

Audit Report on Financial Statements
issued by an Independent Auditor

NATURGY CAPITAL MARKETS, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2020



AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of
NATURGY CAPITAL MARKETS, S.A.:

Audit report on the financial statements

Opinion

We have audited the financial statements of Naturgy Capital Markets, S.A. (the Company), which comprise the balance sheet at December 31, 2020, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for Opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and measurement of loans to group companies

Description At 2020 year end, the Company has recorded in the assets side of the balance sheet investments in group companies and associates that correspond to loans granted to group companies for an amount of 1,263,303 thousand euros (Note 4), which represents almost its entire assets figure.

The information on the measurement accounting policies applied by the Company is presented in Note 3.1 "Financial Assets and Liabilities" to the accompanying financial statements.

Given the relevance of the indicated amount, we have considered this area a key audit matter.

Our response Our audit procedures consisted, among others, in:

- ▶ Assessing the financial position of the group parent of Naturgy Energy Group, S.A., which is the recipient of the loans, by checking observable data from rating agencies and other relevant public information and by analyzing its liquidity.
- ▶ Obtaining, reading and analyzing the credit facilities signed with Naturgy Energy Group, S.A.
- ▶ Recalculating the amortized cost based on the effective interest rate method and interest income accrued during the year.
- ▶ Verifying that current and non-current loans have been appropriately classified.
- ▶ Reviewing the disclosures included in the notes to the financial statements in accordance with the applicable regulatory framework for financial reporting.

Other information: management report

Other information refers exclusively to the 2020 management report, the preparation of which is the responsibility of the Company's Sole Director and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is to assess and report on the consistency of the management report with the financial statements based on the knowledge of the entity we obtained while auditing the financial statements, and to assess and report on whether the content and presentation of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the 2020 financial statements and their content and presentation are in conformity with applicable regulations.

Responsibility of the Sole Director and the audit committee for the financial statements

The Sole Director is responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the entity in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Sole Director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Sole Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Sole Director.
- ▶ Conclude on the appropriateness of the Sole Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and communicate to them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report for the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the Company's audit committee on February 3, 2021.

Term of engagement

The Ordinary General Shareholders' meeting held on June 4, 2018 appointed us as auditors for 3 years, commencing on December 31, 2018.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)

(Signature on the original in Spanish)

José Agustín Rico Horcajo
(Registered in the Official Register of
Auditors under No. 21920)

February 3, 2021

**Naturgy Capital Markets, S.A.
2020 Report**

ANNUAL ACCOUNTS

Balance sheet
Income statement
Statement of recognised income and expense
Statement of changes in equity
Cash flow statement
Notes to the annual accounts



BALANCE SHEET OF NATURGY CAPITAL MARKETS, S.A.	(thousands of euros)	
	31 December	
	2020	2019
NON-CURRENT ASSETS	696,795	1,237,250
Long-term investments in group companies and associates (Note 4)	696,795	1,237,250
Loans to companies	696,795	1,237,250
CURRENT ASSETS	566,509	992,665
Short-term investments in group companies and associates (Note 4)	566,508	992,665
Loans to companies	566,508	992,665
Short-term prepayments and accrued expenses	1	-
TOTAL ASSETS	1,263,304	2,229,915
EQUITY (Note 5)	1,559	3,168
Shareholders' funds	1,559	3,168
Capital	100	100
Authorised capital	100	100
Reserves	20	20
Legal	20	20
Profit/(loss) for the year	1,439	3,048
NON-CURRENT LIABILITIES	696,926	1,237,380
Long-term borrowings (Note 6)	696,926	1,237,380
Bonds and other negotiable securities	696,926	1,237,380
CURRENT LIABILITIES	564,819	989,367
Short-term borrowings (Note 6)	564,612	988,948
Bonds and other negotiable securities	564,612	988,948
Trade and other payables (Note 7)	207	419
Trade payables	30	30
Sundry payables	-	31
Current tax liabilities (Note 9)	177	353
Other amounts payable to public authorities	-	5
TOTAL EQUITY AND LIABILITIES	1,263,304	2,229,915

Notes 1 to 16 form an integral part of these annual accounts



INCOME STATEMENT OF NATURGY CAPITAL MARKETS, S.A.

(thousands of euros)

	2020	2019
Other operating expenses	(124)	(163)
External services	(123)	(162)
Taxes	(1)	(1)
OPERATING PROFIT/(LOSS)	(124)	(163)
Financial revenues (Note 10)	55,792	165,619
Negotiable securities and other financial instruments	55,792	165,619
Group companies and associates	55,786	165,619
Third parties	6	-
Financial expenses (Note 10)	(53,749)	(161,392)
Borrowings from third parties	(53,749)	(161,392)
Net financial revenue/(expense)	2,043	4,227
PROFIT/(LOSS) BEFORE TAXES	1,919	4,064
Income tax (Note 9)	(480)	(1,016)
Profit/(loss) for the year	1,439	3,048

Notes 1 to 16 form an integral part of these annual accounts



STATEMENT OF CHANGES IN EQUITY OF NATURGY CAPITAL MARKETS, S.A.

	(thousands of euros)	
A) STATEMENT OF RECOGNISED INCOME AND EXPENSE	2020	2019
Profit/(loss) for the year	1,439	3,048
Revenues and expenses recognised directly in equity	-	-
Transfers to profit or loss	-	-
TOTAL INCOME AND EXPENSE RECOGNISED IN EQUITY	1,439	3,048

	(thousands of euros)				
B) TOTAL STATEMENT OF CHANGES IN EQUITY	Share capital	Reserves	Prior year's income	Profit/(loss) for the year	Total
BALANCE at 31/12/2018	100	20	-	3,795	3,915
Total recognised income and expense	-	-	-	3,048	3,048
Transactions with shareholders or owners					
- Distribution of dividends	-	-	(3,795)	-	(3,795)
Other variations in equity	-	-	3,795	(3,795)	-
Balance at 31/12/2019	100	20	-	3,048	3,168
Total recognised income and expense	-	-	-	1,439	1,439
Transactions with shareholders or owners					
- Distribution of dividends	-	-	(3,048)	-	(3,048)
Other variations in equity	-	-	3,048	(3,048)	-
BALANCE at 31/12/2020	100	20	-	1,439	1,559

Notes 1 to 16 form an integral part of these annual accounts



CASH FLOW STATEMENT OF NATURGY CAPITAL MARKETS, S.A.

