

14 July 2022 – Neuss, Germany

## Rating Action / Update:

### Creditreform Rating has set the unsolicited corporate issuer rating of Naturgy Energy Group, S.A. to **BBB+** / **Watch UNW**

Creditreform Rating (CRA) has confirmed the unsolicited, public corporate issuer ratings of Naturgy Energy Group, S.A. (hereinafter 'Naturgy' or 'the Company'), Naturgy Finance B.V. and Naturgy Capital Markets, S.A., as well as the unsolicited corporate issue ratings of the long-term local currency senior unsecured notes issued by Naturgy Finance B.V. and Naturgy Capital Markets, S.A. at **BBB+**. Moreover, CRA has provided the above rating objects with "Watch UNW" (Watch uncertain). We also refer to our full rating report and rating press release from 29 May 2020 and 17 May 2021, which contain further material information regarding Naturgy Energy Group, S.A.

### Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- Splitting of Naturgy into two groups, which is currently associated with uncertainties regarding the Company's debt, investments and dividend policy due to a lack of information
- Global recovery in demand and a significant increase in commodity prices
- Fixed price cap for electricity and gas at a fixed price of €65/MWh and €55/MWh, respectively, until the end of 2025 and without conditions
- Diversified business and geographic mix
- High proportion of regulated and contracted EBITDA
- Future-oriented strategy (2021-2025) which is, however, linked to increased investment
- High dividend pay-out
- Expansion of renewable energies

### ESG-factors

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Naturgy Energy Group, S.A., we have not identified any ESG factor with significant influence.

By commissioning 562 MW of new renewable energy projects (wind and photovoltaic), Naturgy increased its installed renewable energy capacity to 33% in 2021. With the renewable generation already installed, the Company is expected to reach a capacity of 14 GW in 2025, reinforcing Naturgy's strategic relevance for the energy transit. In 2021, Naturgy was the first company in Spain to inject gas from renewable energy sources into the gas distribution network. Currently, 95% of Naturgy's gas distribution networks are prepared for renewable gas and hydrogen, which will help to decarbonise the energy system, reduce CO<sub>2</sub> emissions and promote a circular economy.

The energy sector in Europe as a whole is facing a major transformation linked to the EU goals of climate neutrality by 2050, which may entail significant risks for individual companies. Nevertheless, Naturgy wants to play a key role in the energy transition and climate protection in Spain. Accordingly, Naturgy's Strategic Plan 2021-2025 is in line with the EU's "Net Zero CO<sub>2</sub>" target by 2050. As an interim step, the Company has set out to reduce total emissions in categories 1, 2 and 3 by 24% by 2025 compared to the 2017 baseline, with noticeable progress already made

### Analysts

Natallia Berthold  
Lead Analyst  
N.Berthold@creditreform-rating.de

Christina Sauerwein  
Co-Analyst  
C.Sauerwein@creditreform-rating.de

Neuss, Germany

**ESG factors** are factors related to environment, social issues and governance. For more information, please see the "Regulatory requirements" section. CRA generally takes ESG relevant factors into account when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

in 2021. Absolute greenhouse gas emissions (Scope 1 and 2) of 13.5 MtCO<sub>2</sub>eq and the total CO<sub>2</sub> balance, which also includes indirect emissions of 150 MtCO<sub>2</sub>, were reduced by 37% and 9% respectively compared to the base year 2017. The Company also performs well in our peer comparison in terms of emissions.

With regard to the acceleration of the energy transition, we do not see any risk for Naturgy's business model. However, the realisation of these goals requires significant investment that could lead to higher leverage, which may negatively affect the rating. Naturgy plans to invest EUR 14 billion by 2025, two-thirds of which is to go towards the promotion of renewable energy. In addition, 80% of the planned investments are planned to comply with the EU taxonomy for sustainable finances and thus be geared towards the energy transition. In 2021, a total of EUR 579 million was invested in the construction of various renewable projects. Moreover, Naturgy has entered into several agreements for further growth of renewable energies.

Social and governance issues are also important to the Company. Naturgy is committed to developing a diverse and inclusive corporate culture. It is, however, critical to note that in 2021 the proportion of women in management positions was only 21.2%. Nevertheless, the Company intends to increase this share to more than 40% by 2025.

