First Half 2009 Results

July 29, 2009

gasNatural

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Agenda

1. Latest Developments in Unión Fenosa Integration
2. Summary of 1H09 Results
3. Analysis of Results (Pro-forma)
4. Conclusions

1

Latest Developments in Unión Fenosa Integration

Unión Fenosa acquisition completed

- GAS NATURAL has reached 95.22% of Unión Fenosa's capital
  - 34.75% of capital acquired in tender offer
  - Additional acquisitions through equity swaps and deferred purchases
- Remaining minority holdings of 4.78% to be converted into GAS NATURAL's shares
- €3.5 bn capital increase settled prior to completion of tender offer

Successful completion both in timing and financing

Successful refinancing efforts

- Recent issuance of €2.5 bn under GAS NATURAL's EMTN program[1]
  - €2,000m maturing in 5 years with a 5.250% coupon
  - €500m maturing in 10 years with a 6.375% coupon
- Bond issue 3.6 times oversubscribed evidencing strong appetite for GAS NATURAL debt
- Proceeds applied in partial repayment of acquisition facility
- Targeting total bond issues of €6bn prior to end 2011 (€2.5 bn already issued)

Diversifying financing sources and smoothing the debt maturity profile

Note:
1 With effects from the month of July

Asset disposals (I)

Financial assets

- Gross cash from financial asset disposals totals €1,084m
  - Sale of 5% in CEPSA for €529m[1]
  - Sale of 1% in Red Eléctrica for €43m
  - Sale of 5% in Enagas for €155m
  - Sale of 13% in Indra for €320m[1]
  - Sale of 3% in Isagen (Colombia) for €37m

One-third of total disposals come from financial investments

Note:
1 After June 30

Asset disposals (II)

Commitments with CNC; other assets

- Sale of gas distribution assets and customer contracts to Naturgas
  - 248,000 gas connection points plus 209,900 gas and 4,000 electricity customer contracts
  - Net proceeds of €330m (13.2 x EBITDA ’08), with gross capital gain of €50m
  - Transaction to be completed by end 2009
- Controlled auction process initiated for rest of gas distribution assets with first confidentiality agreements signed
- Significant buyer interest for 2,000MW CCGTs
- Sale of other assets in analysis phase

Disposal programme on track, totalling almost half of the €3bn target

Acquisition Loan

Uses and maturities

Sources	August 2008 (€m)	Estimate July 09 (€m)	Maturity
Term Loan A1	6,000	-	Feb. 2010
Term Loan A2	6,000	3,998	Feb. 2011[1]
Term Loan B	3,500	2,706	Aug. 2011
Term Loan C1	1,900	1,780	Aug. 2013
Term Loan C2	1,600	800	Aug. 2013
Term Loan D1-D5		300	2010-2013
Total	19,000	9,584	

Uses	August 2008 (€m)	Estimate July 09 (€m)
UNF acquisition	16,754	7,784 [2]
Refinancing UNF debt	1,600	1,100 [3]
Refinancing GAS debt	646	700 [3]
Total	19,000	9,584

Facility amount is €13,991m as of 30 June. Actions taken in July bring it down to €10,505m (€9,584m discounting tariff deficit)

(1) Including "extension option"
(2) Total acquisition amount less net proceeds from capital increase less equivalent cash impact from asset sales (not including asset sale to Naturgas), less other savings and less tariff deficit
(3)Totally drawn at end July 2009

Merger calendar

23/24 April	Boards of GAS NATURAL and Unión Fenosa approved merger project with exchange ratio of 3 GAS NATURAL for every 5 Unión Fenosa shares ✔
18 May	Report from independent appraiser obtained ✔
22/26 May	AGMs called for GAS NATURAL and Unión Fenosa ✔
26/29 June	AGMs of both companies approved merger ✔
September	Execution of merger and exchange of shares

Merger process implemented according to plan

NOTE: Tentative dates. Merger of GAS NATURAL, Unión Fenosa and Unión Fenosa Generación

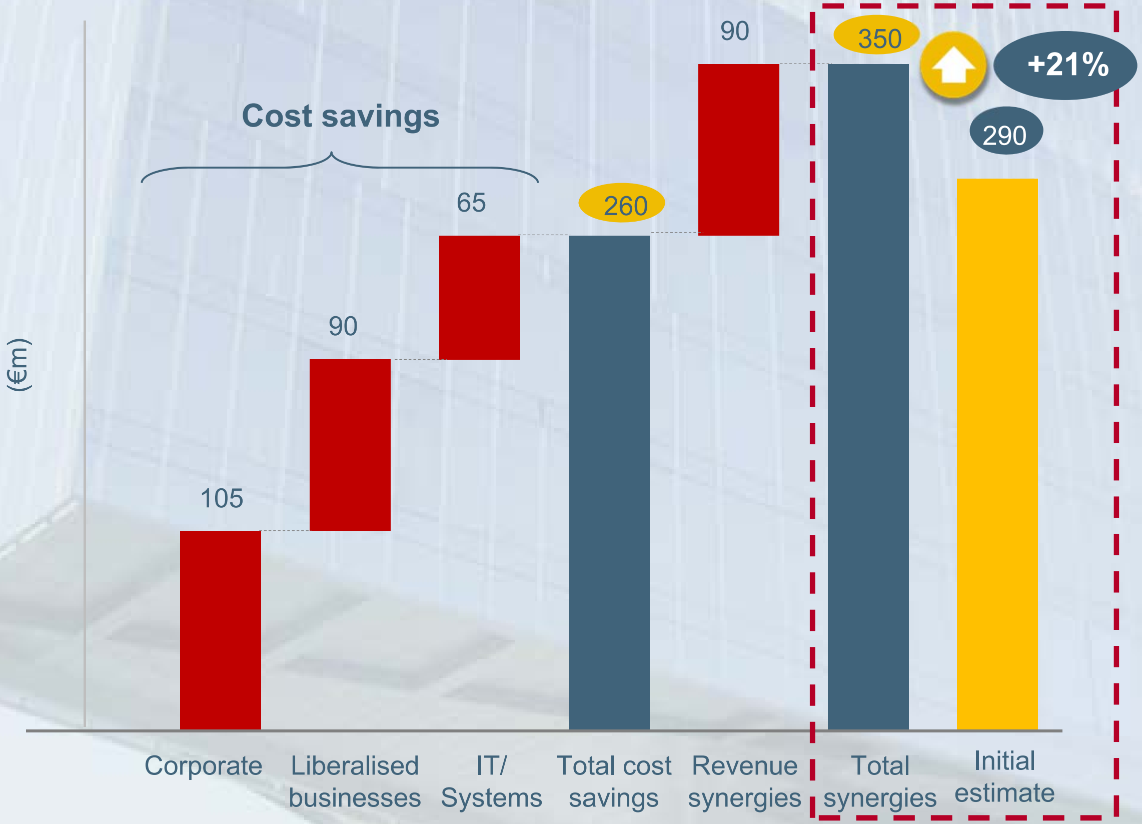
Integration of management structure

- New management structure designed to compete successfully in a global and integrated energy market
- Management organization has been defined up to the third level
- Integration process of both companies to ensure transfer of best practices between business and geographical areas
- Integration of both structures in full preparation for the upcoming merger in September

