Auditor's Report on Naturgy Energy Group, S.A.

(Together with the annual accounts and directors' report of Naturgy Energy Group, S.A. for the year ended 31 December 2024)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Naturgy Energy Group, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Naturgy Energy Group, S.A. (the "Company"), which comprise the balance sheet at 31 December 2024, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

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Key Audit Matters

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

Recoverable amount of non-current investments in Group companies and associates See notes 3.3, 3.20, 4 and 7 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2024 the Company has recognised non-current investments in Group companies and associates amounting to Euros 28,655 million. The recoverable amount of these investments in Group companies and associates is determined, for those companies in which there is objective evidence of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates. In 2024 the Company has recognised in the income statement reversals of impairment of investments in Group companies and associates in an amount of Euros 65 million. Due to the significance of the investments and the uncertainty associated with these estimates, this has been considered a key audit matter.	Our audit procedures included the following: – Assessing the design and implementation of the key controls related to evaluating the existence of evidence of impairment and, where applicable, of estimating the recoverable amount. – Assessing the existence of evidence of impairment, as well as the reasonableness of the methodology and assumptions used to estimate the recoverable amount, with the involvement of our valuation and sustainability specialists. – Assessing whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2024 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2024, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit and Control Committee's Responsibilities for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are 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 Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 legislation regulating the audit of accounts 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 annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts, 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 entity's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

– Conclude on the appropriateness of the Directors' 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 annual accounts 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 annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with Naturgy Energy Group, S.A.'s audit and control committee 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 entity's audit committee with a statement that we have complied with the ethical requirements regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, safeguarding measures adopted to eliminate or reduce the threat.

From the matters communicated to the audit and control committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which 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.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of Naturgy Energy Group, S.A. for 2024 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of Naturgy Energy Group, S.A. are responsible for the presentation of the 2024 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the directors' report.

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit and Control Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit and control committee dated 19 February 2025.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 2 April 2024 for a period of two years, from the year ended 31 December 2024.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting, and have been auditing the annual accounts since the year ended 31 December 2021.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

On the Spanish Official Register of Auditors ("ROAC") with No. 20,435

This report corresponds to stamp number 01/25/00373 issued by the Spanish Institute of Registered Auditors (ICJCE)

Annual Report of Naturgy Energy Group, S.A. 2024

Separate Annual Accounts

This 2024 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

Naturgy Energy Group, S.A.

Balance sheet (million euro)

		31.12.2024	31.12.2023
NON-CURRENT ASSETS	**Note**	**29,008**	**30,215**
Intangible assets	5	25	1
Other intangible assets		25	1
Property, plant and equipment	6	93	97
Land and buildings		72	84
Other property, plant and equipment		21	13
Long-term investments in group companies and associates	7	28,655	29,879
Equity instruments		15,994	15,882
Loans to companies		12,661	13,997
Long-term investments	8-14	18	29
Equity instruments		4	4
Derivatives		11	22
Other financial assets		3	3
Other non-current assets	9-14	90	80
Derivatives		90	80
Deferred tax assets	17	127	129
CURRENT ASSETS		**4,798**	**2,082**
Trade and other receivables	9-14	413	152
Trade receivables for sales and services		4	2
Trade receivables, group companies and associates		36	68
Derivatives		280	5
Sundry receivables		74	—
Current tax assets		—	65
Other amounts receivable to Public Administrations		19	12
Short-term investments in group companies and associates	7	1,226	294
Loans to companies		1,224	291
Other financial assets		2	3
Short-term investments	8-14	21	36
Derivatives		19	34
Other financial assets		2	2
Short-term prepayments and accrued expenses		2	2
Cash and cash equivalents	10	3,136	1,598
Cash at banks and in hand		2,169	1,137
Other cash equivalents		967	461
TOTAL ASSETS		**33,806**	**32,297**

Notes 1 to 30 form an integral part of these Annual accounts.

Naturgy Energy Group, S.A.

Balance sheet **(million euro)**

	Note	31.12.2024	31.12.2023
EQUITY	11	**17,704**	**18,023**
SHAREHOLDERS' FUNDS		**17,684**	**17,980**
Capital		970	970
Share capital		970	970
Share premium		3,808	3,808
Reserves		10,362	10,360
Legal and statutory		300	300
Other reserves		10,062	10,060
Treasury shares		(6)	(6)
Profit/(loss) for the year		1,057	1,211
Retained earnings		2,446	2,592
Interim dividend		(969)	(969)
Other equity instruments		16	14
VALUE CHANGE ADJUSTMENTS		**20**	**43**
Hedging operations		20	43
NON-CURRENT LIABILITIES		**11,202**	**9,921**
Long-term provisions	12	296	294
Long-term post-employment obligations		203	204
Other provisions		93	90
Long-term borrowings	13	5,349	2,383
Bank borrowings		5,342	2,382
Derivatives	14	6	—
Other financial liabilities		1	1
Amounts owing to group companies and associates falling due in more than one year	15	5,205	6,896
Deferred tax liabilities	17	263	267
Other liabilities	14-16	89	81
Derivatives		89	81
CURRENT LIABILITIES		**4,900**	**4,353**
Short-term borrowings	13-14	134	165
Bank borrowings		131	165
Lease financial liabilities		1	—
Derivatives		2	—
Amounts owing to group companies and associates falling due in less than one year	15	4,268	3,967
Trade and other payables	16	497	220
Trade payables		56	72
Trade payables, group companies and associates		77	14
Derivatives	14-16	280	5
Other sundry payables		—	42
Personnel (outstanding remuneration)		40	40
Current tax liabilities		42	—
Other amounts payable to Public Administrations		2	47
Short-term prepayments and accrued expenses		1	1
TOTAL EQUITY AND LIABILITIES		**33,806**	**32,297**

Notes 1 to 30 form an integral part of these Annual accounts.

Naturgy Energy Group, S.A.

Income statement **(million euro)**

	Note	2024	2023
Revenue	18	1,468	1,818
Sales		9	173
Income from equity instruments of group companies and associates	7	950	1,187
Income from marketable securities and other financial instruments of group companies and associates		509	458
Raw materials and consumables	19	(8)	(174)
Consumption of goods		(8)	(174)
Other operating income	22	119	66
Supplementary income and other operating income		119	66
Personnel expenses	20	(78)	(97)
Wages, salaries and related expenses		(64)	(83)
Social Security		(9)	(9)
Provisions		(5)	(5)
Other operating expenses	21	(134)	(161)
Services received		(145)	(159)
Taxes		(6)	(2)
Impairment losses and variation in trade provisions		17	—
Fixed asset depreciation/amortisation	5-6	(20)	(10)
Impairment and results on disposals of fixed assets		62	59
Gain/(loss) on disposals of tangible fixed assets	6	(2)	—
Impairment of and losses from equity instruments of group companies and associates	4-7	65	55
Gain/(loss) on disposals of equity interests in group companies and associates	7	(1)	4
OPERATING PROFIT/(LOSS)		**1,409**	**1,501**
Financial income		75	61
Negotiable securities and other financial instruments		75	61
- In third parties		75	61
Financial expenses		(421)	(364)
Borrowings from group companies and associates		(242)	(270)
Borrowings from third parties		(179)	(94)
Impairment and gains/(losses) on disposals of financial instruments		—	(1)
NET FINANCIAL INCOME	23	**(346)**	**(304)**
PROFIT/(LOSS) BEFORE TAXES		**1,063**	**1,197**
Income tax	17	(6)	14
PROFIT/(LOSS) FOR THE YEAR		**1,057**	**1,211**
Basic and diluted earnings per share in euro		1.10	1.26

Notes 1 to 30 form an integral part of these Annual accounts.

Naturgy Energy Group, S.A.
Statement of changes in equity

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE	**Note**		**(million euro)**
		2024	2023
Profit/(loss) for the year		**1,057**	**1,211**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**8**	**(22)**
Cash flow hedges		5	(13)
Actuarial gains and losses and other adjustments	11-12	5	(18)
Tax effect	17	(2)	9
RELEASES TO INCOME STATEMENT		**(27)**	**(13)**
Cash flow hedges		(36)	(17)
Tax effect	17	9	4
TOTAL INCOME AND EXPENSE RECOGNISED IN EQUITY		**1,038**	**1,176**

Notes 1 to 30 form an integral part of these Annual accounts.

Naturgy Energy Group, S.A.

Statement of changes in equity

B) TOTAL STATEMENT OF CHANGES IN EQUITY **(million euro)**

	Share capital	Share premium	Reserves	Treasury shares	Profit or loss brought forward	Retained Earnings	Profit of the year	Interim dividend	Other instruments	Value changes adjustments	Total
Balance at 1.1.2023	**970**	**3,808**	**10,377**	**(1)**	**—**	**2,320**	**1,435**	**(679)**	**10**	**66**	**18,306**
Total recognised income and expense	—	—	(17)	—	—	—	1,211	—	5	(23)	**1,176**
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	(485)	—	(969)	—	—	**(1,454)**
- Trading in treasury shares	—	—	—	(5)	—	—	—	—	—	—	**(5)**
Other changes in equity	—	—	—	—	—	757	(1,435)	679	(1)	—	**—**
Balance at 31.12.2023	**970**	**3,808**	**10,360**	**(6)**	**—**	**2,592**	**1,211**	**(969)**	**14**	**43**	**18,023**
Total recognised income and expense	—	—	2	—	—	—	1,057	—	2	(23)	**1,038**
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	(388)	—	(969)	—	—	**(1,357)**
- Trading in treasury shares	—	—	—		—	—	—	—	—	—	**—**
Other changes in equity	—	—	—	—	—	242	(1,211)	969		—	**—**
Balance at 31.12.2024	**970**	**3,808**	**10,362**	**(6)**	**—**	**2,446**	**1,057**	**(969)**	**16**	**20**	**17,704**

Notes 1 to 30 form an integral part of these Annual accounts.

Naturgy Energy Group, S.A.

Cash flow statement			**(million euro)**
	Note	**31.12.2024**	31.12.2023
Profit for the year before tax		**1,063**	**1,197**
Adjustments to results		**(1,163)**	**(1,384)**
Fixed asset depreciation/amortisation	5-6	20	10
Impairment adjustments	4-7	(82)	(54)
Change in provisions		8	6
Profit/(loss) on write-offs and disposals of fixed assets		2	—
Profit/(loss) on write-offs and disposals of financial instruments	7	1	(4)
Financial income		(1,534)	(1,706)
Financial expenses	23	421	364
Other income and expenses		1	—
Changes in working capital		**(100)**	**17**
Debtors and other receivables		(31)	156
Creditors and other payables		(69)	(139)
Other cash flows from operating activities		**1,261**	**1,389**
Interest paid		(359)	(307)
Dividends received		950	1,212
Interest collected		525	480
Income tax collections/(payments)		145	4
Cash flows from operating activities		**1,061**	**1,219**
Amounts paid on investments		**(709)**	**(1,010)**
Group companies and associates		(692)	(1,005)
Intangible assets		(9)	—
Property, plant and equipment		(7)	(4)
Other financial assets		(1)	(1)
Amounts collected from divestments		**385**	**235**
Group companies and associates		379	225
Property, plant and equipment		5	—
Other financial assets		1	10
Cash flows from investing activities		**(324)**	**(775)**
Collections and payments on equity instruments		**—**	**(5)**
Acquisition of own equity instruments		—	(10)
Disposal of own equity instruments		—	5
Collections and payments financial liability instruments		**2,158**	**(368)**
Issuance		5,851	2,321
Bank borrowings		3,092	1,096
Payables to group companies and associates		2,759	1,225
Repayment/redemption of		(3,693)	(2,689)
Bank borrowings		(183)	(1,025)
Payables to group companies and associates		(3,496)	(1,640)
Other payables		(14)	(24)
Dividend payments		**(1,357)**	**(1,454)**
Cash flow from financing activities		**801**	**(1,827)**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**1,538**	**(1,383)**
Cash and cash equivalents at the beginning of the year		1,598	2,981
Cash and cash equivalents at the year end		3,136	1,598

Notes 1 to 30 form an integral part of these Annual accounts.

Contents of the notes to the annual accounts for 2024

Notes to the annual accounts of Naturgy Energy Group, S.A. for 2024

Note 1. General information

Naturgy Energy Group, S.A. ("the Company"), the parent company of the Naturgy group ("Naturgy"), was incorporated as a public limited company in 1843 and its registered office is at Avda. América 38, Madrid. On 27 June 2018, the shareholders, in general meeting, agreed to change the company's business name to Naturgy Energy Group, S.A., formerly Gas Natural SDG, S.A.

The company's corporate purposes, as per its articles of association, comprise the following activities:

a. All types of activities related to gas, electricity and any other type of existing energy source, the production and sale of electrical, electro-mechanical and electronic equipment and components, planning and execution of construction projects, management of architectural projects, civil engineering works, utilities and gas and hydrocarbon distribution in general; management of communications, telecommunications, gas and hydrocarbon distribution networks in general, and maintenance of electrical and gas appliances; as well as business consulting, energy planning and energy use rationalisation services, research, development and exploitation of new technologies, communications, computer and industrial security systems; training and selection of human resources and real estate management and development.

b. Acting as a holding company, incorporating companies or holding shares as a member or shareholder in other companies no matter what their corporate purpose or nature, by subscribing, acquiring or holding shares, participation units or any other securities deriving from the same, subject to compliance with the legal requirements in each case.

The Company's main ordinary activity is the administration and management of its shareholdings in subsidiaries. In addition, the Company has short-term gas procurement contracts.

The Company's shares are listed on the four Spanish stock exchanges and the continuous market and form part of the Ibex 35 stock index.

On 16 and 17 April, Criteria Caixa, S.A.U. and TAQA each issued a regulatory disclosure confirming that they were in discussions that could result in an offer for the shares of Naturgy Energy Group, S.A.

Subsequently, on 10 June 2024, Criteria Caixa, S.A.U. issued a communiqué in which it disclosed that the aforementioned negotiations had concluded without reaching any agreement. However, it reaffirmed its long-term commitment to Naturgy's project and announced that it was in talks to explore potential partners that might enable Naturgy to deepen its transformation and accelerate its energy transition. For its part, on 11 June 2024, TAQA made a similar communication announcing that it would not carry out the transaction.

Note 2. Basis of presentation, comparability and accounting policies

2.1. Basis of presentation

The Company's annual accounts for 2023 were approved at the annual general meeting of shareholders on 2 April 2024.

The Annual accounts for 2024, which were authorised by the Company's Board of Directors on 18 February 2025, will be submitted to the general shareholders' meeting for approval; they are expected to be approved without any changes.

The accompanying Annual accounts are presented in accordance with current mercantile legislation and with the rules laid down in the National Chart of Accounts approved by Royal Decree 1514/2007 of 16 November and the amendments incorporated therein by Royal Decree 1159/2010 of 17 September, Royal Decree 602/2016 of 2 December, and Royal Decree 1/2021 of 12 January, as well as by the adoption of the Resolution of 10 February 2021 of the Spanish Institute of Accounting and Auditing which lays down rules for the recognition, valuation and preparation of the Annual accounts for the recognition of income from sales of goods and services.

These Annual accounts have been prepared based on the Company's accounting records in order to fairly present its equity and financial position at 31 December 2024, as well as the Company's results, changes in equity and cash flows for the year then ended.

At 31 December 2024, the Company's working capital was negative in the amount of Euros 102 million (Euros 2,271 million in 2023). In this respect, the Company's liquidity projections together with the amounts available under credit lines (Note 14) will ensure coverage of that amount.

The figures set out in these Annual accounts are expressed in million euros, this being the Company's functional and presentation currency, unless otherwise stated.

2.2. Comparability

The Annual accounts present for comparative purposes, for each item in the balance sheet, income statement, statement of changes in equity, cash-flow statement and notes to the accounts, the figures corresponding to the previous year which formed part of the 2023 Annual accounts as well as the figures for 2024.

2.3. Accounting principles and main measurement standards

The main accounting policies and valuation standards applied by the Company to prepare these Annual accounts are the same as for the Company's Annual accounts for the previous year, ended 31 December 2023.

The consolidated Annual accounts of Naturgy for 2024 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), under Regulation (EU) 1606/2002 of the European Parliament and of the Council. The main figures disclosed in the consolidated Annual accounts, which have been audited, are as follows:

Total assets	40,836
Equity attributed to the parent company	9,478
Non-controlling interests	2,175
Revenue	19,267
Profit after tax attributed to the parent company	1,901

Note 3. Accounting policies

The main accounting principles applied by the Company to prepare these Annual accounts are described below:

3.1 Intangible assets

Intangible assets are carried at acquisition price or production cost, or at fair value in the case of assets acquired through a business combination, less accumulated amortisation and any recognised impairment losses.

a. Goodwill

Goodwill represents the excess, at the acquisition date, of the cost of the business combination over the fair value of the net identifiable assets acquired. Consequently, goodwill is only recognised when it has been acquired for valuable consideration and relates to the future economic benefits from assets that could not be identified individually and recognised separately.

Goodwill is amortised over ten years using the straight-line method. Goodwill is tested annually to analyse possible impairment losses. It is recognised in the balance sheet at cost value less amortisation and any cumulative impairment adjustments.

Impairment of goodwill cannot be reversed.

b. Computer software

Costs associated directly with the production of computer software programmes that are likely to generate economic profit greater than the costs related to their production are recognised as intangible assets. The direct costs include the personnel costs of the employees involved in developing the programmes.

Computer software development costs recognised as assets are amortised on a straight–line basis over a period of five years as from the time the assets are ready to be brought into use.

c. Other intangible assets

Research expenditure is recognised in the income statement when incurred.

The Company has no intangible assets with an indefinite useful life.

3.2 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment provision.

a. Cost

Property, plant and equipment are carried at acquisition price or production cost, or at the value attributed to the asset if it is acquired as part of a business combination.

Financial costs relating to financing for plant projects during the plant construction period to the date the asset is ready for use form part of property, plant and equipment.

Renewal, extension or improvement costs are capitalised as an increase in an asset's value only if they entail an increase in capacity, productivity or useful life. Major maintenance expenditures are capitalised and amortised over the estimated useful life of the asset (generally 2 to 6 years) while minor maintenance is expensed as incurred.

Own work capitalised under Property, plant and equipment relates to the direct cost of production.

Expenses arising from actions designed to protect and improve the environment are expensed in the year they are incurred.

When such costs entail additions to property, plant and equipment the purpose of which is to minimise the environmental impact and to protect and improve the environment, they are accounted for as an increase in the value of property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the Income statement.

b. Depreciation

Assets are depreciated on a straight-line basis over their useful lives or the concession term, if shorter. Estimated useful lives are as follows:

	Estimated useful life years
Buildings	33 – 50
Computer hardware	4
Vehicles	6
Other	3 – 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When the carrying value of an asset is greater than its estimated recoverable amount or when it is no longer useful, its value is written down immediately to its recoverable amount (Note 3.3).

3.3 Impairment of assets

Assets are tested for impairment provided that an event or change in circumstances indicates that their carrying amount might not be recoverable. Additionally, investments in group companies, goodwill and intangible assets that are not in use are tested annually for impairment.

When the recoverable amount is less than the asset's carrying amount, an impairment loss is recognised in the income statement for the amount of the difference between the two. The recoverable amount is calculated at the higher of an asset's fair value less costs of sale and value in use calculated by applying the discounted cash flow method. In general the Company considers value in use as the recoverable amount, except for CGUs where fair value less costs to sell is considered to be a better estimate of the recoverable amount.

For the purpose of assessing impairment losses, assets are grouped at the lowest level for which it is possible to identify independent cash flows; both assets and goodwill are allocated to these cash-generating units (CGUs).

In the case of investments in group companies and associates, apart from those investments whose recoverable amount is determined on the basis of the investee's equity (Note 3.4) and require impairment analysis, the recoverable value is calculated as the higher of the fair value of the investment in group companies and associates and their value in use. Value in use is determined as the present value of cash flows generated in their current condition, based on the best forward-looking information available for the coming years, extended as far as a ten-year period or by the remaining useful life for certain assets and concessions, on the basis of regulations and expected market evolution, drawing on available industry forecasts and past experience of price trends and production volumes.

The extension by the additional years to reach a period of ten years for the cash flow projections or by the remaining useful life of the assets and concessions is explained by the fact that in many cases long-term energy sale agreements have been concluded, long-term estimated price curves are available that are used in the Group's ordinary operations (for contracts, hedging, etc.), the electricity and gas supply business is influenced by long-term government policies and is based on stable customer relations, there are lengthy regulatory periods and, in the case of electricity and gas transport and distribution concessions, because the mechanism for calculating the new tariff that the relevant regulator will use at the beginning of the new regulatory period is foreseen.

Naturgy believes that its projections are reliable and that it can reliably predict additional cash flows beyond the initial projections.

The cash flows after the ten-year projected period are extrapolated using the growth rates estimated for each CGU or group of CGUs, and in no case exceed the average long-term growth rate for the business in which they operate. In all cases, they are lower than the growth rates for the period reflected in the available prospective information. In order to estimate future cash flows for the calculation of residual values, all maintenance investments are taken into account as well as any renovation investments needed to maintain the CGUs' production capacity.

In the case of cash flow projections for the impairment tests that present terminal values, the latter are calculated on the basis of a long-term growth rate aligned with the demand trend quantified by Naturgy using its energy models, in line with current expectations with regard to the transition to a low-carbon economy and considering the physical and transition risks associated with climate change.

The parameters taken into account to determine the growth rates, which represent the long-term growth of each line of business, are in line with the long-term growth of the country, obtained from inflation estimates provided by several sources: analysts' consensus (Bloomberg), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), central banks and other government agencies, European Commission for the period 2023-2025, and Economist Intelligence Unit (EIU) for 2026 and thereafter.

The parameters taken into account for the composition of the discount rates before taxes are as follows:

- Risk-free rate: Based on the sovereign bond yield, bearing in mind country risk, currency and market of reference for the CGU, as well as surveys and other sources of information (Damodaran, EIU, etc.).
- Market risk premium: Premium based on surveys and other sources of information (Kroll, Damodaran, Pablo Fernández, etc.).
- Deleveraged Beta: Based on estimated betas for each CGU based on comparables (Bloomberg).
- Cost of interest-bearing debt: comprises the functional currency interest swap rate, with a term of 10 to 30 years, plus a spread for credit risk.
- Debt-equity ratio: Based on industry comparables.

An asset impairment loss, individually considered, is recognised in the income statement, reducing the carrying value of the asset to its recoverable amount. The asset's depreciation charges are adjusted in future periods in order to apportion the revised carrying amount of the asset, less any residual value, systematically over its remaining useful life.

An impairment loss is recognised for an asset if its recoverable amount is less than the carrying amount. The carrying amount of an asset is not reduced below the higher of its recoverable value and zero.

Impairment adjustments to values recognised in previous periods for investments in Group companies and associates may be reversed if and only if there is a change in the estimates used to determine their recoverable amount since the latest impairment loss was recognised. The carrying amount of an asset other than goodwill that was increased due to reversal of impairment losses may not exceed the carrying amount that would have obtained (net of depreciation and amortisation) if no impairment had been recognised for that asset in previous years.

Impairment of financial assets carried at amortised cost

For financial assets carried at amortised cost, the impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. For financial assets at variable interest rates, the effective interest rate at the measurement date based on contractual terms is applied. Impairment losses and their reversal when the amount of such losses decreases for reasons related to a subsequent event are charged to results. The reversal of the loss is limited to the amortised cost of the assets had the impairment loss not been recognised.

3.4 Financial assets and liabilities

Financial assets

The Company classifies its financial assets based on their valuation category which is determined on the basis of the business model and the characteristics of the contractual cash flows, and reclassifies financial assets when and only when it changes its business model for managing said assets.

Purchases and sales of investments are recognised on the trade date, which is the date on which the Company undertakes to purchase or sell the asset, classifying the acquisition under the following categories:

a. Financial assets at cost

This category includes equity investments in group companies and associates, as well as investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument or cannot be reliably estimated.

They are measured at the lower of acquisition cost, which is the fair value of the consideration given plus directly attributable transaction costs, or fair value in the case of investments acquired through a business combination, and the recoverable value. The recoverable value is determined as the higher of fair value minus cost of sale and the current value of the cash flows generated by the investment. If there is no better evidence of recoverable value, recoverable value will be the equity of the investee company adjusted by any unrealised capital gains subsisting at the valuation date. The value adjustment and, where appropriate, its reversal, is recorded on the income statement in which it takes place.

b. Financial assets at amortised cost

These are non-derivative financial instruments held to collect contractual cash flows when those cash flows consist only of principal and interest payments. 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. Interest income from these financial assets is included in financial income. Any gain or loss that arises when they are derecognised is recognised directly in results and any impairment losses are recorded as a separate item in the income statement for the year.

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 their value are taken to the income statement for the year.

Equity instruments classified in this category are recognised at fair value and any gain or loss arising from changes in fair value, or the proceeds of their sale, are included in the income statement.

The fair values of listed investments are based on listed prices (Level 1). 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 (Levels 2 and 3). If recent available information is insufficient to determine fair value, or if there are a range of possible fair value measurements and the cost value is the best estimate within that range, the investments are recorded at their acquisition cost reduced by any impairment losses.

d. Equity instruments at fair value through equity

These are equity instruments with respect to which the Company has made an irrevocable decision at the time of initial recognition to record them in this category. They are recognised at fair value and increases or decreases that arise from changes in fair value are recorded in Equity. However, impairment adjustments and dividends on such investments are recognised in results for the period. At the time of sale, gains or losses are reclassified to the income statement.

Fair value measurements are classified using a fair value hierarchy that reflects the relevance of the variables employed to perform the measurement. This hierarchy has three levels:

- Level 1: Valuations based on the quoted price of identical instruments in an official market. The fair value is based on quoted market prices at the balance sheet date.

- Level 2: Valuations based on variables that are observable for the asset or liability. The fair value of financial assets included in this category is determined using valuation techniques. These techniques maximise the use of available observable market data inputs and rely as little as possible on specific estimates made by the Company. If all significant inputs required to calculate the fair value are observable, the instrument is included in Level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

- Level 3: Valuations based on variables that are not based on observable market information.

Financial assets are derecognised when the contractual rights to the asset's cash flows have expired or they have been transferred; in the latter case, the risks and rewards of ownership must have been substantially transferred. In asset assignments where the risks and rewards of ownership are retained, the financial assets are not derecognised and a liability is recognised in the same amount as the consideration received.

Receivables assignment agreements are treated as factoring without recourse provided that the risks and rewards inherent in ownership of the assigned financial assets are transferred.

The impairment of financial assets is based on their recoverable value. The Company recognises financial asset impairment at each reporting date.

Financial liabilities

a. Financial liabilities at amortised cost

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

In the event of contractual modifications to a liability at amortised cost that do not result in derecognition, the carrying amount of the financial liability will be adjusted by any transaction costs or fees incurred. From that date, the amortised cost of the financial liability will be determined by applying the effective interest rate that matches the carrying amount of the financial liability with the cash flows payable under the new conditions.

In a contractual modification of a liability, the terms are considered to be materially different if the present value of the discounted cash flows under the new terms, including any fees paid net of any fees received from the lender, and using the original effective interest rate as the discount rate, differs by at least 10% from the discounted present value of the cash flows remaining on the original financial liability. In this case, the original financial liability is derecognised and the new financial liability is recognised.

The difference between the carrying amount of a derecognised financial liability and the consideration paid is recognised in profit or loss.

Borrowings are classified as current liabilities unless they mature in more than twelve months as from the balance sheet date, or include tacit one-year renewal clauses that can be exercised by the Company.

In addition, trade and other current payables are financial liabilities that fall due in less than twelve months; they are initially recognised at fair value, do not accrue explicit interest, and are carried at their nominal value. Those maturing in more than twelve months are considered non-current payables.

b. Financial liabilities at fair value through profit or loss

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

3.5 Financial derivatives and other financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the asset being hedged.

The Company aligns its accounting with its management of financial risk. Risk management objectives and the hedging strategy are reviewed periodically and a description is given of the risk management objective pursued.

In order for each hedging operation to be considered effective, the Company documents that the economic relationship between the hedging instrument and the hedged asset is aligned with its risk management objectives.

The market value of financial instruments is calculated using the following procedures:

- Derivatives listed on an official market are calculated on the basis of their year-end quotation (Level 1).

- Derivatives that are not traded on official markets are calculated on the basis of discounting cash flows based on year-end market conditions or, in the case of non-financial items, on the best estimate of the forward price curves of such items (Level 2 and 3).

The fair values are adjusted for the expected impact of observable counterparty credit risk in positive valuation scenarios and the impact of observable credit risk in negative valuation scenarios.

Derivatives embedded in other financial instruments or in other host contracts are recorded separately as derivatives only when their financial characteristics and inherent risks are not strictly related to the instruments in which they are embedded and the whole item is not being carried at fair value through profit or loss.

For accounting purposes, the operations are classified as follows:

1. Derivatives eligible for hedge accounting

a. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

b. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When options contracts are used to hedge forecast transactions, the Company only designates the intrinsic value of the options contract as the hedging instrument.

Amounts accumulated in equity are transferred to the income statement in the period in which the hedged item affects the gain or loss, as follows:

- The gain or loss relating to the effective portion of interest rate swaps is recognised in the financial expense at the same time as the interest expense in the hedged loans.

- When a hedging instrument covers a forecast transaction, the accumulated amounts remain in equity until the forecast transaction takes place. When the forecast transaction does not occur, the amount accumulated in equity is immediately reclassified to income for the period.

However, if this amount is a loss, and for an amount that is not expected to be recovered, it will be immediately reclassified in the income statement as a reclassification adjustment.

If the hedged item subsequently results in the recognition of an asset, the amount accumulated in equity will be recognised in the initial cost of the asset.

c. Hedges of net foreign investments

The accounting treatment is similar to cash flow hedges. The variations in value of the effective part of the hedging instrument are carried in the balance sheet under “Value change adjustments”. The gain or loss from the non-effective part is recognised immediately under “Exchange differences” in the income statement. The accumulated amount of the valuation recorded under “Value change adjustments” is released to the income statement as the foreign investment that gave rise to it is sold.

2. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

In addition, commodity derivatives not considered as hedges for accounting purposes are recorded in operating profit as they essentially constitute a hedge because of the match between the critical terms of the derivative and the hedged item.

3. Energy purchase and sale agreements

The Company enters into energy purchase and sale agreements in the ordinary course of its business. These agreements are executed and maintained in order to meet the needs of receipt or physical delivery of energy expected by the Company in accordance with regular energy purchase and sale estimates, which are monitored systematically and adjusted in all cases through physical delivery. Consequently, these agreements are for “own use” and therefore fall outside the scope of the standard on the valuation of financial instruments.

3.6 Non-current assets held for sale and discontinued operations

The Company classifies as assets held for sale those assets and related liabilities for which active measures have been initiated for their sale, which are available in their current conditions for sale, and which are very likely to be sold within the following twelve months.

Likewise, Naturgy classifies as assets held for distribution to shareholders all assets and related liabilities when it has a commitment to distribute the assets to shareholders. In this respect, the assets must be available in their current condition for distribution and the distribution must be highly probable, and therefore actions to complete the distribution must have been initiated and must be expected to be completed within one year from the date of classification.

These assets are stated at the lower of their carrying value and fair value minus the costs necessary for their sale and are not subject to depreciation from the date on which they are classified as non-current assets held for sale and for distribution to shareholders.

In the event of delays caused by events or circumstances beyond the Company's control and if there is sufficient evidence that the commitment to the plan to sell, or distribute to shareholders, non-current assets classified as held for sale is maintained, the classification is maintained even though the period to complete the sale is extended beyond one year.

3.7 Share capital and Reserves

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 share premium.

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

Acquisitions of treasury shares are recorded at acquisition cost, deducted from equity until disposal. The gains and losses on disposals of treasury shares are recognised under "Reserves" in the balance sheet.

3.8 Share-based payments

Share-based payments settled in shares are valued on the basis of the fair value of the equity instruments granted on the grant date. In addition, the effects of changes that increase the fair value of share-based payment arrangements will be recognised.

As employees deliver services during the incentive vesting period, they are measured and recognised under "Personnel expenses" in the income statement with a balancing entry in “Other equity instruments” in the balance sheet.

The amounts recognised in equity are not subject to a subsequent reassessment due to trends in external market conditions.

3.9 Borrowings and equity instruments

Borrowings and equity instruments issued by the Company are classified based on the nature of the issue.

The Company treats all contracts that represent a residual share in net assets as equity instruments.

Equity instrument issuance costs are presented as a deduction in equity.

3.10 Provisions for employee obligations

a. Post-employment pension obligations and similar

- Defined contribution plans

The Company, together with other Naturgy companies, is the promoter of a joint occupational pension plan, which is a defined contribution plan for retirement and a defined benefit plan for the so-called risk contingencies, which are insured.

Additionally, there is a defined contribution plan for a group of executives, for which the Company undertakes to make certain contributions to an insurance policy, guaranteeing for this group a yield of 125% of the CPI on the contributions made to the policy. All the risks have been transferred to the insurance company, since it even insures the guarantee referred to above.

The contributions made have been recognised under Personnel expenses in the income statement.

Additionally, some employees voluntarily contribute part of their remuneration to an insurance policy, at no cost to Naturgy.

- Defined benefit plans

For certain groups of employees there are commitments for defined benefit schemes in relation to the payment of supplements on retirement, death and disability pensions, in accordance with the benefits agreed by the entity, which have been externalised through single premium insurance policies under Royal Decree 1588/1999 of 15 October, which approved the Regulations on the arrangement of companies' pension commitments.

The liability recognised for the defined benefit pensions plans is the current value of the liability at the balance sheet date less the fair value of the plan-related assets. The defined benefit liability is calculated annually by independent actuaries using the projected unit credit method. The current value of the liability is determined discounting the estimated future cash flows at interest rates on bonds denominated in the currency in which the benefits will be paid and having similar maturities to those of the respective liabilities.

