

First Half 2015 Results (1H15)

July 29, 2015



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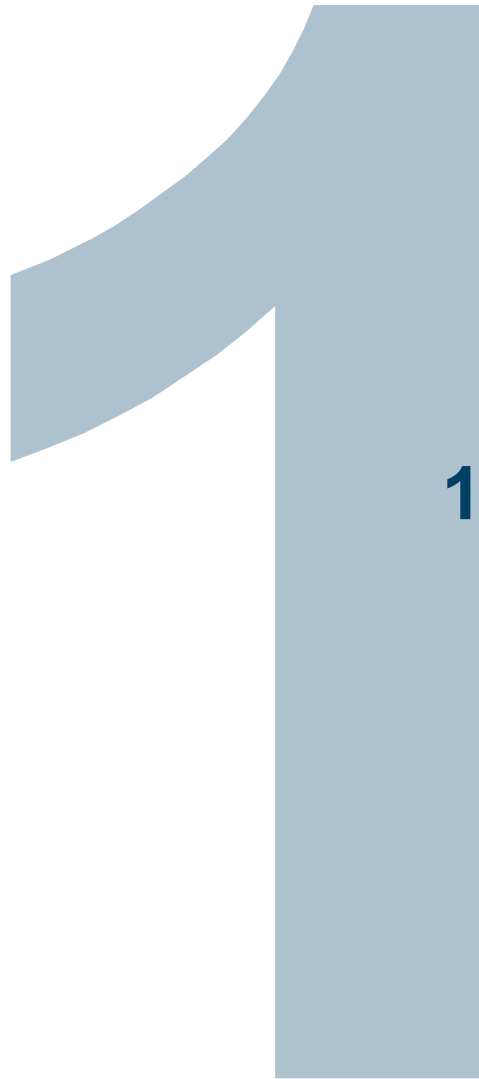
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Agenda



- 1. 1H15 Highlights**
- 2. Financials**
- 3. Analysis of operations**
- 4. Conclusions**



1H15 Highlights

Key financial indicators



Net Income: €751 million (+1.2% adjusted)¹

EBITDA: €2,674 million (+10.5%)

Investments: €744 million (+7.4%)

Net Debt: €16,737 million (-1.2% vs 31/12/14)

Note:

¹ Actual Net Income -19.4% since 1H14 figures reflect non-recurring €190 million net capital gains from sale of telecoms assets in 1H14

Optimization of asset portfolio

€100 million capital reallocation



Rationale		Sale of 45% of Begasa	Acquisition of 100% of Gecalsa
€100 million capital reallocation...	• Equity value	€7.2 million	€103 million
...to an asset with a higher potential of value creation	• Control	x	✓
	• Synergies	x	✓
	• Financial optimization	x	✓
Increasing results and available cash...	• EBITDA 2015E ¹	€0	€26.5 million
	• Net Income 2015E ¹	€4 million	€7 million
	• Payout 2014	10%	100% ²
...in transactions at similar EBITDA multiples	• EV/Ebitda 2015E	9.5x	9.8x
	• EV/Ebitda 2014	11.1x	10.8x
	• EV/RAB	1.16x	• EV/MW ³ 1.09x

Notes:

1 2015 estimates for full year in GNF's consolidated statements

2 2014 dividend to be paid to GNF

3 Full Enterprise Value of €260 million divided by 237.5 MW gross capacity

Other operating events



- **50 MW Torito hydro plant in Costa Rica commissioned in April 2015**

- **Italy: lifting in May of temporary court intervention decreed in 2014 on gas distribution and supply activities in the country**

- **Argentina: transitory financial assistance for gas distribution utilities passed in June 2015**
 - **aimed at maintaining the chain of payments in O&M in attendance for the implementation of the tariff review; GNF to receive AR\$ 515 million in 10 monthly payments**

- **Acquisition in June 2015 of an additional 12.8% of Gasmar by Gasco for €33 million**
 - **Stake in Gasmar raised to 63.8%, optimizing portfolio in Chile, reducing minority interest**

- **Acquisition in July 2015 of UF Gas's and Cepsa's stakes of 60% and 40%, respectively, in Gas Directo for €18 million**

Other financial events



- Issuance of a 9-year €500 million hybrid with a 3.375% coupon on 21 April

- Repurchase in May of 85.3% of the Unión Fenosa Preferentes €750 million hybrid issue of 2005

- Final dividend of €512 million (€0.511/share) approved on 14 May by AGM
 - fully paid in cash on 1 July

- Two bond issuances in Mexico for a total MXN 2,800 million on 14 July
 - MXN 1,500 million 3-year issue at floating rate of TIIE + 44 bp
 - MXN 1,300 million 10-year issue at fixed rate of 7.67% p.a.
 - rated AAA by Fitch and AA+ by S&P

Strategic Plan 2013-2015 targets



(€billion)

2015E

EBITDA	→	>€5.0
Net Income	→	~€1.5
Net Debt / EBITDA	→	~ 3.0x
Dividend Payout¹	→	~ 62%

GNF maintains its commitment to accomplish the financial targets set in the Strategic Plan 2013-2015

New Strategic Plan to be released in late 2015

Note:

1 Dividend to be paid in cash

Advancing in the three lines of growth set in the Strategic Plan 2013-2015



Midstream gas	Generation	Networks
Cheniere	Bii-Hioxo (Mexico)	Entry in gas distribution in Peru (Arequipa)
Shah Deniz II	Torito (Costa Rica)	New gas concessions in Mexico (Sinaloa, Northwest)
Yamal LNG	GPG; agreement with KIA	Acquisition of CGE in Chile
Corpus Christi	Gecalsa	Gas distribution Spain (Gas Directo, new towns, Menorca)
11 bcm and doubling capacity of tanker fleet (5 new tankers contracted, +0.9Mm ³)	520 MW	New conn. pts. ~3.7 million Additional potential conn. pts. ~1.0 million In 2020

2

Financials

Consolidated Income Statement



(€million)	1H15	1H14	Change %
Net sales	13,685	12,154	12.6
Purchases	(9,531)	(8,522)	11.8
Gross Margin	4,154	3,632	14.4
Personnel, Net	(528)	(422)	25.1
Taxes	(239)	(233)	2.6
Other expenses, Net	(713)	(556)	28.2
EBITDA	2,674	2,421	10.5
Depreciation and impairment losses	(893)	(796)	12.2
Provisions	(127)	(116)	9.5
Other	-	253	-
Operating Income	1,654	1,762	-6.1
Financial results, Net	(463)	(398)	16.3
Equity income	7	(12)	-
Income Before Tax	1,198	1,352	-11.4
Corporate tax	(294)	(331)	-11.2
Non-controlling interests	(153)	(89)	71.9
Net Income	751	932	-19.4
Capital gains	-	(190)	-
Adjusted Net Income	751	742	1.2

EBITDA breakdown



(€million)	1H15	1H14	Change	
			€m	%
Gas Distribution:	798	785	13	1.7
Europe	469	486	-17	-3.5
Latin America	329	299	30	10.0
Electricity Distribution:	489	456	33	7.2
Europe	307	305	2	0.7
Latin America	182	151	31	20.5
Gas:	598	634	-36	-5.7
Infrastructures	143	140	3	2.1
Supply	455	494	-39	-7.9
Electricity:	490	489	1	0.2
Spain	357	387	-30	-7.8
GPG	133	102	31	30.4
CGE	295	-	295	-
Other	4	57	-53	-93.0
Total EBITDA	2,674	2,421	253	10.5

Investments



(€million)	1H15	1H14	Change	
			€m	%
Gas Distribution:	255	200	55	27.5
Europe	145	125	20	16.0
Latin America	110	75	35	46.7
Electricity Distribution:	137	114	23	20.2
Europe	81	65	16	24.6
Latin America	56	49	7	14.3
Gas	18	190	(172)	(90.5)
Electricity:	108	115	(7)	(6.1)
Spain	82	47	35	74.5
GPG	26	68	(42)	(61.8)
CGE	119	-	119	-
Other	21	47	(26)	(55.3)
Total tangible + intangible	658	666	(8)	(1.2)
Financial	86	27	59	-
TOTAL	744	693	51	7.4