(thousands of euros)

	2020	2019
Profit for the year before tax	1,919	4,064
Adjustments to results	(2,043)	(4,227)
Financial revenues	(55,792)	(165,619)
Financial expenses	53,749	161,392
Changes in working capital	(37)	(23)
Debtors and other receivables	-	7
Creditors and other payables	(36)	(30)
Asset accruals	(1)	-
Other cash flows from operating activities	2,697	3,912
Interest paid	(84,139)	(142,713)
Interest received	87,492	147,611
Income tax receipts/(payments)	(656)	(986)
Cash flows from operating activities	2,536	3,726
Amounts paid on investments	-	-
Group companies and associates	-	-
Amounts received from divestments	934,912	869,219
Group companies and associates	934,912	869,219
Cash flows from investing activities	934,912	869,219
Receipts and payments from financial liability instruments	(934,400)	(869,150)
Repayment/redemption of:	(934,400)	(869,150)
Bonds and other negotiable securities	(934,400)	(869,150)
Dividends and remuneration of other equity instruments paid	(3,048)	(3,795)
Dividends	(3,048)	(3,795)
Cash flow from financing activities	(937,448)	(872,945)
EFFECT OF FLUCTUATIONS IN EXCHANGE RATES	-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at year-end	-	-

Notes 1 to 16 form an integral part of these annual accounts



NOTES TO THE ANNUAL ACCOUNTS OF NATURGY CAPITAL MARKETS, S.A. FOR THE YEAR ENDED 31 DECEMBER 2020

Note 1. General information

Naturgy Capital Markets, S.A. (hereinafter the Company) is a public limited company incorporated on 23 May 2005 with registered offices for mercantile and tax purposes at Avenida San Luis 77 in Madrid.

The Company's main object is the issuance of debt financial instruments, including ordinary or subordinated debt, in accordance with the First Additional Provision of the Law 10/2014, of 26 June, on the organization, supervision and solvency of credit institutions, or with the Capital Companies Law or such legislation as replaces or complements them at any time.

The Company does not have employees and is managed on an operating level by Naturgy Energy Group, S.A.

The Company is part of the Naturgy Group (hereinafter "Naturgy"), whose parent company is Naturgy Energy Group, S.A., with registered offices in Avenida San Luis 77, Madrid. The consolidated annual accounts of Naturgy for 2019 were approved at the general shareholders' meeting held on 26 May 2020 and filed at the Madrid Commercial Registry.

Note 2. Basis of presentation

The Company's annual accounts for 2019 were approved by the Shareholders' Meeting on 5 March 2020.

These annual accounts, which were authorised by the Sole Administrator on 2 February 2021, will be submitted to the General Meeting for approval and are expected to be approved without any changes.

The accompanying annual accounts have been prepared on the basis of the Company's accounting records and are presented in accordance with prevailing commercial legislation and the provisions of the Chart of Accounts introduced under Royal Decree 1514/2007 (16 November), as amended by Royal Decree 1159/2010 (17 September) and Royal Decree 602/2016 (2 December), so as to present fairly the Company's equity and financial position at 31 December 2020, and the results, changes in equity and cash flows of the Company for the year then ended.

The figures contained in the Balance Sheet, in the Income statement, in the Statement of recognised income and expenses, in the Total statement of changes in equity, in the Statement of cash flows and in these Notes to annual accounts are expressed in thousands of euros, except where expressly stated in another unit.

Note 3. Accounting policies

The main accounting principles applied by the Company to prepare these annual accounts are described below.

3.1 Financial assets and liabilities

Financial assets

a) Loans and receivables

These are non-derivative financial assets, with fixed or determinable payments that are not quoted on an active market and with respect to which there is no intention to trade in the short term. They include current assets, except for those maturing after twelve months as from the balance sheet date, which are classified as non-current assets.

They are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

A provision is recognised for impairment when there is objective evidence that not all the outstanding amounts will be received. The provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the effective interest rate.

b) Held-to-maturity financial assets

These are assets representing debt with fixed or determinable payments and fixed maturity which the Company plans to, and can, hold until maturity. The valuation criteria for these investments are the same as those for loans and accounts receivable.

c) Financial assets at fair value through profit or loss

These are assets acquired for short-term sale. Derivatives form part of this category unless they are designated as hedges. These financial assets are stated, both initially and in later valuations, at their fair value, and the changes in fair value are taken to the income statement for the year.

d) Available-for-sale financial assets

Available-for-sale financial assets are debt or equity instruments that are not designated in any of the foregoing categories.

They are recognised at fair value. Unrealised gains and losses that arise from changes in fair value are recorded in equity. When these assets are sold or impaired, the accumulated impairment adjustments are taken to profit or loss.

The fair values of listed investments are based on current listed prices. In the case of shareholdings in unlisted companies, fair value is determined using valuation techniques that include the use of recent transactions between willing and knowledgeable parties, references to other instruments that are substantially the same and the analysis of discounted future cash flows. If none of these techniques can be used to determine fair value, investments are carried at cost less any impairment loss.

Financial assets are derecognised when the contractual rights to the asset's cash flows have expired or have been transferred; in the latter case, the risks and rewards of ownership

must have been substantially transferred. Financial assets are not derecognised in asset assignments where the inherent revenues and profits are retained; a liability is recognised in the same amount as the consideration received.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits at credit institutions and other short-term highly liquid investments with a maturity of three months or less.

Borrowings

Borrowings are initially recognised at their fair value, net of any transaction costs incurred. Any difference between the amount received and the repayment value is recognised in the income statement over the repayment period using the effective interest rate method.

Borrowings are classified as current liabilities unless they mature in more than twelve months from the balance sheet date, or include tacit one-year renewal clauses at the Company's election.

Trade and other payables

Trade and other current payables are financial liabilities that fall due in less than twelve months that are stated at their fair value and do not accrue explicit interest. They are accounted for at their nominal value. Those maturing in more than twelve months are considered non-current payables.

3.2 Share capital

Share capital is represented by ordinary shares.