Ensuring a smooth transition towards the new Group

Significant operating synergies resulting from Gas Natural-Unión Fenosa integration

Operating synergies: full impact expected in 2011



- **Bottom-up synergies identification finished**
- **Higher synergies potential identified in all dimensions**
- **Integration teams set up and action plans already in place to begin capturing synergies from 2009 onwards**

Additional CAPEX synergies of ~€200m p.a. vs. €100m initial estimate

Expected cash tax deductions with NPV of ~€800m

2

Summary of 1H09 Results

Highlights for 1H09

- Economic slump results in lower domestic consumption levels in the quarter both for electricity (-6.4% YoY) and gas (-15.0%)
- Regulated businesses continue to provide stability at the operating level
- Acquisition of Unión Fenosa completed
- Dividend growth: total dividend of €663 million approved by AGM represents payout of 62.7%
- Environmental approval obtained for the Trieste regasification plant

1H09 Results snapshot[1]

(€ million)	1H09	1H08	Change
Net Sales	6,480	6,416	1.0%
EBITDA	1,641	1,297	26.5%
Operating Income	1,083	928	16.7%
Net Income	622	563	10.5%
Investments:	14,035	421	-
Tangible & Intangible	599	419	43.0%
Financial & Other	13,436	2	-
Net Debt (as of 30/06)	22,063	2,969	-

Note:
1 Unión Fenosa equity consolidated for a 50% holding from 1 March to 30 April, fully consolidated from 1 May

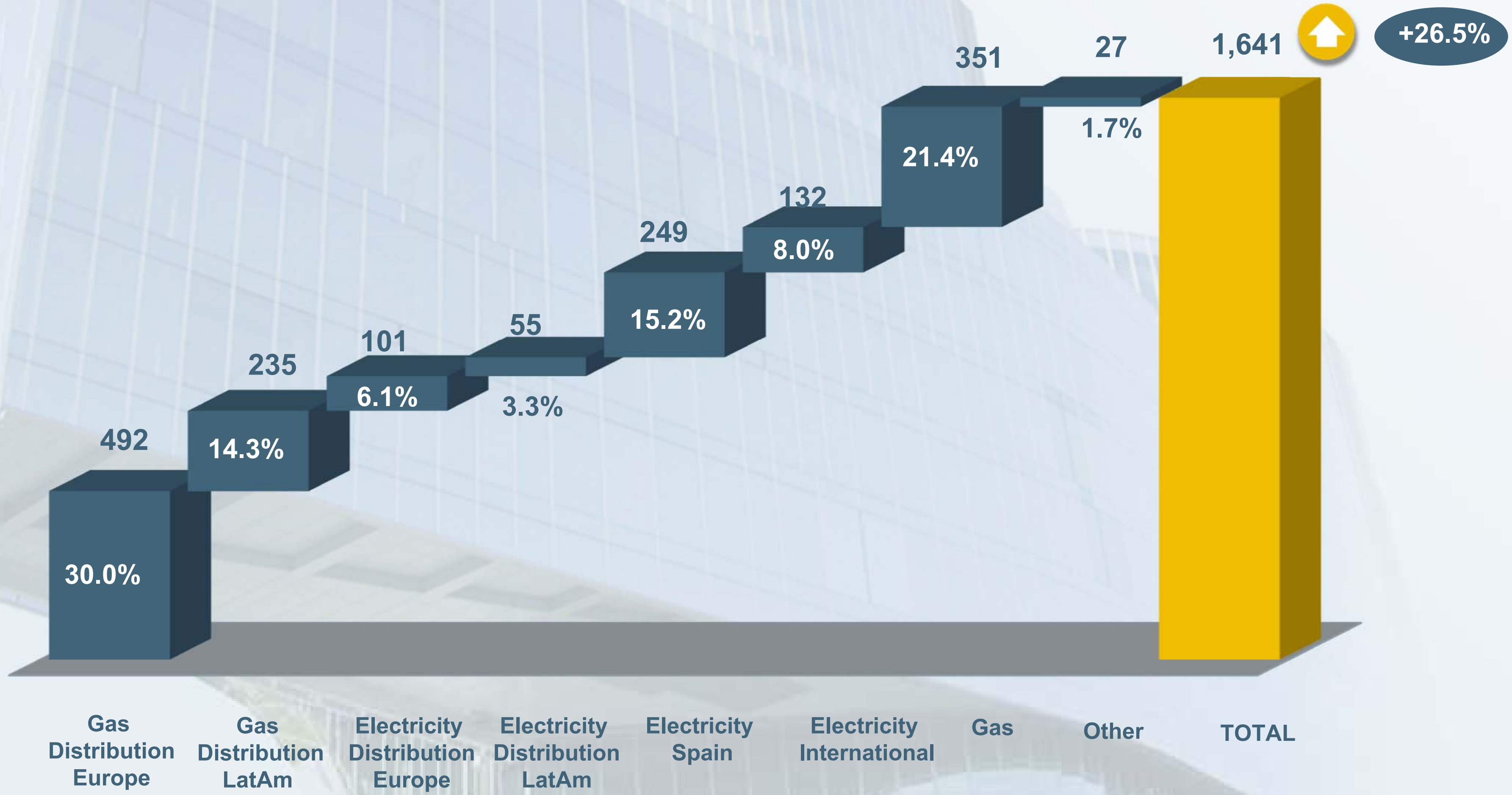
Income statement[1]

(€ million)	1H09	1H08	Change %
Net Sales	6,480	6,416	1.0
Purchases	(4,070)	(4,507)	(9.7)
Gross Margin	**2,410**	**1,909**	**26.2**
Personnel, net	(249)	(180)	38.3
Other Expenses, net	(520)	(432)	20.4
EBITDA	**1,641**	**1,297**	**26.5**
Depreciation	(521)	(358)	45.5
Provisions	(37)	(11)	-
Operating Income	**1,083**	**928**	**16.7**
Financial Results	(322)	(104)	-
Gain on Sale of Financial Assets	101	4	-
Equity Income	55	3	-
Income Before Tax	**917**	**831**	**10.3**
Taxes	(217)	(213)	1.9
Minority Interest	(78)	(55)	41.8
Net Income	**622**	**563**	**10.5**

Note:
1 Unión Fenosa equity consolidated for a 50% holding from 1 March to 30 April, fully consolidated from 1 May