Investments⁽¹⁾ +34.6%
excluding the
€177 million tanker lease
reported in 1H14



Spain



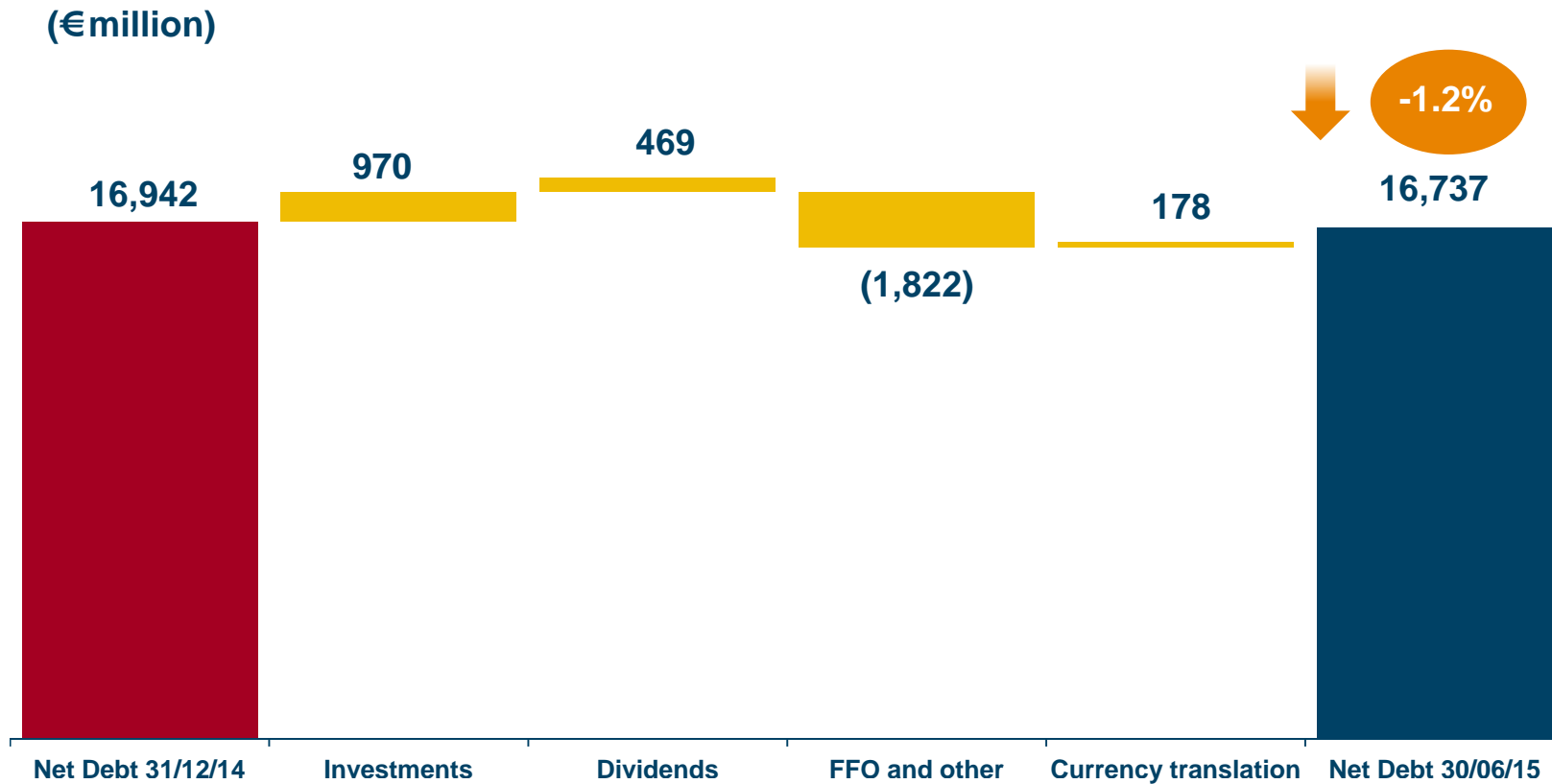
International



Note:

1 Tangible and intangible

Net Debt evolution

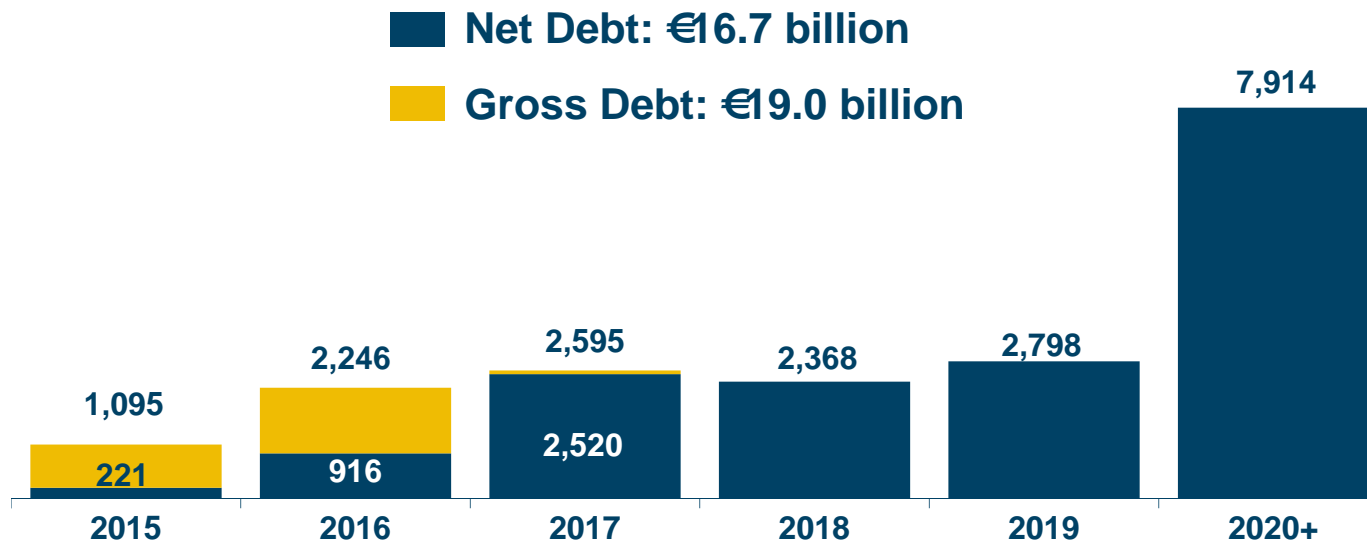


Lower debt despite strong investments and depreciation of the Euro

A comfortable debt maturity profile

As of June 30, 2015

(€million)



- Average life of Net Debt ~5 years
- 73% of Net Debt maturing from 2018 onwards

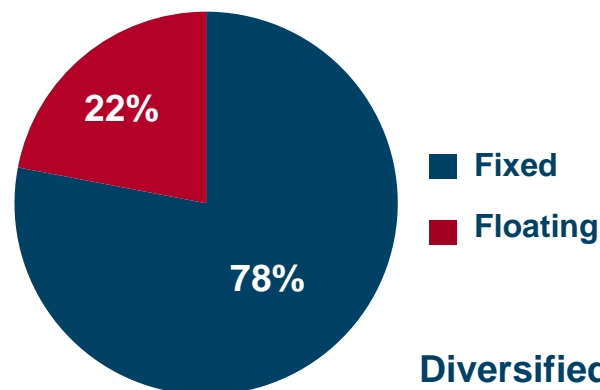
All financial needs for 2015 and 2016 are already covered

An efficient Net Debt structure

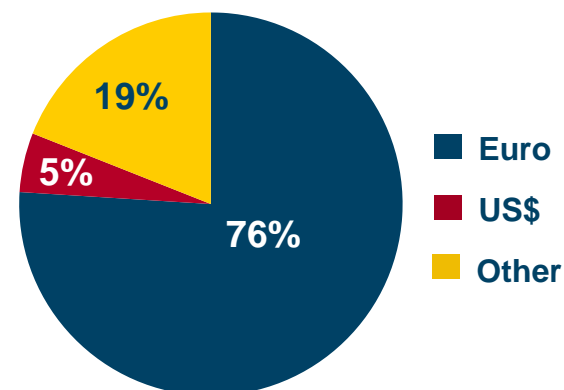
As of June 30, 2015



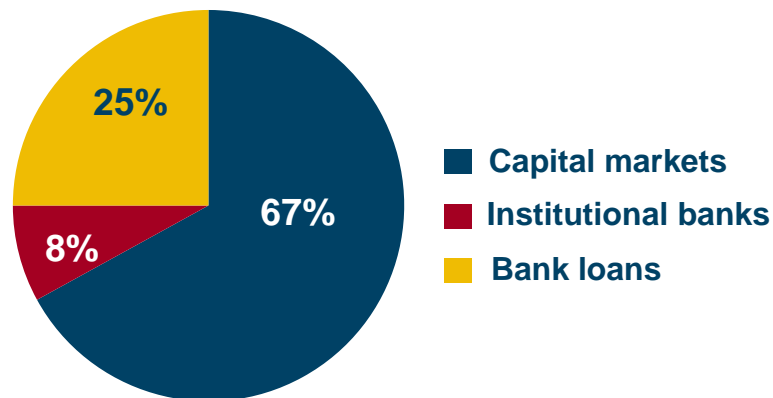
Majority of debt at fixed rates with very competitive cost



Conservative currency exposure policy



Diversified financing sources



Efficiency of debt structure as key pillar for value creation despite a challenging financial environment

Ample liquidity available



As of June 30, 2015

(€million)	Limit	Drawn	Undrawn
Committed lines of credit	7,721	586	7,135
Uncommitted lines of credit	606	165	441
EIB loan	53	-	53
Cash	-	-	2,161
TOTAL	8,380	751	9,790

- Additional capital market capabilities of ~€5,700 million both in Euro and LatAm (Mexico, Chile, Panama and Colombia) programmes
- Two bond issuances in Mexico in July 2015 for a total value of MXN 2.8 billion (3 and 10 years)

