Naturgy Finance B.V.

Annual report 2022

Amsterdam, The Netherlands

Table of contents

ANNUAL REPORT

Management Board Members Report

The Management Board members submit their directors' report, together with the financial statements and other information for the year ended 31 December 2022 of Naturgy Finance B.V. (the 'Company'). The annual report has been prepared in Euro since most of the transactions within the Company occur in Euro, which is the Company's functional currency.

1. Overview of activities

The Company was incorporated as a private company with limited liability under the law of the Netherlands on 26 November 1993 and has its corporate seat in Amsterdam, The Netherlands. The Company has its registered business address at Barbara Strozzilaan 101 1083 HN, Amsterdam, The Netherlands. The Dutch Chamber of Commerce number of the Company is 24243533.

In 2015 the articles of association were amended in order to create a Supervisory Board and an Audit Committee. On 8 December 2016, the Corporate Governance Code Monitoring Committee published the revised Dutch Corporate Governance. In 2019, the Supervisory Board dissolved the Audit Committee and assumed all its functions.

The Company is a wholly owned subsidiary of Naturgy Energy Group, S.A. (the "Shareholder"). The Shareholder has its legal seat in Madrid, Spain. All subsidiaries of Naturgy Energy Group S.A. and Naturgy Energy Group itself are referred to as group companies.

Naturgy Finance B.V. was incorporated to provide funding to its Shareholder and associated companies. In order to achieve its objectives, the Company is authorized to raise funds by issuing negotiable bonds in the Luxembourg Stock Exchange, perpetual subordinated bonds and commercial paper on the capital and money markets all of them guaranteed by Naturgy Energy Group.

Euro Commercial Paper (ECP) Programme

In March 2010, the Company entered a Euro Commercial Paper (ECP) Program as issuer, guaranteed by Naturgy Energy Group, S.A., under which the Company can issue notes provided that the amount issued at each moment does not exceed EUR 1,000,000 thousand. The Company signed a revolving cash advance facility agreement with Naturgy Energy Group, S.A. to conduct the on-lending of the proceeds raised under the ECP program. During the year, the Company redeemed notes of ECP in the amount of EUR 300,000 thousand (2021: EUR 280,000 thousand). As of 31 December 2022, the Company has no outstanding ECP (2021: outstanding ECP: nil).

Euro Medium Term Note Programme

Since November 2010, the Company is participating, together with its sister company, Naturgy Capital Markets S.A in a Euro Medium-Term Notes (EMTN) program, guaranteed by the Naturgy Group S.A... The program allows the issuance, offering, and selling of notes, listing on the Official List of the Luxemburg Stock Exchange, and trading on the Luxembourg Stock Exchange´s regulated market. The notes may be admitted to listing, trading, and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed with the Issuer and the Guarantor. Unlisted Notes may also be issued by the Company. Naturgy Energy Group, S.A. is the guarantor under the EMTN program.

This EMTN program is updated periodically and after various extensions the last being in December 2022, the program limit is EUR 12,000,000 thousand. On 31 December 2022, the principal drawn down of the total program amounted to EUR 7,656,308 thousand (EUR 8,110,008 thousand on 31 December 2021).

As of 31 December 2022, the amount issued by the Company was EUR 6,914,008 thousand (EUR 7,367,708 thousand as of 31 December 2021), and the amount issued by Naturgy Capital Markets, S.A was EUR 742,300 thousand (EUR 742,300 thousand as of 31 December 2021).

All the proceeds from the notes are lent by the Company to its Shareholder company Naturgy Energy Group, S.A. No news bonds were issued by the Company during 2022 under the EMTN programme.

The breakdown of outstanding EMTN bonds issued by the Company and the markets where the bonds are listed and traded is as follows:

EMTN Programme (in thousands)

Principal	Currency	Interest rate %	Oustanding nominal	Issued	Maturity	Listed
396,400	EUR	3.875%	396,400	2013	2023	Luxembourg Stock Exchange
100,908	EUR	3.974%	100,908	2013	2023	Luxembourg Stock Exchange
411,800	EUR	2.875%	411,800	2014	2024	Luxembourg Stock Exchange
154,300	EUR	2.625%	154,300	2014	2023	Luxembourg Stock Exchange
400,600	EUR	1.375%	400,600	2015	2025	Luxembourg Stock Exchange
600,000	EUR	1.250%	600,000	2016	2026	Luxembourg Stock Exchange
1,000,000	EUR	1.375%	1,000,000	2017	2027	Luxembourg Stock Exchange
300,000	EUR	1.875%	300,000	2017	2029	Luxembourg Stock Exchange
800,000	EUR	0.875%	800,000	2017	2025	Luxembourg Stock Exchange
850,000	EUR	1.500%	850,000	2018	2028	Luxembourg Stock Exchange
900,000	EUR	0.750%	900,000	2019	2029	Luxembourg Stock Exchange
1,000,000	EUR	1.250%	1,000,000	2020	2026	Luxembourg Stock Exchange
Total as at 31 December 2022			**6,914,008**			

The bond with a principal amount of EUR 100,908 thousand, was issued in Norwegian Krone (NOK) for an amount of NOK 800,000 thousand. Regarding the NOK 800,000 thousand issuance, the proceeds from the notes have been on-lent in NOK to its Shareholder company, Naturgy Energy Group, S.A., and therefore, the net foreign exchange risk for the Company has been offset by a position with its Shareholder company.

Undated Deeply Subordinated Reset Rate Guaranteed Securities (Hybrid Bonds)

From 2014 the Company started to issue Subordinated perpetual debentures. On 18 November 2014, the Company issued the first "Undated 8-year non-call deeply subordinated guaranteed fixed rate reset securities" (Subordinated perpetual debentures EUR 1,000,000 thousand), guaranteed by Naturgy Energy Group, S.A., for an amount of EUR 1,000,000 thousand. The issue price was 99.488%. The Subordinated perpetual debentures EUR 1,000,000 thousand bears interest at a fixed rate, which is calculated as a reference interest rate plus a margin. The reference interest rate is the 8-year swap rate (equivalent at the issue date to 0.772%) which may be reviewed every 8 years. The initial margin applicable to the first 10 years is 3.353%; between years 2024 and 2042 the margin will be 3.603% and from then onwards, it will be 4.353%. The initial coupon was set at 4.125%. In 2022 this bond was redeemed at the principal amount under condition 6(b) of the Issuer's Call Option.

In April 2015, the Company issued the second "Undated 9-year non-call deeply subordinated guaranteed fixed rate reset securities" (the Subordinated perpetual debentures EUR 500,000 thousand), guaranteed by Naturgy Energy Group., for an amount of EUR 500,000 thousand. The issue price was 99.049%. The Subordinated perpetual debentures EUR 500,000 thousand bears interest at a fixed rate, which is calculated as a reference interest rate plus a margin. The reference interest rate is the 9-year swap rate (equivalent at the issue date to 0.4210%) which may be reviewed every 9 years. The initial margin applicable to the first 9 years is 3.079%; between years 2025 and 2044 the margin will be 3.329% and from then onwards, it will be 4.079%. The initial coupon was set at 3.375%.

In November 2021 the Company issued the third "Undated 5.25-year non-call deeply subordinated guaranteed fixed rate reset securities" (the Subordinated perpetual debentures EUR 500,000 thousand), guaranteed by Naturgy Energy Group., for an amount of EUR 500,000 thousand. The issue price was 99.60%. The Subordinated perpetual debentures EUR 500,000 thousand bears interest at a fixed rate, which is calculated as a reference interest rate plus a margin. The reference interest rate is the 95.25-year swap rate (equivalent at the issue date to -0.062%) which may be reviewed every 5 years. The initial margin applicable to the first 10 years is 2.437%; between years 2032 and 2047 the margin will be 2.687% and from then onwards, it will be 3.437%. The initial coupon was set at 2.374%.

In November 2021 the Undated Deeply Subordinated Reset Rate Guaranteed notes amounted EUR 1,000,0000 thousand with a call option redeem on 18 November 2022 were redeemed for an amount of EUR 500,000 thousand.

In November 2022, the Company, exercised its right to redeem the Undated Deeply Subordinated Reset Rate Guaranteed notes amounting EUR 500,000 thousand with an interest rate of 4.125%, pursuant to Condition 6(b) of the Issuer's Call Option. The outstanding Undated Deeply Subordinated Reset Rate Guaranteed notes were redeemed on 18 November 2022 at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date.

The breakdown of the hybrids bonds issued by the Company and the markets where the bonds are listed and traded is as follows:

Subordinated perpetual debentures (in thousands)

Principal	Currency	Interest rate %	Oustanding nominal	Issued	Maturity	Listed	Reset date
500,000	EUR	3.375%	500,000	2015	Perpetual	Luxembourg Stock Exchange	24th April 2024
500,000	EUR	2.374%	500,000	2021	Perpetual	Luxembourg Stock Exchange	23rd February 2027
Total as at 31 December 2022			**1,000,000**				

Subordinated perpetual debentures (in thousands)

Principal	Currency	Interest rate %	Oustanding nominal	Issued	Maturity	Listed	Reset date
500,000	EUR	4.125%	500,000	2014	Perpetual	Luxembourg Stock Exchange	18th November 2022
500,000	EUR	3.375%	500,000	2015	Perpetual	Luxembourg Stock Exchange	24th April 2024
500,000	EUR	2.374%	500,000	2021	Perpetual	Luxembourg Stock Exchange	23rd February 2027
Total as at 31 December 2021			**1,500,000**				

The proceeds from the Subordinated perpetual debentures have been on lent by the Company to its Shareholder company, Naturgy Energy Group, S.A.

2. Supervisory Board

To comply with the legislation in the Netherlands the Company appointed a Supervisory Board on 17 September 2015. The Supervisory Board assumes also all the functions and responsibilities of an Audit Committee. The Board of the Supervisory Board consisted of two men and one woman.The Company's Supervisory Board members have been appointed based on their qualifications and availability, irrespective of gender. In order to create more balance, the Boards will take these regulations into account to the extent possible with respect to future appointments of Board members.

3. Financial position and performance for the year

The Shareholder's equity of the Company as of 31 December 2022 amounts to EUR 8,877 thousand (2021 EUR 8,681 thousand), and the net result for the year 2022 amounts to a profit of EUR 3,696 thousand (2021: EUR 3,833 thousand). The solvency ratio (total equity/total assets) of the Company as of 31 December 2022 is 0.001 (previous year: 0.001). The liquidity ratio (current assets/current liabilities) of the Company as at 31 December 2022 is 1.01 (previous year: 1.01).

The issued and paid-in share capital of the Company amounts to EUR 90,756 (2021: EUR 90,756)

4. Balanced distribution of seats on the Management Board Members

As a general guidance for Dutch public limited companies, in accordance with art. 276, of Book 2 Dutch Civil Code, large companies must aim for a balanced distribution between men and women with respect to their positions on the Management Board. In December 2022, the Company's Board included a woman, Mrs Goes-Cherif as a Director C of the Company, who was appointed after the resignation of Mr. Warris. Since then, the Management has 75% of female members in the Management Board. The Company appoints directors based on quality and diversity in the Board of Management through their experience, expertise, background and qualifications in order to comply with their responsibilities and properly execute their duties keeping in mind, the guidance of the Dutch Civil Code.
The Management Board is balanced as more than 30% of its members are female and its members have been appointed based on qualifications and availability, irrespective of gender. In order to maintain balanced, the Board will take these regulations into account to the extent possible with respect to future appointments of Board members.