Overall, we see Naturgy as solidly positioned in terms of ESG criteria, which has a stabilizing effect on the rating in view of the increasing sustainability requirements in the market.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

## Rating result

The current rating of **BBB+** attests Naturgy Energy Group, S.A. a highly satisfactory level of creditworthiness, representing a low to medium default risk. Against the backdrop of the global market recovery and commodity prices in 2021, the rating result reflects an improved economic situation for Naturgy in line with our expectations. Compared to 2020, Naturgy showed a significant recovery in earnings for the 2021 financial year, although the result of the financial key figure analysis showed a moderate improvement overall. The updated strategic plan 2021-2025, which focuses on organic and energy transition growth while maintaining financial discipline, contributes positively to the rating assessment. The high proportion of regulated and contractually agreed activities, as well as the geographical and product-related diversification of the Group, also have a stabilizing effect on the rating. Proven access to financial markets, solid liquidity, a controlled investment policy and commitment to financial discipline underpin our rating assessment. The price cap for electricity and gas introduced until 2025, which will reduce the profit margin against the backdrop of skyrocketing commodity prices on the international markets even if the Spanish state should compensate for the price difference, has a dampening effect on the rating.

On 10 February 2022, Naturgy published an announcement regarding the separation of Naturgy's current businesses into two large listed groups, to be implemented in the 2022 fiscal year. As the potential impact on Naturgy's net assets, financial position and results of operations within the new structure is uncertain, the current rating of Naturgy has been assigned a "**Watch UNW**" (Watch uncertain). Therefore, the outlook has been omitted.

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

**Best-case scenario: BBB+**

In our best-case scenario for one year, we assume a rating of BBB+. We expect an upgrade within one year to be unlikely due to the investment requirements related to the Group's strategic plan in combination with the price cap introduced for electricity and gas, which could dampen potential improvements in credit metrics in the short term. The uncertainty surrounding the planned demerger also limits the likelihood of a rating upgrade.

**Worst-case scenario: BBB**

In our worst-case scenario, we assume a rating of BBB. For this scenario, we assume that the envisaged division of the business is associated with unexpected implementation complications and/or high additional costs, which could negatively impact the Company's earnings situation. In combination with high investment requirements, this could lead to a significant deterioration of the Company's financial and liquidity position, which would necessitate a downgrade of Naturgy's rating.

## Business development and outlook

Table 1: Financials of Naturgy Energy Group, S.A. | Source: Naturgy Energy Group, S.A. Annual Consolidated Financial Report 2021, standardized by CRA

Naturgy Energy Group, S.A. Selected key figures of the financial statement analysis Basis: Annual Consolidated Financial Report of 31.12. (IFRS)	CRA standardized figures <sup>1</sup>	
	2020	2021
Sales (million EUR)	15,345.0	22,140.0
EBITDA (million EUR)	3,321.0	3,670.0
EBIT (million EUR)	1,845.0	2,225.0
EAT (million EUR)	-31.0	1,556.0
EAT after transfer (million EUR)	-347.0	1,214.0
Total assets (million EUR)	36,800.0	37,247.0
Equity ratio (%)	28.3	26.2
Capital lock-up period (days)	59.9	56.2
Short-term capital lock-up (%)	42.1	23.9
Net total debt / EBITDA adj. (factor)	6.9	6.3
Ratio of interest expenses to total debt (%)	2.4	2.2
Return on Investment (%)	1.4	5.3

The 2021 business year showed a recovery compared to the 2020 business year in terms of both sales and profitability. During the year, Naturgy generated sales of EUR 22,140 million (2020: EUR 15,345 million), an increase of 44.3% compared to the previous year due to higher demand and energy prices. Also, EBITDA increased by 10.5 % to EUR 3,670 million (2020: EUR 3,321 million). This is mainly attributable to the Energy Management and Networks segment. The Energy Management and Trading activities were positively impacted by the gradual recovery of energy