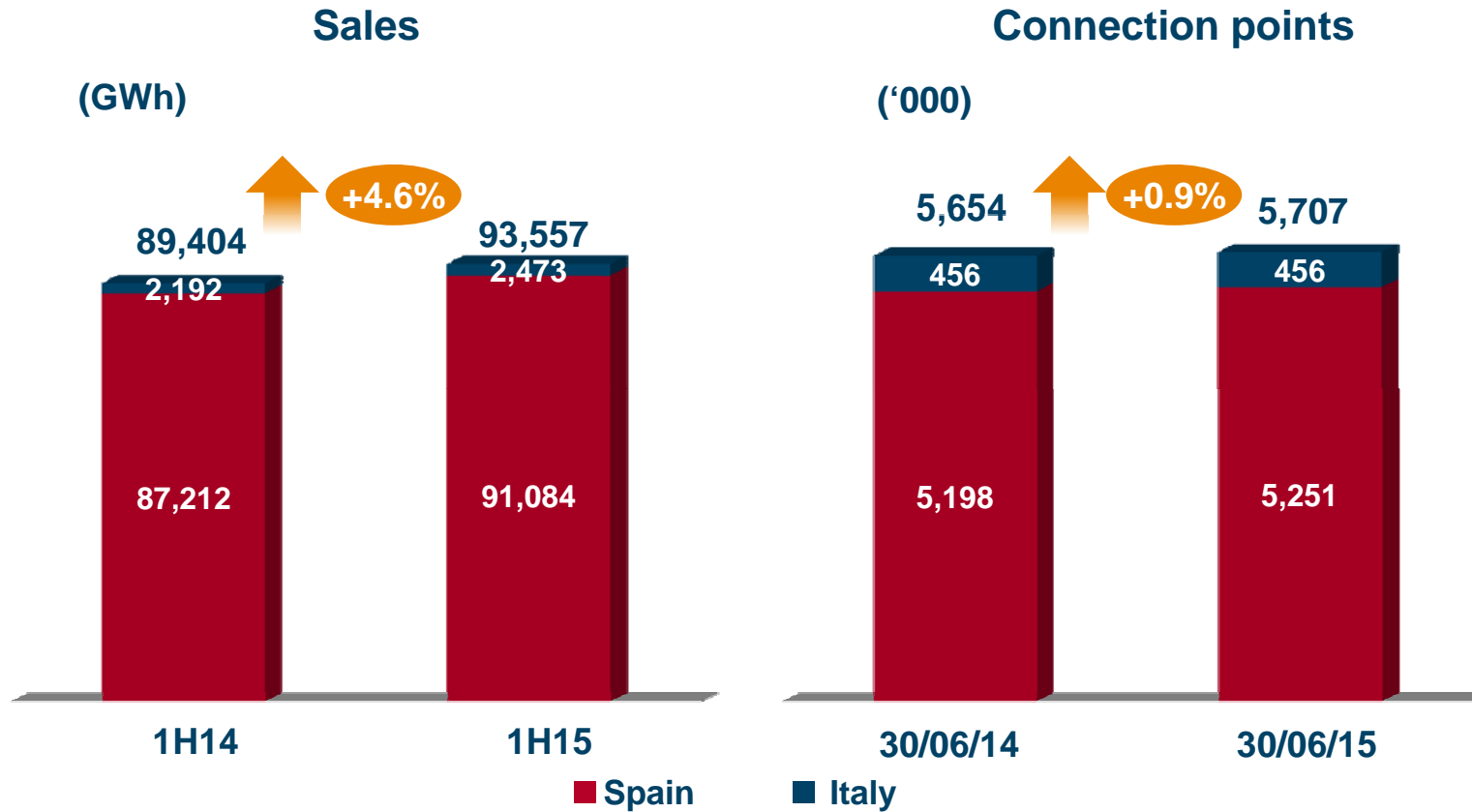
Enough liquidity available to cover needs for over 24 months



Analysis of Operations

Gas Distribution

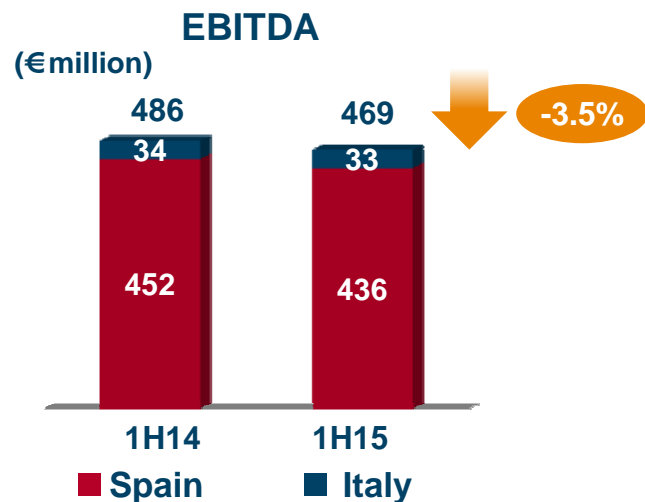
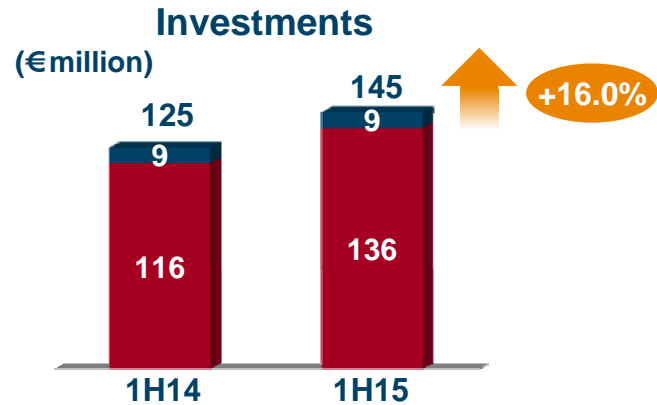
Europe (I)



Colder weather in the region leads to higher gas sales

Gas Distribution

Europe (II)



- Growth capex in Spain consistent with new regulation that incentivises growth
 - 6 new municipalities connected in 1H15
- Higher gas sales in both Spain and Italy due to colder winter
- 1H15 EBITDA in Spain reflects impact from RDL 8/2014 (€53 million)

Disregarding regulatory changes in Spain EBITDA grows +7.4%

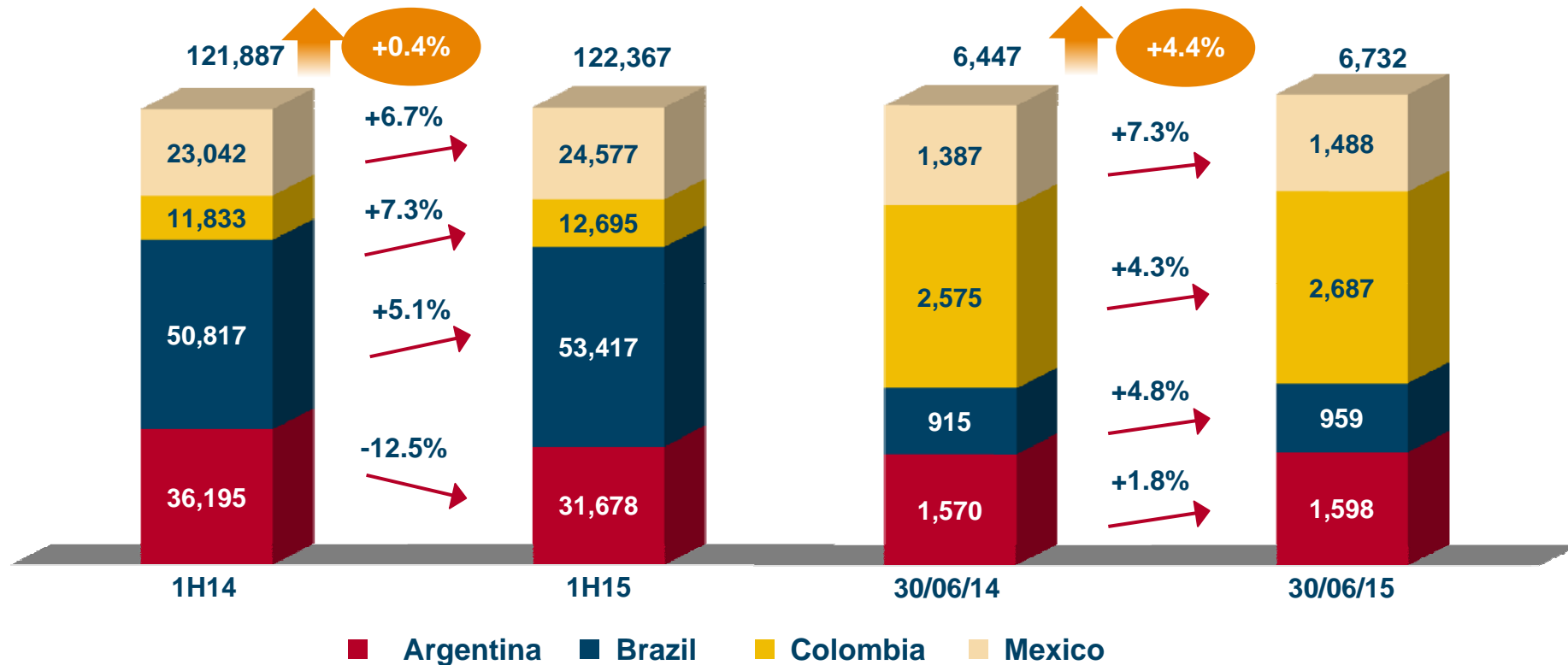
Gas Distribution

Latin America (I)