5. Remuneration of the Management Board and Board of the Supervisory Directors.

The Management Board Members consist of three Directors, E. Berenguer Marsal. N. Goes-Cherif and V. Torres Ledesma. During 2022 the remuneration of the Directors amounted to EUR 140 thousand (previous year: EUR 149 thousand). The Company's Board of Supervisory Directors consists of three Directors, M van Daalen, I Velasco, and C. Llobet. During the period the remuneration of the Directors amounted to EUR 19,874 (previous year: EUR 19,874).

6. Financial risks

Due to the nature of the Company's activities, the most important category of risks to be considered is the financial risks. The Company identifies, evaluates, and mitigates financial risks in close cooperation with its Shareholder's Financial Risk Department. This department, with the aim to promote best practices, monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. The management of the Company is involved in the risk management process. Management qualifies itself as risk averse.

The main financial risks are market risk, credit risk, and liquidity risk.

Market risk

The Company's activities expose it primarily to the market risks of changes in currency exchange rates, interest rates, and credit ratings. Market risk (the risk of changes in market prices, such as foreign exchange rates and interest rates) will affect the Company's income or the value of its holdings of financial instruments.

Exchange rate fluctuation risk

The foreign exchange risk is limited as the non-euro borrowings have similar counter positions, or the foreign exchange risk will be managed through swaps to eliminate the exposure.

Effectively very limited foreign exchange risk is incurred by the Company because it has agreed that the loan and the notes carry the same currency.

Interest rate risk

The interest risk is offset as incoming loans and outgoing issuances have similar conditions, except for a spread. The proceeds from the note's issuances are lent on to the Shareholder and therefore the assets and liabilities are fully matched. The interest receivable date and interest payment date of the notes are contractually aligned. The Company, therefore, considers the interest rate risk to be low.

Credit risk

There is a significant concentration of credit risk as all borrowings are lent on to the shareholder. Loans to the shareholder (refer to note 4) amount to EUR 7,928,262 thousand (2021: EUR 8,873,454 thousand). Repayment of the loans depends ultimately on the operational performance of the shareholder. The shareholder, Naturgy Energy Group, S.A. is the holding company of Naturgy Energy Group, an international energy operator, with a significant presence in the world throughout the value chain for gas and electricity. The Shareholder is listed on the Spanish stock exchange. The rating agencies assigned a credit rating to the shareholder. The long-term credit rating of the shareholder is as follows:

	2022	2021
Standard & Poors	BBB	BBB
Fitch	BBB	BBB

This credit risk is monitored on a regular basis by the Company. In view of the prevailing ratings, the Company has concluded that the overall credit risk is low, as far as the Shareholder maintains strong liquidity and solvency metrics. The Company will closely monitor the external ratings for the Group and the financial developments of the Shareholder. The risk appetite of the Company in respect of this risk is low and no amendments were made or are expected to be made in managing this risk.

Liquidity risk

The liquidity risk is mitigated by the back-to-back financing with the ultimate Shareholder company under similar conditions, except for a small spread. The shareholder acts as a guarantor for all the borrowings. In order to minimize the liquidity risk, management monitors the availability of sufficient cash in order to ensure payment of short-term liabilities.

Regarding the Subordinated perpetual debentures, the only conditions that differ between the intragroup loans, by means on which the proceeds raised from the issuances to Naturgy Energy Group, S.A., and the instruments, are the maturity dates and the option to defer the payments of interests.

The Company closely monitors its liquidity position in the days prior to the interest due date and maturity date and will ensure that it will collect the interest and principal from the Shareholder prior to the interest due date and maturity date. The interest receivable dates, and interest payments dates of the notes are contractually aligned, as are the maturity dates. The Company therefore considers the liquidity risk to be low.

Guarantees

With respect to its obligations under the notes, the Company is unconditionally and irrevocable guaranteed on a full recourse basis. Each such Guarantee forms part of the respective note. The Company signed Guarantee Agreements in relation to the ECPs, EMTN program, and the Subordinated perpetual debentures, by which the Company pays to Naturgy Energy Group, S.A. an annual fee equal to 0.25% on the principal amount of the issuances.

7. Other risks

Fiscal Risk

The Company and the Dutch tax authorities concluded an Advance Pricing Agreement (APA) in respect of the arm's length nature of the transfer prices used for calculating the profit within the Shareholder company in June 2019 by means of which it was agreed that at least a spread of 6.3 basis points should be applied on on-lent amounts. The APA ends as per 31 December 2023.

For future years, in a scenario of no-APA, the Company will continue determining its transfer prices in line with the local and global transfer pricing guidelines. The risk appetite of the Company in respect of this risk is low and no amendments were made or are expected to be made in managing this risk.

Risks related to changes in law and regulations

Most of the contracts/programmes contemplate the possibility of changes in tax or accountancy regulation, given that the Company has the option of calling back the notes if this happens. The Company therefore considers the risk to be low. The risk appetite of the Company in respect of this risk is low and no amendments were made or are expected to be made in managing this risk

The members of the Management Board have made, in close operation with the Management of the Group, an assessment of the above risks. Based on this and the above-mentioned credit rating for the Group, the Management Board members has concluded the overall credit risk is low.

8. Risk assessment

The Company identifies potential risks that can impact the financial company's reporting objectives that could have a significant impact on the reliability of the financial information.

The following risks have been identified:

- Regulatory changes that impact the financial statements
- Fraud generating regulated financial information
- Late and improper detection of transactions with an impact on the financial statements and inadequate analysis and valuation of transactions through existing processes, manual means and systems.
- Failure to comply with the requirements of economic and financial reporting in due time and form.

The controls implemented by the Company to manage and mitigate significant reporting and operating risks can be characterised as:

- Preventive: intended to prevent error or fraud situations that may give rise to an error in the financial information of the Company
- Detecting: the aim of which is to detect error or fraud situations that have already occurred and that may give rise to an error in the company's financial information.

The company is also attached to the shareholder code of ethics. The Code of Ethics of the Shareholder and its subsidiaries was issued, approved, and adopted by the Board of Directors of the Shareholder in 2005 and was last amended in 2021 in order to include an explicit reference to two new corporate policies on conflicts of interest and digital rights. No major changes result from this amendment. The Code of Ethics is applicable to all professionals of the Naturgy Group and the entity and summarizes the principles and guidelines regardless of their rank, their geographical or functional location in order to ensure ethical and responsible behaviour by all professionals in the performance of their activities. The Code of Ethics forms a part of the Naturgy Group's Corporate Governance Systems and is fully respectful of the principles of corporate organization established therein. The Code of Ethics is available on https://www.naturgy.com/sostenibilidad/gestion_de_la_sostenibilidad/politicas_y_codigos_de_conducta/cod go_etico. The adoption and application of the Code of Ethics is mandatory. During the year there were no reportable events that directly or indirectly relate to the Code of Ethics

Fraud risk analysis

The Shareholder and the Company faces challenges regarding integrity through a management approach based on various policies and procedures and specific tools, within the framework of the Shareholder's Code of Ethics and of the compliance management model.

The regulatory framework is underpinned by the Code of Ethics and complemented by, among others, the Supplier Code of Ethics, the Compliance Policy, the Crime Prevention Model, the Anti-Corruption Policy, tax policies, the Human Rights Policy and other control standards and models that ensure the efficiency of operations, the mitigation of key risks in each area of the business and the continuity of operations.

9. Technological research, development, and innovation

In 2022, the Company has not carried out any activity related to research, development, and innovation.

10. Employees

During the year 2022, the average number of employees calculated on a full-time basis was 1 (2021: 1).

11. Environmental related information

Naturgy Finance B.V.'s exposure is solely through Naturgy Group's potential impact from climate change. Naturgy's climate change strategy, aimed at mitigating potential impacts derived from climate change, includes the components of Nature and People, as they are complementary and mutually influential realities. This holistic vision is therefore based on three fundamental pillars:

- Reduction of greenhouse gas emissions by transforming the generation mix and the gas and electricity businesses towards an increasingly decarbonized model. This mix is diversified both technologically and geographically.

- Creation of natural capital and restoration of ecosystems to maximize CO2 capture and emissions neutralization, ensuring the protection of native fauna and flora, and maximizing co-benefits for local communities.

- Just Transition, maximizing the benefits of the transition to a low-carbon economy and minimizing negative impacts on activity, workers, and communities.

Naturgy is committed to being one of the key players in the energy transition towards a circular and decarbonized economic model. To achieve this, its Environmental Policy establishes principles around its strategic environmental axis of climate change and energy transition, and the Management Board Members is responsible for climate change governance at Naturgy, with the Sustainability Delegation Committee overseeing the company's performance in environmental, social, and corporate governance policies, as well as monitoring key indicators and managing risks and opportunities.

Following these principles, the company has adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since 2017. The TCFD aims to improve the disclosure of climate-related risks and opportunities and provide stakeholders with the necessary information to conduct consistent analyses of the potential financial impacts of climate change.

Information on the group's decarbonization strategy is detailed in Naturgy's Consolidated Annual Financial Report for the year 2022, prepared in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

12. Outlook

The Medium-Term Notes (EMTN) program has a term of a year, and the last update of the program has been in December 2022, maintaining the same maximum aggregate amount to EUR 12,000,000 thousand as previous year (2021: EUR 12,000,000 thousand).

The Company also holds a Euro Commercial Paper (ECP) program entered during the year 2010, with a maximum amount disposed at each moment of EUR 1,000,000 thousand.

It is expected that the activities of the Company will remain unchanged. The Company expects to update the EMTN programme. Given the cash flow generated by the Shareholder as well as the available liquidity, the Company's refinancing needs are covered beyond 2023. The Company expects to continue its normal course of business in 2023, raising funding in the international loan and capital so as to provide the necessary funding to the Shareholder Group companies. Additionally, the Company expects to maintain the balance of the ECP's issued during next year.

The Advance Pricing Agreement (APA) between the Company and the Dutch Tax Authorities will conclude as per 31 December 2023. In the case of no new APA requested the Company will continue determining its transfer prices in line with the local and global transfer pricing guidelines.

For the next year, no new investments are expected, and the number of employees will remain as in previous years. The Company does not envisage carrying out any new activity related to research, development, and innovation.

Regarding COVID-19 pandemic and the military conflict in Ukraine, given that the duration and global impacts are still unknown, Naturgy Finance B.V. continues to monitor the risks, seeking to anticipate and manage possible impacts not currently contemplated.

In an international context that is deeply influenced by the war in Ukraine, and within the framework of the Shareholder's financial policy, the Company has maintained the availability of funds to meet its obligations and to implement its business plans, guaranteeing at all times the optimum level of liquid resources and seeking to maximize efficiency in the management of financial resources.