Actuarial losses and gains arising from changes in actuarial assumptions or from differences between assumptions and the actual situation are recognised in full in the period in which they arise, directly under Equity in Reserves.

Past service costs are recognised immediately in the Income statement under Personnel expenses.

b. Other post-employment benefit obligations

The Company provides post-employment benefits to its retirees. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined-benefit pension plans. Actuarial gains and losses arising from changes in actuarial assumptions, are charged or credited to Reserves.

c. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises these benefits when it has demonstrably undertaken to terminate current workers' employment in accordance with a detailed formal plan without any possibility of withdrawal, or to provide termination benefits. In the event that mutual agreement is required, a provision is only recorded in those situations in which the Company has decided to give its consent to voluntary redundancies once they have been requested by the employees.

3.11 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 receipt 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 current value of the existing difference. The unavoidable costs of the contract will reflect the lower net costs of terminating the contract, i.e. the lower of the cost of complying with the terms of the contract and the indemnity for non-compliance.

3.12 Leases

a. Finance leases

Leases of property, plant and equipment where the lessee substantially bears all the risks and rewards of ownership are classified as finance leases.

These leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the lease payments, including the purchase option. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The payment obligation derived from the lease, net of the finance cost, is recognised under liabilities in the balance sheet. The interest component of the finance cost is charged to the income statement over the lease period so as to obtain a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life.

b. Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement on a straight-line basis over the lease term.

3.13 Financial liabilities for leases

On the lease commencement date, the Company recognises the lease liability for the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if this cannot be readily determined, the incremental borrowing rate.

The lease payments to be made will include fixed payments less any incentives, variables that depend on an index or a rate, and residual value guarantees expected to be incurred, the exercise price of a purchase option if that option is expected to be exercised, and penalty payments for terminating the lease if the lease term reflects that the lessee will exercise an option to terminate the lease.

Any other variable payments are excluded from the measurement of the lease liability and right-of-use asset.

Subsequently, the lease financial liability will be increased by the interest on the lease liability and reduced by the payments made. The liability will be remeasured if there are changes in the amounts payable and the terms of the lease.

3.14 Corporate income tax

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

Naturgy includes the effect of uncertainty in tax treatment when determining taxable earnings, tax bases, unused tax losses, unused tax credits and tax rates.

Deferred taxes are recorded by applying, to temporary differences that arise between the taxable income on assets and liabilities and their respective accounting figures in the Annual accounts, the tax rates that are expected to be in force when the assets and liabilities are realised. No deferred taxes are recognised for profits not distributed by subsidiaries when Naturgy can control the reversal of the temporary differences and it is likely that they will not reverse in the foreseeable future.

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

Deferred tax assets and tax credits are recorded only when there are no doubts as to their future recoverability through the future taxable profits that can be used to offset temporary differences and realise the tax credits.

If tax rates change, deferred tax assets and liabilities are re-measured. These amounts are charged or credited to losses or profits, or to reserves, depending on the account to which the original amount was charged or credited.

Where uncertainty exists regarding income tax treatments, Naturgy assesses whether a tax authority is likely to accept an uncertain tax treatment. If it concludes that it is unlikely that the tax authority will accept an uncertain tax treatment, the effect of the uncertainty on taxable profit (loss), tax bases, unused loss carryforwards or unused tax credits is reflected. The effect of the uncertainty is recognised using the method that, in each case, best reflects the outcome of the uncertainty: the most likely outcome or the expected value. In each case, Naturgy assesses whether to consider each uncertain tax treatment separately or in conjunction with one or more other uncertain tax treatments, depending on which approach is most likely to resolve the uncertainty.

3.15 Recognition of income and expense

a. General

Revenue derived from contracts with customers is recognised based on compliance with performance obligations with customers.

Revenue reflects the transfer of goods or services to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for such goods or services.

Five steps are established for the recognition of revenue:

1. Identify the customer's contract(s).
2. Identify the performance obligations.
3. Determine the price of the transaction.
4. Allocate the transaction price to the performance obligations.
5. Recognise the revenue according to the fulfilment of each obligation.

Based on this recognition model, sales are recognised when products are delivered to the customer and have been accepted by the customer, even if they have not been invoiced, or if applicable, services are rendered, and it is probable that the economic benefits associated with the transaction will flow to the entity.

Expenses are recognised on an accruals basis, immediately in the case of disbursements that are not going to generate future economic benefits or when the requirements for recording them as assets are not met.

Sales are stated net of tax and discounts.

b. Other income and expenses

The holding of shares in group companies and associates is deemed to be the Company's main ordinary activity from which regular revenue is obtained. In accordance with the approach taken by the Spanish Institute of Accounting and Auditing in connection with the calculation of revenue in holding companies (ruling request number 2 in Institute of Accounting and Auditing Official Gazette number 79), dividends from Group companies and associates, and interest received on loans granted to Group companies and associates, are recognised as “Revenue”. Additionally, the item “Impairment and results on disposal of equity instruments of Group companies and associates” is included in “Operating profit/(loss)”.

Revenue from contracts is recognised as control over the committed goods or services is transferred to the customer.

Revenue from commitments (generally provisions of services) that are fulfilled over time is recognised based on the degree of progress towards full compliance with the contractual obligations.

When, at a given date, the degree of completion of the obligation cannot be reasonably measured, the revenue and related consideration are recognised only to the extent of the costs incurred up to that date.

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

Dividend income is recognised when the right to collect the dividend is established. If the dividends are unequivocally derived from reserves generated prior to the acquisition, the value of the investment is adjusted.

3.16 Foreign currency transactions

Foreign currency transactions are translated to euro using the exchange rates in force at the transaction dates. Gains and losses resulting from the settlement of these transactions and translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

3.17 Transactions between related parties

In general, transactions between related parties are recorded initially at their fair value. If the agreed price differs from its fair value, the difference is recorded taking into account the economic reality of the operation. The later valuation is made in accordance with the provisions of the respective legislation.

Notwithstanding the above, 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 operation takes place in the group's consolidated Annual accounts.

In these cases, the difference that could arise 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 premiums, as the case may be, issued by the acquiring company, is recorded under Reserves in the balance sheet.

3.18 Business combinations

Business combinations are recorded using the acquisition method. The cost of an acquisition is calculated using the fair value of the assets given, the equity instruments issued and the liabilities incurred or borne on the transaction date plus the costs directly attributable to the acquisition. The valuation process required in order to use the acquisition method is completed within the period of one year as from the acquisition date.

The identifiable assets acquired and the liabilities or contingent liabilities incurred or borne as a result of the transaction are initially stated at their fair value at the date of acquisition, provided that this can be reliably measured.

The surplus cost of the acquisition in relation to the fair value of the shareholding of the Company in the net identifiable assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the Income statement.

3.19 Cash-flow statement.

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

a. Operating activities: activities that constitute ordinary Company revenues, 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 that are not operating activities.

3.20 Significant accounting estimates and judgments and other

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. Impairment of investments in group companies and associates (Note 3.3)

In accordance with applicable accounting regulations, the Company performs impairment tests on investments in Group companies and associates for which there is evidence of impairment. These impairment tests require an estimate of future business performance and the most appropriate discount rate in each case. The Company considers that the estimates made are appropriate and consistent with the current market environment.

Note 4 details the main assumptions used to determine the recoverable value of investments in group companies and associates.

b. Derivatives and other financial instruments (Note 3.5)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date:

- Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.
- The fair value of commodity price derivatives is determined using quoted forward price curves at the balance sheet date.
- The recoverable value of the investments in the equity of group and multi-group companies and associates is determined as the greater of their fair value less costs of sale and the current value of the cash flows from the investment.

For disclosure purposes, it is assumed that the carrying amount of trade and other receivables less expected impairment losses approximates to their fair value. The fair value of other financial liabilities for reporting purposes is calculated by discounting the future contractual cash flows at the current market interest rate to which Naturgy has access for similar financial instruments.

c. Provisions for employee benefits (Note 3.10)

A number of assumptions must be used to calculate pension costs, other costs of post-retirement benefits and other post-retirement liabilities. The Company estimates at each year end the provision necessary to meet its pension commitments and similar obligations, in accordance with the advice from independent actuaries. The changes affecting such assumptions may result in the recording of different amounts and liabilities. The most significant assumptions for the measurement of pension or post-retirement benefit liabilities are energy consumption by beneficiaries during retirement, retirement age, inflation and the discount rate employed. Social security coverage assumptions are also essential to determine other post-retirement benefits. Future changes to these assumptions will have an impact on future pension costs and liabilities.

d. Provisions (Note 3.11)

The Company makes an estimate of the amounts to be settled in the future, including amounts relating to contractual obligations, business contracts, outstanding litigation or other liabilities. These estimates are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects, as well as the outcome of negotiations associated with gas procurement contracts.

e. Corporate income tax (Note 3.14)

The calculation of the income tax expense requires interpretations of tax legislation in the jurisdictions in which the Company operates. The decision as to whether the tax authority will accept a given uncertain tax treatment and the expected outcome of outstanding litigation requires material estimates and judgements to be made. The Company evaluates the recoverability of the deferred income tax assets based on estimates of future taxable income. Deferred tax liabilities are recognised based on estimates of the net assets that will not be tax deductible in the future.

f. Climate change and the Paris Agreement

In line with the objectives of the Paris Agreement and the goal of achieving climate neutrality established in Regulation (EU) 2021/1119, Naturgy has a Climate Transition Plan (CTP) to achieve net zero emissions by 2050, considering all the scopes of the carbon footprint and prioritising the pathways to reduce global warming to 1.5ºC, where feasible, and subject to the energy and regulatory policy of each of the countries where it operates.

Naturgy's greenhouse gas (GHG) emission reduction targets for 2030 are as follows:

- Reduction of Scope 1 and 2 emissions by 36% with respect to 2022, in line with the 1.5º global warming reduction pathway.

- Reduction of Scope 3 emissions in Spain by 22% with respect to 2022. This target is aligned with the "Well Below 2 Degrees" (WB2D) reduction pathway. If emissions from the other countries are considered, the Scope 3 reduction is expected to be 8%.

In 2024, the reduction with respect to 2022 was 21% for Scope 1 and 2 emissions and 2% for total Scope 3 emissions.

To achieve the objectives set out in the CTP, Naturgy will continue to promote and lead a business model and investment plan fully aligned with the energy trilemma: security of supply, accessibility and affordability of energy, and mitigation of environmental impact.

Naturgy's Strategic Plan 2025-2027 envisages continuing to invest in the energy transition, principally in renewable generation, electricity grids and renewable gases. It also plans to continue developing energy solutions that promote efficiency at a competitive cost for customers.

The CTP's main lines of action, as set out in the Strategic Plan 2025-2027, are based on an integrated electricity and gas business model that promotes the decarbonisation of energy through technological neutrality and at the lowest possible cost for consumers, specifically:

- Promoting renewable electricity generation using solar and wind together with the necessary growth of electricity grids and back-up capacity using natural gas combined cycle plants.
- Developing renewable gases as a lever for the decarbonisation of natural gas through biomethane produced from organic waste and, in the medium/long term, green hydrogen generated from surplus renewable electricity. This promotes decarbonisation at the lowest possible cost to the consumer and drives the circular economy through the use of waste or surplus.
- Offering eco-efficient, carbon-neutral products and services at competitive prices to our customers.
- Increasing electrification of final demand in applications where it is most efficient.

Naturgy's CTP will contribute to the future objective of transforming the energy mix contemplated in the new National Energy and Climate Plan (NECP) 2023-2030, approved by the Spanish Cabinet on 24 September 2024, which is also aligned with the objective of climate neutrality in the EU by 2050. For the other countries where Naturgy operates, the published national plans and the GHG reduction pathways set out by the International Energy Agency in the "Net Zero Roadmap" scenario are taken into account.

Information on the Climate Transition Plan, the Group's decarbonisation strategy and the GHG emission reduction targets is set out in section "E-1 Climate change" of the Group's 2024 Sustainability Report, which is prepared in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which Naturgy has accepted and has been adopting progressively since they were published in 2017. At the end of 2023, the TCFD announced that it was disbanding as a working group, and the International Sustainability Standards Board (ISSB) has taken over the TCFD's oversight responsibilities as of 2024.

These Annual accounts have been prepared taking into account the decarbonisation commitments undertaken by Naturgy, in addition to the risks and uncertainties related to climate change and the decarbonisation of the economy.

The main estimates and accounting judgements made by Naturgy's management and directors when preparing the 2024 Annual accounts related to the expected effects of climate change and the energy transition are described below.

1. Recoverability of non-financial assets

As detailed in Note 3.3, the cash flow projections used in the impairment tests for investments in Group companies and associates are based on the best available forward-looking information and reflect existing investment plans aimed at maintaining the operating capacity of the investees' CGUs. These projections are in line with Naturgy's strategy that takes into consideration the objectives of the Paris Agreement and have therefore been prepared based on the range of economic conditions that might exist in the foreseeable future in relation to climate change and the energy transition. The projections have taken into account the expected impact on wholesale and retail electricity market prices resulting from the entry into operation of new renewable generation facilities and developments in gas, oil and emission allowance prices, as well as expected demand.

Regarding emission rights in Spain, Naturgy's thermal electricity generation facilities are regulated by the European Emissions Trading Directive (Directive 2003/87/EC). That Directive has been revised several times to adapt to the EU's more ambitious targets, such as the revision for Phase IV (2021-2030), in which the targets were adjusted to align with the Paris Agreement and the EU's commitments to reduce emissions by 55% by 2030 with respect to 1990. Naturgy carries out comprehensive portfolio management for the acquisition of emission allowances equivalent to the verified emissions of its combined cycle and cogeneration facilities. To this end, Naturgy actively participates in both the primary market, through auctions, and the secondary market. These emissions relate mainly to the combined cycle gas plants in Spain and represented 83% of Naturgy's direct emissions (scope 1) in 2024.

In Mexico, the impairment tests on the combined cycle plants assume the receipt of emission allowances equivalent to the tonnes of CO_2 emitted. In line with the Emissions Trading Scheme Test Programme currently in force and the draft Emissions Trading Scheme Rules, it is expected that the allowances received free of charge will cover expected emissions in line with production projections until 2026. Although the criteria for the allocation of allowances free of charge and the emissions reduction pathway that will be required have not yet been defined for 2027 and subsequent years, it is expected that the emissions generated will be covered by the free allocation and, when this is not sufficient or the free allocation is discontinued, that CO_2 costs will be passed through into selling prices as an additional operating cost, similar to the case in the European market.

The CO_2 prices considered in the impairment test are detailed in Note 4.

In the case of cash flow projections for the impairment tests that present terminal values, the latter are calculated on the basis of a long-term growth rate aligned with the demand trend quantified by Naturgy using its energy models, in line with current expectations with regard to the transition to a low-carbon economy and considering the physical and transition risks associated with climate change.

Projections of hydroelectric, wind and solar electricity output from Naturgy's renewable assets are based on projected underlying weather conditions (temperature, precipitation, wind speed and insolation).

Decommissioning costs for combined cycle and renewable generation plants are estimated in line with the long-term target.

The estimated cash flows for each CGU, as required by accounting regulations, take into account the current condition of the assets without considering future improvements and, therefore, do not include future investments due to technological changes or any strategic investments foreseen in the energy transition.

The rates used to discount cash flows take into account all relevant factors affecting the perception of risk, including those associated with the energy transition and physical risks due to climate change. The cost of capital considered in each of the rates used implicitly incorporates market expectations about access to and costs of funding, provided that these risks are material for the industry and the specific context of the asset.

As indicated in Note 4, the update of the impairment test for non-financial assets did not result in additional impairments being recognised in the year as a result of the recoverable amount of the CGUs being found to be less than the net carrying amount due to expectations of materialization of some risk related to climate change or energy transition.

Naturgy will continue to update its operational plans and pricing outlook to take account of changes in the economic environment and the pace of the energy transition.

2. The Company's main assets subject to climate change and energy transition risk

Holdings in group companies and associates that may be most affected by climate risk are as follows:

Naturgy Generación Térmica, S.L.U.

Following the closure of all Naturgy's coal-fired power plants in the first half of 2020, the group has not generated any coal-fired electricity. These facilities are fully depreciated/provisioned at 31 December 2024. During the year, progress continued to be made in decommissioning these plants: it has been completed at practically all of them and is at a very advanced stage at the remainder.

In Spain, Naturgy is a joint owner of the Almaraz and Trillo nuclear power plants, alongside other electric utilities.

Naturgy relies on the Decommissioning Protocol agreed in 2019 with Enresa, Spain's national radioactive waste company, which establishes a schedule for the progressive closure of all nuclear power plants, in line with the energy transition to renewable sources and the decarbonisation target for 2050. The part of this protocol covering up to 2030 is also part of the NECP.

At 31 December 2024, this holding has a carrying value of Euros 13 million.

Naturgy Ciclos Combinados, S.L.U.

The group's combined cycle gas turbine plants in Spain represent the most eco-efficient generation technology available at present to provide the necessary back-up for renewable energies and enable their widespread implementation while also guaranteeing security of supply, both of which are key factors for the energy transition.

In Spain, it is important to note that all the installed capacity of these plants is included in the NECP approved recently for 2023-2030, which is aligned with the European objective of achieving climate neutrality by 2050. These facilities are a fundamental element in ensuring the growth of renewable energies in the national electricity system, as they are provide back-up to maintain the electricity supply in the event of a lack of wind, sun or water. Accordingly, in December 2024 the Ministry for Ecological Transition and the Demographic Challenge released for public consultation a Draft Ministerial Order proposing the creation of a capacity market in the Spanish mainland electricity system.

At 31 December 2024, this holding has a carrying value of Euros 762 million.

A fluctuation in energy prices which is lower than envisaged in the assumptions used by Naturgy and indicated in Note 4 could have an impact on the recoverability of the carrying value of these assets recognised in the balance sheet at 31 December 2024. See the sensitivity analysis in Note 4 of these Annual accounts.

Naturgy Generación, S.L.U.

The recoverable value of these assets could be affected by a larger than expected hypothetical future reduction in water availability due to climate change, particularly in run-of-river plants. The assumptions used in the impairment test on this holding includes developments in water availability and their impact on river flows and, therefore, on production.

At 31 December 2024 the carrying value of this holding, which includes the hydroelectric generation assets in Spain, amounted to Euros 1,034 million.

Naturgy Renovables, S.L.U.

At 31 December 2024, this holding has a carrying value of Euros 2,041 million. The main perceived risk for these assets, though considered highly unlikely to materialise, is the potential negative future evolution of solar and wind resources, which are the key variables in the performance of this line of business. There may also be reductions in the remuneration arrangements for renewable energies and lower prices in marginal wholesale markets due to an increase in renewable production with low variable costs. In the impairment tests for 2024, no changes in the remuneration arrangements yet to be approved have been considered and the forecasts for solar and wind resources have been taken into account.

Shareholdings in electricity and gas distribution

At 31 December 2024, the shareholdings in Holding de Negocios Gas and Holding Negocios de Electricidad related to gas and electricity distribution in Spain, had a carrying value of Euros 4,475 million and Euros 3,653 million, respectively. In addition, the interests in gas and electricity distribution in Latin America relating to Naturgy Distribución Latinoamérica and Naturgy Inversiones Internacionales have a carrying value of Euros 557 million and Euros 850 million, respectively.

These regulated assets are considered to be resilient to the energy transition. Increases in temperature and a higher frequency of extreme weather events could lead to increased technical losses, deterioration in service quality levels, higher operating and maintenance costs and higher annual investments, although in magnitudes that we understand should be included in the multi-year tariff reviews of these regulated businesses. The investment and response plans already in place, accumulated experience and network design (meshing and undergrounding of lines) should mitigate these effects. A potential massive development of distributed generation would be partially offset by the increasing electrification of the economy (e.g. electric cars) and investments in smart grids.

Naturgy's planning for the coming years envisages the coexistence in Spain of natural gas demand with demand for biomethane and renewable hydrogen, to be distributed through the group's current infrastructures. It is estimated that the adaptation of existing networks for biomethane transportation will not require significant investments. Hydrogen distribution is still under consideration and the level of investment will foreseeably depend on the percentage of blending which, together with the relevant regulations, will determine the viability of using the current infrastructure. It is estimated that for low percentages it will not be necessary to make significant investments to adapt the current network.

For gas transportation and distribution assets in Argentina, Brazil, Chile and Mexico, the same strategy as applied for Spain is envisaged although with slower implementation and always in line with each country's energy policies.

Shareholdings in supply companies

The Company has holdings in Gas Natural Comercializadora, S.A. (net carrying amount: Euros 515 million), Naturgy Iberia, S.A. (net carrying amount: Euros 494 million) and Comercializadora Regulada de Gas & Power, S.A. (net carrying amount: Euros 121 million). The impact of climate change and the energy transition on the supply business is considered to be minor, as the lower demand for natural gas could be offset by expected higher growth resulting from the electrification of the economy and the supply of renewable gases.

In terms of transition risks, the Company's current positioning, resulting from its investment focus on renewables and grids, places it in a favourable situation for facing these risks. Naturgy considers that the opportunities arising from the decarbonisation of the global economy (growth in renewables, investment in smart integrating grids, electrification of demand, biomethane, and green hydrogen, among others) outweigh the risks.

3. Recoverability of deferred tax assets

Sufficient taxable profits are expected to be generated within the planning period to ensure the recovery of the deferred tax assets recognised for accounting purposes at 31 December 2024. The estimate of the recoverability of these assets has been made using the same judgements and assumptions as those used to calculate the recoverable amount of investments in group companies.

4. Regulation

The Paris Agreement has had a major impact on the development of new climate policies and the adoption of new regulations. The European Union (EU), having assumed the commitment to climate neutrality by 2050 and "The European Green Deal" which embodies the EU's new growth strategy, has approved various regulations in this area. Spain has also issued regulations in this area, notably the Climate Change and Energy Efficiency Law 7/2021; consequently, the regulations in connection with climate change and the energy transition are constantly in flux and might have negative effects or offer opportunities for the Company's activities.

In relation to the other countries where Naturgy operates, the company complies with energy policy and regulations on climate change, although the EU regulation is by far the most advanced.

5. Dividend distribution

Climate change risks are not expected to affect the Company's capacity to pay dividends to shareholders due to strong cash generation and existing reserves.

In the case of regulated lines of business, a scenario in which the conditions for maintaining the current rate of investment continue to exist is compatible with the levels of dividend payments observed to date. However, in the case of deregulated lines of business, their future capacity to pay dividends is difficult to foresee due to unknown risks and uncertainties that might cause actual results, performance or events to differ substantially from those envisaged in the group's projections.

g. Military conflicts in Ukraine and the Middle East

During 2024, the conflict between Ukraine and Russia that began in February 2022 continued to be a source of instability both in the region and globally, with both sides experiencing attrition, but with no clear signs of a solution in the short term.

The war has had a significant impact on the global energy market, particularly, on the gas industry since, at its outset, i worsened the price situation that had already begun to deteriorate at the end of 2021. After the war's turbulent first year, the situation stabilised somewhat in 2023 and 2024 as a result of high levels of gas in storage, diversification of supplies, and contained growth in demand.

Considering the benchmark scenario and in compliance with the recent recommendations by the ESMA, Naturgy is monitoring the status and evolution of the situation generated by the crisis in order to manage potential risks. The analyses carried out aim to assess the indirect impacts of the conflict on business activity, the financial situation and economic performance, focusing particularly on the generalised increase in commodities prices and the reduced availability of material supplies from areas affected by the conflict.

In this context, as part of its diversified portfolio, Naturgy has a long-term contract for the procurement of gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) and is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. Since the beginning of the conflict, Naturgy has received the volumes strictly established in the contract. In 2024, the volume under this contract accounted for 16% of Naturgy's global procurements (15% in 2023).

None of Naturgy's counterparties are susceptible to being affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or have investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of those measures and sanctions. For further details on interest rate, commodity price, credit and liquidity risks, see Note 14.

Meanwhile, Israel's military actions have continued throughout 2024 in Palestinian territory following the terrorist attack in October 2023. At the end of January 2025, a truce was arranged that has allowed the release of hostages and prisoners on both sides. However, the situation remains fragile, with reports of sporadic ceasefire violations and persistent tensions in the region. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

Naturgy has a wholly-owned subsidiary in Israel called Spanish Israeli Operation and Maintenance Company Ltd that has been providing services at the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reported less than Euros 1 million in EBITDA in 2023 and 2024. Despite the conflict, the company has continued to operate normally.

As this situation is constantly evolving and it is difficult to predict the extent or duration of the conflict, Naturgy constantly monitors the relevant macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

Note 4. Impairment of assets

In the impairment test on investments in Group companies and associates, the recoverable amount is determined based on the cash flows of the CGUs to which they belong (Note 3.3).

At 31 December 2024, the Cash Generating Units (CGUs) are the same as those at 31 December 2023, as follows:

- **Networks**
    - **Gas networks Spain**: This is a single CGU as the development, operation and maintenance of the gas distribution network is managed jointly.

- **Electricity networks Spain**: This makes up a single CGU since the network comprises a group of interrelated assets the development, operation and maintenance of which is managed jointly.

- **Networks Latin America**: A CGU is understood to exist for each business and country in which there are operations since the businesses are subject to different regulatory frameworks. It includes the regulated gas distribution business in Argentina, Brazil, Chile and Mexico, and the regulated electricity distribution business in Argentina and Panama.

– Energy Markets

- **LNG and Markets and Procurement:** A single CGU is considered to exist as the sale of liquefied natural gas and maritime transport are both managed on a global scale, as are procurement and other gas infrastructures, and sales to large energy-intensive consumers.

- **Gas pipelines:** Includes the CGU that manages the Medgaz pipeline.

- **Thermal generation Spain:** A single CGU is considered to exist for thermal power generation in Spain (nuclear and combined cycle).

- **Thermal generation Latin America:** A thermal power generation CGU is understood to exist in each country in which there are operations (Mexico, Dominican Republic and Puerto Rico) since the businesses are subject to different regulatory frameworks and are managed independently.

- **Renewable Generation Spain:** One CGU is considered for renewable electricity generation (wind, mini-hydro, solar and cogeneration) and another CGU for hydroelectric power generation.

- **Renewable Generation United States:** The assets in the country whose cash flows can be separately identified are considered to be CGUs.

- **Renewable Generation Latin America:** A renewable power generation CGU is understood to exist in each country in which there are operations (Brazil, Costa Rica, Mexico, Panama and Chile) since the businesses are subject to different regulatory frameworks and are managed independently.

- **Renewable Generation Australia:** The assets in the country whose cash flows can be separately identified are considered to be CGUs.

- **Renewable Gases:** This is treated as a CGU that manages renewable gas projects.

- **Supply:** The commercial management of natural gas, electricity and services is carried out on a comprehensive basis, maximising the value of the portfolio by focusing on customers and with high potential for growth in services and solutions, for which there is a single CGU.

Information on tests performed

Naturgy assessed the recoverable value of the CGUs based on the 2025-2027 Strategic Plan approved by the Board of Directors on 18 February 2025, which envisages continuing to invest in the energy transition, allocating the main investments to renewable generation, electricity grids and renewable gases.

The time-frame of the projections has been extended to a period of ten years or the remaining useful life for certain assets and concessions. When estimating cash flows, various potential future scenarios have also been considered if they provide more relevant information for representing the future economic conditions of the assets.

The current macroeconomic environment was also considered, resulting from a combination of effects mainly related to inflation, interest rates, geopolitical risks and uncertainties. Naturgy's management model ensures that any signs of deterioration that could arise as a result of the current macroeconomic environment are identified in a timely manner, allowing action to be taken accordingly.

In particular, the following aspects should be highlighted for their relevance in the tests:

– **Impact of the Ukraine and Middle East conflicts, and the economic environment (Note 3.20.g):**

Cash flows have taken into account the effects of developments in the international gas markets and the electricity market.

In particular, the effects of legislation phasing out many of the exceptional measures that were adopted in Spain to deal with market volatility and high prices are considered.

With regard to the economic environment, inflation and interest rate trends in each country are considered, as well as the perception of risk associated with the macroeconomic environment and industry-specific risks that affected discount rates in particular.

– **Climate change and energy transition risk:**

The projected cash flows represent Naturgy's current positioning to drive the energy transition and decarbonisation, responding to its strategy which considers the objectives of its Climate Transition Plan, whose aim is to achieve net zero emissions by 2050.

It should be noted that the Consolidated Non-Financial Information Statement and Sustainability Report presents some theoretical temperature scenarios requested by the NEIS in relation to climate risks and their effects on the evolution of the climate in the long term, in 2030, 2040 and 2050 with the purpose of demonstrating the effects on the Company's performance in said circumstances and conditions in the indicated years and solely for this purpose. In any case, the scenario that coincides with the Group's vision is the one considered for the preparation of the impairment tests, which includes all the issues detailed in Note 3.20.f Climate change and the Paris Agreement.

Information on recognised impairments (Note 7)

At 31 December 2024, net revenue was recognised for the reversal of impairment of holdings in Group companies and associates amounting to Euros 65 million (Euros 55 million at 31 December 2023 as revenue from impairment reversal) under the heading “Impairment of and losses from equity instruments of Group companies and associates” in the income statement, detailed below:

	31.12.2024	31.12.2023
Naturgy Generación, S.L.U.	93	83
General de edificios y solares, S.L.	1	3
Lignitos de Meirama, S.A.	1	—
Naturgy Engineering, S.L.	1	(1)
Naturgy Informática, S.A.U. (*)	(3)	(13)
Naturgy Commodities Trading, S.L.	(10)	(21)
Petroleum, Oil & Gas España, S.A.	(18)	(3)
Naturgy Nuevas Energías, S.L.U.	—	7
Gas Natural Exploración, S.L. (*)	—	1
Naturgy LNG, S.L (*)	—	(2)
Other	—	1
Total	**65**	**55**

(*) Liquidated: Naturgy Informática, S.A.U. in 2024, and Gas Natural Exploración, S.L. and Naturgy LNG, S.L in 2023

– Naturgy Generación, S.L.U.:

The reversal of the impairment charge for this holding, which relates to the Hydroelectric power generation Spain CGU, amounts to Euros 93 million (reversal of impairment in the amount of Euros 83 million at 31 December 2023).

The assumptions and projections affecting the hydroelectric power generation CGU are based on the best forward-looking information available to date.

The assumptions taken into consideration are the following:

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Pool price €/MWh (*)	62.9	79.4	67.3	63.5	68.2	73.4	74.9	81.4	83.0	85.0

(*) importes estimados a la fecha de realización del test

The most sensitive aspects that are included in the estimate of the recoverable amount determined according to the value in use and applying the methodology detailed in Note 3.3 are the following:

- Electricity generated. For the hydroelectric power generation CGU, developments in water availability and their impact on river flows and, therefore on production, are taken into account.

- Electricity price. Market electricity prices were calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable trend in generating capacity in Spain, based on industry forecasts, the trend in the energy situation on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.

- Operating and maintenance costs. Estimated from historical costs of the managed fleet and existing contracts.

- Investments. The investments required to keep the facilities in working order are taken into account.

- The following factors are also considered:

  - The projected flows include an estimate of the costs of the 7% tax on the value of electricity production and the unit values for financing the energy subsidy ("bono social") for 2024.

  - The extension of existing sales contracts with the group's supply companies.

  - The regulations governing water in hydroelectric reservoirs.

Accumulated impairment at 31 December 2024 relating to the holding in Naturgy Generación S.L.U. amounts to Euros 2,015 million (Euros 2,108 million at 31 December 2023).

– General de Edificios y Solares, S.L:

Impairment was recognised in the amount of Euros 1 million. The accumulated impairment at 31 December 2024 is Euros 5 million (Euros 6 million at 31 December 2023).

– Lignitos de Meirama, S.A:

Impairment was recognised in the amount of Euros 1 million. The accumulated impairment at 31 December 2024 is Euros 29 million (Euros 30 million at 31 December 2023).

– Naturgy Engineering, S.L:

Impairment was recognised in the amount of Euros 1 million. The accumulated impairment at 31 December 2024 is Euros 5 million (Euros 6 million at 31 December 2023).

Impairments were also recognised for the following holdings in 2024:

– Naturgy Informática, S.A.U:

This holding was derecognised in 2024 following liquidation of the company in June 2024 (Note 7). Prior to its liquidation, impairment of Euros 3 million was recognised in 2024. The accumulated impairment that was derecognised at the liquidation date amounted to Euros 173 million.

– Naturgy Commodities Trading, S.A:

An impairment charge of Euros 10 million was recognised in 2024 for the holding in Naturgy Commodities Trading, S.A. The accumulated impairment at 31 December 2024 amounts to Euros 31 million (Euros 21 million in 2023).

– Petroleum Oil&Gas España, S.A:

An impairment charge of Euros 18 million has been recorded. The accumulated impairment at 31 December 2024 relating to the holding in Petroleum Oil&Gas España, S.A. amounts to Euros 94 million (Euros 76 million in 2023).

Information on other impairment tests performed:

As regards the other interests in Group companies and associates at 31 December 2024 and 2023, the recoverable amounts, calculated according to the methodology described in Note 3.3, were higher than the carrying amounts of the holdings in Group companies recognised in these Annual accounts.

The most sensitive matters included in the impairment tests, updated to 31 December 2024, are as follows:

Gas and Electricity Networks Spain:

- Remuneration. Amount and growth of remuneration. In relation to the regulatory framework, the future cash flows of these business lines were reviewed taking into account the publications by the regulator with regard to the remuneration methodology for the regulated electricity and gas distribution activity.

- Operating and maintenance costs. Estimated on the basis of the historical cost of the network managed.

- Investments. Considering the investments required to maintain the network in good working order and ensure supply quality, as well as the digitalisation of electricity networks and the estimated investment in line with sector requirements and the digital transition in the operation of gas networks.

- In the case of LPG distribution assets, a fair value estimate was used to determine the recoverable amount.

Latin American networks: for the Network CGUs in Brazil, Chile, Argentina and Mexico and Electricity Network CGUs in Argentina and Panama:

- Variations in tariffs. Valuation of rates in each country, based on existing regulatory conditions and both current and expected rate reviews, taking into account the experience gained from previous rate reviews in each country.

