50% stake in the SPV at the same price at which the Medgaz stake was agreed to be purchased from Mubadala.

On 19 March 2018, the Group sold a minority stake of 20% in the Group’s gas distribution business in Spain to a consortium of long-term infrastructure investors comprising Allianz Capital Partners and Canada Pension Plan Investment Board.

On 13 November 2020, Naturgy announced an agreement to sell its 96.04% equity shareholding in Chilean utility company Compañía General de Electricidad, S.A. (“**CGE**”) (which holds the power business in Chile) to State Grid International Development Limited for a total purchase price of €2,570 million. The transaction was completed on 26 July 2021.

On 1 December 2020, Naturgy, Eni S.p.A. (“**ENI**”) and The Arab Republic of Egypt reached an agreement to resolve the disputes affecting Union Fenosa Gas (“**UFG**”), the 50%/50% partnership between Naturgy and ENI. The transaction completed in March 2021 and Naturgy received a series of cash payments adding up to approximately U.S.\$0.6bn, as well as most of the assets outside of Egypt, excluding UFG’s commercial activities in Spain.

## Recent Developments

### *Voluntary and unsolicited offer for 22.689% of the Guarantor’s share capital*

The Guarantor learned on 25 January 2021, through the relevant information disclosed to the Comisión Nacional del Mercado de Valores (the “**CNMV**”) by Global InfraCo (the “**Offeror**”), wholly-owned by IFM GIF, the terms and conditions of a voluntary and unsolicited offer made for 220,000,000 shares in the Guarantor, representing 22.689% of the Guarantor’s share capital (the “**Offer**”).

On 8 September 2021, the CNMV authorised the Offer. Prior to such authorisation, the Offeror obtained, on 3 August 2021, the authorisation from the Spanish Council of Ministers (*Consejo de Ministros*) for the Offer, subject to certain conditions which were accepted by the Offeror on 5 August 2021.

The initial consideration of the Offer amounted to €23.00 for each share in the Guarantor, fully payable in cash. However, this price was subsequently adjusted downwards to €22.07 per share as a consequence of the dividend payments made by the Guarantor to its shareholders after the announcement of the Offer on 25 January 2021.

The acceptance period started on 9 September 2021 and lasted for 30 calendar days until 8 October 2021. The Offer was conditional on the acceptance of at least 164,834,347 Naturgy shares, representing 17% of the Guarantor's share capital.

On 14 October 2021, the Offeror announced that the Offer had been accepted by 105,021,887 shares, representing 10.83% of the Guarantor's share capital. At this point, the Offeror decided to waive the minimum acceptance condition of 17% and the Offer was settled on 19 October 2021 with IFM GIF becoming a significant shareholder in Naturgy with an initial shareholding of 10.83%.

None of the Guarantor's three main shareholders accepted the Offer, which is consistent with what they had previously announced. The Guarantor's directors, individually, and the Board of Directors collectively (in respect of the Guarantor's treasury shares) decided not to tender either.

### ***New Strategic Plan 2021-2025***

On 27 July 2021, the Guarantor's Board of Directors unanimously approved a new Strategic Plan for the period 2021 through 2025 (the "**Strategic Plan**"), which aims to accelerate the transformation of the Group by investing in assets aligned with the energy transition and decarbonisation goals.

The Strategic Plan is part of the strong commitment to ESG criteria that the Group has been implementing in recent years and includes a Sustainability Plan with targets for 2025 in the ESG areas. This includes the objective of achieving carbon neutrality by 2050 and close to 60% of installed power capacity from renewable sources by 2025 as well as a reduction in CO<sub>2</sub> emissions (Scope 1 – Scope 3) of 24% by 2025 (against a 2017 baseline). The Group also aims to achieve gender parity by 2030 and to have more than 40% of its executive and management positions occupied by women by 2025. Furthermore, Naturgy intends to increase the weighting of ESG compliance in the remuneration of its management teams.

Naturgy aims to dedicate a substantial part of its future investments into renewables growth and networks activities in countries with stable regulation and strong currencies. Furthermore, Naturgy aims to invest in digitalisation and electrification, and to significantly boost the implementation of renewable gas to enhance its key role in the energy transition. Hydrogen, mobility, storage and distributed generation are expected to be other focuses of investment in the coming years.

In renewables, Naturgy will focus on proven technologies including Solar PV, onshore wind and storage in stable geographies benefiting from long term visibility. Naturgy believes it has a significant renewables pipeline for development in various geographies and expects to be able to leverage its customer base as a natural hedge to balance risks of new renewable capacity.

As regards networks, Naturgy is committed to maintaining a leading position via pro-active regulatory management, digitalisation and best-in-class operations to lower risk and increase cash flow predictability in the regions where it operates.

Furthermore, in energy management, Naturgy will seek to continue to improve its competitiveness and reduce risk throughout the portfolio, through the ongoing review and optimisation of gas procurement contracts, the remote operation of its CCGT fleet in Spain, as well as the improvement of its cost and investment efficiency on its thermal generation operations in Latin America.

With regard to the supply business, Naturgy aims to boost its competitiveness via market repositioning, an integrated energy offering, and the refocusing of its distribution channels, including additional third-party agreements. Furthermore, Naturgy aims to improve its customer relationships via enhanced data analytics and customer segmentation to improve customer services and enhance loyalty.

Finally, Naturgy plans to accelerate its digital transformation by means of a transition to a new simpler and integrated platform enhancing efficiency in each operating process.

### **Investment highlights**



### *Diversified and integrated business model*

As a diversified and integrated energy group, Naturgy believes that its presence across the power and gas value chains provides it with the necessary resilience and synergies to compete in the markets where it operates. Naturgy believes it is well-placed to take advantage of the energy transition as the Group holds leading market positions and critical mass in its core markets.

### *Balanced mix of activities, geographies and risks*

Naturgy believes it has a balanced mix of activities, geographies, and risks. Over recent years, the Group has exited from non-core geographies and businesses and, accordingly, reduced its risk exposure to more volatile businesses and geographies. During the year 2020, over 70% of the Group's Reported EBITDA was derived from regulated and long-term contracted activities, which the Group believes provides it with increased resilience and stability.

### *Energy transition offers an attractive growth opportunity*

Naturgy believes that the European Green Deal and decarbonisation goals support increased electrification and the rise of renewables within the power generation mix. The development of renewables is also expected to be supported by falling manufacturing costs and increased efficiency. Natural gas and gas infrastructure have a key role to play in the energy transition, supporting the shift away from coal, together with the increased competitiveness of renewable gases and circular economies. In this context, the energy sector is expected to benefit from secular growth trends which in turn should support long-term growth prospects.

### *Strong balance sheet and prudent financial policy*

Naturgy has exited from a number of non-core business and geographies in recent years, reinforcing its balance sheet strength. Following the recent disposal of Naturgy's 96.04% equity shareholding in CGE in September 2021, the Group has reduced its leverage ratio from a Net debt to Reported EBITDA of 3.9x as at 31 December 2020 to 3.3x as at 30 September 2021, considering the last twelve months Reported EBITDA. The Group believes that this strong and resilient cash flow generation coupled with the solid capital structure should finance the Group's growth, as envisioned in its Strategic Plan. Moreover, the Group has rebalanced its future capital allocation reducing shareholder remuneration and continues to maintain a strong commitment towards a BBB rating. The recently established dividend policy of €1.2 per share in 2021 will be reassessed in 2023 against the evolution of the Strategic Plan, providing the Group with increased flexibility in the face of potential headwinds or unforeseen events.

### *Management commitment and track record*

In recent years, the Group has undergone a significant business optimisation and shape up. In particular, Naturgy has successfully completed an efficiency plan during the period 2018-2020 which translated into approximately €500 million recurrent savings per year, as well as the renegotiation of gas procurement contracts amounting to 15bcms in aggregate which increased the competitiveness of Naturgy's gas portfolio in the volatile environment experienced during 2020, reducing the overall risk profile of its business. The Group believes these measures have increased cash flow predictability and reduced its risk exposure, which have shaped up the Group's strategy for the next stage of its transformation.

Financial discipline remains a cornerstone of the Group's strategy and financial policy. Since 2018, Naturgy has established new rules and hurdle rates for minimum investment returns required by business and geography, which are evaluated by an investment committee on an ongoing basis to ensure capital discipline is complied with.

The Group's management team is fully aligned with the interests of stakeholders and committed to ESG initiatives, which are embedded at the core of the Strategic Plan. As such, ESG targets form part of the Group's management incentives.

## **The Group's business**

The Group is mainly engaged in the generation, transport, distribution and supply of electricity, as well as the liquefaction, regasification, transportation, storage, distribution and supply of natural and renewable gas.

During 2020, the Group reorganised its business to focus on the energy transition across the following three business units:

## 1. Energy management and networks

- Iberian Networks:
  - Gas networks Spain: encompasses the regulated gas distribution business in Spain.
  - Electricity networks Spain: encompasses the regulated electricity distribution business in Spain.
- Latin American networks:
  - Gas networks and supply in Chile
  - Gas networks in Brazil
  - Gas networks in Mexico
  - Electricity networks in Panama
  - Gas and electricity networks in Argentina
- Energy Management:
  - Markets & Procurement: including all gas procurement and internal and external sales (except for International LNG and gas sales to end customers with volumes sold below 500GWh/year in Spain, reflected within the supply business unit).
  - International LNG: includes both the sale of liquefied natural gas and the sea transport business.
  - Gas pipelines: Manages the Maghreb-Europe and Medgaz gas pipelines.
  - Thermal generation in Spain: includes the management of conventional thermal generation in Spain, mainly CCGTs.
  - Thermal generation Latin America: includes the management of conventional thermal generation facilities of Global Power Generation (“GPG”) (in Mexico, the Dominican Republic and Puerto Rico, the latter accounted using the equity method through EcoEléctrica LP).

## 2. Renewables and new businesses

- Renewables Spain and the United States: includes the management of facilities and generation projects for wind energy, mini hydro, solar and cogeneration, additionally incorporating hydroelectric generation. The activities included in this segment are mainly carried out in Spain, and its expansion into the United States following the acquisition of a portfolio of 8 GW of solar projects and 4.6 GW energy storage projects in the U.S.
- Renewables Latin America: includes the management of the facilities and renewable electricity generation projects of GPG located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
- Renewables Australia: includes the management of the facilities and the renewable electricity generation projects of GPG located in Australia.

## 3. Supply

- Manages the commercial model for end customers in gas, electricity and services, incorporating new technologies and services.
- Includes all power sales to end customers in Spain.
- Includes gas sourcing from markets and procurement unit and sales to end customers with volumes sold below 500GWh/year in Spain.

## Overview of the Group's business performance

The energy scenario and the good operational performance during the first half of 2021 translated into better results in both regulated and liberalised activities in Spain when compared to the Group's operating performance in 2020. However, despite a better performance in the six-month period ended 30 June 2021, activities in Latin American regions continued to be affected by foreign exchange ("FX") depreciation as well as modest demand recovery, and renewables continued to suffer from lower margins overall in this region.

The following table sets forth certain information in respect of the Group's financial performance during the six-month period ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Reported			Ordinary <sup>(1)</sup>		
	Six-month period ended 30 June			Six-month period ended 30 June		
	2021	2020	Change (%)	2021	2020	Change (%)
	(million €)			(million €)		
EBITDA	1,678	1,744	(3.8)	1,959	1,908	2.7
Profit attributable to equity holders of the parent company	484	334	44.9	557	476	17.0
Capex	439	552	(20.5)	—	—	—
Net debt	13,611 <sup>(2)</sup>	13,612 <sup>(3)</sup>	n.m.	—	—	—

Notes:

- (1) EBITDA and Profit attributable to equity holders of the parent company adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table further below setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.
- (2) As at 30 June 2021.
- (3) As at 31 December 2020.