Issuance costs of new shares or options, net of taxes, are deducted from equity as a reduction in reserves, or the share premium account in the case of issuances with a premium.

Dividends on ordinary shares are recognised as a deduction from equity in the period they are approved.

3.3 Provisions

Provisions are recognised when the Company has a legal or implicit present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the best estimate of the present value of the amount required to settle the obligation at the balance sheet date.

When it is expected that part of the disbursement needed to settle the provision will be paid by a third party, the reimbursement is recognised as a separate asset, provided that its receipt is practically assured.

In contracts in which the obligations undertaken include unavoidable costs greater than the economic benefits expected to be received from them, the expenses and respective provisions are recognised in the amount of the present value of the existing difference.

3.4 Income tax

Income tax expense includes the deferred tax expense, and the current tax expense which is the amount payable (or refundable) on the taxable profit for the year.

Deferred taxes are recorded by comparing the timing differences that arise between the tax base of assets and liabilities and their respective accounting figures in the annual accounts using the tax rates that are expected to be in force when the assets and liabilities are realised.

Deferred tax arising from direct charges or credits to equity accounts are also charged or credited to equity.

Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available against which to offset the timing differences and apply tax credits.

When tax rates change, deferred tax assets and liabilities are reestimated. These amounts are charged or credited to profit or loss, or to reserves, depending on the account to which the original amount was charged or credited.

3.5 Recognition of revenues and expenses

Revenues and expenses are measured at fair value and recognised in the period in which the revenues or expenses deriving from the goods or services in question are actually earned or incurred, regardless of when the monetary or financial flow is received or disbursed. Taxes, discounts and amounts received on behalf of third parties do not form part of revenues.

The Company recognises revenues when they can be reliably measured, i.e. when it is probable that the future economic benefits will flow to the Company.

Interest revenues and expenses are recognised using the effective interest method.

3.6 Transactions between related parties

In general, transactions between related parties are recorded initially at their fair value. If the agreed price differs from fair value, the difference is recorded taking into account the economic reality of the transaction. Subsequent re-measurements conform to the corresponding accounting standards.

Nevertheless, in mergers, de-mergers or non-cash contributions of a business, the assets that make up the acquired business are valued at the amount at which they are recognised, after the transaction takes place, in the consolidated annual accounts of Naturgy.

In these cases, any difference between the net value of the assets and liabilities of the acquired company, adjusted by the balance of the groupings of grants, donations and bequests received, or any value adjustments or capital or share premium amount, issued by the acquiring company, is recorded under Reserves in the balance sheet.

3.7 Cash flow statement

The cash flow statement has been prepared using the indirect method and contains the following expressions with the following meanings:

- a) Operating activities: activities that constitute ordinary revenues of the Company, as well as other activities that cannot be classified as investing or financing.
- b) Investing activities: acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- c) Financing activities: activities that result in changes in the size and composition of the equity and liabilities of the Company that are not operating activities.

3.8 Significant accounting estimates and judgments

The preparation of annual accounts requires the use of estimates and judgments. The measurement standards that require a large number of estimates are set out below:

a) Provisions (Note 3.3)

The Company makes an estimate of the amounts to be settled in the future, including amounts relating to contractual obligations, pending litigation and other liabilities. These estimates are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects.

b) Income tax (Note 3.4)

Calculation of the income tax expense requires interpretation of tax legislation in the jurisdictions in which the Company operates. The determination of expected outcomes of outstanding disputes and litigation requires significant estimates and judgment.

The Company evaluates the recoverability of deferred tax assets based on estimates of future taxable income and the capacity to generate sufficient income in the periods in which such deferred taxes are deductible. Deferred tax liabilities are recognised based on estimates of the net assets that will not be tax deductible in the future.

c) COVID-19

The COVID-19 pandemic raised major challenges to commercial activities and introduced a high degree of uncertainty as to economic performance and world energy demand. The confinement of a large proportion of the world population depressed economic activity and triggered widespread declines in economic indicators, energy demand and prices of the main energy variables. The effects of the COVID-19 pandemic increase the uncertainty about the future vision for individual companies and for the economy in general observing a substantial deterioration of the recuperation perspectives in the second half of the year 2020. Those prospects were considered when making the estimates and assumptions that are necessary to draw up the consolidated annual accounts, as detailed in the corresponding notes.

Note 4. Investments in group companies and associates

A breakdown of the investments in group companies and associates is as follows:

	31/12/2020	31/12/2019
Loans to companies	696,795	1,237,250
Non-current	696,795	1,237,250
Loans to companies	566,508	992,665
Current	566,508	992,665
Total	1,263,303	2,229,915

Investments in group companies and associates

Movements during the year in non-current and current investments in group companies and associates are as follows:

	Loans to group companies
Balance at 01/01/2019	3,081,126
Additions	39,346
Receipts	(869,219)
Net change in accrued interest	(21,338)
Balance at 31/12/2019	2,229,915
Additions	13,570
Receipts	(934,912)
Net change in accrued interest	(45,270)
Balance at 31/12/2020	1,263,303

Loans to group companies

This heading includes loans granted to Naturgy Energy Group, S.A. for the same amount and maturity as the securities issued by the Company (nominal amounts of €1,297 million at 31 December 2020 and €2,231 million at 31 December 2019) under the Euro Medium-

Term Note programme, which mature between 2021 and 2024 according to the amortisation schedule of the bonds issued by the Company (Note 7). The interest rate is based on the interest rate of the securities issued under the Euro Medium-Term Note programme, plus a spread.

The Company incurred certain expenses to arrange those issues, which are presented as a reduction in the principal for the purposes of determining the bonds' amortised cost (and that of the associated loans granted to Naturgy Energy Group, S.A.).

At 31 December 2020, accrued unpaid interest amounted to €11,679 thousand (2019: €56,948 thousand).

Additionally, at 31 December 2020, this heading included a balance of €896 thousand (2019: €1,408 thousand) relating to a cash pooling arrangement with Naturgy Energy Group, S.A. that accrues interest at the quarterly EURIBOR. There was no accrued interest receivable at 31 December 2020 and 2019.

The average interest accrued on current and non-current investments in Group companies and associates in 2020 in connection with these loans is 4.09% (2019: 5.35%).

