Third Quarter 2011 Results

November 8, 2011

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Agenda

1. Main Magnitudes
2. A Stronger Capital Structure
3. Summary of 9M11 Results
4. Analysis of Operations
5. Conclusions

1 Main Magnitudes

Main Magnitudes

Recurring Net Income 9M11: €896 million[1] (+11.6%)
Net Income 9M11: €1,114 million

EBITDA 9M11: €3,539 million (+0.5%)

Investments 9M11: €832 million[2] (-9.0%)

Net Debt as of 30/09/2011: €17.3 billion[3] (-12.5%)

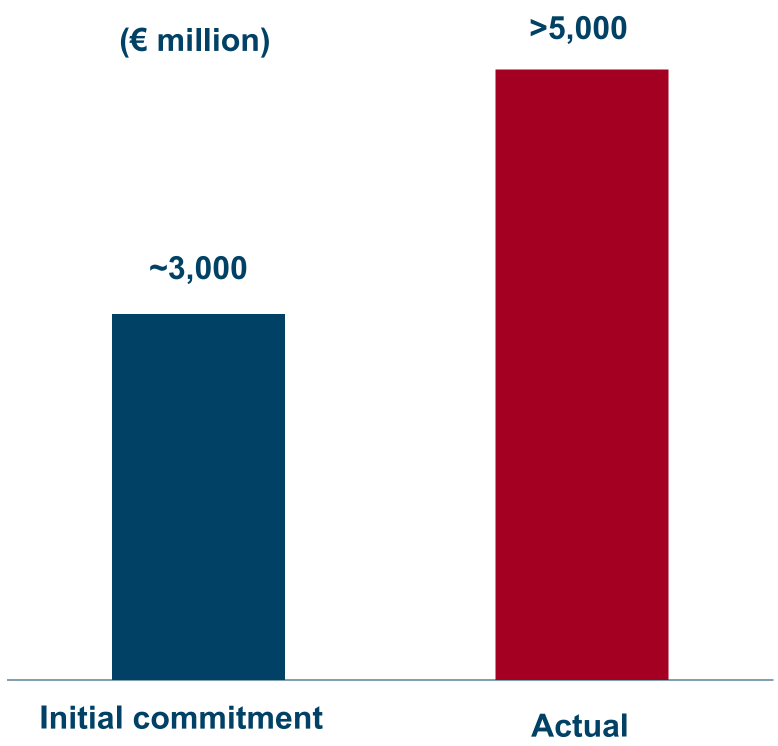
Notes:
1 Disregarding impact from capital gains
2 Tangible and intangible investments
3 Taking into account €168.3 million cashed from the tranche of tariff deficit securitised on 5 October

2

A Stronger Capital Structure

Completion of asset disposal plan

Total proceeds collected from asset sales

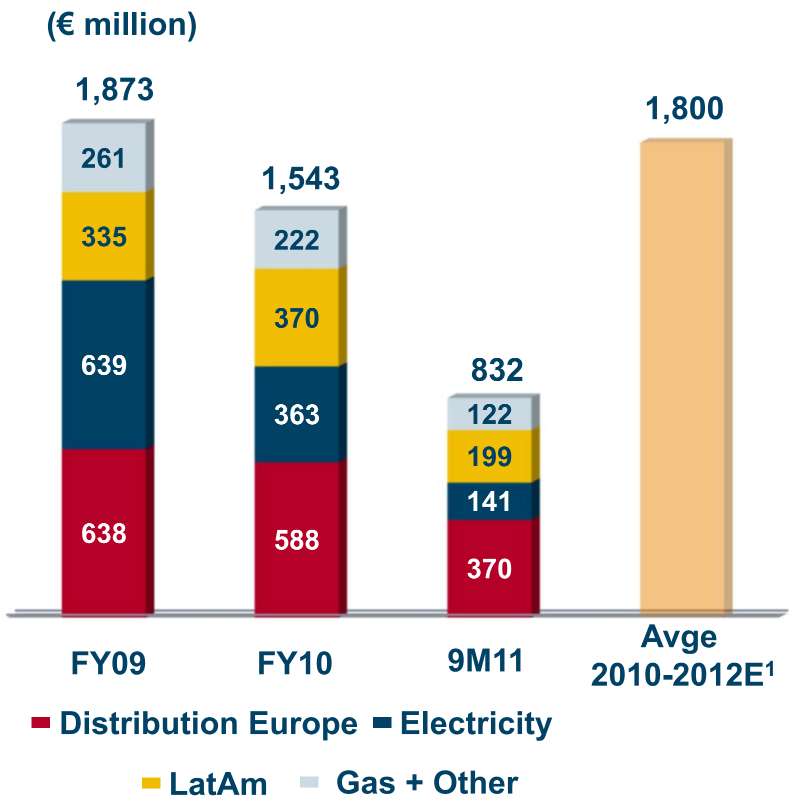


- Over €5,000 million collected from proceeds of asset disposals
- Almost complete fulfillment of GNF's commitments on the asset sales agreed with Spanish antitrust authorities
  - Pending approval for sale of gas customers in Madrid (€38 million)
  - Expecting to collect proceeds in 1Q12

Greatly exceeding initial ~€3,000 million asset disposal commitment

Discipline in CAPEX

Total consolidated investments



- Lower CAPEX after completion of CCGTs and slowdown in expansion of distribution networks in Spain
- Increasing focus on shorter paybacks and target returns
- CAPEX synergy target for 2012 fully achieved in 2011

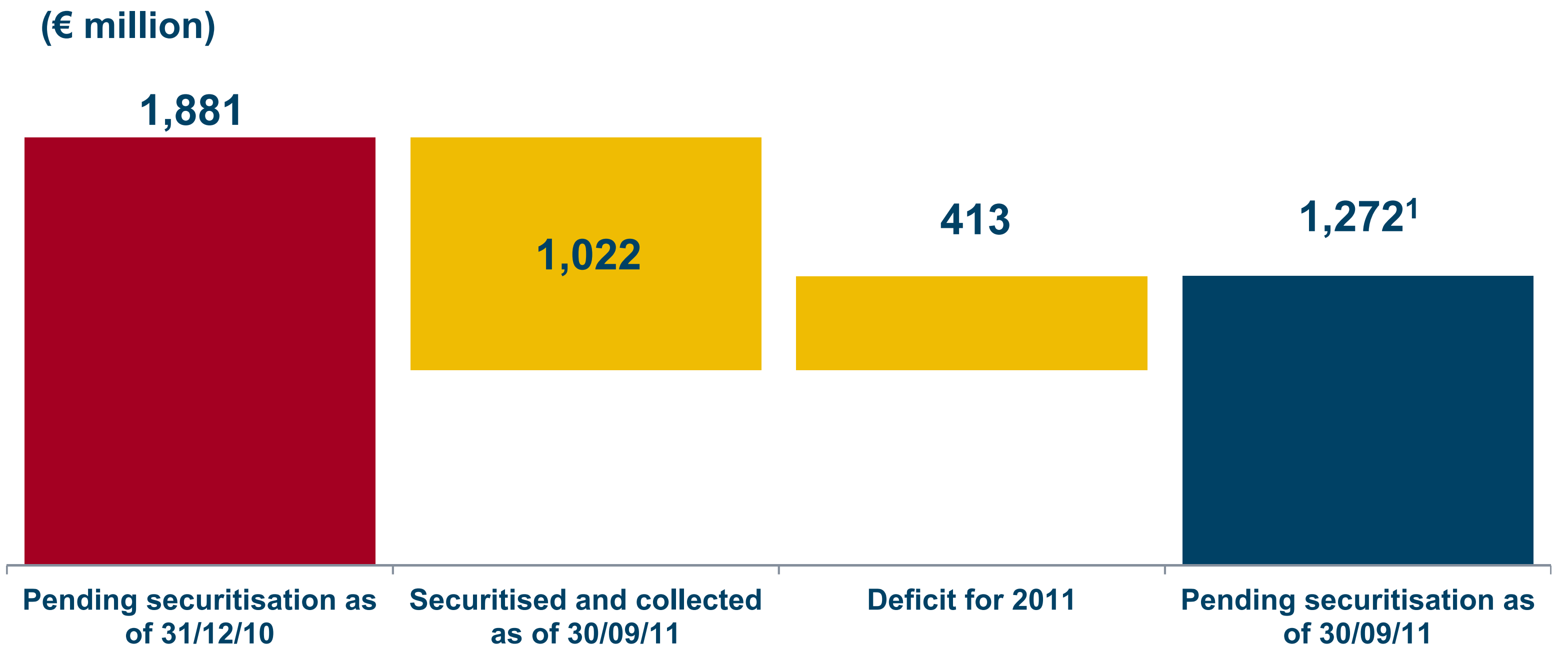
Enhancing investments in regulated activities that constitute the main source of EBITDA

Note:

1 Average annual CAPEX for the 2010-2012 period, as set forth in the Strategic Plan 2010-2014

Securitisation of tariff deficit

Tariff deficit amounts for GNF[1]