Ordinary EBITDA reached €1,959 million in the first half of 2021, an increase of 2.7% when compared to the corresponding period in 2020 due to higher demand and improving energy scenario. However, it represents a decrease of 14% when compared to the first six months of 2019 (prior to the COVID-19 outbreak).

Ordinary Profit attributable to equity holders of the parent company reached €557 million in the first half of 2021, an increase of 17.0% when compared to the corresponding period in 2020, albeit representing a decrease of 20% when compared to the first half of 2019. On a reported basis, Profit attributable to equity holders of the parent company reached €484 million during the six-month period ended 30 June 2021, mainly impacted by the restructuring costs incurred but partly compensated by the completion of the UFG agreement which had a positive non-ordinary impact of €103 million in earnings.

Capex amounted to €439 million during the first half of 2021, a decrease of 20.5% when compared to the first half of 2020.

As of 30 June 2021, Net debt amounted to €13,611 million, which is in line with net debt levels as at 31 December 2020 and after the €611 million of dividends paid on 17 March 2021 (corresponding to the final dividend for 2020). The Net debt figure as at 30 June 2021 does not yet reflect the pre-tax proceeds of €2,570 million following the completion of the disposal of CGE.

The table below sets forth the breakdown of the Group's EBITDA by activity during the six-month period ended 30 June 2021 and 2020, respectively.

	Reported			Ordinary <sup>(1)</sup>		
	Six-month period ended 30 June			Six-month period ended 30 June		
	2021	2020	Change (%)	2021	2020	Change (%)
	(million €)			(million €)		
Energy management and networks	1,414	1,476	(4.2)	1,613	1,563	3.2
Renewables and new businesses	185	193	(4.1)	178	198	(10.1)
Supply	151	134	12.7	214	171	25.1
Rest	(72)	(59)	(22.0)	(46)	(24)	91.7
<b>EBITDA</b>	<b>1,678</b>	<b>1,744</b>	<b>(3.8)</b>	<b>1,959</b>	<b>1,908</b>	<b>2.7</b>

Note:

- (1) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table below setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

The table below sets forth the breakdown of the impacts of non-ordinary items on EBITDA and Profit attributable to equity holders of the parent company for the six-month periods ended 30 June 2021 and 2020, respectively.

	EBITDA		Profit attributable to equity holders of the parent company	
	Six-month period ended 30 June		Six-month period ended 30 June	
	2021	2020	2021	2020
	(million €)		(million €)	
<b>Total non-ordinary items</b>	<b>(281)</b>	<b>(164)</b>	<b>(73)</b>	<b>(142)</b>
Restructuring costs	(300)	(165)	(209)	(121)
Asset write-down	—	—	(16)	—
Provisions reversal	12	—	9	—
Sales of land and buildings	8	1	5	1
Procurement agreement	2	—	2	—
Lean transformation costs	(32)	—	(22)	—
Generation taxes	28	—	25	—
UFG agreement	—	—	103	—
Interest sales and corporate transactions	—	—	(18)	13
Discontinued operations	—	—	47	(35)
Others	1	—	1	—

During the first half of 2021, Naturgy advanced with its employee voluntary termination plan which explains most of the €300 million restructuring costs during the six-month period ended 30 June 2021, hence significantly streamlining personnel expenses and other operating expenses (together, “**opex**”) going forward. As a result, at the EBITDA level, non-ordinary impacts during the six-month period ended 30 June 2021 amounted to -€281 million, corresponding mostly to such restructuring and transformation costs in Spain, significantly in networks and supply activities, which were partially offset by generation taxes following the hydro canon sentence (+€28 million), provisions reversals (+€12 million) and other minor impacts.

The following table below sets forth certain information in respect of the Group's main gas and electricity output figures for the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June 2021		
	2021	2020	Change (%)
Gas distribution (GWh) .....	225,028	195,586	15.1
Electricity distribution (GWh) .....	18,321	17,580	4.2
Gas supply (GWh) .....	127,295	69,193	84.0
Electricity supply (GWh) .....	11,056	10,750	2.8
International LNG (GWh) .....	76,002	63,239	20.2
Gas transportation/EMPL (GWh) .....	47,127	12,195	—
Gas distribution connections (in thousands) <sup>(1)</sup> .....	11,047	11,076	(0.3)
Electricity distribution connections (in thousands) <sup>(1)</sup> .....	4,752	4,706	1.0
Installed capacity (MW) <sup>(1)</sup> .....	15,851	15,221	4.1
Electricity generated (GWh) .....	20,306	18,897	7.5

Note:

(1) As at 30 June.

## Results by business unit

### 1. Energy management and networks

The table below sets forth certain information regarding the EBITDA of the Group's energy management and networks business unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Reported			Ordinary <sup>(1)</sup>		
	Six-month period ended 30 June			Six-month period ended 30 June		
	2021	2020	Change (%)	2021	2020	Change (%)
	(million €)			(million €)		
<b>Energy management and networks EBITDA</b>	<b>1,414</b>	<b>1,476</b>	<b>(4.2)</b>	<b>1,613</b>	<b>1,563</b>	<b>3.2</b>
<b>Networks Spain</b>	<b>649</b>	<b>696</b>	<b>(6.8)</b>	<b>828</b>	<b>769</b>	<b>(7.7)</b>
Gas networks	389	402	(3.2)	481	442	8.8
Electricity networks	260	294	(11.6)	347	327	6.1
<b>Networks Latin America</b>	<b>399</b>	<b>433</b>	<b>(7.9)</b>	<b>395</b>	<b>437</b>	<b>(9.6)</b>
Chile gas	111	99	12.1	105	99	6.1
Brazil gas	99	104	(4.8)	99	105	(5.7)
Mexico gas	108	119	(9.2)	109	120	(9.2)
Panama electricity	61	69	(11.6)	62	70	(11.4)
Argentina	20	42	(52.4)	20	43	(53.5)
<b>Energy management</b>	<b>366</b>	<b>347</b>	<b>5.5</b>	<b>390</b>	<b>357</b>	<b>9.2</b>
Markets & Procurement	16	(80)	n.m.	12	(80)	-
International LNG	86	165	(47.9)	88	168	(47.6)
Pipelines (EMPL)	100	126	(20.6)	114	126	(9.5)
Spain thermal generation	56	15	n.m.	68	22	n.m.
Latin America thermal generation	108	121	(10.7)	108	121	(10.7)

Note:

(1) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix 1 (*Alternative performance metrics*) to the Interim Consolidated Directors' Report

2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's energy management and networks business unit increased by 3.2% during the first half of 2021 when compared to the corresponding period in 2020, driven by the good performance in networks and thermal generation activities in Spain, and the Group's gas balance, benefiting the Markets & Procurement activity. These have been partially offset by the negative FX evolution in Latin America and a lower contribution from the Maghreb-Europe Gas Pipeline (the "EMPL") and International LNG activities.

According to the criteria established by International Accounting Standard ("IAS") 29 "Financial Information in Hyperinflationary Economies", the Argentine economy should be considered as hyperinflationary. As a result, FX differences arising from 30 June 2021 will be applied to the accumulated 2021 results, which will also be updated by inflation rates.

#### *Iberian Networks*

##### Spain gas networks

The table below sets forth certain information regarding the results of the Group's gas networks in Spain corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	610	569	7.2
Procurement	(47)	(39)	20.5
<b>Gross margin<sup>(1)</sup></b>	<b>563</b>	<b>530</b>	<b>6.2</b>
Other operating income	19	18	5.6
Net personnel expenses	(111)	(73)	52.1
Taxes	(15)	(13)	15.4
Other operating expenses	(67)	(60)	11.7
<b>Reported EBITDA</b>	<b>389</b>	<b>402</b>	<b>(3.2)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>481</b>	<b>442</b>	<b>8.8</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(142)	(149)	(4.7)
<b>Operating results</b>	<b>247</b>	<b>253</b>	<b>(2.4)</b>

Note:

(1) Gross Margin = Revenue – Procurement.

(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA relating to the Group's gas networks in Spain reached €481 million during the six-month period ended 30 June 2021, an increase of 8.8% when compared to the corresponding period in 2020. Higher distributed sales following demand recovery, as well as operational improvements, allowed to compensate the lower remuneration under the new regulatory framework.

The table below sets forth certain information regarding the main output figures of the Group's gas distribution business in Spain corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
TPA - Sales (GWh)	101,465	93,247	8.8
LPG Sales (tn)	49,273	44,774	10.0
Distribution network (km) <sup>(1)</sup>	56,911	56,779	0.2
Increase in connection points (thousands) <sup>(2)</sup>	(12)	(2)	n.m.
Connection points (thousands) <sup>(1)</sup>	5,401	5,404	(0.1)

Notes:

(1) As at 30 June.

(2) Between 30 June of year indicated and 30 June of previous year.

### Spain electricity networks

The table below sets forth certain information regarding the results of the Group's electricity networks in Spain corresponding to six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	415	413	0.5
Procurement	—	—	—
<b>Gross margin<sup>(1)</sup></b>	<b>415</b>	<b>413</b>	<b>0.5</b>
Other operating income	9	9	—
Net personnel expenses	(102)	(61)	67.2
Taxes	(15)	(14)	7.1
Other operating expenses	(47)	(53)	(11.3)
<b>Reported EBITDA</b>	<b>260</b>	<b>294</b>	<b>(11.6)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>347</b>	<b>327</b>	<b>6.1</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(123)	(122)	0.8
<b>Operating results</b>	<b>137</b>	<b>172</b>	<b>(20.3)</b>

Note:

(1) Gross Margin = Revenue – Procurement.

(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's electricity networks in Spain amounted to €347 million during the six-month period ended 30 June 2021, a 6.1% increase when compared to the corresponding period in 2020, due to investments and additional efficiencies.

The table below sets forth certain information regarding the main output figures of the Group's electricity distributions business in Spain corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
Sales - TPA (GWh)	14,841	14,146	4.9
Connection points (thousand) <sup>(1)</sup>	3,787	3,765	0.6
ICEIT <sup>(2)</sup> (minutes)	20	18	7.9

Note:

- (1) As at 30 June.
- (2) Installed Capacity Equivalent Interruption Time.



## Latin American Networks

### Gas Chile

This business unit includes the activities of gas distribution and supply in Chile.

The table below sets forth certain information regarding the results of the Group's gas distribution and supply activities in Chile corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	283	256	10.5
Procurement	(151)	(127)	18.9
<b>Gross margin<sup>(1)</sup></b>	<b>132</b>	<b>129</b>	<b>2.3</b>
Other operating income	8	1	n.m.
Net personnel expenses	(13)	(12)	8.3
Taxes	(1)	(1)	—
Other operating expenses	(15)	(18)	(16.7)
<b>Reported EBITDA</b>	<b>111</b>	<b>99</b>	<b>12.1</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>105</b>	<b>99</b>	<b>6.1</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(31)	(32)	(3.1)
<b>Operating results</b>	<b>80</b>	<b>67</b>	<b>19.4</b>

Note:

(1) Gross Margin = Revenue – Procurement.

(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's gas distribution and supply activities in Chile totalled €105 million during the six-month period ended 30 June 2021, 6.1% higher than during the corresponding period in 2020. Higher distribution sales and efficiencies were partially offset by lower sales and margins in gas supply. FX impact was slightly negative in the period (a loss of €1 million).

