

NATURGY ENERGY GROUP, S.A.

NATURGY ENERGY GROUP, S.A. (the “Company” or “Naturgy”) in compliance with the provisions of Article 17 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and Article 226 of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October hereby notifies the following

PRIVILEGED INFORMATION

Naturgy has reached an agreement to sell its 96.04% equity shareholding in its Chilean electricity networks subsidiary, Compañía General de Electricidad S.A in Chile (CGE), to State Grid International Development Limited (SGID) for a total purchase price (equity value) of €2,570m, fixed in Euros and fully payable in cash upon completion (the transaction).

The transaction implies a total Enterprise value (EV) for 100% of CGE of €4,312m and pre-tax capital gains for Naturgy are expected to amount approximately to €0.4bn.

Completion of the transaction is subject to the required regulatory approvals and competition clearance. Subject to the satisfaction of these conditions, Naturgy expects that closing of the transaction will occur prior to the end of February 2021.

Naturgy’s Net Debt proforma of the transaction stands at €10.8bn, down €3.9bn from 30 September 2020, based on debt deconsolidation at CGE and pre-tax cash proceeds obtained from the transaction. Proforma ND / LTM EBITDA therefore would stand at 2.9x (vs. 3.6x reported) as of 30 September 2020. In addition, the contribution to EBITDA from Europe and RoW (excluding LatAm) increases to 66% from 61% as of 9M20.

The transaction demonstrates Naturgy’s ability to execute transactions which maximize value for its shareholders. It also marks an important step in the company’s transformation and future asset portfolio. The increased financial capacity obtained in the transaction will allow to support growth opportunities linked to the energy transition which can create value.

This transaction initiates a transformation process to unlock value for shareholders, and given its relevance and timing, Naturgy has decided to schedule its Capital Markets Day in February 2021, to coincide with its annual results presentation.

A conference call on the transaction will be held today at 14h CET.

About Compañía General de Electricidad S.A in Chile (CGE)

Founded in 1905, CGE is the largest electricity distribution company in Chile by number of clients and supplies electricity to 45% of the country's households. CGE is also the main energy transmitter in the zonal transmission segment and is present in 14 regions of Chile. Between 2016 and 2019, CGE completed a significant corporate restructuring and simplification. The total workforce amounts to 1,463 employees as of September 2020.

About State Grid International Development Limited (SGID)

SGID is a subsidiary of State Grid Corporation of China, the largest utility company in the world and an enterprise established under the Company Law of People's Republic of China. SGID primarily operates as an investment holding company investing in and operating regulated power assets overseas on behalf of China's State Grid. Most recently, SGID acquired 100% of Chilquinta Energia in Chile from Sempra Energy.