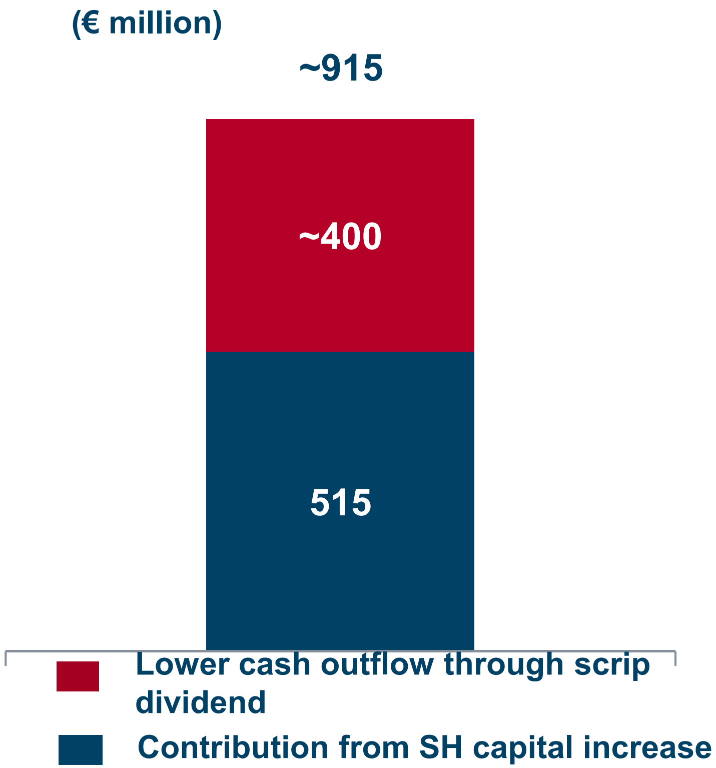
- €1,022 million collected by GNF to date, mainly through the five bond issues carried out by FADE

Ongoing securitisation despite challenging market conditions

Note:
1 Taking into account €168.3 million cashed from the tranche of tariff deficit securitised on 5 October

Strengthening shareholders' equity

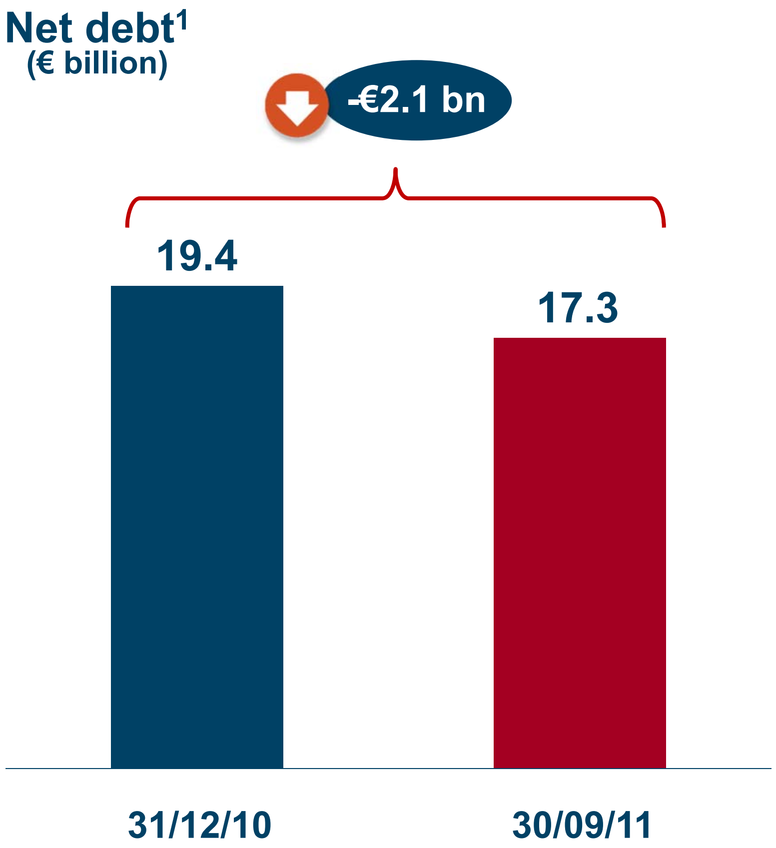
Combined positive impact



- Scrip dividend completed with an unprecedented 96.4% success ratio
  - Lower cash outflow implied of ~€400 million
- Sonatrach's purchase of 3.85% of share capital in August injected €515 million

Strengthening both capital structure and liquidity

A substantial reduction in debt



- Lower debt after asset disposals, partial securitisation of tariff deficit and cash flow generation
- Capacity to reduce debt further through positive structural free cash flow

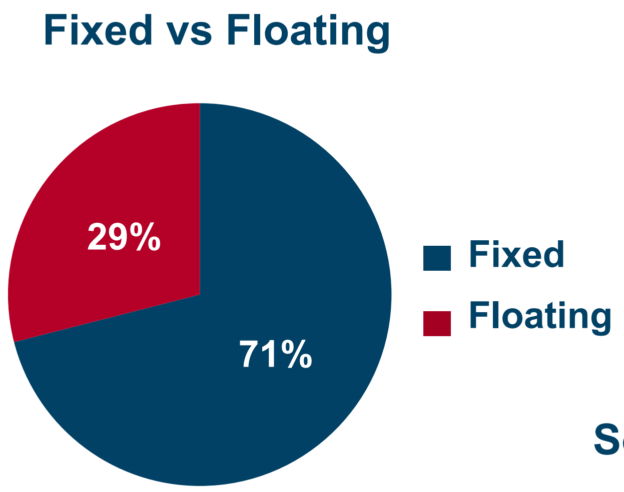
Net Debt[1]/EBITDA

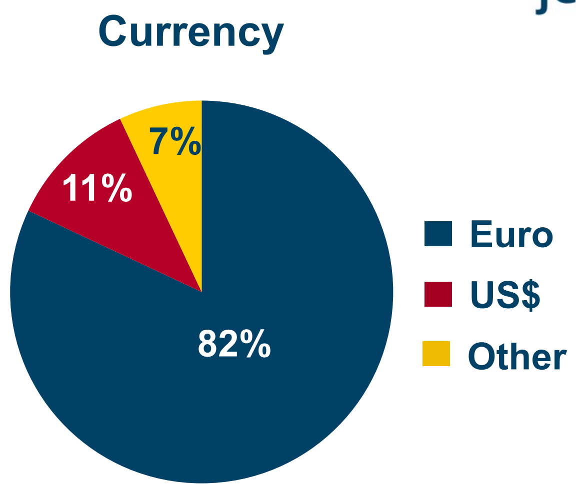
3.9x

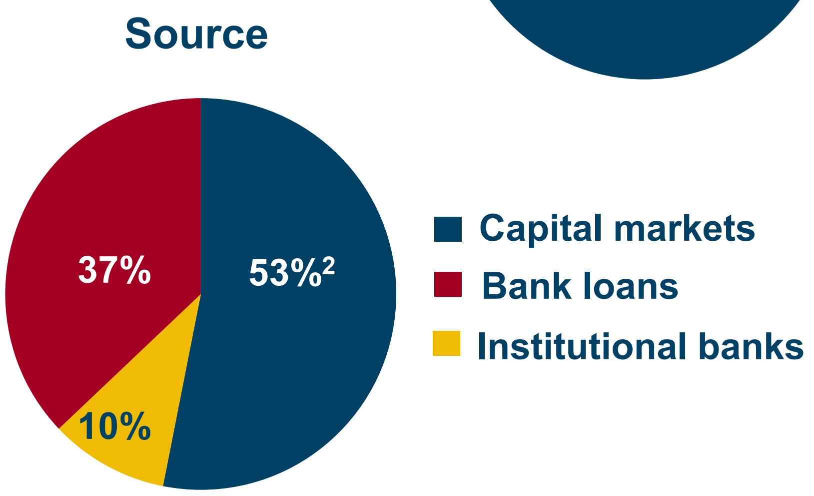
Achieving debt reduction target in accordance with plan

Note:
1 Taking into account €168.3 million cashed from the tranche of tariff deficit securitised on 5 October

Debt[1] breakdown







Fixed/floating, source and currency mixes provide a well-balanced financial risk profile

Notes:

1 Net debt

2 Adjusting net debt with pending tariff deficit securitisation , the weighting of capital markets would increase to 57%

Cost of debt

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Average cost of debt

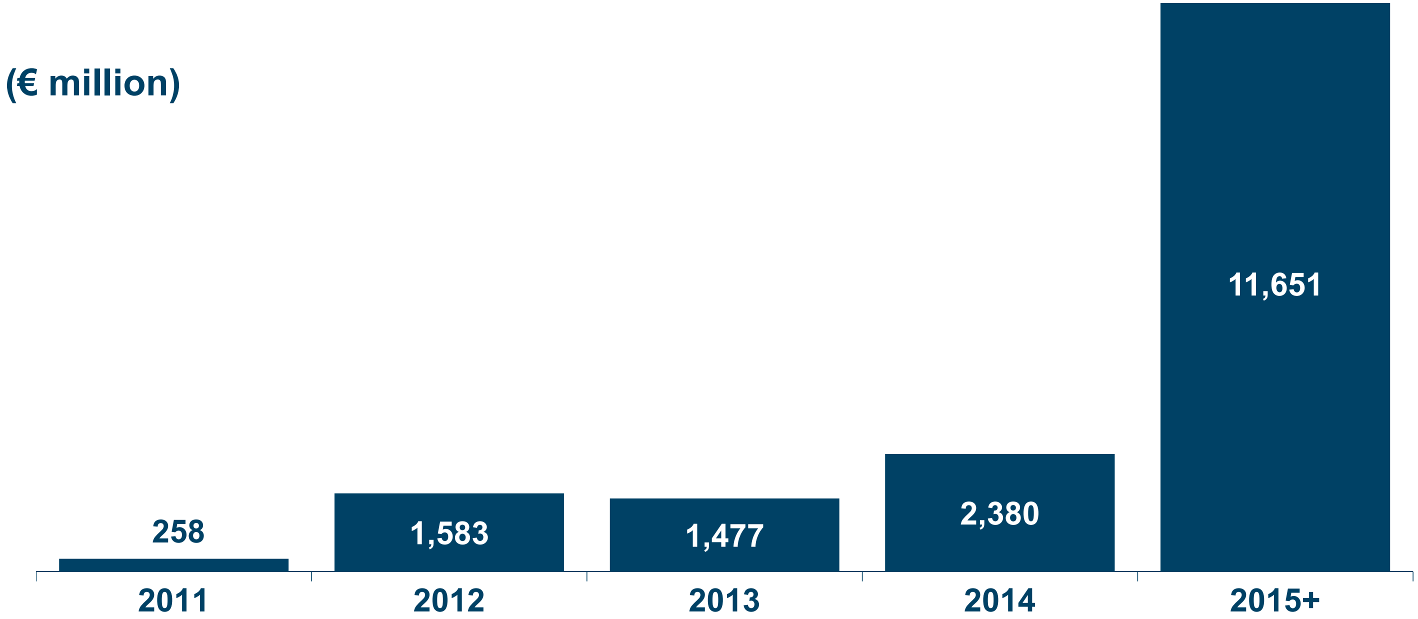
9M10	4.2%
	+0.1pp
9M11	4.3%

- Very competitive cost of debt, below that of other peers' with better credit ratings
  - Includes LatAm subsidiaries, funded in local currency
  - €8,000 million issues in capital markets made since June 2009 with an average coupon of 4.77% and average life of 7.1 years
- No major impact in cost of debt in 2011 despite higher volatilities and spreads in financial markets in 2011

No significant impact expected in cost of debt in the near future

Debt maturity schedule

Net debt: €17.3 billion[1]



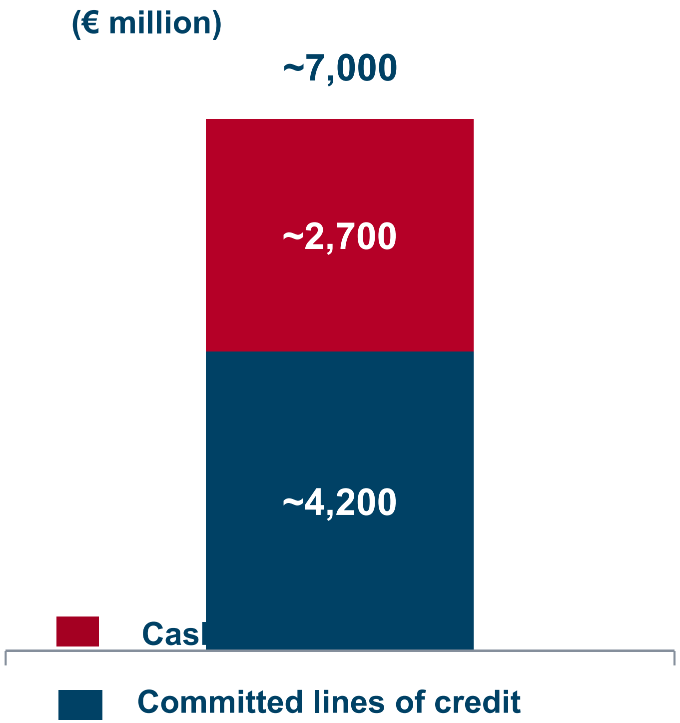
- Average life of debt ~5 years
- 67% of net debt maturing from 2015 onwards

Financial needs from 2011 to 2013 covered, with a current focus on the period from 2014 onwards

Note:
1 Taking into account €168.3 million cashed from the tranche of tariff deficit securitised on 5 October

Liquidity

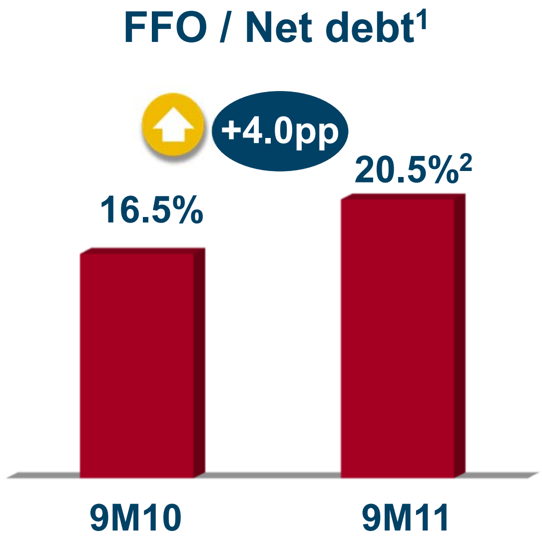
Liquidity as of 30/09/11

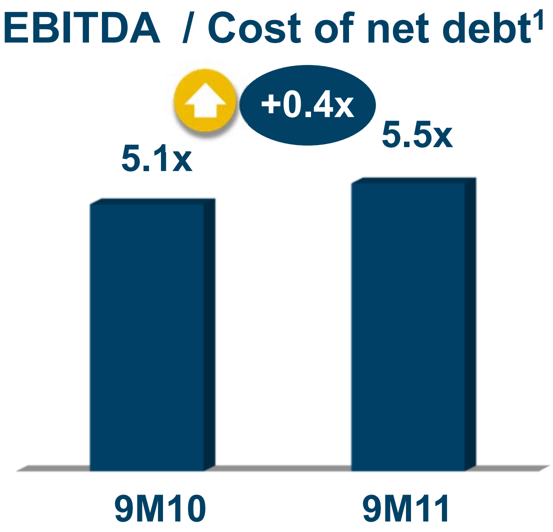


- Enough liquidity available to cover needs for at least next 24 months
- Available additional capital market capabilities of €4,000 million in Euro
  - Euro programmes
  - LatAm programmes (Mexico, Argentina, Panama)
- In October 2011, S&P stated:
  - *"GNF's liquidity is strong, based on its proactive financing and healthy cash flow generation"*
  - *"GNF's proven access to the debt capital markets both in Spain and Mexico (…), its ability to dispose of assets, its sound bank relationships and its prudent financial discipline further support our assessment of its strong liquidity position"*

Proactively maintaining a healthy liquidity position

Considerations on ratings





- **Solid business risk profile, with ~70% EBITDA regulated/quasi-regulated and an integrated management of liberalized businesses**
- **Limited exposure to other European utilities' risks (nuclear, ToP) and proven expertise in emerging markets**
- **Strong liquidity and lack of refinancing risk**

Continuous improvement in credit metrics

Notes:

1 Amounts not annualized

2 Ratio would rise to 22.2% after adjusting for pending securitisation of tariff deficit

3

Summary of 9M11 Results

Consolidated income statement

(€ million)	9M11	9M10	Change %
Net sales	15,315	14,289	7.2
Purchases	(10,099)	(9,147)	10.4
Gross Margin	**5,216**	**5,142**	**1.4**
Personnel, Net	(638)	(596)	7.0
Other expenses, Net	(1.039)	(1.024)	1.5
EBITDA	**3,539**	**3,522**	**0.5**
Depreciation	(1,300)	(1,240)	4.8
Provisions	(142)	(155)	(8.4)
Other results	268	365	(26.6)
Operating Income	**2,365**	**2,492**	**(5.1)**
Financial results, Net	(701)	(787)	(10.9)
Equity income	5	5	-
Income Before Tax	**1,669**	**1,710**	**(2.4)**
Taxes	(416)	(439)	(5.2)
Minority interest	(139)	(154)	(9.7)
Net Income	**1,114**	**1,117**	**(0.3)**
Non- recurring items, net[1]	(218)	(314)	(30.6)
Recurring Net Income	**896**	**803**	**11.6**

Note:
1 Corresponds to capital gains from disposals in 2010 and 2011 (mainly gas assets in Madrid, CCGTs in Mexico, and electricity distribution assets in Guatemala)

EBITDA breakdown

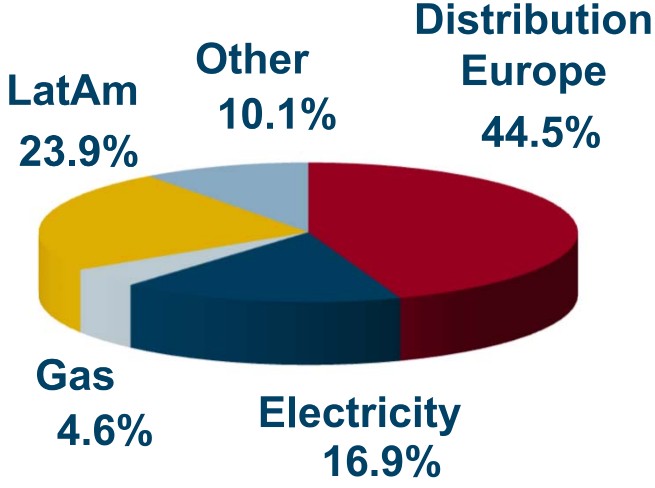
(€ million)	9M11	9M10	Change €m	Change %
Distribution Europe:	**1,307**	**1,194**	**113**	**9.5**
Electricity	556	451	105	23.3
Gas	751	743	8	1.1
Electricity:	**640**	**790**	**-150**	**-19.0**
Spain	532	689	-157	-22.8
Special Regime	97	88	9	10.2
Other	11	13	-2	-15.4
Gas:	**632**	**526**	**106**	**20.2**
Infrastructures	173	193	-20	-10.4
Supply	459	333	126	37.8
LatAm:	**864**	**958**	**-94**	**-9.8**
Electricity Distribution	220	295	-75	-25.4
Gas Distribution	461	471	-10	-2.1
Generation	183	192	-9	-4.7
Other	**96**	**54**	**42**	**77.8**
Total EBITDA	**3,539**	**3,522**	**17**	**0.5**