The table below sets forth certain information regarding the main output figures of the Group's gas distribution and supply activities in Chile corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
Gas activity sales (GWh)	4,956	4,664	6.3
Gas sales (GWh)	240	1,191	(79.8)
TPA (GWh)	9,364	11,464	(18.3)
Distribution network (km) <sup>(1)</sup>	8,107	7,851	3.3
Increase in connection points (thousands) <sup>(2)</sup>	6	5	8.6
Connection points (thousands) <sup>(1)</sup>	660	650	1.6

Notes:

- (1) As at 30 June.  
(2) Between 30 June of year indicated and 30 June of previous year.

### Gas Networks Brazil

The table below sets forth certain information regarding the results of the Group's gas distribution and supply activities in Brazil corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
(million €)			
Revenue	541	547	(1.1)
Procurement	(414)	(404)	2.5
<b>Gross margin<sup>(1)</sup></b>	<b>127</b>	<b>143</b>	<b>(11.2)</b>
Other operating income	8	13	(38.5)
Net personnel expenses	(9)	(11)	(18.2)
Taxes	(1)	(3)	(66.7)
Other operating expenses	(26)	(38)	(31.6)
<b>Reported EBITDA</b>	<b>99</b>	<b>104</b>	<b>(4.8)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>99</b>	<b>105</b>	<b>(5.7)</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(30)	(31)	(3.2)
<b>Operating results</b>	<b>69</b>	<b>73</b>	<b>(5.5)</b>

Note:

- (1) Gross Margin = Revenue – Procurement.  
(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's gas distribution and supply activities in Brazil totalled €99 million during the six-month period ended 30 June 2021, 5.7% lower than during the corresponding period in 2020. Sales growth and positive opex evolution were not sufficient to compensate for the negative FX impact (a loss of €19 million) and the spread of tariff updates throughout the year.

The table below sets forth certain information regarding the main output figures of the Group's gas distribution and supply activities in Brazil corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Gas activity sales (GWh)</b>	<b>42,453</b>	<b>27,278</b>	<b>55.6</b>
Gas sales	21,358	17,597	21.4
TPA	21,095	9,681	117.9
Distribution network (km) <sup>(1)</sup>	8,208	8,107	1.2
Increase in connection points (thousands) <sup>(2)</sup>	8	6	39.2
Connection points (thousands) <sup>(1)</sup>	1,154	1,141	1.2

Notes:

- (1) As at 30 June.  
(2) Between 30 June of year indicated and 30 June of previous year.

### Gas Networks Mexico

The table below sets forth certain information regarding the results of the Group's gas distribution and supply activities in Mexico corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	335	268	25.0
Procurement	(204)	(132)	54.5
<b>Gross margin<sup>(1)</sup></b>	<b>131</b>	<b>136</b>	<b>(3.7)</b>
Other operating income	5	16	(68.8)
Net personnel expenses	(9)	(10)	(10.0)
Taxes	—	(1)	(100.0)
Other operating expenses	(19)	(22)	(13.6)
<b>Reported EBITDA</b>	<b>108</b>	<b>119</b>	<b>(9.2)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>109</b>	<b>120</b>	<b>(9.2)</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(26)	(27)	(3.7)
<b>Operating results</b>	<b>82</b>	<b>92</b>	<b>(10.9)</b>

Note:

- (1) Gross Margin = Revenue – Procurement.  
(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's gas distribution and supply activities in Mexico during the six-month period ended 30 June 2021 amounted to €109 million, a 9.2% decrease when compared to the corresponding period in 2020 as higher sales and margins in the supply activity were not sufficient to compensate for negative FX impact (a loss of €5 million), delayed tariff updates, and lower contribution from energy services.

The table below sets forth certain information regarding the main output figures of the Group's gas distribution and supply activities in Mexico corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Gas activity sales (GWh)</b>	<b>25,677</b>	<b>21,260</b>	<b>20.8</b>
Gas sales	11,678	10,383	12.5
TPA	13,999	10,877	28.7
Distribution network (km) <sup>(1)</sup>	22,850	22,762	0.4
Increase in connection points (thousands) <sup>(2)</sup>	(11)	(20)	(43.2)
Connection points (thousands) <sup>(1)</sup>	1,578	1,641	(3.9)

Notes:

- (1) As at 30 June.  
(2) Between 30 June of year indicated and 30 June of previous year.

### Electricity Networks Panama

The table below sets forth certain information regarding the results of the Group's electricity distribution activities in Panama corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	350	408	(14.2)
Procurement	(267)	(315)	(15.2)
<b>Gross margin<sup>(1)</sup></b>	<b>83</b>	<b>93</b>	<b>(10.8)</b>
Other operating income	2	2	—
Net personnel expenses	(5)	(4)	25.0
Taxes	(2)	(2)	—
Other operating expenses	(17)	(20)	(15.0)
<b>Reported EBITDA</b>	<b>61</b>	<b>69</b>	<b>(11.6)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>62</b>	<b>70</b>	<b>(11.4)</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(21)	(32)	(34.4)
<b>Operating results</b>	<b>40</b>	<b>37</b>	<b>(8.1)</b>

Note:

- (1) Gross Margin = Revenue – Procurement.  
(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's electricity distribution activities in Panama amounted to €62 million during the six-month period ended 30 June 2021, a decrease of 11.4% when compared to the corresponding period in 2020, due to negative FX impact (a loss of €6 million) and mild temperatures.

The table below sets forth certain information regarding the main output figures of the Group's electricity distribution activities in Panama corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Electricity business sales (GWh)</b>	<b>2,524</b>	<b>2,483</b>	<b>1.7</b>
Electricity sales	2,114	2,139	(1.1)
TPA	410	344	19.1
Distribution network (km) <sup>(1)</sup>	28,916	26,178	10.5
Connection points (thousands) <sup>(1)</sup>	718	702	2.2

Note:

- (1) As at 30 June.

## Networks Argentina

The table below sets forth certain information regarding the results of the Group's distribution activities in Argentina corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	212	285	(25.6)
Procurement	134	174	(23.0)
<b>Gross margin<sup>(1)</sup></b>	<b>78</b>	<b>111</b>	<b>(29.7)</b>
Other operating income	13	13	-
Net personnel expenses	(20)	(22)	(9.1)
Taxes	(15)	(21)	(28.6)
Other operating expenses	(36)	(39)	(7.7)
<b>Reported EBITDA</b>	<b>20</b>	<b>42</b>	<b>(52.4)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>20</b>	<b>43</b>	<b>(53.5)</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(8)	(14)	(42.9)
<b>Operating results</b>	<b>12</b>	<b>28</b>	<b>(57.1)</b>

Note:

(1) Gross Margin = Revenue – Procurement.

(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's networks activities in Argentina amounted to €20 million during the six-month period ended 30 June 2021 (including the aggregate of the Group's gas distribution and electricity distribution activities in Argentina), a decrease of 53.5% when compared to the corresponding period in 2020.

Ordinary EBITDA results of the Group's gas distribution activities in Argentina amounted to €11 million during the six-month period ended 30 June 2021, a decrease of 63.3% when compared to the corresponding period in 2020. Higher sales in Generation and Third Party Access ("TPA"), Commercial and Retail segments were not enough to compensate for lower margins and the negative FX impact (a loss of €7 million) in the period.

The table below sets forth certain information regarding the main output figures of the Group's gas distribution activities in Argentina corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
<b>Gas activity sales (GWh)</b>	<b>40,872</b>	<b>36,482</b>	<b>12.0</b>
Gas sales	23,753	17,605	34.9
TPA	17,119	18,877	(9.3)
Distribution network (km) <sup>(1)</sup>	39,252	38,867	1.0
Increase in connection points (thousands) <sup>(2)</sup>	3	11	(72.5)
Connection points (thousands) <sup>(1)</sup>	2,254	2,240	0.6

Notes:

(1) As at 30 June.

(2) Between 30 June of year indicated and 30 June of previous year.

Ordinary EBITDA of the Group's electricity distribution activities in Argentina amounted to €9 million during the six-month period ended 30 June 2021, 30.8% lower than during the corresponding period in 2020, mainly explained by the negative FX impact (a loss of €4m) in the period.

The table below sets forth certain information regarding the main output figures of the Group's electricity distribution activities in Argentina corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
Electricity business sales (GWh)	956	951	0.5
Distribution network (km) <sup>(1)</sup>	9,899	9,795	1.1
Connection points (thousands) <sup>(1)</sup>	247	239	3.4

Note:

(1) As at 30 June.

### *Energy management*

#### Markets and procurement

This includes all gas procurement and internal and external sales (except for International LNG and gas sales to end customers with volumes sold below 500GWh/year in Spain).

The table below sets forth certain information regarding the results of the Group's markets and procurement business unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	2,866	1,929	48.6
Procurement	(2,836)	(1,998)	41.9
<b>Gross margin<sup>(1)</sup></b>	<b>30</b>	<b>(69)</b>	n.m.
Other operating income	13	12	8.3
Net personnel expenses	(16)	(12)	33.3
Taxes	—	—	—
Other operating expenses	(11)	(11)	—
<b>Reported EBITDA</b>	<b>16</b>	<b>(80)</b>	n.m.
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>12</b>	<b>(80)</b>	n.m.
Depreciation/amortisation & impairment losses and transfers to provisions	74	(2)	n.m.
<b>Operating results</b>	<b>90</b>	<b>(82)</b>	n.m.

Note:

(1) Gross Margin = Revenue – Procurement.

(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's markets and procurement business unit amounted to €12 million during the six-month period ended 30 June 2021, compared to a loss of €80 million during the corresponding period in 2020. This evolution is explained by higher sales and margins in an improved energy scenario and better gas procurement conditions following the extensive gas contract renegotiations completed during 2020.

The table below sets forth certain information regarding the main output figures of the Group's markets and procurement business unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Gas supply (GWh)</b>	<b>72,165</b>	<b>19,238</b>	n.m.
CCGT	12,254	8,263	48.3
Third parties	59,912	10,975	n.m.
<b>Electricity sales (GWh)</b>	<b>858</b>	<b>756</b>	<b>13.5</b>

## International LNG

The table below sets forth certain information regarding the results of the Group's International LNG business unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	1,873	1,432	30.8
Procurement	(1,772)	(1,252)	41.5
<b>Gross margin<sup>(1)</sup></b>	<b>101</b>	<b>180</b>	<b>(43.9)</b>
Other operating income	—	—	—
Net personnel expenses	(10)	(10)	—
Taxes	—	—	—
Other operating expenses	(5)	(5)	—
<b>Reported EBITDA</b>	<b>86</b>	<b>165</b>	<b>(47.9)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>88</b>	<b>168</b>	<b>(47.6)</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(72)	(66)	9.1
<b>Operating results</b>	<b>14</b>	<b>99</b>	<b>(85.9)</b>

Note:

- (1) Gross Margin = Revenue – Procurement.
- (2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's International LNG business unit reached €88 million during the six-month period ended 30 June 2021, a decrease of 47.6% when compared to the corresponding period in 2020, showing the significant weight of volumes already contracted not translating into higher profits despite the recovery of gas prices in the period. As at 30 June 2021, contracted sales for 2021 and the aggregate of 2022-23 stood at 88% and 75%, respectively.

The table below sets forth certain information regarding the main output figures of the Group's International LNG business unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
Gas sales (GWh)	76,002	63,239	20.2
Shipping fleet capacity (m <sup>3</sup> ) <sup>(1)</sup>	2,102,662	1,641,641	28.1

Note:

- (1) As at 30 June.