In the light of the economic outlook and development of the political environment discussed above, the Company believes that it will continue to face a year full of challenges, like interest rate changes, in 2022, for which it has prepared through risk management procedures and strategic guidelines. It is not yet possible to accurately assess the full impact of the war in Ukraine and the sanctions on Russia therewith, as the situation remains highly volatile, making it extremely difficult to forecast macroeconomic developments and the likely impact on the financial receivables with Russian counterparties. The Management of the Company does not see any threat to the Company’s status as a going concern. The Company’s financial position is stable, with liquidity requirements currently covered by available liquidity and credit lines.

13. Subsequent events

No major post-balance sheet events affecting the financial statements have occurred to date.

14. Responsibility Statement

All managers confirm that, to the best of (their) knowledge:

- The financial statements for the year 2022, which have been prepared in accordance with the Dutch Civil Code, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company.
- The Management Board Members Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties they face, as required pursuant to section 5:25c 2of the Dutch Financial Markets Supervision Act ('Wet op het financieel toezicht").

Signing

The Management Board Members,

E. Berenguer Marsal

N. Goes-Cherif

V. Torres Ledesma

Amsterdam, The Netherlands 7th of June 2023.

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Supervisory Board Report

General

The Company's Supervisory Board was established on 17 September 2015 and at the same date, the Supervisory Board installed an audit Committee. In addition to the rules and regulations applicable under Dutch Law and the Articles of Association, a Charter was adopted that defines the tasks and responsibilities of the Supervisory Board. This Charter was approved by the General Meeting of Shareholders and was adopted by the Supervisory Board on 17 September 2015.

During 2019, the Supervisory Board dissolved the Audit Committee and assumed all its functions.

In December 2020 the Charter has been revised and approved by the Shareholder. The revised Supervisory Board Charter provides a formal and transparent procedure for appointing and reappointing the supervisory board members and a solid plan of succession has been included.

Composition

The Supervisory Board consists of 3 members. Mr. M. van Daalen, Mrs. I. Velasco Miranda and Mr. J. I. Sanz. Mr. J. I. Sanz was appointed on 31 January 2023 as a new member and obtained sufficient knowledge about the company's performance and 2022 state of affairs to be able to sign the financial statements. Mr. C. Llobet Contijoch resigned from his function as a Supervisory Board member in as from 31 January 2023.

Tasks of the Supervisory Board

The Supervisory Board supervises and reviews the activities and the decisions of the Management Board members, the development of the Company's operations and the realization of its objectives, taking into account the relevant interests of the Company's stakeholders. In addition, it assists the Management Board by providing advice and guidance.

In fulfilling its tasks, the Supervisor Board makes use of reports on business, finance, risks, and other aspects, and on presentations and meetings with Management Board, the external independent auditor and other relevant parties.

Activities of the Supervisory Board

In 2022 the Supervisory Board held 3 meetings, on 26 January, 26 April and 12 December. Outside these meetings, the Supervisory Board passed 2 resolutions; on 6 October and 22 November.

Topics discussed in the meetings included the approval of the Annual Report 2021 and profit distribution, the audit report of the (previous) external independent auditor KPMG for the audit of the 2021 Financial Statements, the EMTN program and update, early redemption of Hybrid bonds in 2022, updates and various tax matters, compliance measures, internal control, evaluation and functioning of the Management Board and the effects of COVID-19.

KPMG was appointed as the external independent auditor for the audits of the financial years 2021, 2022 and 2023. The audit of 2021 was completed by KPMG. By mutual agreement of the Company and KPMG, their engagement has been terminated in January 2023. The Shareholder of the Company appointed PricewaterhouseCoopers Accountants N.V. ('PwC'), as the new external independent auditor for the financial years 2022 and 2023.

As in previous year, a self-evaluation of the Supervisory Board and its functioning was discussed. The overall feedback from the self-evaluation was that the Supervisory Board is operating well and that discussions are very open and constructive.

Relationship with the external independent auditor

The external independent auditor attends the meetings when the financial statements and audit process are discussed. The functioning of the external independent auditor is evaluated meticulously and the Supervisory Board is of the opinion that the new external independent auditor is fully qualified for this task. There are no doubts or concerns with respect to their independency.

Financial statements 2022

The financial statements of the Company for 2022, as presented by the Management Board, have been audited by PwC as external independent auditor appointed by the General Meeting of Shareholders. The Supervisory Board is of the opinion that the Financial Statements and the Management Board's report provide a true and fair view of the Company's position, therefore the Management Board recommends the Shareholders to adopt these Financial Statements.

Signing

The Supervisory Board members,

I. Velasco Miranda

Mr. J. I Sanz

M. van Daalen

Amsterdam, The Netherlands 7th of June 2023.

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Accountants N.V.
For identification
purposes only

FINANCIAL STATEMENTS

Balance Sheet as of 31 December 2022

(Before appropriation of result)

(Expressed in thousand of Euro)

ASSETS	Note	31-Dec-22	31-Dec-21
Non-current assets			
Loans to group companies	4	7,178,495	8,290,950
Total Non-current assets		**7,178,495**	**8,290,950**
Current assets			
Short term portion of the Loans to group companies	4	749,768	582,504
Receivables		109	23
Income tax receivables		157	126
Cash and cash equivalents	5	5,234	6,673
Total Current assets		**755,268**	**589,327**
TOTAL ASSETS		**7,933,763**	**8,880,276**

(Expressed in thousand of Euro)

LIABILITIES AND SHAREHOLDER'S EQUITY	Note	31-Dec-22	31-Dec-21
Shareholder's equity			
Share capital		91	91
Share premium reserve		165	165
Other reserves		4,925	4,592
Net Income for the period		3,696	3,833
Total Shareholder's equity	6	**8,877**	**8,681**
Non-current liabilities			
Long-term loans and bonds	7	7,179,060	8,290,829
Total Non-current liabilities		**7,179,060**	**8,290,829**
Current liabilities			
Short term portion of the long-term loans and bonds	7	730,999	564,338
Other current financial liabilities to group companies		14,644	14,678
Other current financial liabilities		183	1,751
Total Current liabilities		**745,826**	**580,767**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**7,933,763**	**8,880,276**

The notes on pages 17 to 39 are an integral part of these financial statements.

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Statement of total result for the year ended 31 December 2022

Income statement

(Expressed in thousand of Euro)

	Note	2022	2021
Interest income	9	203,787	253,446
Interest expense	10	(177,298)	(203,642)
Net interest income		**26,489**	**49,805**
Other financial expense		(21,206)	(44,226)
Net financial income		**5,283**	**5,578**
Administrative expenses	11	(388)	(494)
Profit before income taxes		**4,895**	**5,084**
Income tax expense	12	(1,199)	(1,251)
Net income for the year		**3,696**	**3,833**

The results of the Company are attributable to the Shareholder company Naturgy Energy Group, S.A.

The notes on pages 17 to 39 are an integral part of these financial statements.

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Notes to the financial statements for the year ended 31 December 2022

1. General

Company structure

Naturgy Finance B.V. ("the Company") is a private limited liability company established in Amsterdam, The Netherlands (Commercial Register Number 24243533). The Company acts as a finance company. The Company has its business address at Barbara Strozzilaan 101, Amsterdam, The Netherlands.

The Company is an owned subsidiary of its ultimate Shareholder company who, in 2018 changed its legal name from Gas Natural SDG, S.A to Naturgy Energy Group, S.A. Naturgy Energy Group, S.A. has its legal seat in Madrid, Spain, and is the controlling party of the Company.

The Company is included in the consolidated financial statements of Naturgy Energy Group, S.A. All subsidiaries of its shareholder, and its shareholder Naturgy Energy Group, S.A. which is head of the group, are referred to as group companies.

Activities

Naturgy Finance B.V. was incorporated to facilitate the funding of its Shareholder company. In order to achieve its objectives, Naturgy Finance B.V. is authorized to raise funds including the issuance of subordinated securities, negotiable bonds and commercial paper on the capital and money markets.

In relation to these issuances the Company signed a Guarantee Agreement with its Shareholder company which establishes Naturgy Energy Group S.A. as unconditional and irrevocable guarantor of any amount payable that remains unpaid, by the date and on the time specified for such payment, by the Company (as issuer) to any holder of the notes issued. As a consequence, the Company pays to Naturgy Energy Group, S.A. an annual guaranteed fee of 0.25% on the principal amounts of the issuances.

Tax

The Company signed an Advanced Pricing Agreement ("APA") in June 2019 with the Dutch tax authorities, which applies to the period of 1 January 2019 up to and including 31 December 2023. This agreement, states main following conditions:

- The new margin was applicable for any new debt instrument issued from 1 January 2019.
- The old margin was applicable until June 2019 (6.4316 basis points) for all other issuances in place since 2018
- The agreement requires the Company to maintain a minimum equity amount of EUR 2,000 thousand.

The Company concluded an Advance Tax Ruling ("ATR") with the Dutch tax authorities in June 2019 for Subordinated perpetual debenture, qualifying both issuances as debt for Dutch tax purposes, please refer to note 12.

Financial position

In March 2010, the Company entered as issuer (Naturgy Energy Group, S.A. as guarantor) into a Euro Commercial Paper (ECP) Program for the issuance of notes under which it will be possible to issue notes and have outstanding at any time ECP notes up to a maximum aggregate amount of EUR 1,000,000 thousand. The Company has signed a revolving cash advance facility agreement with Naturgy Energy Group, S.A. This agreement allows to lend to Naturgy Energy Group, S.A. the funds raised under the issuances from the money market of commercial paper.

In November 2010, the Company entered into the Euro Medium-Term Notes (EMTN) Program. The issuers of the program are both the Company and Naturgy Capital Markets

S.A., another sister. The program allows the issuance, offering and selling of notes, listing on the Official List of the Luxemburg Stock Exchange and trading on the Luxembourg Stock Exchange´s regulated market, although the notes may be admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed with the Issuer and the Guarantor. Unlisted Notes may also be issued under the program by the Company, Naturgy Energy Group, S.A. being the Guarantor. This EMTN program is updated annually, and after various extensions, the program limit was EUR 12,000,000 thousand.

In 2013, the Company began for the first time to issue bonds under the EMTN program, and as at 31 December 2022 the bonds issued by the Company amounted to EUR 7,656,308 thousand (2021: EUR 7,367,708 thousand) (refer to note 7).

From 2014 the Company began to issue Subordinated perpetual debentures. On 18 November 2014, the Company issued the first "Undated 8-year non-call deeply subordinated guaranteed fixed rate reset securities" (Subordinated perpetual debentures EUR 1,000,000 thousand), guaranteed by Naturgy Energy Group, S.A., for an amount of EUR 1,000,000 thousand (refer to note 7). The issue price was 99.488%. The Subordinated perpetual debentures bear interest at a fixed rate, which is calculated as a reference interest rate plus a margin. The reference interest rate is the 8-year swap rate (equivalent at the issue date to 0.772%) which may be reviewed every 8 years. The initial margin applicable to the first 10 years is 3.353%; between years 2024 and 2042 the margin will be 3.603% and from then onwards, it will be 4.353%. The initial coupon was set at 4.125%.