The carrying amounts and fair value of the non-current and current financial investments in 2020 and 2019, excluding interest receivable, is as follows (million euro):

	2020		2019	
	Nominal book value	Fair value	Nominal book value	Fair value
Less than 1 year	555	586	934	938
Between 1 and 3 years	-	-	555	642
More than 3 years	742	771	742	777
Total	1,297	1,357	2,231	2,357

Note 5. Equity

The main equity items are as follows:

Share capital

The variations in 2020 and 2019 in the number of shares and the share capital accounts are as follows:



	Number of shares	Share capital
1 January 2019	1,000	100
Variation	-	-
At 31 December 2019	1,000	100
Variation	-	-
31 December 2020	1,000	100

All issued shares are fully paid up and carry equal voting and dividend rights.

No transactions involving own shares were carried out in 2020 and 2019.

Holdings in the Company's share capital at 31 December 2020 and 2019 are as follows:

	Interest in share capital %	
	2020	2019
Naturgy Energy Group, S.A.	99.9000	99.9000
Naturgy Acciones, S.L.U.	0.1000	0.1000

Reserves

“Reserves” includes the following reserves:

	2020	2019
Statutory reserve	20	20
Total	20	20

Statutory reserve

Appropriations to the statutory reserve are made in compliance with the Spanish Capital Companies Act, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital. The statutory reserve can be used to increase capital in the part that exceeds 10% of the capital increased.

Except for the use mentioned above, and as long as it does not exceed 20% of share capital, the statutory reserve can only be used to offset losses in the event of no other reserves being available.

At 31 December 2020 and 2019, this reserve was fully funded as required by law.

Profit/(loss) for the year

The proposed distribution of net profit for 2020 that the Sole Administrator will submit to the Shareholders' Meeting for approval is as follows:

Available for distribution	
Profit and loss	1,439
Distribution	
To Dividend	1,439

Note 6. Borrowings

The breakdown of borrowings is as follows:

	31/12/2020	31/12/2019
Bonds and other negotiable securities	696,926	1,237,380
Non-current borrowings	696,926	1,237,380
Bonds and other negotiable securities	564,612	988,948
Current borrowings	564,612	988,948
Total	1,261,538	2,226,328

Borrowings

The changes arising during the year in items making up non-current and current borrowings are as follows:

	Bonds and other negotiable securities
Balance at 01/01/2019	3,076,800
Additions	39,329
Payments	(869,150)
Net change in accrued interest	(20,651)
Balance at 31/12/2019	2,226,328
Additions	13,574
Payments	(934,400)
Net change in accrued interest	(43,964)
Balance at 31/12/2020	1,261,538

Bonds and other negotiable securities

The Company is one of the vehicles for issuing under Naturgy's Euro Medium-Term Notes programme and enjoys an irrevocable guarantee from its parent company. That programme was established in 1999 and allowed the issuance of up to €2,000 million in total principal. After a number of expansions, most recently in April 2020, the Programme's limit is now €12,000 million. A total principal of €8,941 million was outstanding at 31 December 2019, of which €1,297 million had been issued by the Company and €7,644 million by Naturgy Finance, B.V. (€8,725 million at 31 December 2019, of which €2,231 million issued by the

Company and €6,494 million by Naturgy Finance, B.V.), with an amount of €3,059 not yet drawn (zero at 31 December 2019).

Specifically, the bonds issued, in a volume of €8,941 million (€8,725 million at 31 December 2019), as usual in the Euromarket, could be redeemed in advance provided that such a change in control triggers a downgrade of more than two full notches in at least two of the three ratings that it had obtained, and all the ratings fall below investment grade, and provided that the rating agency states that the rating downgrade results from the change in control.

2020

Two bonds totalling €943 million with an average coupon of 5.07% (and the associated loan to Naturgy Energy Group, S.A.) matured in January 2020 and were repaid on that date.

2019

The bond issued by the Company in 2011 for the amount of €236.6 million (and the associated loan granted to Naturgy Energy Group, S.A.) matured on 24 May 2019 and was repaid on that date.

The bond issued by the Company in 2009 for the amount of €338.7 million (and the associated loan granted to Naturgy Energy Group, S.A.) matured on 9 July 2019 and was repaid on that date.

On 19 November 2019, a tender offer was launched to partially retire bonds with a par value of €293.9 million and a variety of maturity dates and coupons that are listed on the London Stock Exchange; the final outcome of the tender offer was announced on 27 November 2019: the company repurchased €36.2 million of the 2021 5.125% bond and €257.7 million of the 2024 1.125% bond; at the same time, the associated loans granted to Naturgy Energy Group, S.A. for the same amounts and terms were partially repaid.

The detail of the total combined nominal amount issued by both companies is as follows:



Issuer	Market where listed	Nominal	Maturity	Coupon
		(million euro)		
Naturgy Capital Markets, S.A.	London	555	2021	5.125%
Naturgy Finance, B.V.	Luxembourg	276	2021	3.500%
Naturgy Finance, B.V.	Luxembourg	454	2022	3.875%
Naturgy Finance, B.V.	Luxembourg	396	2023	3.875%
Naturgy Finance, B.V. (1)	Luxembourg	101	2023	3.974%
Naturgy Finance, B.V.	Luxembourg	154	2023	2.625%
Naturgy Capital Markets, S.A.	Luxembourg	742	2024	1.125%
Naturgy Finance, B.V.	Luxembourg	412	2024	2.875%
Naturgy Finance, B.V.	Luxembourg	401	2025	1.375%
Naturgy Finance, B.V.	Luxembourg	800	2025	0.875%
Naturgy Finance, B.V.	Luxembourg	600	2026	1.250%
Naturgy Finance, B.V.	Luxembourg	1,000	2026	1.250%
Naturgy Finance, B.V.	Luxembourg	1,000	2027	1.375%
Naturgy Finance, B.V.	Luxembourg	850	2028	1.500%
Naturgy Finance, B.V.	Luxembourg	300	2029	1.875%
Naturgy Finance, B.V.	Luxembourg	900	2029	0.750%
Total		8,941		

(1) Nominal value is NOK 800 million.

The Company did not make any new issues under the Euro Medium-Term Notes Programme in 2020 and 2019; rather, Naturgy Finance, B.V. issued €1,150 million (2019: €750 million).