Consolidated investments

Tangible and intangible

(€ million)	9M11	9M10
Distribution Europe:	**370**	**316**
Electricity	188	163
Gas	182	153
Electricity:	**141**	**250**
Spain	122	198
Special Regime	19	52
Gas:	**38**	**38**
Infrastructures	28	27
Supply	10	11
LatAm:	**199**	**244**
Generation	34	106
Gas Distribution	89	53
Electricity Distribution	76	85
Other	**84**	**66**
Total	**832**	**914**

By Activity



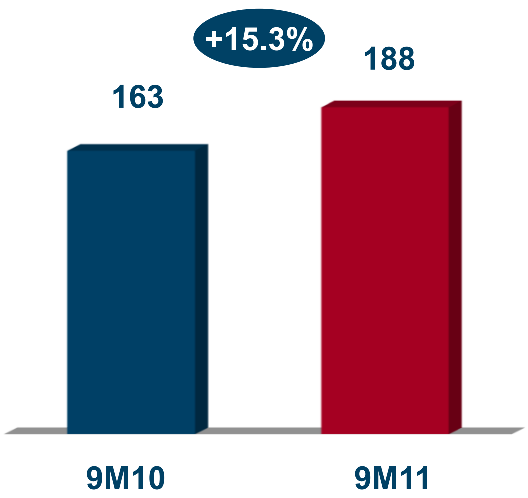
Financial discipline and implementation of synergies result in a 9.0% decrease in CAPEX

4 Analysis of Operations

Distribution Europe
Electricity

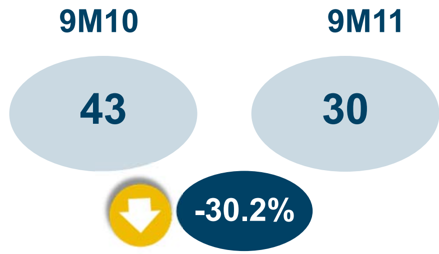
Investments

(€ million)



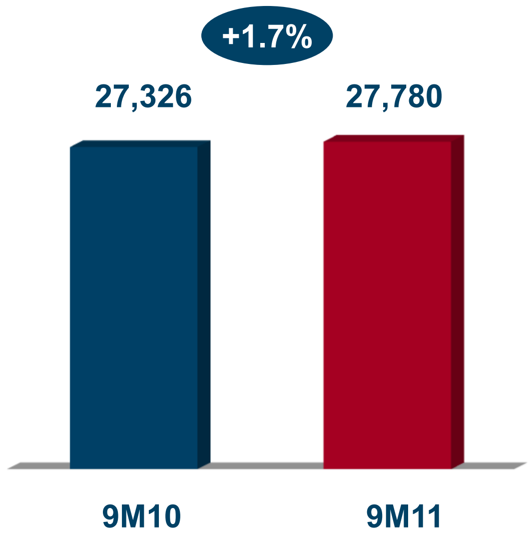
TIEPI[1] (Spain)

(minutes)



Sales

(GWh)



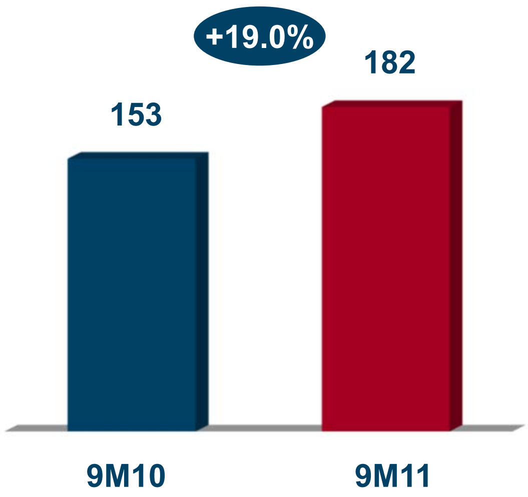
- **Improving service quality thanks to a successful and focused investment policy**

EBITDA of €556 million (+23.3%), after a higher remuneration in Spain (which will not result in a homogeneous comparison until 4Q)

Note:
1 "Tiempo de interrupción equivalente de la potencia instalada" = Equivalent time of power supply iinterruption for the installed capacity

Distribution Europe
Gas

Investments
(€ million)

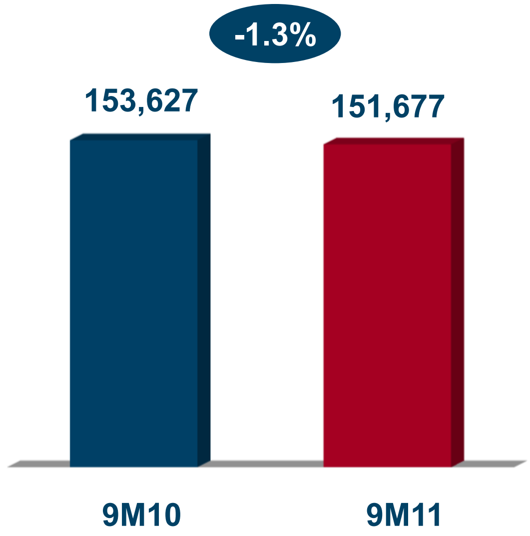


Connection points[1]
(thousands)

30/09/10	30/09/11
5,362	5,449

+1.6%

Sales
(GWh)

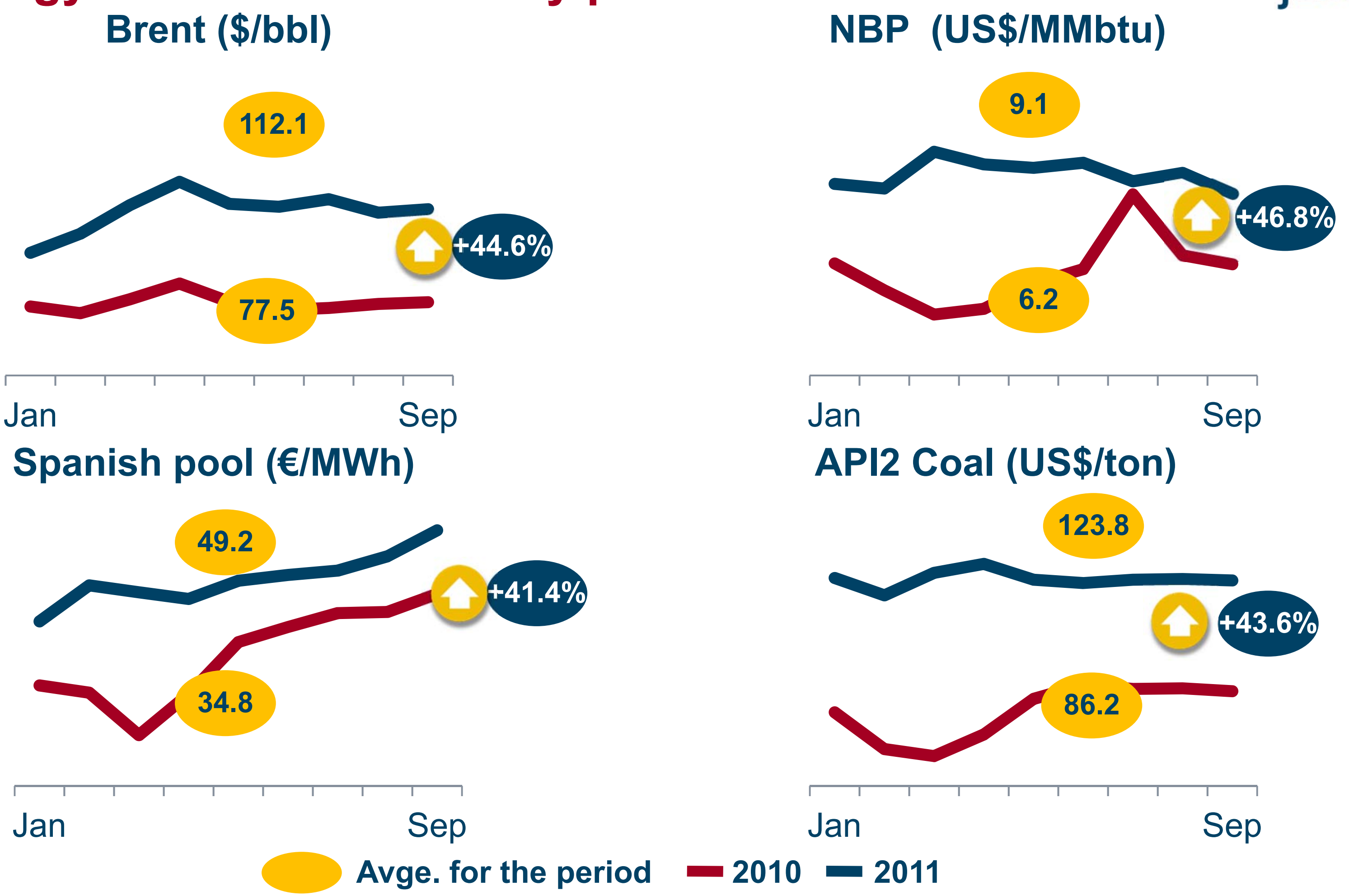


Investment efforts focused on network expansion - main driver for remuneration increase - thanks to low penetration levels in Spain