On 24 April 2015, the Company issued the second "Undated 9-year non-call deeply subordinated guaranteed fixed rate reset securities" (the Subordinated perpetual debentures EUR 500,000 thousand), guaranteed by Naturgy Energy Group, S.A., for an amount of EUR 500,000 thousand. The issue price was 99.049%. The Subordinated perpetual debentures 500,000 thousand bear interest at a fixed rate, which is calculated as a reference interest rate plus a margin. The reference interest rate is the 9-year swap rate (equivalent at the issue date to 0.4210%) which may be reviewed every 9 years. The initial margin applicable to the first 9 years is 3.079%; between years 2025 and 2044 the margin will be 3.329% and from then onwards, it will be 4.079%. The initial coupon was set at 3.375%.

On 23 November 2021, the Company issued the third "Undated 5-year non-call deeply subordinated guaranteed fixed rate reset securities (the Subordinated perpetual debentures EUR 500,000 thousand), guaranteed by Naturgy Energy Group, S.A., for an amount of EUR 500,000 thousand. The issue price was 99.60%. The Subordinated perpetual debentures 500,000 thousand bear interest at a fixed rate, which is calculated as a reference interest rate plus a margin. The reference interest rate is the 5,25-year swap rate (equivalent at the issue date to -0.062%) which may be reviewed every 5 years. The initial margin applicable to the first 10 years is 2.437%; between years 2032 and 2037 the margin will be 2.687% and from then onwards, it will be 3.437%. The initial coupon was set at 2.374%.

Also, on 23 November 2021, the Company successfully repurchased Subordinated perpetual debentures of EUR 500,000 thousand from its Undated 9-year non-call deeply subordinated guaranteed fixed rate reset securities of EUR 1,000,000 thousand. The intercompany loan linked to such bond was duly repaid.

At its sole discretion, the Company may elect to defer any payments of coupons on the Subordinated perpetual debentures. Any coupon payment deferral will accrue interests at 3.353% for the EUR 500,000 thousand Undated 8-year non-call Subordinated perpetual debentures and 3.079% for the EUR 500,000 thousand Undated 9-year non-call Subordinated Perpetual Debentures and at 2.374% for the EUR 500,000 thousand Undated 5-year non-call Subordinated perpetual debentures. Coupons deferred are however mandatorily settled ultimately upon redemption of the Subordinated perpetual debentures or if the guarantor, Naturgy Energy Group, S.A., pays dividends in cash in respect of its ordinary shares, or if the Company pays dividends of its ordinary shares. Although these Subordinated perpetual debentures do not have a contractual maturity date, the Company will have the right to redeem the Subordinated perpetual debentures EUR 500,000 thousand on 18 November 2022 and Subordinated perpetual debentures EUR 500,000 thousand on 24 April 2024 and Subordinated perpetual debentures EUR 500,000 thousand on 23 February 2027 and on any subsequent year, at coupons payments dates.

In November 2022, the Company, exercised its right to redeem the outstanding Undated Deeply Subordinated Reset Rate Guaranteed notes amounted EUR 500,000 thousand, pursuant to Condition 6(b) of the Issuer's Call Option. The outstanding Undated Deeply Subordinated Reset Rate Guaranteed notes were redeemed on 18 November 2022 at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date.

The Company signed Guarantee Agreements in relation to the ECPs, EMTN program, and the Subordinated perpetual debentures, which establishes Naturgy Energy Group S.A. as unconditional and irrevocable guarantor of any amount payable that remains unpaid, by the date and on the time specified for such payment, by the Company (as issuer) to any holder of the notes issued. As a consequence, the Company pays to Naturgy Energy Group, S.A. an annual guaranteed fee of 0.25% on the principal amounts of the issuances.

2. Summary of principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

This annual report is prepared for the year ended 31 December 2022.

The present accounting policies of valuation and determination of result used assume of going concern of the Company.

These accounts have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and with accounting principles accepted in the Netherlands

Assets and liabilities are measured at historical cost, unless stated otherwise in the policies below. An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognized in the balance sheet are considered as off-balance sheet assets. A liability is recognized in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognized in the balance sheet are considered as off-balance sheet liabilities. An asset or liability that is recognized in the balance sheet remains recognized on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are considered. The benefits and risks that are not reasonably expected to occur are not taken in to account in this assessment. An asset or liability is no longer recognized in the balance sheet, and thus derecognized, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognized in the profit and loss account, considering any provisions related to the transaction of assets are recognized of which the Company does not have the legal ownership, this fact is disclosed.

Income is recognized in the statement of income when an increase in future economic potential related to an increase in an asset or a decrease of a liability arises, of which the size can be measured reliably. Expenses are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability arises, of which the size can be measured with sufficient reliability. Revenues and expenses are allocated to the respective period to which they relate. Revenues are recognized when the Company has transferred the significant risks and rewards of ownership.

The preparation of financial statements in conformity with Part 9 of Book 2 of the Dutch Civil Code requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

These Financial statements fairly present the equity and financial situation of Naturgy Finance B.V. at 31 December 2022 and the results of its operations and the changes in the statement of shareholder´s equity of the Company for the year ended.

The figures showed in the financial statements are expressed in thousands of Euros unless otherwise indicated.

2.2 Changes in accounting

The accounting policies remain the same as previous years.

2.3 Use of estimates / judgment

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates and judgements.

If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgements, including related assumptions, is disclosed in the notes to the relevant financial statement item.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the period ended 31 December 2022, as well for the year ended 31 December 2021 is included in the Covid-19 effects description below and the following notes:

In terms of key assumptions underlying recoverable amounts, including the recoverability of loans, please, refer to note 4. For determining the fair value of loans, borrowings, please refer to note 4 and 7.

Management prepares an annual assessment in terms of the recoverability of the EUR 7,928 million intercompany loan (2021: EUR 8,873 million) and whether impairment is required. These demonstrate that the group has sufficient liquidity for its operations and borrowings can be repaid as they fall due.

2.4 Cash flow statement

The Company does not prepare cash flow statement for the financial statements. As permitted under RJ 360.104, the cash flows of the Company are included in the consolidated cash flows statement of the ultimate holding company. The ultimate holding company's financial statement are available on Naturgy´s corporate website: www.naturgy.com

2.5 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in thousands of Euros, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

- Monetary financial assets and liabilities are translated at the closing rate of the date of the Balance Sheet;
- Income and expenses are translated at monthly average exchange rates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

The exchange rates used in the financial statements are:

1 EUR = NOK (Norwegian Krona)

31-Dec-22	31-Dec-21
10.5138	9.9888

2.6 Financial instruments

Financial instruments include bonds, loans granted and other receivables, cash items, loans and other financing commitments and other payables. Financial instruments also include derivative financial instruments.

a) Loans and bonds

Loans and bonds are initially recognized at their fair value, net of any transaction costs incurred. Subsequently, loans and bonds are carried at amortized cost using the effective interest rate method.

Loans and bonds are classified as current financial liabilities unless they mature in more than twelve months as from the balance sheet.

b) Loans to group companies

Loans to group companies are carried at amortized cost after initial recognition at fair value, using the effective interest rate method, less impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets.

c) Impairment of financial fixed assets

A financial asset that is not measured at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortized cost, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with a negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

The Company assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the borrower's (Naturgy Energy Group S.A.) financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including (i) Adverse changes in the payment status of borrowers in the portfolio; and (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio; and
  Analysis of the Ukraine war, please refer to note 3.

The entity considers evidence of impairment for financial assets measured at amortized cost (loans and receivables and financial assets that are held to maturity). All individually significant assets are assessed individually for impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between it carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognized in the profit and loss account and reflected in an allowance account against loans and receivables, or investment securities held to maturity (as part of the interest expenses). Interest on the impaired asset continues to be recognized by using the asset's original effective interest rate.

d) *Offsetting financial instruments*

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

e) *Modification of financial instruments*

Modifications of financial instruments are assessed from a qualitative and quantitative prospective when they are present, if the discounted present value of the cash flows at market rate under the new terms was less than 10% different from the discounted present value of the remaining cash flows of the original financial liability and asset, it is considered that there is no substantial modification, therefore it is not required to derecognise the financial instruments and account for a new financial instrument; as such, the Company calculates the amortised cost of the financial asset and liability as the present value of the future contractual cash flows that are discounted at the financial instrument's effective interest rate.

Substantial modifications to financial instruments are treated as an extinguishment, and so derecognition, of the existing liability and recognition of a new liability based on the new contractual terms. Any difference between the amortised cost of the `old' loan and the present value of the modified cash flows at the original effective interest rate is recognised as a gain or loss within the profit and loss account.

f) *Derecognition of financial instruments*

Financial instruments are derecognised if a transaction results in a considerate part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

2.7 Loans to group companies

Loans to group companies are stated at amortized cost,

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current financial liabilities in the balance sheet. Cash and cash equivalents denominated in foreign currencies are translate at the balance sheet date in euros at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

2.9 Equity

Ordinary shares are classified as equity.

Share premium reserve relates to the amounts contributed by the Shareholder. This also includes additional capital contributions without the issue of shares or issue of rights to acquire shares of the Company. Costs and capital taxes associated with the issue of shares that are not capitalised are deducted from share premium, after taking into account tax effects. If the share premium is insufficient for such deductions, the amounts are deducted from other reserves

Other reserves related to the portion of prior year's results that have been appropriated as a result of an Annual General Meeting decision. The net result of previous years is classified under the other reserves. Dividend pay outs are deducted from other reserves (except when the Annual General Meeting decided on dividends being an included as element of profit of appropriation).

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income, and expenditure with respect to these financial instruments are recognized in the profit and loss as financial income or expense.

2.10 Non-Current liabilities

The valuation and measurement of non-current liabilities is explained under the heading 'Financial instruments. The presentation is determined by the legal or constructive obligation to pay.

2.11 Current liabilities

The valuation and measurement of current liabilities is explained under the heading 'Financial instruments. The presentation is determined by the legal or constructive obligation to pay.

2.12 Income tax

The tax expense for the year comprises current tax and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognized in equity.

The current tax charge is calculated at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled. Deferred tax is recorded at nominal value.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The taxable profit of the Company is computed on the basis of a Pricing Agreement with the tax authorities. This requires a minimum taxable income in respect of taking up and granting loans. The present Advanced Pricing Agreement is valid from 1 January 2019 until 31 December 2023.

2.13 Interest income and expense recognition

Interest income and expense are recognized using the effective interest method. When a loan and receivable are impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognized using the original effective interest rate.

2.14 Dividend distribution

Dividend distribution is recognized as a liability in the Company's financial statements once it is approved by the Company's shareholders.

2.15 Provisions and contingencies

Provisions are being measured at present value and are recognized when the Company has i) a present legal or constructive obligation as a result of past events; ii) for which it is more likely than not that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon a future event, the Company discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote. Contingent assets are not recognized in the Company's balance sheet but are disclosed when an inflow of economic benefits is probable.

2.16 Related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, its Shareholder company shareholder, directors and key management personnel.

Transactions are transfers of resources, services or obligations, regardless of whether anything has been charged insofar as they are not transacted under normal market conditions.