At 31 December 2020, accrued unpaid interest amounted to €10,675 thousand (2019: €54,639 thousand), classified as current borrowings.

The aforementioned bonds are listed on the London Stock Exchange and the Luxembourg Stock Exchange.

The carrying amounts and fair value of the non-current and current borrowings in 2020 and 2019, excluding outstanding interest, is as follows (million euro):

	2020		2019	
	Nominal book value	Fair value	Nominal book value	Fair value
Less than 1 year	555	586	934	938
Between 1 and 3 years	-	-	555	609
More than 3 years	742	769	742	772
Total	1,297	1,355	2,231	2,319

Current and non-current borrowings bore interest at an average effective interest rate of 3.94% at 31 December 2020 (2019: 5.20%).

Note 7. Trade and other payables

The breakdown of this item is as follows:

	2020	2019
Trade payables	30	30
Sundry payables	-	31
Current tax liabilities (Note 9)	177	353
Other amounts payable to public authorities	-	5
Total	207	419

Most of the accounts payable do not accrue interest and mature within the legal limits.

Information on average supplier payment period. Additional Provision 3 “Duty of disclosure” of Law 15/2010 of 5 July

The average payment period is in accordance with Law 15/2010 on measures to combat late payment in business operations.

Information disclosed under the Resolution of 29 January 2016 of Instituto de Contabilidad y Auditoría de Cuentas concerning the details to be included in the notes to the annual accounts with regard to the average supplier payment period is as follows:

	2020 Days	2019 Days
Average supplier payment period (1)	32	56
Transactions paid ratio (2)	32	56
Transactions outstanding ratio (3)	-	-
	Thousand euro	
Total payments made in the year	146	181
Total payments outstanding	-	-

(1) Calculated on the basis of amounts paid and pending payment

(2) Average payment period in transactions paid during the year

(3) Average age, outstanding balance to suppliers

Note 8. Risk management

Risk management

Naturgy has a number of standards, procedures and systems for identifying, measuring and managing different types of risk, which define the following basic action principles:

- Guaranteeing that the principal risks are correctly identified, evaluated and managed.
- Segregation of risk management functions at operating level.
- Assuring that the level of risk exposure borne by Naturgy in its business is in line with the overall risk profile.
- Ensuring the appropriate determination and review of the risk profile by the Risk Committee, proposing overall limits by risk category, and assigning them to the Business Units.

Interest rate risk

Fluctuations in interest rates modify the fair value of assets and liabilities that accrue a fixed interest rate and the cash flows from assets and liabilities pegged to a floating interest rate, and, accordingly, affect equity and profit, respectively.

The purpose of interest rate risk management is to balance floating- and fixed-rate borrowings in order to reduce borrowing costs within the established risk parameters. All of the interest-bearing debt and the loans granted to Group companies by Naturgy Capital Markets, S.A. at 31 December 2020 and 2019 are at fixed interest rates.

Liquidity risk

The Company has liquidity policies that ensure compliance with its payment commitments, diversifying the coverage of financing needs and debt maturities. Prudent management of liquidity risk includes maintaining sufficient cash and realisable assets and the availability of sufficient funds to cover credit obligations.

The Company manages liquidity risk by adapting the duration of its deposits and other financial assets to the maturity of the bond issues, and the receipt of remuneration for the deposits on the dates on which the bond coupons must be paid.

At 31 December 2020 and 2019, the Company had unused credit lines with Group companies and its shareholders for an amount of €30,000 thousand.

The Company's credit ratings in 2020 and 2019 were as follows:

	2020	2019
Fitch	BBB	BBB

Credit risk

The Company has provided deposits and loans to Naturgy Group companies, so that the fair value of those deposits and receivables is closely linked to the credit rating of Naturgy Energy Group, S.A.

With respect to other exposures to counterparties in transactions involving financial derivatives and the investment of cash surpluses, credit risk is mitigated by carrying out such operations with reputable financial institutions rated at least "BB". No significant defaults or losses arose in 2020 and 2019.



The long-term ratings of Naturgy Energy Group, S.A. in 2020 and 2019 were as follows:

	2020	2019
Standard & Poor's	BBB	BBB
Fitch	BBB	BBB

Other considerations

Naturgy has not received any government aid to mitigate the effects of COVID-19 nor any tax benefits. Furthermore, it has not renegotiated any leases affecting right of use assets and recognised associated liabilities.

Nor has Naturgy instigated any lay-off proceedings as a result of COVID-19.

Since the beginning of the COVID-19 crisis, Naturgy has prioritised its commitment towards people and society and has taken various measures to mitigate the economic impact of the pandemic, such as postponing payment of electricity, gas and service bills for SMEs, individuals and the self-employed, providing free supplies to field hospitals (IFEMA and Fira de Barcelona) and to hotels with medical facilities, and other measures for its SME or self-employed suppliers, who are eligible for a cash payment programme for invoices pertaining to the second quarter of the year. All these measures help to mitigate the impact of the decline in revenues and strengthen the liquidity of the parties concerned.

In addition, as an expression of gratitude for and acknowledgement of the dedication of health personnel, law enforcement personnel and members of the army and the fire brigade, they have been offered a year of free service for electricity and gas breakdowns and for repairs of household appliances and gas equipment, whether or not they are Naturgy customers. In addition, Naturgy has provided all its customers with free medical attention by videoconference during these months.

On 23 June 2016 UK voters supported the departure of their country from the European Union in a national referendum ("Brexit"). On 31 January 2020 the United Kingdom left the European Union and a transitional period to 31 December 2020 commenced, the aim being to allow citizens and businesses more time to adjust to the situation and to negotiate agreements establishing a new framework for the relationship between the Union and the United Kingdom. During the transition period, the United Kingdom has continued to implement Union legislation, but without being represented in the EU institutions. On 30 December 2020 the European Union and the United Kingdom signed a Trade and Cooperation Agreement with provisional entry into force on 1 January 2021. The Agreement has four main pillars: a Free Trade Agreement; a framework for economic, social, environmental and fisheries cooperation; an internal security partnership; and a common governance framework for the Agreement as a whole. Although it will not be equal, in any way, to the level of economic integration that existed while the UK was an EU Member State, the Trade and Cooperation Agreement goes beyond traditional free trade agreements and provides a solid basis for maintaining the former co-operation and friendship. The Brexit process has had and may continue to have adverse effects on the economic and political situation in the EU and the stability of global financial markets. Without considering the above impact on an international level, Naturgy's exposure to the risk derived from Brexit is not considered significant.