## Gas pipelines

The table below sets forth certain information regarding the results of the Group's gas pipelines business unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	126	137	(8.0)
Procurement	—	—	—
<b>Gross margin<sup>(1)</sup></b>	<b>126</b>	<b>137</b>	<b>(8.0)</b>
Other operating income	1	-	n.m.
Net personnel expenses	(18)	(3)	500.0
Taxes	—	—	—
Other operating expenses	(9)	(8)	12.5
<b>Reported EBITDA</b>	<b>100</b>	<b>126</b>	<b>(20.6)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>114</b>	<b>126</b>	<b>(9.5)</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(28)	(28)	—
<b>Operating results</b>	<b>72</b>	<b>98</b>	<b>(26.5)</b>

Note:

- (1) Gross Margin = Revenue – Procurement.
- (2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's gas pipelines business unit decreased by 9.5% to €114 million during the six-month period ended 30 June 2021 when compared to the corresponding period in 2020. Tariff updates were offset by the capacity step down and U.S.\$ depreciation (a decrease of €11 million).

The table below sets forth certain information regarding the main output figures of the Group's gas pipelines business unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Gas transport - EMPL (GWh)</b>	<b>47,127</b>	<b>12,195</b>	<b>286.4</b>
Portugal-Morocco	18,822	5,818	223.5
Spain (Naturgy)	28,305	6,377	343.9

### Spain thermal generation

The table below sets forth certain information regarding the results of the Group's thermal generation business in Spain corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	562	430	30.7
Procurement	(332)	(269)	23.4
<b>Gross margin<sup>(1)</sup></b>	<b>230</b>	<b>161</b>	<b>42.9</b>
Other operating income	7	6	16.7
Net personnel expenses	(47)	(40)	17.5
Taxes	(90)	(71)	26.8
Other operating expenses	(44)	(41)	7.3
<b>Reported EBITDA</b>	<b>56</b>	<b>15</b>	<b>273.3</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>68</b>	<b>22</b>	<b>209.1</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(39)	(71)	(45.1)
<b>Operating results</b>	<b>17</b>	<b>(56)</b>	<b>(130.4)</b>

Note:

- (1) Gross Margin = Revenue – Procurement.
- (2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's thermal generation business in Spain amounted to €68 million during the six-month period ended 30 June 2021, up from the €22 million obtained during the corresponding period in 2020 on the back of higher pool prices and CCGTs sales and margins.

Pool prices increased 102.1% during the six-month period ended 30 June 2021 compared to the six-month period ended 30 June 2020, averaging €58.6/MWh during the first six months of 2021, as a result of higher gas and CO<sub>2</sub> prices. Total production increased by 1.8% during the six-month period ended 30 June 2021 when compared to the corresponding period in 2020. In particular, CCGTs increased by 2.6% while nuclear production remained stable (a slight decrease of 0.4%).

The tables below set forth certain information regarding the main output figures of the Group's thermal generation business in Spain corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Total MW<sup>(1)</sup></b>	<b>8,031</b>	<b>8,031</b>	—
Nuclear	604	604	—
CCGTs	7,427	7,427	—
<b>Electric energy produced (GWh)</b>	<b>7,162</b>	<b>7,035</b>	<b>1.8</b>
Nuclear	1,914	1,921	(0.4)

CCGTs	5,248	5,114	2.6
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Note:

(1) As at 30 June.

### Latin America thermal generation

The table below sets forth certain information regarding the results of the Group's thermal generation business in Latin America corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	545	293	86.0
Procurement	(416)	(151)	175.5
<b>Gross margin<sup>(1)</sup></b>	<b>129</b>	<b>142</b>	<b>(9.2)</b>
Other operating income	2	1	100.0
Net personnel expenses	(7)	(7)	—
Taxes	—	—	—
Other operating expenses	(16)	(15)	6.7
<b>Reported EBITDA</b>	<b>108</b>	<b>121</b>	<b>(10.7)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>108</b>	<b>121</b>	<b>(10.7)</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(37)	(44)	(15.9)
<b>Operating results</b>	<b>71</b>	<b>77</b>	<b>(7.8)</b>

Note:

(1) Gross Margin = Revenue – Procurement.

(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's thermal generation business in Latin America during the six-month period ended 30 June 2021 amounted to €108 million, a decrease of 10.7% when compared to the corresponding period in 2020. Higher availability was not enough to offset the negative FX impact (a loss of €11 million), lower margins on power purchase agreements ("PPAs") with end customers and lower excess sales into the liberalised market.

Total production increased by 2.8% during the six-month period ended 30 June 2021 when compared to the corresponding period in 2020, with CCGTs production increasing 2.9% and the rest by 1.5%.

The tables below set forth certain information regarding the main output figures of the Group's thermal generation business in Latin America corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Total MW<sup>(1)</sup></b>	<b>2,643</b>	<b>2,595</b>	<b>1.8</b>
Mexico (CCGT)	2,446	2,398	2.0
Dominican Republic (Fuel)	198	198	—

<b>Electric energy produced (GWh)</b>	<b>7,016</b>	<b>6,824</b>	<b>2.8</b>
Mexico (CCGT)	6,785	6,596	2.9
Dominican Republic (Fuel)	231	228	1.5

Note:

(1) As at 30 June.

## 2. Renewables and new businesses

This business unit includes all renewable generation activities (including hydro) previously reported as part of European power generation and International power generation, together with new businesses.

The table below sets forth certain information regarding the EBITDA of the Group's renewables and new businesses unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Reported			Ordinary <sup>(1)</sup>		
	Six-month period ended 30 June			Six-month period ended 30 June		
	2021	2020	Change (%)	2021	2020	Change (%)
	(million €)			(million €)		
Renewables and new businesses EBITDA	185	193	(4.1)	178	198	(10.1)
Spain and USA	152	162	(6.2)	141	166	(15.1)
Australia	—	1	(100.0)	—	1	(100.0)
LatAm	33	30	10.0	37	31	19.4

Note:

(1) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's renewables and new businesses unit reached €178 million during the six-month period ended 30 June 2021, a 10.1% decrease when compared to the corresponding period in 2020. Higher wind and hydro production in Spain and new installed capacity in Chile were offset by lower margins in Spain and Australia, lower wind resource in Mexico, as well as negative FX impact in LatAm (a loss of €3 million). As at 30 June 2021, Naturgy operated 5,177 MW of renewable capacity.

### Renewables Spain and the United States

The table below sets forth certain information regarding the results of the Group's renewables business in Spain and the United States corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	288	279	3.2
Procurement	(36)	(33)	9.1
<b>Gross margin<sup>(1)</sup></b>	<b>252</b>	<b>246</b>	<b>2.4</b>
Other operating income	10	3	n.m.
Net personnel expenses	(41)	(22)	86.4
Taxes	(29)	(34)	(14.7)
Other operating expenses	(40)	(31)	29.0
<b>Reported EBITDA</b>	<b>152</b>	<b>162</b>	<b>(6.2)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>141</b>	<b>166</b>	<b>(15.1)</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(79)	(82)	(3.7)
<b>Operating results</b>	<b>73</b>	<b>80</b>	<b>(8.8)</b>

Note:

- (1) Gross Margin = Revenue – Procurement.
- (2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's renewables business in Spain and the United States amounted to €141 million during the six-month period ended 30 June 2021, down 15.1% when compared to the corresponding period in 2020, as a result of lower solar production in the Picones solar plant (150MW) due to temporary weather damage repairs and higher opex from activity growth. As at the date of this Offering Circular, it is expected that repairs will be finalised before the end of 2021.

The tables below set forth certain information regarding the main output figures of the Group's renewables business in Spain and the United States corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Total MW<sup>(1)</sup></b>	<b>4,083</b>	<b>3,988</b>	<b>3.7</b>
Hydroelectric	2,062	2,062	—
Wind	1,720	1,625	5.8
Solar	250	250	—
Cogeneration and others	51	51	0.2
<b>Electric energy produced (GWh)</b>	<b>4,898</b>	<b>4,192</b>	<b>16.9</b>
Hydroelectric	2,610	2,288	14.1
Wind	2,015	1,583	27.3
Solar	113	161	(29.6)
Cogeneration and others	160	160	—

Note:

(1) As at 30 June.

#### Renewables Australia

The table below sets forth certain information regarding the results of the Group's renewables business in Australia corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	4	4	—
Procurement	—	—	—
<b>Gross margin<sup>(1)</sup></b>	<b>4</b>	<b>4</b>	<b>—</b>
Other operating income	—	—	—
Net personnel expenses	(1)	—	n.m.
Taxes	—	—	—
Other operating expenses	(3)	(3)	—
<b>Reported EBITDA</b>	<b>—</b>	<b>1</b>	<b>(100.0)</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>—</b>	<b>1</b>	<b>(100.0)</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(5)	(2)	150.0
<b>Operating results</b>	<b>(5)</b>	<b>(1)</b>	<b>400.0</b>

Note:

(1) Gross Margin = Revenue – Procurement.

(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's renewables business in Australia during the six-month period ended 30 June 2021 was €0 million, compared to €1 million during the corresponding period in 2020. The decrease is mainly explained by the lower margins following the quarterly mark to market of existing PPAs under contracts for differences regime.

Naturgy continued to progress developing new renewable assets in Australia during the first six months of 2021. Accordingly, installed wind capacity as of 30 June 2021 reached 277MW, 181MW higher compared to 30 June 2020. Australia remains a key market for growth of the Group's renewables business. Naturgy has reached several agreements in the country, which will subsequently increase its capacity to over 750MW by 2022. Naturgy aims at consolidating its position as a leading wind farm developer in Australia.

The table below sets forth certain information regarding the main output figures of the Group's renewables business in Australia corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Total MW<sup>(1)</sup></b>	<b>277</b>	<b>96</b>	<b>188.5</b>
Wind	277	96	188.5
<b>Electric energy produced (GWh)</b>	<b>266</b>	<b>135</b>	<b>97.3</b>
Wind	266	135	97.3

Note:

(1) As at 30 June.

#### *Renewables Latin America*

The table below sets forth certain information regarding the results of the Group's renewables business in Latin America corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	73	51	43.1
Procurement	(19)	(2)	850.0
<b>Gross margin<sup>(1)</sup></b>	<b>54</b>	<b>49</b>	<b>10.2</b>
Other operating income	5	2	150.0
Net personnel expenses	(10)	(9)	11.1
Taxes	(1)	(1)	—
Other operating expenses	(15)	(11)	36.4
<b>Reported EBITDA</b>	<b>33</b>	<b>30</b>	<b>10.0</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>37</b>	<b>31</b>	<b>19.4</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(15)	(9)	66.7
<b>Operating results</b>	<b>18</b>	<b>21</b>	<b>(14.3)</b>

Note:

(1) Gross Margin = Revenue – Procurement.

- (2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's renewables business in Latin America reached €37 million during the six-month period ended 30 June 2021, an increase of 19.4% when compared to the corresponding period in 2020. The improvement was mainly driven by new capacity coming into operation in Chile, which was partially offset by a negative FX impact (a loss of €3 million).

Installed capacity in Latin America as of 30 June 2021 reached 818MW, 307MW higher compared to 30 June 2020, of which 206MW corresponded to wind and 101MW to solar.

The table below sets forth certain information regarding the main output figures of the Group's renewables business in Latin America corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Total MW<sup>(1)</sup></b>	<b>818</b>	<b>511</b>	<b>60.1</b>
Mexico (Wind)	234	234	—
Brazil (Solar)	153	153	—
Chile (Solar)	101	—	n.m.
Chile (Wind)	206	—	n.m.
Costa Rica (Hydroelectric)	101	101	—
Panama (Hydroelectric)	22	22	(0.3)
<b>Electric energy produced (GWh)</b>	<b>964</b>	<b>711</b>	<b>35.4</b>
Mexico (Wind)	315	398	(20.9)
Brazil (Solar)	142	132	7.4
Chile (Solar)	125	—	—
Chile (Wind)	139	—	—
Costa Rica (Hydroelectric)	203	148	37.7
Panama (Hydroelectric)	40	34	17.4

Note:

- (1) As at 30 June.