  The concessionaire in Brazil reached an agreement with the granting authority this year in relation to the 4th Integrated Tariff Review (RTI), and its impact on the negotiation of the 5th RTI in Brazil (Annex IV).

  In Argentina, Transitional Tariff Adjustment Agreements were signed in March 2024 between the Argentine government and the gas distributors that allowed for a tariff increase as of April 2024, monthly updates of tariffs and the continuity of the five-yearly tariff review process.

  In response to ongoing changes in Argentina's macroeconomic variables, the government postponed until August the monthly tariff adjustment envisaged in the transitional agreements, which was originally scheduled to take effect on 1 May 2024.

In August, ENARGAS released the Methodology for the Tariff Review outlined in Article 3 of Necessity and Urgency Decree No. 55/2023. However, Necessity and Urgency Decree No. 1023/24, issued on 20 November 2024, extended the state of emergency in the domestic energy industry until 9 July 2025. Article 3 of the decree specified that the tariff charts resulting from the ongoing tariff review must take effect no later than 9 July 2025. On 14 January 2025, a public consultation was announced for the review of the gas distribution tariffs, hold on 6 February 2025.

– Cost of raw materials and consumables. Estimated using predictive models developed on the basis of knowledge of the energy markets in each country, considering also the regulations for distributors in each country.

– Operating and maintenance costs. Estimated on the basis of the historical cost of the network managed.

– Investments. Taking into account the necessary investments to maintain the network in good working order and ensure supply quality and safety.

In the case of the Argentine Gas Distribution projections, different scenarios have been considered regarding the impacts of the Tariff Review, both in the amounts of tariff adjustment and its monthly update for inflation. Thus, in determining the value in use and in the weighting of the different scenarios, the positive announcements that point to a correction of the transport and energy tariffs have been considered, which has begun to materialize, although the economic environment is not yet consolidated.

Thermal generation Spain:

The assumptions and projections for this CGU consider the possible impacts of the energy transition and the increased use of renewable energy sources, although they contemplate the need for all the installed capacity of the combined cycle units within the horizon of the projections (2033), as envisaged in the NECP 2023-2030.

In the case of nuclear power plants, Naturgy considers the Decommissioning Protocol signed in 2019 with Enresa, Spain's national radioactive waste company, which establishes a schedule for the progressive closure of all nuclear power plants in line with the energy transition to renewable sources and the decarbonisation objective for 2050; their output up to the point of decommissioning is considered in the impairment test.

The assumptions taken into consideration are the following:

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Pool price €/MWh (*)	62.9	79.4	67.3	63.5	68.2	73.4	74.9	81.4	83.0	85.0
Brent (USD/bbl) (*)	80.8	76.1	71.6	70.0	69.0	70.0	70.0	89.4	90.5	91.6
Gas Henry Hub (USD/MMBtu) (*)	2.3	3.9	4.1	3.8	3.6	3.6	3.6	4.3	4.3	4.4
PVB (€/MWh) (*)	33.3	46.9	38.2	30.6	26.5	26.5	26.5	27.7	28.9	28.7
CO_2 €/t (*)	65.2	77.7	80.3	82.7	77.4	89.1	93.1	98.4	103.7	126.2

(*) estimated amounts at the date of the test.

The most sensitive aspects that are included in the estimate of the recoverable amount determined according to the value in use and applying the methodology detailed in Note 3.3 are the following:

- Electricity generated. The trend in demand has been estimated on the basis of projections by the CNMC and analysts, also considering existing contracts with Naturgy's suppliers. The share was estimated on the basis of Naturgy's market share in each technology and the expected trend in each technology's share of the total market, in line with the expected future evolution of the generation mix, maintaining the projected decline in thermal output, offset by the creation of a capacity market within the Spanish mainland electricity system that remunerates firm capacity (currently in the process of being established).

- Electricity price. Market electricity prices were calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts, the development of the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.

- Fuel costs. Estimated on the basis of market prices.
- Operating and maintenance costs. These costs have been estimated on the basis of the historical costs of managed facilities and the business plans of the nuclear power plants.

The following factors are also considered:

- The Electricity Market Reform Regulation and Directive presented by the Commission on 14 March 2023, which envisage, among other matters, fostering forward contracts, PPAs and contracts for differences for new investments in generating capacity, making capacity mechanisms permanent, providing greater system flexibility using demand-side management and storage, as well as measures to be adopted by member states in the event of a crisis, and greater protection for end consumers.
- The extension of existing PPAs with the Group's supply companies to cover nuclear generation facilities.
- The costs of the 7% levy on the value of electricity production, which was reinstated gradually during 2024, and the unit values for financing of the energy subsidy ("bono social").
- The approval of Royal Decree 589/2024 for nuclear generation facilities, which increases the amount payable to ENRESA as a consequence of the construction of decentralised temporary storage facilities (ATD).

To date, Naturgy has elected for no temporary closures of the ten plants that were authorised following the Supreme Court ruling in 2023 and, therefore, this was not considered in the 2024 impairment test update.

Thermal generation Latin America:

For thermal electricity generation CGUs in Mexico and the Dominican Republic:

- Thermal generation in Mexico is carried out over most of the plants' useful lives under PPAs based on stable business models that are not at risk of fluctuation on the basis of market variables. In the Dominican Republic and Mexico, upon termination of the contracts, energy prices are set based on the market and are estimated on the basis of developments in the country's energy situation, including the foreseeable evolution of the generating fleet, taking account of expected supply and demand, and production costs.
- Operating and maintenance costs. Estimated from historical costs of the managed fleet.
- When updating the recoverable value of the combined cycle plants in Mexico, the relevant assumptions included the increase in permits for developing renewable energy installations, which will affect the market price used in the projections on the finalisation of the long-term contracts for energy sales to the Federal Electricity Commission (CFE).
- The delivery of emission allowances equivalent to the tonnes of CO_2 emitted. Until 2026, the allocation of allowances free of charge, as provided in the draft Emission Trading System Rules, is assumed to cover emissions projected on the basis of production projections.

  From 2027 onwards, although the criteria for the allocation of allowances free of charge and the emissions reduction pathway that will be required have not yet been defined, it is expected that the emissions generated will be covered by the free allocation and, when this is not sufficient or the free allocation is discontinued, CO_2 costs will be passed on into selling prices as an additional operating cost, similar to the case in the European market.

In the case of the Puerto Rico Generation CGU:

- The main estimates considered in the generated flows relate to the contract with Puerto Rico Electric Power Authority (PREPA), which will remain in force until the end of 2032.

Renewable Generation Spain:

The assumptions and projections affecting the renewable power generation CGU are based on the best forward-looking information available to date.

In the case of Renewable Generation Spain, fair value less selling costs is considered to be the best estimate of the recoverable amount and, therefore, the valuation includes the necessary flows that market players would take into account when assessing the value of the CGU based on the present value method. Fair value was determined on the basis of external sources of information and the company's estimate is, therefore, a level 3 estimate.

The assumptions regarding pool price trends in the Renewable Electricity Generation CGU are the same as those considered in the Thermal Generation Spain CGU.

The most sensitive matters included in the impairment test are as follows:

- Electricity generated. For the Renewable Power Generation CGU, projections of hours of operation of each park consistent with its historical output, and predictions based on historical records of similar parks have been used when there were no historical data. In addition, the increase in output due to the planned hybridisations and repowering of existing facilities was taken into account.

- Electricity price. Market electricity prices were calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts, the development of the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.

- Remuneration. For facilities in the Renewable Generation CGU that are entitled to specific remuneration, the remuneration has been estimated on the basis of the regulated revenue period. Specifically, Order TED/741/2023 was considered, which updated the remuneration parameters for standard facilities that are applicable to certain facilities that generate electricity from renewable sources, cogeneration and waste, for the purposes of their application to the 2023-2025 regulatory semi-period.

  In the specific case of cogeneration facilities, the methodology for updating the remuneration for the operation of electricity generation facilities whose operating costs depend essentially on the price of fuel is considered.

- Operating and maintenance costs. Estimated from historical costs of the managed fleet and existing contracts.

- Investments. The investments necessary to keep the facilities in working order are considered and are included in the cash flows of new projects available for development, repowering, storage and hybridisations, as well as the value of the generation capacity of new renewable generation projects.

- The following factors are also considered:

  - The projected flows include an estimate of the costs of the 7% tax on the value of electricity production and the unit values for financing the energy subsidy ("bono social").

  - The extension of existing sales contracts with the group's supply companies.

Renewable Generation United States:

In 2024, the company continued to manage a pipeline of solar energy and storage projects, with one facility already in production (7v Solar Ranch, 302 MW) and another that has obtained its construction permit (Mark Center, 124.5 MW).

As part of project management, the acquired portfolio was analysed in 2024 and, as a result, acquired projects that are unlikely to be executed, mainly due to difficulties in interconnection and in obtaining licenses, were impaired.

Renewable Generation Latin America:

Includes the Brazil, Costa Rica, Mexico, Panama and Chile electricity generation CGUs.

The most sensitive matters included in the impairment test are as follows:

- Electricity price: Renewable electricity generation in Latin America is managed under energy sale-purchase contracts through stable business models which are not subject to fluctuation risks on the basis of market variables.

- Operating and maintenance costs. Estimated on the basis of historical costs and on the basis of best forecasts when no historical data are available.

- Since Renewables Chile returned to the short-term market based on authorisation by the National Electricity Coordinator in June 2023, the company has been operating normally in the market and fulfilling its PPAs with the distribution companies.

  However, structural problems arising from shortcomings in the transmission networks and the diversity of the generation mix at each node, continue to negatively affect the company's margins and make it necessary to closely monitor how these variables perform.

  In this situation, the assumptions made in the impairment test for 2023 are maintained and no scenarios are envisaged that could lead to a significant increase in the impairment already recognised for this company's assets.

Renewable Generation Australia:

- Over most of the plants' useful life, electricity output is sold under PPAs based on stable business models that are not at risk of fluctuation on the basis of market variables. Upon termination of the contracts, energy prices are set based on the market and are estimated on the basis of developments in the country's energy situation, including the foreseeable evolution of the generating fleet and taking into account expected supply and demand, and production costs.

- Operating and maintenance costs. Estimated on the basis of historical costs and on the basis of best forecasts when no historical data are available.

Supply:

- Supply margin. Forecasts concerning trends in customer numbers and demand were used, considering unit margins of the contracts in place and estimates of these figures in contract renewals.

- The projected flows include:

  - The unit values for financing the energy subsidy (“bono social”).

  - The ban on cutting off gas and electricity supplies to vulnerable customers is maintained until 31 December 2025.

Discount rates and growth rates used

The pre-tax discount rates and the growth rates considered for 2024 and 2023, calculated as indicated in Note 3.19, are as follows:

Discount rate	2024	2023
Networks		
Gas and Electricity Networks Spain	6.8 %-7.1 %	7 %-7.4 %
Gas and Electricity Networks Latin America	10.3 % - 22.1 %	10.2 % - 25.1 %
Gas Networks Argentina (1)	22.1 %	25.1 %
Energy Markets		
Thermal Generation Spain	8.5 %	9.0 %
Thermal Generation Latin America	9.5%-12.9 %	10.2%-13.1 %
Renewable Generation Spain	7.0 %	7.8 %
Hydroelectric Generation Spain	7.3 %	8.4 %
Latin America Renewables	10.9 %-18.1 %	10.2 %-17.7 %
Australia Renewables	9.1 %	9.3 %
USA Renewables	7.4 %	7.4 %
Renewable Gases	8.4 %	8.5 %
Supply	7.6 %	8.3 %

(1) Rate determined in USD

Growth rate	2024	2023
Networks		
Gas and Electricity Networks Spain	1.5 %-2.0 %	1.5 %-2.0 %
Gas and Electricity Networks Latin America	1.6%-7.9%	2.1%-14.5%
Gas Networks Argentina	7.9 %	14.5 %
Energy Markets		
Thermal Generation Spain	1.9 %	2.0 %
Thermal Generation Latin America	1.8 %	2,0%-2,1%
Renewable Generation Spain	1.9 %	2.0 %
Hydroelectric Generation Spain	1.9 %	2.0 %
Latin America Renewables	1.8 % - 2.9 %	2.1 %-3.2 %
Australia Renewables	2.5 %	2.1 %
USA Renewables	1.8 %	2.1 %
Renewable Gases	1.9 %	2.0 %
Supply	(0.1)%	(0.3)%

Sensitivity analysis

A sensitivity analysis has been carried out for holdings in Group companies, where their carrying amount coincides with the results of the impairment tests described above. The variations in the key assumptions, taken separately, and the impact on the recoverable value for each of the holdings in group companies were considered for the following companies:

Naturgy Generación, S.L.U.: the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail an impairment of Euros 48 million.
- a decrease in the growth rate of 50 basis points would entail an impairment of Euros 22 million.
- a decrease in electricity output of 5% would entail an impairment of Euros 79 million.
- a decrease of Euros 1/MWh in the average electricity price over the facility's remaining life would entail impairment of Euros 11 million.

For the other holdings in group companies, in 2024 the Company carried out a sensitivity analysis on the unfavourable variations which, drawing on historical experience, could reasonably impact the aforementioned sensitive parameters on the basis of which the recoverable amounts have been determined. Specifically, the most significant sensitivity analyses performed were as follows:

	Increase	**Decrease**
Discount rate	50 basis points	—
Growth rate	—	50 basis points
Electricity generated	—	5%
Electricity price	—	5%
Fuel procurement costs	5%	—
Tariff/remuneration performance	—	5%
Operating and maintenance costs	5%	—
Investments	5%	—

These sensitivity analyses, performed separately for each basic assumption, would not affect the conclusions drawn to the effect that the recoverable amount exceeds the carrying amount for each of those group companies.

Note 5. Intangible assets

This heading breaks down as follows:

	Patents, licences, trademarks and other	**Computer software**	**Subtotal**	**Goodwill**	**Total**
Cost	1	2	3	815	818
Accumulated amortisation	—	(1)	(1)	(815)	(816)
Carrying value at 1.1.2023	**1**	**1**	**2**	**—**	**2**
Investment	—	—	—	—	**—**
Amortisation charge	(1)	—	(1)	—	(1)
Carrying value at 31.12.2023	**—**	**1**	**1**	**—**	**1**
Cost	1	1	2	815	817
Accumulated amortisation	(1)	—	(1)	(815)	(816)
Carrying value at 1.1.2024	**—**	**1**	**1**	**—**	**1**
Investment	—	32	32	—	**32**
Divestment	—	—	—	—	**—**
Amortisation charge	—	(8)	(8)	—	(8)
Carrying value at 31.12.2024	—	25	25	—	**25**
Cost	1	33	34	815	849
Accumulated amortisation	(1)	(8)	(9)	(815)	(824)
Carrying value at 31.12.2024	**—**	**25**	**25**	**—**	**25**

Goodwill derived from the vertical merger of Unión Fenosa, S.A. completed in 2009 and was attributable to the benefits and synergies arising from the integration with Naturgy. It has been fully amortised since 2019.

Also, prior to the liquidation of Naturgy Informática, S.A.U., in April 2024 (Notes 4 and 7), the Company acquired its assets, mainly software licenses and computer hardware. The net value of these software applications amounts to Euros 23 million.

No fully amortised software licences were derecognised in 2024 (Euros 1 million in 2023).

Note 6.Property, plant and equipment

Set out below is an analysis showing movements in Property, plant and equipment during 2024 and 2023:

	Land and buildings	Other property, plant and equipment	Total
Cost	161	24	185
Accumulated depreciation	(71)	(12)	(83)
Carrying value at 1.1.2023	**90**	**12**	**102**
Investment	2	2	4
Depreciation charge	(8)	(1)	(9)
Carrying value at 31.12.2023	**84**	**13**	**97**
Cost	162	26	188
Accumulated depreciation	(78)	(13)	(91)
Carrying value at 1.1.2024	**84**	**13**	**97**
Investment	1	12	13
Divestment	(5)	—	(5)
Depreciation charge	(8)	(4)	(12)
Carrying value at 31.12.2024	**72**	**21**	**93**
Cost	152	36	188
Accumulated depreciation	(80)	(15)	(95)
Carrying value at 31.12.2024	**72**	**21**	**93**

Other property, plant and equipment include, as an investment in 2024, the acquisition in April from Naturgy Informática, S.A.U. of its computer equipment for a net value of Euros 8 million (Notes 4 and 7).

In September 2024, the Company sold the Sabadell Museum building for Euros 3 million, recognising a loss of Euros 2 million under "Gain/(loss) on disposals of tangible fixed assets".

In addition, during 2024, fully depreciated assets were derecognised in the amount of Euros 5 million: Euros 4 million of buildings and Euros 1 million of other property, plant and equipment (Euros 1 million at 31 December 2023, relating entirely to buildings).

Property, plant and equipment includes fully depreciated assets in use at 31 December 2024 amounting to Euros 24 million, of which Euros 14 million relate to buildings (Euros 21 million in 2023, of which Euros 12 million related to buildings).

It is Company policy to arrange insurance where deemed necessary to cover risks that could affect its property, plant and equipment.

At 31 December 2024 and 2023, the Company had no investment commitments.

Note 7. Investments in Group companies and associates

The classification of investments in Group companies and associates by category at 31 December 2024 and 2023 is as follows:

At 31.12.2024	**Financial assets at cost**	**Financial assets at amortised cost**	**Total**
Equity instruments	15,994	—	15,994
Loans	—	12,661	12,661
Non-current	**15,994**	**12,661**	**28,655**
Loans	—	1,224	1,224
Other financial assets	—	2	2
Current	**—**	**1,226**	**1,226**
TOTAL	**15,994**	**13,887**	**29,881**

At 31.12.2023	**Financial assets at cost**	**Financial assets at amortised cost**	**Total**
Equity instruments	15,882	—	15,882
Loans	—	13,997	13,997
Non-current	**15,882**	**13,997**	**29,879**
Loans	—	291	291
Other financial assets	—	3	3
Current	**—**	**294**	**294**
TOTAL	**15,882**	**14,291**	**30,173**

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

	Holdings in group companies	**Loans to group companies**	**Holdings in associates**	**Total**
Balance at 01.01.2023	**14,956**	**13,997**	**4**	**28,957**
Additions	935	1	—	936
Divestments	(68)	(11)	—	(79)
Reclassification	—	10	—	10
Charge/reversal provisions	55	—	—	55
Balance at 31.12.2023	**15,878**	**13,997**	**4**	**29,879**
Additions	48	340	—	388
Divestments	(1)	(37)	—	(38)
Reclassification	—	(1,639)	—	(1,639)
Charge/reversal provisions	65	—	—	65
Balance at 31.12.2024	**15,990**	**12,661**	**4**	**28,655**

The main corporate transactions carried out by the Company were as follows:

2024

- Acquisition of one share in the company Naturgy Informática, S.A. with the result that it became that company's sole shareholder, and subsequent liquidation of that company. The holding was derecognised for an amount of Euros 1 million.

  Also, prior to the liquidation of Naturgy Informática, S.A.U., in April 2024 the Company acquired its assets, mainly software licenses and computer hardware. This acquisition was offset by the Company against intercompany loans granted to Naturgy Informática, S.A.U. prior to the transaction date, for a net amount of Euros 37 million.

- Cash contribution of Euros 1 million to offset losses of the company Naturgy Innovahub, S.L.U.

- Cash contribution of Euros 22 million to offset losses incurred by Naturgy Nuevas Energías, S.L.U.
- Cash contribution of Euros 17 million to offset losses incurred by Petroleum Oil&Gas España, S.A.
- Cash contribution of Euros 8 million to offset losses incurred by Naturgy Commodities Trading,S.A.

2023

- Contribution in a capital increase by Naturgy Renovables, S.L.U. in the amount of Euros 900 million through the capitalisation of receivables.
- Cash contribution to offset losses incurred by Naturgy Commodities Trading,S.A. in the amount of Euros 24 million.
- Cash contribution to offset losses incurred by Naturgy Nuevas Energías, S.L.U. in the amount of Euros 5 million, yet to be disbursed at 31 December 2023.
- Cash contribution to offset losses incurred by Naturgy Clientes, S.A. in the amount of Euros 3 million.
- Cash contribution to offset losses incurred by Petroleum Oil&Gas España, S.A. in the amount of Euros 2 million.
- Part of the dividend payment was recorded as a decrease in the carrying value of Holding Negocios de Electricidad, S.A., in the amount of Euros 25 million.
- Liquidation of Gas Natural Exploración, S.A. with no impact on results. The holding was derecognised in the amount of Euros 10 million.
- Liquidation of Naturgy LNG, S.L. with no impact on results. The holding was derecognised in the amount of Euros 33 million.
- Acquisition of a holding in Naturgy Comercializadora Empresas, S.A. and others for Euros 1 million.

The cumulative provision for the impairment of shareholdings in Group companies and associates totals Euros 2,185 million at 31 December 2024 (Euros 2,423 million at 31 December 2023), relating basically to the following companies (Note 4):

	2024	2023	Variation
Naturgy Generación, S.L.U.	2,015	2,108	(93)
Petroleum, Oil & Gas España, S.A.	94	76	18
Naturgy Commdities Trading, S.A.	31	21	10
Lignitos de Meirama, S.A.	29	30	(1)
Naturgy Nuevas Energías, S.L.U.	5	5	—
General de Edificios y Solares, S.L.	5	6	(1)
Naturgy Engineering, S.L.	5	6	(1)
Naturgy Informática, S.A.U.	—	170	(170)
Other	1	1	—
Total	**2,185**	**2,423**	**(238)**

Financial income from dividends received from holdings in equity instruments of group and associated companies in 2024 and 2023 relates to the following companies:

	2024	2023
Naturgy Aprovisionamientos, S.A.	205	537
Holding Negocios Electricidad, S.A.	160	232
Naturgy Distribución Latinoamérica S.A.	156	194
Naturgy Ciclos Combinados, S.L.U.	141	—
Naturgy Iberia, S.A.	121	23
Gas Natural Comercializadora, S.A.	100	100
Naturgy Generación Térmica, S.L.U.	26	16
Naturgy Infraestructuras EMEA, S.L.	21	—
Holding Negocios Gas, S.A.	16	80
Naturgy Finance Iberia, S.A.U.(*)	3	4
Naturgy Capital Markets, S.A.	1	1
Total	**950**	**1,187**

(*) On 28 May 2024, Naturgy Finance BV registered a cross border conversion to Naturgy Finance Iberia, S.A.U., transferring its registered offices and domicile for tax purposes from the Netherlands to Spain.

Gain/(loss) on disposals of equity interests in Group companies and associates

At 31 December 2024, a loss of Euros 1 million was recognised for miscellaneous expenses associated with the liquidation and sale of holdings in group companies.

In the previous year, based on the agreement concluded in March 2021 between Naturgy and ENI S.p.a. relating to the acquisition of the holding in Union Fenosa Gas (UFG) such that Naturgy achieved a 100% interest, and in which any contingencies incurred by UFG are borne proportionally by both parties, the Company received revenue of Euros 4 million relating to this compensation in March 2023.

The breakdown of shareholdings in group companies is set out below:

				Data at 31 December 2024 (*)									
				% interest			Equity						
Company	Registered Office	Activity	Carrying value 2024	Direct	Indirect	Total	Capital	Reserves (1)	Profit/(loss)	Interim dividend	Other (2)	EQUITY
Naturgy Aprovisionamientos, S.A.	Spain	Gas supply	409	100.0	—	100.0	1	592	(199)	—	(175)	219
Sagane, S.A.	Spain	Gas supply	42	100.0	—	100.0	95	8	(17)	—	—	86
Naturgy Comercializadora Empresas, S.A.U.	Spain	Gas supply	—	100.0	—	100.0	—	—	—	—	—	—
Gas Natural Comercializadora, S.A.	Spain	Gas and electricity supply	515	100.0	—	100.0	3	469	569	—	18	1,059
Comercializadora Regulada, Gas & Power, S.A.	Spain	Gas and electricity supply	121	100.0	—	100.0	2	61	(18)	—	—	45
Naturgy Commodities Trading, S.A.	Spain	Gas and electricity supply	12	100.0	—	100.0	11	11	(10)	—	—	12
Naturgy Iberia, S.A.	Spain	Gas and electricity supply	494	100.0	—	100.0	3	218	478	—	—	699
Naturgy Clientes, S.A	Spain	Gas and electricity supply	4	100.0	—	100.0	—	1	11	—	—	12
Holding Negocios Electricidad, S.A.	Spain	Electricity distribution	3,653	100.0	—	100.0	—	3,264	46	—	—	3,310
Holding de Negocios de Gas, S.A.	Spain	Gas distribution	4,475	80.0	—	80.0	—	5,796	221	—	—	6,017
Naturgy Generación, S.L.U.	Spain	Electricity generation	1,035	100.0	—	100.0	732	209	92	—	1	1,034
Naturgy Renovables, S.L.U.	Spain	Electricity generation	2,041	100.0	—	100.0	113	1,327	26	—	12	1,478
Global Power Generation, S.A.	Spain	Electricity generation	648	75.0	—	75.0	20	819	199	—	118	1,156
Toledo PV A.I.E.	Spain	Electricity generation	—	33.3	—	33.3	—	—	1	—	—	1
La Propagadora del Gas	Spain	Electricity generation	12	100.0	—	100.0	10	2	1	—	—	13
Naturgy Ciclos Combinados, S.L.U	Spain	Electricity generation	761	100.0	—	100.0	320	627	(13)	—	4	938
Naturgy Generación Térmica, S.L	Spain	Electricity generation	13	100.0	—	100.0	—	24	11	—	2	37
Petroleum, Oil & Gas España, S.A.	Spain	Gas infrastructures	1	32.3	67.7	100.0	4	55	(55)	—	—	4
Liginitos de Meirama, S.A.	Spain	Mining	17	100.0	—	100.0	23	(7)	—	—	—	16
Natural Re, S.A.	Luxembourg	Insurance	9	100.0	—	100.0	5	38	8	—	19	70
General de Edificios y Solares, S.L.	Spain	Services	58	100.0	—	100.0	34	23	1	—	—	58
Naturgy Capital Markets, S.A.	Spain	Financial services	—	100.0	—	100.0	—	—	—	—	—	—
Naturgy Finance Iberia, S.A.U.	Spain	Financial services	7	100.0	—	100.0	—	5	5	—	—	10
Naturgy Participaciones, S.A.	Spain	Financial services	110	100.0	—	100.0	—	130	(3)	—	—	127
Unión Fenosa Preferentes, S.A.U.	Spain	Financial services	—	100.0	—	100.0	—	1	—	—	—	1
Naturgy Innovahub, S.L.U.	Spain	Services	2	100.0	—	100.0	1	—	(1)	—	—	—
Naturgy Engineering, S.L.	Spain	Engineering services	16	100.0	—	100.0	—	15	2	—	(1)	16
Naturgy Ingenieria Nuclear, S.L.	Spain	Engineering services	1	100.0	—	100.0	—	1	1	—	—	2
Naturgy Distribución Latinoamérica, S.A.	Spain	Electricity generation	557	100.0	—	100.0	402	165	230	—	—	797
Naturgy Nuevas Energías, S.L.U.	Spain	Services	38	100.0	—	100.0	2	29	(15)	—	—	16
Naturgy Infraestructuras EMEA, S.L.	Spain	Electricity generation	89	100.0	—	100.0	—	212	13	—	—	225
Naturgy Inversiones Internacionales, S.A.	Spain	Electricity generation	850	100.0	—	100.0	250	251	77	—	(172)	406
TOTAL			**15,990**									

(1) Includes the share premium, reserves, prior-year losses, contributions and retained earnings.

(2) Includes value change adjustments, other equity instruments and grants, donations and bequests.

(*) Financial statements updated based on the latest available information

				Data at 31 December 2023 (*)								
				% interest			Equity					
Company	Registered Office	Activity	Carrying value 2023	Direct	Indirect	Total	Capital	Reserves (1)	Profit/(loss)	Interim dividend	Other (2)	EQUITY
Naturgy Aprovisionamientos, S.A.	Spain	Gas supply	408	100.0	—	100.0	1	592	205	—	(21)	777
Naturgy LNG, S.L.	Spain	Gas supply	—	100.0	—	100.0	—	—	—	—	—	—
Sagane, S.A.	Spain	Gas supply	42	100.0	—	100.0	95	17	(9)	—	—	103
Naturgy Comercializadora Empresas, S.A.U.	Spain	Gas supply	—	100.0	—	100.0	—	—	—	—	—	—
Naturgy LNG GOM, S.L.	Spain	Gas supply	—	100.0	—	100.0	—	—	—	—	—	—
Gas Natural Comercializadora, S.A.	Spain	Gas and electricity supply	515	100.0	—	100.0	3	442	127	—	(36)	536
Comercializadora Regulada, Gas & Power, S.A.	Spain	Gas and electricity supply	121	100.0	—	100.0	2	43	18	—	4	67
Naturgy Commodities Trading, S.A.	Spain	Gas and electricity supply	14	100.0	—	100.0	11	27	(24)	—	—	14
Naturgy Iberia, S.A.	Spain	Gas and electricity supply	494	100.0	—	100.0	3	218	121	—	—	342
Naturgy Clientes, S.A	Spain	Gas and electricity supply	4	100.0	—	100.0	—	3	(2)	—	—	1
Holding Negocios Electricidad, S.A.	Spain	Electricity distribution	3,653	100.0	—	100.0	—	3,417	7	—	—	3,424
Holding de Negocios de Gas, S.A.	Spain	Gas distribution	4,475	80.0	—	80.0	—	5,472	312	—	—	5,784
Naturgy Generación, S.L.U.	Spain	Electricity generation	942	100.0	—	100.0	732	125	83	—	1	941
Naturgy Renovables, S.L.U.	Spain	Electricity generation	2,041	100.0	—	100.0	113	1,301	30	—	15	1,459
Global Power Generation, S.A.	Spain	Electricity generation	648	75.0	—	75.0	20	670	146	—	75	911
Toledo PV A.I.E.	Spain	Electricity generation	—	33.3	—	33.3	—	—	1	—	—	1
La Propagadora del Gas	Spain	Electricity generation	12	100.0	—	100.0	10	2	—	—	—	12
Naturgy Ciclos Combinados, S.L.U	Spain	Electricity generation	761	100.0	—	100.0	320	611	157	—	—	1,088
Naturgy Generación Térmica, S.L	Spain	Electricity generation	13	100.0	—	100.0	—	24	26	—	2	52
Gas Natural Exploración, S.L.	Spain	Gas infrastructures	—	100.0	—	100.0	—	—	—	—	—	—
Petroleum, Oil & Gas España, S.A.	Spain	Gas infrastructures	2	32.3	67.7	100.0	4	10	(8)	—	—	6
Liginitos de Meirama, S.A.	Spain	Mining	16	100.0	—	100.0	23	(7)	—	—	—	16
Natural Re, S.A.	Luxembourg	Insurance	9	100.0	—	100.0	5	54	(16)	—	16	59
General de Edificios y Solares, S.L.	Spain	Services	57	100.0	—	100.0	34	20	3	—	—	57
Naturgy Capital Markets, S.A.	Spain	Financial services	—	100.0	—	100.0	—	—	1	—	—	1
Naturgy Finance, B.V.	Netherlands	Financial services	7	100.0	—	100.0	—	5	3	—	—	8
Naturgy Participaciones, S.A.	Spain	Financial services	110	100.0	—	100.0	—	132	(2)	—	—	130
Unión Fenosa Preferentes, S.A.U.	Spain	Financial services	—	100.0	—	100.0	—	1	—	—	—	1
Naturgy Informática, S.A.	Spain	Computer services	5	100.0	—	100.0	20	(2)	(13)	—	—	5
Naturgy Innovahub, S.L.U.	Spain	Services	1	100.0	—	100.0	2	—	(1)	—	—	1
Naturgy Engineering, S.L.	Spain	Engineering services	15	100.0	—	100.0	—	15	—	—	(1)	14
Naturgy Ingenieria Nuclear, S.L.	Spain	Engineering services	1	100.0	—	100.0	—	1	—	—	—	1
Naturgy Distribución Latinoamérica, S.A.	Spain	Electricity generation	557	100.0	—	100.0	402	165	156	—	—	723
Naturgy Nuevas Energías, S.L.U.	Spain	Services	16	100.0	—	100.0	2	7	(5)	—	—	4
Naturgy Infraestructuras EMEA, S.L.	Spain	Electricity generation	89	100.0	—	100.0	—	212	21	—	—	233
Naturgy Inversiones Internacionales, S.A.	Spain	Electricity generation	850	100.0	—	100.0	250	201	51	—	(144)	358
TOTAL			**15,878**									

(1) Includes the share premium, reserves, prior-year losses, contributions and retained earnings.

(2) Includes value change adjustments, other equity instruments and grants, donations and bequests.

(*) Annual accounts updated according to the latest available information at the date of authorisation of the 2023 annual accounts

Non-current receivables from Group companies amounted to Euros 12,661 million at 31 December 2024 (Euros 13,997 million at 31 December 2023), maturing as follows:

Maturity	**At 31.12.2024**	At 31.12.2023
2025	—	1,000
2026	1,000	2,853
2027	4,647	3,599
2028	1,569	1,569
2029	2,513	2,430
2030	1,000	1,000
2031 and subsequent	1,932	1,546
Total	**12,661**	**13,997**

Set out below are movements during 2024 and 2023 in loans and other current financial assets:

	Loans to group companies	**Other financial assets**	**Total**
Balance at 01.01.2023	**292**	**2**	**294**
Additions	75	1	76
Divestments	(167)	—	(167)
Reclassifications and transfers	91	—	91
Balance at 31.12.2023	**291**	**3**	**294**
Additions	307	—	307
Divestments	(379)	(1)	(380)
Reclassifications and transfers	1,005	—	1,005
Balance at 31.12.2024	**1,224**	**2**	**1,226**

There are no significant differences between carrying values and fair values in the balances under Loans to Group companies and other receivables.