EBITDA by Activity

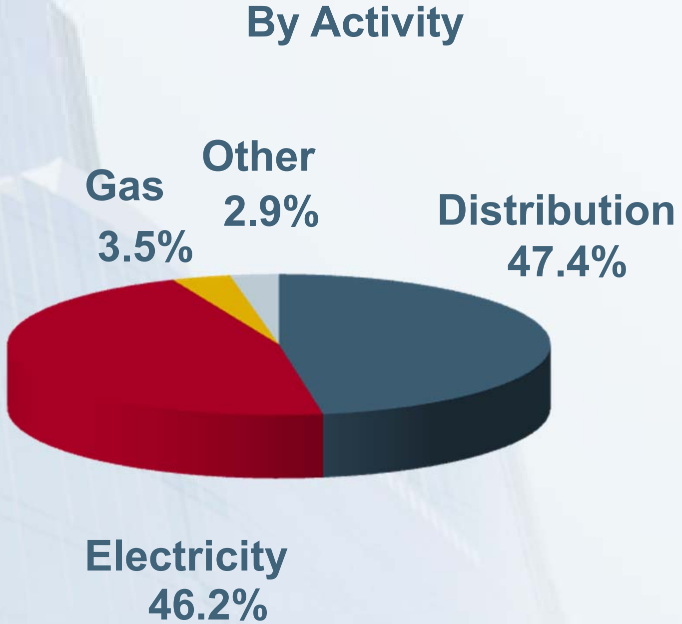
(€ million)



Investments

Tangible and intangible

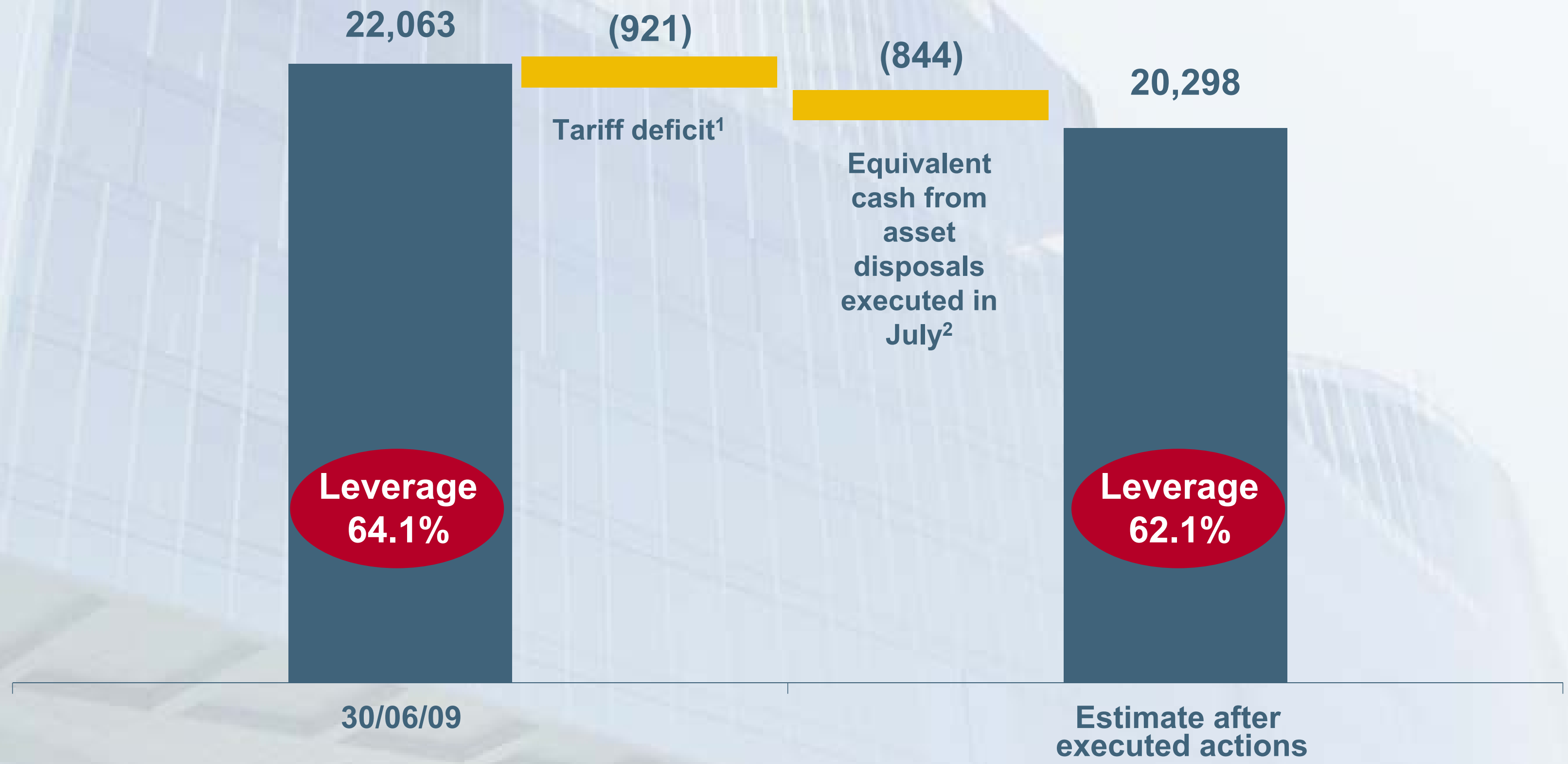
(€ million)	1H09	1H08
Gas:	**21**	**14**
Up + Midstream	15	11
Wholesale & Retail	6	3
UF Gas	-	-
Electricity:	**277**	**141**
Spain	243	118
International	34	23
Gas Distribution:	**214**	**241**
Spain	152	169
International	62	72
Electricity Distribution:	**70**	**-**
Spain	50	-
International	2	-
Other	**17**	**23**
Total	**599**	**419**



Additional €13.4 billion financial investment relating mostly to the acquisition of Unión Fenosa

Net Debt Evolution

(€ million)



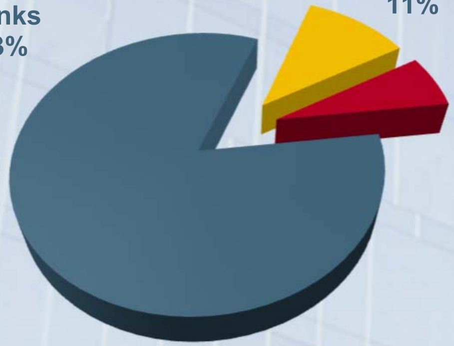
Aiming at ~€18bn net debt for year-end 2009

Notes:
1 €750 million for 2008 and previous years
2 Equivalent cash amounts correspond to sales of CEPSA, Indra and Isagen. Does not include asset sales made to Naturgas

Gross Debt Breakdown

Debt by Financial Instruments

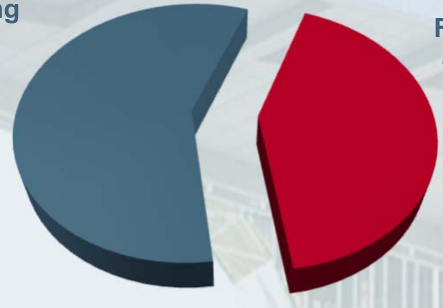
As of 30 June



Estimate[1]