2.17. Guarantee to the Shareholder.

The expenses related to the guarantee paid to the Shareholder are part of 'Financial expenses' in the statement of income.

2.18 Events after the reporting year

Post-year-end events that provide additional evidence of conditions that existed at the end of the reporting year (adjusting events), if any, are reflected in the financial statements. Post-year-end events that are indicative of conditions that arose after the end of the reporting year (non-adjusting events) are disclosed in the notes to the financial statements.

3. Financial risk management

3.1 Financial risk factors

The Company's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Furthermore, risk related to financial reporting and other operational risks, risks related to change in laws and regulations and risks related to financial instruments; all of these risks arise in the normal course of business and the risk appetite of the Company in respect to these risks is low and no amendments were made or are expected to be made in managing these risks.

The Company's overall risk management program focuses on the volatility of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The risk management policy is based on the consideration that the Company acts as a vehicle to raise funds for Naturgy Energy Group and to on-lend these funds to the Shareholder company.

The set-out policy allows the Company to raise funds on non-euro currencies where the markets offer good opportunities as compared with the euro market. When the borrowings are not denominated in Euros, the Company either on lends the funds to the Shareholder company in the same currency as the borrowing is denominated or enters into swaps to finally obtain Euros that are then on-lent to the Shareholder company. The Company´s policy is to enter into cross-currency swaps considered as fully effective, as the notional amount of the cross-currency swap equals the borrowing and all cash flow dates and interest rates coincide between the borrowing and the cross-currency swap.

All borrowings, taking into account the impact of the derivative hedges, are issued under the general conditions to the shareholder including a small interest spread and the maturity date is the same or later than the shareholder loans.

Market risk

a) Foreign exchange risk

The Company has very low appetite to exchange-rate risk. The Company is exposed to exchange rate risk through its debt and assets denominated in currencies other than EUR, currently NOK. To mitigate the exposure to foreign exchange risk, the currency of the loans to the shareholder will generally match the currency of the attracted funding. Where this is not applicable, derivatives are used to mitigate this exposure.

The proceeds from the bond issued in NOK have been on lent in NOK to the Shareholder company Naturgy Energy Group, S.A. and therefore, the foreign exchange risk for the company has been offset by a position with the Shareholder company.

b) Interest rate risk

The Company's interest rate risk arises from the Subordinated perpetual debentures and bonds. Issuances at fixed rates expose the Company to fair value interest rate risk. Issuances at variable rates expose the Company to cash flow and interest rate risk. Interest rate risk is offset by similar interest conditions in the positions with the shareholder, except for a spread.

Credit risk

There is a significant concentration of credit risk as all borrowings are lent on to the shareholder. Loans to the shareholder (refer to note 4) amount to EUR 7,928,262 thousand (2021: EUR 8,873,454 thousand). The level of remuneration reflects the functions performed and the risks assumed by the Company in relation to the intercompany flows. It has been agreed to set the remuneration for the financing activities over the funds borrowed and lent on, as an annually gross spread. This spread is based on a corresponding transfer pricing report which is updated every five years.

In the case of the Subordinated perpetual debentures, the intragroup loans have the same subordination as the guarantees provided by Naturgy Energy Group, S.A. to the holders of the Subordinated perpetual debentures. This credit risk is monitored on a regular basis by the Company.

The shareholder, Naturgy Energy Group, S.A. is the holding company of Naturgy Energy group, an international energy operator, with a significant presence in the world throughout the value chain for gas and electricity. The shareholder is listed on the Spanish stock exchange.

The long-term credit rating of the shareholder is as follows:

	2022	2021
Standard & Poors	BBB	BBB
Fitch	BBB	BBB

The maximum exposure to credit risk amounts to EUR 7,928,371 thousand (2021: EUR 8,873,478 thousand).

Liquidity risk and cash flow risk

The Company performs cash flow forecasting. Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans and external legal requirements.

In connection with the borrowings, the Company pays interests on an annual basis in the case of the bonds issued under the EMTN (refer to note 7). The redemption date for the bonds their maturity ranges from 2 to 10 years (refer to note 7).

The Company does not bear cash-flow risk regarding the issuance of the Subordinated perpetual debentures, as the intragroup loan is more liquid than the issuance and the interest rate on the intragroup loan will be received, even if the Company defers the accrued interest on the Subordinated perpetual debentures.

The Company will pay interests on an annual basis in the case that interests are mandatorily settled (refer to note 7). The Subordinated perpetual debentures have no redemption date.

The Company's income and operating cash flows are dependent on changes in market interest rates for Euribor. The current variable interest rates are set at Euribor plus a fixed margin. This funding exposes the Company to cash flow interest rate risk which is offset by similar counter positions.

The Company is exposed to cash flow risk, but this risk is limited as the payment conditions on the EMTN senior bonds are similar as the payment conditions on the loans to the shareholder.

With regards to the payment conditions on the Subordinated perpetual bonds, the only difference with the payment conditions on the loans to the shareholder is the tenor of such loans that is extended automatically beyond the call date.

The shareholder does not have a history of non-compliance with the payment conditions.

Contractual maturities of the Company´s financial instruments are

(in Thousands of Euro) At 31 December 2022	Within 1 month	Between 1 month and 3 months	Between 3 months and 12 months	Between 12 months and 5 years	More than 5 years	Total
Long-term loans to shareholder	-	-	-	5,988,003	1,190,492	7,178,495
Current loans to shareholder	67,571	22,131	660,066	-	-	749,768
Financial receivables	-	-	109	-	-	109
Total Financial Assets	**67,571**	**22,131**	**660,175**	**5,988,003**	**1,190,492**	**7,928,372**

Liabilities

(in Thousands of Euro) At 31 December 2022	Within 1 month	Between 1 month and 3 months	Between 3 months and 12 months	Between 12 months and 5 years	More than 5 years	Total
Long-term loans and bonds	-	-	-	5,987,848	1,191,212	7,179,060
Short-term loans and bonds	56,758	19,747	654,494	-	-	730,999
Other current financial liabilities from group companies	8,637	1,926	3,914	-	-	14,477
Other current financial liabilities	-	-	170	-	-	170
Total Financial Liabilities	**65,395**	**21,673**	**658,578**	**5,987,848**	**1,191,212**	**7,924,706**

Assets

(in Thousands of Euro) At 31 December 2021	Within 1 month	Between 1 month and 3 months	Between 3 months and 12 months	Between 12 months and 5 years	More than 5 years	Total
Long-term loans to shareholder	-	-	-	3,235,998	5,054,952	8,290,950
Current loans to shareholder	67,571	10,646	504,287	-	-	582,504
Financial receivables	-	-	23	-	-	23
Total Financial Assets	**67,571**	**10,646**	**504,310**	**3,235,998**	**5,054,952**	**8,873,478**

Liabilities

(in Thousands of Euro) At 31 December 2021	Within 1 month	Between 1 month and 3 months	Between 3 months and 12 months	Between 12 months and 5 years	More than 5 years	Total
Long-term loans and bonds	-	-	-	3,235,343	5,055,485	8,290,829
Short-term loans and bonds	56,758	9,601	497,979	-	-	564,338
Other current financial liabilities from group companies	8,637	835	5,040	-	-	14,512
Other current financial liabilities	-	-	271	-	-	271
Total Financial Liabilities	**65,395**	**10,436**	**503,290**	**3,235,343**	**5,055,485**	**8,869,950**

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency.

As the Company's financial instruments and major part of the transactions are in Euro, the currency risk is very low.

Other operational risks related to the Ukrainian war

Following the Russian invasion of Ukraine that began on February 24, 2022, economies around the world, announced the imposition of trade sanctions targeting Russian individuals, companies, and institutions. These sanctions, as well as the countersanctions imposed by Russia, have triggered a significant reduction in commercial operations between these economies and Russia, which has led to an increase in the prices of raw materials in the world markets for oil, natural gas, and wheat, among other products, as well as exacerbated inflationary pressures, bottlenecks in the supply chain, and volatility in financial and commodity markets.

PricewaterhouseCoopers Accountants N.V.
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Naturgy is aware of the potential impact of these geopolitical developments and acknowledges the indirect risks associated with the new macroeconomic scenario resulting from the war.

In this regard, it is relevant to consider regulatory changes that may impact business activities, such as potential adjustments in energy product pricing or shifts in central banks' monetary policies, which could result in significant increases in interest and discount rates. Naturgy currently has no indications of a deterioration in the credit risk of its borrowers or changes in their payment behaviour regarding the loans issued by the company. Additionally, the obligations to bondholders are supported by guarantees from the Shareholder.

For more detailed information on Naturgy's risks and risk management, please refer to the Naturgy Group Management Report for the financial year 2022, available on the company's website at www.naturgy.com.

4. Loans and bonds

Loans and bonds are loans to group companies that consist mainly of loans given to the shareholder mirroring the borrowings received by the Company from third parties and group companies.

The breakdown of the loans to Group companies are as follows:

(in Thousands of Euro)	31 December 2022	31 December 2021
Non-current		
Loans to shareholder (EMTN Program)	6,181,389	6,795,723
Loans to shareholder (Referred to Subordinated perpetual debentures)	996,376	1,494,497
Loans to shareholder (Credit facility)	730	730
	7,178,495	**8,290,950**
Current		
Accrued Interest (EMTN Program)	98,190	112,066
Accrued Interest (Referred to Subordinated perpetual debentures)	24,216	16,841
Loans to shareholder (EMTN Program)	627,362	453,597
	749,768	**582,504**
Total	**7,928,263**	**8,873,454**

The carrying amounts and fair values of the non-current loans to the shareholders are as follows:

(in Thousands of Euro)	Carrying value		Fair Value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Loans to shareholder (EMTN Program)	6,181,389	6,795,723	5,669,179	7,254,060
Loans to shareholder (Referred to Subordinated perpetual bond)	996,376	1,494,497	931,869	1,554,573
Loans to shareholder (Credit facility)	730	730	730	730
Total EUR	**7,178,495**	**8,290,950**	**6,601,778**	**8,809,363**

The fair value of the non-current loans to the shareholder is estimated using the discounted cash-flows over the remaining terms of such. The discount rates for intercompany loans corresponding to non-traded related loans were determined based on the cost of borrowings in Euros of Naturgy Energy Group S.A., adjusted by the additional spread stipulated in the intercompany loan.

The average effective interest rate for those loans during the year has been 2.181% (2021: 2.372%). The discount rates for the loans to the shareholder corresponding to the EMTN program not including the Subordinated perpetual debentures have been determined considering the fair market value of the corresponding bonds issued by the Company, adjusted by the additional spread stipulated in the intercompany loan. The average annual interest rate for those loans during the year has been 1.868% (2021: 2.059%).