Note:
1 Disregarding recent asset disposals in Madrid

Energy

Energy markets: commodity prices



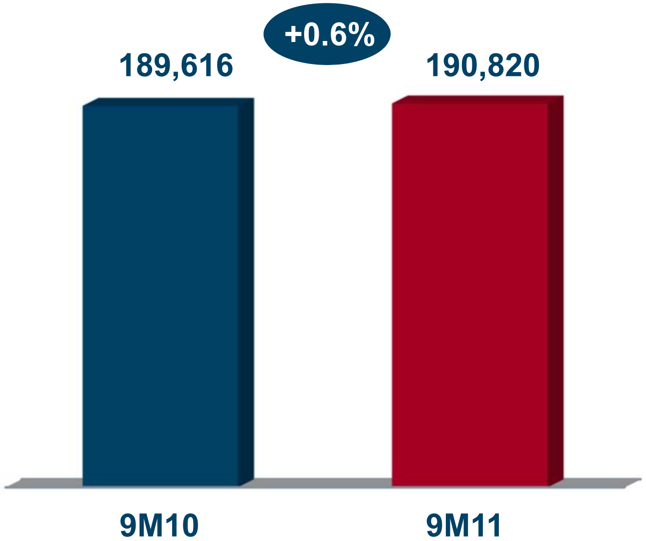
A challenging energy markets scenario

Energy

Gas and electricity demand

Conventional gas demand in Spain

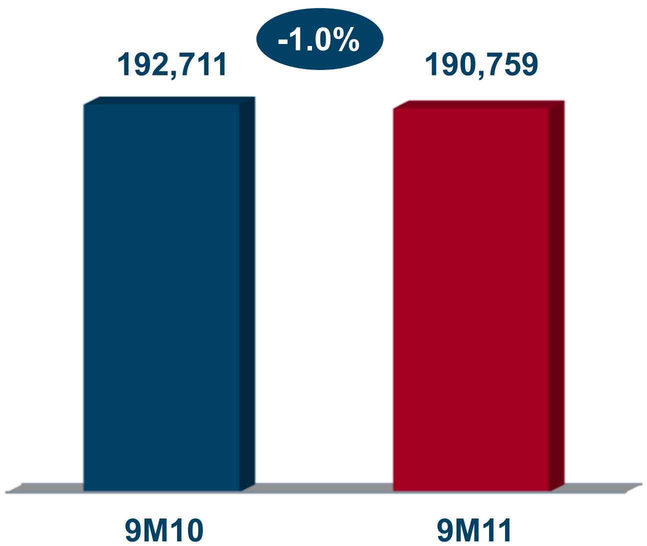
(GWh)



Source: Enagas

Electricity demand in Spain

(GWh)



Source: REE

Enjoying a balanced exposure to different market dynamics, based on the flexibility of the supply portfolio

Energy

Spanish electricity regulation (I)

Tariff deficit

- The 12% reduction in access charges for 4Q11 is a step back in the reduction of the tariff deficit that will add an additional deficit of €800 million in 2012
- The financial mismatch for the industry in 2011 will be €3,100 million
- If no measures are taken, it will be difficult to achieve the tariff deficit target for 2012
- Urgent measures need to be implemented to curb the tariff deficit:
  - Not generating new costs from renewables (moratorium)
  - Allocating CO_2 revenues for the payment of the renewables bill
  - Increasing access charges

Energy

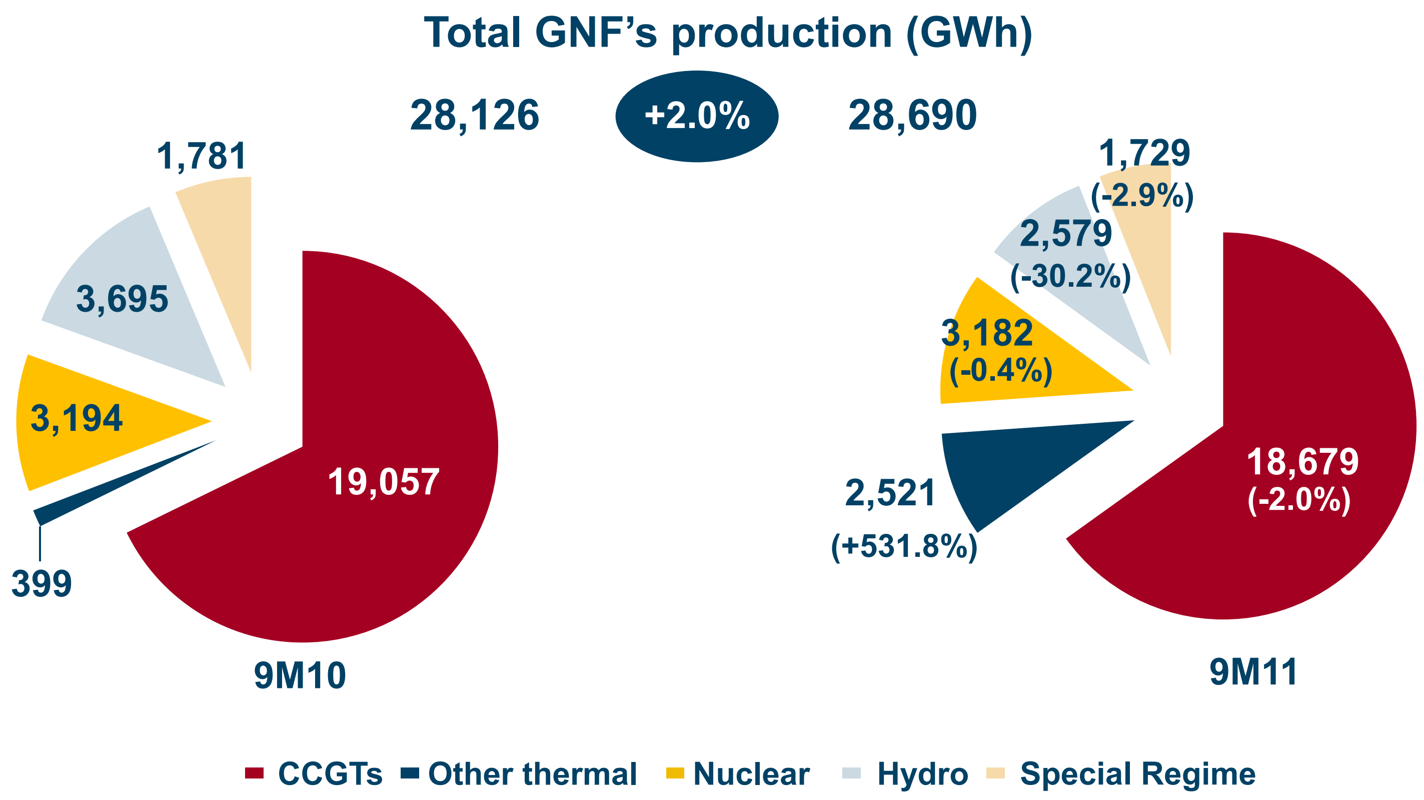
Spanish electricity regulation (II)

CCGT capacity payments

- There is a proven need for capacity payments and this issue has been assumed
- CCGTs will need to continue to provide backup to the system
- CCGTs are key for the security of the system (integration with renewables)
- It is urgent to send a first signal of an increase in capacity payments: approval of Ministerial Order draft
- In the future, as the tariff deficit decreases, capacity payments may be gradually adapted

Need for stability in energy regulation as well as a clear and predictable framework

Energy
Electricity production in Spain

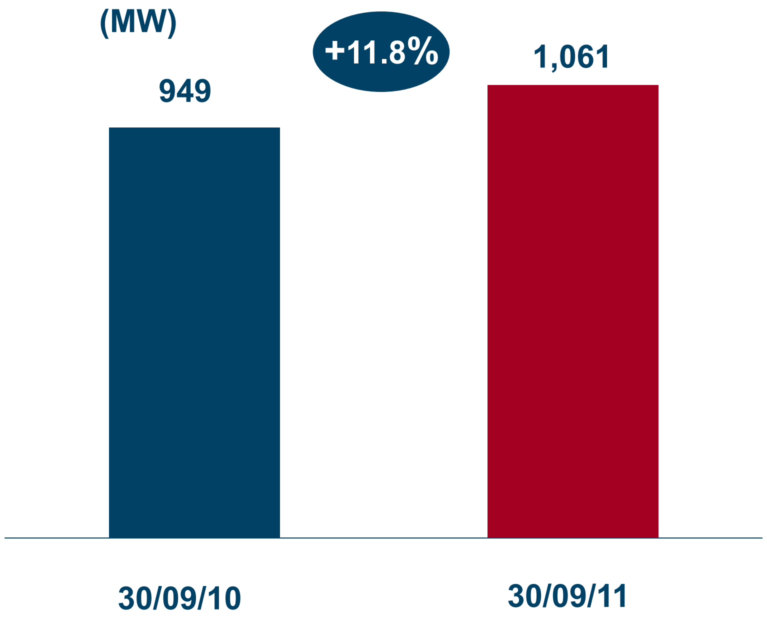


Higher thermal gap in 3Q11 leads to huge increase in thermal-based production, with coal accounting for 16% of demand in Spain in 9M11