Gas sales (GWh)

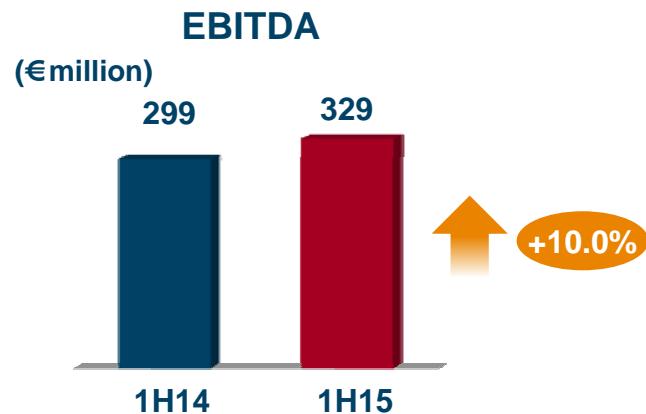
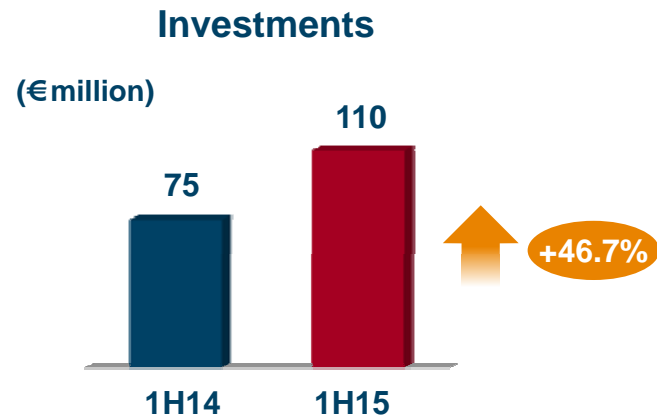
Connection points (000)



Benefiting from higher sales to industrial customers in Colombia and to power generation in Brazil

Gas Distribution

Latin America (II)

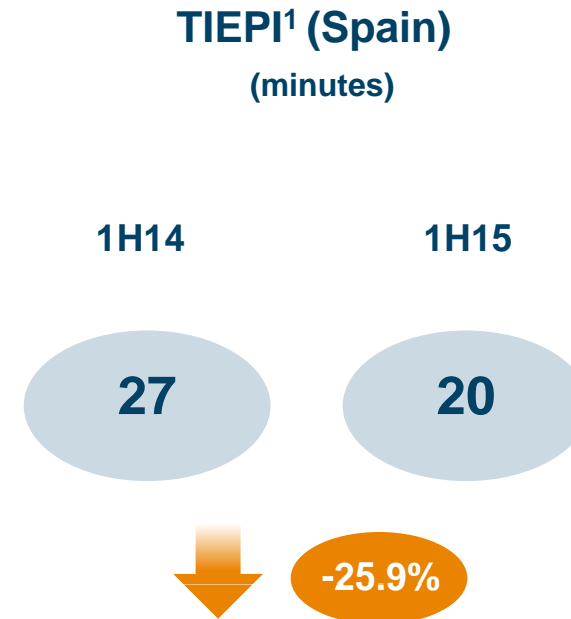
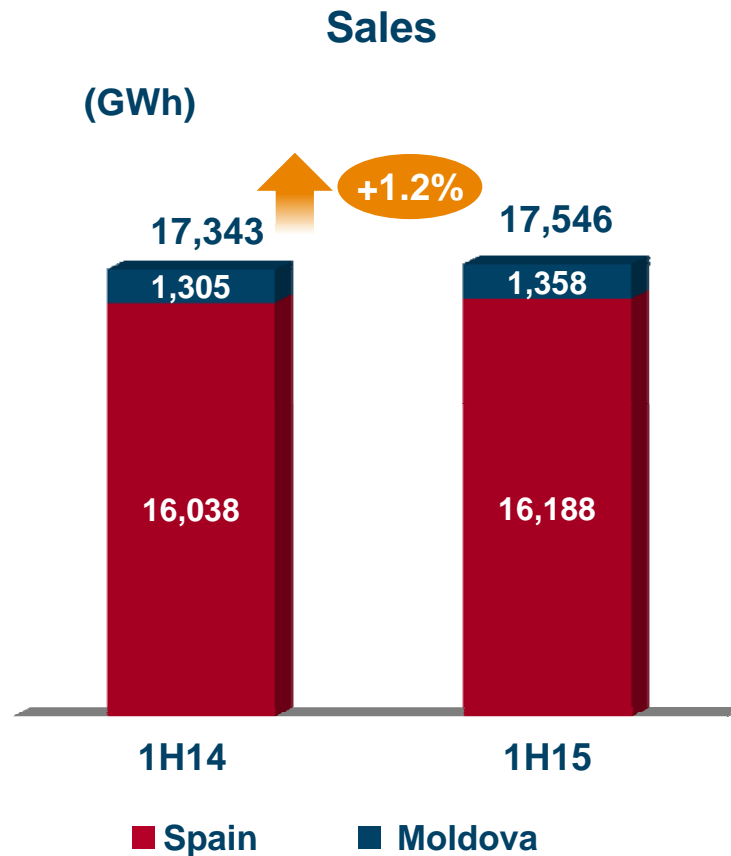


- Growth capex leads to 285,000 new connection points vs end 1H14
- Brazil: higher sales to power generation; achieving customer base growth
- Colombia: achieving growth mainly in industrial customer portfolios
- Mexico: sustained network expansion and higher industrial demand
- Argentina: results show implementation of regulated transitory assistance

Region continues to be an important platform for growth

Electricity Distribution

Europe (I)



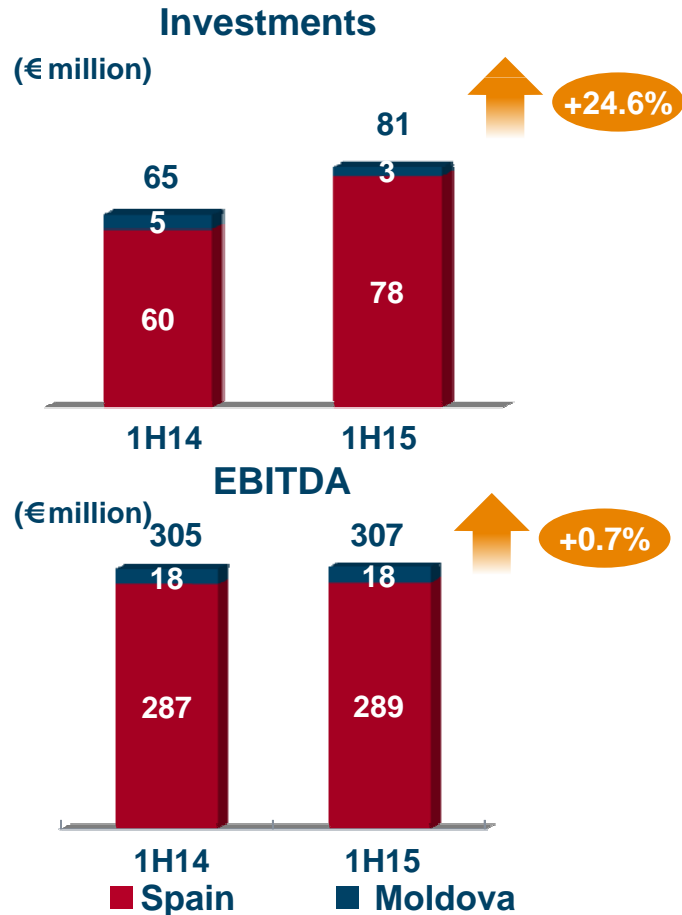
Electricity sales show recovery after colder winter weather despite still weak markets

Note:

1 "Tiempo de interrupción equivalente de la potencia instalada" = Equivalent time of power supply interruption for the installed capacity.