The "Receivables from Group companies" heading consists of receivables from Group companies totalling Euros 1,137 million (Euros 207 million in 2023) and also receivables from Group companies relating to consolidated corporate income tax amounting to Euros 61 million and to consolidated VAT amounting to Euros 1 million (Euros 69 million in 2023 relating to consolidated corporate income tax and Euros 68 million relating to consolidated VAT). Loans to Group companies also includes accrued unmatured interest of Euros 87 million (Euros 84 million in 2023).

Loans to group and associated companies accrued interest at a rate of 5.11% at 31 December 2024 (5.57% in 2023) for non-current loans and a rate of 4.77% (4.06% in 2023) for current loans.

Note 8. Investments

Investments by class and category at 31 December 2024 and 2023 break down as follows:

At 31 December 2024	**Financial assets at amortised cost**	**At cost**	**Hedging derivatives**	**Total**
Equity instruments	—	4	—	4
Derivatives (Note 14)	—	—	11	11
Other financial assets	3	—	—	3
Non-current investments	**3**	**4**	**11**	**18**
Derivatives (Note 14)	—	—	19	19
Other financial assets	2	—	—	2
Current investments	**2**	**—**	**19**	**21**
Total	**5**	**4**	**30**	**39**

At 31 December 2023	**Financial assets at amortised cost**	**At cost**	**Hedging derivatives**	**Total**
Equity instruments	—	4	—	4
Derivatives (Note 14)	—	—	22	22
Other financial assets	3	—	—	3
Non-current investments	**3**	**4**	**22**	**29**
Derivatives (Note 14)	—	—	34	34
Other financial assets	2	—	—	2
Current investments	**2**	**—**	**34**	**36**
Total	**5**	**4**	**56**	**65**

Financial assets recognised at fair value at 31 December 2024 and 2023 are classified as follows:

	31.12.2024				31.12.2023			
Financial assets	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**
Hedging derivatives	—	30	—	30	—	56	—	56
Total	**—**	**30**	**—**	**30**	**—**	**56**	**—**	**56**

The movement in financial assets in 2024 and 2023, based on the method applied for calculating their fair value, is as follows:

	2024				2023			
	Level 1 (quoted price in an active market)	**Level 2 (observable variables)**	**Level 3 (unobservabl e variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservabl e variables)**	**Total**
At 1 January	—	56	—	56	—	85	—	85
Additions	—	—	—	—	—	—	—	—
Decrease	—	(26)	—	(26)	—	(29)	—	(29)
At 31 December	**—**	**30**	**—**	**30**	**—**	**56**	**—**	**56**

Financial assets at cost

All financial assets at cost relate to unlisted shareholdings at 31 December 2024 and 2023.

Financial assets at amortised cost

The balance at 31 December 2024 and 2023 is as follows:

	At 31.12.2024	At 31.12.2023
Deposits and guarantee deposits	3	3
Non-current	**3**	**3**
Deposits and guarantee deposits	2	2
Current	**2**	**2**
Total	**5**	**5**

The fair values and carrying amounts of these assets do not differ significantly.

The breakdown by maturities at 31 December 2024 and 2023 is as follows:

Maturities	**31.12.2024**	31.12.2023
Before 1 year	2	2
Between 1 and 5 years	2	—
More than 5 years	1	3
Total	**5**	**5**

Note 9. Other non-current assets and Trade and other receivables

The “Other non-current assets” and “Trade and other receivables” headings at 31 December 2024 and 2023, classified by nature and category, are as follows:

At 31.12.2024	**At fair value through profit and loss**	**Amortised cost**	**Total**
Derivatives (Note 14)	90	—	90
Other non-current assets	**90**	**—**	**90**
Derivatives (Note 14)	280	—	280
Other assets	—	133	133
Trade and other receivables	**280**	**133**	**413**
Total	**370**	**133**	**503**

At 31.12.2023	**At fair value through profit and loss**	**Amortised cost**	**Total**
Derivatives (Note 14)	80	—	80
Other non-current assets	**80**	**—**	**80**
Derivatives (Note 14)	5	—	5
Other assets	—	147	147
Trade and other receivables	**5**	**147**	**152**
Total	**85**	**147**	**232**

Fair value through profit and loss

Financial assets recognised at fair value as at 31 December 2024 and 2023 are classified as follows:

	At 31.12.2024				At 31.12.2023			
Financial assets	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**
Fair value through profit and loss	—	370	—	370	—	85	—	85
Total	**—**	**370**	**—**	**370**	**—**	**85**	**—**	**85**

The "Derivatives" heading contains the market valuation of unsettled open interest with a debit balance corresponding to operating derivatives arranged by the Company to hedge gas prices of other group companies.

At 31 December 2024, the balance of non-current and current derivatives with group companies is Euros 61 million and Euros 267 million, respectively (Euros 23 million and Euros 5 million at 31 December 2023).

Amortised cost

The breakdown of this account is as follows:

	At 31.12.2024	At 31.12.2023
Trade receivables	17	28
Trade receivables, group companies and associates	36	68
Sundry receivables	74	—
Provision	(13)	(26)
Current tax assets	—	65
Other amounts receivable to Public Administrations	19	12
Total	**133**	**147**

In general, amounts billed pending collection do not bear interest, the average maturity period being less than 30 days.

The balance of the "Sundry debtors" account is the account receivable following notification on 17 July 2024 of the Supreme Court ruling of 4 July 2024 in relation to the enforcement of the judgement for the amounts paid by the Group's non-regulated supply companies to finance the energy subsidy (Note 30).

At 31 December 2024, the Company recognised unmatured balances totalling Euros 60 million (Euros 15 million at 31 December 2023) which were factored without recourse and, consequently, were derecognised from "Current tax assets" in the balance sheet.

Movements in the bad debt provision are as follows:

	2024	2023
At 1 January	**(26)**	**(26)**
Net charge for the year	17	—
Other	(4)	—
At 31 December	**(13)**	**(26)**

The net provision for 2024 reflects the agreement signed in May by the Company and the Naturgy Group's generation and supply companies transferring the accounts receivable for outstanding settlements in the wholesale electricity market, in which the Company acted as representative until 30 June 2019 (Note 14).

"Other" includes the balances of the provision for bad debts arising from the liquidation of Naturgy Informática, S.A.U. (Notes 4, 7 and 14).

Note 10. Cash and cash equivalents

Cash and cash equivalents include:

	At 31.12.2024	At 31.12.2023
Cash at banks and in hand	2,169	1,137
Other cash equivalents	967	461
Total	**3,136**	**1,598**

"Other cash equivalents" relates mainly to:

- Bank deposits arranged between October and December 2024 maturing in less than three months for an amount of Euros 530 million (Euros 100 million at 31 December 2023) plus the associated interest.

- Two short-term deposits arranged in November and December 2024 for a term of under three months linked to CO_2 emission rights, for an amount of Euros 200 million; they consist of a spot purchase transaction and a simultaneous forward sale with the same counterparty, the same risk and a guaranteed return, plus the associated interest (Euros 250 million at 31 December 2023, relating to three short-term deposits arranged in October 2023). These deposits are readily convertible into specified amounts of cash, can be cancelled at any time without penalty, and are subject to a negligible risk of changes in value.

- Cash pooling balances with Group companies and the associated interest.

Note 11. Equity

The main equity items are as follows:

Share capital and share premium

The variations in 2024 and 2023 in the number of shares and in the share capital and share premium accounts are as follows:

	Number of shares	Share capital	Share premium	Total
At 1 January 2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
At 31 December 2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
At 31 December 2024	**969,613,801**	**970**	**3,808**	**4,778**

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

There were no movements in the number of shares or in the "Share capital" and "Share premium" accounts during 2024 and 2023 .

The Company's Board of Directors is empowered, for a maximum term of five years as from 15 March 2022, to increase share capital by a maximum of 50% of the Company's share capital at the time of the authorisation, through one or more cash payments at the time and in the amount that it deems fit, issuing ordinary, privileged or redeemable shares with or without voting rights, with or without a share premium, without requiring any further authorisation from the shareholders, with the possibility of agreeing, as appropriate, the full or partial exclusion of preferential subscription rights up to a limit of 20% of share capital at the date of this authorisation, and to alter the By-laws as required due to the capital increase or increases performed by virtue of said authorisation, with provision for an incomplete subscription, in accordance with the provisions of Article 297.1.b) of the Spanish Companies Law. Additionally, based on this authorisation, it will carry out any necessary procedures and actions before domestic and overseas securities market agencies to request the listing, continuance and/or, as the case may be, delisting of the issued shares.

The Spanish Companies Law specifically allows the use of the share premium balance to increase capital and imposes no specific restrictions on its use.

The main holdings in the Company's share capital at 31 December 2024 and 2023, in accordance with available public information and disclosures made to the Company, are as follows:

	% interest in share capital	
	2024	2023
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	26.7	26.7
- BlackRock, Inc. (2)	20.9	—
-Global Infraestructure partners III (2)	—	20.6
- CVC Capital Partners PLC (3)	20.7	20.7
- IFM Global Infrastructure Fund (4)	16.9	14.9
- Sonatrach (5)	4.1	4.1

(1) Holding through Criteria Caixa, S.A.U.

(2) Since the acquisition of Global Infrastructure Partner on 1 October 2024, according to the notification of significant shareholdings to the CNMV. The indirect shareholding is held mainly through GIP III Canary 1, S.à.r.l., which has a direct shareholding of 20.6%.

(3) Through Rioja Acquisition S.à.r.l.

(4) Through Global InfraCo (2) S.à.r.l.

(5) Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

All the Company's shares are traded on the four official Spanish Stock Exchanges and the "mercado continuo" and form part of Spain's Ibex35 stock index.

Naturgy Energy Group S.A.'s share price at the end of 2024 stood at Euros 23.38 (last trading day: 31 December 2024). The share price at the end of 2023 was Euros 27.00 (last trading day: 29 December 2023).

In February 2024, Morgan Stanley Capital International (MSCI), a global benchmark for institutional investments and numerous mutual funds and exchange-traded funds, announced changes to the composition of several of its indexes. As a result, Naturgy ceased to be a component of several MSCI indices, effective as of market close on the last business day of February. The exclusion was based on the market value of Naturgy's free float, which had fallen below MSCI's minimum inclusion thresholds, and was unrelated to its current operating and financial performance.

Reserves

"Reserves" includes the following reserves:

	2024	2023
Legal reserve	200	200
Statutory reserve	100	100
Voluntary reserves	9,731	9,731
Capital redemption reserve	31	31
Other reserves	300	298
Total	**10,362**	**10,360**

Legal reserve

Appropriations to the legal reserve are made in compliance with the Spanish Capital Companies Law, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital. The legal 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 legal reserve can only be used to offset losses in the event of no other reserves being available.

Statutory reserve

Under the Company's Articles of Association, 2% of net profit for the year must be allocated to the statutory reserves until it reaches at least 10% of share capital.

Capital redemption reserve

Following approval at the ordinary general meeting of shareholders held on 26 May 2020, a capital reduction was made during the year through the redemption of treasury shares with a reduction of Euros 14 million in capital and 284 million in voluntary reserves.

In addition, pursuant to Article 335 c) of the Spanish Companies Act, a restricted capital redemption reserve was created for an amount equal to the par value of the redeemed shares. The total accumulated capital redemption reserve amounts to Euros 31 million at 31 December 2024 and 2023.

Voluntary reserve and other reserves

Relates basically to voluntary reserves for undistributed profits, also including the effects of the measurement of shareholdings in group companies as a result of transactions between group companies recognised in the same amounts stated in Naturgy's consolidated Annual accounts.

Share-based payments

On 31 July 2018 the Board of Directors approved a long term variable incentive plan (ILP) involving the Executive Chairman and 25 other executives. The main characteristics of the plan were approved by the general meeting of shareholders on 5 March 2019. This incentive covered the period of the Strategic Plan 2018-2022 ordinarily expiring in July 2023.

On 25 November 2021, the Board of Directors of Naturgy decided, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, to extend the ILP 2018-2022 plan with a new expiration date of 31 December 2025 for current executives, in order to contribute to the achievement of the Strategic Plan 2021-2025. The entry into force of the extension of the ILP was approved by Naturgy's shareholders at a general meeting on 15 March 2022.

The ILP was arranged through the acquisition of shares in Naturgy Energy Group, S.A. by an investee company that may generate a surplus. Such surplus, if any, is the incentive to be delivered to the participants. At the expiration of the plan, this company will obtain a profit derived from the collection of dividends on its shares, changes in the share price and other income and expenses, mainly financial in character. At that time it will sell the shares required to return all the resources received for the acquisition of the shares and after settling its obligations it will distribute any surplus among its members in the form of shares.

The surplus will be received only if a minimum profitability threshold has been surpassed, which implies a share price of Euros 19.15 when the ILP expires and assuming that all the dividends provided for in the Strategic Plan 2021-2025 are paid.

If they leave the Company, the beneficiaries will only be entitled, in certain cases, to receive a part of the final incentive calculated in proportion to their length of service in the Company with respect to the duration of the plan.

In order to compensate for the delay in collection derived from the extension of the ILP, in 2021 Naturgy's Board of Directors provided compensation consisting of a cash payment to beneficiaries that accepted the extension of the term until 2025.

The fair value of the equity instruments granted based on the ILP 2018-2022 was determined at the grant date using a Monte Carlo simulation valuation model based on the share price on the grant date, with the following assumptions:

Forecast share price volatility (1)	17.73 %
Plan duration (years)	5
Expected dividends	6.26 %
Risk-free interest rate	0.34 %

(1) Forecast volatility has been determined based on the historical volatility of the daily share price in the last year.

At the date of approval of the extension of the ILP, the ILP 2018-2022 and ILP 2018-2025 were measured using a valuation model based on a Monte Carlo simulation. The incremental value will be recognised for accounting purposes over the period running from the date of approval of the change, i.e. 15 March 2022, to 31 December 2025. The assumptions used in these valuations are as follows:

	ILP2018-2022	ILP2018-2025
Forecast share price volatility (1)	25.32 %	25.32 %
Plan duration (years)	1.38	3.80
Expected dividends	5.24 %	5.03 %
Risk-free interest rate	0.71 %	1.06 %

(1) Forecast volatility was determined based on the historical volatility of the daily share price in the last year.

As a result of accruing the incremental value associated with the extension of the instrument's term, an amount of Euros 2 million was recognised in the 2024 income statement under "Personnel expenses" (Euros 5 million in 2023, which also included accrual of the fair value of the equity instruments granted in the initial plan) with a credit to "Other equity instruments" in the balance sheet.

Based on a reasoned proposal by the Appointments, Remuneration and Corporate Governance Committee, the Board of Directors may adopt the decisions it deems necessary to administer, interpret, rectify, elaborate upon or continue the incentive scheme in the event of substantial variations in the circumstances of the Plan, taking into account the Company's interests and the objectives of the Plan.

It may also decide to terminate the plan early, either to achieve such continuity or in the event of what it deems to be a substantial change in circumstances.

On 22 April 2024, at the proposal of the Executive Chairman and in order to be able to act with absolute independence and neutrality and to avoid any conflict of interest linked to the outcome of any potential bid for Naturgy shares, the Board of Directors approved an amendment to the Executive Chairman's long-term variable incentive plan (ILP). Through this amendment, the Company returned to the initial remuneration scheme provided for in his February 2018 contract and in the Remuneration Policy approved by the Shareholders' Meeting in June 2018.

The amended scheme is linked to the objectives of the Strategic Plan, and is no longer share-based. However, the main terms of the previous plan are maintained, such as the possibility of forfeiting the incentive, the duration and expiration of the plan, and the clawback clause. Additionally, under the amended plan, the Chairman may not receive more than he might have collected under the previous plan.

This amendment will be submitted for approval by the next Shareholders' Meeting; in the meantime, it is considered to be provisional and contingent upon such authorisation.

Treasury shares

Movements during 2024 and 2023 involving own shares of the Company are as follows:

	Number of shares	In million euro	% Capital
At 1 January 2023	**55,898**	**1**	**—**
Share Acquisition Plan	357,094	10	—
Delivered to employees	(172,992)	(5)	—
At 31 December 2023	**240,000**	**6**	**—**
Share Acquisition Plan	—	—	—
Delivered to employees	—	—	—
At 31 December 2024	**240,000**	**6**	**—**

No gains or losses were obtained on transactions involving own shares in 2024 and 2023.

On 2 April 2024, the Shareholders' Meeting authorised the Board of Directors to purchase fully paid Company shares in one or more transactions in a period of not more than five years; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares or higher than their quoted price.

The minimum and maximum acquisition price will be the share price on the continuous market of the Spanish stock exchanges, within an upper or lower fluctuation of 5%.

Transactions involving the Company's treasury shares relate to:

2024

No transactions involving own shares were carried out in 2024.

2023

- In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the Shareholders' Meeting on 5 March 2019, within the Share Acquisition Plan 2020-2023, in March 2023 the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., subject to an annual limit of Euros 12,000. During the month of March 2023, 210,000 own shares were acquired for an amount of Euros 6 million, and in April 2023 a total of 172,992 shares were delivered to employees for an amount of Euros 5 million. In July 2023, 147,094 own shares were acquired for an amount of Euros 4 million, leaving a surplus of 184,102 treasury shares in addition to the 55,898 shares left over from the Share Acquisition Plans for 2019 to 2021, bringing the total number of treasury shares to 240,000 at 31 December 2023.

Dividends

Set out below is a breakdown of dividend payments made in 2024 and 2023:

	2024			2023		
	% of Nominal	Euros per share	Amount	% of Nominal	Euros per share	Amount
Ordinary shares	140 %	1.40	1,357	150 %	1.50	1,454
Other shares (without voting rights, redeemable, etc.)	—	—	—	—	—	—
Total dividens paid	**140 %**	**1.40**	**1,357**	**150 %**	**1.50**	**1,454**
a) Dividends charged to income statement or retained earnings	140 %	1.40	1,357	150 %	1.50	1,454
b) Dividends charged to reserves or share premium account	—	—	—	—	—	—
c) Dividends in kind	—	—	—	—	—	—

2024

On 26 February 2024, the Board of Directors approved the following proposal, which it submitted to the General Meeting of Shareholders, for the distribution of the Company's 2023 net profit and retained earnings, as follows:

AVAILABLE FOR DISTRIBUTION

Profit.. 1,211
Retained earnings 2,592
Available for distribution.. 3,803

DISTRIBUTION:

TO DIVIDENDS: the gross aggregate amount will be equal to the sum of the following quantities (the "Dividend"):

i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2023 paid by Naturgy Energy Group, S.A., jointly equivalent to Euros 1.00 per share by the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements and with the legal requirements, which disclosed the existence of sufficient liquidity for the distribution of these interim dividends out of profit for 2023, and

ii. The amount obtained by multiplying 0.40 euros per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the "Supplementary Dividend") are determined.

Euros 969 million of that dividend had already been paid on 7 August and 7 November 2023. The Supplementary Dividend will be paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). That dividend will be paid to shareholders on 9 April 2024.

The Board of Directors is expressly empowered to delegate its powers to the director(s) it deems fit so that they may perform all the actions required to carry out the distribution and, in particular, without limitation, so that they may designate the entity that is to act as payment agent.

TO RETAINED EARNINGS: Determinable amount obtained by subtracting the dividend amount from the distribution base.

TOTAL DISTRIBUTED 3,803

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting included a supplementary payment of Euros 0.40 per share for each qualifying share outstanding at the proposed date of payment, 9 April 2024.

The general meeting of shareholders on 2 April 2024 approved a supplementary dividend of Euros 0.40 per share for shares not directly held as treasury stock on the payment date, which was fully paid on 9 April 2024.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,446 million.

On 22 July 2024, the Company's Board of Directors declared an interim dividend of Euros 0.50 per share out of 2024 profits, for shares not classified as direct treasury shares on the date on which the dividend was paid. It was paid on 1 August 2024.

The Company had sufficient liquidity to pay the dividend at the approval date, in accordance with the provisions of the Spanish Companies Act. The provisional liquidity statement at 30 June 2024 drawn up by the directors on 22 July 2024 is as follows:

Profit after tax		873
Reserves to be replenished		—
Maximum amount distributable		**873**
Forecast maximum interim dividend payment (1)		**485**
Cash resources	1,964	
Undrawn credit facilities	5,352	
Total liquidity		**7,316**

(1) Amount considering total shares issued

On 29 October 2024, the Board of Directors of Naturgy Energy Group, S.A. declared a second interim dividend of Euros 0.50 out of 2024 profits for shares not classified as direct treasury shares on the date on which the dividend was paid, i.e., 6 November 2024

The Company had sufficient liquidity to pay the dividend at the approval date, in accordance with the provisions of the Spanish Companies Act. The provisional liquidity statement at 30 September 2024 drawn up by the Directors on 29 October 2024 was as follows:

Profit after tax		1,049
Reserves to be replenished		—
Maximum amount distributable		**1,049**
Interim dividend 2024 profits		485
Forecast maximum interim dividend payment (1)		**485**
Cash resources	2,860	
Undrawn credit facilities	5,269	
Total liquidity		**8,129**

(1) Amount considering total shares issued

On 18 February 2025, the Board of Directors approved the following proposal for the distribution of the Company's 2024 net profit and retained earnings, for submission to the annual general meeting:

AVAILABLE FOR DISTRIBUTION

Profit.. 1,057
Retained earnings.. 2,446
Available for distribution... 3,503

DISTRIBUTION:

TO DIVIDENDS: the gross aggregate amount will be equal to the sum of the following quantities (the "Dividend"):

i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2024 paid by Naturgy Energy Group, S.A., jointly equivalent to Euros 1.0 per share for the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements prepared and in accordance with the legal requirements, which revealed the existence of sufficient liquidity for the distribution of these interim dividends out of the profit for 2024, and

ii. The amount obtained by multiplying 0.60 euros per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the “Supplementary Dividend”) are determined.

Euros 969 million of that dividend had already been paid on 1 August and 6 November 2024. The Supplementary Dividend will be paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). That dividend will be paid to shareholders as from 9 April 2025.

The Board of Directors is expressly empowered to delegate its powers to the director(s) it deems fit so that they may perform all the actions required to carry out the distribution and, in particular, without limitation, so that they may designate the entity that is to act as payment agent.

TO RETAINED EARNINGS: Determinable amount obtained by subtracting the dividend amount from the distribution base.

TOTAL DISTRIBUTED 3,503

This proposal for the distribution of profits and retained earnings adopted by the Board for approval by the annual general meeting includes a supplementary payment of Euros 0.60 per share for each qualifying share outstanding at the proposed date of payment, 9 April 2025. In the event that, at the time of distribution of the third and last payment of the proposed 2024 dividend (Euros 0.60 per share), the number of treasury shares is the same as at 2024 year-end (240,000 treasury shares, see section on Treasury shares), the amount applied to retained earnings would be Euros 1,952 million.

2023

On 20 February 2023, the Board of Directors approved the proposal submitted to the general meeting of shareholders for the distribution of the Company's net profit for 2022 and retained earnings from previous years, detailed in Note 11 of the notes to the accounts for the year ended 31 December 2022.

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting included a supplementary payment of Euros 0.50 per share for each qualifying share outstanding at the proposed date of payment.

Subsequently, the general meeting of shareholders on 28 March 2023 approved a supplementary dividend of Euros 0.50 per share for shares not directly held as treasury stock on the payment date, which was fully paid in cash on 4 April 2023. Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,592 million.

On 20 July 2023, the Company’s Board of Directors declared an interim dividend of Euros 0.50 per share out of 2023 profits, for shares not classified as direct treasury shares on the date on which the dividend was paid. The dividend was paid in full in cash on 7 August 2023.

On 23 October 2023, the Board of Directors of Naturgy Energy Group, S.A. declared a second interim dividend of Euros 0.50 per share out of 2023 results, paid on 7 November 2023, for shares not classified as direct treasury shares on the date on which the dividend was paid.

Note 12. Provisions

The breakdown of provisions at 31 December 2024 and 2023 is as follows:

	At 31.12.2024	At 31.12.2023
Provisions for employee obligations	203	204
Other provisions	93	90
Non-current provisions	**296**	**294**

Provisions for employee obligations

A breakdown of the provisions related to employee benefits is as follows:

	2024			2023		
	Pensions and other similar obligations	**Other obligations with personnel**	**Total**	**Pensions and other similar obligations**	**Other obligations with personnel**	**Total**
At 1 January	**190**	**14**	**204**	**177**	**10**	**187**
Appropriations/reversals charged to income statement	6	4	10	7	6	13
Payments during the year	(14)	—	(14)	(20)	(2)	(22)
Changes recognised directly in equity	(3)	—	(3)	23	—	23
Transfers and other applications	6	—	6	3	—	3
At 31 December	**185**	**18**	**203**	**190**	**14**	**204**

Pensions and other similar liabilities

Most of the Company's post-employment obligations consist of the contribution of defined amounts to occupational pension plan systems. Nevertheless, at 31 December 2024 and 2023, the Company had the following defined benefit obligations for certain groups of workers:

- Pensions to retirees, disabled persons, widows and orphans and other related groups.
- Defined benefit supplement obligations to retired personnel of the legacy Unión Fenosa group who retired before November 2002 and a residual part of current personnel.
- Coverage of retirement and death for certain employees.
- Gas subsidy for current and retired personnel.
- Electricity for current and retired personnel.
- Obligations to employees that took early retirement until they reach official retirement age and early retirement plans.
- Salary supplements and contributions to social security for a group of employees taking early retirement until they can access ordinary retirement.
- Health care and other benefits.

The amounts recognised in the balance sheet for pensions and similar obligations, as well as the movement in the current value of the obligations and the fair value of the plan assets are determined as follows:

Present value of obligations	**2024**	2023
At 1 January	**639**	**622**
Interest cost	20	24
Changes recognised directly in equity	(18)	49
Benefits paid	(58)	(59)
Transfers and other	6	3
At 31 December	**589**	**639**

Fair value of plan assets		
At 1 January	**449**	**445**
Expected yield	14	17
Contributions	—	8
Changes recognised directly in equity	(15)	26
Benefits paid	(44)	(47)
At 31 December	**404**	**449**
Provisions for pensions and similar obligations	**185**	**190**

The amounts recognised in the income statement for all the above-mentioned defined benefit plans are as follows:

	2024	2023
Interest cost	6	7
Total charge to the income statement	**6**	**7**

Benefits for pensions and similar obligations, depending on the duration of the above commitments, are as follows:

	2024	2023
1 to 5 years	—	—
5 to 10 years	14	16
More than 10 years	171	174
Provisions for pensions and similar obligations	**185**	**190**

The plan assets expressed as a percentage of total assets are as follows:

% of total	**2024**	2023
Bonds	100%	100%

Cumulative actuarial gains and losses, net of the tax effect, recognised directly in equity are positive in the amount of Euros 22 million at 31 December 2024 (positive in the amount of Euros 20 million at 31 December 2023).

The change recognised in equity relates to actuarial losses and gains derived basically from variations in:

	2024	2023
Financial assumptions	(1)	13
Demographic assumptions	—	—
Experience	(2)	10
At 31 December	**(3)**	**23**

The actuarial assumptions are as follows:

	At 31.12.2024	At 31.12.2023
Discount rate (p.a.)	2.66% to 3.49%	3.21% to 3.30%
Expected return on plan assets (p.a.)	3.30% to 3.49%	3.21% to 3.30%
Future salary increases (p.a.)	2.00%	2.00%
Future pension increases (p.a.)	2.00%	2.00%
Inflation rate (annual)	2.00%	2.00%
Mortality table	PER2020 Col 1st order	PER2020 Col 1st order
Life expectancy:		
Men		
Retired at age 65 in the current year	25.13	25
Employees 45 years old currently, at the time of retirement	27.63	27.52
Women		
Retired at age 65 in the current year	28.85	28.72
Employees 45 years old currently, at the time of retirement	31.15	31.05

These assumptions are equally applicable to all the obligations, irrespective of the origin of their collective bargaining agreements.

The interest rates used to discount post-employment commitments are applied based on the period of each commitment and the reference curve is calculated applying observable rates for high-credit-quality corporate bonds (AA) issued in the Eurozone.

The costs of health care have been measured on the basis of the expected costs of the premiums of the medical care policies taken out. A 1% increase in the cost of these premiums would not have a significant impact on the liability recorded at 31 December 2024 and 2023, nor would it produce a material variation in the ordinary financial costs for future years in relation to that recorded in 2024 and 2023.

Other obligations with personnel

Within the framework of the Strategic Plan 2018-2022, a long-term incentive plan had been implemented for Naturgy executives not included in the plan mentioned in Note 11. The purpose of this plan was to align shareholders' interests, the materialisation of the Strategic Plan, and executives' multi-year variable remuneration.

As a result of the approval of the Strategic Plan 2021-2025, the extension was approved of the long-term incentive plan implemented with the approval of the Strategic Plan 2018-2022 for Naturgy executives not included in the plan mentioned in Note 11. This change maintains the aim of aligning shareholders' interests, the materialisation of the Strategic Plan and executives' multi-year variable remuneration. The amendment extends the term of the plan until 31 December 2025 for certain serving beneficiaries in order to contribute to the achievement of the Strategic Plan 2021-2025.

In order to compensate for the delay in collection derived from the extension of the plan, in 2021 a cash compensation was established which was paid upon the acceptance of the amendment and approval of the new ILP plan by the general meeting on 15 March 2022.

The provision for this commitment at 31 December 2024 amounted to Euros 18 million (Euros 14 million at 31 December 2023).

Other non-current provisions

The movement in other non-current provisions is as follows:

	2024	2023
At 1 January	**90**	**83**
– Appropriations	4	51
– Reversals and payments	(5)	(53)
– Transfers and other	4	9
At 31 December	**93**	**90**

“Other non-current provisions” mainly includes provisions recorded to cover obligations deriving from tax claims (Note 17).

No provision for business contracts was deemed necessary at 31 December 2024 or 2023.

At 31 December 2024, the estimated payment period for these obligations is Euros 93 million between one and five years (2023: Euros 90 million between one and five years).

Note 13. Financial liabilities

Set out below is a breakdown of financial liabilities, excluding “Trade and other payables”, at 31 December 2024 and 2023, by nature and category:

At 31.12.2024	**Amortised cost**	**Hedging derivatives**	**Total**
Bank borrowings	5,342	—	5,342
Derivatives (Note 14)	—	6	6
Other financial liabilities	1	—	1
Non-current borrowings	**5,343**	**6**	**5,349**
Bank borrowings	131	—	131
Derivatives (Note 14)	—	2	2
Finance lease liabilities	1	—	1
Current borrowings	**132**	**2**	**134**
Total	**5,475**	**8**	**5,483**

At 31.12.2023	Amortised cost	Hedging derivatives	Total
Bank borrowings	2,382	—	2,382
Other financial liabilities	1	—	1
Non-current borrowings	**2,383**	**—**	**2,383**
Bank borrowings	165	—	165
Current borrowings	**165**	**—**	**165**
Total	**2,548**	**—**	**2,548**

Financial liabilities recognised at fair value at 31 December 2024 and 2023 are classified as follows:

	At 31.12.2024				At 31.12.2023			
Financial liabilities	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**
Hedging derivatives	—	8	—	8	—	—	—	—
Total	**—**	**8**	**—**	**8**	**—**	**—**	**—**	**—**

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

	Carrying amount		Fair value	
	At 31.12.2024	At 31.12.2023	**At 31.12.2024**	At 31.12.2023
Bank borrowings, derivatives and other financial liabilities	5,349	2,383	5,418	2,377

The fair value of loans with fixed interest rates is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available at 31 December 2024 and 2023 on borrowings with similar credit and maturity characteristics. These valuations are based on the quoted price of similar financial instruments in an official market or on observable information in an official market (Level 2).

The movement in financial liabilities is as follows:

	Bank borrowings	**Derivatives**	**Finance lease liabilities**	**Other financial liabilities**	**Total**
At 01.01.2023	**2,472**	**25**	**—**	**1**	**2,498**
Additions	1,100	—	—	—	1,100
Decrease	(1,025)	(25)	—	—	(1,050)
At 31.12.2023	**2,547**	**—**	**—**	**1**	**2,548**
Additions	3,110	8	1	—	3,119
Decrease	(184)	—	—	—	(184)
At 31.12.2024	**5,473**	**8**	**1**	**1**	**5,483**

The following tables describe borrowings and maturities at 31 December 2024 and 2023, taking into account the impact of derivative hedges.

	2025	2026	2027	2028	2029	2030 and beyond	**Total**
At 31 December 2024:							
Fixed	91	91	91	309	263	1,407	2,252
Floating	43	10	455	1,536	435	752	3,231
Total	**134**	**101**	**546**	**1,845**	**698**	**2,159**	**5,483**

	2024	2025	2026	2027	2028	2029 and beyond	**Total**
At 31 December 2023:							
Fixed	93	191	91	91	249	530	1,245
Floating	72	31	—	700	31	469	1,303
Total	**165**	**222**	**91**	**791**	**280**	**999**	**2,548**

Setting aside the impact of derivatives on borrowings, fixed-rate debt would amount to Euros 616 million of total debt at 31 December 2024 (Euros 102 million at 31 December 2023) and variable-rate debt would amount to Euros 4,867 million at 31 December 2024 (Euros 2,446 million at 31 December 2023).

The following tables describe the gross borrowings denominated in foreign currencies at 31 December 2024 and 2023 and their maturities, taking into account the impact of the derivative hedges:

	2025	2026	2027	2028	2029	2030 and beyond	**Total**
At 31 December 2024:							
Euro debt	134	101	546	1,845	698	2,159	5,483
Total	**134**	**101**	**546**	**1,845**	**698**	**2,159**	**5,483**

	2024	2025	2026	2027	2028	2029 and beyond	**Total**
At 31 December 2023:							
Euro debt	165	222	91	791	280	999	2,548
Total	**165**	**222**	**91**	**791**	**280**	**999**	**2,548**

Borrowings bore an average effective interest rate in 2024 of 3.63% (2.46% in 2023) including the derivatives assigned to each transaction.