Interest Rate Structure

As of 30 June

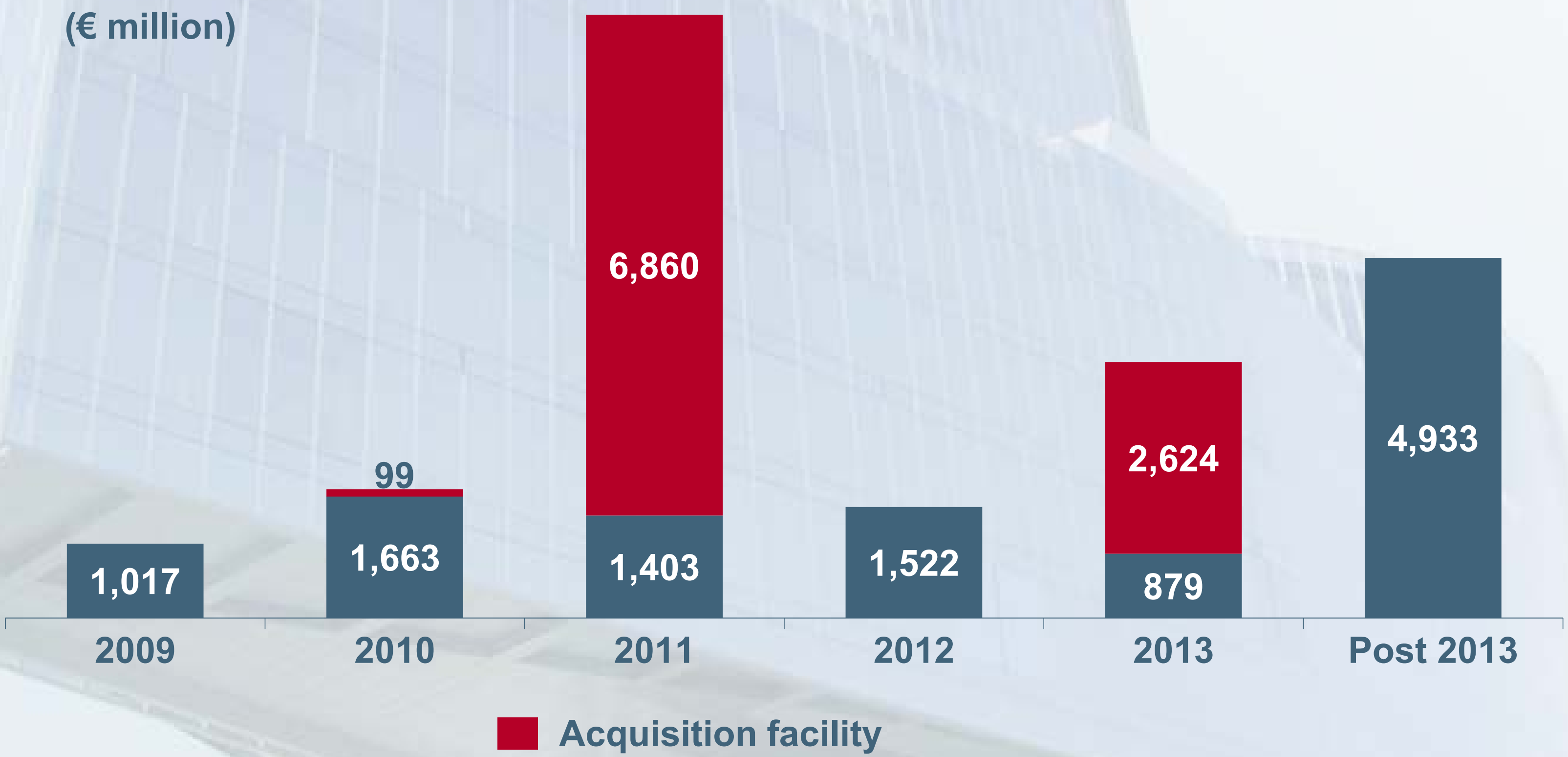


Estimate[1]

Note:
1 After bond issue (€2,500m) and equivalent impact from asset sales (€844m) and tariff deficit (€921m)

Gross debt maturity profile

Gross debt (€21,000m[1]) maturity schedule estimated at 30 July 2009



Levelling maturity profile and leaving a comfortable margin to maximize efficiency of refinancing efforts

Note:
1 Less tariff deficit and after bond issue and equivalent cash impact from asset sales at end July 09. Does not include asset sales made to Naturgas

Credit ratings

Long-term credit ratings in line with our estimates

S&P	Fitch	Moody's
BBB+	**A-**	**Baa2**
(Outlook: Negative)	(Outlook: Negative)	(Outlook: Stable)

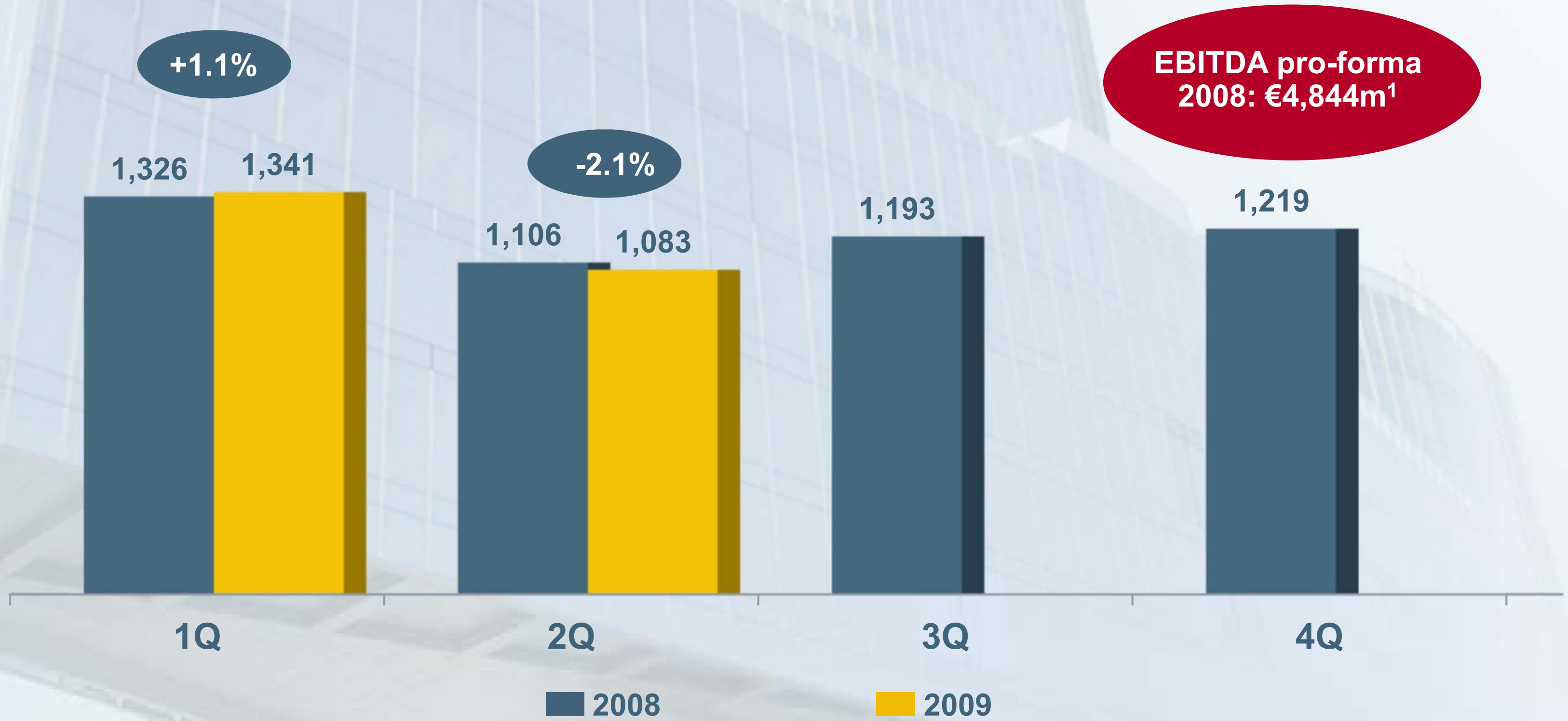
Rating agencies recognize the strategic and industrial rationale of the acquisition of Unión Fenosa