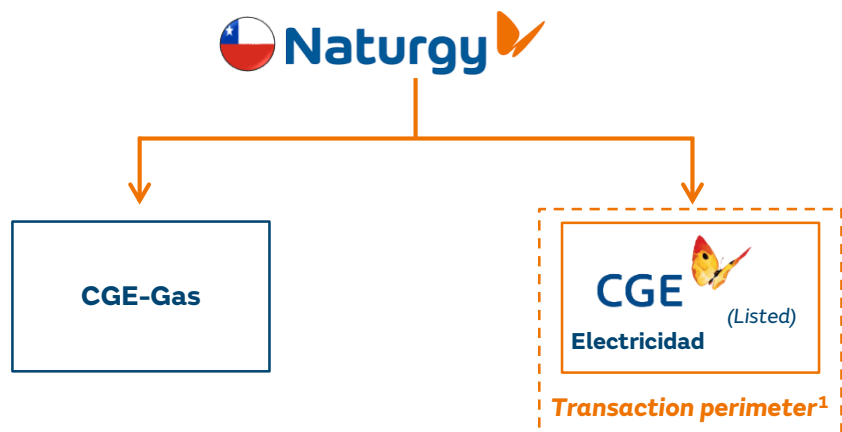
Madrid, 13 November 2020

Sale of Chilean electricity networks to State Grid International Development

13 November 2020

Overview

Simplified transaction perimeter



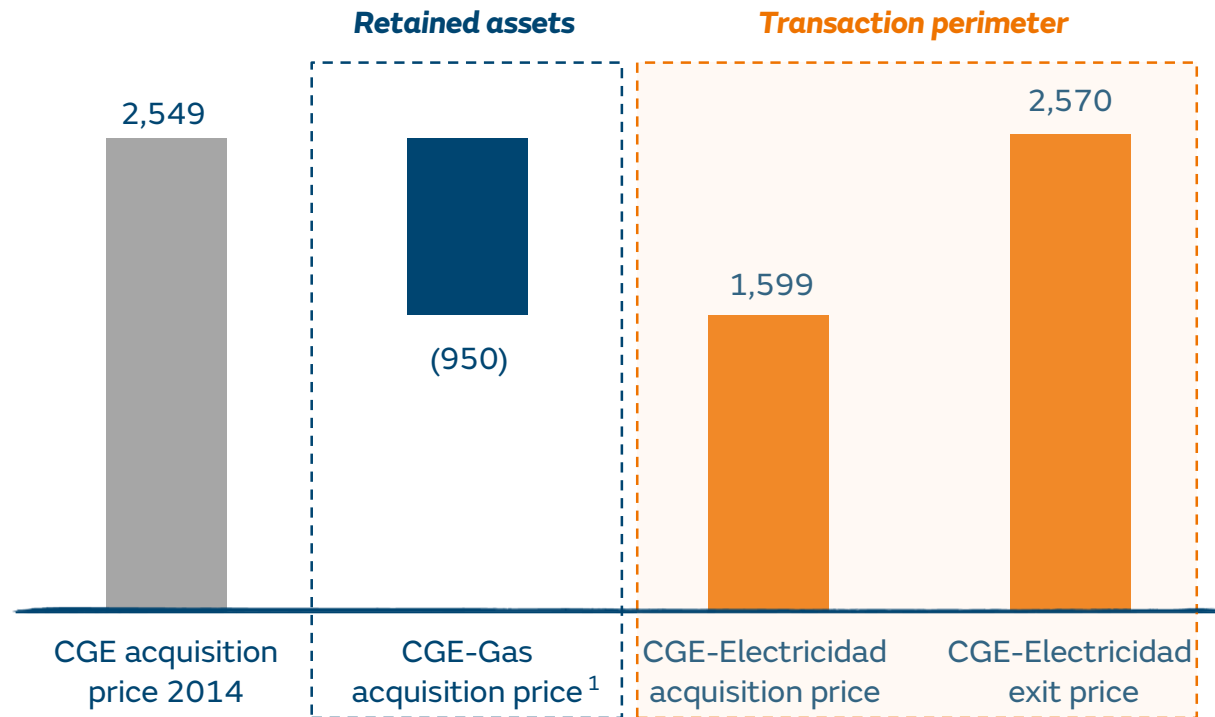
Summary

- ① Sale of Naturgy's entire equity shareholding in CGE-Electricidad (96.04%) to State Grid International Development
- ② Purchase price of **€2,570m (equity value) fixed in Euros and payable in cash** upon completion. The transaction implies an **enterprise value (100%) of €4,312m**
- ③ The transaction is expected to generate pre-tax capital gains of approximately €0.4bn on **pre-tax cash proceeds of €2.6bn**
- ④ **ND/LTM EBITDA** proforma of the transaction would stand at **2.9x (vs. 3.6x reported)** as of September 2020. In addition, the **contribution to EBITDA from Europe and RoW² will increase to 66% from 61%** as of 9M20

Completion expected before end of February 2021

Background and value creation

CGE-Electricidad equity value bridge since acquisition in 2014 (€m)



Naturgy return from CGE-Electricidad

Pre-Tax Equity IRR² (€) ~ 13%

Exit price for half of the business equivalent to acquisition of the whole in 2014

Significant value creation since the acquisition of CGE-Electricidad in 2014

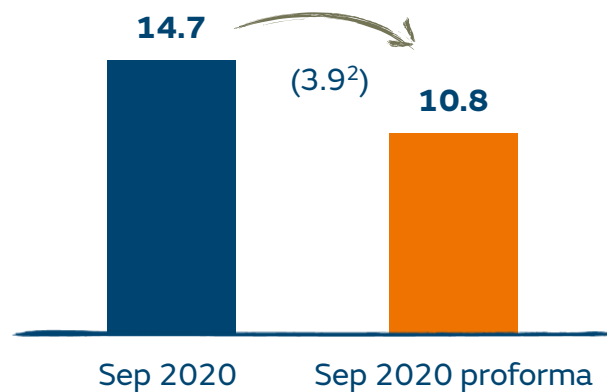
Proforma impacts pre-use of proceeds¹ (€bn)

Net Debt

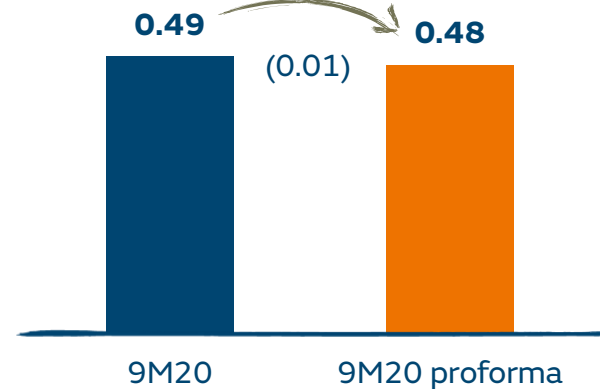
Net Debt /
LTM EBITDA

3.6x

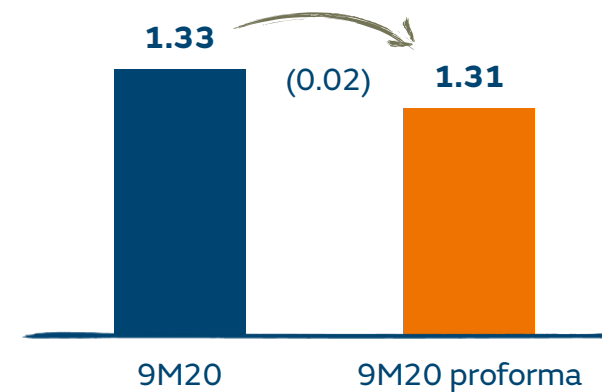
2.9x



Net income



FCF after minorities



Increased firepower for growth with very limited dilution

Portfolio rotation strategy



Focus on profitable growth linked to energy transition

Closing remarks

① Value creation and capital discipline

- › Compelling returns on exit (equity IRR of ~13%)
- › Exit price significantly above market consensus and precedents
- › Contribution to EBITDA from Europe and RoW will increase to 66% from 61% as of 9M20

② First step in portfolio rotation

- › The transaction initiates a transformation process to unlock value for shareholders
- › Increased firepower for growth with limited dilution
- › Focus on profitable investments linked to energy transition

Company to further assess new opportunities and communicate conclusions in CMD at FY 2020 results

Disclaimer

This document has been prepared by Naturgy Energy Group, S.A. (the “Company”) in connection with the sale of Naturgy’s entire equity shareholding in CGE electricidad (96.04%) in Chile.

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