<sup>1</sup> For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

demand, significant increase in commodity prices and the positive impact of open positions in energy markets, while the Networks businesses in Spain and LatAm remained relatively stable. The Renewables business benefited from higher wind production in Spain and newly installed capacity in Chile, although partially offset by lower bilateral prices and regulatory adjustments in Spain, lower margins in Australia and reduced wind resources in Mexico. The Supply segment was adversely affected by higher gas procurement costs and pool prices (see Table 2). The Group' EAT after transfer of increased from EUR -347 million to EUR 1,214 million. Compared to the previous year, this is primarily due to the absence of impairment effects, which burdened the year 2020 amounting to EUR 1,363 million. Moreover, the EUR 200 million improvement in the net financial result had a favourable effect on the annual result 2021 of the Company. Even though 2021 was characterized by volatility in the international gas markets, especially in the second half of the year, Naturgy recorded a significant recovery in earnings compared to 2020, enabling it to meet its forecasts.

Table 2: The development of segment results in 2021 and 2020 (reported figures) | Source: Naturgy Energy Group, S.A. Annual Consolidated Financial Report 2021

EUR million	Net sales		EBITDA		EBIT	
	2020	2021	2020	2021	2020	2021
Energy Management and Networks	14,290	20,932	2,859	3,266	456	2,202
Renewables and New businesses	640	678	352	488	-34	299
Supply	6,302	7,943	326	-96	170	-219
Rest	175	57	-88	-129	-126	-181
Intercompany elimination	-6,062	-7,470	--	--	--	--
<b>Total</b>	<b>15,345</b>	<b>22,140</b>	<b>3,499</b>	<b>3,529</b>	<b>466</b>	<b>2,101</b>

Although the Company shows positive business development in 2021, the overall analysis of the structured financial key ratios indicates only a moderate improvement. Net financial debt decreased compared to the previous year, amounting to EUR 12,831 million as of 31 December 2021 (2020: EUR 13,612 million), while total debt increased to EUR 27,487 million (2020: EUR 26,385 million). However, Creditreform adjusted Net total debt/EBITDA improved to 6.3x compared to the previous year (2020: 6.9x) due to the higher EBITDA. The Company's original calculation of net financial debt / EBITDA was 3.6x (2020: 3.9x). The ratio of interest expense to total debt also improved, standing at 2.2 (2020: 2.4). The equity ratio fell from 28.3% to 26.2% in 2021, at the given rating level to be in need of improvement. The main reasons for the decline in equity were dividend payments (EUR 1,660 million) and negative total comprehensive income for the year (EUR 554 million).

As of 31 December 2021, the Company had a solid liquidity position of EUR 9,424 million, consisting of EUR 3,965 million in cash and cash equivalents and EUR 5,459 million in undrawn credit lines. With a positive free cash flow after minority interests of EUR 2,113 million (2020: EUR 1,626 million), the Company has sufficient liquidity to cover the maturities of the Group's liabilities for more than 24 months. Moreover, the ECP program is fully undrawn as of 31 December 2021.

The Company's total investments rose by 16.1% to EUR 1,484 million in 2021 compared to the previous year (2020: EUR 1,279 million). The higher level is mainly due to increased investments in gas and electricity grids, new renewable generation plants (installed capacity exceeded 5.2 GW at the end of 2021) and by implementing improvements in marketing, especially in digitalisation.

Following its strategic objectives, in 2021 Naturgy continued to simplify its business and reduce the risk of its commercial positioning by reaching an agreement in March 2021 to amicably settle the disputes with ENI and the Arab Republic of Egypt concerning Unión Fenosa Gas (UFG). As a result, Naturgy received a capital gain of EUR 127 million and acquired the remaining 50% of UFG's stake for EUR 466 million, increasing its shareholding to 100% and gaining full control. Moreover, in July 2021, the 96.04 % stake in Compañía General de Electricidad S.A. (CGE) in Chile, the Company operating the electricity network business in Chile, was sold to State Grid International Development Limited (SGID) for a total purchase price (equity value) of Euro 2,570 million.