At 31 December 2024, bank borrowings include Euros 28 million in interest pending payment (Euros 12 million at 31 December 2023).

Most of the outstanding borrowings include a clause relating to a change in control, either by acquisition of more than 50% of the voting shares or by obtaining the right to appoint the majority of the members of the Board of Naturgy Energy Group, S.A. These clauses are subject to additional conditions and therefore their activation depends on the simultaneous occurrence of some of the following events: a material downgrade in the credit rating caused by the change in control, or the loss of investment grade status granted by rating agencies; inability to meet the financial obligations of the contract; a material detrimental event for the creditor; or a material adverse change in creditworthiness. These clauses involve the repayment of drawn-down debt, although they usually have a longer term than that granted in cases of early termination.

At the date of authorisation of these Annual accounts, the Company is not in breach of its financial obligations or of any type of obligation that could give rise to the early maturity of its financial commitments.

The main financial instruments are as follows:

Institutional financing

The Company has loans from the Official Credit Institute (ICO) in the form of instruments maturing in 2034 at the latest for a total amount of Euros 400 million (Euros 120 million in 2023).

Additionally, in connection with borrowings from institutional banks, the European Investment Bank (EIB) had granted financing to the Company at 31 December 2024 in the amount of Euros 2,064 million maturing between 2025 and 2044 (Euros 1,550 million at 31 December 2023).

Other bank borrowings

At 31 December 2024, payables to non-institutional credit institutions amount to Euros 3,009 million (Euros 877 million at 31 December 2023).

The Company continues to work on strengthening its financial profile and, in this respect, financing operations have been carried out with credit institutions that do not imply substantial modifications to the conditions of the initial debt for an amount of Euros 3,075 million for refinancing of credit lines and loans in Spain in 2024 (Euros 2,156 million in 2023), and which basically comprise:

2024

- Credit lines for an aggregate amount of Euros 1,900 million and loans of Euros 1,175 million were refinanced.

2023

- Credit lines in the aggregate amount of Euros 1,695 million and loans of Euros 461 million were refinanced.

- In December 2023, bank loans for an aggregate amount of Euros 750 million were arranged and were undrawn at 2023 year-end.

Naturgy also enjoys a comfortable debt maturity profile and balance sheet position, as well as flexibility in its investments and operating expenses for coping with the current economic scenario.

Of total bank borrowings, Euros 952 million (Euros 1,023 million at 31 December 2023) is subject to compliance with certain financial ratios.

ESG-linked financing

ESG-linked financing relates to credit lines in Spain, the cost of which is linked to at least one of the following ESG indicators:

- Direct GHG emissions: three-year average reduction (Mt CO_2/GWh).
- CO_2 intensity of electricity generation: three-year average reduction (tCO_2/GWh).
- Water consumption: three-year average reduction (hm3).
- Women in management positions (%).

The adjustment to the cost of debt is linked to the level of compliance with the above metrics and their variation against the previous year's indicators.

These credit lines, amounting to Euros 3,723 million (Euros 4,946 million at 31 December 2023) have not been drawn down and, therefore, the impact of the degree of compliance with these indicators on the financial cost is non-material.

In addition, the terms of said financing do not indicate the existence of an embedded derivative that needs to be separated.

Note 14. Risk management and derivative financial instruments

Risk management

Naturgy has a Risk Control and Management Model that seeks to ensure that the company's performance is predictable within an acceptable bounded range. This model identifies, controls, models, and establishes valuation methodologies, manages and establishes risk reporting, ensuring that the target risk profile and limits are maintained. The model is implemented on the basis of the principles of integration, segregation, homogeneity, coherence and transparency in corporate governance.

The Risk Management and Control Model is structured in four pillars:

- **Governance and risk management (Risk Governance)**
  Governance and management mechanism in place for all risk types, with the participation of the Management Committee.

- **Risk assessment**
  Methodology for the identification, evaluation and measurement/quantification of risks, defining the risk assessment methodologies, harmonising common procedures for the identification, assessment and treatment of the information associated with each risk, to ensure uniformity and coherence both when quantifying them individually and when subsequently aggregating them, with the aim of achieving a homogeneous, integrated vision of them.

- **Risk appetite**
  Definition of risk tolerance by setting limits for the main risk categories, as a function of the group's targets.

- **Risk reporting**
  Regular, systematic risk reporting at different management levels, expressed in the Corporate Risk Map and recurring risk reports.

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.

The Company employs financial swaps to manage exposure to interest rate fluctuations, swapping floating rates for fixed rates.

The debt structure at 31 December 2024 and 2023 (Note 13), after taking into account the hedges arranged through derivatives, is as follows:

	At 31.12.2024	At 31.12.2023
Fixed interest rate	2,252	1,245
Floating interest rate	3,231	1,303
Total	**5,483**	**2,548**

The variable interest rate is subject to fluctuations in the Euribor.

The sensitivity of results and equity (Value change adjustments) to interest rate fluctuations is as follows:

	Increase/decrease in interest rates (basis points)	**Effect on profit before tax**	**Effect on equity before tax**
31 December 2024	50	(16)	19
	-50	16	(19)
31 December 2023	50	(7)	13
	-50	7	(13)

After observing a decline in Eurozone inflation from a peak of 10.6% in October 2022 to 1.8% in October 2024, the European Central Bank determined in June, September, October and December 2024 to lower the three official interest rates, with the result that the main refinancing rate was reduced to 3.15%, from 4.5% in September 2023. On 30 January 2025, the European Central Bank announced a further reduction in the three official interest rates, bringing the main refinancing rate down to 2.90%.

Exchange rate risk

Variations in exchange rates can affect the fair value of:

- The euro equivalent value of cash flows related to the purchase and sale of gas and other commodities denominated in currencies other than local or functional currencies.
- Debt denominated in currencies other than local or functional currencies.
- Transactions and investments in currencies other than the euro, and, accordingly, the euro equivalent value of the contributed equity and results.

The Company finances its investments in local currency in order to mitigate these risks to the extent possible. Furthermore, whenever possible, it tries to match costs and revenues referenced to the same currency, as well as amounts and maturities of assets and liabilities arising from operations denominated in currencies other than the euro.

For open positions, the risks in investments in non-functional currencies are managed through financial swaps and foreign exchange fluctuation insurance when its marginal contribution to the risk is material and can exceed the established risk limits.

The currency other than the euro with which the Company operates most is the US dollar. The sensitivity of the Company's profits and equity (Value change adjustments) to a 5% variation (increase or decrease) in the US dollar/ euro exchange rate has no material impact at 31 December 2024 and 2023.

Commodity price risk

A sizeable proportion of Naturgy's profits are linked to the purchase of gas for supplying a diversified portfolio of customers.

These gas procurement contracts are mostly signed on a long-term basis with purchase prices based on a combination of different commodity prices, basically crude oil and its derivatives and natural gas hubs.

However, selling prices to final customers are generally agreed on a short/medium term basis and are conditioned by the supply/demand balance existing at a given time in the gas market. This may result in decoupling from gas procurement prices.

Therefore, Naturgy is exposed to the risk of gas price fluctuations with respect to the selling price to end customers. Exposure to this risk is managed and mitigated by natural hedging, seeking to balance the commodity exposures of both prices. In addition, some supply contracts allow this exposure to be managed through volume flexibility and repricing mechanisms.

When it is not possible to achieve a natural hedge, the position is managed, within reasonable risk parameters, through derivatives to reduce exposure to price decoupling risk, generally through hedging instruments. However, ineffectiveness in these hedges could be caused by changes in the expected dates of the purchase and sale transactions, by a reduction in the volumes hedged or by a decoupling from the indices hedged in the purchase and sale transactions.

The Company also purchases gas in the market to be supplied to other Naturgy companies.

In the integrated electricity businesses, the company's aggregate exposure is determined by the strategic generation/supply positioning and by the final sales pricing policies in electricity supply.

Gas prices began to escalate late in 2021 and peaked in 2022 following the impact of the war in Ukraine. Prices began to decline in 2023 and this trend was maintained in 2024, when prices stabilised somewhat.

Naturgy is exposed to changes in the price of CO_2 emission rights for generation in its combined cycle plants, although it is estimated that a reasonably possible change in the price of rights would not significantly affect profit for the year or equity.

Naturgy does not have any material investments in upstream businesses or raw materials production.

Business segment sensitivity to the prices of oil, gas, coal and electricity is discussed below:

- Gas and electricity distribution. This is a regulated activity in which revenue and profit margins are linked to distribution infrastructure management services rendered, irrespective of the prices of the commodities distributed.

- Gas and electricity supply. Profit margins on gas and electricity supply activities are directly affected by commodity prices. In this regard, Naturgy has a risk policy that stipulates the tolerance range, based on applicable risk limits, among other aspects. Measures employed to keep risk within the stipulated limits include active procurement management, balanced acquisitions and sales formulae, and specific hedging so as to maximise the risk-profit relationship. Supplementary to the above-mentioned policy, Naturgy has mechanisms for ordinary and extraordinary price reviews, by means of the relevant clauses, with a large part of its procurement portfolio. These clauses allow, in the medium term, the modulation of impacts in the event of any decoupling between Naturgy's selling prices in its markets and the evolution of prices in its procurement portfolio.

Credit risk

Credit risk is defined as the potential loss resulting from the possible nonfulfillment of the contractual obligations of counterparties with which Naturgy does business.

Naturgy performs solvency analyses on the basis of which credit limits are assigned and any necessary hedges are determined. Based on these models, the probability of customer default can be measured and the expected commercial loss can be kept under control. In addition, credit quality and portfolio exposure are monitored on a recurring basis to ensure that potential losses are within the limits provided for by internal regulations. This allows a certain capacity to anticipate events in credit risk management.

Credit risk relating to trade receivables is reflected in the balance sheet net of provisions for bad debts (Note 9), estimated by the Company on the basis of the ageing of the debt and past experience in accordance with the prior segregation of customer portfolios and the current economic environment.

Credit risk relating to trade accounts receivable is historically limited given the short periods for collection from customers. Significant amounts do not accumulate individually before supply can be suspended due to non-payment, in accordance with applicable regulations.

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 in line with internal requirements. No significant defaults or losses arose in 2024 or 2023.

The ageing analysis of financial assets concluded that there were no unimpaired past-due financial assets at 31 December 2024 and 2023.

An ageing analysis of financial assets and related expected losses at 31 December 2024 and 2023 is set out below:

31.12.2024	**Total**	Current	0 to 180 days	180 to 360 days	Over 360 days
Expected loss ratio	76.5 %	—	—	—	100.0 %
Trade receivables for sales and services	17	2	2	—	13
Expected loss	13	—	—	—	13

31.12.2023	**Total**	Current	0 to 180 days	180 to 360 days	Over 360 days
Expected loss ratio	92.9 %	—	—	—	100.0 %
Trade receivables for sales and services	28	2	—	—	26
Expected loss	26	—	—	—	26

The expected loss ratio is calculated as the expected loss divided by customer receivables for sales and services rendered.

The change in the expected loss with respect to 31 December 2023 is due mainly to the transfer of the receivable generated in the period in which the Company acted as representative of Naturgy's generating companies in the wholesale electricity market and arises from delays in payment of Euros 17 million by supply companies (Note 9). It also includes the arrears received after the liquidation of the company Naturgy Informática, S.A.U., for an amount of Euros 4 million.

Impaired financial assets are broken down in Note 9.

Concerning supplier credit risk, the solvency of each supplier of products and services is guaranteed through the recurring analysis of their financial information, particularly prior to new engagements. To this end, the relevant assessment criteria are applied depending on the supplier's criticality in terms of service or concentration. This procedure is supported by control mechanisms and systems and supplier management.

At 31 December2024 and 2023, the Company did not have significant concentrations of credit risk.

At 31 December 2024, Naturgy updated its credit risk management model based on economic forecasts in the main countries in which it operates, taking into account various factors including the existing geopolitical conflicts affecting the world's economy and financial markets (see Note 3), but debtors' payment behaviour was not found to have a material impact on the Annual accounts.

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.

At 31 December 2024, the Company’s working capital was negative in the amount of Euros 102 million (Euros 2,271 million in 2023). At 31 December 2024, available liquidity totalled Euros 8,409 million (Euros 6,944 million in 2023), including cash and cash equivalents of Euros 3,136 million (Euros 1,598 million in 2023) described in Note 10 together with undrawn bank financing and credit lines totalling Euros 5,273 million (Euros 5,346 million in 2023).

There is also additional unused capacity to issue debt in capital markets amounting to Euros 7,149 million (Euros 6,099 million at 31 December 2023) (Note 15).

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

Capital management

The main purpose of the Company’s capital management is to ensure a financial structure that can optimise capital cost and maintain a solid financial position, in order to combine value creation for the shareholder with access to the financial markets at a competitive cost to cover financing needs.

Naturgy targets approximately 50% leverage in its long-term capital management strategy.

The Company's long-term credit rating is as follows:

	2024	2023
Standard & Poor’s	BBB (*)	BBB (*)
Fitch	BBB (*)	BBB (*)

(*) S&P: Stable outlook, Fitch: Stable outlook

Derivative financial instruments

The breakdown of derivative financial instruments by category and maturity is as follows:

	At 31.12.2024		At 31.12.2023	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Hedging derivative financial instruments	**11**	**6**	**22**	**—**
Interest rate hedges				
Cash flow hedges	11	6	22	—
Other financial instruments	**90**	**89**	**80**	**81**
Price of commodities	90	89	80	81
Derivative financial instruments – non current	**101**	**95**	**102**	**81**
Hedging derivative financial instruments	**19**	**2**	**34**	**—**
Interest rate hedges				
Cash flow hedges	19	—	34	—
Interest and exchange rate hedges				
Cash flow hedges	—	2	—	—
Other financial instruments	**280**	**280**	**5**	**5**
Commodity prices	280	280	5	5
Derivative financial instruments current	**299**	**282**	**39**	**5**
Total	**400**	**377**	**141**	**86**

The fair value of derivatives is determined based on the quoted price in an active market (Level 1) and observable variables in an active market (Level 2) .

"Other financial instruments" includes derivatives not qualifying for hedge accounting.

The impact on the Income statement of derivative financial instruments is as follows:

	2024		2023	
	Operating profit	**Net financial income**	**Operating profit**	**Net financial income**
Cash flow hedge	—	36	—	17
Other financial instruments	1	—	(2)	—
Total	**1**	**36**	**(2)**	**17**

The breakdown of derivatives at 31 December 2024 and 2023, their fair value and maturities of their notional values is as follows:

	At 31.12.2024							
	Fair value	**Notional value**						
		2025	**2026**	**2027**	**2028**	**2029**	**Subsequent years**	**Total**
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	24	477	48	329	209	489	—	1,552
INTEREST RATE AND EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Financial swaps (USD)	(2)	4	5	5	5	65	—	84
OTHER:								
Commodity price derivatives (EUR)	1	—	—	—	—	—	—	—
	23	**481**	**53**	**334**	**214**	**554**	**—**	**1,636**

	At 31.12.2023							
	Fair value	**Notional value**						
		2024	2025	2026	2027	2028	Subsequent years	**Total**
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	56	70	498	48	329	178	20	1,143
OTHER:								
Commodity price derivatives (EUR)	(1)	—	—	—	—	—	—	—
	55	**70**	**498**	**48**	**329**	**178**	**20**	**1,143**

Note 15. Payables to group companies and associates

The breakdown by maturity of payables to group companies is as follows:

Maturity	**At 31.12.2024**	At 31.12.2023
2024	—	3,967
2025	4,268	1,200
2026	716	1,595
2027	1,379	1,493
2028	816	806
2029	1,194	1,192
2030 and subsequent	1,100	610
Total	**9,473**	**10,863**

On 20 November 2023, the sole shareholder resolved to allow the Board of Directors of the issuer (Naturgy Finance, B.V.) to carry out a legal cross-border conversion in accordance with Directive (EU) 2019/2121 and the relevant implementing legislation in the Netherlands and Spain; under this process, the Issuer, without dissolving, winding up or going into liquidation, transferred its registered office from the Netherlands to Spain and converted its legal form from a Dutch limited liability company (B.V.) to a Spanish corporation (S.A.). The process was registered at the Madrid Mercantile Registry on 28 May 2024 and, consequently, the issuer changed its corporate name from Naturgy Finance B.V. to Naturgy Finance Iberia, S.A.U.

At 31 December 2024, payables to group companies are mainly debts recorded at amortised cost related to issuances carried out by Naturgy Finance Iberia, S.A.U. (Naturgy Finance, B.V. at 31 December 2023) under the European Medium-Term Notes (EMTN) programme. At 31 December 2023, they also included the debts recorded at amortised cost for the issues made by Naturgy Capital Markets, S.A., which were cancelled at maturity in April 2024.

Also included are the balances payable to Naturgy Finance, B.V. in respect of perpetual subordinated debentures amounting to Euros 500 million (Euros 1,000 million at 31 December 2023) and to Unión Fenosa Preferentes, S.A. relating to preference shares totalling Euros 110 million (Euros 110 million at 31 December 2023).

Also included, as payables to group companies, is accrued unmatured interest amounting to Euros 72 million (Euros 113 million in 2023) and cash pooling balances with Group companies for Euros 2,876 million, bearing interest at a rate of 3,762% (Euros 2,473 million in 2023 bearing interest at 3.056%), as well as balances with Group companies relating to consolidated corporate income tax amounting to Euros 120 million (Euros 209 million relating to consolidated corporate income tax and balances with group companies in connection with consolidated VAT amounting to Euros 21 million at 31 December 2023).

The detail of the Group companies' debts in connection with bond issues is as follows:

At 31 December 2024

Programme/Company	Country	Year formalised	Currency	Programme limit	Drawn-down nominal amount	Available	Issued in the year
Euro Commercial Paper (ECP) programme							
Naturgy Finance Iberia, S.A.U.	Spain	2010	Euros	1,000	—	1,000	—
European Medium Term Notes (EMTN) programme							
Naturgy Finance Iberia, S.A.U.	Spain	1999	Euros	12,000	5,851	6,149	1,000

At 31 December 2023

Programme/Company	Country	Year formalised	Currency	Programme limit	Drawn-down nominal amount	Available	Issued in the year
Euro Commercial Paper (ECP) programme							
Naturgy Finance B.V. (*)	Netherlands	2010	Euros	1,000	—	1,000	—
European Medium Term Notes (EMTN) programme							
Naturgy Capital Markets, S.A. and Naturgy Finance B.V. (*)	Netherlands /Spain	1999	Euros	12,000	7,005	4,995	—

(*) During 2024, the company Naturgy Finance BV changed its registered office to Spain and changed its name to Naturgy Finance Iberia, S.A.U..

As is habitual in the Euromarket, the bonds issued, in a volume of Euros 5,851 million (Euros 7,005 million at 31 December 2023), might be accelerated if a change in control triggered a downgrade of more than two full notches in at least two of the Company's three ratings and all the ratings fell below investment grade, and provided that the rating agency stated that the rating downgrade was the result of the change in control.

The main movements in 2024 and 2023 are as follows:

2024

In April 2024, the Company cancelled the debt linked to the repurchase of Euros 500 million of subordinated perpetual debentures issued in 2015 by Naturgy Finance, B.V. (now Naturgy Finance Iberia, S.A.U.) for the same amount.

In October 2024, Naturgy Finance Iberia, S.A.U. issued two bonds: Euros 500 million 6 years with a 3.25% coupon, and Euros 500 million 10 years with a 3.625% coupon. The funds were used to call Euros 1,000 million of bonds maturing between 2026 and 2027. This transaction had a positive impact on the Company's profit and loss account in the amount of Euros 19 million recognised under "Income from marketable securities and other financial instruments of group companies and associates" due to the debt related to Naturgy Finance Iberia, S.A.U.

In 2024, bonds matured for a total amount of Euros 1,154 million with an average coupon of 1.75%.

During 2024, no issues were made under the Euro Commercial Paper (ECP) programme and there were no outstanding issues under this programme at 31 December 2024.

2023

There were no issues under the EMTN or ECP programmes in 2023.

In 2023 bonds matured for a total amount of Euros 651 million with an average coupon of 3.59%.

There are no significant differences between the carrying amounts and fair values of Payables to group companies and associates.

Note 16. Other non-current liabilities and Trade and other payables

The “Other non-current liabilities” and “Trade and other payables” headings at 31 December 2024 and 2023, classified by nature and category, are as follows:

At 31.12.2024	**At fair value through profit and loss**	**Amortised cost**	**Total**
Derivatives (Note 14)	89	—	89
Other non-current liabilities	**89**	**—**	**89**
Derivatives (Note 14)	280	—	280
Other liabilities	—	217	217
Trade and other payables	**280**	**217**	**497**
Total	**369**	**217**	**586**

At 31.12.2023	At fair value through profit and loss	Amortised cost	Total
Derivatives (Note 14)	81	—	81
Other non-current liabilities	**81**	**—**	**81**
Derivatives (Note 14)	5	—	5
Other liabilities	—	215	215
Trade and other payables	**5**	**215**	**220**
Total	**86**	**215**	**301**

Fair value through profit and loss

Financial liabilities recognised at fair value at 31 December 2024 and 2023 are classified as follows:

	At 31.12.2024				At 31.12.2023			
Financial liabilities	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**
Fair value through profit and loss	—	369	—	369	—	86	—	86
Total	**—**	**369**	**—**	**369**	**—**	**86**	**—**	**86**

The "Derivatives" heading contains the market valuation of unsettled open interest with a credit balance corresponding to operating derivatives arranged by the Company to hedge gas prices of other group companies.

At 31 December 2024, the balance of non-current and current derivatives with group companies is Euros 29 million and Euros 13 million, respectively (Euros 58 million and Euros 0 million at 31 December 2023).

Amortised cost

The breakdown of this account is as follows:

	At 31.12.2024	At 31.12.2023
Trade payables	56	72
Trade payables, Group companies and associates	77	14
Other payables	—	42
Personnel (outstanding remuneration)	40	40
Public Administrations	2	47
Current tax liabilities (Note 17)	42	—
Total	**217**	**215**

Most payables do not accrue interest and have contractual maturity dates of less than 30 days, in the case of payables for gas purchases, and within the legal limits for other suppliers.

Information on the average supplier payment period.

The average payment period is calculated in accordance with Law 15/2010 on measures to combat late payment in business operations and the changes brought in under Law 18/2022 of 28 September on the formation and growth of companies.

In accordance with the above regulations, the information to be included in the notes to the Annual accounts in relation to the average supplier payment period in commercial transactions is as follows:

	2024	2023
	Amount	Amount
Total payments (thousand euro)	269,886	432,685
Total outstanding payments (thousand euro)	28,591	19,037
Average supplier payment period (days) (1)	30	19
Transactions paid ratio (days) (2)	31	19
Transactions pending payment ratio (days) (3)	27	25
Total payments within the period established in the default regulations (thousands of euros)	266,096	428,694
% of the amount paid within the period established in the default regulations with respect to the total amount paid	98.60 %	99.08 %
Number of invoices paid within the period established in the default regulations	19,270	14,461
% of invoices paid within the period established in the default regulations with respect to the total invoices paid	97.63 %	96.36 %

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

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

(3) Average age, suppliers pending payment balance.

Note 17. Tax situation

Naturgy Energy Group, S.A. is the parent of Tax Group 59/93, which includes all the companies resident in Spain that are at least 75% directly or indirectly owned by the parent company and that fulfil certain requirements, with the result that the group's taxable income, deductions and tax credits are calculated on an overall basis. The tax group for 2024 is analysed in Appendix I.

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 reconciliation of accounting profit for 2024 and 2023 to taxable income is as follows:

	At 31.12.2024	At 31.12.2023
Accounting profit before tax	**1,063**	**1,197**
Permanent differences	**(973)**	**(1,184)**
Temporary differences:		
Arising during current year	16	46
Arising in prior years	(42)	(47)
Taxable income	**64**	**12**

Permanent differences relate mainly to the application of the tax consolidation system and the double taxation exemption for dividends and income derived from the transfer of shares under Article 21 of Law 27/2014 on Corporate Income Tax, which has led to negative permanent differences of Euros 915 million resulting from negative adjustments for dividends accruing during the year (Euros 1,138 million in 2023), the reversal of impairment of shareholdings in Group companies and associates and other equity interests amounting to Euros 65 million (impairment reversals of Euros 54 million in 2023), the upward adjustment for donations and other minor adjustments amounting to Euros 7 million (Euros 8 million in 2023).

Taxable income generated in 2024 by the Company amounts to Euros 64 million (Euros 12 million of taxable income in 2023).

Income tax expense is as follows:

	2024	2023
Current-year tax	(1)	26
Deferred tax	(5)	(12)
Total	**(6)**	**14**

Current corporate income tax is the result of applying a 25% tax rate to taxable income. In the tax group, tax credits applied by the Company in 2024 amounted to Euros 16 million (Euros 28 million in 2023) and no tax losses were offset.

At 31 December 2024, prepayments in respect of the Group's consolidated corporate income tax amounted to Euros 111 million (Euros 91 million in 2023) and withholdings on investment income amounting to Euros 10 million (Euros 4 million in 2023). The Company, as the parent company of the tax group, also records the net balance of the settlement for the other group companies (Notes 7 and 15).

In 2024, positive adjustments were recognised for tax differences from the previous year amounting to Euros 1 million (Euros 1 million in 2023).

Income qualifying for the tax scheme for transfers of assets made in compliance with competition law (Additional Provision 4 of the Revised Corporate Income Tax Law) is explained below:

Year of sale	Amount obtained on the sale	Amount reinvested	Capital gain	Capital gain included in tax base	Capital gain pending inclusion in tax base
2002	917	917	462	20	442
2003	39	39	20	—	20
2004	292	292	177	11	166
2005	432	432	300	2	298
2006	310	310	226	—	226
2009	161	161	87	—	87
2010	752	752	551	1	550
2011	468	468	394	2	392
2012	38	38	32	—	32
Total	**3,409**	**3,409**	**2,249**	**36**	**2,213**

The reinvestment has been made in fixed assets used in business activities both by the Company and by the other companies in the tax group, pursuant to Article 75 of the Revised Corporate Income Tax Law.

A breakdown of the tax effect of each item on the Statement of Recognised Income and Expenses is as follows:

	At 31.12.2024			At 31.12.2023		
	Gross	**Tax effect**	**Net**	**Gross**	**Tax effect**	**Net**
Cash flow hedges	31	(8)	23	30	(7)	23
Actuarial gains and losses and other adjustments	(3)	1	(2)	23	(6)	17
	28	**(7)**	**21**	**53**	**(13)**	**40**

A breakdown of deferred taxes is as follows:

	At 31.12.2024	At 31.12.2023
Deferred tax assets:	127	129
- Realisable within one year	10	17
- Realisable in more than one year	117	112
Deferred tax liabilities:	(263)	(267)
- Realisable in more than one year	(263)	(267)
Net deferred tax	**(136)**	**(138)**

Set out below is an analysis of and movements in deferred taxes:

Deferred tax assets	**Provisions**	**Tax credits**	**Valuation of assets and financial instruments**	**Goodwill**	**Other**	**Total**
At 1.1.2023	**82**	**28**	**—**	**9**	**1**	**120**
Creation (reversal)	—	—	—	(1)	—	(1)
Movements linked to equity adjustments	6	—	—	—	—	6
Transfers and other	2	2	—	—	—	4
At 31.12.2023	**90**	**30**	**—**	**8**	**1**	**129**
Creation (reversal)	(6)	—	—	(1)	—	(7)
Movements linked to equity adjustments	(1)	—	1	—	—	—
Transfers and other	4	2	—	—	(1)	5
At 31.12.2024	**87**	**32**	**1**	**7**	**—**	**127**

Deferred tax liabilities	Differences Depreciation	Deferred gains	Valuation of liabilities and financial instruments	Other	Total
At 1.1.2023	**2**	**207**	**22**	**44**	**275**
Creation (reversal)	(1)	—	—	12	11
Movements linked to equity adjustments	—	—	(7)	—	(7)
Transfers and other	—	—	—	(12)	(12)
At 31.12.2023	**1**	**207**	**15**	**44**	**267**
Creation (reversal)	—	—	—	(2)	(2)
Movements linked to equity adjustments	—	—	(7)	—	(7)
Transfers and other	—	—	—	5	5
At 31.12.2024	**1**	**207**	**8**	**47**	**263**

The main regulatory issues impacting the Company's tax position in 2024 and 2023 are as follows:

Temporary Energy Levy:

Law 38/2022, enacting the Temporary Energy Levy, among other matters, was published on 28 December 2022. This levy is payable by the main operators in the various energy sectors. If the main operator is part of a tax group, the levy is 1.2% of the net turnover of the tax group after eliminating the amounts corresponding to regulated activities.

Royal Decree Law 8/2023 of 27 December, published in the Official State Gazette on 28 December, extended the application of the levy until 2024, incorporating for 2024, through the General State Budget Law for 2024, an incentive, applicable to the parties liable to the temporary energy tax, for strategic investments that are essential to Spain's ecological transition. These include energy storage, new renewable fuels (e.g. biogas, biomethane or green hydrogen) and any associated network infrastructures, and associated investments in the domestic or European value chain to contribute to energy autonomy, to be made as from 1 January 2024.

The levy is treated as a non-tax contribution to the exchequer and, accordingly, the total amount for the year was recognised under taxes other than income tax on 1 January 2023 and 2024, which are the dates of accrual of the levy. The energy levy was paid in 2024 on the basis of the amounts for 2023, following the same criteria as in the previous year, with a partial payment of 50% on 20 February and the final payment on 20 September. The amount paid by the Company in this respect was Euros 89 million in 2024 (Euros 165 million in 2023), and was allocated to the other companies in the tax group on the basis of their net turnover, with the Company paying an amount of less than Euros 1 million in 2024 (Euros 1 million euros in 2023).

In February 2024, the Spanish tax authorities notified the Company of a partial audit of the Temporary Energy Levy for the year 2023. Pursuant to the provisions of the General Taxation Law, the inspectorate was asked to transform the proceedings into a full audit.

In September 2024, the Company rejected an assessment that proposed a total regularisation of Euros 86.5 million (Euros 83 million euros of tax and Euros 3.5 million of interest). Pleadings were submitted against this assessment that were rejected by the tax authorities in a decision notified on 27 January 2025, which entails ratification of the assessment. Naturgy will appeal the assessment before the Central Economic-Administrative Tribunal within the legally established deadline and plans to post a bond in order to suspend the payment.

At 31 December 2024, Naturgy has recognised a provision for the adjustment proposed by the tax inspection for the 2023 tax year as well as for the estimate of a possible adjustment of 2024 tax, which has been distributed among the companies in the tax group using the same criterion as for distributing the payments made under the self-assessments that were initially submitted; the amount of the provision relating to the Company is Euros 4 million (Note 12).

After an in-depth analysis of the regulations governing the energy levy, in 2023 the Group filed a claim before the National High Court and filed a request for refund of Euros 165 million paid unduly in 2023 (in relation to 2022), and it is preparing a request for the refund of Euros 89 million paid unduly in 2024 (in relation to 2023).

An amendment was added to the Top-up Tax Law 7/2024 in its passage through the Spanish Parliament: a final provision was added repealing Article 1 of Law 38/2022, which constitutes a de facto repeal of the Temporary Energy Levy and rules out the possibility that it may be extended to 2025 via a Royal Decree Law.

In response to this repeal, the subsequent meeting of the Spanish Cabinet on 23 December 2024 adopted Royal Decree Law 10/2024, of 23 December, published in the Official State Gazette on 24 December, which re-imposed the Temporary Energy Levy for 2025, on the basis of turnover in 2024.

The Plenary Session of the Congress of Deputies on 22 January 2025 did not ratify Royal Decree Law 10/2024, of 23 December, which consequently lapsed, meaning that no amount will accrue in 2025 for the Temporary Energy Levy.

OECD Pillar 2:

Ahead of the implementation of the rules included in the Organisation for Economic Cooperation and Development (OECD) Pillar Two, Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union was approved on 15 December 2022. The Directive establishes a minimum tax rate of 15% for all Group companies in each country in which operates. If in any country the minimum 15% rate is not complied with, the difference must be paid in the country of residence of the parent company, Spain in the case of Naturgy.

In order to transpose the Directive into Spanish law, on 21 December 2024, Spain's Official State Gazette published Law 7/2024 of 20 December, which establishes a top-up tax to guarantee an overall minimum level for multinational enterprise groups and large-scale domestic groups, a tax on the net interest income and fees of certain financial institutions and a tax on liquids for electronic cigarettes and other tobacco-related products, and modifies other tax regulations, in effect for annual periods beginning after 31 December 2023; consequently, it is fully applicable to Naturgy in 2024.

Transitional Provision Eight of Law 7/2024 provides for a mandatory temporary exception to the recognition of deferred tax assets and liabilities arising from the implementation of the law establishing a top-up tax and other domestic rules adopted to ensure an overall minimum level of taxation for multinational groups or large domestic groups, and requires further disclosures in the Annual accounts.

In the case of Ireland, a country where Naturgy operates, the national tax authorities have announced that, in compliance with Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union, the Finance Act 2024 introduced a top-up tax to bring the minimum tax rate to 15% from the current 12.5%. The entry into force of this legislation in 2024 resulted in the recognition in Ireland of Euros 1.4 million in top-up tax to attain the minimum rate of 15%.

Naturgy assessed the impact that the application of the current Top-up Tax Law would have for the Group. The possible application of the safe harbours derived from the existing data in the Qualified Country-by-Country Report was analysed and, in the event that no safe harbour is applicable, the amount of top-up tax that would need to be recognised in Spain has been analysed. As a result of this analysis, it was determined that, with the exception of Puerto Rico, all jurisdictions in which the Group operates are covered by the safe harbours applicable in the first two years of application of the top-up tax.

In the specific case of Puerto Rico, the top-up tax that had to be recognised by the Company at 31 December 2024 is Euros 0.5 million. As the Irish top-up tax is treated as a covered tax for the purposes of the Spanish top-up tax, no additional impact needs to be reflected in the annual accounts.