Aiming to recover "A" rating in the medium term

Pro-forma quarterly EBITDA[1]

GAS NATURAL + Unión Fenosa

(€ million)



Pro-forma 1H EBITDA remains stable (-0.3%) despite difficult market environment

Note:
1 Pro-forma figures from 1 January. Unión Fenosa EBITDA homogenized to GAS NATURAL's accounting criteria

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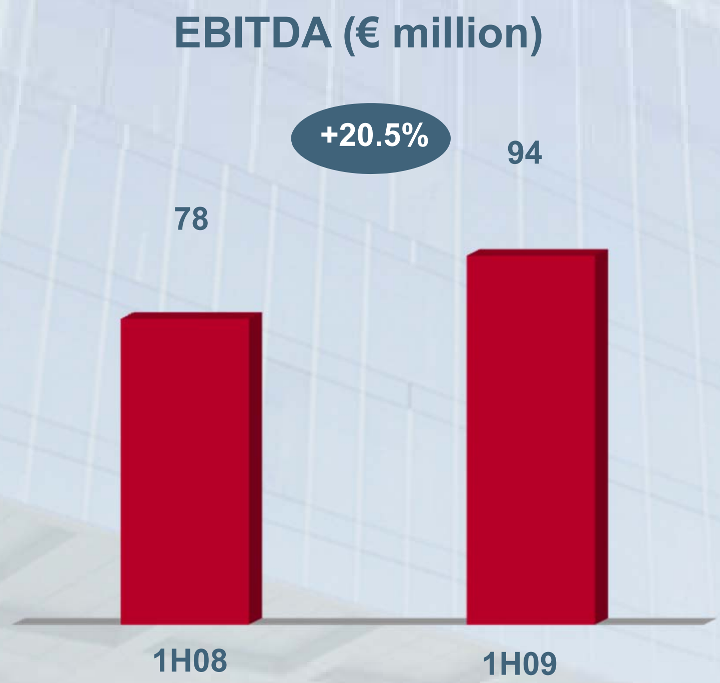
Analysis of Results (Pro-forma)

Pro-forma EBITDA breakdown[1]

(€ million)	Pro-forma 1H09[1]	Pro-forma 1H08[1]	Change €m	Change %
Gas:	**443**	**462**	**(19)**	**(4.1)**
Up + Midstream	94	78	16	20.5
Wholesale & Retail	232	216	16	7.4
UF Gas	117	168	(51)	(30.4)
Electricity:	**743**	**785**	**(42)**	**(5.4)**
Spain	503	564	(61)	(10.8)
International	240	221	19	8.5
Gas distribution:	**726**	**711**	**15**	**2.1**
Europe	492	479	13	2.7
LatAm	234	232	2	0.9
Electricity distribution:	**450**	**410**	**41**	**10.0**
Europe	299	280	19	6.8
LatAm	151	130	22	16.2
Other	**62**	**64**	**(2)**	**(3.1)**
Total EBITDA	**2,424**	**2,432**	**(8)**	**(0.3)**

Note:
1 Pro-forma figures from 1 January

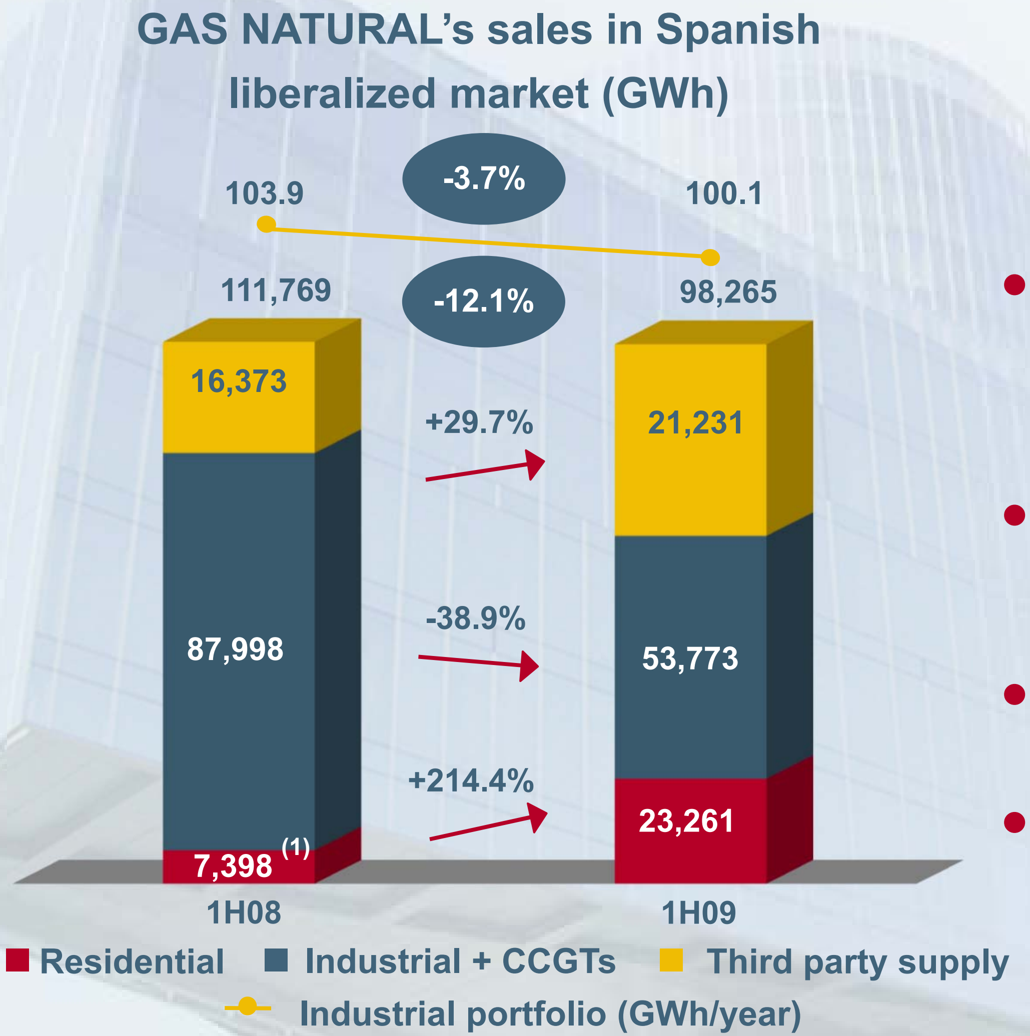
Gas: Up + Midstream



- Lower gas demand in Spain and Portugal with 30% lower use of Maghreb pipeline, offset by capacity charge
- LNG fleet increases utilization ratio to 97%
- Exploration projects under development in northern Africa (Gassi Chergui , Tangiers-Larache)
- Angola: concession decree approved, first drilling expected before year-end
- Environmental approval obtained for the Trieste regasification plant (Italy)