Note 9. Tax situation

The Company reports taxes as part of Tax Group no. 59/93, whose parent company is Naturgy Energy Group, S.A., which encompasses all the companies resident in Spain that are directly or indirectly owned at least 75% by the parent company and meet certain requirements; this arrangement entails joint determination of group taxable income and of tax credits and rebates.

The following companies were members of Consolidated Tax Group no. 59/93 in 2020:

Naturgy Energy Group, S.A.	Naturgy Engineering, S.L.
Boreas Eólica 2, S.A.	Naturgy Future, S.L.U.
Comercializadora Regulada, Gas & Power, S.A.	Naturgy Generación, S.L.U.
Energías Ambientales de Somozas, S.A.	Naturgy Iberia, S.A.
Energías Eólicas de Fuerteventura, S.L.	Naturgy Informática, S.A.
Energías Especiales Alcohólicas, S.A.	Naturgy Infraestructuras Emea, S.L.
Europe Mahgreb Pipeline Ltd.	Naturgy Ingeniería Nuclear, S.L.
Explotaciones Eólicas Sierra de Utrera, S.L.	Naturgy Inversiones Internacionales, S.A.
Fenosa, S.L.U.	Naturgy IT, S.L.
Gas Natural Comercializadora, S.A.	Naturgy LNG, S.L.
Gas Natural Exploración, S.L.	Naturgy Nuevas Energías, S.L.U.
Gas Natural Redes GLP, S.A.	Naturgy Participaciones, S.A.
Gas Natural Transporte SDG, S.L.	Naturgy Renovables Ruralia, S.L.
General de Edificios y Solares, S.L.	Naturgy Renovables, S.L.U.
Global Power Generation, S.A.	Naturgy Wind, S.L.
GPG Ingeniería y desarrollo de Generación, S.L.U.	Nedgia Andalucía, S.A.
GPG México, S.L.U.	Nedgia Aragón, S.A.
GPG México Wind, S.L.U.	Nedgia Balears, S.A.
Holding de Negocios de Gas, S.A.	Nedgia Castilla La Mancha, S.A.
Holding Negocios Electricidad, S.A.	Nedgia Catalunya, S.A.
J.G.C. Cogeneración Daimiel, S.L.	Nedgia Cegas, S.A.
La Propagadora del Gas, S.A.	Nedgia Madrid, S.A.
Lean Corporate Services, S.L.	Nedgia Navarra, S.A.
Lean Customer Services, S.L.	Nedgia, S.A.
Lean Grids Services, S.L.	Operación y Mantenimiento Energy, S.A.
Lignitos de Meirama, S.A.	P.E. Nerea, S.L.
Naturgy Acciones, S.L.U.	P.E. Peñarrodana, S.L.
Naturgy Alfa Investments, S.A.U.	Petroleum, Oil & Gas España, S.A.
Naturgy Almacenamientos Andalucía, S.A.	Sagane, S.A.
Naturgy Aprovisionamientos, S.A.	Societat Eòlica de L'Enderrocada, S.A.
Naturgy Capital Markets, S.A.	Tratamiento Cinca Medio, S.L.
Naturgy Commodities Trading, S.A.	UFD Distribución Electricidad, S.A.
Naturgy Distribución Latinoamérica, S.A.	Unión Fenosa Minería, S.A.
Naturgy Electricidad Colombia, S.L.	Unión Fenosa Preferentes, S.A.U.

Corporate income tax is calculated on the basis of economic or accounting profit obtained by application of generally accepted accounting principles, which does not necessarily coincide with taxable profit, understood as taxable income for corporate income tax purposes.

The accounting profit coincides with the corporate income tax base.

Current corporate income tax is the result of applying a 25% tax rate to taxable income. No tax credits were taken in 2020 and 2019.

€303 thousand were paid on account of corporate income tax in 2020 (2019: €663 thousand).

At 31 December 2020 and 2019, there were no unused tax losses.

At 31 December 2020 and 2019, there were no unused tax credits.

Income tax expense/(revenue) is as follows:

	2020	2019
Current-year tax	480	1,016
Total	480	1,016

At 31 December 2020 and 2019, there were no deferred tax assets or liabilities.

The tax audit at Naturgy Energy Group, S.A. as the parent company of Group 59/93 in relation to corporate income tax and as the parent company of Group 273/08 with respect to VAT, which commenced in July 2018, concluded late in 2020. The years that were audited for corporate income tax purposes (tax consolidation regime) were from 2011 to 2015 and for VAT purposes (corporate group regime) were from June 2014 to December 2015.

The assessments issued upon conclusion of the proceedings did not have a material impact on the companies in the Corporate Income Tax or VAT Groups as the resulting liability had already been provisioned.

In accordance with Spanish tax legislation, at the date of preparation of these annual accounts, the Company's returns for the last four year for the principal taxes to which it is subject and which are not involved in the above-mentioned tax audit are open to inspection.

As a result, among other things, of the different interpretations to which current tax legislation lends itself, additional liabilities could arise as a result of an inspection. The Company considers, however, that any liabilities that might arise would not significantly affect the annual accounts.

Note 10. Net financial revenue/(expense)

The breakdown of this account in the Income statement for 2020 and 2019 is as follows:



	2020	2019
Financial interest	55,792	165,619
Total financial revenues	55,792	165,619
Cost of borrowings	(53,749)	(161,392)
Total financial expense	(53,749)	(161,392)
Net financial income/(expense)	2,043	4,227

Financial revenues arise mainly from interest on loans granted to Naturgy Energy Group, S.A. (Note 4) amounting to €55,786 thousand (2019: €165,619 thousand).

The cost of borrowings relates mainly to the expenses borne on the bonds issued under the Euro Medium-Term Notes programme (Note 6) for €53,749 thousand (2019: €161,392 thousand).