Electricity Distribution

Europe (II)



- Over 4.5 million connection points at end of 1H15
- 1H15 EBITDA in Spain reflects still low investments carried out in 2013
- Higher investments in Spain in accordance with the investment plan approved by the regulator
- Stable EBITDA in Moldova despite currency depreciation

Efficiency plan in Spain materializing according to schedule

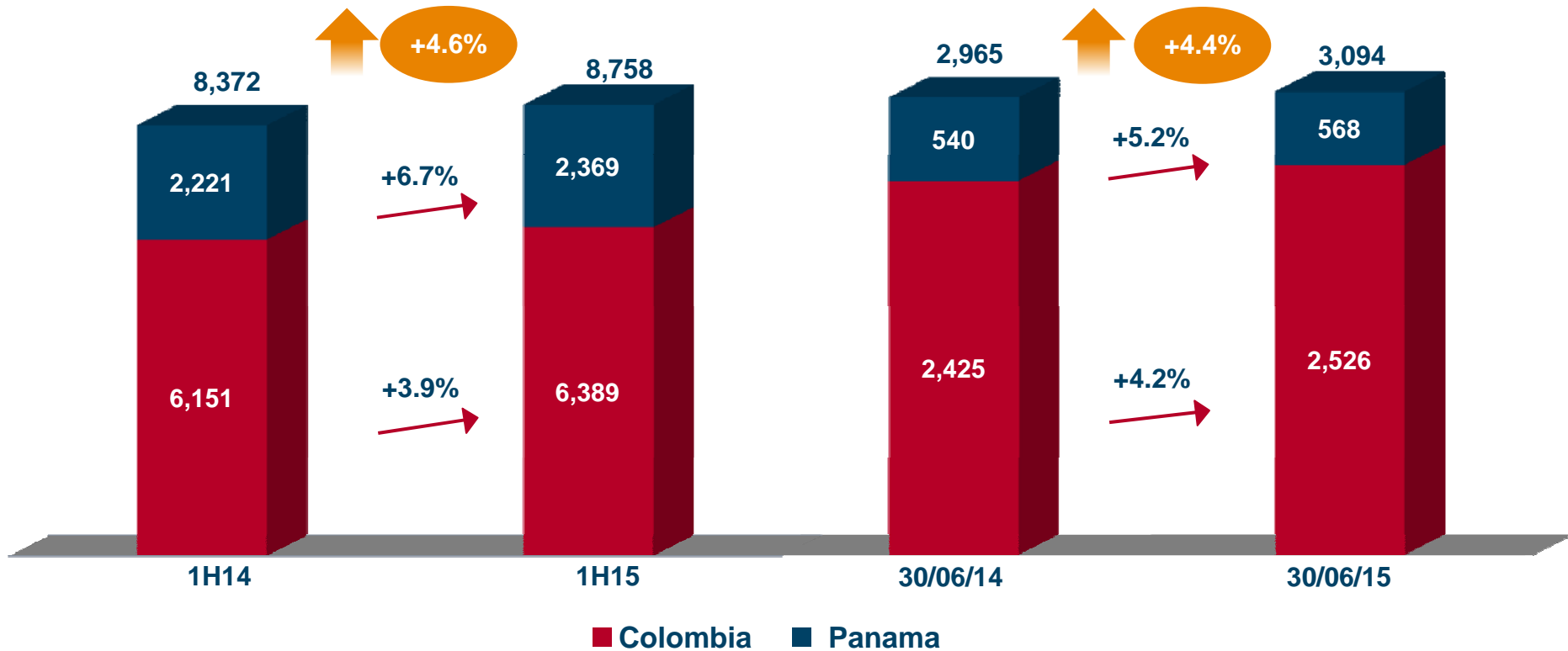
Electricity Distribution

Latin America (I)



Electricity sales (GWh)

Connection points (000)

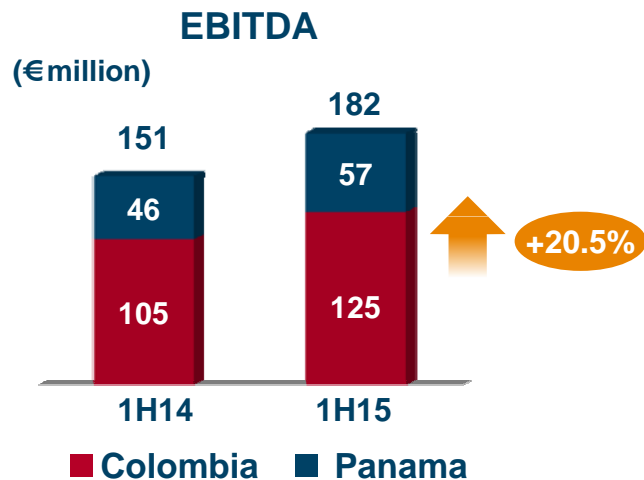
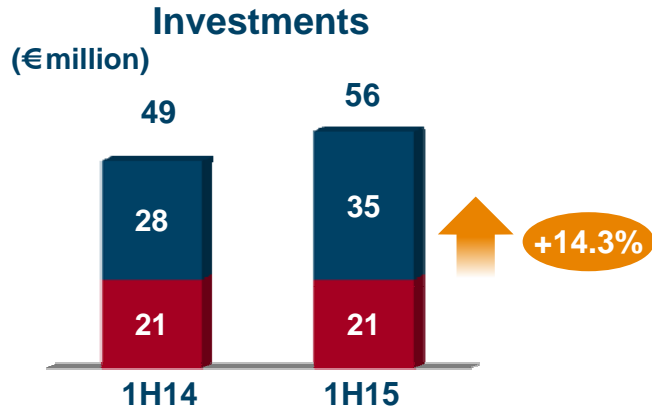


Current operations offer potential for both network growth and efficiency improvements

Electricity Distribution



Latin America (II)



- EBITDA in Colombia reflects a €11 million non-recurring wealth tax impact
- Sustained customer base growth achieved in the region
- Revenues in both countries additionally benefit from lower energy losses in line with efficiency plan

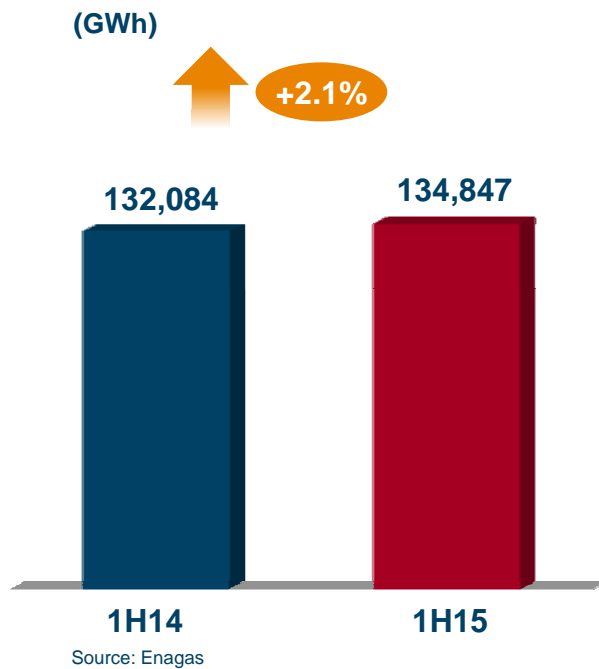
Maintaining a strong operating performance