To mitigate the impact of the current electricity price crisis on consumers and the real economy, the Spanish government has approved new measures. The mechanism consists of a cap on the reference price for gas when selling to the electricity system<sup>2</sup>. Therefore, in September 2021, Naturgy decided to guarantee domestic customers a fixed electricity price of €60/MWh for two years without any conditions. In November 2021, Naturgy extended this measure to all types of consumers, setting the electricity price of €65/MWh and a term of three years. Furthermore, in the first quarter of 2022 Naturgy introduced a fixed tariff of 55 EUR/MWh for its industrial gas customers until the end of 2025. On the one hand, Naturgy has the advantage that the Spanish state is prepared to pay the Company the difference between the market price and the marginal price. On the other hand, it also shows that the sector is subject to considerable political influence. If the Spanish government does not meet the price difference, Naturgy's cash flow generation could come under pressure, which could have a negative impact on the Company's financial stability.

Alongside the Company's engagement for its customers, it is increasingly focused on the energy transition and decarbonisation. In July 2021, Naturgy presents its new strategic plan 2021-2025, which emphasises on ESG obligations in addition to investments in networks and renewable energy growth in stable regions. This plan is to be realised with a cumulative net investment of EUR 14 billion, of which 60% will be dedicated to the promotion of renewable energies, 30% for gas and electricity grids and 10% for energy management and marketing. In addition, Naturgy intends to become the leading electricity grid operator in Spain through the optimization, digitalisation and automation of its processes. In terms of gas grids, the Company aims to significantly boost the implementation of renewable gas in order to contribute to decarbonization and commercial repositioning. It has also set profitability targets to achieve EBITDA of EUR 4.8 billion and net profit of EUR 1.6 billion by 2025. With regard to its dividend policy, this is subordinated to the achievement of financial targets. The dividend per share is set at EUR 1.2 until 2025, subject to adjustment until 2023 if necessary to maintain the key figures. An average dividend payout ratio for the reporting period is expected to be around 85%. Over and above the strategic plan, Naturgy has earmarked a further EUR 13.8 billion for investments in almost a hundred energy transition projects as part of the European Union's economic recovery plan.

The results of the first quarter of 2022 were characterized by the recovery of international activities, while operations in Spain continued to be under pressure on profit margins.

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<sup>2</sup> [https://www.lamoncloa.gob.es/lang/en/gobierno/councilministers/Paginas/2022/20220513\\_council-extr.aspx](https://www.lamoncloa.gob.es/lang/en/gobierno/councilministers/Paginas/2022/20220513_council-extr.aspx)

Nevertheless, Naturgy was able to increase its net sales as of 31 March 2022 by 73.7% to EUR 8,141 million (31 March 2021: EUR 4,686 million), EBITDA by 9.4% to EUR 1,074 million (31 March 2021: EUR 982 million) and EBIT by 0.6% to EUR 669 million (31 March 2021: EUR 665 million). Net income amounted to EUR 347 million (31 March 2021: EUR 383 million), a decrease of 9.4%. After Naturgy started construction of 582 MW of renewable generation in the first quarter of 2022, total investment rose to EUR 259 million, an increase of 32% compared to the previous year. At the end of the first quarter of 2022, net debt amounted to EUR 13,062 million, up EUR 231 million from 31 December 2021, after paying a dividend of €0.5/share in the first quarter and supported by cash generation. As of 31 March 2022, Naturgy continues to have an adequate liquidity position of EUR 9.152 million, consisting of EUR 3,624 million in cash and cash equivalents and EUR 5,528 million in unused credit lines.

Even though Naturgy does not operate in either Russia or Ukraine, the current war in Ukraine could indirectly lead to negative impacts for the Company. While Naturgy operates primarily in Spain and Latin America (Chile, Brazil, Mexico, Panama and Argentina) and Australia, political and economic changes could affect the Company through further energy price increases and a general decline in demand due to an economic downturn resulting from the war and/or sanctions against Russia. However, we currently consider these risks to be manageable.