The carrying amount and fair value of the current loan to the shareholders is as follows:

(in Thousands of Euro)	Carrying value		Fair Value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Loans to shareholder (EMTN Program)	627,362	453,597	629,624	458,886
Total EUR	**627,362**	**453,597**	**629,624**	**458,886**

The movement of loans to group companies is as follows:

(in Thousands of Euro)	31 December 2022	31 December 2021
At 1 January	**8,873,454**	**9,134,502**
Decrease of Loans to shareholder (EMTN Program)	**(454,445)**	**(259,161)**
Decrease Non current Loans to shareholder	(614,334)	(432,977)
Increase Current Loans to shareholder	159,889	173,816
Decrease of Loans to shareholder (Subordinated perpetual debentures)	**(490,746)**	**(1,887)**
As at 31 December	**7,928,263**	**8,873,454**

The Company did not identify an impairment of the loans to group companies as of 31 December 2022 and 2021.

We set out below a description of the loans to the shareholder:

Loans to group companies (EMTN Program)

In order to on-lend the proceeds raised under the EMTN program, the Company signed a finance agreement with Naturgy Energy Group, S.A., formerly named Gas Natural SDG, S.A. dated 26 November 2012, that stipulate the general terms and conditions of the individual loan agreements that will be made between the parties each time the Company issues a bond. Each loan agreement will be a mirror loan of the relevant issuance of Notes and the terms and conditions of the Loan Agreement will be identical to the Final Terms of the Issuance of Notes. Thus, the loans have the same maturity date as the EMTN issuances to which they are related to and bear the same nominal interest rate plus 0.25% plus a taxable margin.

As at 31 December 2022 the nominal value of the intra-group loans related to the EMTN Program are for the Euro denominated loans EUR 6,813,100 thousand (2021: EUR 7,266,800 thousand) and for Norwegian Krone denominated loans NOK 800,000 thousand (2022: EUR 76,090 thousand and 2021: EUR 80,090 thousand). As at 31 December 2022, the amortized cost of the loans using an effective interest rate is EUR 6,732,660 thousand for the Euro denominated loans (2021: EUR 7,169,231 thousand)

The loans to the shareholder related to the EMTN program recognized in the balance sheet are calculated as follows:

(in Thousands of Euro)	31 December 2022	31 December 2021
Long term		
At 1 January	**6,795,723**	**7,228,700**
Loans to group companies	-	-
Repayment from group companies	-	-
Transfer from long term to short term	(630,567)	(453,323)
Transaction costs incurred	-	-
Amortized cost released	16,233	16,663
Exchanges differences	-	3,683
As at 31 December	**6,181,389**	**6,795,723**
Short term		
At 1 January	**565,663**	**391,847**
Transfer to short term from long term	630,567	453,323
Amortized cost released	896	274
Repayment from group companies	(453,700)	(276,242)
Interest income	133,386	150,321
Interest received	(147,260)	(153,861)
Exchanges differences	(3,999)	-
As at 31 December	**725,552**	**565,663**
Total	**6,906,941**	**7,361,386**

In April 2022, the bond with principal amount of EUR 453,700 thousand reached its maturity. This bond had been issued on April 11, 2013, for a total amount of EUR 750,000 thousand. In April

2021 the bond, and the amount due from the Shareholder company in this regard, were all received and paid.

In 2023, the bonds with principal amounts EUR 396,400 thousand, EUR 154,300 thousand and NOK 800,000 thousand will reach its maturity, the bonds, and the amounts due from the Shareholder company in regards have been transferred from long term to short term in accordance with accounting principles.

Loans to group companies (Referred to Subordinated perpetual debentures)

To on-lend the proceeds raised under the Subordinated perpetual debentures, the Company signed finance agreements with Naturgy Energy Group, S.A. dated on 18 November 2014, 24 April 2015 and 23 November 2021 that stipulate the general terms and conditions on which the intragroup loans are granted.

The maturity dates of the intragroup loans will be 2022, 2024 and 2027, respectively. However, the loan could be extended for a further period of a year. Immediate repayment should follow in case of repayment of the debenture.

The loans will bear interest at a fixed rate, calculated on the nominal amount of the loans, which will be similar to the interest on the Subordinated perpetual debentures (including the interest re-set) (refer to note 7) plus 0.25% plus a taxable margin in line with the tax ruling. Interest will be payable annually in arrears on each interest payment dates. The initial interest rates are, for the loan mirroring the Subordinated perpetual debentures EUR 500,000 thousand, 4.438% until year 2022, for the loan mirroring the Subordinated perpetual debentures EUR 500,000 thousand, 3.688% until year 2024 and for the loan mirroring the Subordinated perpetual debentures EUR 500,000 thousand, 2.687% until year 2027.

The loans will be subordinated to Senior Obligations of the Borrower, rank equal to Parity Obligations of the Borrower and rank senior to Junior Obligations of the Borrower. Senior Obligations include all current and future securities issued under the EMTN Programme, Parity Obligations include all current and future Perpetual Subordinated securities issued by the Borrower and Junior Obligations include all current and future ordinary shares and all current and future preferred securities of Naturgy Energy Group, S.A.

The only conditions that differ between the intragroup loans, which lends on the proceeds raised from the issuances to Naturgy Energy Group, S.A., and the hybrid instruments, are the maturity dates and the option to defer the payments of interests.

At its sole discretion, the Company may elect to defer any payments of coupons on the Subordinated perpetual debentures. Coupons deferred are, however, mandatorily settled ultimately upon redemption of the Subordinated perpetual debentures or if the guarantor, Naturgy Energy Group, S.A., pays dividends in cash in respect of its ordinary shares, or if the Company pays dividends of its ordinary shares. However, the Company has never opted for it. Though, this option is not applicable to the intragroup loans, so if the Company defers interest on the Subordinated perpetual debentures, it will still receive the interest on the intercompany loan. In that situation, the loan interest received would be on-lent again to its Shareholder company by means of a new intragroup loan as it is the usual policy of the Company to invest its surplus in Naturgy Energy Group.

In November 2022, the Company, exercised its right to redeem the outstanding Undated Deeply Subordinated Reset Rate Guaranteed notes amounted EUR 500,000 thousand, pursuant to Condition 6(b) of the Issuer’s Call Option. The outstanding Undated Deeply Subordinated Reset Rate Guaranteed notes were redeemed on 18 November 2022 at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date.

This bond had been issued on 18 November 2014 for a total amount of EUR 1,000,000 thousand. In November 2022 the bond, and the amount due from the Shareholder company in this regard, were all received and paid.

The loans to the shareholder related to the Subordinated perpetual debentures recognized in the balance sheet are calculated as follows:

(in Thousands of Euro)	31 December 2022	31 December 2021
Long term		
At 1 January	**1,494,496**	**1,495,144**
Loans to shareholder	-	500,000
Amortized cost released	1,880	2,331
Repayment from group companies	(500,000)	(500,000)
Transaction costs incurred	-	(2,979)
As at 31 December	**996,376**	**1,494,496**
Short term		
At 1 January	**16,841**	**18,081**
Interest income	51,391	61,945
Interest received	(44,016)	(63,185)
As at 31 December	**24,216**	**16,841**
Total	**1,020,592**	**1,511,338**

Loans to group companies (credit facility)

Additionally, as of 22 September 2010 a credit facility up to a maximum amount of EUR 10,000 thousand has been agreed between the Company and Naturgy Energy Group, S.A. The credit facility bears a nominal interest rate of 3 months Euribor plus a taxable margin in line with the tax ruling, with quarterly payments and maturity date 22 September 2022.The outstanding lent amount as of 31 December 2022 amounts to EUR 730 thousand (2021: EUR 730 thousand).

The credit facility recognized in the balance sheet is calculated as follows:

(in Thousands of Euro)	2022	2021
Long term		
At 1 January	730	730
Repayment from shareholder	-	-
As at 31 December	**730**	**730**

Loans to group companies (ECP program)

During the year 2022 one loan has been agreed upon in a revolving cash agreement dated 23 March 2010 between the Company and Naturgy Energy Group, S.A. This agreement has been signed to conduct the lending of the proceeds raised under the ECP program up to a maximum amount of EUR 1,000,000 thousand where any advances to be granted by the Company to the borrower will be subject to the conditions precedent to the issuance of Notes. Thus, the loans have the same maturity date as the ECP issuance which is related to and bear the same nominal interest rate plus a taxable margin + 0.25% plus a taxable margin in line with the tax ruling.

The loan to the shareholder related to the ECP program, recognized in the balance sheet is calculated as follows:

(in Thousands of Euro)	2022	2021
Short term		
At 1 January	-	-
Revolving cash advance facility	300,056	280,025
Repayment cash advance facility	(300,056)	(280,025)
Interest income	-	-
Interest received	-	-
As at 31 December	**-**	**-**

There is no outstanding drawn amount as of 31 December 2022.

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5. Cash and cash equivalents

Cash and cash equivalents consist of current account balances which are available on demand. As of 31 December 2022, cash amounts to EUR 5,234 thousand (2021: EUR 6,673 thousand).

The cash at banks is freely disposable for the Company.

6. Shareholder's equity

The movements in capital and reserves are as follows:

(Expressed in thousand of Euro)	Share capital	Share premium	Other Reserves	Profit for the year	Net Equity
Balance at 1 January 2021	**91**	**165**	**4,234**	**3,857**	**8,347**
Profit appropriation of previous year	-	-	3,857	(3,857)	-
Other variations in equity	-	-	1	-	1
Distribution of dividends	-	-	(3,500)	-	(3,500)
Net income for the period	-	-	-	3,833	3,833
Balance at 31 December 2021	**91**	**165**	**4,592**	**3,833**	**8,681**
Balance at 1 January 2022	**91**	**165**	**4,592**	**3,833**	**8,681**
Profit appropriation of previous year	-	-	3,833	(3,833)	-
Other variations in equity	-	-	-	-	-
Distribution of dividends	-	-	(3,500)	-	(3,500)
Net income for the period	-	-	-	3,696	3,696
Balance at 31 December 2022	**91**	**165**	**4,925**	**3,696**	**8,877**

Share capital

The authorized share capital of the Company consists of 200 common shares of EUR 453.78 each, amounting to EUR 90,756. As at the balance sheet date all 200 shares were issued, fully paid-up in cash and have equal voting and interest rights.

All shares are held by Naturgy Energy Group, S.A.

Share premium reserve

The share premium concerns the income from the issuing of shares as far as this exceeds the nominal value of the shares.

At least EUR 165 thousand of the share premium can be considered as free distributable share premium as referred to in the 1964 Income Tax Act. the nominal value of the shares.

Other reserves and net income for the period

The other reserves as of 31 December 2022 are EUR 4,925 thousand. The net income for the period is EUR 3,696 thousand.

On 26 April 2022, the Management Board proposed to distribute a dividend of EUR 3,500 thousand which was approved by the Shareholder of the Company on the same date and effectively paid on 29 April 2022.

Proposed appropriation of profit

During the year ended 31 December 2022 the Company realized a net profit of EUR 3,696 thousand. In June 2023, the Management Board's proposal is to distribute a dividend of EUR 3,500 thousand and to credit to other reserves of the Company the amount of EUR 196 thousand. This has not yet been reflected in the financial statement.