Energy

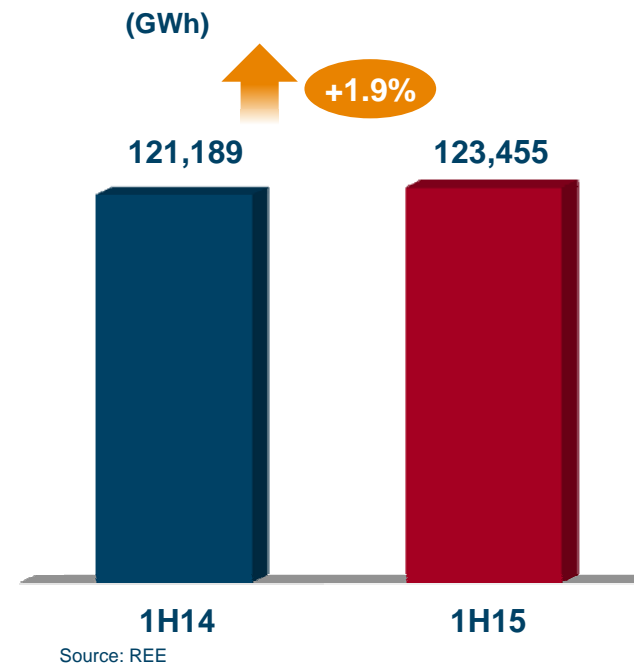
Gas and electricity demand in Spain



Conventional gas demand



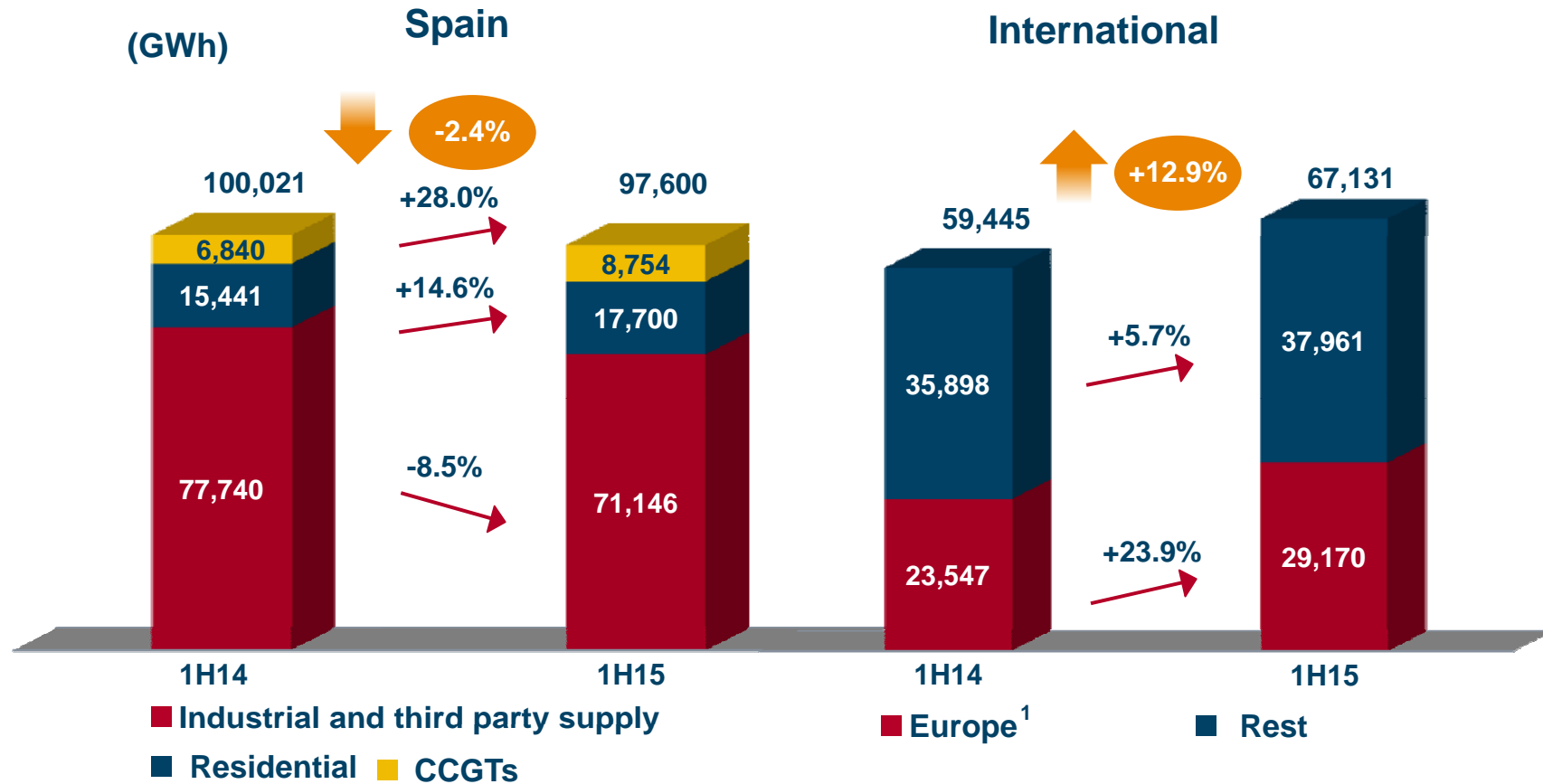
Electricity demand



Gas demand recovers after colder winter which also leads to higher electricity demand

Energy

Gas Supply (I)



**Spanish sales reflect colder weather and a recovery in thermal gap;
 Europe leading growth in foreign markets**

Note:

¹ Sales to end customers, including retail sales in Italy

Energy

Gas Supply (II)



Wholesale

- International wholesales represent 45% of total in 1H15 (vs 41% in 1H14)
 - Consolidating presence in main international LNG markets in Asia and America
 - Sustained sales growth in Europe with an aim to increase presence to new countries
- Diversified management of LNG tanker fleet

Retail

- Continued expansion into retail liberalized markets in Europe (Spain, Italy)
- Over 12.4 million active contracts (gas, power and services) with continuing expansion into residential and small and SME markets
 - Average contracts per customer increase 2.7% to 1.54
 - 14.2% growth in maintenance contracts in Spain

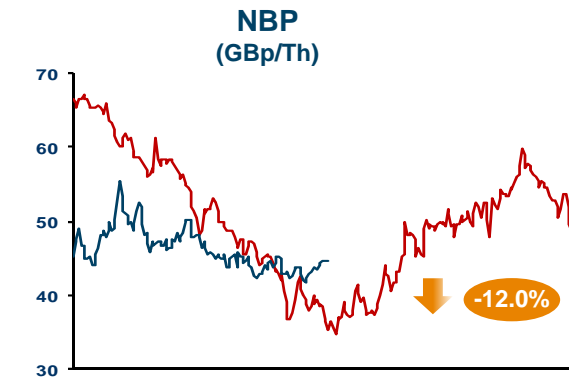
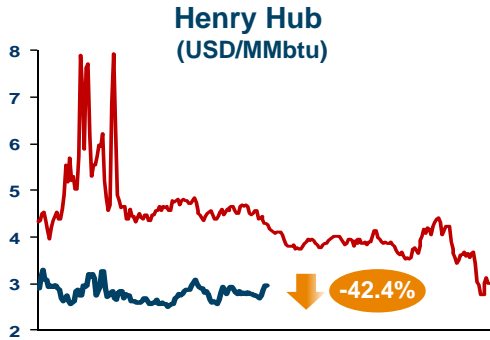
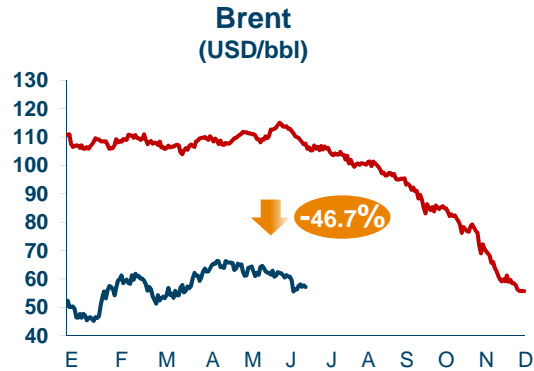
Continuing to establish a solid gas supply business

Energy

Gas Supply (III)



Changes 1H15 vs 1H14



— 2014

— 2015

- Total gas supply volumes +3.3% vs 1H14
- Gas margins in 1H15 impacted by unfavourable market scenario
- Average unitary margin drop (~10%) lower than drop in indexes

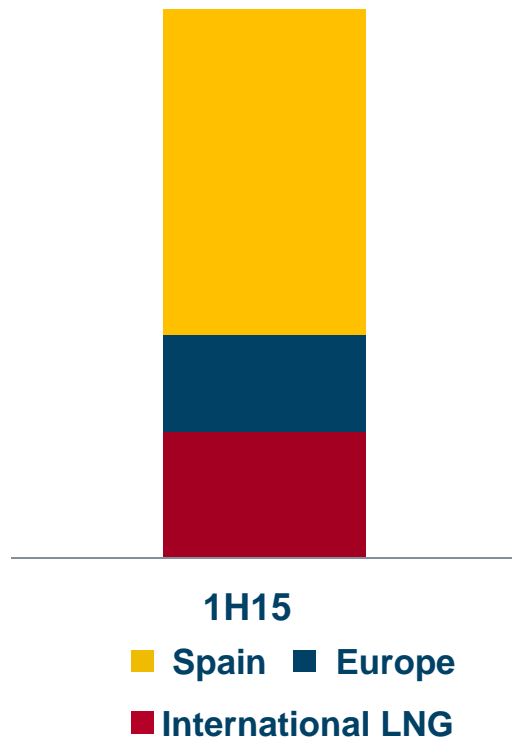
EBITDA 1H15: €455 million (-7.9%)

Energy

Gas Supply (IV)



GNF's Gas Sales (GWh)