In February 2022, Naturgy announced a Gemini project to reorganise the Company. The segregation will create two listed companies that will maintain the same shareholding structure, currently led by the Spanish investment holding Company Criteria Caixa SAU with a 26.7% stake. One of the two companies (MarketsCo) will manage Naturgy's liberalised businesses, which include renewable energy development, the energy customer portfolio and related services, conventional power generation and wholesale energy market management. The other company (NetworksCo) will manage the regulated power distribution and transmission infrastructure. This business includes a presence in six countries, more than 155,000 kilometres of electricity networks, 135,000 kilometres of gas networks and 16 million connection points. The project aims to drive growth beyond the strategic plan and break new ground for a pragmatic approach to the energy transition. The separation process is expected to be completed in the 2022 financial year. How this split will affect Naturgy's rating and its position within the new structure is difficult to assess at this time as the Company has not disclosed further information on the breakdown of total debt and investments. As a result, we assigned "Watch UNW" (Watch Uncertain) to Naturgy's rating.

Overall, we assess Naturgy's financial risks to be moderate and manageable, despite its high and increasing investment needs. The Company has diversified funding sources and solid liquidity, which should allow it to pursue its strategic plan. The Group also has a healthy capital structure and generates stable operating cash flows, which are mainly generated from regulated activities. Moreover, the Company benefits from proven access to capital markets. However, a further significant increase in net debt could have a negative impact on the rating.

## Issue rating

### Further issuer ratings

In addition to the rating of Naturgy Energy Group, S.A. the following Issuers and its issues (see below), have been rated.

- Naturgy Finance B.V.
- Naturgy Capital Markets, S.A.

Naturgy Energy Group, S.A. is the guarantor of the above Group companies and the issues that were issued under the EMTN program, with the last base prospectus of 3 December 2021. These subsidiaries have also been assessed in this rating report.

Naturgy Finance B.V. ("the Issuer") is a wholly-owned subsidiary of Naturgy Energy Group, S.A., which was incorporated in the Netherlands as a private limited company on 26 November 1993 under the name Union Fenosa Finance B.V. and is governed under the laws of the Netherlands. The Issuer's principal business is to facilitate the raising of financing for the Company. The business development of Naturgy Finance B.V. is largely determined by the financial requirements of the Group's companies worldwide. As a wholly-owned subsidiary of Naturgy Energy Group, S.A., the Issuer is dependent on the performance of the Group and the ability of its members to generate sufficient income to satisfy its payment obligations to other capital market participants. The Issuer's financial statements are fully consolidated in the financial statements of the Group. For these reasons, we derive the rating of Naturgy Finance B.V. from the unsolicited corporate issuer rating of Naturgy Energy Group, S.A., i.e. **BBB+ / Watch UNW**.

Naturgy Capital Markets, S.A. ("the Issuer") is a wholly-owned subsidiary (with exception of one share hold by La Propagadora del Gas, S.A.) of Naturgy Energy Group, S.A., which was incorporated in Spain as a limited liability company on 23 May 2005 under the name Gas Natural Capital Markets, S.A. and is governed under Spanish law. The Issuer's principal business is to facilitate the raising of financing for Naturgy Energy Group, S.A. The business development of Naturgy Capital Markets, S.A. is largely determined by the financial requirements of the Group's companies worldwide. As a wholly-owned subsidiary of Naturgy Energy Group, S.A., the Issuer is dependent on the performance of the Group and the ability of its members to generate sufficient income to satisfy its payment obligations to other capital market participants. The Issuer's financial statements are fully consolidated in the financial statements of the Group. For these reasons, we derive the rating of Naturgy Capital Markets, S.A. from the unsolicited corporate issuer rating of Naturgy Energy Group, S.A., i.e. **BBB+ / Watch UNW**.

### Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured notes, denominated in euro, issued by Naturgy Finance B.V., Naturgy Capital Markets, S.A. and Naturgy Energy Group, S.A. (Issuers), which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes have been issued under the EMTN program with its latest prospectus from 3 December 2021. This EMTN program amounts to EUR 12.0 billion. The notes and coupons under the EMTN program constitute unsubordinated, unsecured obligations of the issuers, and rank pari passu with all other present and future unsecured obligations of the issuers.