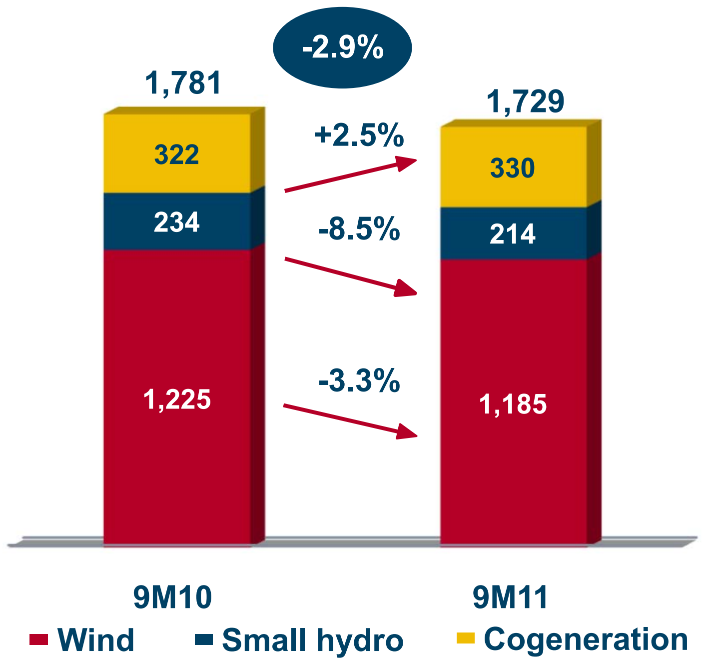
Energy

Special regime: growing presence in renewables

Total installed capacity



Total production[1] (GWh)

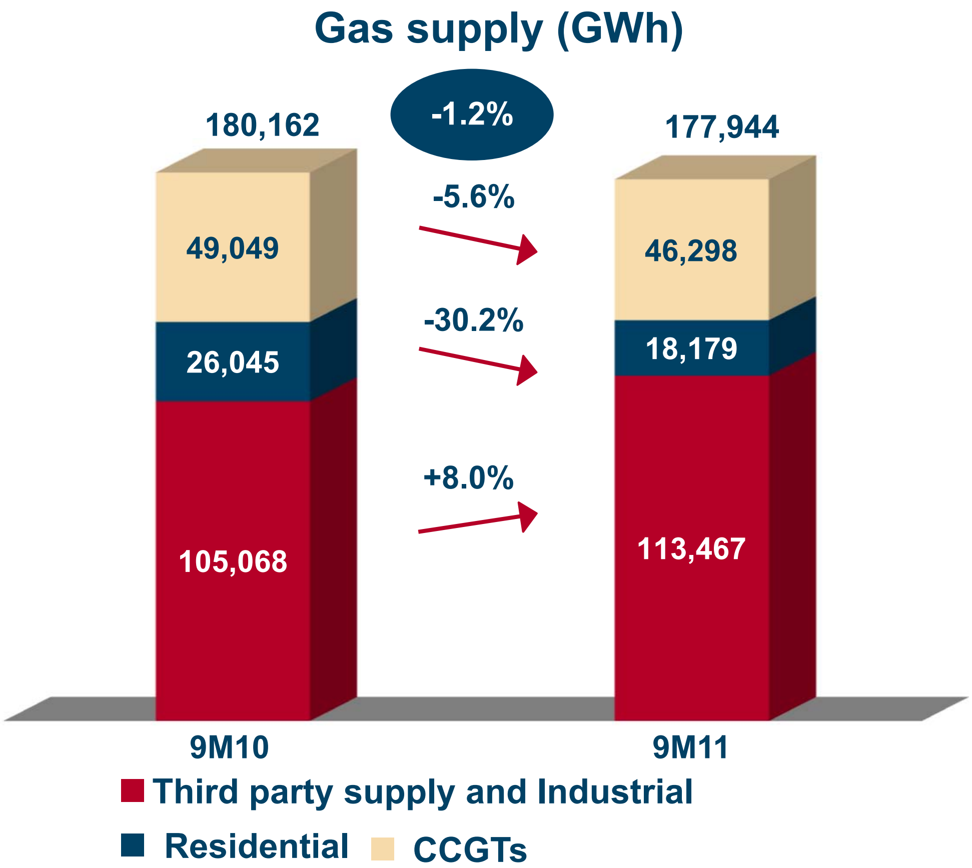


Continuous development of wind-powered capacity consolidating GNF's role as significant operator in renewables

Note:
1 Attributable

Energy

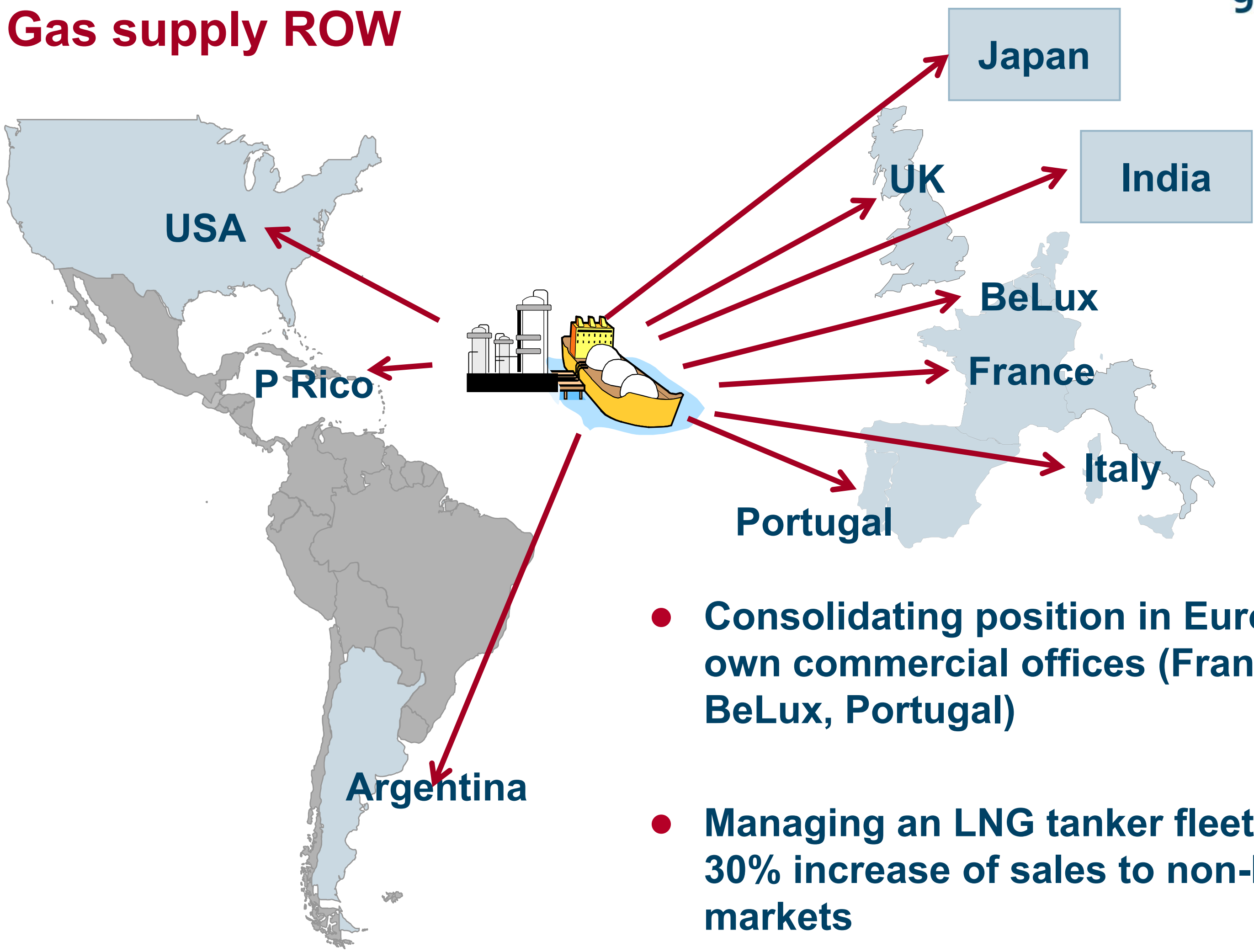
Gas Supply Iberia



- Lower retail gas sales as a result of milder weather in 2011
- Drop in CCGT-powered generation in 2011 results in lower sales to this segment
  - Higher usage of own CCGTs relative to the overall market cushions drop
- Demand underpinned by third party supply and industrial segments