The Company is also analysing the implementation of the most appropriate technological tools to comply with the new tax obligations imposed by Pillar 2 and, specifically, by Spanish Law 7/2024, of 20 December.

Corporate income tax and other taxes:

Royal Decree Law 8/2023, of 27 December, published in the Official State Gazette on 28 December, incorporated a series of tax measures with an impact in 2024, including the following:

- Extension of the application of the reduced VAT rate of 10% on the supply of electricity to customers with an installed capacity of less than 10 kW or who are at risk of social exclusion (to 31 December 2024), as well as on the supply of natural gas, pellets, briquettes and wood from biomass for heating systems (to 30 June 2024).

- The Tax on the Value of Electricity Production is being gradually phased back in so that the tax base for the first quarter will include only 50% of the total tax for production and incorporation into the electricity system, measured at power plant busbars. For the second quarter 75% of the amount will be applied and for the third and fourth quarters 100% of the tax base will be considered.

- The rate of the Special Electricity Levy will gradually be increased, such that in the first quarter of 2024 the applicable rate will be 2.5% and for the second quarter the rate will be 3.8%; from the third quarter onwards, the tax rate will return to the rate provided for in Law 38/1992 on Excise Duties, set at 5.11269632%.

Law 38/2022 also introduced a change in the tax consolidation system with effects limited to 2023, whereby the tax base of groups taxed under the consolidation scheme may only include 50% of individual tax losses, while the remaining 50% is to be applied over the following 10 years. The impact of this measure on corporate income tax for 2023 was a Euros 28 million increase in the tax expense. Law 7/2024 extended this rule to cover 2024 and 2025, resulting in an increase of Euros 69 million in the 2024 corporate income tax expense.

Law 7/2024 also reintroduced the provisions of Royal Decree Law 3/2016 that had been declared unconstitutional by the Constitutional Court in its ruling of 18 January 2024, specifically the more stringent limits for offsetting tax losses and applying deductions for double taxation and the obligation to integrate in the tax base any impairments of holdings that had been deducted before 1 January 2013. The expected impact for Naturgy is a tax refund of Euros 9 million plus default interest estimated at Euros 2 million and a tax refund of Euros 16 million plus interest of Euros 1.5 million arising from the removal of the limitation on offsetting tax loss carryforwards.

The amount recovered as a result of the reversal of the impairment of holdings must be repaid over the following three financial years, in accordance with the provisions of Law 7/2024.

This measure did not have any impact on the Company's 2024 income statement, but merely reflected a tax credit of less than Euros 1 million.

Audits and inspections:

In July 2021 tax inspection proceedings were instigated against the Company 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. These proceedings are partial in nature in both taxes, the object of the verification being limited to certain aspects of the tax obligation. The periods under inspection for corporate income tax purposes (tax consolidation regime) are those between 2016 and 2019 and for VAT purposes (corporate group regime) are those between September 2017 and December 2020.

In addition, as part of the same inspection procedure, personal income tax withholdings and payments on account from earned income for the period September 2017 to December 2020, and non-resident income tax and withholdings on investment income for the period April 2018 to December 2020 have been subject to a limited scope verification.

Tax assessments with respect to Group personal income tax withholdings and VAT were accepted, resulting in a total adjustment of Euros 0.2 million and Euros 1.2 million, respectively, including default interest. The amount, which had been fully provisioned, was paid in May 2023.

In May 2023, the tax assessments for corporate income tax were accepted, resulting in an adjustment of Euros 36 million (Euros 31 million in tax and Euros 5 million in interest). This amount had been fully provisioned and was paid in July 2023 within the statutory deadline.

In July 2023, an assessment was contested relating to withholdings and payments on account from investment income paid to non-resident entities which, at the date of issue of these Annual accounts, has been appealed against before the Central Economic-Administrative Court (Note 27).

Concerning tax-related appeals, on 29 September 2022, a ruling was received from the Central Economic-Administrative Court (TEAC) on an appeal against the tax assessments resulting from an inspection on corporate income tax for the periods 2011-2015, which were contested and which regularised the deduction for international double taxation. The TEAC rejected the appeal in its entirety and an administrative appeal was lodged against that ruling before the National High Court. At the date of authorisation of these Annual accounts, all the formalities have been completed at the National High Court, except for setting a date for the vote and judgement procedure.

Enforcement of the assessments has been suspended and the provision for the full amount of the liability is recorded under "Provisions" (Note 12) and has been updated at 31 December 2024 and 2023 for the default interest accrued while the suspension continues.

In accordance with Spanish tax legislation, at the date of authorisation 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 inspection 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 these Annual accounts.

Naturgy assesses uncertain tax treatments and reflects the effect of uncertainty on taxable income (losses), tax bases, and unused tax losses or tax credits. Naturgy has adequate coverage for possible obligations deriving from a number of tax claims. There are no lawsuits or uncertain tax treatments which are individually material.

Corporate transactions with a tax impact

In previous year, the Company carried out the following transactions with an impact on its tax position:

- In 2015, the Company spun off the nuclear power generation business to Naturgy Generación, S.L.U. Pursuant to Article 76.3 of Law 27/2014 on corporate income tax in force in 2015, this operation was defined as a non-cash contribution of a line of business and was thus subject to the special scheme provided by Title VII, Chapter VIII of that law. The information requirements stipulated in the special tax scheme are fulfilled in the notes to the Company's 2015 Annual accounts.

- In 2014, the Company spun off the thermal and hydroelectric power generation business to Naturgy Generación, S.L.U. Pursuant to article 83.3 of Royal Decree-Law 4/2004 enacting the Revised Corporate Income Tax Law act, this operation is defined as a non-cash contribution of a line of business and is thus subject to the special scheme provided for in Title VII, Chapter VIII of that Law. The information requirements stipulated in the special tax scheme are fulfilled in the notes to the Company's 2014 Annual accounts.

- In 2009, Unión Fenosa, S.A. and Unión Fenosa Generación S.A. were merged into the Company. The merger was performed under the special tax scheme for mergers, spin-offs, asset contributions, share exchanges and changes of registered address of European companies or European cooperatives from one European Union Member State to another, regulated in Title VII, Chapter VIII of the Revised corporate income tax act. The disclosure requirements stipulated in the special tax scheme are fulfilled in the notes to the Company's 2009 Annual accounts.

Note 18. Revenue

Revenue breaks down as follows:

	2024	2023
Natural gas sales and other	9	173
Income from equity instruments of Group companies and associates (Note 7)	950	1,187
Income from marketable securities and other financial instruments of group companies and associates	509	458
Total	**1,468**	**1,818**

	2024	2023
Domestic market	1,459	1,663
Foreign market:	9	155
- European Union	8	155
- Other countries	1	—
Total	**1,468**	**1,818**

Gas sales are made basically in the European market and relate to the sale of gas to other Naturgy companies in which the Company acts as principal.

The "Income from marketable securities and other financial instruments of group companies and associates" includes the financial income derived from the debt linked to the bond issue and repurchase transaction carried out in October 2024 by Naturgy Finance Iberia, S.A.U. in the amount of Euros 19 million (Note 15).

Note 19. Raw materials and consumables

Includes gas purchases related to the activity of selling gas to other Naturgy companies in which the Company acts as principal.

Note 20. Personnel expenses

A breakdown of this heading in the income statement for 2024 and 2023 is as follows:

	2024	2023
Wages and salaries	55	53
Termination benefits	7	25
Share-based payments (Note 11)	2	5
Social security costs	6	5
Other social costs	3	4
Other	5	5
Total	**78**	**97**

At 31 December 2024, Naturgy had carried out a review and update of the professional categories used for the required disclosures in relation to the workforce. This change is intended to reflect the current organisational structure more closely and to improve alignment with the criteria used internally for staff management. The new system of professional categories provides a more representative and detailed view of the distribution of staff according to the roles and responsibilities assumed by each group within the organisation. To ensure comparability of information, the figures for 2023 that are presented for comparison have been reclassified in accordance with the new professional categories.

The average number of Company employees in 2024 and 2023 is as follows:

	2024	2023
Senior management	14	10
Executives	80	83
Middle management	37	34
Not included	130	123
Collective wage agreement	69	67
Total	**330**	**317**

The average number of Company employees during 2024 and 2023 with a disability equal to or greater than 33% is as follows:

	2024		2023	
	Men	**Women**	**Men**	**Women**
Senior management	—	—	—	—
Executives	—	—	—	—
Middle management	—	—	—	—
Not included	3	1	3	1
Collective wage agreement	1	1	1	1
Total	**4**	**2**	**4**	**2**

The number of Company employees at the end of 2024 and 2023, broken down by category and gender, is as follows:

	2024		2023	
	Men	**Women**	**Men**	**Women**
Senior management	11	4	8	1
Executives	51	31	47	35
Middle management	19	19	18	18
Not included	50	90	48	75
Collective wage agreement	28	45	24	39
Total	**159**	**189**	**145**	**168**

Note 21. Other operating expenses

A breakdown of this heading in the income statement for 2024 and 2023 is as follows:

	2024	2023
Leases, royalties, operation and maintenance	46	27
Professional services and insurance	17	19
Advertising and other commercial services	22	17
Contribution to Naturgy Foundation	6	6
Banking services	6	6
Utilities	11	5
Taxes	6	2
Lean Services	6	45
Impairment losses and changes in trade provisions (Note 9)	(17)	—
Other	31	34
Total	**134**	**161**

In 2024, "Leases, royalties, operation and maintenance" includes the costs of maintenance and upkeep of software and renewal of computer licences relating to the activity of liquidated company Naturgy Informática, S.A.U. (Note 5, 6 and 7), which are borne by the Company.

The Company makes contributions to the Naturgy Foundation to enable it to carry out its energy and environmental projects, basically in the community area, as well to fund international initiatives. In the community area, the Naturgy Foundation has broadened its activities to place greater emphasis on its community initiatives, defining new strategic lines for actions aimed at palliating energy vulnerability.

In 2023, “Lean services” included Euros 41 million for transformation costs, while this item amounted to only Euros 4 million in 2024.

Note 22. Other operating income

This account includes Euros 113 million in transactions with group companies and associates in 2024 (Euros 62 million in 2023) and mainly relate to expenses passed on.

Note 23. Net financial income/(expense)

The breakdown of this account in the Income statement for 2024 and 2023 is as follows:

	2024	2023
Income from marketable securities and other financial instruments	75	61
Total financial income	**75**	**61**
Cost of borrowings	(395)	(331)
Interest expense on pensions (Note 12)	(6)	(7)
Other financial expense	(20)	(26)
Total financial expense	**(421)**	**(364)**
Impairment and gains/(losses) on disposals of financial instruments	—	(1)
Net financial income/(expense)	**(346)**	**(304)**

Other financial expenses include sundry fees and commissions, mainly for the renewal of loans with credit institutions and other items.

Note 24. Foreign currency transactions

Transactions effected in foreign currencies are analysed below, the main currency being the US dollar:

	2024	2023
Sales	—	48
Income from marketable securities and other financial instruments of group companies and associates	14	9
Purchases	—	(48)
Services received	(5)	(1)
Financial expenses on borrowings from third parties	(3)	(2)
Total	**6**	**6**

Note 25. Information on transactions with related parties

Related parties are as follows:

- Significant Naturgy shareholders, i.e. those directly or indirectly owning an interest of 5% or more, and those who, though not significant, have exercised the power to propose the appointment of a member of the Board of Directors.

  Based on that definition, Naturgy's related parties are as follows:
  - Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa", through Criteria Caixa S.A.U. (Criteria)
  - BlackRock Inc., mainly through GIP III Canary 1, S.à.r.l.(BlackRock)
  - CVC Capital Partners SICAV-FIS, S.A., through Rioja Acquisitions, S.à.r.l. (CVC)
  - IFM Global Infrastructure Fund, through Global InfraCo O (2), S.à.r.l. (IFM)

- Directors and executives/Senior Management of the company, and their close relatives. The term "director" means a member of the Board of Directors and the term "senior management" refers the Executive President, in relation to his executive functions and persons with senior management functions reporting directly to the Board of Directors, its Committees or the Executive President. Transactions with directors and executives/Senior Management are disclosed in Note 26.

- Transactions between Naturgy companies form part of ordinary activities and are effected at arm's length.

The aggregated amounts of operations with significant shareholders and Directors and executives are as follows (in thousand euros):

	At 31.12.2024			
	Significant shareholders			
Income and expense (in thousand euros)	**Criteria**	**CVC**	**BlackRock**	**IFM**
Total expenses	—	—	—	—
Total income	—	—	—	—

Other transactions (in thousand euros)	**Criteria**	**CVC**	**BlackRock (2)**	**IFM**
Dividends and other profits distributed (1)	362,544	281,201	280,193	212,387

(1) The dividends received by the Directors and Senior Management (Note 26) during 2024 were Euros 241 thousand.
(2) Dividends received through the participation of GIP III Canary 1, S.à.r.l.

	At 31.12.2023			
	Significant shareholders			
Income and expense (in thousand euros)	**Criteria**	**CVC**	**GIP**	**IFM**
Total expenses	—	—	—	—
Total income	—	—	—	—

Other transactions (in thousand Euros)	**Criteria**	**CVC**	**GIP**	**IFM**
Dividends and other profits distributed (1)	388,440	301,287	300,207	212,184

(1) The dividends received by the Directors and Senior Management (Note 26) during 2023 were Euros 254 thousand.

The aggregated amounts of operations with group companies and associates are as follows (in million euros):

	2024		2023	
Expenses, income and other transactions	**Group companies**	**Jointly-controlled entities and associates**	**Group companies**	**Jointly-controlled entities and associates**
Financial expenses	(242)	—	(270)	—
Receipt of services	(3)	—	(5)	—
Purchases of goods	(1)	—	(116)	—
Total expenses	**(246)**	**—**	**(391)**	**—**
Financial income	505	4	458	—
Dividends received	950	—	1,212	—
Sale of goods	79	—	241	—
Other income	202	—	226	—
Total income	**1,736**	**4**	**2,137**	**—**

In 2024 and 2023, "Purchases of goods" relates mainly to purchases of natural gas from Group companies.

In addition to dividends received from holdings in group companies, the "Dividends received" heading in the income statement includes supplementary dividends paid out of the share premium account and reserves, which are recognised as a reduction in the value of investments in group companies.

In 2024, all dividends received related to "Income from equity instruments of group companies and associates". In 2023, this item included an additional Euros 25 million of dividends recognised as a reduction in the value of investments in group companies (Note 7).

The "Sale of goods" heading includes sales of natural gas obtained through procurement contracts and gas commodity settlements passed on to group companies, which are recorded under net sales.

"Other income" basically includes income from passing on costs incurred (Note 22), including the allocation of the Temporary Energy Levy payments in the years 2024 and 2023 (Note 17).

Costs shared between the Company and other Naturgy companies are allocated on the basis of business or cost generation parameters.

Detailed definitions are prepared of services to be provided and of related activities or tasks in order to determine the measurement indicators for allocating costs. Transactions between companies are objective, transparent, non-discriminatory and always effected at arm's length.

Note 26. Information on members of the Board of Directors and Senior Management

Remuneration of the members of the Board of Directors

The remuneration policy for the members of the Board of Directors was approved at the General Shareholders' Meeting held on 15 March 2022 and is periodically reviewed by the Board of Directors following a report from the Appointments and Remuneration Committee, in order to keep it aligned with the best practices in the reference market and with the objectives indicated in the Bylaws.

The amount accrued by the members the Board of Directors of Naturgy Energy Group, S.A., for belonging to the Board of Directors, Audit and Control Committee (ACC), Appointments, Remuneration and Corporate Governance Committee (ARGC) and Sustainability Committee (SC), totalled Euros 3,737 thousand (Euros 3,737 thousand in 2023). The amount for 2024 is detailed below (expressed in euros):

	Office	Board	ACC	ARGC	SC	Total
Mr. Francisco Reynés Massanet	Executive Chairman	1,100,000				1,100,000
Ms. Helena Herrero Starkie	Coordinating Director	205,000	44,000		66,000	315,000
Mr. Ramon Adell Ramon	Director	175,000	44,000			219,000
Mr. Enrique Alcántara-García Irazoqui	Director	175,000		44,000		219,000
Ms. Isabel Estapé Tous	Director	175,000			44,000	219,000
Ms. Lucy Chadwick	Director	175,000			44,000	219,000
Mr. Rajaram Rao	Director	175,000		44,000		219,000
Mr. Claudi Santiago Ponsa	Director	175,000	66,000	44,000		285,000
Mr. Pedro Sainz de Baranda Riva	Director	175,000	44,000	66,000		285,000
Mr. Jaime Siles Fernández-Palacios	Director	175,000			44,000	219,000
Rioja S.à.r.l, Mr. Javier de Jaime Guijarro	Director	175,000		44,000		219,000
Mr. José Antonio Torre De Silva López de Letona	Director	175,000	44,000			219,000
		3,055,000	**242,000**	**242,000**	**198,000**	**3,737,000**

In 2024, as in 2023, no amounts were received for other items.

At 31 December 2024, the Board of Directors comprised 12 members (12 members at 31 December 2023), the Audit and Control Committee had 5 members (5 members at 31 December 2023), the Appointments, Remuneration and Corporate Governance Committee had 5 members (5 members at 31 December 2023) and the Sustainability Committee had 4 members (4 members at 31 December 2023).

The members of the Board of Directors of Naturgy Energy Group, S.A., excluding the Executive Chairman, have not received remuneration from profit sharing, bonuses or indemnities, and have not been granted any loans or advances. Neither have they received shares or share options during the year, nor have they exercised options or have options to be exercised.

The members of the Board of Directors are covered with the same liability policy that insures all managers and directors of Naturgy. The premium paid in 2023 by Naturgy Energy Group, S.A. amounted to Euros 519 thousand (Euros 673 thousand in 2023).

Senior management remuneration

For the sole purposes of the information contained in this section, Senior Management is defined as the Executive Chairman in relation to his executive functions, and the executives reporting directly to the Board of Directors, the Executive Chairman or the Internal Audit Director.

Based on the definition established in the preceding paragraph, at 31 December 2024, this group comprised 17 people (11 people at 31 December 2023), two of whom belonged to group companies, as in the previous year.

The amounts accrued in 2024 by 17 members of Senior management for fixed remuneration, variable remuneration and other items amounted to Euros 14,382 thousand (Euros 7,328 thousand, Euros 6,759 thousand and Euros 295 thousand, respectively) and Euros 11,504 thousand of the 11 members who were part of the Senior Management in 2023 (Euros 5,650 thousand, Euros 5,608 thousand and Euros 246 thousand, respectively). As in 2023, the amount relating to the annual variable remuneration of the Executive Chairman will be settled as a voluntary contribution to his retirement plan, in accordance with the terms of the relevant agreement

During 2024, the executives making up senior management did not receive any advances on the long-term variable incentive plan (Euros 103 thousand in 2023). Share-based payments are detailed in Note 11.

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 1,923 thousand in 2024 (Euros 1,657 thousand in 2023). The accrued amount of funds by these contributions amounts to Euros 32,913 thousand for all management as of 31 December 2024 (Euros 25,873 thousand as of 31 December 2023 for the then 11 members of Senior Management).

At 31 December 2024, Naturgy has granted guarantees on loans to senior management amounting to Euros 1,115 thousand (Euros 1,115 thousand at 31 December 2023) and advances amounting to Euros 29 thousand (there were no advances at 31 December 2023). No indemnities were paid for removal from the Management Committee in 2024 (none in 2023).

The Chairman's contract was approved by the Board of Directors on 6 February 2018 and, in line with the Director Remuneration Policy approved by the General Meeting of Shareholders on 28 March 2023, provides for a severance payment in the event of termination or non-renewal of his position as director in the amount of two annuities of his total remuneration: the total fixed remuneration, the annual variable remuneration and the annualised part of the long-term remuneration (equivalent to 1.25 times the total fixed remuneration). The indemnity will not be payable in the event of the serious and culpable nonfulfillment of his professional obligations causing significant harm to Naturgy's interests. In addition, as consideration for a post-contractual no-competition agreement with a duration of one year, an indemnity equivalent to one year’s full fixed remuneration is provided for.

The contracts concluded with 10 members of Management Committee contain a clause providing for compensation equivalent to the legally established indemnity, which varies, depending on seniority, between two and three-and-a-half years' salary. This clause applies to cases of unfair dismissal, as well as those referred to in Articles 40, 41 and 50 of the Workers' Statute, and, in one of the contracts, to certain situations involving a change in control. In addition, the ten contracts contain a clause providing for compensation equivalent to one year's fixed remuneration for a post-contractual non-competition commitment lasting up to two years.

Transactions with members of the Board of Directors and Senior Management

The Directors 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 Companies Law. Additionally, these articles require that conflicts of interest involving directors must be reported in the Annual accounts.

In 2024 and 2023, the directors of Naturgy Energy Group, S.A. did not notify the Board of Directors of any general situation of conflict of interest.

In transactions with related parties (significant shareholders) that have been submitted for approval by the Board, subject to a favourable report of the Audit Committee, any directors linked to the related party involved abstained in each case.

During 2024 and 2023, the members of the Board of Directors and the Management Committee did not carry out related-party transactions outside the ordinary course of business or transactions that were not conducted under normal market conditions with Naturgy Energy Group, S.A. or group companies.

Note 27. Contingent liabilities and commitments

Guarantees

Guarantees furnished by the Company at 31 December 2024 and 2023 are as follows:

- Guarantees provided to third parties, basically for investment commitments of group companies, amounting to Euros 11 million (Euros 11 million at 31 December 2023).
- Guarantees provided to public bodies, mainly for tax obligations, amounting to Euros 266 million (Euros 263 million at 31 December 2023).

- Guarantees to group companies Naturgy Finance Iberia, S.A.U. and Unión Fenosa Preferentes, S.A.U. for debt issuances carried out by them totalling Euros 6,461 million (Euros 8,115 million at 31 December 2023 for debt issues by Naturgy Capital Markets, S.A., Naturgy Finance, B.V. and Unión Fenosa Preferentes, S.A.U.).

- Guarantees for obligations under gas purchase and transport contracts and long-term (20 to 25 years) gas tanker charter contracts of group companies Naturgy LNG Marketing Ltd, Naturgy LNG GOM Limited and Naturgy Aprovisionamientos, S.A. At 31 December 2024, these contracts amount to Euros 6,722 million (Euros 7,693 million at 31 December 2023) valued on the basis of current market conditions for the commodities and currencies to which they are linked.

- Parent Company Guarantees (PCGs) associated with the derivative instruments contracted for a total amount of Euros 1,381 million (Euro 1,308 million at 31 December 2023).

As the above guarantees are basically granted in order to secure the fulfilment of contractual obligations or investment commitments, the events that would lead to their execution, and therefore a cash disbursement, would be the nonfulfillment by Naturgy of its obligations in the ordinary course of its business, the probability of which is considered remote. Naturgy estimates that the liabilities not foreseen at 31 December 2024, if any, that could arise from guarantees furnished would not be significant.

Contractual commitments

At 31 December 2024 and 2023, the Company has no long-term gas purchase commitments.

Operating lease commitments break down as follows:

	2024	2023
Up to one year	17	17
Between 1 and 5 years	46	46
Between 5 and 10 years	11	18
	74	**81**

In 2024, this mainly includes operating leases without purchase options on four properties, as detailed below:

Property	**Situation**	**Contract maturity**	**Contact extension**
Avda. San Luis, 77	Madrid	2026	5 years
Acanto, 11-13	Madrid	2026	5 years
Avda. América, 38	Madrid	2030	2 periods of 5 years
Avda. Diagonal, 525	Barcelona	2031	2 periods of 5 years

Contingent liabilities for litigation and arbitration

At the date of authorisation for issue of these Annual accounts, the Company is not involved in any legal or extrajudicial disputes that might result in the recognition of provisions for litigation in the balance sheet. Nevertheless, the main litigation or arbitration cases in which it is involved are disclosed below:

Contested withholding tax assessments

On 7 July 2023, assessments were received in respect of withholdings on account of non-resident income tax for the period 2018-2020 amounting to Euros 191 million, including interest; those assessments are being disputed and an administrative-financial appeal has been filed with the Central Economic-Administrative Court. At 31 December 2024, the Board of Directors does not consider it likely that the related risks will materialise.

Note 28. Auditors' fees

The fees accruing in 2024 and 2023 were as follows:

	2024			2023		
	KPMG Auditores, S.L	Rest of KPMG network	Total	KPMG Auditores, S.L	Rest of KPMG network	Total
Auditing services	1,165	—	**1,165**	877	—	877
Assurance services and services related to the audit	251	—	**251**	152	—	152
Tax services	—	102	**102**	—	105	105
Other services	210	44	**254**	—	88	88
Total fees	**1,626**	**146**	**1,772**	**1,029**	**193**	**1,222**

Note 29. Environment

Environmental actions

Naturgy is aware of its activities' environmental impacts and therefore the Group pays particular attention to the protection of the environment and the efficient use of natural resources to meet energy demand. The Global Sustainability Policy defines Naturgy's environmental action around eco-efficiency, the rational use of natural and energy resources, the minimisation of environmental impact, the promotion of innovation and the use of the best available technologies and processes. It also establishes Naturgy's voluntary commitment to be a key player in the energy transition towards a circular, decarbonised economy model which, in line with the objectives of the Paris Agreement, drives climate action and biodiversity protection while promoting a fair and inclusive transition by generating and improving employment opportunities.

Naturgy's most immediate, concrete and measurable responsibility towards the environment is set out in the Sustainability Plan, based on the Strategic Plan 2025-2027. The Sustainability Plan establishes the objectives that guide the Group in its daily performance, in line with applicable regulations and the European Sustainability Reporting Standards (NEIS).

Looking farther ahead, the Group is committed to investing today in sustainable activities, many of which are eligible under the European Taxonomy:

- Constructing new renewable generation facilities to reach an installed capacity of 9.5 GW by 2027.
- Focusing on carbon-neutral renewable gases with a target of injecting at least 1.6 TWh into gas networks in Spain by 2027.
- Protecting biodiversity, which is affected by the climate challenge, and overcoming the risk of a net loss of natural capital, as a strategic priority,

Naturgy is committed to being one of the key players in the energy transition towards a circular, decarbonised economy, in line with the goals of the Paris Agreement.

To this end, Naturgy will focus on six strategic environmental axes:

- Environmental governance and management
- Climate change
- Pollution
- Water resources
- Biodiversity and ecosystems
- Resource use and circular economy

Although the 2024 Consolidated Non-financial Information Statement and Sustainability Reporting contains detailed information on the company's environmental management performance and results, the main milestones are summarised below.

Environmental governance and management

- In 2024, the Environmental Policy was updated and integrated into the new Sustainability Policy. Additionally, the new Sustainability Plan 2025-2027 was been drawn up, aligned with Naturgy's new Strategic Plan, and sets the environmental objectives for this period.

- Naturgy maintains its ISO 14001 certification and no major environmental non-conformities have been disclosed in this connection.

- Both climate-related and nature-related risks are assessed using the voluntary TCFD (Task Force on Climate-related Financial Disclosures) and TNFD (Taskforce on Nature-related Financial Disclosures) frameworks, respectively.

Climate change

- At a meeting on 18 February 2025, the Board of Directors approved the Climate Transition Plan, which establishes the lines of action that Naturgy will pursue in the medium and long term to mitigate and adapt to climate change. In this regard, the company is committed to achieving net zero emissions (Net Zero) by 2050, considering all carbon footprint scopes and prioritising 1.5ºC reduction pathways where feasible, subject to the energy and regulatory policy of each of the countries where it operates, establishing intermediate emission reduction targets and minimising the use of offset mechanisms.

- In 2024, the total carbon footprint (scopes 1, 2 and 3) was reduced by 4.2% compared with 2023. Scope 1 emissions (direct emissions) amounted to 11.5 million tCO_2eq, 7.9% lower than in the previous year, mainly due to the lower operation of the Group's combined cycle power plants (net reduction of 2.8% in electricity generation compared to 2023, mainly in Spain). The weather in Spain in 2024 meant that it was a good year for renewable generation, leading to a reduction in the activity of combined cycle plants, which act as a back-up for hydroelectric and wind power generation, in contrast with 2023, which was a particularly dry year. Indirect scope 2 emissions amounted to 0.5 million tCO_2eq, an increase of 14%, and Scope 3 emissions amounted to 107.5 million tCO_2eq. The latter decreased by 5.6% for several reasons, most notably the increase in end-user demand for natural gas in all the countries where it is distributed and in the volume of LNG sold internationally.

- Renewable gases (biomethane and hydrogen) are the key lever for decarbonising Naturgy's gas business. In 2024, the Group was involved in biomethane projects, reaching a production and/or grid injection capacity of 0.348 TWh.

- 7,796 GWh of renewable electricity was supplied in Spain with guarantees of origin certified by the CNMC for more than 2.2 million contracts, representing 46% of the energy purchased and an increase of 27% over the previous year.

- 18,496 MWh of biomethane with renewable gas guarantees of origin, either in-house or purchased on the market, were supplied in Spain.

- Fuel consumption decreased by 9% due to the reduced operation of combined cycle power plants.

Water resources

- Water is a natural resource used in the Company's processes to which particular attention is paid, through analyses of the risks related to water use, discharge quality control, ecological reservoir management, eco-efficiency. and the reuse of water in processes, for instance through the integration of wastewater from other activities. Overall, 768.7 hm^3 were collected, of which 16.5 hm^3 have been consumed, with the difference returned to the environment in the form of discharges. In absolute terms, water consumption was reduced by 3.2% in 2024. This was due to the fact that the weather in Spain was favourable for renewable generation, with the result that the combined cycle plans, which act as a back-up for hydroelectric and wind power generation, operated for fewer hours than in 2023, which was a particularly dry year.

Biodiversity and ecosystems

- In 2024, Naturgy undertook numerous actions in the area of natural capital and biodiversity, all with the aim of preventing, reducing or offsetting our impacts so as to advance with our commitment to zero net loss of biodiversity and the enhancement of the value of the natural surroundings. Specifically, 368 biodiversity initiatives were implemented worldwide.

- In 2024, environmental restoration actions were carried out on 303 hectares. 20% of that area relates to protected areas, habitats or species.

Note 30. Events after the reporting date

On 20 January 2025, the Secretary of State for Energy issued a Resolution recognising the right to be compensated for financing the energy subsidy ("bono social"), in the amount of Euros 63 million plus interest accrued from the date of payment until reimbursement; the Resolution urged that the amount be paid.

On 18 February 2025, Naturgy's Board of Directors approved the 2025-2027 Strategic Plan and, consequently, the early expiry of the long-term Variable Incentive Plan discussed in Note 11. In addition to the early expiry of the plan, the Board of Directors, based on a proposal of the Appointments, Remuneration and Corporate Governance Committee, decided that the value of the surplus of the corporate vehicle generated in accordance with the conditions initially established, instead of the delivery of shares, should be settled in cash. Additionally, this also implies terminating the plan implemented for the executives not included in the previous plan described in Note 12 of the Annual accounts.

Furthermore, as part of the 2025-2027 Strategic Plan, it has been resolved to propose that the next Shareholders' Meeting authorise a public tender offer to acquire up to 10% of own shares in order to subsequently increase the company's free float with these shares.

Also on 18 February 2025, Naturgy's Board of Directors approved the proposal for the distribution of the Company's 2024 net profit and retained earnings, which will be submitted to the general meeting of shareholders as described in Note 11.

Apart from the foregoing, there have been no other material events since the reporting date.

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NATURGY TAX GROUP COMPANIES

The companies in the Naturgy tax group for the year 2024, according to the statement made to the State TaxAdministration Agency, are as follows:

Naturgy Energy Group, S.A.	Naturgy Generación Térmica, S.L.U.
Biometano Segria, S.L.	Naturgy Generación, S.L.U.
Boreas Eólica 2, S.A.	Naturgy Iberia, S.A.
Comercializadora Regulada, Gas & Power, S.A.	Naturgy Informática, S.A.U.
\`Encarnaciones Energy, S.L.	\`Naturgy Infraestructuras EMEA, S.L.
Energías Ambientales de Somozas, S.A.	Naturgy Ingeniería Nuclear, S.L.
Energías Renovables Agüimes, S.L.U.	\`Naturgy InnovaHub, S.L.
Europe Maghreb Pipeline, S.L.	Naturgy Inversiones Internacionales, S.A.
Gas Natural Comercializadora, S.A.	Naturgy LNG GOM, S.L.
Gas Natural Redes GLP, S.A.	Naturgy Nuevas Energías, S.L.U.
Gas Natural Transporte SDG, S.L.	Naturgy Participaciones, S.A.U.
General de Edificios y Solares, S.L.	Naturgy Renovables Canarias, S.L.U.
Global Power Generation, S.A.	Naturgy Renovables Ruralia, S.L.
GPG Ingeniería y Desarrollo de Generación, S.L.U.	Naturgy Renovables, S.L.U.
GPG México Wind, S.L.U.	Naturgy Vento, S.A.
GPG México, S.L.U.	Nedgia Andalucía, S.A.
H2Meirama, S.L.	Nedgia Aragón, S.A.
Holding de Negocios de Gas, S.A.	Nedgia Balears, S.A.
Holding Negocios Electricidad, S.A.	Nedgia Castilla La Mancha, S.A.
J.G.C. Cogeneración Daimiel, S.L.	Nedgia Catalunya, S.A.
La Propagadora del Gas, S.A.	Nedgia Cegas, S.A.
Lignitos de Meirama, S.A.	Nedgia Madrid, S.A.
Mangos Energy, S.L.	Nedgia Navarra, S.A.
Naturgy Acciones, S.L.U.	Nedgia, S.A.
Naturgy Alfa Investments, S.A.U.	Operación y Mantenimiento Energy, S.A.
Naturgy Aprovisionamientos, S.A.	Parque Eólico Nerea, S.L.
Naturgy Capital Markets, S.A.	Parque Eólico Peñarroldana, S.L.
Naturgy Ciclos Combinados, S.L.U.	Petroleum Oil & Gas España, S.A.
Naturgy Clientes, S.A.U.	Romera Eco Power Solar Energy, S.L.
Naturgy Comercializadora Empresas, S.A.U.	Sagane, S.A.
Naturgy Commodities Trading, S.A.	Societat Eòlica de L'Enderrocada, S.A.
Naturgy Distribución Latinoamérica, S.A.	Sol Morón Energy, S.L.
Naturgy Electricidad Colombia, S.L.	Tratamiento Cinca Medio, S.L.
Naturgy Engineering, S.L.	UFD Distribución Electricidad, S.A.
Naturgy Finance Iberia, S.A.U.	Unión Fenosa Preferentes, S.A.U.