EBITDA rise supported by capacity charge in EMPL contract and a stronger US$ in 1H09

Gas: Wholesale & Retail (I)

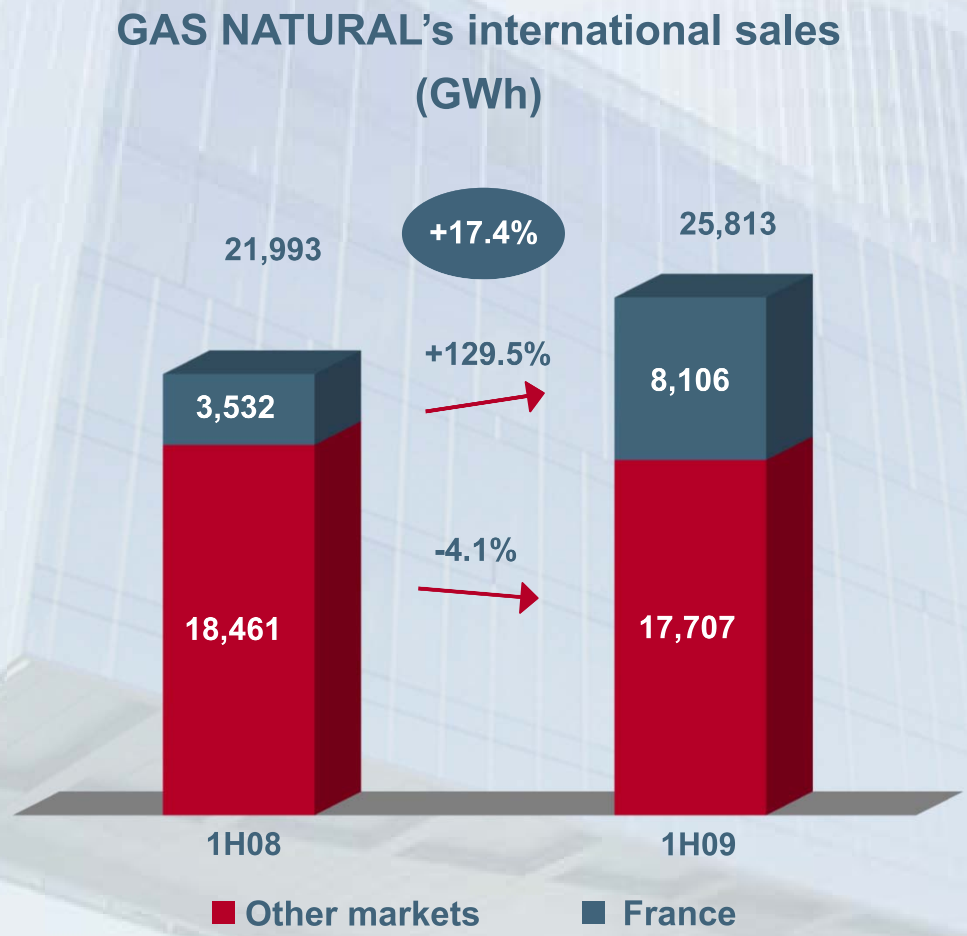


- Gas sales in the Spanish liberalized market drop 12% after lower CCGT-based generation and a drop in economic activity
- 90% of gas sold under contracts in the Spanish market with average maturities of nearly 2 years
- 42% share in industrial market (ex-CCGTs)
- Retail customer base in Spain totaling 5.0 million

Disregarding sales to CCGTs, total gas sales in Spain would only be 3.4% lower

(1) Considering sales to residential customers of 14,558 GWh under regulated tariff in 1H08, the increase would be 5.9% in this segment

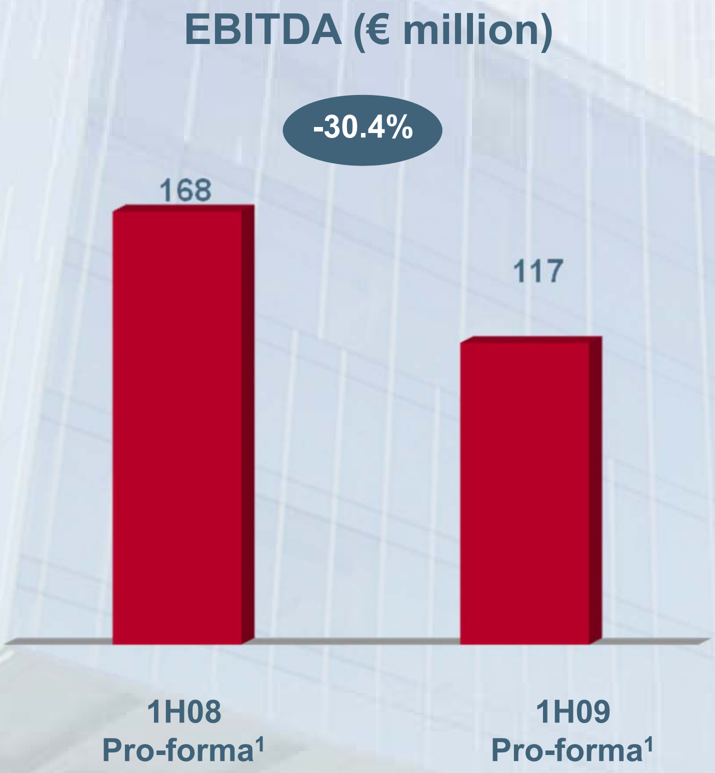
Gas: Wholesale & Retail (II)