Benefiting from balanced and well-diversified customer base

Energy
Gas supply ROW

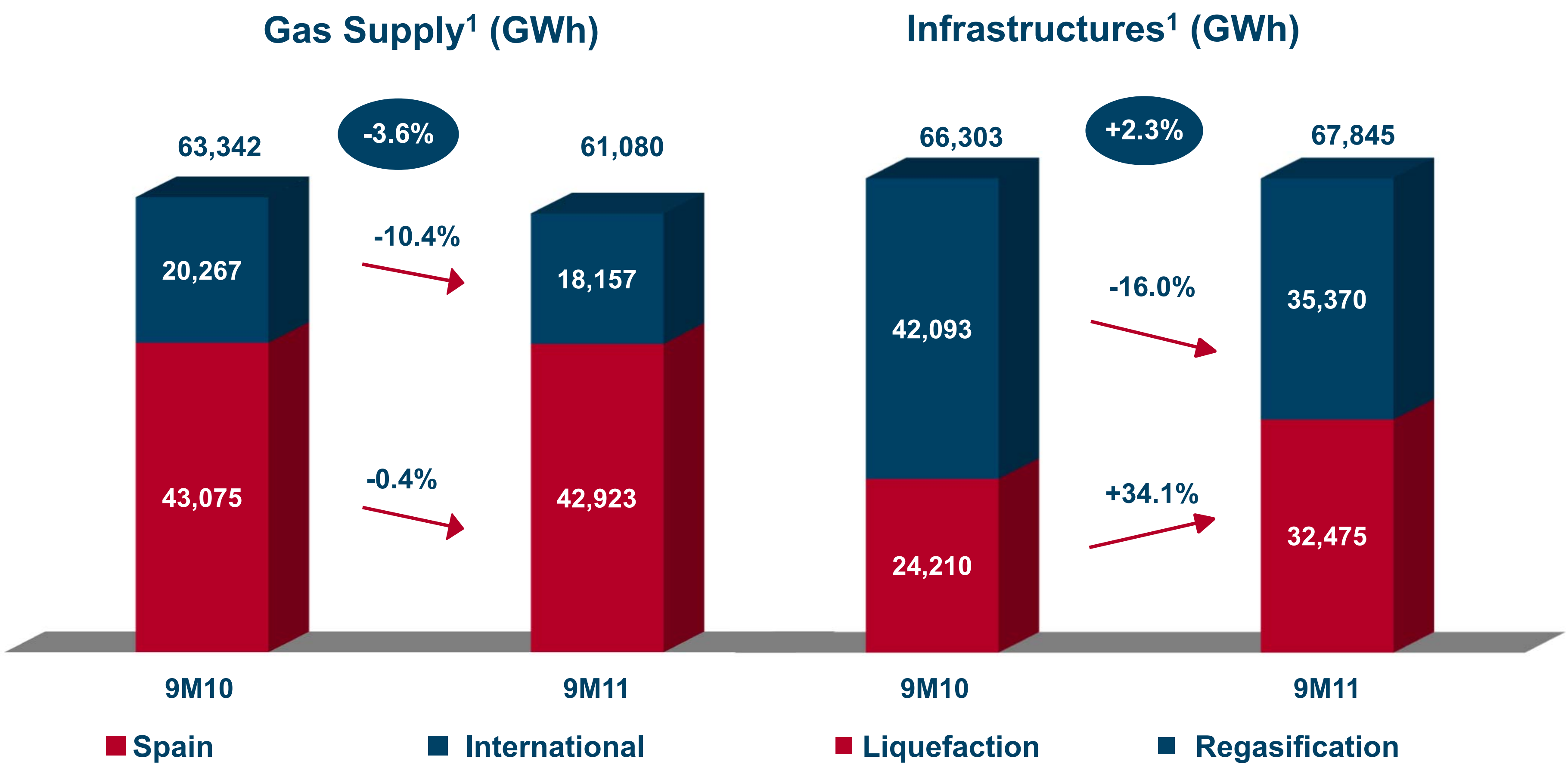


- Consolidating position in Europe with own commercial offices (France, Italy, BeLux, Portugal)

- Managing an LNG tanker fleet enabled a 30% increase of sales to non-European markets

The opening of foreign markets provides the basis for sustainable and profitable growth

Energy
UF Gas

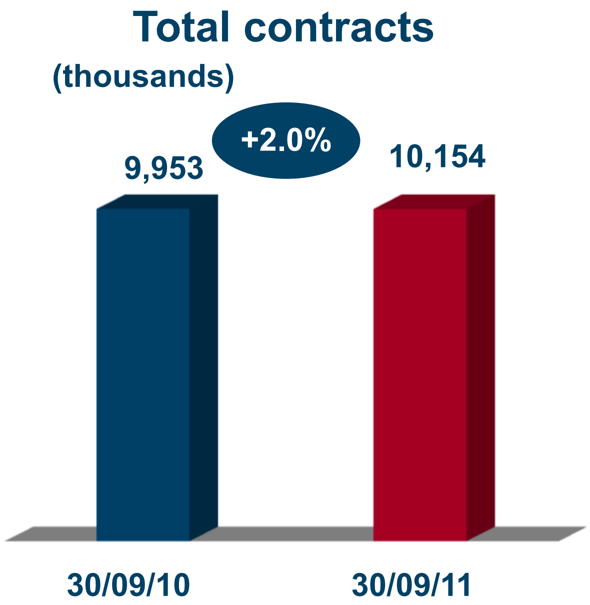


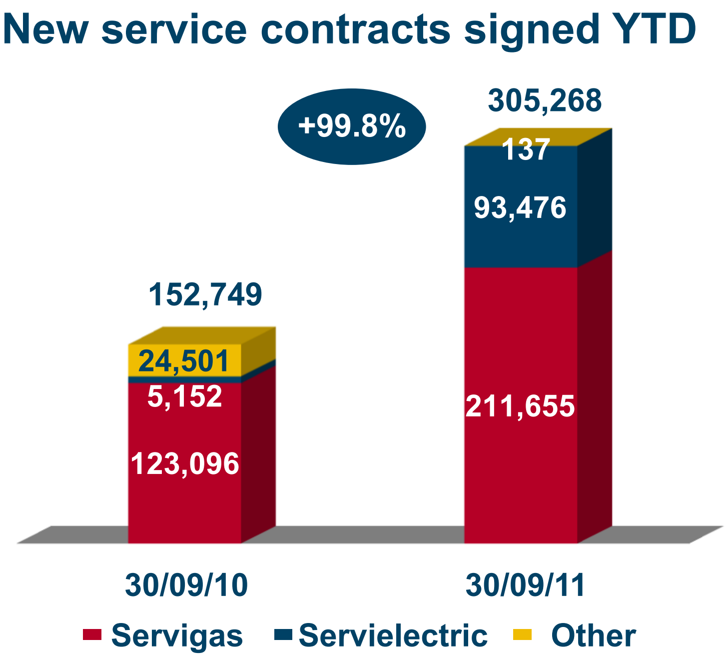
EBITDA (supply and infrastructures) grows 22.9% to €204 million