Note 11. Environment

Given the activities in which the Company is involved, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. For this reason, no specific environmental disclosures are provided in these notes to the annual accounts.

Spanish Royal Decree Law 5/2004, regulating trading of greenhouse gas emission rights in order to comply with the obligations under the Kyoto Convention and Protocol, was approved on 27 August 2004.

The Company does not have any assignments of CO₂ emission rights and has no expenses deriving from the use of emission rights. Company management does not expect any material penalty or contingency of any type to arise from compliance with the requirements established in Law 1/2005.

Note 12. Information on transactions with related parties

Related parties are as follows:

- Significant shareholders of the Company, i.e. shareholders that directly or indirectly hold an interest equal to or greater than 5%, as well as the shareholders who, without being significant, have exercised the power to appoint a member of the governing body.

Based on this definition, the significant shareholders of the Company are Naturgy Energy Group, S.A. and, through it, Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona ("la Caixa"), Global Infrastructure Partners III (GIP) and related companies, and CVC Capital Partners SICAV-FIS, S.A. (through Rioja Acquisitions S.à.r.l.).

- The Company's Sole Administrator and the executives of the Company and their close relatives. The term "administrator" means the Sole Administrator and the term "executive" refers to personnel reporting directly to the Executive Chairman and the Internal Audit Manager of Naturgy. Transactions with administrators and executives are disclosed in Note 13.

- Group companies or entities. The transactions between group companies formed part of the ordinary course of business and were performed on an arm's-length basis.

The aggregated amounts of transactions with Group companies and associates are as follows:

Expenses, revenues and other transactions	2020		2019	
	Controlling company	Group companies	Controlling company	Group companies
Financial expenses	-	-	-	-
External services	-	-	-	-
Total expenses	-	-	-	-
Financial revenues	55,786	-	165,619	-
Total revenues	55,786	-	165,619	-

Balances with Group companies and associates are disclosed in note 4.

There were no transactions with significant shareholders in 2020 and 2019.

Note 13. Information about the Sole Administrator

The Company's Sole Administrator did not receive any remuneration, loan or advance in 2020 and 2019.

The Company has not acquired any obligations to its Sole Administrator in connection with pensions or life insurance.

Administrators have the obligation to avoid conflicts of interest as established by the Board Regulations of Naturgy Energy Group, S.A. and Articles 228 and 229 of the Spanish Capital Companies Law. Additionally, those articles require that conflicts of interest involving administrators must be reported in the annual accounts.

The Sole Administrator of Naturgy Capital Markets, S.A. has not reported any conflicts of interest requiring disclosure.

In 2020 and 2019, the Sole Administrator did not carry out transactions with the Company or Group companies outside the ordinary course of business or other than on an arm's-length basis.

The Sole Administrator is covered with the same liability policy that insures all directors and executives of Naturgy. The amount of the premium paid by the Company for the entire policy was €1 thousand in 2020 (2019: €1 thousand).

Note 14. Applicability of international accounting standards

Article 537 of the Capital Companies Law establishes that companies that issue securities that are listed on a regulated market in any Member State of the European Union and that,

in accordance with the regulations in force, publish only separate annual accounts are obliged to disclose, in the notes to annual accounts, the main changes that would arise in equity and in the income statement if the international accounting standards approved by the European Commission Regulations (EU-IFRS) had been applied.

In accordance with IFRS 9, which establishes the criteria for classification, measurement and derecognition of financial assets and liabilities and introduces new rules for hedge accounting and a new model for the impairment of financial assets, the Company would have chosen not to adopt the new standard in advance, opting not to restate the comparative information for 2017, and recognising the adjustment to the carrying amount of financial assets and liabilities in reserves at 1 January 2018.

The effects of initial application of IFRS 9 for 2020 and 2019 would have been as follows:

- a) Classification of financial assets: financial assets continued to be measured at amortised cost from 1 January 2018 as the Company holds those assets mainly to obtain the contractual cash flows
- b) Exchange of debt instruments: the Company carried out refinancing operations in which, in accordance with IAS 39, there were no substantial variations in the debt instrument and, consequently, the carrying amount of the liability was adjusted based on the relevant costs and commissions, which were amortised over the remaining useful life of the adjusted liability. Under IFRS 9, in operations involving changes to financial liabilities it is necessary to determine the value of the cash flows of the new financial liability calculated using the effective internal rate of return of the old financial liability, and to recognise any difference between the new and original carrying amounts in profit or loss. The impact at 1 January 2018 would have been a decrease of €31,752 thousand in financial liabilities with a corresponding increase in deferred tax liabilities of €7,938 thousand. The impact at 1 January 2018 on loans granted to Naturgy Energy Group and the increase in deferred tax assets would also have been recognised.
- c) Impairment of financial assets: The Company applies the general approach of expected losses for financial assets. Based on the estimates made, the application of this model would have no impact either at the date of entry into force of the new standard or at year-end.

In summary, the impact of the adoption of IFRS 9 on the balance sheet and income statement at 31 December 2020 and 2019 would have been as follows:



	(thousands of euros)	
	31 December	
	2020	2019
Non-current financial assets	(12,895)	(16,356)
Deferred tax assets	3,224	4,089
NON-CURRENT ASSETS	(9,671)	(12,267)
Non-current financial liabilities	(13,373)	(16,975)
Deferred tax liabilities	3,343	4,244
NON-CURRENT LIABILITIES	(10,030)	(12,731)
Reserves ⁽¹⁾	898	898
Prior year's income	(434)	(135)
Profit/(loss) for the year	(105)	(299)
EQUITY	359	464

(1) Impact of adjustment in 2017

	(thousands of euros)	
	2020	2019
Financial revenues	3,461	10,068
Financial expenses	(3,601)	(10,467)
Net financial revenue/(expense)	(140)	(399)
PROFIT/(LOSS) BEFORE TAXES	(140)	(399)
Corporate income tax	(35)	(100)
Profit/(loss) for the year	(105)	(299)

Note 15. Auditors' fees

The fees accrued in the year by Ernst & Young, S.L. for audit services in 2020 amounted to €31 thousand (2019: €31 thousand).

No fees accrued during the year to other companies using the E&Y trademark.

Note 16. Events after the reporting date

No material additional events took place between year-end and the date of authorisation of these annual accounts that the Company considers might have a material impact on same.