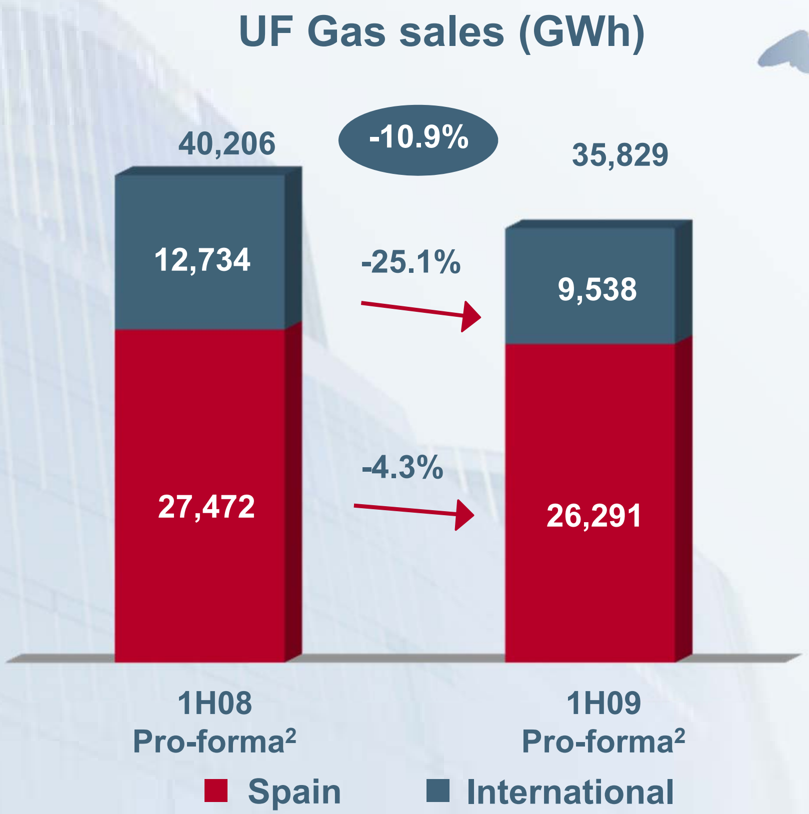


- Own flexible LNG portfolio and transportation infrastructure allows expansion of international markets to South America
- Customer portfolio in France grows +238% to reach 16,188 GWh/yr

Foreign sales boosted by access to new markets

Gas: UF Gas



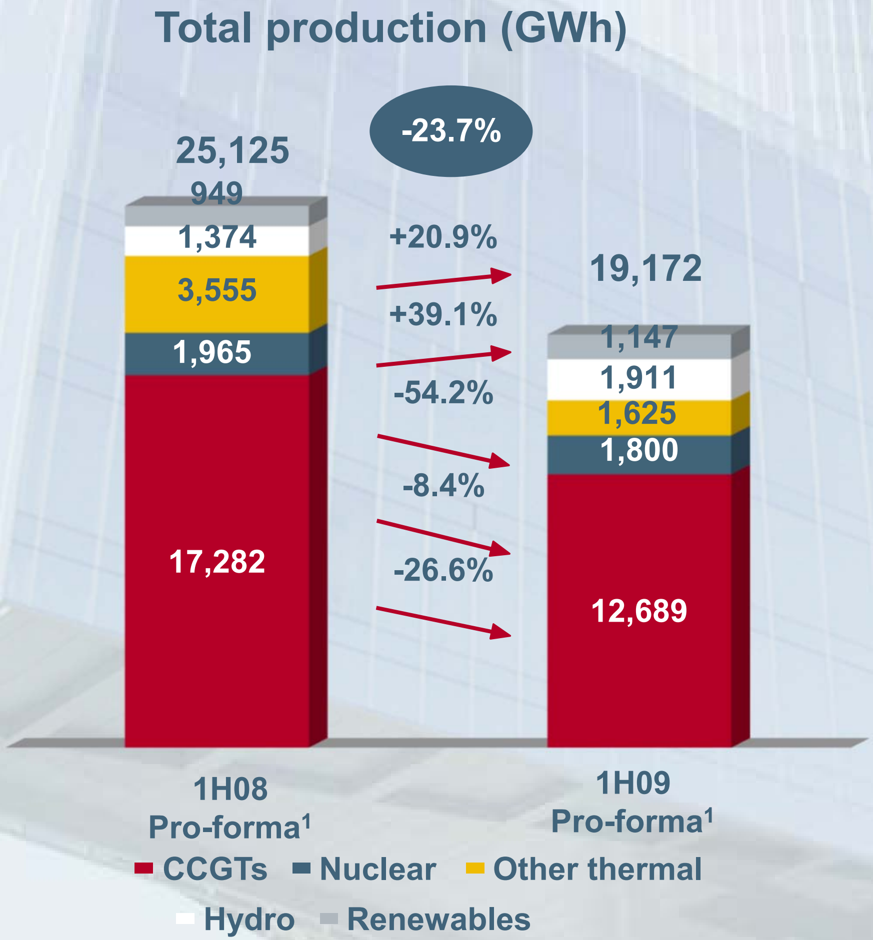


- Gas sales in Spain drop after 10.5% lower industrial sales and despite 22.4% higher sales to the residential segment

EBITDA affected by lower activity and unfavourable energy scenario in 1H09

Note:
1 Pro-forma figures from 1 January, considering 50% of UF Gas
2 Pro-forma figures from 1 January, considering 100% of UF Gas

Electricity (I): Spanish market

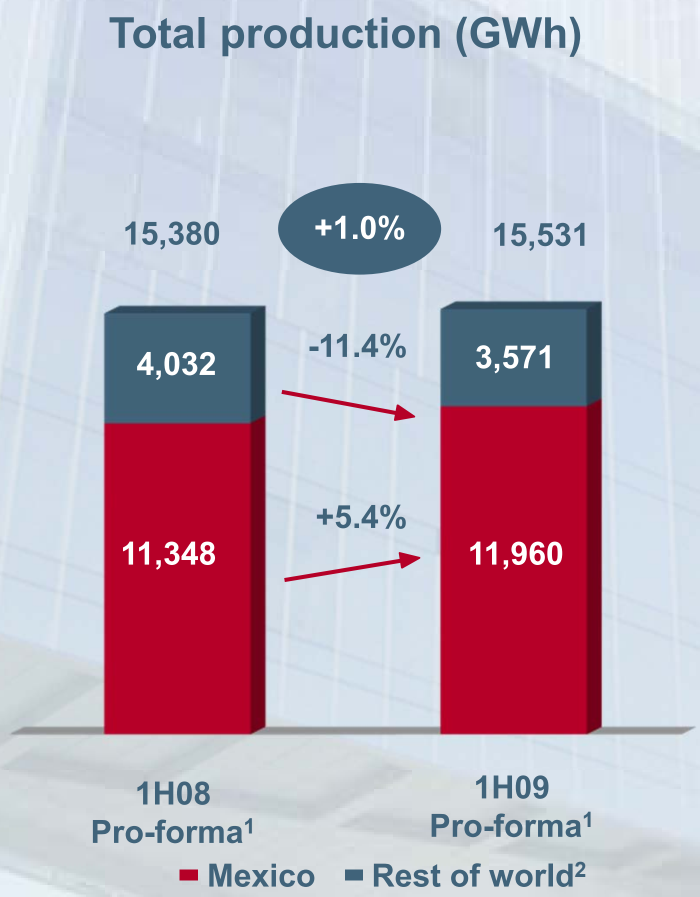


- Average pool price of €40.96/MWh in 1H09 (vs. €62.73/MWh in 1H08) after lower demand and higher production from special regime
- CCGTs load factor of 41% in the period
- Electricity supply of 11,375 GWh (+20.0%)