### Result corporate issue rating

We have provided the debt securities issued by Naturgy Finance B.V. and Naturgy Capital Markets, S.A. with a rating of **BBB+ / Watch UNW**. This decision is based on the corporate rating of Naturgy Energy Group, S.A. and takes into account the specific credit enhancement of the notes, namely the guarantee of Naturgy Energy Group, S.A., which has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Naturgy Finance B.V. and Naturgy Capital Markets, S.A. under the notes, receipts and coupons. Other types of debt instruments or issues denominated in other currencies have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

### Overview

Table 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Naturgy Energy Group, S.A. (Issuer)	14.07.2022	BBB+ / Watch UNW
Naturgy Finance B.V. (Issuer)	14.07.2022	BBB+ / Watch UNW
Naturgy Capital Markets, S.A. (Issuer)	14.07.2022	BBB+ / Watch UNW
Long-term Local Currency (LC) Senior Unsecured Issues	14.07.2022	BBB+ / Watch UNW
Other	--	n.r.

Table 4: Overview of 2021 Euro Medium Term Note Programme | Source: Base Prospectus dated 03.12.2021

Overview of 2021 EMTN Programme			
Volume	EUR 12,000,000,000	Maturity	Depending on respective bond
Issuer / Guarantor	Naturgy Energy Group, S.A. (Guarantor) Naturgy Finance B.V. Naturgy Capital Markets, S.A.	Coupon	Depending on respective bond
Arranger	Citigroup	Currency	Depending on respective bond
Credit enhancement	none	ISIN	Depending on respective bond

All future LT LC senior unsecured notes issued by Naturgy Energy Group, S.A., Naturgy Finance B.V., and Naturgy Capital Markets, S.A. and that have similar conditions to the current EMTN program, denominated in EUR and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN program. Notes issued under the program in any currency other than EUR, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG. For the time being, other emission classes or programs (such as the Commercial Paper Program) and issues that do not denominate in EUR will not be assessed.



## Appendix

### Rating history

The rating history is available under:

<https://www.creditreform-rating.de/en/ratings/published-ratings.html>

Table 5: Corporate Issuer Rating of Naturgy Energy Group, S.A.

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	17.05.2017	26.05.2017	28.05.2020	BBB+ / stable

Table 6: Corporate Issuer of Naturgy Finance B.V.

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	17.08.2018	24.08.2018	28.05.2020	BBB+ / stable

Table 7: Corporate Issuer of Naturgy Capital Markets, S.A.

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	17.08.2018	24.08.2018	28.05.2020	BBB+ / stable

Table 8: LT LC Senior Unsecured Issues Issued of Naturgy Finance B.V.

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	17.08.2018	24.08.2018	28.05.2020	BBB+ / stable

Table 9: LT LC Senior Unsecured Issues Issued of Naturgy Capital Markets, S.A.

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	17.08.2018	24.08.2018	28.05.2020	BBB+ / stable

### Regulatory requirements

The rating<sup>3</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

<sup>3</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

The rating was conducted based on the following information.

List of documents
<b>Accounting and controlling</b>
<ul style="list-style-type: none"> <li>Annual Consolidated Financial Report 2021</li> <li>Q1 2022 Results Presentation</li> </ul>
<b>Finance</b>
<ul style="list-style-type: none"> <li>EMTN base prospectus, dated 3 December 2021</li> <li>Final Terms of the outstanding notes</li> </ul>
<b>Additional documents</b>
<ul style="list-style-type: none"> <li>Sustainability Report and Non-Financial Information Statement 2021</li> <li>Naturgy Strategic Plan 2021-2025</li> <li>Project Geminis Presentation</li> <li>Press releases</li> </ul>

A management meeting did not take place within the framework of the rating process.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.4	01.07.2022
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Natallia Berthold	Lead-analyst	N.Berthold@creditreform-rating.de
Christina Sauerwein	Analyst	C.Sauerwein@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Stephan Giebler		S.Giebler@creditreform-rating.de

On 14 July 2022, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the Company on 14 July 2022. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

#### **ESG-factors**

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

#### **Conflict of interests**

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

#### **Rules on the presentation of credit ratings and rating outlooks**

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

##### Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

##### Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

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### Contact information

Creditreform Rating AG

Europadamm 2-6  
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626  
Telefax: +49 (0) 2131 / 109-627

E-Mail: [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
Web: [www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch  
Chairman of the Board: Michael Bruns

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