NATURGY CAPITAL MARKETS, S.A.

CERTIFICATE: It is hereby certified by the Sole Administrator, Mr. ENRIQUE BERENGUER MARSAL, that on 2 February 2021 he authorised the 2020 Annual Accounts, comprising the Balance Sheet, Income Statement, Statement of Recognised Income And Expense, Total Statement Of Changes in Equity, Cash Flow Statement and Notes to the annual accounts, set out on 24 sheets of paper, numbered 1 to 24, both inclusive, bearing the Company stamp and his signature for identification purposes on all pages.

The Company's Sole Administrator then signed those documents by signing this sheet number 25, which is incorporated as an annex to the Company's annual accounts for 2020.

Mr. Enrique Berenguer Marsal
Sole Administrator



DIRECTORS' REPORT

Naturgy Capital Markets, S.A.

Directors' report at 31 December 2020

Naturgy Capital Markets, S.A. (hereinafter “the Company”) was incorporated on 23 May 2005, and its object is the issuance of debt financial instruments, including ordinary or subordinated debt, in accordance with the First Additional Provision of Law 10/2014, of 26 June, on the organization, supervision and solvency of credit institutions, or with the Capital Companies Law or such legislation as replaces or complements them at any time.

The securities issued are bonds that are traded ordinarily on the London Stock Exchange and on the Luxembourg Stock Exchange, and they are backed by an irrevocable joint and several guarantee by Naturgy Energy Group, S.A. (the parent company of Naturgy).

The shareholders of Naturgy Capital Markets, S.A. are Naturgy Energy Group, S.A. (99.9%) and Naturgy Acciones, S.L.U. (0.1%).

1. Highlights of the period

Two bonds totalling €934 million with an average coupon of 5.07% (and the associated loan to Naturgy Energy Group, S.A.) matured in January 2020 and were repaid on that date.

The Company did not make any new issues under the Euro Medium-Term Notes Programme in 2020; rather, Naturgy Finance, B.V. issued €1,150 million.

Consequently, the total aggregate nominal value of both companies' outstanding issues at 31 December 2020 was €8,941 million, with the following maturities:



Issuer	Market where listed	Nominal (million euro)	Maturity	Coupon
Naturgy Capital Markets, S.A.	London	555	2021	5.125%
Naturgy Finance, B.V.	Luxembourg	276	2021	3.500%
Naturgy Finance, B.V.	Luxembourg	454	2022	3.875%
Naturgy Finance, B.V.	Luxembourg	396	2023	3.875%
Naturgy Finance, B.V. (1)	Luxembourg	101	2023	3.974%
Naturgy Finance, B.V.	Luxembourg	154	2023	2.625%
Naturgy Capital Markets, S.A.	Luxembourg	742	2024	1.125%
Naturgy Finance, B.V.	Luxembourg	412	2024	2.875%
Naturgy Finance, B.V.	Luxembourg	401	2025	1.375%
Naturgy Finance, B.V.	Luxembourg	800	2025	0.875%
Naturgy Finance, B.V.	Luxembourg	600	2026	1.250%
Naturgy Finance, B.V.	Luxembourg	1,000	2026	1.250%
Naturgy Finance, B.V.	Luxembourg	1,000	2027	1.375%
Naturgy Finance, B.V.	Luxembourg	850	2028	1.500%
Naturgy Finance, B.V.	Luxembourg	300	2029	1.875%
Naturgy Finance, B.V.	Luxembourg	900	2029	0.750%
Total		8,941		

(1) Nominal value is NOK 800 million.

2. Business risks

The Company's activity is exposed to several risks. Within the framework of Naturgy's risk management policies, the Company has a series of rules, procedures and systems designed to identify, measure and manage the various risk categories to ensure that the most significant risks are correctly identified, assessed and managed and that the level of risk exposure assumed is consistent with the company's target overall risk profile and the attainment of its annual and strategic objectives.

Since the bonds issued are guaranteed by Naturgy Energy Group, S.A., the business risk is tied to Naturgy.

3. Analysis of results

Net profit in 2020 amounted to €1,439 thousand, a 52.79% decrease with respect to 2019.

Financial income amounted to €2,043 thousand in 2020, a decrease of 51.67% compared with 2019, mainly because financial revenues declined more sharply than financial expenses.

Financial and similar revenues amounted to €55,792 thousand, a decrease of 66.31% with respect to 2019, and were basically obtained by the Company on loans granted to Naturgy Energy Group, S.A. and from investing its cash position vis-à-vis other Naturgy companies.

Financial and similar expenses amounted to €53,749 thousand, 66.70% less than in 2019, and were basically those borne by the Company on the funding raised in the form of bonds.

The Company's interest-bearing debt to third parties unrelated to Naturgy was €1,261,538 thousand at 31 December 2020, 43.34% less than at 31 December 2019.

4. Research, development and technological innovation

The Company did not engage in any R&D or innovation activities in 2020.

5. Environment

Given the activities in which the Company is involved, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results.

6. Projected performance

The Company will continue to be one of Naturgy's corporate funding vehicles, basically through issues under the Euro Medium-Term Notes (EMTN) programme.

7. Events after the reporting date

No material additional events took place between year-end and the date of authorisation of these annual accounts that the Company considers might have a material impact on same.

8. Treasury stock

The Company did not hold any own shares in 2020.

9. Corporate governance report

As indicated in the notes to annual accounts, the Company is part of Naturgy. The Consolidated Corporate Governance Report of Naturgy Energy Group, S.A. (the controlling company of Naturgy) and dependent companies is available on the websites of the Spanish National Securities Market Commission (www.cnmv.es) and of Naturgy (www.naturgy.com).



NATURGY CAPITAL MARKETS, S.A.

CERTIFICATE: It is hereby certified that, on 2 February 2021, the Sole Administrator, Mr. Enrique Berenguer Marsal, authorised the Directors' Report, set out on 3 pages, numbered 1 to 3, inclusive, all bearing the company's stamp and the signature of the undersigned for identification purposes.

The Sole Administrator then signed those documents by signing this page number 4, which is incorporated as an annex to the Company's 2020 Directors' Report.

Mr. Enrique Berenguer Marsal
Sole Administrator