Note:
1 100% attributable

Energy

Spanish retail: growth in customer contracts



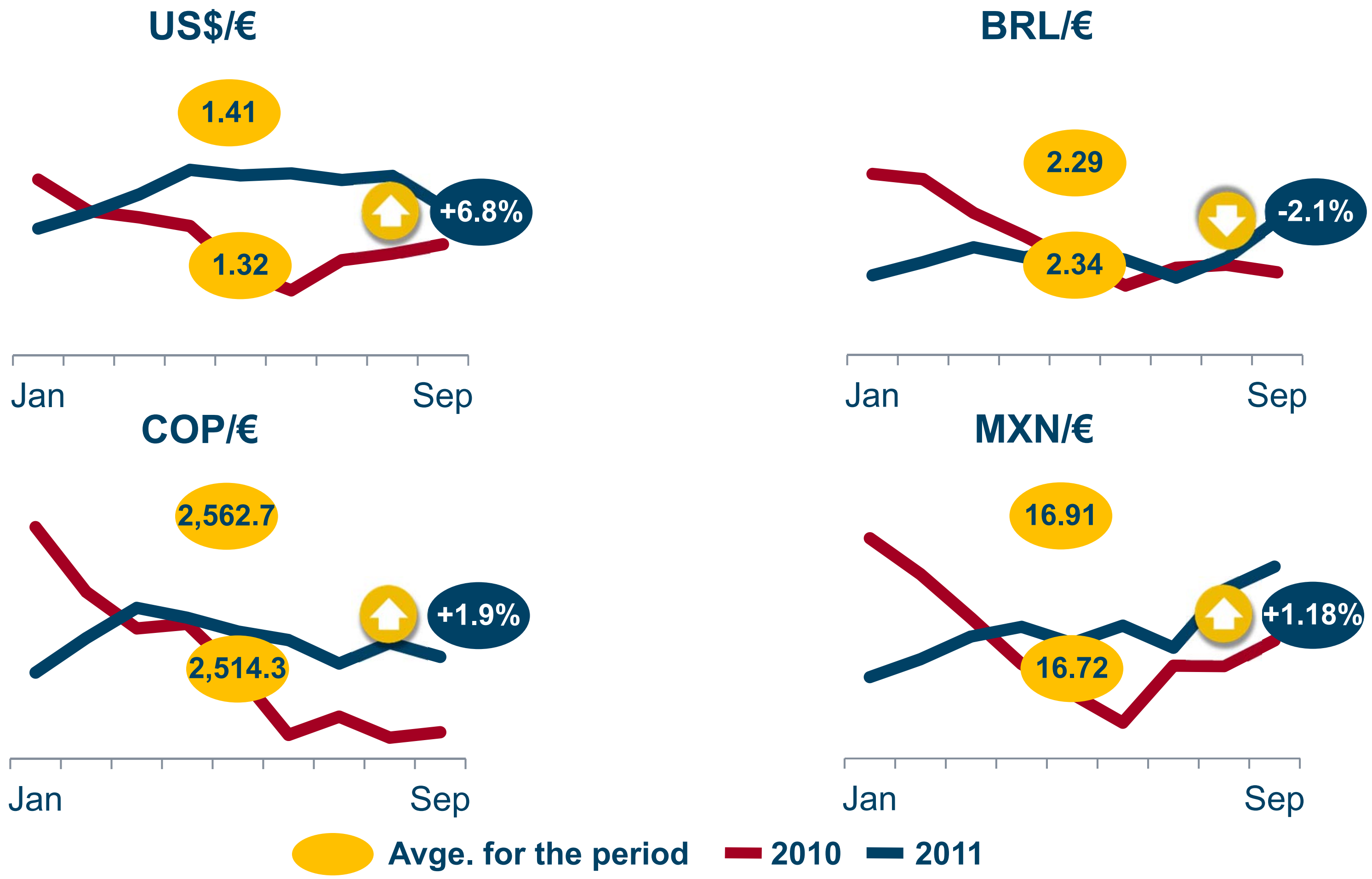


- Enhancing policies to increase customer fidelity to maximize value of customer portfolio, developing complementary products and services
- Monetizing part of GNF's energy (gas & power), providing a natural hedge against price volatility

Achieving growth in contracts despite the maturity of the market

Latin America

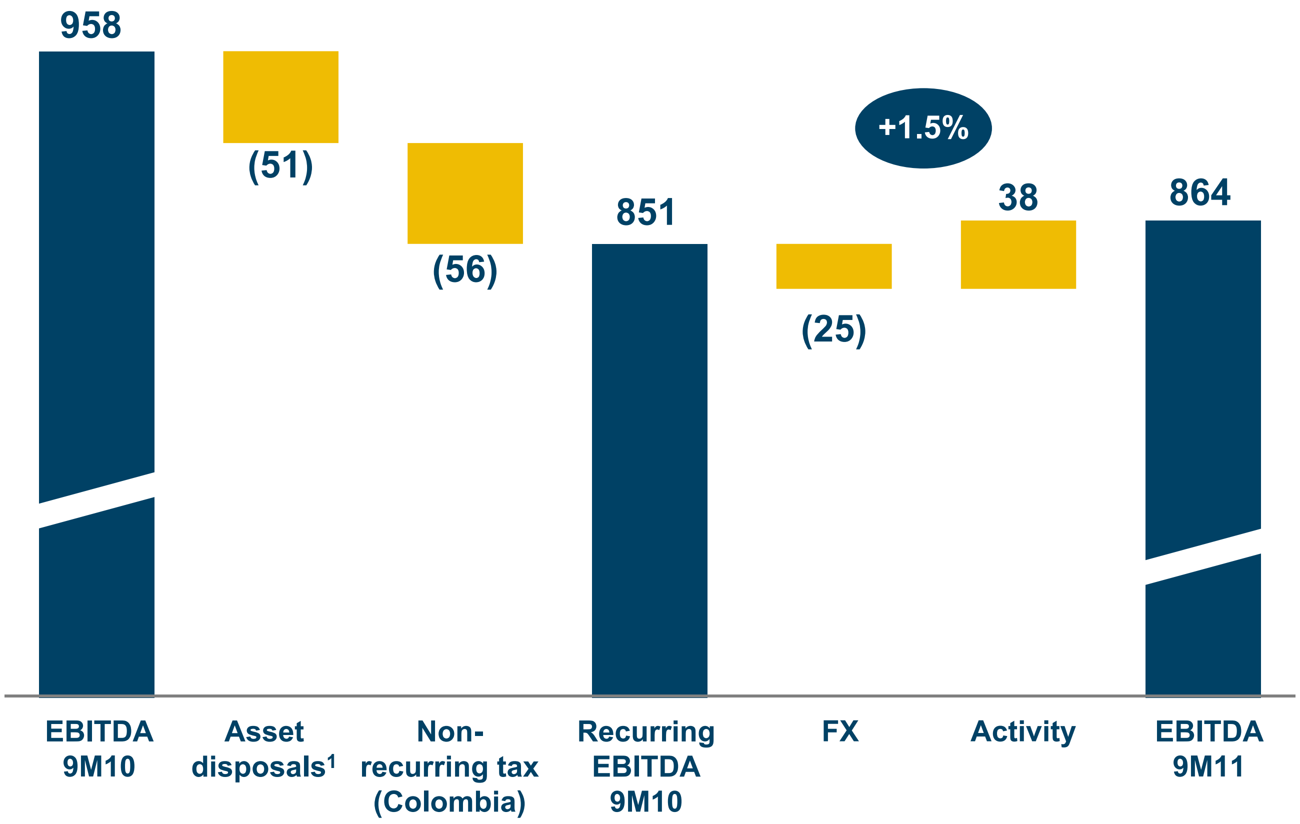
Evolution of currencies in the Americas



Almost general depreciation of currencies vs. 9M10

Latin America
EBITDA reconciliation

(€ million)



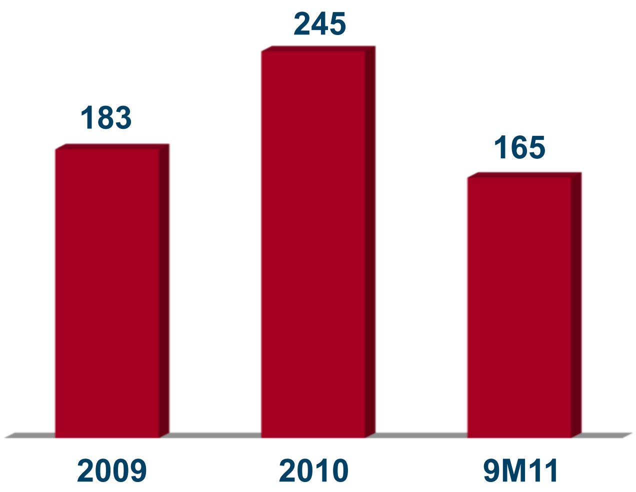
Recurring EBITDA grows 1.5% despite net negative FX impact

Note:
1 CCGTs in Mexico and electricity distribution assets in Guatemala

Latin America
Distribution

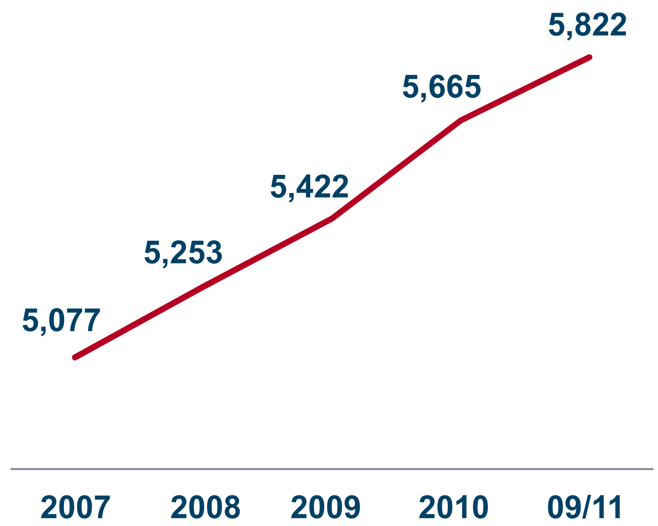
Investments in gas and electricity distribution

(€ million)



Connection points, gas

(thousands)



- Regulated business which remunerates network expansion through servicing new connection points (gas) and improvement in service quality (electricity)

Investments focused on network expansion underpin activity growth

Latin America
Electricity Generation: Norte Durango CCGT

- 450 MW plant commissioned in August 2010 that sells its output to the Mexican CFE (Comisión Federal de Electricidad) under a 25-year PPA
- Consistently achieving higher availability (95.5%) and efficiency (55.7%) levels than contractually agreed
- Maintaining a very good financial performance right from the start

Active portfolio management, creating value by divesting previously owned CCGTs and building new ones

5 Conclusions

Conclusions (I)

EBITDA grows +0.5% despite asset disposals

Recurring Net Income grows +11.6%

Net Debt decreases -12.8% to €17.3 billion[1]

A solid business model, based on an adequate balance between regulated and liberalized gas and power businesses, with a growing and diversified contribution from international operations

Note:
1 Taking into account €168.3 million cashed from the tranche of tariff deficit securitised on 5 October

Conclusions (II)

Working towards fulfillment of 2012 targets

	2012
EBITDA	>€5bn
Net Income	~€1.5bn
Net Debt	€15-16bn
Net Debt / EBITDA (x)	~3x

- Attractive shareholder remuneration, maintaining dividend policy

Results for 9M11 put the company in the path for the fulfillment of the targets in the 2010-2014 Strategic Plan

Thank you

INVESTOR RELATIONS

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