7. Loans and bonds

The breakdown of the non-current and current loans and bonds at 31 December 2022 and 2021 is as follows:

(in Thousands of Euro)	31 December 2022	31 December 2021
Non-current loans and bonds		
Bonds and other negotiable securities (EMTN Program)	6,182,666	6,796,306
Bonds and other negotiable securities (Subordinated perpetual debentures)	996,394	1,494,522
	7,179,060	**8,290,829**
Current loans and bonds		
Interest payable (EMTN Program)	82,518	95,334
Interest payable (Subordinated perpetual debentures)	21,797	15,405
Bonds and other negotiable securities (EMTN Program)	626,684	453,598
	730,999	**564,338**
Total borrowings	**7,910,059**	**8,855,166**

The carrying amounts and fair value of the non-current borrowings are as follows:

(in Thousands of Euro)	Carrying value		Fair Value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Loans to shareholder (EMTN Program)	6,182,666	6,796,306	5,649,873	7,235,921
Loans to shareholder (Referred to Subordinated perpetual bond)	996,394	1,494,523	928,995	1,548,585
Total EUR	**7,179,060**	**8,290,829**	**6,578,868**	**8,784,506**

The fair value of bonds with fixed interest rates is estimated using the quoted bid market price available at 31 December 2022.

The carrying amount and fair value of the current loans and bonds is as follows:

(in Thousands of Euro)	Carrying value		Fair Value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Loans to shareholder (EMTN Program)	626,684	453,598	627,637	458,491
Total EUR	**626,684**	**453,598**	**627,637**	**458,491**

The movement in loans and bonds is as follows:

(in Thousands of Euro)	2022	2021
At 1 January	**8,855,167**	**9,116,346**
Increase of EMTN program	-	-
Decrease of EMTN program	(453,371)	(259,299)
Increase of Subordinated perpetual debenture	-	-
Decrease of Subordinated perpetual debenture	(491,737)	(1,880)
As at 31 December	**7,910,059**	**8,855,167**

All bonds and loans have a fixed interest. As at 31 December 2022 and 2021, the Company does not have borrowings with a variable interest rate.

The fixed-rate debt amounts to EUR 7,806 million being the total of borrowings at 31 December 2022 (2021: EUR 8,744 million).

As at 31 December 2022, the amortized cost of the borrowings using an effective interest rate is EUR 7,729,654 thousand for the Euro denominated loans and thousand and EUR 76,090 thousand for the Norwegian Krone denominated loans (2021: EUR 8,664,338 thousand and EUR 80,089 thousand respectively).

We set out below the most relevant financial instrument:

EMTN program

In November 2010, the Company, formerly named Union Fenosa Finance B.V., entered into the Euro Medium-Term Notes (EMTN) program. The program is shared by the Company with Naturgy

Capital Markets, S.A, formerly named Gas Natural Capital Markets, S.A., a sister company. The program allows the issuance, offering and selling of notes, listing on the Official List of the Luxemburg Stock Exchange and trading on the Luxembourg Stock Exchange´s regulated market, although the notes may be admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed with the Issuer and the Guarantor. Unlisted Notes may also be issued by Naturgy Finance B.V. but not by Naturgy Capital Markets, S.A. Naturgy Energy Group, S.A. is the guarantor.

This EMTN program is updated periodically, and after various extensions, the last being December 2021, the program limit was EUR 12,000,000 thousand. At 31 December 2022, principal drawn down amounted to EUR 7,656,308 thousand (2021: EUR 8,110,008 thousand).

As at 31 December 2022, the amount issued by the Company was EUR 6,914,008 thousand and the amount issued by Naturgy Capital Markets, S.A was EUR 742,300 thousand (EUR 7,367,708 thousand and EUR 742,300 thousand respectively, at 31 December 2021)

The funds from all the bonds have been on lent by the Company to its Shareholder company Naturgy Energy Group, S.A.

The bonds recognized in the balance sheet are calculated as follows:

(in Thousands of Euro)	**2022**	**2021**
Long term		
At 1 January	**6,796,306**	**7,229,217**
Bonds and other negotiable securities	-	-
Repayment of Bonds and other negotiable securities	-	-
Transfer from Long Term to Short Term	(629,900)	(453,327)
Transaction costs incurred	-	-
Amortized cost released	16,260	16,733
Exchange differences	-	3,683
Balance – 31 December	**6,182,666**	**6,796,306**
At 1 January	**548,932**	**375,321**
Interest payable	(124,271)	(130,788)
Interest expense	111,454	127,043
Repayment of Bonds and other negotiable securities	(453,598)	(276,242)
Transfer to short term from long term	629,900	453,327
Amortized cost released	784	271
Exchange differences	(3,999)	
As at 31 December	**709,202**	**548,932**
Total	**6,891,868**	**7,345,238**

In April 2022, the bond with principal amount of EUR 453,700 thousand reached its maturity. This bond had been issued on April 11, 2013, for a total amount of EUR 750,000 thousand. In April 2021 the bond, and the amount due from the Shareholder company in this regard, were all received and paid.

In 2023, the bonds with principal amounts EUR 396,400 thousand, EUR 154,300 thousand and NOK 800,000 thousand will reach its maturity, the bonds, and the amounts due from the Shareholder company in regards have been transferred from long term to short term in accordance with accounting principles.

The table above describes the balance of the notes issued at 31 December 2022 and 2021 net of cost.

The breakdown of the nominal issue balance at 31 December 2022 is as follows:

EMTN Programme (in thousands)

Principal	Currency	Interest rate %	Oustanding nominal	Issued	Maturity	Listed
396,400	EUR	3.875%	396,400	2013	2023	Luxembourg Stock Exchange
100,908	EUR	3.974%	100,908	2013	2023	Luxembourg Stock Exchange
411,800	EUR	2.875%	411,800	2014	2024	Luxembourg Stock Exchange
154,300	EUR	2.625%	154,300	2014	2023	Luxembourg Stock Exchange
400,600	EUR	1.375%	400,600	2015	2025	Luxembourg Stock Exchange
600,000	EUR	1.250%	600,000	2016	2026	Luxembourg Stock Exchange
1,000,000	EUR	1.375%	1,000,000	2017	2027	Luxembourg Stock Exchange
300,000	EUR	1.875%	300,000	2017	2029	Luxembourg Stock Exchange
800,000	EUR	0.875%	800,000	2017	2025	Luxembourg Stock Exchange
850,000	EUR	1.500%	850,000	2018	2028	Luxembourg Stock Exchange
900,000	EUR	0.750%	900,000	2019	2029	Luxembourg Stock Exchange
1,000,000	EUR	1.250%	1,000,000	2020	2026	Luxembourg Stock Exchange
Total as at 31 December 2022			**6,914,008**			

Subordinated perpetual debentures

On 18 November 2014, 24 April 2015, and 23 November 2021 the Company issued Subordinated perpetual debentures respectively, guaranteed by Naturgy Energy Group, S.A., for an amount of EUR 1,000,000 thousand (reset date 18 November 2022), EUR 500,000 thousand (reset date 24 April 2024) and EUR 500,000 thousand (reset date 23 February 2027) The issue prices were 99.488%, 99.049% and 99.60% respectively.

On 23 November 2021, the Undated Deeply Subordinated Reset Rate Guaranteed notes amounted EUR 1,000,0000 thousand with reset date on 18 November 2022 were redeemed for an amount of EUR 500,000 thousand.

In November 2022, the Company, exercised its right to redeem the outstanding Undated Deeply Subordinated Reset Rate Guaranteed notes amounted EUR 500,000 thousand, pursuant to Condition 6(b) of the Issuer's Call Option. The outstanding Undated Deeply Subordinated Reset Rate Guaranteed notes were redeemed on 18 November 2022 at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date.

This bond had been issued on 18 November 2014 for a total amount of EUR 1,000,000 thousand. In November 2022 the bond, and the amount due from the Shareholder company in this regard, were all received and paid.

The breakdown of the hybrid bonds issued by the Company and the markets where the bonds are listed and traded is as follows:

Subordinated perpetual debentures (in thousands)

Principal	Currency	Interest rate %	Oustanding nominal	Issued	Maturity	Listed	Reset date
500,000	EUR	3.375%	500,000	2015	Perpetual	Luxembourg Stock Exchange	24th April 2024
500,000	EUR	2.374%	500,000	2021	Perpetual	Luxembourg Stock Exchange	23rd February 2027
Total as at 31 December 2022			**1,000,000**				

Subordinated perpetual debentures (in thousands)

Principal	Currency	Interest rate %	Oustanding nominal	Issued	Maturity	Listed	Reset date
500,000	EUR	4.125%	500,000	2014	Perpetual	Luxembourg Stock Exchange	18th November 2022
500,000	EUR	3.375%	500,000	2015	Perpetual	Luxembourg Stock Exchange	24th April 2024
500,000	EUR	2.374%	500,000	2021	Perpetual	Luxembourg Stock Exchange	23rd February 2027
Total as at 31 December 2021			**1,500,000**				

The main characteristics of the Subordinated perpetual debentures are the following:

- *Maturity:* The Subordinated perpetual debentures have no fixed redemption date, instead the Company will have the right to redeem the debentures on 24 April 2024 or 23 February

2027 respectively, and on any subsequent year, at interest payment dates. As explained above, in November 2022, the Company, exercised its right to redeem the outstanding Undated Deeply Subordinated Reset Rate Guaranteed notes amounted EUR 500,000 thousand with an interest rate of 4.125 %, pursuant to Condition 6(b) of the Issuer's Call Option.

- *Optional interest deferral*: At its sole discretion, the Company may elect to defer any payment of interest on the Subordinated perpetual debentures. Any interest payment deferral will accrue interests. Interest accrued is however mandatorily settled ultimately upon redemption of the Subordinated perpetual debentures or if the guarantor, Naturgy Energy Group, S.A., pays interests in cash in respect of its ordinary shares, or if the Company pays dividends of its ordinary shares.

- *Interest*: The Subordinated perpetual debentures bear interest at a fixed rate, which is calculated as a reference interest rate plus a margin. The reference interest rates are:

  - For the EUR 500,000 thousand issuance with redemption date on April 2024, the 9-year swap rate (equivalent at the issue date to 0.4210%) which may be reviewed every 9 years. The initial margin applicable to the first 9 years is 3.079%; between years 2025 and 2044 the margin will be 3.329% and from then onwards, it will be 4.079%. The initial interest rate was set at 3.375%.

  - For the EUR 500,000 thousand issuance with redemption date on February 2027, the 5.25-year swap rate (equivalent at the issue date to -0.062%) which may be reviewed every 5 years. The initial margin applicable to the first 10 years is 2.437%; between years 2032 and 2037 the margin will be 2.687% and from then onwards it will be 3.437%. The initial interest rate was set at 2.374%.

- *Guarantee:* The Subordinated perpetual debentures are guaranteed by Naturgy Energy Group, S.A. on a subordinated basis. Any payment obligations of Naturgy Energy Group, S.A. also are subordinated (and are only senior to some junior obligations of Naturgy Energy Group, S.A.). Junior Obligations of Naturgy Energy Group, S.A. include all of its current and future ordinary shares and all of its current and future preferred securities.