Naturgy Energy Group. S.A.
2024 Report

DIRECTORS' REPORT

Directors' report for the year ended 31 December 2024

Contents

1. Main aggregates performance

The main financial aggregates of Naturgy Energy Group, S.A. and their performance are as follows:

	2024	2023	%
Net turnover	1,468	1,818	(19.3)
Operating profit	1,409	1,501	(6.1)
Profit for the year	1,057	1,211	(12.7)
Shareholders' equity	17,684	17,980	(1.6)
Net equity	17,704	18,023	(1.8)
Financial debt	5,483	2,548	115.2

(1) According to the definition of Alternative Performance Metrics (APM) used, Financial debt corresponds to the sum of the balance sheet headings"Long-term Financial Debt" (Euros 5,349 million at 31 December 2024 and Euros 2,383 million at 31 December 2023) and "Short-term financial debt" (Euros 134 million at 31 December 2024 and Euros 165 million at 31 December 2023). The relevance to use corresponds to the measure of the company's indebtedness, which includes current and non-current items. This indicator is widely used in capital markets to compare different companies.

Naturgy Energy Group, S.A., is a company that operates basically through holdings in other group and associated companies; accordingly, the information below refers to the Naturgy consolidated group (hereinafter, Naturgy).

1.1. Business performance and results

Notes on financial disclosures

– Naturgy's financial disclosures contain magnitudes drafted in accordance with International Financial Reporting Standards (IFRS) and Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS. The APMs are defined in the Appendix to the accompanying Consolidated Directors' Report.

Main financial aggregates

	2024	2023	Change (%)
Net sales	19,267	22,617	(14.8)%
EBITDA	5,365	5,475	(2.0)%
EBIT	3,549	3,470	2.3 %
Income attributable to equity holders of the parent	1,901	1,986	(4.3)%
Capital expenditure (CAPEX) [1]	2,280	2,747	(17.0)%
Net borrowings	12,201	12,090	0.9 %
Free cash flow after non-controlling interests [1]	1,418	1,925	(26.3)%

[1] These alternative performance measures were redefined to better reflect the investment effort of the Group's businesses (see Appendix I of the Alternative performance metrics in Consolidated Director's Report).

Key financials & metrics

	2024	2023
Leverage (%)	51.1 %	50.3 %
EBITDA/Net financial debt cost	10.9x	11.3x
Net financial debt/EBITDA	2.3x	2.2x

Main stock market ratios and shareholder remuneration

	2024	2023
Total no. of shares ('000)	969,614	969,614
Average no. of shares outstanding ('000) [1]	960,734	960,810
Share price at 31/12 (Euros)	23.38	27.00
Market capitalisation at 31/12 (Euros million)	22,670	26,180
Earnings per share (Euros) attributable to the parent company	1.98	2.07
Dividend paid	1,357	1,454

[1] Calculated using the average number of outstanding shares in the year (average number of ordinary shares minus average number of treasury shares).

Key operating figures

Distribution	**2024**	2023
Gas distribution (GWh)	392,953	378,390
Electricity distribution (GWh)	34,410	32,496
Gas supply points ('000)	11,066	11,060
Electricity supply points ('000)	4,913	4,868
Gas distribution network (km)	137,567	136,970
Length of electricity transmission and distribution network (km)	157,165	156,232

Gas	**2024**	2023
Supply (GWh)	123,972	141,638
International LNG (GWh)	110,117	106,937
Total gas supply (GWh)	**234,089**	**248,575**

Electricity		
Supply (GWh)	18,111	19,471
Electricity sales (GWh)	1,414	1,124
Total electricity supply (GWh)	**19,525**	**20,595**
Installed capacity thermal generation (MW)	10,675	10,675
Installed capacity renewable (MW)	7,254	6,467
Total installed capacity (MW)	**17,929**	**17,142**
Battery storage (MW)	**65**	**10**
Net production thermal generation (GWh)	28,279	31,184
Net production renewable (GWh)	14,381	12,704
Total net production (GWh)	**42,660**	**43,888**

Environmental and social performance

Environment	**2024**	2023
Power generation emission factor (t CO_2/GWh)	234	247
Greenhouse gas (GHG) emissions (M tCO_2 eq)[1]	11.9	12.9
Emissions-free installed capacity (%)	43.7	41.0
Emissions-free net production (%)	43.0	38.6

Interest in people	**2024**	2023
No. of employees at year-end [2]	6,941	7,010
Training hours per employee [3]	46.0	41.5
Women representation (%)[2]	35.0	33.9

Health and safety	**2024**	2023
No. of accidents leading to days lost	12	9
Frequency	0.18	0.13

Commitment to society and integrity	**2024**	2023
Economic value distributed (Euros million) [4]	17,173	20,193
No. of complaints received by the Ethics Committee	117	80

1 GHG: greenhouse gases, measured as tCO_2 equivalent (scope 1 and 2).
2 Does not include the number of employees at discontinued operations (12 persons in 2024 and 21 persons in 2023).
3 Considering the employees managed, according to the Sustainability Report and Non-Financial Information Statement.
4. Defined in Annex I – Alternative Performance Measures in Consolidated Director's Report.

1.2. Executive summary

2024 has been marked by lower energy prices compared to 2023, both in gas and electricity, resulting in a more challenging energy scenario. Following the volatility experienced in recent years, energy prices have gradually rebalanced towards pre-energy crisis levels but remain sensitive to ongoing global developments.

Naturgy business focus and risk management initiatives contributed to deliver strong and resilient results amid the less favorable backdrop. Group EBITDA in 2024, amounted to Euros 5,365 million, a decrease of 2.0% compared to 2023; the contributions by regulated and liberalised activities were balanced, accounting for 53% and 47% of total EBITDA, respectively. Net income attributable to the parent company amounted to Euros 1,901 million in 2024, a decrease of 4.3% compared to 2023. Naturgy delivered strong results only slightly below its 2023 record, exceeded its guidance and successfully delivered on its commitments for 2024.

Throughout 2024, liberalized activities saw a decline in profitability and contribution compared to the previous year. Specifically, Energy Management activities, including gas and LNG procurement, and Supply faced significant margin contraction after exceptionally strong performances in 2022 and 2023. On the other hand, regulated activities proved resilient and experienced growth, supported by the positive regulatory developments in some Latin America regions and growth in Spain Electricity.

During 2024, Naturgy invested Euros 2,280 million, mainly in renewable developments and networks. Renewable generation installed capacity reached 7.3 GW and approximately 1.6 GW renewable capacity are currently under construction, of which 838 MW in Spain, 360 MW in Australia and 387 MW in the United States. Approximately an additional 0.9 GW are expected to become operational during 2025.

Moreover, Naturgy continued to progress on Renewable Gases in Spain and has formed a partnership with agricultural and livestock waste management firm Hispania Silva to develop up to 30 biomethane plants across Spain until 2030, with an annual generation capacity of approximately 2.5 TWh, equivalent to the consumption of 500,000 homes, contributing to the decarbonization of the economy, with the reduction of 450,000 tons of CO_2. Naturgy aims to be the leading company in promoting renewable gases in Iberia and is well-positioned to take advantage of this opportunity and willing to deploy significant investments and resources in this business.

Naturgy's net financial debt at 2024 year-end stood at Euros 12,201 million, compared with Euros 12,090 million at the end of 2023. Net financial debt to EBITDA stands at 2.3x, slightly above 2023 (2.2x). Moreover, the evolution of net financial debt considers the Euros 500 million hybrids redeemed in April 2024 and therefore Naturgy's overall indebtedness and balance sheet has continued to strengthen in the period. Furthermore, Naturgy maintains an ample liquidity buffer, with Euros 11.2 billion in available cash and equivalents and undrawn credit lines as of year-end 2024.

In terms of shareholder remuneration and during 2024, Naturgy distributed Euros 1,345 million dividends, corresponding to 2023 final dividend of 0.40 €/share, paid in April 2024 and two interim dividends of 0.50 €/share each, paid in August and November 2024. A total dividend against 2024 results of 1.60 €/share will be proposed to the Annual Shareholder's Meeting, in accordance with the committed dividend policy. The final dividend of 0.60 €/share shall be payable in April 2025, subject to Annual Shareholder's Meeting approval.

During 2024 Naturgy's share price was influenced by external factors beyond management's control, such as the negotiations between Criteria Caixa and TAQA in the first half of the year or the exclusion from the Morgan Stanley Capital International (MSCI) indices in February 2024 (effective as of the close of the last trading day of February).

Notwithstanding, Naturgy's management team remained focused on executing its strategic roadmap, investing in profitable growth projects, proactively managing regulatory developments and uncertainties and improving long term visibility, reaching a price agreement with Sonatrach to ensure a competitive energy supply for Spain, as well as optimizing the Company's capital structure, among other relevant achievements.

The Company is today in a position of strength to continue its transformation.

Shareholder structure developments

On 16 and 17 April, Criteria Caixa, S.A.U. and TAQA each issued a regulatory disclosure confirming that they were in discussions that could result in an offer for the shares of Naturgy Energy Group, S.A.

Subsequently, on 10 June 2024, Criteria Caixa, S.A.U. issued a communiqué in which it disclosed that the aforementioned negotiations had concluded without reaching any agreement. However, it reaffirmed its long-term commitment to Naturgy's project and announced that it was in talks to explore potential partners that might enable Naturgy to deepen its transformation and accelerate its energy transition. On 11 June 2024, TAQA issued a similar statement announcing that it would not be performing the transaction.

MSCI (Morgan Stanley Capital International)

MSCI (Morgan Stanley Capital International), a global reference for institutional investors and a benchmark for many mutual funds and exchange-traded funds (ETFs) announced constituent changes on various of its indices, following its February 2024 review. As a result, Naturgy was removed as a constituent from various MSCI indices, effective as of the close of the last trading day of February. The exclusion was based on Naturgy's free float market value, number of shares in circulation without restrictions to be traded in the market, which had fallen below the minimum thresholds for MSCI inclusion criteria. The exclusion of Naturgy from the MSCI indices was completely unrelated to its operational and financial performance.

Energy demand and commodity prices

During 2024, average gas and electricity prices in Europe were substantially lower compared to 2023, affected by supply and demand dynamics and mild temperatures. In this context, gas prices on major hubs experienced significant declines, with the TTF, JKM and HH comparing on average 29.6%, 26.7% and 20,7% below 2023 respectively. Wholesale electricity prices for their part compared 27.7% below on average vs. 2023. Finally, average Brent prices were 2.2% lower than in 2023.

Demand had a positive evolution across markets, with higher distributed energy in all markets. Spain Gas remained stable (+0.8%) while Mexico Gas, Brazil Gas, Chile Gas and Argentina Gas experienced growth of 10.3%, 14.6%, 1.2% and 5.0% respectively. Spain Electricity, Panama Electricity and Argentina Electricity posted 6.5%, 3.4% and 5.3% growth respectively.

2. Main risks, opportunities and uncertainties

2.1. Risk management model

Naturgy's risk management model seeks to ensure that the company's performance is predictable within an acceptable bounded range. The model quantifies the variability of performance and ensures that it is in line with strategically defined target levels in all aspects that are of importance to its stakeholders.

Core goals of the risk measurement and management model include ensuring that material risk factors are correctly identified, assessed and managed. The final objective is to ensure that the level of exposure assumed by Naturgy in the course of its business is consistent with the company's defined overall risk profile and the attainment of annual and strategic objectives.

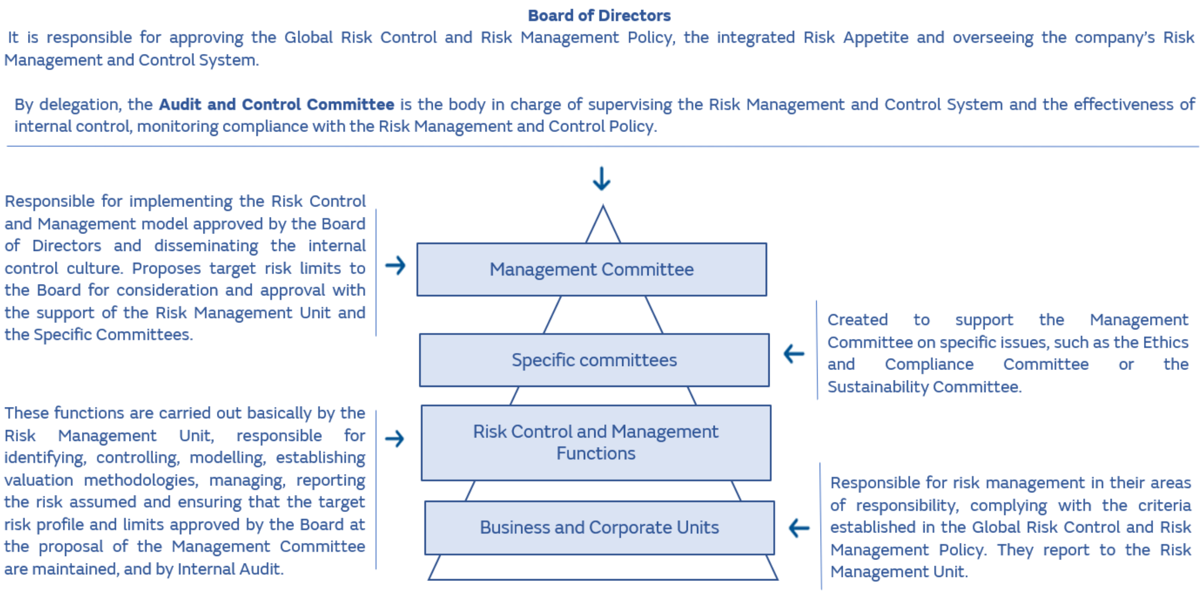
The Integrated Risk Management and Control System is structured around four pillars:

- Risk governance: risk governance and management mechanism for all risk classes and all businesses, with Management Committee involvement.
- Risk assessment: methodology, procedure and process for identifying, assessing and measuring risks.
- Risk Appetite: Definition of risk tolerance by setting limits for the main risk categories, as a function of the Group's targets.
- Risk Reporting: regular, systematic risk reporting at different management levels, expressed in the Corporate Risk Map and recurring risk reports.

Risk management bodies

Naturgy has a framework integrating the vision of governance, risks and compliance so as to provide a 360-degree view of the group's processes, existing controls and the associated risks.

To this end, it has a number of bodies with clearly identified areas of responsibility, making it possible to delimit the predictability and ensure the sustainability of the company's operational and financial performance.



The **specific committees** are made up of members of the Management Committee and other executives and are intended to support the Management Committee in specific matters.

The **Risk Management and Control functions** are mainly carried out by the Risk Management and Internal Audit units. These units may be represented in specific committees:

- Risk Management, which is responsible for monitoring, managing and reporting the risk assumed and ensuring that the target risk profile and limits approved by the Board at the proposal of the Management Committee are maintained. Modelling of the financial statements is aimed at identifying their main sensitivities, anticipating potential negative impacts and taking corrective or mitigating actions.
- Internal Audit, as a third line of defence, conducts appropriate audits to assess the level of compliance with the Risk Control and Management Policy.

The **Business and Corporate units** are responsible for risk management in their areas of responsibility, in line with the criteria established in the Global Risk Management and Control Policy. They report to the Risk Management Unit on progress with the risks in their area of responsibility.

Comprehensive management

Naturgy analyses its overall risk profile on the basis of the potential impact on its Annual accounts. In this way, it determines the maximum acceptable level of risk exposure in order to manage it appropriately.

The tools that enable the company to achieve continuous improvement in the process of identifying, characterising, determining and monitoring its risk profile are:

- Global Risk Control and Management Policy: the most recent version was approved by the Board of Directors of Naturgy in February 2024. Its purpose is to establish the general principles and standards of behaviour required to ensure proper identification, reporting, assessment and management of Naturgy's exposure to risk.
- Corporate Risk Map: identifies and quantifies the risks which might affect Naturgy's performance, considering the characteristics of the risk position (impact variables, potential severity in quantitative and qualitative terms, likelihood of occurrence, and degree of management and control). It is updated and submitted regularly to the Audit and Control Committee by the Risk Management unit.
- Other risk maps: developed on a discretionary basis with respect to a specific risk typology or the risks of a specific business, with a methodology that conforms to and is aligned with the Corporate Map.
- Risk Measurement System: The metrics used to assess risk depend on the nature of the risk:
    - Stochastic/probabilistic: a probabilistic simulation of deviations in monetary and volume metrics within a confidence interval.

- Deterministic/scenarios: expected impact of an event based on its probability.
- Financial and non-financial stress tests:
- Heatmaps: qualitative analysis of the risk on a factor basis.

Risk categories

Naturgy defines five risk types in its Corporate Risk Map: Economic, Financial, Operational, Reputational/ Sustainability, and Strategic.

Types of economic and financial risk

Economic and financial risks are assessed by quantitative modelling.

Categories of economic risk

Risk factors with an impact on business results, caused by the volatility of exogenous factors, amendments to regulatory frameworks, or changes in demand with an impact on short-term results:

- **Commodity risk**, the uncertainty caused by variability in the prices of the energy and other commodities that the company uses.
- **Exchange rate risk**, the uncertainty associated with changes during the year in the exchange rates of the currencies in which Naturgy's businesses are denominated.
- **Regulatory risk**, the risk associated with changes to the remuneration frameworks for the regulated businesses and/or updates to the specific remuneration parameters and/or amendments to the regulatory framework under which Naturgy businesses operate.
- **Volume risk**, risk associated with the variation in volumes produced, distributed and/or supplied due to variations in temperature, changes in customer behaviour as a result of climate change, and the macroeconomic or competitive environment with respect to the base scenario considered in the projections.
- **Margin/price risk**, understood as the price risk not contemplated under commodity risk that arises from changes in competitive pressure or failed margin assumptions.
- **Legal risk**, related to the outcome of litigation, arbitration or legal claims against Naturgy in the year of analysis.

Financial risk categories

Risk factors with an impact on the company's cash flow and balance sheet caused by the volatility of financial variables, potential impact of counterparties, amendments to tax frameworks, and provisioning.

- **Credit risk**, unexpected loss due to uncertainty associated with the probability of non-payment of monetary obligations and/or deterioration of the credit quality of the end customers and counterparties with which Naturgy deals.
- **Interest rate risk**, variability of the company's financial expenses caused by changes in interest rates and in refinancing needs in the currencies in which Naturgy's debt is denominated.
- **Tax risk**, associated with the proper application of tax regulations, the complexity of their interpretation, and possible amendments, with a potential economic impact on the Naturgy's accounts.
- **Liquidity risk**, risk associated with a potential increase in the financing needed to maintain the company's target rating.
- **Rating risk**, risk of a downgrade of the company's credit rating, considering that the company targets an anchor BBB rating.
- **Provisioning and warranty risk**, risk of maintaining an excessive volume of provisions on the balance sheet, resulting in the risk that they may materialise and their effect on cash outflows.

Types of operational, reputational/sustainability and strategic risk

Operational, reputational/sustainability and strategic risk are generally assessed using heat maps.

Operational risk categories

Risk factors derived from operating the company's human and material assets.

- **Operational risk**, associated with events of force majeure or accidents affecting persons, and with accidents, damage or non-availability of the company's operating assets, after coverage by Naturgy's insurance programme.
- **Security risk**, understood as the residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.
- **Business continuity and crisis management risk**, the risk of a service-level breach as a result of inadequacy or failure of processes, systems or performance by in-house or third-party staff.
- **Fraud risk**, derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.
- **Cybersecurity risk**, arising from malicious attacks or accidental events with an operational impact that affect data, computer networks or technology.
- **Data protection risk**, the risk associated with breach of data protection obligations that may result in an administrative sanction or civil judgement.
- **Environmental and biodiversity risk**, associated with the possibility that natural phenomena or human action may result in regulatory environmental limits being exceeded or in harm to third parties, ecosystems or biodiversity.
- **Health and safety risk**, understood as the risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.

Reputational/Sustainability risk categories

Risk factors associated with behaviours that constitute a departure from good practices in the area of reputation, *ESG* commitment, compliance, people and climate change.

- **Reputational and ESG risk**, uncertainty in the evolution of stakeholders' perception of the company's reputation and its capacity to engage in business sustainably from an environmental, social and governance point of view.
- **Compliance risk**, risk of Naturgy suffering penalties, financial loss or loss of reputation as a result of noncompliance with legal obligations, as well as regulations, policies and other internal regulations applicable to its activities.
- **Customer satisfaction risk**, risk of not offering the customer a distinctive value proposition that places the company in a privileged position to define new relationship models and address the digital transformation.
- **Climate change risk**, arising from the energy transition (changes to regulations, markets or technologies) and the physical impacts of climate change (acute and chronic).

Strategic risk categories

Risk factors associated with the company's business portfolio: Long-term commodity exposure, capital employed by geography (soft vs. hard currencies), business risk profile (exposure to regulated vs. merchant businesses).

2.2. Description of the main risks

Commodity risk

Electricity and gas price volatility

A large proportion of Naturgy's operating results is linked to the purchase of gas for supply to a diversified portfolio of customers.

Most gas procurement contracts are arranged on a long-term basis with purchase prices based on a combination of commodity prices, basically crude oil and its derivatives, and natural gas hub prices.

However, selling prices to final customers are generally agreed on a short/medium term basis and are conditioned by the supply/demand balance existing at a given time in the gas market. This may result in decoupling from gas procurement prices.

Consequently, Naturgy is exposed to variations in gas procurement prices with respect to the sale price to end customers. Exposure to this risk is managed and mitigated by natural hedging, seeking to balance the commodity exposures of both prices. Additionally, the main long-term procurement contracts enable us to manage this exposure through volume flexibility and price review mechanisms.

When it is not possible to achieve a natural hedge, the position is managed, within reasonable risk parameters, through derivatives, generally designated as hedging instruments, to reduce exposure to price decoupling risk. However, these hedges may prove to be ineffective in the event of changes in the expected dates of the purchase and sale transactions, a reduction in the volumes hedged, or a decoupling from the indices hedged in the purchase and sale transactions.

In the integrated electricity businesses, the company's aggregate exposure is determined by the strategic generation/supply positioning and by the final sale pricing policies in electricity supply.

The company is exposed to fluctuations in the price of CO_2 emission allowances, particularly the purchase of allowances for power generation by its combined cycle plants.

Exchange rate risks

Naturgy has interests in several countries and is exposed to the exchange rate in each of their currencies.

Exchange rate risk is largely mitigated by financing investments in local currency. Naturgy tries to match costs and revenues in the same currency, as well as amounts and maturities of assets and liabilities arising from transactions denominated in currencies other than the euro.

Additionally, the exchange rate risk is managed by arranging financial derivatives within the limits approved for hedging instruments, the level of exposure and the risk appetite approved each year.

Margin/price risk

In the framework of liberalised businesses, there is competitive pressure on prices and market shares.

Naturgy monitors and quantifies the margins of all its businesses, identifies material deviations from its assumptions as to margins, and mitigates the risk by adapting sale and purchase formulas to all terms.

Gas and electricity volume risk

Some purchases of natural gas and liquefied natural gas (LNG) are made under long-term contracts that include clauses under which Naturgy is obliged to buy certain volumes of gas each year (take-or-pay clauses). In the event of a reduction in gas demand, Naturgy might be obliged by contract to pay the minimum amount to which it is bound under such clauses.

Moreover, in an alternative scenario where there is a shortage of gas or excess demand, the additional cost of short-term procurements might have a material adverse effect on the group's operating costs.

All volume risks are measured, monitored and quantified each year, and the company assesses the adequacy of hedges for those linked to climate (temperature, precipitation, etc.), which are managed in accordance with the approved policies and risk appetite.

In the area of electricity generation, Naturgy's earnings are exposed to volume variability, driven by electricity demand and the generation mix in the market, which is being particularly affected by the growing share of renewable energy production.

Naturgy manages its contracts and assets in an integrated manner, optimising the energy balance.

Regulatory risk

Regulated and non-regulated activities coexist in the gas and electricity distribution businesses. The legislation applicable to the natural gas and electricity industries is typically subject to regular review by the competent authorities, which might have an impact on the remuneration for regulated activities, affecting Naturgy's business operations and financial position.

Naturgy manages regulatory risk on the basis of regular communication with the regulators. In addition, in its regulated activities, Naturgy adjusts its costs and investments to the allowed rates of return for each business.

Operational risk

Naturgy's activities are exposed to various operational risks, such as breakdowns in the distribution network, accidents at electricity generation facilities, accidents in gas tankers, explosions, pollutant emissions, toxic spills, fires, adverse weather conditions, and breaches of contract.

Additionally, claims might be brought against Naturgy for personal injury and/or other damage arising in the ordinary course of its operations. Such claims could result in the payment of indemnities under the legislation applicable in the countries in which Naturgy operates.

Naturgy has an extensive insurance programme to cover its operational exposure.

Cybersecurity risk

Naturgy is exposed to threats in connection with the availability, confidentiality, integrity and privacy of the information and technology that support business processes as well as the risk of non-compliance with regulations related to cybersecurity.

Such threats include unauthorised access and the use, disruption, modification or destruction of information as a result of terrorist acts, malicious attacks, sabotage and other intentional acts.

Naturgy has cybersecurity policies that establish vigilance, contingency and security plans, and has arranged insurance to cover this exposure.

Environmental risk

This refers to the possibility that, as a result of the company's activities and due to the occurrence of an event, whether unforeseen, accidental, voluntary or involuntary, environmental limits set by the regulator are exceeded and/or damage is caused to third parties.

This risk includes, but is not limited to, events derived from emissions of polluting gases other than greenhouse gases (GHG), noise, consumption and/or contamination of surface or groundwater, spills, soil contamination, poor waste management, landscape impact, impact on cultural heritage, etc.

Naturgy has identified the environmental risks at its facilities based on the reference standard (UNE 150008 in Spain). To prevent these risks, the company has implemented a certified integrated management system that includes operational control and environmental management procedures. This system is audited internally and certified and audited externally each year by AENOR.

Naturgy has also implemented emergency plans at facilities and warehouses at risk of environmental accidents, including an action plan, means of containment, and regular drills. Naturgy arranges specific insurance policies to cover risks of this type.

This area also includes potential threats related to dependence on nature and impacts on nature. They include, but are not limited to, physical impacts and impacts derived from changes in regulation, the destruction and/or alteration of ecosystems, damage to protected or high-value areas and/or species, and impacts on areas of high water stress due to consumption, discharge and/or regulation of flows.

These impacts and dependencies may generate risks associated with the impact on endangered species and tightening of biodiversity protection regulations, which could lead to delays in project authorisation, higher operational and development costs, reduced revenues and even reputational risks.

Naturgy has adopted the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) for analysing the risks and opportunities related to biodiversity.

Biodiversity risks are discussed in more detail in chapter E4. "Biodiversity and ecosystems" of the Statement of Non-Financial and Sustainability Information 2024.

Reputational and ESG risk

Naturgy has identified its stakeholder groups and subgroups and defines reputational risk as the gap between those groups' expectations and the company's performance in the environmental, social and governance dimensions.

Naturgy has updated the Sustainability Plan that determines the commitments and lines of action for 2025-2027 and that, from next year, accompanies the company's transformation process, aligning the Strategic Plan 2025-2027 with the commitments of the Global Sustainability Policy. To ensure the reliability of information on environmental, social and governance aspects, Naturgy has implemented a system of Internal Control over Sustainability Reporting (ICSR).

Climate change risk

In order to integrate the climate variable into Naturgy's strategic planning, climate change risks and opportunities are identified, measured and managed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

In line with the TCFD taxonomy, climate change risk is derived from two risk factors: the energy transition, arising from changes in regulations, the market or technology, and the physical impacts of climate change, classified into acute physical impacts (increase in extreme weather events) and chronic physical impacts (sustained increase in average temperatures, and sea level rise).

In recent years, there have been no weather events causing significant repercussions on operations or major financial damage. In particular, extreme rainfall produced flash floods in Spain in October 2024, affecting the Valencia region in particular, but did not have material consequences for operations or produce physical damage to the Group's assets located in the area, demonstrating their resilience, in particular that of the gas distribution networks, the assets that were most exposed.

The Board of Directors has approved the Climate Transition Plan, which establishes the lines of action in the coming years to mitigate the effects of climate change on Naturgy and to adapt the company to the constantly changing climate conditions. Naturgy's Strategic Plan 2025-2027 envisages continuing to invest in the energy transition, principally in renewable generation, electricity grids and renewable gases. It also plans to continue developing energy solutions that promote efficiency at a competitive cost for customers.

The targets of the Climate Transition Plan (CTP) are aligned with the Paris Agreement goals of achieving net zero emissions by 2050 by reducing total Scope 1, 2 and 3 greenhouse gas emissions, and setting targets aligned with the 1.5ºC global warming and the Well Below 2 Degrees (WB2D) reduction pathways.

Naturgy's Climate Transition Plan will contribute to the future objective of transforming the energy mix contemplated in the new National Energy and Climate Plan (NECP) 2023-2030, approved by the Spanish Cabinet on 24 September 2024, which is also aligned with the objective of climate neutrality in the EU by 2050. For the other countries where Naturgy operates, the published national plans and the GHG reduction pathways set out by the International Energy Agency in the "Net Zero Roadmap" scenario are taken into account.

Naturgy assesses the physical risks for each asset on an ongoing basis (see the assessment of these risks in section "E1-9 Expected financial effects of physical and material transition risks and potential opportunities related to climate change" of the Non-Financial and Sustainability Information Statement 2024). Climate change risk is discussed in detail in Note 2.4.25.k of the Consolidated Annual Accounts and in chapter "E1. Climate change" of the Non-Financial and Sustainability Information Statement 2024.

Other risks

Financial risks (interest rate, credit, liquidity and rating-related capital management risk) and legal risks are discussed in Notes 18 and 36, respectively, to the Consolidated Accounts.

Tax, compliance and fraud risk are discussed in chapter " 6. Disclosures stemming from other legislation (Law 11/2018)" and in chapter "G1. Corporate culture and business conduct policies" in the Sustainability Report and Non-Financial Information Statement 2024, respectively.

Data protection and customer satisfaction risks are discussed in chapter "S4. Consumers and end users" and cybersecurity risks in chapter "5. Specific information on the organisation" of that report.