### 3. Supply

This business unit includes all power sales to end customers in Spain as well as gas sales to end customers with volumes sold below 500GWh/year in Spain.



The table below sets forth certain information regarding the results of the Group's supply business unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively.

	Six-month period ended 30 June		
	2021	2020	Change (%)
	(million €)		
Revenue	3,544	3,527	0.5
Procurement	(3,196)	(3,222)	(0.8)
<b>Gross margin<sup>(1)</sup></b>	<b>348</b>	<b>305</b>	<b>14.1</b>
Other operating income	4	1	300.0
Net personnel expenses	(94)	(74)	27.0
Taxes	(19)	(14)	35.7
Other operating expenses	(88)	(84)	4.8
<b>Reported EBITDA</b>	<b>151</b>	<b>134</b>	<b>12.7</b>
<b>Ordinary EBITDA<sup>(2)</sup></b>	<b>214</b>	<b>171</b>	<b>25.1</b>
Depreciation/amortisation & impairment losses and transfers to provisions	(72)	(83)	-13.3
<b>Operating results</b>	<b>79</b>	<b>51</b>	<b>54.9</b>

Note:

(1) Gross Margin = Revenue – Procurement.

(2) EBITDA adjusted for impacts related to restructuring costs and other non-ordinary items considered material for a better understanding of the Group's underlying results. See Appendix I (*Alternative performance metrics*) to the Interim Consolidated Directors' Report 2021 which is incorporated by reference in this Offering Circular, and the table above setting forth the breakdown of non-ordinary items for the first half of 2021 and 2020, respectively.

Ordinary EBITDA of the Group's supply business unit amounted to €214 million during the six-month period ended 30 June 2021, 25.1% higher when compared to the corresponding period in 2020, primarily driven by the improvement in gas supply supported by the recovery of gas prices and industrial sales. These were partially offset by lower sales and some margin compression in the power supply industrial segment together with lower contribution from services and solutions activities.

The table below sets forth certain information regarding the main output figures of the Group's supply business unit corresponding to the six-month periods ended 30 June 2021 and 2020, respectively, unless otherwise indicated.

	Six-month period ended 30 June		
	2021	2020	Change (%)
<b>Gas sales (GWh)</b>	<b>55,130</b>	<b>49,955</b>	<b>10.4</b>
Residential Spain	12,519	11,343	10.4
Industrial clients	41,294	37,028	11.5
SM&E	1,316	1,584	(16.9)
<b>By segment</b>	<b>55,130</b>	<b>49,955</b>	<b>10.4</b>
Liberalised	51,358	46,704	10.0
Regulated	3,772	3,250	16.0
<b>Electricity sales (GWh):</b>	<b>11,056</b>	<b>10,750</b>	<b>2.8</b>
Residential Spain	4,572	4,847	(5.7)
Industrial clients	5,233	4,349	20.3
SM&E	1,251	1,555	(19.5)
<b>By segment</b>	<b>11,056</b>	<b>10,750</b>	<b>2.8</b>
Liberalised	8,572	8,200	4.5
Regulated	2,483	2,551	(2.6)
<b>Retail contracts (thousands)<sup>(1)</sup></b>	<b>10,573</b>	<b>10,861</b>	<b>(2.7)</b>
Gas	3,731	3,919	(4.8)
Electricity	3,987	4,125	(3.4)
Services	2,856	2,817	1.4
Contracts per customer (Spain)	1.57	1.55	0.0 pp

Note:

(1) As at 30 June.

### Legislation in Spain

The Group operates in a highly regulated environment that impacts both regulated and liberalised activities. An overview of such laws and regulations is available at Annex IV of the Guarantor's consolidated annual accounts for the year ended 31 December 2020, which is incorporated by reference in this Offering Circular.

However, in recent months the regulatory environment in which the Group operates has been affected by certain changes. These changes include, but are not limited to, the following:

In June 2021, the MITERD proposed a new draft law to act on the remuneration of CO<sub>2</sub> not emitted in the electricity market, with the aim of reducing the extra-remuneration received by non-emitting infra-marginal power generation plants (mainly nuclear and hydropower stations commissioned before the creation of the market for emission rights in 2003), due to the pricing mechanism in the Spanish electricity system that follows a marginalist scheme: the price is set by the last technology to enter the system to cover electricity demand and it has risen considerably, amongst other things, due to the increase in CO<sub>2</sub> emissions rights. As at the date of this Offering Circular, the proposal is currently under parliamentary processing and is expected to be approved by the end of 2021.

On 14 September 2021, the Spanish Government approved Royal Decree-law 17/2021 (*Real Decreto-ley 17/2021*) which includes new temporary measures to mitigate the impact on consumers of high electricity market prices. These measures affect various areas in which the company operates, as generation or gas and electricity commercialisation. Amongst these measures stand out the establishment of a temporary reduction of the extra-remuneration received by non-emitting infra-marginal power generation plants for the price of gas internalised in the wholesale electricity market, the establishment of long-term auctions for the allocation of manageable and non-emitting infra-marginal energy of the Dominant Operators or the limitation to increase the regulated gas tariff during one semester, recovering the amounts owed in the following reviews. Fiscal measures are also included in this package, reducing taxation in electricity bills until the end of the year.

On 26 October 2021, the Spanish Government approved a further Royal Decree-law 23/2021 (*Real Decreto-ley 23/2021*) which further develops the rules applying to the temporary extra-remuneration reduction. Such new rules significantly reduce its impact due to the express exclusion of energy volumes sold to end consumers on a fixed price basis prior to 14 September 2021 or, if following 14 September 2021, if they are sold for a minimum of one year on a fixed price basis to end consumers. While this clarification reduces the impact of this measure in the case of Naturgy since substantially all its infra-marginal power production is sold under this type of supplies, the detailed amounts are still to be calculated according to the directives provided by Red Eléctrica de España, although no substantial impact is foreseen due to this measure. However, it cannot be ruled out that such measures will continue to be modified or complemented or that new measures are established. In addition, there are press reports that the Spanish government is still considering additional measures that could mainly impact Group's renewables power production, but, as of the date of this Offering Circular, no official announcement has been made.

Although the overview, together with the description of the recent changes set out above, contain all the information that the Group considers material as at the date of this Offering Circular and in the context of the issue of the Securities, it does not constitute an exhaustive description of all applicable laws and regulations affecting the Group.

Prospective investors and/or their advisers should make their own analysis of the legislation and regulations applicable to the Group and of the impact they may have on the Group and any investment in the Securities and should not rely on this overview only. See also "*Risk Factors***Error! Reference source not found.**—*Risk Factors That May Affect the Issuer's and the Guarantor's Ability to Fulfil Their Obligations Under The Securities—Legal and Regulatory Risks—Risks relating to the Group's regulatory environment*".

## **Research and Development**

The Group engages in research and development both independently and in collaboration with other Spanish and international companies and bodies. The Group's research and development focuses mainly on (i) safety in the transportation of natural gas, (ii) methods of reducing environmental impact, (iii) the development of new technologies in the distribution of gas and (iv) the development of new applications for natural gas.

## **Litigation and Arbitration**

The sectors in which the Group operates have in recent years grown more litigious, as a result of the volatility of fuel prices and greater competition in the liberalised market, among other factors, and the Guarantor and its subsidiaries are currently involved in a number of judicial, arbitration and regulatory proceedings. Given the nature of the Group's business and the sectors in which it operates, and the time required for a final decision to be adopted, the amounts involved in such proceedings can be significant. An adverse outcome in respect of one or more of these claims could have a material adverse effect on the Group's financial condition and results of operation.

In addition, members of the Group may, from time to time, be subject to civil, administrative and criminal liability claims for damage caused as a result of incidents arising in the Group's ordinary course of operations. Such incidents may include breakdowns in the gas distribution network, gas explosions or damage caused by the Group's tankers that transport LNG. Any such claims could result in the payment of damages by the Group in accordance with the legislation applicable in the countries in which the Group operates. While the Group seeks to obtain insurance cover for risks related to civil liability claims, its financial condition and results of operations may be adversely affected to the extent any losses are uninsured, exceed the applicable limitations under its insurance policies or are subject to the payment of an excess towards the insured amount or to the extent the premiums payable in respect of such policies are increased as a result of insurance claims.

The main judicial, arbitration and regulatory proceedings of the Group as of the date of this Offering Circular are set forth below.

### ***Claims for Programa de Integración Social ("PIS") and Contribución para la Financiación de la Seguridad Social ("COFINS") taxes in Brazil***

In September 2005, the Tax Administration of Rio de Janeiro declared void the recognition that it had previously accepted in April 2003 to compensate the loans for the contributions related to the sale of PIS and COFINS paid by Companhia Distribuidora de Gás do Rio de Janeiro ("CEG"), in which the Group holds an interest of 54.2%. The Tax Administration confirmed this resolution in March 2007 and CEG therefore filed an appeal with the administrative courts (*Justiça Federal do Rio de Janeiro*). On 26 January 2009, notification was received of public

civil action against CEG in connection with the same events which are being processed. The total amount of this disputed tax liability, including interests, amounted as of the 2007 resolution date to 386 million Brazilian Real, which now stands at 468 million Brazilian Real. The Court of First Instance issued a decision in November 2015 partially accepting the claim of CEG, ordering the refund and the payment of the tax debt plus costs in the amount of 108 million Brazilian Real and rejecting the imposition of default interest (updated) and fines. The sentence was appealed by the Federal Treasury of Brazil and by CEG before the Federal Court of Rio de Janeiro (Chamber of Appeal).

#### ***Claims between Transportadora de Gas del Norte S.A. and Metrogas, S.A.***

Transportadora de Gas del Norte S.A filed various claims against Metrogas, S.A., a Chilean company owned by the Group as to 55.6%, in different first instance civil courts in Argentina on the grounds of alleged contractual breaches in relation to the transport of gas from Argentina to Chile that arose as a consequence of the Argentine energy crisis that started in 2004.

In April 2017, Metrogas, S.A. received legal notification from the Court ordering to consolidate the proceedings, which amount to a total of U.S.\$227 million in claims plus interest. The procedures are in a state sentencing in the first instance.

#### ***Environmental incentive for coal plants in Spain***

In 2007, the Spanish authorities introduced an environmental incentive to support the installation of new sulphur oxide filters in existing coal plants. In November 2017, the European Commission opened an investigation to determine whether this incentive complied with the European Union's state aid rules. As at the date of this Offering Circular, and without considering the period in which the economic system of Royal Decree-law 134/2010 (*Real Decreto-ley 134/2010*) was applied to the coal plants, the Group estimates that in the event of an adverse outcome of such investigation, it may have an adverse effect on the Group's financial statements of approximately €67 million for the subsidies received during the period where Royal Decree 124/2010 (*Real Decreto 124/2010*) was not applicable.

#### ***Social Bonus (Bono Social)***

According to Royal Decree-Law 9/2013 and the Electricity Act, some of the poorest consumers, known as "vulnerable consumers", are eligible to receive a so-called "Social Bonus" (*Bono Social*) which was funded by companies such as the Group. The Supreme Court declared that this financing system is contrary to the Directive 2009/72/EC and therefore, was declared not applicable. The Supreme Court also recognised that funding companies may recover all payments that they made for this purpose since 2014 until the implementation of a new regulation of the Social Bonus in 2016, which in the case of the Group amounts to €74 million already received. However, the Spanish government appealed to the Constitutional Court (*recurso de amparo*), which revoked the Supreme Court's decision and returned the proceeding to the point prior to the issuance of judgment. The Constitutional Court questioned why the Supreme Court had not applied for a preliminary ruling from the Court of Justice of the European Union, which the Constitutional Supreme Court then applied for. The Court of Justice of the European Union has issued its decision which is favourable to Naturgy and a final decision of the Supreme Court is expected to confirm its initial decision but such ruling has not yet been issued.