The Subordinated perpetual debentures recognized in the balance sheet are calculated as follows:

(in Thousands of Euro)	**2022**	**2021**
Long term		
At 1 January	**1,494,523**	**1,495,185**
Loans to shareholder	-	500,000
Amortized cost released	1,871	1,827
Repayment from group companies	(500,000)	(500,000)
Transaction costs incurred	-	(2,489)
Balance – 31 December	**996,394**	**1,494,523**
Short term		
At 1 January	**15,406**	**16,623**
Interest payable	(40,492)	(58,463)
Interest expense	46,883	57,246
As at 31 December	**21,797**	**15,406**
Total	**1,018,191**	**1,509,929**

ECP program

On 23 March 2010, the Company entered into a Euro-Commercial Paper Program (ECP) for the issuance of notes under which the Company may issue and have outstanding at any time ECP

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During the year 2022 the Company issued a note to a total nominal value of EUR 300,000 thousand of which none are outstanding as of 31 December 2022. The average annual interest rate agreed for those notes issued during the year has been -0.45% (2021: -0.46%) whereas the average length of these notes has been 15 days (2021: 7 days).

The accrued interest payable for the ECP program issuances is included as a part of the borrowing, thus reducing the principal amount of EUR 0 (2021: EUR 0).

The fair and carrying values of the ECP program issuances match due to their short-term length.

The borrowings from the ECP program recognized in the balance sheet is calculated as follows:

(in Thousands of Euro)	**2022**	**2021**
Short term		
At 1 January	-	-
Issuance of ECPs	300,056	280,025
Redemption of ECPs	(300,056)	(280,025)
As at 31 December	-	-

8. Other current financial liabilities from group companies

(in Thousands of Euro)	**31 December 2022**	**31 December 2021**
Payables to group companies	14,644	14,678
	14,644	**14,678**

The payables to group companies relate mainly to the Guarantee Agreement signed by the Company with Naturgy Energy Group, S.A. which establishes Naturgy Energy Group S.A. as unconditional and irrevocable guarantor of any amount payable that remains unpaid, by the date and on the time specified for such payment, by the Company (as issuer) to any holder of the notes issued. As a consequence, the Company pays to Naturgy Energy Group, S.A. an annual guaranteed fee of 0.25% on the principal amounts of the issuances. Also, there is a payable debt with Gas Natural Europe S.A.S. due to the taxes due under the Fiscal Unity (see note 12).

The expenses related to the guarantee paid to the Shareholder are part of the financial expenses in the income statement and are deductible.

9. Interest income

(in Thousands of Euro)	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Interest income		
Group companies and associates	203,787	231,593
Other	-	21,854
	203,787	**253,446**

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10. Interest expense

(in Thousands of Euro)	Year ended 31 December 2022	Year ended 31 December 2021
Interest expense		
Bonds and other negotiable securities (EMTN Programme)	128,599	144,595
Bonds and other negotiable securities (Subordinated perpetual debentures)	48,755	59,072
Bonds and other negotiable securities (ECP Program)	(56)	(25)
	177,298	**203,642**

11. Administrative expenses

(in Thousands of Euro)	Year ended 31 December 2022	Year ended 31 December 2021
Services	**251**	**348**
Other consultant fees	164	239
Audit fees	63	83
Other general expenses	24	26
Personnel	**137**	**146**
	388	**494**

Services

(in Thousands of Euro)	Year ended 31 December 2022	Year ended 31 December 2021
Audit of the financial statements	63	29
Other audit related services	24	54
Tax services	-	-
Total Audit fees	**87**	**83**

The fees listed above relate to procedures applied to the Company by the external independent auditor as referred to in section 1 (1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by other Dutch and foreign-based individuals partnership and legal entities.

The remuneration for the audit of the financial statements is applied to PricewaterhouseCoopers Accountants N.V. for 2022 and KPMG Accountants N.V. for 2021. The Company also incurred other audit services that were cost-related to the issuance operations. In 2022, the Company has expensed EUR 24 thousand of audit services for the review of the 2021 accounts and another cost directly connected to issuances. This cost of EUR 24 thousand is not expensed immediately through profit and loss but is recognized as transaction cost. Amortization of this cost is recorded as a financial expense.

Personnel

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under a short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The personnel expense amount of EUR 137 thousand (EUR 146 thousand in 2021) relates to the wages and salaries of EUR 113 thousand (EUR 124 thousand in 2021), social security premium cost of EUR 9 thousand (EUR 8 thousand in 2021), and wage tax EUR 15 thousand (EUR 13 in 2021).

12. Income tax expense

The taxable profit of the company is computed on the basis of a spread agreed with the tax authorities. This requires a minimum taxable income in respect of taking up and granting loans as well as covering any exchange risks by way of derivative agreements or other hedging procedures. Taxation is based upon a percentage spread of the average amount of all loans (amounts borrowed) outstanding during the year minus the operational costs of the Company (to a certain amount).

The Company signed a new Advance Price Agreement (APA)in June 2019 with the Dutch tax authorities, which applies to the period of 1 January 2019 up to and including 31 December 2023. This agreement states the Company's has agreed to apply a basis points margin on the interest expense with the next conditions:

- The margin was applicable for any new debt instrument issued from 1 January 2019.
- The old margin was applicable until June 2019 (6.4316 basis points) for all other issuances in place since 2018
- The requirement of the Company to maintain a minimum equity amount of EUR 2,000 thousand.

Also, in June 2019, the Company concluded an Advance Tax Ruling (ATR) with the Dutch tax authorities for both Subordinated perpetual debentures in the amount of EUR 1,000,000 and EUR 500,000 thousand, by which the taxation conditions for the Company regarding the Subordinated perpetual bonds are set as follows:

- The bonds qualify as debt for Dutch tax purposes.
- No Dutch interest withholding tax will be due in case of interest payments made by the Company.
- The interest to be paid should be deductible for Dutch corporate income tax purposes and can be offset against the interest income realized by the Company.
- The deductibility of the interest expenses is not restricted.
- The Company will report a taxable margin.

On 17 March 2016, the Dutch Tax Authorities approved the Company's request for a fiscal unity. The companies included in such fiscal unity in 2022 and 2021 are Naturgy Finance B.V. Naturgy Finance B.V. as the head of the fiscal unity and Gas Natural Europe S.A.S as the subsidiary in the fiscal unity. The tax charge is allocated to its respective component.

The Company formed a fiscal unity with the Dutch branch of Gas Natural Europe S.A.S. for Dutch corporate income tax purposes during a part of 2022. The fiscal unity was dissolved during the course of 2022 due to the deregistration of Gas Natural Europe S.A.S. The company is jointly and severally liable for the Dutch Corporate income tax liabilities of the whole fiscal unity during the time the fiscal unity was in effect.

Corporate Income tax is calculated on the profit before tax considering tax-exempt items and non-deductible costs. The profit before tax will be taxed at the prevailing rate during the financial year. The corporate income tax for the year 2022 amounts to EUR 1,199 thousand.

(in Thousands of Euro)	Year ended 31 December 2022	Year ended 31 December 2021
Profit before income tax	4,895	5,084
Corporate income tax (tax ruling)	1,199	1,251
Effective tax rate	24.50%	24.61%
Applicable tax rate	20%-25%	20%-25%

In accordance with the 2022 Corporate Income Tax law in The Netherlands, the first EUR 395 thousand of Profit before taxation is charged at 15% (2021: first 245 thousand at 15%), and all profit above EUR 395 thousand is charged with a 25.8% tax rate (2021: for profit above EUR 245 thousand 25%).

The movement in the current income tax liabilities is included in the table below:

(in Thousands of Euro)	2022	2021
As at 1 January	**(125)**	**127**
Taxes received (paid)	(1,230)	(1,503)
Income tax expense	1,199	1,251
As at 31 December	**(156)**	**(125)**

13. Related-party transactions

Naturgy Energy Group, S.A. is the Shareholder Company of Naturgy Energy Group. Naturgy Energy Group, S.A. owns and controls a 100% of the Company´s shares. The Company undertakes transactions with related parties on an arm's length basis.

(in Thousands of Euro)	31 December 2022	31 December 2021
Due from Parent, long term	7,178,495	8,290,950
Due from Parent, short term	749,768	582,504
	7,928,263	**8,873,454**
Due to Parent, short term	(14,644)	(14,678)
	(14,644)	**(14,678)**

(in Thousands of Euro)	31 December 2022	31 December 2021
Finance income from Group companies	203,787	231,593
Finance expense from Group companies	(21,184)	(22,340)
	182,603	**209,253**

Financial income for the years ended 31 December 2022 and 2021 was accrued with the shareholder Naturgy Energy Group, S.A. (amounts due from Shareholder). The interest rate of the loans to the shareholder is calculated adding to the total costs of the borrowings received by the Company, set as an annually gross spread.

Financial expense accrued with related parties (amounts due to Shareholder) also includes Naturgy Energy Group, S.A. for the Guarantee Agreement in relation to the EMTN program, ECP program, and Subordinated Perpetual bonds which establishes Naturgy Energy Group as unconditional and irrevocable guarantor of any amount payable that remains unpaid, by the date and on the time specified for such payment, by the Company (as issuer) to any holder of the notes issued. As a consequence, the Company pays Naturgy Energy Group, S.A. an annual guaranteed fee of 0.25% on the principal amounts of the issuances.

Other Related Parties

Intertrust fulfills administrative services to the Company and provides one statutory director to the Company. Also, Emencore fulfills administrative services to the Company and provides one supervisory director.

14. Directors and Supervisory Board member's remuneration

Valores

(in Thousands of Euro)	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Current and former directors	140	149
Supervisory Board	20	20
	160	**169**

In December 2022, Mr. Warris rendered his resignation as Managing Director C of the Company. On the same date, Mrs Goes-Cherif was duly appointed by the Shareholder as Managing Director C of the Company replacing Mr. Warris, who resigned from her function as a member of the Board of Directors effective date on 22 December 2022

15. Average number of employees

During the year 2022, the average number of employees calculated on a full-time basis was 1 (2021: 1). None of the employees work outside the Netherlands.

16. Off-balance sheet assets, liabilities, and contingencies

The Management Board members have identified no off-balance sheet assets and liabilities nor contingencies.

17. Events after the reporting year

No other post-balance sheet events affecting the financial statements for the year 31 December 2022 have occurred to date.

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Signing

The Management Board Members,

E. Berenguer Marsal

N. Goes-Cherif

V. Torres Ledesma

Amsterdam, The Netherlands 7th of June 2023.

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Signing

The Supervisory Board members,

____

I. Velasco Miranda

____

Mr. J. I Sanz

____

M. van Daalen

Amsterdam, The Netherlands 7th of June 2023.

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OTHER INFORMATION TO THE FINANCIAL STATEMENTS

Profit and profits distribution

Article 21 of the Articles of Association provides that:

21.1 The General Meeting has the authority to allocate the profits determined by the adoption of the annual accounts. If the General Meeting does not adopt a resolution regarding the allocation of the profits prior to or at latest immediately after the adoption of the annual accounts, the profits will be reserved.

21.2 The General Meeting has the authority to make distributions. If the Company is required by law to maintain reserves, this authority only applies to the extent that the equity exceeds these reserves. No resolution of the General Meeting to distribute shall have effect without the consent of the Management Board. The Management Board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its due debts.

External independent auditor's report

Reference is made to the external independent auditor's report included hereafter.

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