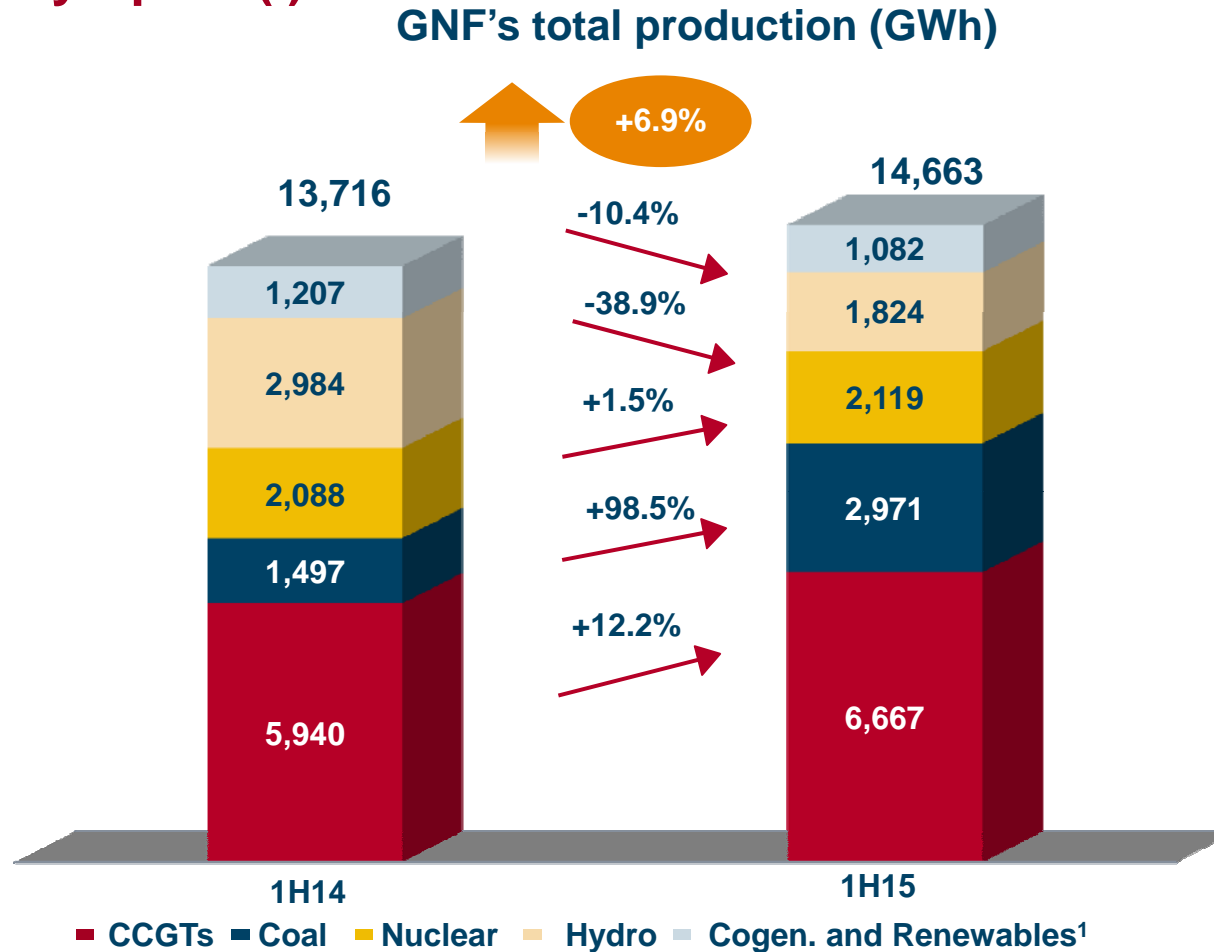
Medium term expected evolution for GNF

	Volume	Margin
Spain	= ↗	= ↘
Europe	↗	= ↗
International LNG	↗ ↗	= ↘

GNF's recent developments in LNG, with new procurement contracts and higher fleet activity, will allow to compensate the margin downturn and even increase results on the medium term

Energy

Electricity Spain (I)

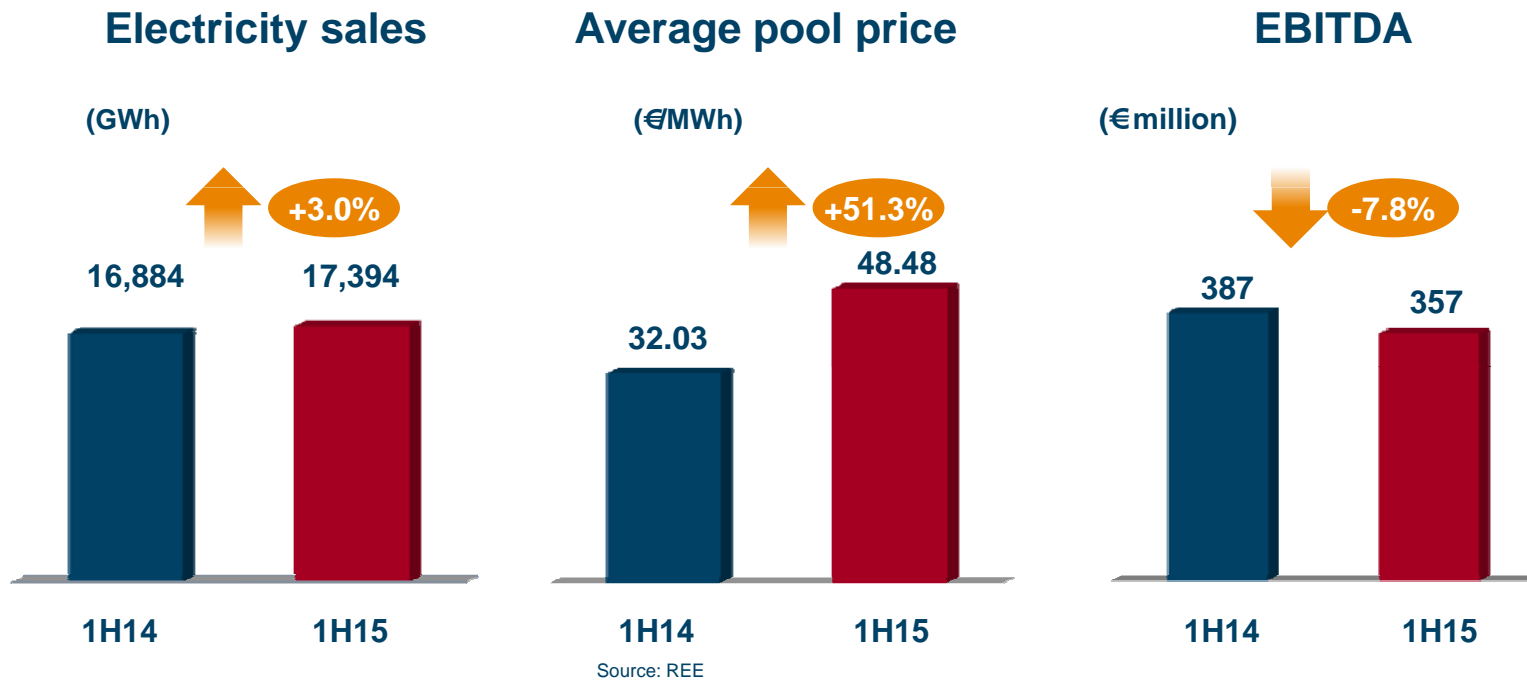


Production figures boosted by thermal component

Note:
 1 Formerly "Special Regime".

Energy

Electricity Spain (II)



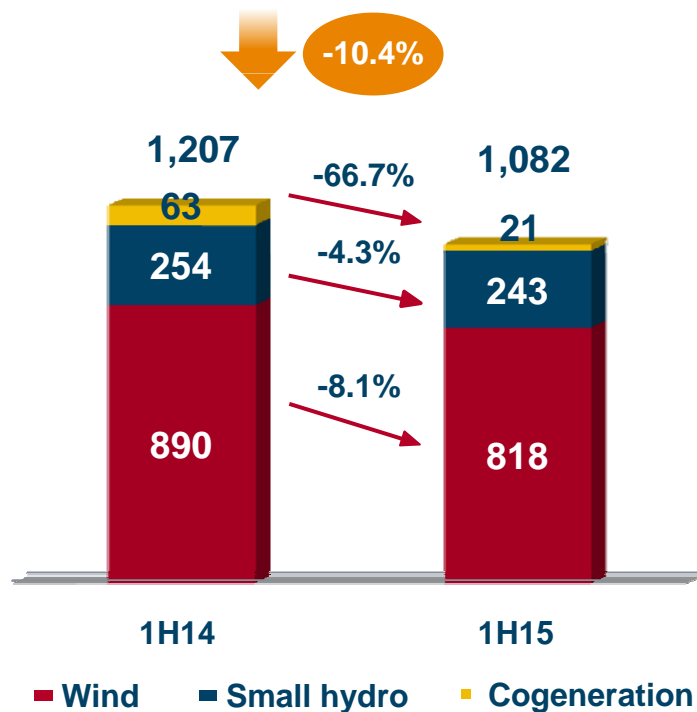
Drop in margins fall despite higher production and pool prices mainly as a consequence of a lower share of hydro in the mix

Energy

Cogeneration and renewables¹



Total production (GWh)

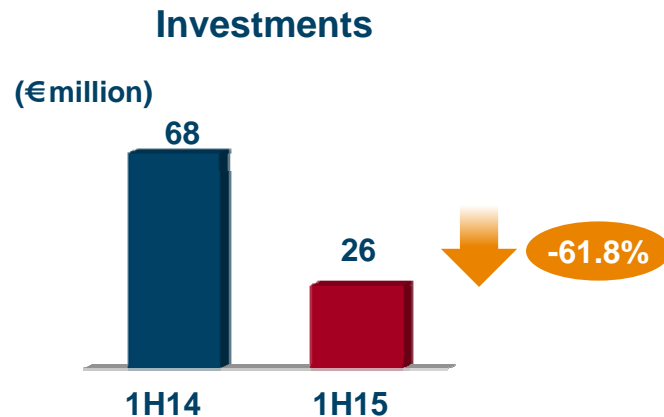
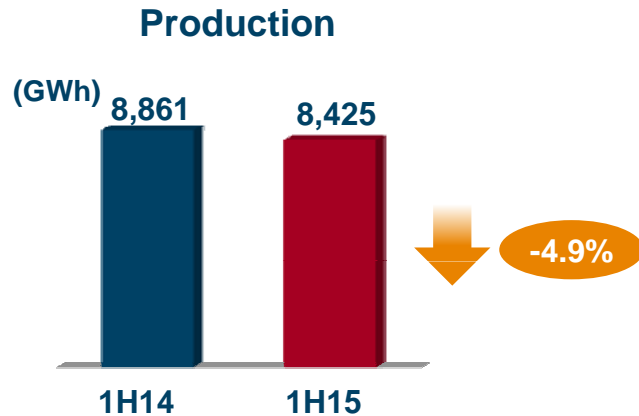


- Lower rainfall and wind levels lead to a drop in output from both mini-hydro and wind farms
- Cogeneration impacted by new regulation
- Completion of the Gecalsa acquisition should add 222 MW of net capacity in renewables, adding solar to technology portfolio

Note:

1 Formerly "Special Regime"

International power generation



- Lower production figures mainly due to planned outages of CCGTs in Mexico
 - Torito hydro plant (50 MW) already operational
- Lower investments due to higher concentration of capex for Bii Hioxo wind farm (Mexico) in 2014