#### ***AGESA***

AGESA (a Chilean gas procurement company, of which the Guarantor indirectly owns 60%) received an arbitration claim from GasValpo for damages amounting to €11.8 million and requesting the early termination of the gas supply contract. The claim is based on alleged breaches by AGESA of such gas supply contract. In the event the requested early termination of the gas supply contract were to be upheld, Naturgy estimates that the risk would amount to approximately €132 million due to loss of gas margin and regasification.

#### ***Naturgy gas Mexico***

Naturgy gas Mexico received a collective action brought by PROFECO (a public office for the defence of consumers) in defence of all Naturgy users in Mexico for alleged commercial practices against consumers of the service. Precautionary measures requested by PROFECO have yet to be resolved after an initial rejection of the same.

### ***Electricaribe***

On 14 November 2016, the Superintendence for Residential Public Services of the Republic of Colombia (the “Superintendence”) reported the government takeover of Electricaribe, S.A. ESP (“Electricaribe”), a Naturgy investee company, as well as the removal of the members of the governing body and the general manager, and their replacement by a special agent appointed by the Superintendence. On 14 March 2017, the Superintendence announced the decision to liquidate Electricaribe. On 22 March 2017, Naturgy initiated arbitration proceedings before the Court of the United Nations Commission for International Trade Law (UNCITRAL) and on 15 June 2018, it lodged a complaint in which it claimed approximately U.S.\$1,600 million. On 4 December 2018, the Republic of Colombia submitted its answer to the complaint and filed a counterclaim for approximately U.S.\$500 million, the viability of which the Guarantor currently considers remote. The main hearings were held in December 2019. In March 2021, the award was issued rejecting both claim and counterclaim. Several Colombian government agencies have brought administrative and judicial proceedings against the Group or its employees on behalf of Electricaribe, including the Public Prosecutor’s Office, the Superintendence for Public Services and the Superintendence for Companies. As at the date of this Offering Circular, Electricaribe is still in the process of being liquidated.

### ***Endesa***

Endesa has notified the Group in November 2021 of the commencement of an arbitration proceeding in respect of the existing LNG sale and purchase agreement between Endesa and Naturgy. The dispute arises from Endesa’s obligation to pay the part of the contract price linked to the use of Naturgy’s fleet even if it cancels a cargo. Endesa estimates its claim at U.S.\$69 million. As at the date of this Offering Circular, the proceedings are at an early stage.

### **Environmental Matters**

The Group’s operations are subject to environmental protection laws and regulations of the European Union, Spain and the other countries in which the Group operates or is located.

These operations are developed in accordance with the environmental strategy of the Group and focus on climate, air quality, water, natural capital and a sustainable economy.

### **Insurance**

In line with industry practice, the Group insures its assets and activities worldwide. Among the risks insured are damage to property, business interruption and civil liability to third parties arising in connection with the Group’s operations. The Group’s insurance policies also include indemnification limits and deductibles. The Group considers its level of insurance coverage to be appropriate for the risks inherent in its business.

The Group has its own reinsurance company, Natural Re, S.A. (“**Natural Re**”). Natural Re is completely integrated within the risk management of the Group and acts as a centralised global operations tool, providing coverage against Group risks. Natural Re retains part of the risk and purchases reinsurance protection to mitigate its exposure. Furthermore, Natural Re allows the Group to implement its insurance programme consistently across the varying regulatory environments applicable to the countries in which the Group operates.

### **Employees**

As at 30 June 2021, the Group employed 8,006 persons in Argentina, Brazil, Chile, France, Mexico, Morocco, Panama and Spain, among other countries.

The Group has not experienced industrial actions in the past five years. As of the date of this Offering Circular, Naturgy is not aware of any material labour dispute, other than disputes within the normal course of business.

### **Management – Board of Directors**

The Board of Directors of the Guarantor has ultimate responsibility for the administration of the affairs of the Group. The directors, their position on the Board of Directors of the Guarantor, and their principal activities outside the Group as at the date of this Offering Circular are as follows:

<b>Name</b>	<b>Position</b>	<b>Principal activities outside the Group</b>
Francisco Reynés Massanet	Chairman & CEO	
Isabel Estapé	Director Proprietary Director for Criteria Caixa, S.A.U.	Member of the Board of Directors of Criteria Caixa, S.A.U.
Enrique Alcántara-García Irazoqui	Director Proprietary Director for Criteria Caixa, S.A.U.	Partner and Administrator of Bufete Alcántara, S.L.P. and Partner of Brugueras, Alcántara & García-Bragado Abogados
Francisco Belil Creixell	Independent Director	Chairman of the Fundación Princesa de Girona and Vice-President of the Fundación Bertelsmann
Helena Herrero Starkie	Independent Director	Chairwoman and CEO of HP Printing and Computing Solutions, S.L.U. and President of the Fundación I+E Innovación España
Rajaram Rao	Director (Proprietary Director for GIP III Canary 1 S.à r.l.)	Partner of GIP
Ramón Adell Ramón	Independent Director	Honorary President of the Asociación Española de Directivos (AED), President of the Societat d'Estudis Econòmics and Vice-President of the Confederación Española de Directivos y Ejecutivos (CEDE) and of the Fundación CEDE
Claudi Santiago Ponsa	Independent Director	General Manager of First Reserve Corporation
Pedro Sainz de Baranda	Independent Director	Member of the Board of Directors of Gestamp Automoción, S.A
Javier de Jaime Guijarro	Director (Proprietary Director for Rioja S.à r.l.)	Director Partner and member of the Board of Directors of CVC Capital Partners, S.L.
Lucy Chadwick	Director (Proprietary Director for GIP III Canary 1 S.à r.l.)	Partner at Global Infrastructure Partners
José Antonio Torre de Silva López de Letona	Director (Proprietary Director for Rioja S.à r.l.)	Partner of CVC Capital Partners and in the Board of Directors of Compañía Logística de Hidrocarburos CLH, S.A.

The business address of the members of the Board of Directors is Avenida de América 38, Madrid, 28028, Spain.

#### **Conflicts of interest**

To the Guarantor's knowledge, there are no conflicts of interest between any duties owed by the members of the Board of Directors to the Guarantor, and their respective private interests and/or duties.

## TAXATION

The following is a general description of certain tax considerations relating to the Securities. It does not purport to be a complete analysis of all tax considerations relating to the Securities whether in those countries or elsewhere. Prospective purchasers of the Securities should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Netherlands and the Kingdom and Spain of acquiring, holding and disposing of the Securities and receiving payments of interest, principal and/or other amounts under the Securities. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Also, investors should note that the appointment by an investor in the Securities, or any person through which an investor holds the Securities, of a custodian, collection agent or similar person in relation to such Securities in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

### **The Netherlands**

*This is a general summary and the tax consequences as described here may not apply to a holder of Securities. Any potential investors should consult their own tax advisers for more information about the tax consequences of acquiring, owning and disposing of Securities in their particular circumstances.*

This taxation summary solely addresses the principal Netherlands tax consequences of the acquisition, the ownership and disposal of Securities issued by the Issuer after the date hereof held by a holder of Securities who is not a resident of the Netherlands. It does not consider every aspect of taxation that may be relevant to a particular holder of Securities under special circumstances or who is subject to special treatment under applicable law. This summary does not address the Netherlands tax consequences for a holder of Securities who is affiliated (*gelieerd*) to the Issuer within the meaning of the Withholding Tax Act 2021 (*Wet Bronbelasting 2021*). See also “Risk Factors – (II) Risks relating to withholding – Risks in relation to Dutch taxation - No obligation to pay additional amounts if payments in respect of the Securities are subject to the 2021 Netherlands conditional interest withholding tax”.

Where in this summary English terms and expressions are used to refer to Netherlands concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Netherlands concepts under Netherlands tax law.

This summary is based on the tax laws of the Netherlands as they are in force and in effect on the date of this Offering Circular. The Netherlands means the European part of the Kingdom of the Netherlands. The laws upon which this summary is based are subject to change, potentially with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect any such change. This summary assumes that each transaction with respect to Securities is at arm’s length.

### ***Withholding tax***

All payments under Securities may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority of or in the Netherlands.

### *Taxes on income and capital gains*

A holder of Securities will not be subject to any Netherlands taxes on income or capital gains in respect of Securities, including such tax on any payment under Securities or in respect of any gain realised on the disposal, deemed disposal or exchange of Securities, provided that:

- (i) such holder is neither a resident nor deemed to be a resident of the Netherlands, Bonaire, Saint Eustatius or Saba;
- (ii) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, Bonaire, Saint Eustatius or Saba, and to which enterprise or part of an enterprise, as the case may be, Securities are attributable;
- (iii) if such holder is an individual, neither such holder nor any of the holder's spouse, partner, a person deemed to be the holder's partner, or other persons sharing such holder's house or household, or certain other of such holder's relatives (including foster children), whether directly and/or indirectly as (deemed) settlor, grantor or similar originator (the "**Settlor**"), or upon the death of the Settlor, the Settlor's beneficiaries (the "**Beneficiaries**") in proportion to their entitlement to the estate of the Settlor, of a trust, foundation or similar arrangement (a "**Trust**"), (a) indirectly has control of the proceeds of Securities in the Netherlands, nor (b) has a substantial interest in the Issuer and/or any other entity that legally or *de facto*, directly or indirectly, has control of the proceeds of Securities in the Netherlands. For purposes of this clause (iii), a substantial interest is generally not present if a holder does not hold, alone or together with the holder's spouse, partner, a person deemed to be such holder's partner, other persons sharing such holder's house or household, certain other of such holder's relatives (including foster children), or a Trust of which the holder or any of the aforementioned persons is a Settlor or a Beneficiary, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct, over, or rights to acquire (whether or not already issued), shares representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a company; (b) the ownership of, or certain other rights, such as usufruct, over profit participating certificates (*winstbewijzen*), or membership rights in a co-operative association, that relate to five per cent. or more of the annual profit of a company or co-operative association or to five per cent. or more of the liquidation proceeds of a company or co-operative association; or (c) membership rights representing five per cent. or more of the voting rights in a co-operative association's general meeting;
- (iv) if such holder is a company, such holder has no (deemed) substantial interest in the Issuer, or if such holder has a (deemed) substantial interest in the Issuer, (a) such substantial interest is not held with the avoidance of Netherlands income tax as (one of) the main purpose(s), or (b) such substantial interest does not form part of an artificial structure or series of structures (such as structures which are not put into place for valid business reasons reflecting economic reality). For purposes of this clause (iv), a substantial interest is generally not present if a holder does not hold, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct, over, or rights to acquire (whether or not already issued) shares representing five per cent. or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of a company; or (b) the ownership of, or certain other rights, such as usufruct, over profit participating certificates (*winstbewijzen*) that relate to five per cent. or more of the annual profit of a company or to five per cent. or more of the liquidation proceeds of a company. A holder of Securities will generally have a deemed substantial interest if such holder has the ownership of, or other rights over, shares in, or profit certificates issued by, a company that represent less than 5 per cent. of the relevant aggregate that either (a) qualified as part of a substantial interest as set forth above and where shares, profit certificates and/or rights thereover have been, or are deemed to have been, partially disposed of, or (b) have been acquired as part of a transaction that qualified for non-recognition of gain treatment; and



- (v) such holder is an individual, such income or capital gain does not form a “benefit from miscellaneous activities” in the Netherlands (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities in the Netherlands with respect to Securities exceed “normal active asset management” (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (a “lucrative interest”; *lucratief belang*) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

A holder of Securities will not be subject to taxation in the Netherlands by reason only of the execution, delivery and/or enforcement of the documents relating to an issue of Securities or the performance by the Issuer of its obligations thereunder or under Securities.