Main risks: management, metrics and trends

Risk type		Description	Management	Metric		Trend
Commodity risk						
Commodity prices	Gas	Volatility in the international markets that determine the gas price.	Physical and financial hedges. Management of the procurement and sale portfolio.	Stochastic	⇆	Gas index volatility. Decoupling of commodity price performance.
	Electricity	Volatility in electricity markets.	Physical and financial hedges. Optimisation of the generating fleet and supply structure.	Stochastic	↑	Penetration by renewables with zero marginal cost and intermittent production. Decoupling of commodity price performance.
Exchange rate risk						
Exchange rate		Volatility in international currency markets.	Geographic diversification. Hedging via local-currency funding, derivatives and pricing.	Stochastic	↑↑	Uncertainty about growth and inflation prospects in Latin America, especially in Argentina, Brazil, and Mexico, to a lesser extent.
Regulatory risk						
Regulatory		Exposure to reviews of criteria and returns recognised for regulated activities and/or regulatory measures to mitigate emerging macroeconomic situations.	Step up communications with regulators. Adjust efficiency and capital expenditure to recognised rates.	Scenarios	↑	Pressure from regulators, as a function of the situation of the country/industry.
Volume risks						

Volume	Gas	Mismatch between gas supply and demand.	Optimisation of contracts and assets worldwide.	Deterministic/ Stochastic:	⇆	Aggregate demand pressure. Risk of curtailment or interruption of supply.
	Electricity	Reduction of the available thermal gap. Uncertainty as to renewable production volume due to resource variability.	Optimisation of the balance between generation and supply.	Stochastic	⇆	Aggregate demand pressure. Predictability of renewable output.
Margin/price risk						
Margin/price		Risk created by changes in competitive pressure or margin optimisation scenarios.	Portfolio management by adapting long-term purchase and sale formulas.	Scenarios	⇆	Reviews of long-term gas contracts
Legal risk						
Legal		Uncertainty as to the eventual outcome of litigation, arbitration or legal claims.	Analysis and mitigation of legal risk affecting the company's operations and corporate governance. Engagement of top-level law firms. Recognition of provisions on a prudential basis.	Scenarios	⇆	The business units are affected by different laws in each country.
Operational risk						
Insurable risks		Accidents, damage and non-availability of Naturgy assets.	Continuous improvement plans. Optimisation of total cost of risk and of hedges.	Stochastic	⇆	Uncertainty in the insurance market, as a function of geography and the type of technology, in the face of the rising frequency and severity of extreme weather events, and cybersecurity claims.
Credit risk						
Credit		Uncertainty associated with the probability of non-payment of financial obligations and/or deterioration of the credit quality of end customers and counterparties.	Analysis of customer solvency to define specific contractual conditions. Debt collection process.	Stochastic	⇆	Stability of expected and unexpected losses.
Interest rate risk						
Interest rates		Volatility of interest rates on borrowings, both existing debt and refinancing.	Financial hedges. Diversification of funding sources.	Stochastic	⇆	Uncertainty about the interest rate scenario.
Tax risk						

Tax	Ambiguity or subjectivity in the interpretation of current tax regulations, or due to a material amendment of same. Approval of unexpected fiscal measures.	Queries to independent expert bodies. Engagement of top-level advisory firms. Adoption of the Code of Best Tax Practices. Recognition of provisions on a prudential basis.	Scenarios	↑	Different business units are affected by different taxes.
Liquidity, solvency, rating and provision risks					
Liquidity, solvency, rating, provision and guarantee risks	Financial risks associated with maintaining the company's rating, derived from liquidity conditions or other causes.	Establishment of a target rating and ensuring sufficient liquidity to maintain it in the event of a potential adverse scenario.	Scenarios	⇆	Ratification of the target of an investment grade rating.
Security risk					
Security	Residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.	Corporate positioning through the Security Policy, defining a specific protection model for Critical Infrastructures (CI). Engagement with the businesses, Centro Nacional para la Protección de Infraestructuras Críticas (CNPIC), Instituto Nacional de Ciberseguridad (INCIBE-CERT) and other bodies.	Heatmap/ Scenarios	⇆	Certification audits of critical operators by the regulator (CNPIC), in which technology is of great importance.
Business continuity and crisis management risk					
Business continuity and crisis management	Risk of failing to maintain service levels as a result of a shortcoming or failure in processes, systems or staff performance.	Annual internal audit plan Weakness detection. Implementation of improvement actions. Audit and Control Committee.	Heatmap/ Scenarios	↑	Increase in the percentage of material recommendations that are implemented.
Fraud risk					
Fraud	Risk derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.	Control mechanisms through the Global Policy of the system of Internal Control over Financial Reporting. Arrangement of hedges in the insurance market.	Scenarios	⇆	Maintain low levels of fraud at Naturgy
Cybersecurity risk					
Cybersecurity	Malicious attacks or accidental events that affect data, computer networks or technology.	Implementation of security measures; Event analysis and remediation measures; Training.	Scenarios/ Heatmaps	↑	The cybernetic situation is becoming more demanding. Threat protection plan to mitigate the likelihood of these risks and their associated impact.
Data protection risk					

Data protection	Uncertainty associated with breaches of data protection obligations that may result in an administrative sanction or civil judgement.	Action Plan by business area to mitigate the risk associated with each obligation based on priority and criticality. The company works in line with the requirements of the General Data Protection Regulation (GDPR) and Spain's Organic Law 3/2018, of 5 December, on the Protection of Personal Data and Guarantee of Digital Rights (LOPDGDD). Internal audit plan in connection with regular compliance reviews.	Heatmap/ Scenarios	↑	Uncertainty and tightening regulatory requirements.
Environmental and biodiversity risk					
Environmental	Possibility that natural phenomena or human action may result in binding regulatory environmental limits being exceeded, resulting in harm to third parties, ecosystems or biodiversity.	Emergency plans at facilities with risk of environmental accident. Specific insurance policies. End-to-end environmental management.	Scenarios/ Heatmaps	⇆	Implementation of an Integrated Management System that is audited and certified each year by AENOR.
Health and safety risk					
Health and safety	Risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.	Health and safety management system. Safety plan aimed at controlling the six most critical risk factors in terms of accident frequency and severity: confined spaces, work at heights, electrical risk, tree felling and pruning, load handling, and road safety.	Heatmap/ Scenarios	⇆	Accident rates at partner firms.
Reputational and ESG risk					
Reputational and ESG	Impairment of stakeholders' perception of Naturgy due to environmental, social and governance issues.	Identification and tracking of potential reputational events. Transparency. Control mechanism through the system of Internal Control over Sustainability Reporting (ICSR).	Scenarios/ Heatmaps	⇆	Stabilisation of the RepRisk index scores.
Compliance risk					
Reputational and crime risk	Administrative and criminal penalties. Impairment of Naturgy's reputation.	Crime prevention policy, Code of Ethics and Anti-corruption Policy. Whistleblower channel. Training.	Heatmap/ Scenarios	↑	Commission of criminal offences, penalties, financial losses, and loss of reputation, contracts and customers.
Counterparty risk	Administrative and criminal penalties. Harm arising from breach of contract.	Counterparty Due Diligence Procedure. Training			

Climate change risk					
Climate change	Uncertainty arising from the energy transition (regulation, markets and/or technologies) and the physical impacts of climate change.	Corporate positioning via the Global Environmental Policy and Environment Plan, which strengthen governance in climate issues and set energy transition targets.	Stochastic/ Scenarios/ Heatmap	↑	Future technology uncertainty. Increased requirements for financial reporting to be coherent with the company's objectives of mitigating climate change risk.

Metrics used:

- Stochastic: production of trend lines for the main magnitudes, taking the maximum deviation from the benchmark scenario to be the risk, within a pre-set confidence interval. Those magnitudes are generally EBITDA, profit after tax, cash flow and value.
- Scenarios: analysis of the impact, with respect to the benchmark scenario, of a limited number of possible incidents.
- Heatmap: the main risk factors for each risk category are assessed to quantify the impact and probability of occurrence of each one.
- Non-financial stress tests:
- Application of international risk assessment frameworks: Task Force on Climate-Related Financial Disclosures (TCFD), as regards climate change, and Task Force on Nature-related Financial Disclosures (TNFD), as regards biodiversity.

2.3. Main opportunities and uncertainties

Naturgy views the energy transition as an opportunity to transform the business and is committed to driving decarbonization while balancing sustainable growth, energy security, and price competitiveness. In this context, and based on the 2025-2027 Strategic Plan, Naturgy's main opportunities are as follows:

- Integration industrial model with presence across the value chain, with growth potential and solid regulatory frameworks and attractive risk-returns.
- Multi energy position with presence in power and gas, as a key energy transition source.
- Renewable Generation: growth in renewable generation capacity in line with the global energy transition, combined with hybridizations and repowering of wind farms in operation and complementary batteries to photovoltaic plants.
- Operation and growth in Distribution Networks: continue to improve and upgrade the quality of the networks and energy supply to integrate renewables generation to meet customer demands.
- Lead the development of Renewable Gases: acquisition of third-party developments, as well as partnerships and alliances accelerate the decarbonization and consolidate the role of gas in the energy transition.
- Gas as an essential component to guarantee security of supply and flexibility and cornerstone of the energy transition.

In line with these opportunities, there are horizontal uncertainties, such as the macroeconomic context and geopolitical exposure, which materialise and have an impact on many of the risk types described in the previous section.

Uncertainty in the macroeconomic context

During 2024, the conflict between Ukraine and Russia that began in February 2022 continued to be a source of instability both in the region and globally, with both sides experiencing attrition, but with no clear signs of a solution in the short term.

The effects of Russia's war on Ukraine, as well as those derived from the measures and sanctions imposed on Russia, initially had serious repercussions for the world economy, energy being one of the industries most severely affected, with significant increases in the price of natural gas and oil and extreme volatility in daily prices. Despite the turbulence in 2022, the situation stabilised somewhat in 2023 and 2024 due to sizeable stocks of gas in storage, diversification of supplies, and contained growth in demand.

Consequently, Naturgy monitors the current situation and the emerging impacts of the crisis by constantly tracking macroeconomic and business variables in order to manage potential risks. The analyses carried out for this purpose assess the indirect impacts of the conflict on business activity, financial situation and economic performance, with particular reference to the widespread increase in commodity prices and the reduced availability of supplies from conflict-affected areas.

In this context, Naturgy has a long-term contract to procure gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%); this contract is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. Since the conflict began, Naturgy has received the volumes strictly established in the contract, which accounted for 16% of Naturgy's global procurements in 2024 and 15% in 2023.

Moreover, none of Naturgy's counterparties could be affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of these measures and sanctions.

Additionally, during 2024 Israel engaged in military actions in Palestinian territory following the terrorist attack in October 2023. At the end of January 2025, a truce was arranged that has allowed the release of hostages and prisoners on both sides. However, the situation remains fragile, with reports of sporadic ceasefire violations and persistent tensions in the region.While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

Naturgy has a wholly-owned subsidiary in Israel called Spanish Israeli Operation and Maintenance Company Ltd that has been providing services at the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reported less than Euros 1 million in EBITDA in 2023 and 2024. Despite the conflict, the company has continued to operate normally.

As the situation is constantly evolving and it is difficult to predict the extent or duration of these conflicts' impact, Naturgy constantly monitors the pertinent macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

The regulatory framework is described in Appendix IV of the Consolidated Accounts as of 31 December 2024.

External geopolitical exposure

Naturgy's operations and assets are exposed to the evolution of political, economic and social environments throughout the world, notably in three main geographical areas outside the European Union:

- Latin America

  Uncertainties related to investment and business in Latin America include the influence of national governments on the economy, fluctuating economic growth rates, high levels of inflation, and devaluation, depreciation or overvaluation of local currencies, a changing interest rate environment, as well as social tensions and political instability.

- Middle East and Maghreb

  Naturgy has major procurement contracts for gas from several countries of the Maghreb and the Middle East. The political instability in the region may result in physical damage to the assets of Naturgy's investee companies or the obstruction of their operations or those of other companies, with the result of interrupting or delaying the Group's gas inputs or increasing shipping costs.

- Asia

  The Asian market is emerging as a major source of geopolitical uncertainty, given the current heavy dependence of processed renewable component supply chains on Chinese exports. Interruptions in the supply of these components, due to transportation and distribution problems or direct import restrictions, might lead to an increase in material costs and to delays in commissioning renewable energy projects in progress. Naturgy's operations are also exposed to the growth of the region's economies, such as China, as well as demand from these countries.

3. Corporate governance

Attached as an annex and forming an integral part of this Directors' Report are the Annual Report on Corporate Governance 2024 and the Annual Report on Director Remuneration 2024, as required by article 538 of the Capital Companies Law.

Corporate governance model

Naturgy is governed in accordance with the principles of efficacy, transparency and accountability in line with the main international recommendations and standards.

The corporate governance regulations comprise mainly:

- Articles of Association (adopted in 2018, updated in 2022).
- Regulations of the Board of Directors and its committees (updated in 2024).
- Regulations of the General Meeting of Shareholders (adopted in 2018, updated in 2022).
- Human Rights Policy (updated in 2019).
- Code of Ethics (updated in 2024)

At 31 December 2024 and 2023, the main shareholders of Naturgy are as follows:

	% interest in share capital	
	2024	2023
-FundaciónBancariaCaixad'Estalvis i Pensions de Barcelona, “la Caixa” (1)	**26.7**	26.7
-BlackRock,inc.(2)	**20.9**	—
-Global Infraestructure partners III (2)	**—**	20.6
-CVC Capital Partners PLC (3)	**20.7**	20.7
- IFM Global Infraestructure Fund (4)	**16.9**	14.9
- Sonatrach (5)	**4.1**	4.1

(1) Holding through Criteria Caixa, S.A.U.

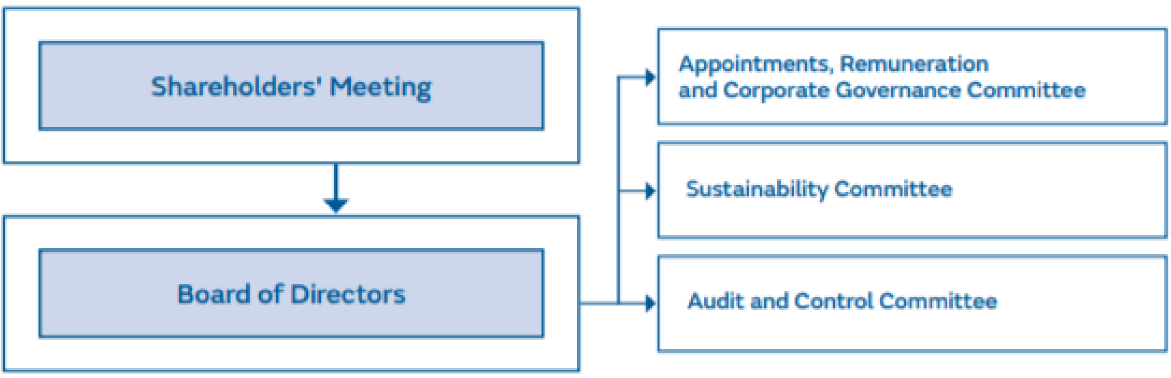
(2) Since the acquisition of Global Infrastructure Partner on 1 October 2024, according to the notification of significant shareholdings to the CNMV. The indirect shareholding is held mainly through GIP III Canary 1, S.à.r.l., which has a direct shareholding of 20.6%.

(3) Through Rioja Acquisition S.à.r.l.

(4)Through Global InfraCo (2) S.à.r.l.

(5) Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

Naturgy's governance structure is as follows:



Shareholders' Meeting

Any person who is a shareholder of record five days before the Shareholders' Meeting is entitled to attend the Meeting.

Board of Directors

The Board of Directors of Naturgy operates via plenary meetings and committees, in accordance with the provisions of the Capital Companies Law. Accordingly, the Board of Directors of Naturgy has an Audit Committee, an Appointments, Remuneration and Corporate Governance Committee, and a Sustainable Committee, whose functions are substantially as set out in the Law or those that the Board of Directors has considered appropriate to attribute to them by delegation. Independent directors make up the majority of the Audit and Control Committee. All of the Board committees are chaired by independent directors.

Since the Chairman of the Board of Directors of Naturgy is also an executive director, the company has appointed a lead independent director to mitigate potential conflicts of interest. This position is held by Ms. Helena Herrero, who is an independent director, a member of the Audit and Control Committee and Chairman of the Sustainability Committee. Pursuant to Article 529 septies of the Capital Companies Law, the lead independent director is empowered to request the convening of meetings of the Board of Directors or the inclusion of additional items on the agenda, and to coordinate and convene meetings of the non-executive directors.

Naturgy also has a Conflicts of Interest Policy, approved in May 2021, that is applicable to all Group employees, including the Executive Chairman. The policy establishes the guidelines to be followed by employees in the event of a conflict of interest, based on the principles of loyalty, abstention and transparency in pursuit of a resolution.

Each year, by authorising the respective reports, the Board of Directors reviews and approves the information on risks and opportunities in the areas of corporate governance and corporate responsibility.

The main issues considered by the Board of Directors and its committees within their remit in 2024, as well as all issues related to corporate governance, are detailed in the Annual Report on Corporate Governance, attached as an Appendix of this document.

The Board of Directors of Naturgy has 12 members, the Audit and Control Committee has 5 members, the Appointments, Remuneration and Corporate Governance Committee has 5 members, and the Sustainability Committee has 4 members.

The composition of the Board of Directors and its committees on 31 December 2024 is as follows:

Board of Directors		Audit and Control Committee	Appointments, Remuneration and Corporate Governance Committee	Sustainability Committee	Category of director	Seniority on Board
Executive Chairman	Mr. Francisco Reynés Massanet				Executive	6/02/2018
Lead director	Mrs. Helena Herrero Starkie	Director		Chairman	Independent	4/05/2016
Director	Mr. Enrique Alcántara-García Irazoqui		Director		Proprietary	13/05/2021
Director	Mrs. Lucy Chadwick			Director	Proprietary	16/03/2020
Director	Mrs. Isabel Estapé Tous			Director	Proprietary	16/03/2020
Director	Mr. Ramón Adell Ramón	Director			Proprietary	11/02/2022
Director	Mr. Rajaram Rao		Director		Proprietary	21/09/2016
Director	Rioja S.à.r.l, Mr. Javier de Jaime Guijarro		Director		Proprietary	1/08/2019
Director	Mr. Pedro Sainz de Baranda Riva	Director	Chairman		Independent	27/06/2018
Director	Mr. Claudi Santiago Ponsa	Chairman	Director		Independent	27/06/2018
Director	Mr. José Antonio Torre De Silva López de Letona	Director			Proprietary	28/03/2023
Director	Mr. Jaime Siles Fernández-Palacios			Director	Proprietary	11/02/2022
Secretary (not a director)	Mr. Manuel García Cobaleda	Secretary (not a director)	Secretary (not a director)	Secretary (not a director)	N/A	10/29/2010

Management structure

There is only one executive director, as described in the previous section, to whom the Board has delegated all its functions except those that the law or the Regulation of the Board of Directors do not permit to be delegated.

Accordingly, the Chairman of the Board of Directors has responsibility for all of the Group's businesses.

The group has a structure of executives and managers with the necessary powers to conduct the company's operations and undertake basic activities relating to its management. The personnel with executive responsibility and reporting directly to the Executive Chairman, Mr. Francisco Reynés Massanet, are considered members of the Management Committee.

At 31 December 2024, the Management Committee is composed of the Executive Chairman and the following:

- Procurement and Wholesale Markets Department, headed by Mr. Jon Ganuza Fernandez de Arroyabe
- Network Management Department, headed by Mr. Pedro Larrea Paguaga
- Renewable Generation Department, headed by Mr. Jorge Barredo López
- Renewable Gases Department, headed by José Luis Gil Sánchez
- Supply Department, headed by Mr. Carlos Francisco Vecino Montalvo
- Technology and Systems Department, headed by Mr. Rafael Blesa Martínez

- Financial Markets and Corporate Development Department, headed by Mr. Steven Douglas Fernández Fernández
- Company Secretariat and Secretariat of the Board of Directors, headed by Mr. Manuel García Cobaleda
- Public Affairs and Sustainability Department, headed by Mr. Jordi García Tabernero
- People and Resources Department, headed by Mr. Enrique Tapia Lopez

In addition to the members of the Management Committee, the executives who report directly to the Board or to the Company's chief executive, Mr. Francisco Reynés Massanet, are classified as Senior Management.

In addition to the members of the Management Committee, the executives who report directly to the Board, its Committees or the Company's chief executive, Mr. Francisco Reynés Massanet, are classified as Senior Management. At 31 December 2024, these people would be the following:

- Planning and Control Department, headed by Ms. Rita Ruiz de Alda Iparraguirre
- Consolidation and Administration Department, headed by Mr. Gabriel Alejandro Deseff Rodriguez
- External Communication Department, headed by Mr. Víctor Manuel Márquez Moya
- Compliance Unit, headed by Ms. María Isabel González Alfaro
- Environment and Social Responsibility Department, headed by Ms. Nuria Rodríguez Peinado
- Internal Audit Department, headed by Ms. Eva Fernández Roselló

4. Forecast Group performance

4.1. Energy sector trends

Naturgy has the objective of adapting and enhancing the Company's competitive positioning in response to the evolving energy sector trends, leveraging on its competitive strengths. In this respect, Naturgy observes the following energy sector trends:

- Energy prices remain volatile and sensitive to geopolitical uncertainties.
- Greater installed capacity of renewables leads to greater fluctuations in energy production and supply, and importance of flexibility.
- Higher investments are required in electrical networks to integrate renewable energies and satisfy greater demand for electricity.
- Gas as an essential component to guarantee security of supply and flexibility.
- Renewable gases and specially biomethane as a vehicle for decarbonization.
- Demand driven market with customer excellence required to differentiate.

4.2. Vision

Naturgy is a leading a multi-energy player, committed to driving the energy transition, achieving operational excellence, and delivering exceptional customer service. Naturgy aims to be present in energy value chain, investing with financial discipline, ensuring a BBB rating and a sustainable shareholder remuneration.

Naturgy is committed to driving decarbonization while balancing sustainable growth, energy security, and price competitiveness. The Group's industrial model focuses on maximizing operational efficiency and capturing integrated margins across the value chain and is based on the following pillars.

Industrial Model

Integrated with presence across the value chain

- Networks resilience providing stable cash flows.
- Vertical integration between power generation and clients.
- Industrial role, capturing integrated margin.

Multi energy position

- Presence in power and gas, as a key energy transition source.
- Flexible generation (CCGTs) and selective renewable generation growth to meet customer demands.
- Leadership in biomethane to accelerate decarbonization and consolidate the role of gas in the transition.

Client centric

- Multi-energy offering with value added services to meet all client needs,along with eco-efficient and carbon-neutral products and services at competitive prices.
- Final demand as a key driver for investment decisions across the value chain.
- Excellence in client service and consolidation of new commercial model.

Strategic Roadmap 2025-2027

The 2025-2027 strategic roadmap is based on Naturgy's resilient cash flow and solid balance sheet, which will facilitate the execution of the Group's investment plan and ensure attractive and sustainable profitability for its shareholders. This strategy is guided by the following key principles:

Operational excellence

- Best-in-class operations across business units.
- Excellence in commercial delivery.
- Innovation in customer service.

Financial discipline and profitability

- Commitment to a BBB rating.
- Profitability and selective investments, ensuring value creation over size.
- Strong cash flow generation and balance sheet strength providing flexibility.
- Maintaining growth optionality.

Shareholder remuneration and liquidity

- Attractive and sustainable shareholder remuneration.
- Promote actions to restore an adequate free float and liquidity.

The Strategic roadmap 2025-2027 aims to position Naturgy to thrive in the evolving energy landscape, ensuring sustained profitability and value creation for all stakeholders. Following the successful results and achievements obtained in 2022-2024, in which the company exceeded various of the committed targets of the previous Strategic Plan, expectations for the coming years have been reviewed and improved, maintaining a record EBITDA in 2025-2027.

(€bn)	**2022-2024**	**Strategic Plan 2025-2027**
EBITDA[1]	5.3	5.3
CAPEX[1]	6.0	6.4
Net financial debt[2]	12.2	15.9
Dividends[2]	€1.6/share	€1.9/share

1 Based on the annual average of the period
2 Based on the latest year of the period

4.3. Investment plan 2025-2027

The Strategic Plan envisions investments of **euros 6,400 millions** for the period 2025-2027. This investment focuses on organic growth and the existing business portfolio, while maintaining financial discipline as a cornerstone. By rigorously evaluating investments based on business, geography, and specific risk, the group aims to ensure returns that exceed the cost of capital, ensuring the value creation.

The investment plan focuses on three key business unit: Distribution Networks, Renewable Generation and Renewable Gases.

Distribution Networks

The Strategic Plan envisions investments of **euros 3,300 millions** on adequately remunerated and visible regulatory frameworks.

1. Spain Electricity

- At the forefront of electricity networks digitalization, including the replacement of smart
- Investments continue to improve and upgrade the quality of the networks and energy supply
- Investments to integrate renewables generation

2. Spain Gas

- Networks digital transition, which deployment of smart meters, to ensure bes-in-class operations
- Accelerating the contribution to decarbonization, through the integration of biomethane injection points for the transition of existing infrastructure

3. Latin America Gas and Electricity

- Portfolio management maximizing profitability
- Investments to guarantee maintenance and safety standards

Renewable Generation

The Strategic Plan envisions selective investments of **euros 1,200 millions** in the period 2025-2027 meeting minimum returns and/or vertically integrated positioning.

1. Vertically integrated geographies

- Solid regulatory frameworks
- Selective investments meeting minimum returns

2. Technologies

- Hybridizations and repowering of operating wind farms
- Batteries complementing operating PV plants

Renewable Gases

The Strategic Plan envisions investments of **Euros 800 millions** to lead the development of biomethane in Spain.

- Lead the development accelerate the decarbonization and consolidate the role of gas in the energy transition.
- Technological proactivity to gain operational flexibility, efficiency and options for waste management.
- Early-stage project portfolio of approximately 4.5 TWh.
- Acquisition of third-party developments, as well as partnerships and alliances to accelerate growth.
- Proactive regulatory management to demonstrate that it is the most efficient solution to decarbonize the residential and industrial sector.
- Gas networks can distribute biomethane without modifications.

4.4. Shareholder remuneration

Naturgy's strong performance over recent years has significantly strengthened its business profile and financial position. Additionally, the Group has achieved levels of EBITDA above Euros 5 billions per annum and demonstrated strong and resilient results and cash flow generation, supported by efficient regulated networks and and risk management. The strong cash flow and solid balance sheet enable the envisioned investment plan and an attractive shareholder remuneration, maintaining a commitment to a BBB rating.

Naturgy has revised its dividend distribution policy for the years 2025-2027, establishing a trajectory of increasing annual dividend per share from 1.6 Euros per share in 2024 to 1.9 Euros per share in 2027, subject to maintaining a BBB credit rating. The dividend per share will also increase, subject to the number of treasury shares.

Likewise, as part of the Strategic Plan 2025-2027, it was also approved to propose to the next Shareholders' Meeting the authorization of a public offer to acquire shares up to 10% of treasury stock with the purpose of subsequently increasing the company's floating capital with said shares.

The prospective information contained in the different sections of the forecast group performance reflects the plans and forecasts based on assumptions that are considered reasonable, without said prospective information being interpreted as a guarantee of the future performance of the entity, in the sense that such plans or forecasts are subject to risks and uncertainties that imply that the future performance of the Group may not coincide with the preliminary forecast.

5. Innovation

Naturgy views innovation as a key tool to develop new energy solutions that drive the energy transition, combat climate change, and evolve technological breakthroughs that streamline processes, improve cybersecurity and enhance data management. In addition, the Company sees digitalisation as a mainstay for achieving its goals.

Our innovation model, designed to create and develop new solutions and businesses, is driven by a range of key factors:

- **Innovation is collaborative and open**, able to respond quickly to signals of change in the landscape and evolve in complex scenarios; effective innovators draw lessons from mistakes and look ahead to the future based on understanding the past and observing the present.

- **Innovation is a key lever for growth**, as it opens the door to the adoption of best practices, new business models and technological solutions that contribute to the digitalisation, automation and optimisation of processes; it helps ensure safety, enhances operational performance and eases access to information for optimal decision-making. Through all of this, we put the consumer at the centre to deliver sustainable, value-added solutions and ensure the company's long-term competitiveness.

- **The production of renewable gases, such as renewable hydrogen and biomethane**, for end uses where electrification is neither technically nor economically feasible. Hydrogen is an efficient and immediate decarbonisation solution for intensive industry and transportation. Additionally, it holds significant potential for energy storage and integration. Biomethane, an established technology that can replace natural gas while eliminating abatement costs and the need to modify end-user infrastructure or equipment, serves as a clear example of the circular economy by producing renewable gas from organic waste. Innovation projects in this area are aimed at optimising performance and production.

- **Optimisation of renewable energy generation** through innovative systems due to their superior energy efficiency and their ability to be integrated into the environment at a lower cost or with greater reliability. This will attract new players into the system to cover part of the energy needs of households, SMEs and public administrations.

- **Direct use of energy** through new manageable electricity consumption that allows for flexibility—for example, in air conditioning—as well as through storage for later use.

- **Responding to increasingly atomised markets**, with small, adaptable competitors, in both supply and generation, through smaller renewable plants that are closer to consumers.

In a way that both complements and cuts across this model, we believe it is essential to introduce disruptive information technology (IT) that will accelerate the digitalisation of Naturgy, as it not only enhances safety and optimises operations, but also makes it easier to access quality information for more effective decision-making. We focus all of this on creating value to ensure Naturgy's long-term competitiveness. Moreover, the use of AI is a disruptive force in current and future innovation, enabling process automation, service customisation and creation of new business models in all areas.

Naturgy designs its technology strategy around the core pillars of digitalisation, in line with the following principles:

- **Simplicity:** a core principle that focuses on:

    - **Streamlined processes:** paring away complexity in internal processes to improve operational efficiency.

    - **Agile projects:** swiftly implementing projects using agile methods that enable rapid adaptation to changes in the context.

- ***Cloud*:** evolving from a Cloud-first to a Cloud-only model is essential to ensure:

    - **Modular solutions:** developing solutions that can be readily adapted and scaled up according to business needs.

    - **Flexibility and scalability:** adjusting cloud resources and services to demand to ensure efficient and cost-effective operation.

    Evolution to a cloud-based model makes it easier to adopt emerging technologies such as blockchain, IoT, robotics, artificial intelligence and edge computing.

- ***Data centric*:** data management, governance and protection are essential to a successful digitalisation strategy. Naturgy takes a global and strategic view of its relationship with the main software manufacturers, and focuses on:

    - **Data management:** implementing data-centric architectures, such as data lakes, to centralise and manage large volumes of data.

    - **Data governance and protection:** establishing policies and procedures to ensure data integrity, confidentiality and availability.

    - **Data-driven decision-making**: strengthening our internal capacity to make informed, data-driven decisions.

    Robust data management and governance enables a more effective adoption of AI, a key lever in Naturgy's digitalisation: by using analytical AI and generative AI on large volumes of data, we can extract valuable insights for the business.

- **Cybersecurity:** a mainstay of Naturgy's digitalisation strategy. We aim to protect and secure our information and systems by:

    - **Information protection:** implementing technical security measures to protect information.

    - **Systems security:** shielding IT infrastructure against threats and vulnerabilities.

To achieve our goals, at Naturgy we have implemented a range of innovation tools focused on identifying opportunities (through acceleration and investment in operations) and developing a portfolio of projects that allow us to expand the company's industrial profile (such as startup incubators, investment vehicles, and more).

We briefly describe below the main initiatives applied to our businesses. For more details on our innovation projects, see section 5, Specific information on the organisation", of the Sustainability Report and Non-Financial Information Statement 2024.

Main initiatives applied to business units

Supply

The NewCo project, a wide-ranging initiative that seeks to upgrade Naturgy's digital tools and optimise customer management, involves development of a new digital platform and implementation of a customer relationship management (CRM) system. This will enable Naturgy to manage customer interactions more effectively and create a mobile app for easier access to Naturgy services from anywhere.

Spain electricity networks

The Smart Grids project leverages Internet of Things (IoT) technology to sensorise network assets, enabling remote monitoring of the electricity grid.

By installing various types of low-consumption sensors, the system determines the status and maximum capacity of the grid in real time by analysing variables such as power line temperature, ambient temperature, and humidity levels. We also analyse different vibration patterns in the power lines to pinpoint the cause and exact location of incidents.

This enables more efficient use of the infrastructure and more accurate intervention times in response to dynamic variations in the load, which maximises efficiency while avoiding overload at specific points in the electricity grid.

Thermal Generation Spain

The remote operation of combined cycle plants from a centralized control centre allows for a more homogeneous and structured response to peaks in demand through simultaneous cycle starts and stops, compared to plant-by-plant management. This approach offers enhanced flexibility in meeting demand while improving overall efficiency.

Renewable Generation

The Moira project aims to achieve digitalisation objectives by automating the processes of extracting, processing, and utilising the capacities of the electricity grid as published by the agents. It focuses on efficient management of the unique characteristics of the data provided, as well as developing an advanced report through an interactive map for easy data exploitation. This approach identifies grid capacity opportunities for potential electricity generation projects.

The Sibila project is a generative AI-powered system designed to interpret information from government websites (such as Spain's national gazette (BOE) and regional gazettes) containing documentation on the status and permits of renewable energy plants.

6. Non-financial information statement

The 2024 non-financial information statement, as referred to in article 262 of the Capital Companies Law and article 49 of the Commercial Code, is presented as a separate report entitled "Sustainability Report and Non-Financial Information Statement 2024" that expressly states that the information contained in that document is part of Naturgy's consolidated directors' report (Appendix II).

This document is subject to verification by an independent verification service provider and is subject to the same approval, filing and publication requirements as the Naturgy group's consolidated directors' report.

7. Additional information

7.1 Own shares

Movements during 2024 and 2023 involving own shares of Naturgy Energy Group, S.A. are as follows:

	Number of shares	In million euro	% Capital
At 1 January 2023	**55,898**	**1**	**—**
Share Acquisition Plan	357,094	10	—
Delivered to employees	(172,992)	(5)	—
At 31 December 2023	**240,000**	**6**	**—**
Share Acquisition Plan	—	—	—
Delivered to employees	—	—	—
At 31 December 2024	**240,000**	**6**	**—**

No gains or losses were obtained on transactions involving own shares in 2024 and such as to affect reserves.

On 2 April 2024, the Shareholders' Meeting authorised the Board of Directors to purchase fully paid Company shares in one or more transactions in a period of not more than five years; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares or higher than their quoted price.

The minimum and maximum acquisition price will be the share price on the continuous market of the Spanish stock exchanges, within an upper or lower fluctuation of 5%.

Transactions involving own shares of Naturgy Energy Group, S.A. relate to:

2024

No transactions involving own shares were carried out in 2024.

2023

In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the general meeting held on 5 March 2019, within the Share Acquisition Plan 2020-2023, in March 2023 the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., subject to an annual limit of Euros 12,000. During March 2023, 210,000 own shares were acquired for Euros 6 million and, in April 2023, a total of 172,992 shares amounting to Euros 5 million were delivered to employees. In July 2023, 147,094 own shares were acquired for Euros 4 million, leaving a surplus of 184,102 own shares that, added to the 55,898 surplus shares from the Share Acquisition Plans 2019 to 2021, brought the total number of treasury shares to 240,000 at 31 December 2023.

Full information about own shares can be found in Note 11 to the Annual accounts.

7.2. Information on the average supplier payment period

The average payment period is calculated in accordance with Law 15/2010 on measures to combat late payment in business operations and the changes brought in under Law 18/2022 of 28 September on the formation and growth of companies.

The disclosures in the Notes to the annual accounts about the average supplier payment period that are required under that legislation are as follows:

	2024	2023
	Amount	Amount
Total payments (thousand euro)	269,886	432,685
Total outstanding payments (thousand euro)	28,591	19,037
Average supplier payment period (days) (1)	30	19
Transactions paid ratio (days) (2)	31	19
Transactions pending payment ratio (days) (3)	27	25
Total payments within the period established in the default regulations (thousands of euros)	266,096	428,694
% of the amount paid within the period established in the default regulations with respect to the total amount paid	98.60 %	99.08 %
Number of invoices paid within the period established in the default regulations	19,270	14,461
% of invoices paid within the period established in the default regulations with respect to the total invoices paid	97.63 %	96.36 %

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

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

(3) Average age, suppliers pending payment balance.

7.3. Subsequent events

Events subsequent to the end of the period are described in Note 30 of the Notes to the annual accounts.

8. Annual Corporate Governance Report

Attached as an annex and forming an integral part of the Consolidated Directors' Report is the Annual Report on Corporate Governance 2024, as required by article 526 of the Capital Companies Law.

9. Annual Directors' Remuneration Report

Attached as an annex and forming an integral part of the Consolidated Directors' Report is the Annual Directors' Remuneration Report 2024, as required by article 538 of the Capital Companies Law.