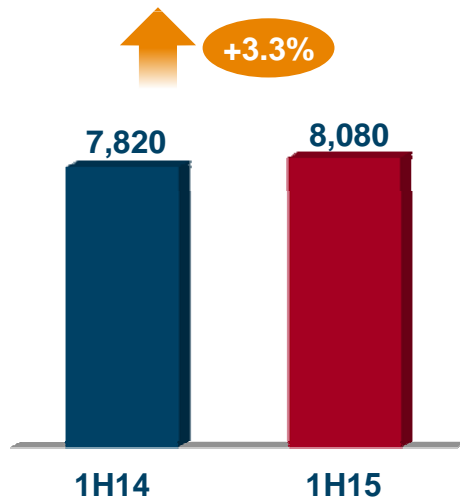
EBITDA grows +30.4% to €133 million mainly helped by higher activity

CGE

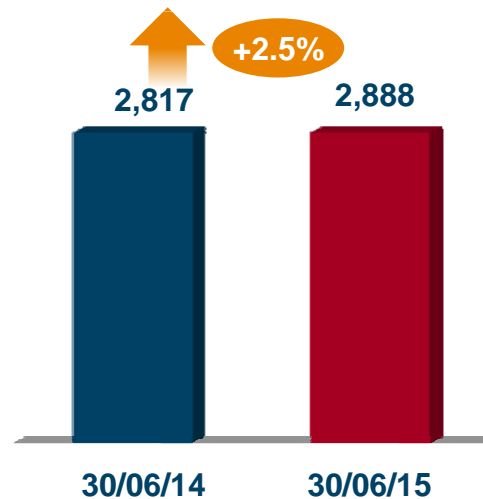
Electricity distribution and transmission



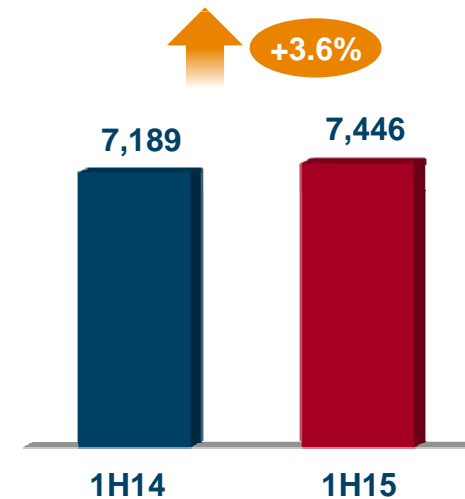
Electricity sales, distribution (GWh)



Connection points (000)



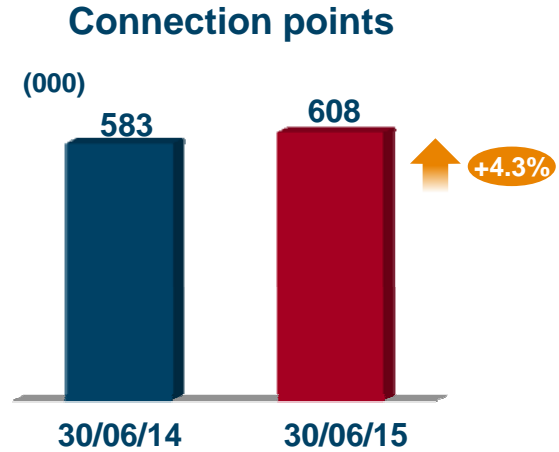
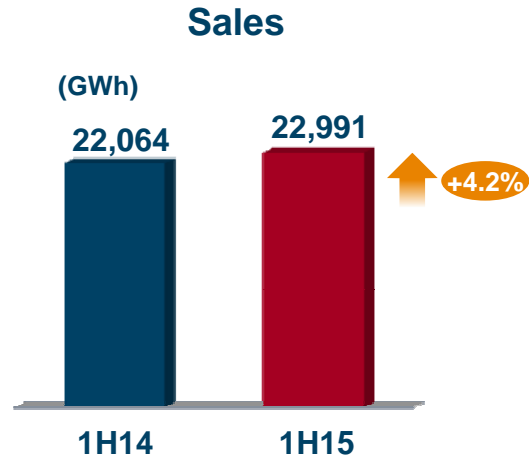
Electricity transported (GWh)



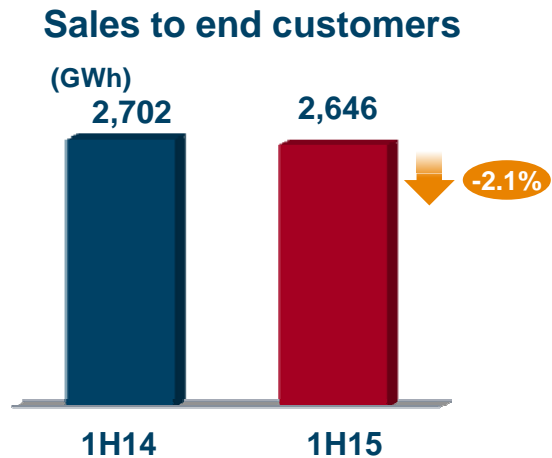
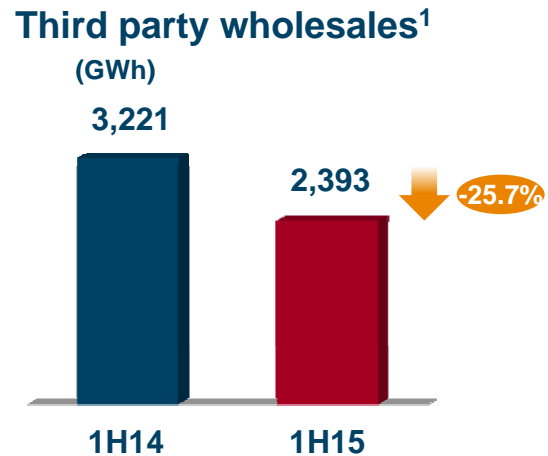
Electricity business benefiting from growth in Chilean market

Gas distribution and LPG

Gas distribution



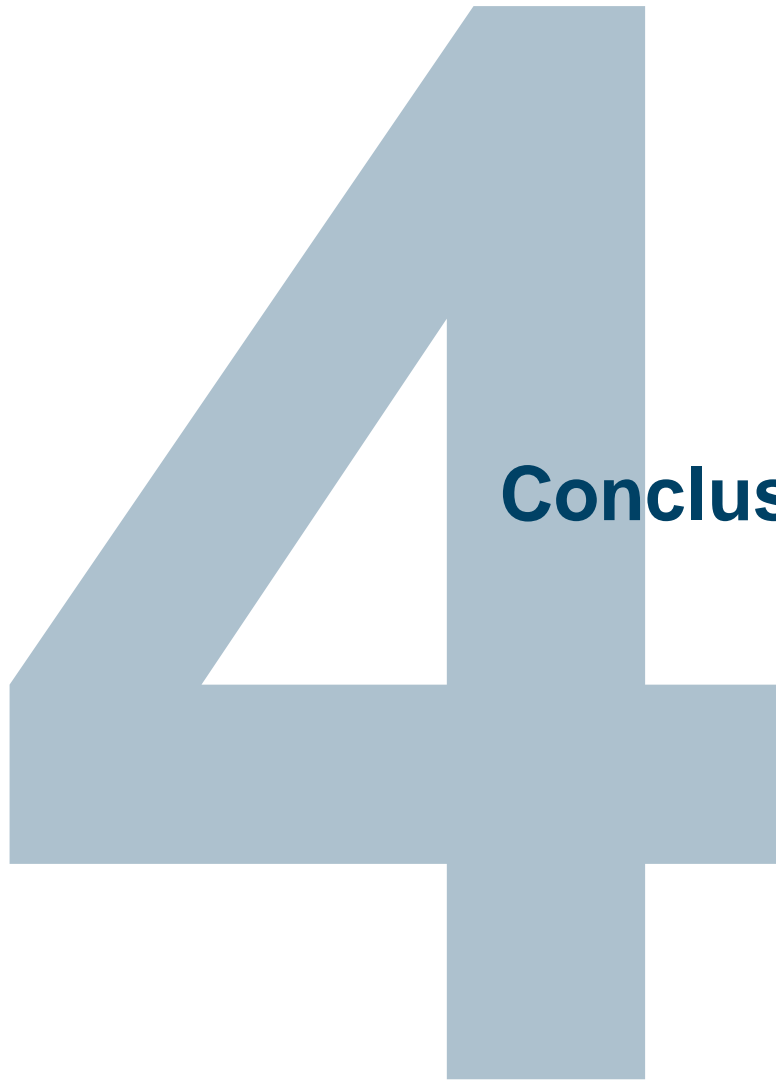
LPG



Gas distribution sales grow along with network

Note:

1 Lower sales in 1H15 vs 1H14 after one of the former customers set up its own LPG procurement operation



Conclusions

An integrated and diversified business model



EBITDA +10.5% and Net Income +1.2% (adjusted) showing a resilient business model

Business model strengthened by continuous efforts towards optimization of asset portfolio

Proven resilience of gas wholesale business model

Foreign operations continue to be a solid platform for sustained future growth

Thank you

INVESTOR RELATIONS

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