#### ***Gift and inheritance taxes***

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of Securities by way of a gift by, or on the death of, a holder who is neither resident nor deemed to be resident in the Netherlands for Netherlands inheritance and gift tax purposes, unless in the case of a gift of Securities by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Netherlands gift and inheritance tax, an individual with the Netherlands nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or the individual’s death.

For purposes of Netherlands gift tax, an individual not holding the Netherlands nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

For purposes of Netherlands gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

For purposes of Netherlands gift, estate and inheritance taxes, (i) a gift by a Trust, will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule, the Settlor’s Beneficiaries, will be deemed to have inherited directly from the Settlor. Subsequently, the Beneficiaries will be deemed the Settlor of the Trust for purposes of the Netherlands gift, estate and inheritance tax in case of subsequent gifts or inheritances.

#### ***Value Added Tax***

There is no Netherlands value added tax payable in respect of payments in consideration for the issue of Securities, in respect of the payment of interest or principal under Securities, or the transfer of Securities.

#### ***Other taxes and duties***

There is no Netherlands registration tax, capital tax, stamp duty or any other similar tax or duty payable in the Netherlands by a holder of Securities in respect of or in connection with the execution, delivery and/or

enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of Securities or the performance of the obligations of the Issuer or the Guarantor under Securities.

### **Spanish Tax**

This is a general summary and the tax consequences as described here may not apply to all holders of Securities. Any potential investors should consult their own tax advisers for more information about the tax consequences of acquiring, owning and disposing of Securities in their particular circumstances.

This taxation summary solely addresses the principal Spanish tax consequences of the acquisition, the ownership and disposal of Securities issued by the Issuer after the date hereof held by a holder of Securities. It does not consider every aspect of taxation that may be relevant to a particular holder of Securities under special circumstances or who is subject to special treatment under applicable law or to the special tax regimes applicable in the Basque Country and Navarra (*Territorios Forales*). Where in this summary English terms and expressions are used to refer to Spanish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Spanish concepts under Spanish tax law.

This summary is based on the tax laws of Spain as they are in force and in effect on the date of this Offering Circular. The laws upon which this summary is based are subject to change, potentially with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect any such change. This summary assumes that each transaction with respect to Securities is at arm's length.

#### ***Payments made by the Issuer***

On the basis that the Issuer is not resident in the Kingdom of Spain for tax purposes and does not operate in the Kingdom of Spain through a permanent establishment, branch or agency, all payments of principal and interest in respect of the Securities can be made free of any withholding or deduction for or on account of any taxes in the Kingdom of Spain of whatsoever nature imposed, levied, withheld, or assessed by the Kingdom of Spain or any political subdivision or taxing authority thereof or therein, in accordance with applicable Spanish law.

Under certain conditions, withholding taxes may apply to Spanish taxpayers when a Spanish resident entity or a non-resident entity that operates in the Kingdom of Spain through a permanent establishment in the Kingdom of Spain is acting as depository of the Securities or as collecting agent of any income arising from the Securities.

#### ***Payments made by the Guarantor***

In the opinion of the Guarantor, any payments of principal and interest made by the Guarantor under the Guarantee should be characterised as an indemnity and, accordingly, be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom of Spain or any political subdivision or authority thereof or therein having power to tax.

However, although no clear precedent, statement of law or regulation exists in relation thereto, in the event that the Spanish Tax Authorities take the view that the Guarantor has validly, legally and effectively assumed all the obligations of the Issuer under the Securities subject to and in accordance with the Guarantee, they may attempt to impose withholding tax in the Kingdom of Spain on any payments made by the Guarantor in respect of interest.

In such case, Additional Provision One of Law 10/2014 of June 26, on supervision and solvency of credit entities ("**Law 10/2014**"), would apply to the Securities, provided that the Securities are issued by a company which is (i) tax resident in a country within the European Union, other than a tax haven, and (ii) whose voting rights are completely held directly by a Spanish entity.

Should Law 10/2014 be applicable, the Guarantor, in accordance with Law 10/2014 and Royal Decree 1065/2007 of July 27 (“**Royal Decree 1065/2007**”), would not be obliged to withhold taxes in Spain on any interest paid under the Guarantee to the beneficial owners of the income arising from the Securities (each of them, a “Holder”, and collectively the “**Holders**”), that (i) can be regarded as listed debt securities issued under Law 10/2014; and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, provided that the Fiscal Agent fulfils with the information procedures described in “*Taxation–Spanish Tax–Disclosure of Information in connection with the Securities*” below.

Therefore, should Law 10/2014 be applicable, the abovementioned exemption from Spanish withholding tax should be applicable while the Securities are represented by Global Securities and the Global Securities are deposited within a common depository for Euroclear and/or Clearstream, Luxembourg, upon the compliance by the Fiscal Agent of the information procedures. Otherwise, the Issuer or the Guarantor, or the Paying Agent acting on the Issuer’s behalf, would be required to withhold tax from the relevant interest payments at the general withholding tax rate (currently 19%).

If Law 10/2014 was not deemed to be applicable to Definitive Securities, payment of interest made under the Guarantee to the non-Spanish tax resident Holders may be subject to Spanish withholding tax at the then applicable rate (currently 19%), unless the Holder is either:

- (a) resident for tax purposes in a Member State of the European Union or the European Economic Area, other than the Kingdom of Spain, or is a permanent establishment of such resident situated in another Member State of the European Union, not resident in or acting (i) through a territory considered tax haven pursuant to the Spanish law (currently set out in Royal Decree 1080/1991, of 5 July) or through a member state of the European Economic Area not having an effective exchange of tax information arrangement with Spain in force; nor (ii) through a permanent establishment in Spain or in a country outside the European Union; or
- (b) resident for tax purposes in a country with which the Kingdom of Spain has entered into a double taxation treaty which makes provision for full exemption from tax imposed in the Kingdom of Spain on such payment under the double taxation treaty,

provided that in either case of (a) and (b) above, such Holder submits to the Guarantor, prior to the corresponding payment of interest under the Guarantee, a valid certificate of tax residence, duly issued by the tax authorities of the country of tax residence, which the Holder is required to provide, in accordance with Royal Decree Law 5/2004, of 5 March, approving the Non-Resident Income Tax Law and Royal Decree 1776/2004, approving the Non-Resident Income Tax Regulations, as a precondition to exemption from withholding tax, or reduction in the withholding tax rate.

If such certificate is not provided or payment is made to a Holder who is not resident in any of the jurisdictions set out in paragraphs (i) or (ii) above, the Guarantor, or the Paying Agent acting in its behalf, would be required to withhold taxes from the relevant interest payments at the general withholding tax rate (currently 19 percent). Neither the Issuer nor the Guarantor will pay any additional amounts in respect of such withholding.

However, Holders entitled to withholding tax exemption, but the payment to whom was not exempt from Spanish withholding tax due to the failure to deliver by the Holder or the Fiscal Agent (as the case may be) of a valid certificate of tax residence of the Holder or certain information relating to the Securities (as the case may be) in a timely manner may apply directly to the Spanish tax authorities for any refund to which they may be entitled. Holders are advised to consult their own tax advisers regarding their eligibility to claim a refund from the Spanish tax authorities and the procedures to be followed in such circumstances.

In connection with Spanish tax resident Holders and Non-Spanish tax resident Holders acting with respect to the Securities through a permanent establishment in Spain, income deriving from the Securities and the Guarantee is subject to tax in Spain. Payments made under the Guarantee which correspond to payments of interest under the Securities may be subject to withholding on account of Spanish taxes.

***Disclosure of Information in connection with the Securities***

In accordance with section 5 of Article 44 of Royal Decree 1065/2007 and provided that the Securities are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg, the Fiscal Agent would be obliged to provide the Guarantor in relation to payments made under the Guarantee with a declaration (the form of which is set out in the Fiscal Agency Agreement), which should include the following information:

- (i) description of the Securities;
- (ii) date of payment of the interest income derived from such Securities;
- (iii) total amount of interest derived from the Securities; and
- (iv) total amount of interest allocated to each non-Spanish clearing and settlement entity involved.

According to section 6 of Article 44 of Royal Decree 1065/2007, the relevant declaration will have to be provided to the Guarantor on the business day immediately preceding each Interest Payment Date. If this requirement is complied with, the Guarantor will pay gross (without deduction of any withholding tax) all interest under the Securities to all Holders (irrespective of whether they are tax resident in Spain).

In the event that the Fiscal Agent were to fail to provide the information detailed above, according to section 7 of Article 44 of Royal Decree 1065/2007, the Guarantor, or the Fiscal Agent acting on its behalf would be required to withhold tax from the relevant interest payments at the general withholding tax rate (currently 19%). If on or before the 10th day of the month following the month in which the interest is payable, the Fiscal Agent designated by the Issuer were to submit such information, the Guarantor or the Fiscal Agent acting on its behalf would refund the total amount of taxes withheld.

If Additional Provision One of Law 10/2014 were not deemed applicable to the Securities, the relevant Additional Amounts will be payable according to Condition 8.1 (*Taxation—Additional Amounts*) of the Terms and Conditions of the Securities.

In the event that the current applicable procedures were to be modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, the Guarantor would inform the Holders of such information procedures and of their implications, as the Guarantor may be required to apply withholding tax on interest payments under the Securities if the Holders were not to comply with such information procedures.

**The proposed financial transactions tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**Participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Securities (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Securities where at least one party is a financial institution, and at least one party is established in a Participating Member State. A

financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between Participating Member States and it may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

On 16 January 2021, the Spanish Law 5/2020, of 15 October, on the Financial Transaction Tax (*Ley 5/2020, de 15 de octubre, del Impuesto sobre las Transacciones Financieras*) entered into force. The Spanish FTT only applies on the acquisition of shares of certain Spanish companies, so the Securities are not affected by such tax.

Prospective holders of Securities are strongly advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Banco Bilbao Vizcaya Argentaria, S.A., BofA Securities Europe SA, Crédit Agricole Corporate and Investment Bank, CaixaBank S.A., Citigroup Global Markets Europe AG, Deutsche Bank Aktiengesellschaft, HSBC Continental Europe, J.P. Morgan AG, Mizuho Securities Europe GmbH, Morgan Stanley Europe SE, MUFG Securities (Europe) N.V., Société Générale and UniCredit Bank AG (the “**Joint Bookrunners**”) have, in a subscription agreement dated 17 November 2021 (the “**Subscription Agreement**”) and made between the Issuer, the Guarantor and the Joint Bookrunners upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Securities. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Securities.

### **United Kingdom**

Each Joint Bookrunner has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the UK.

### **Prohibition of Sales to UK Retail Investors**

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the UK. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

### **Prohibition of Sales to EEA Retail Investors**

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the EEA. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **United States of America**

The Securities and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities and the Guarantee (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells any Securities and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Securities and the Guarantee, an offer or sale of the Securities and the Guarantee within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **The Kingdom of Spain**

Neither the Securities nor the Offering Circular (in preliminary or final form) have been or will be registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*). Therefore, each Joint Bookrunner has represented and agreed that the Securities may not be offered, sold, resold or distributed in Spain, except in circumstances which do not require the registration of a prospectus in Spain in accordance with the Prospectus Regulation and the Restated Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of October 23, 2015 (*Texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*), as amended and restated from time to time (the “**Spanish Securities Market Act**”), and supplemental rules enacted thereunder or in substitution thereof from time to time, or without complying with all legal and regulatory requirements under the Spanish Securities Market Act or any regulations created thereunder which may be in force from time to time. Offers of Securities in Spain shall only be directed specifically at, or made to, professional clients and eligible counterparties, as defined in Articles 205 and 207 of the Spanish Securities Market Act.

### **Republic of Italy**

The offering of the Securities has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Securities be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Bookrunner has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Securities or distribute any copy of this Offering Circular or any other document relating to the Securities in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “**Financial Services Act**”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “**Issuers Regulation**”), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Securities or distribution of copies of this Offering Circular or any other document relating to the Securities in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

### **Canada**

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Securities except to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal adviser.

### **Hong Kong**

Each Joint Bookrunner has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### **Switzerland**

The offering of the Securities in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act (“**FinSA**”) because the Securities (i) have a minimum denomination of



CHF 100,000 (or equivalent in another currency) or more and (ii) will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Circular does not constitute a prospectus as such term is understood pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Securities.

### **General**

Each Joint Bookrunner has agreed and undertaken that it will not, directly or indirectly, offer or sell any Securities or have in its possession, distribute or publish any offering circular (in preliminary or final form), prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Securities by it will be made on the same terms. Persons into whose hands this Offering Circular (in preliminary or final form) comes are required by the Issuer, the Guarantor and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or possess, distribute or publish this Offering Circular (in preliminary or final form) or any other offering material relating to the Securities, in all cases at their own expense.

## GENERAL INFORMATION

### Authorisation

1. The creation and issue of the Securities has been authorised by a resolution of the Board of Managing Directors of the Issuer and a resolution of the Sole Shareholder of the Issuer, both dated 9 November 2021 and the guarantee of the Securities was authorised by a resolution of the Board of Directors of the Guarantor dated 16 September 2021.

### Legal and Arbitration Proceedings

2. Save as disclosed on pages 108 to 110 of this Offering Circular, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its subsidiaries.

### Material Contracts

3. As of the date of this Offering Circular, the Group is not party to any material contracts that are not entered into in the ordinary course of the Group's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Guarantor's or the Issuer's ability to meet its obligations under the Securities.

### Significant/Material Change

4. Since 31 December 2020 there has been no material adverse change in the prospects and the financial position of the Issuer. Since 31 December 2020 there has been no significant change in the financial position or financial performance of the Issuer.
5. Since 31 December 2020 there has been no material adverse change in the prospects and the financial position of the Guarantor and the Group. Since 30 September 2021 there has been no significant change in the financial position or financial performance of the Guarantor and the Group.

### Auditors

6. KPMG Auditores, S.L. (independent auditors) located at Paseo de la Castellana 259C, 28046 Madrid, Spain, and registered in the Official Registry of Accounting Auditors (*Registro Oficial de Auditores de Cuentas*), was appointed as the new independent auditor of the Guarantor for 2021 (replacing Ernst & Young, S.L.), pursuant to the resolution of the shareholders' meeting of the Guarantor held on 9 March 2021.
7. The consolidated annual accounts of the Guarantor for the years ended 31 December 2020 and 2019, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS-EU**"), have been audited without qualification by Ernst & Young, S.L., former independent auditor of the Guarantor. Ernst & Young, S.L.'s registered office is at Raimundo Fernández Villaverde, 65, 28003 Madrid (Spain) and is registered with the *Registro Oficial de Auditores de Cuentas* under number S0530.
8. The Spanish language original unaudited condensed interim consolidated accounts of the Guarantor as at and for the six-month period ended 30 June 2021, which were prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, have been subject to a limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity", by KPMG Auditores, S.L., current independent auditors of the Guarantor from 1 January 2021. KPMG Auditores, S.L.'s registered office is at Paseo de la Castellana, 259C, 28046 Madrid, Spain,

and is a member of the Official Registry of Auditors of Accounts (*Registro Oficial de Auditores de Cuentas*) under number S0702.

9. The unaudited condensed interim consolidated financial information of the Guarantor in relation to the nine-month period ended 30 September 2021 have been prepared using accounting policies consistent with IFRS-EU.
10. KPMG Accountants N.V., independent auditors, with their address at Laan van Langerhuize 1, 1186 DS Amstelveen, The Netherlands is subject to inspection by the *Autoriteit Financiële Markten* (“**AFM**”). The AFM has granted KPMG Accountants N.V. a license to perform financial statement audits of public interest entities. The auditor who signs on behalf of KPMG Accountants N.V. is a member of the Dutch Professional Organization for Accountants (*Nederlandse Beroepsorganisatie van Accountants*). KPMG Accountants N.V. was appointed as the new independent auditor of Naturgy Finance B.V. for 2021 (replacing Ernst & Young Accountants LLP), pursuant to the resolution of the shareholders’ meeting of Naturgy Finance B.V. held on 9 February 2021.
11. The non-consolidated financial statements of the Issuer as at and for the financial years ended 31 December 2020 and 2019, which were prepared in accordance with generally accepted accounting principles in the Netherlands prepared on the basis of Title 9 of Book 2 of the Dutch Civil Code and Dutch Accounting Standards as issued by the Dutch Accounting Standards Board (together, “**Dutch GAAP**”), have been audited without qualification by Ernst & Young Accountants LLP, former independent auditor of the Issuer. Ernst & Young Accountants LLP’s registered office is at Antonio Vivaldistraat 150, 1083 HP Amsterdam (the Netherlands) and is registered at the Chamber of Commerce and Industries of Amsterdam, of which partners are members of the *Nederlandse Beroepsorganisatie van Accountants*.

#### **Documents on Display**

12. So long as the Securities are listed on the Official List and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), in hard copy from the registered office of the Issuer and from the specified offices of the Fiscal Agent (at the discretion of the Fiscal Agent):
  - (a) the articles of association of the Issuer (together with English translations thereof);
  - (b) the bylaws of the Guarantor (together with English translations thereof);
  - (c) copies of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee;
  - (d) this Offering Circular; and
  - (e) the documents set forth in the section “*Documents Incorporated by Reference*” above.

Each of the translations into English of the Issuer’s articles of association and of the by-laws of the Guarantor is a direct and accurate translation of the corresponding document. In the event of any discrepancy between the English language version and the original language version, the original language version shall prevail.

This Offering Circular is available for viewing at the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and [www.naturgy.com](http://www.naturgy.com). For the avoidance of doubt, unless specifically incorporated by reference into this Offering Circular, information contained on any website referred to in this Offering Circular does not form part of this Offering Circular.

## **Yield**

13. From (and including) the Issue Date to (but excluding) the First Reset Date, the yield on the Securities will be 2.375 per cent. per annum. The yield is calculated at the Issue Date on the basis of the Issue Price and it is not an indication of future yield.

## **Legend Concerning U.S. Persons**

14. The Securities and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

## **Credit Ratings**

15. (a) The Securities are expected to be rated BB+ by S&P and BBB- by Fitch Ratings.

In accordance with S&P's ratings definitions available as at the date of this Offering Circular on [https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/sourceId/504352](https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352), an obligation rated "BB" is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation. Ratings from "AA" to "CCC" may be modified by the addition of a plus "+" or minus "-" sign to show relative standing within the rating category.

In accordance with Fitch Ratings' ratings definitions available as at the date of this Offering Circular on <https://www.fitchratings.com/site/definitions>, a rating of "BBB" indicates that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. Within the rating categories, Fitch Ratings may use modifiers. The modifiers "+" or "-" may be appended to a rating to denote relative status within the rating category.

- (b) The Guarantor has been assigned a long-term credit rating of BBB (stable outlook) by S&P and BBB (stable outlook) by Fitch Ratings.

## **Listing**

16. Application has been made for the Securities to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market.

## **Fees**

17. The estimated costs and expenses in relation to admission to trading are €12,050.

## **Legal Entity Identifier**

18. The Legal Entity Identifier (LEI) code of the Issuer is 2138005FTXOJUBQ5J563.
19. The Legal Entity Identifier (LEI) code of the Guarantor is TL2N6M87CW970S5SV098.

## **ISIN and Common Code**

20. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Securities is XS2406737036 and the Common Code is 240673703.

The Securities will be represented by the Global Securities except in certain limited circumstances described in the Permanent Global Security. While the Securities are represented by the Global

Securities, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the Securities by making payments to, or to the order of, the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Securities. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities and Holders may be adversely affected should such records be incorrect or such payments not be made or be paid incorrectly.

Holders of beneficial interests in the Global Securities will not have a direct right to vote in respect of the relevant Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies and such Holders may be adversely affected should it not be possible for them to vote in respect of the Securities as a result.

#### **Joint Bookrunners transacting with the Issuer and the Guarantor**

21. Certain of the Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities and/or instruments of the Issuer, the Guarantor or their affiliates, including potentially the Securities. Any such short positions could adversely affect future trading prices of the Securities. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, the term “affiliates” in this paragraph shall include the relevant parent company.

**REGISTERED AND HEAD OFFICE OF THE ISSUER**

**Naturgy Finance B.V.**  
Barbara Strozziilaan 201  
1083 HN Amsterdam  
The Netherlands

**REGISTERED AND HEAD OFFICE OF THE  
GUARANTOR**

**Naturgy Energy Group, S.A.**  
Avenida de América, 38  
28028 Madrid  
Spain

**FISCAL AGENT**

**Citibank, N.A., London Branch**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**GLOBAL COORDINATOR AND JOINT BOOKRUNNER**

**Morgan Stanley Europe SE**

Grosse Gallusstrasse 18  
60312 Frankfurt am Main  
Germany

**JOINT BOOKRUNNERS**

**Banco Bilbao Vizcaya Argentaria, S.A.**

Ciudad BBVA, Edificio Asia calle Saucedo 28  
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Spain

**BofA Securities Europe SA**

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France

**CaixaBank S.A.**

Calle Pintor Sorolla, 2-4  
46002 Valencia  
Spain

**Citigroup Global Markets Europe AG**

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Germany

**Crédit Agricole Corporate and Investment Bank**

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France

**Deutsche Bank Aktiengesellschaft**

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60329 Frankfurt am Main  
Germany

**HSBC Continental Europe**

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75116 Paris  
France

**J.P. Morgan AG**

Taunustor 1 (TaunusTurm)  
60310 Frankfurt am Main  
Germany

**Mizuho Securities Europe GmbH**

Taunustor 1  
60310 Frankfurt am Main  
Germany

**MUFG Securities (Europe) N.V.**

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1077 XV Amsterdam  
The Netherlands

**Société Générale**

29 Boulevard Haussmann  
75009 Paris  
France

**UniCredit Bank AG**

Arabellastrasse, 12  
81925 Munich  
Germany

## LEGAL ADVISERS

*To the Issuer and the Guarantor as to English,  
Spanish and US law:*

**Freshfields Bruckhaus Deringer**  
Rechtsanwälte Steuerberater PartG mbB, Sucursal en España de  
Sociedad Profesional  
Paseo de la Castellana 95  
28046 Madrid  
Spain

*To the Joint Bookrunners as to English,  
Spanish and US law:*

**Linklaters, S.L.P.**  
Almagro, 40  
28010 Madrid  
Spain

### AUDITORS TO THE ISSUER

*Current auditor*  
**KPMG Accountants N.V.**  
Laan van Langerhuize 1  
1186 DS Amstelveen  
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*Up until the financial year ended 31/12/2020*

**Ernst & Young Accountants LLP**  
Antonio Vivaldistraat 150  
1083 HP Amsterdam  
The Netherlands

*To the Issuer as to Dutch law:*

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*To the Joint Bookrunners as to Dutch law:*

**Linklaters LLP.**  
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### AUDITORS TO THE GUARANTOR

*Current auditor*  
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*Up until the financial year ended 31/12/2020*

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