Unfavourable trading conditions in 1H09

Note:
1 Pro-forma figures from 1 January

Electricity (II): International

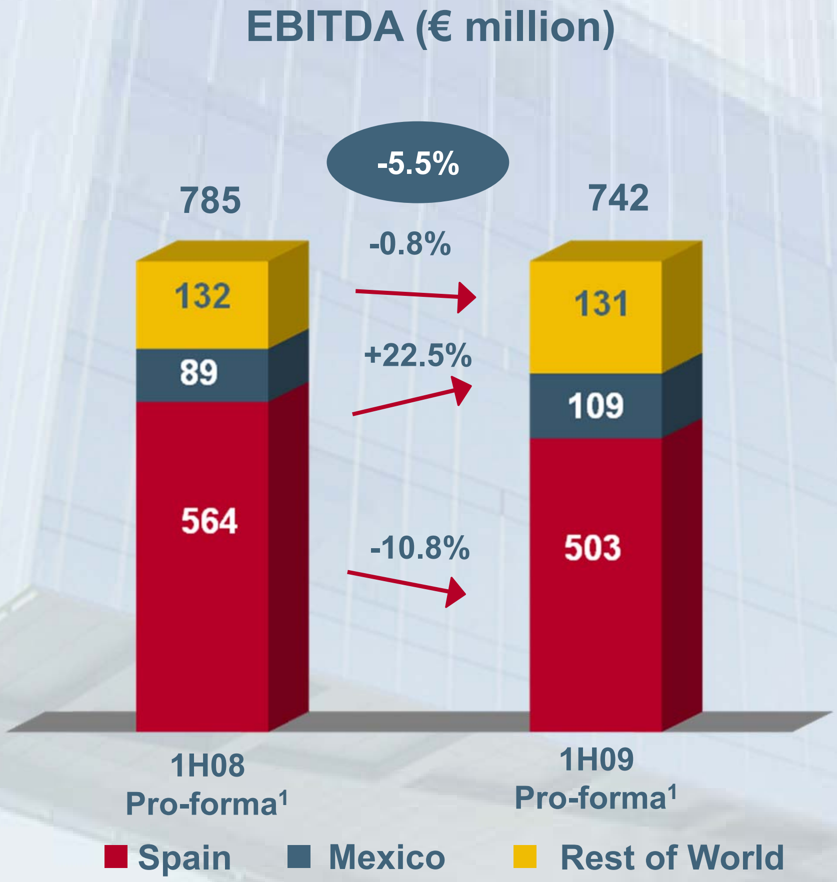


- Mexican CCGTs increase production after higher demand from CFE, allowing for a 73.9% load factor with an availability of 95.8%
- New Durango 450 MW CCGT expected to be commissioned in 1Q 2010
- Lower production in Colombia (-11.4%) and Puerto Rico (-24.1%)

High PPA component provides for stability

Notes:
1 Pro-forma 2009 figures from 1 January
2 Includes Kenya, Dominican Republic, Panama, Costa Rica, Colombia and Puerto Rico

Electricity (III): Operating performance



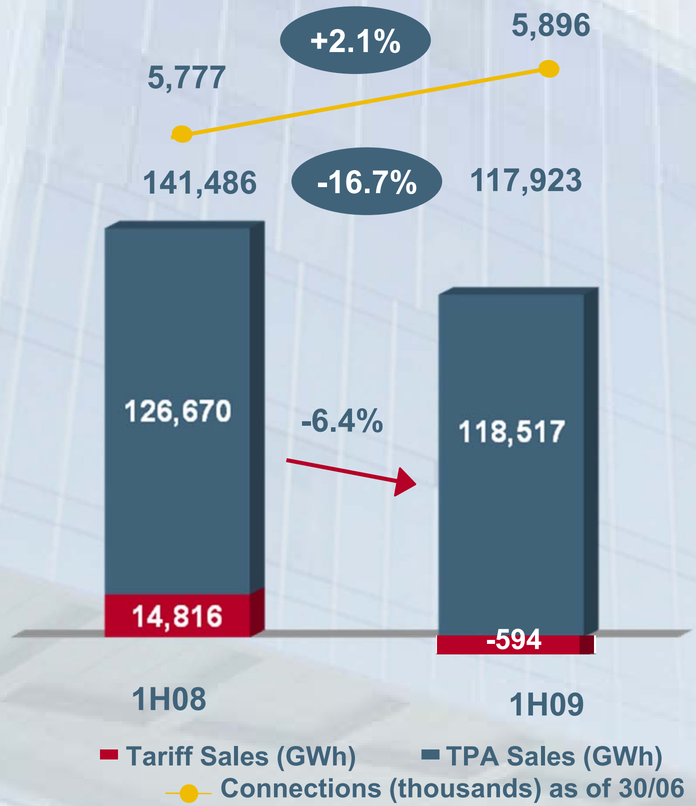
- Despite lower production figures (-24% vs 1H08) and pool prices (-35% vs 1H08) EBITDA in Spain drops only 10.8% thanks to the coverage given by commercialisation and CCGT gas supply contracts
- Higher output and availability of CCGTs behind EBITDA growth in Mexico
- EBITDA in Puerto Rico impacted by lower load factor in the period

Benefiting from geographical diversification and coverage of Spanish pool price risk

Note:
1 Pro-forma figures from 1 January

Gas Distribution in Spain

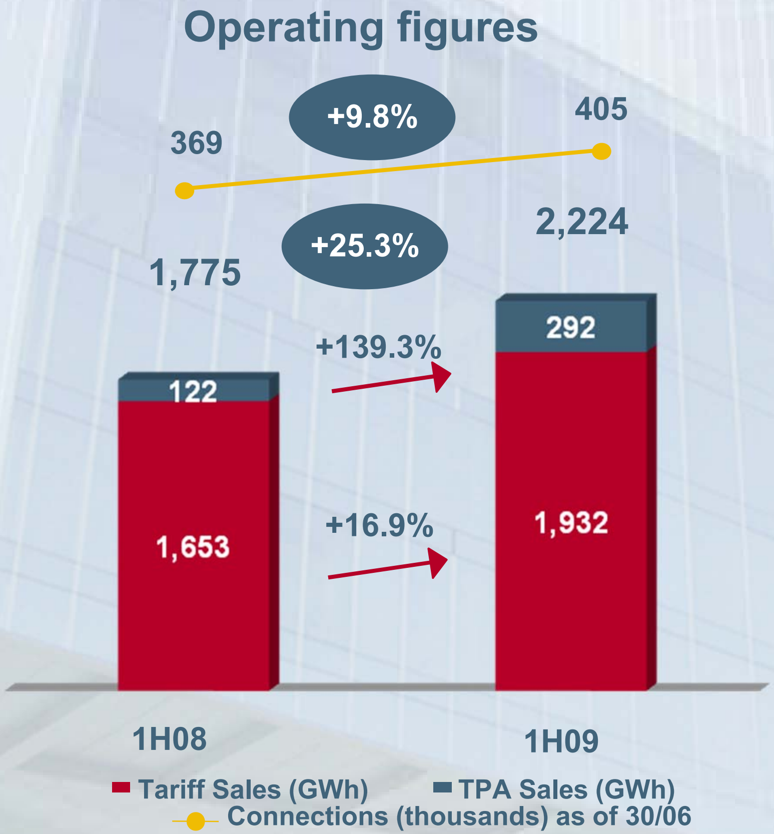
Operating figures

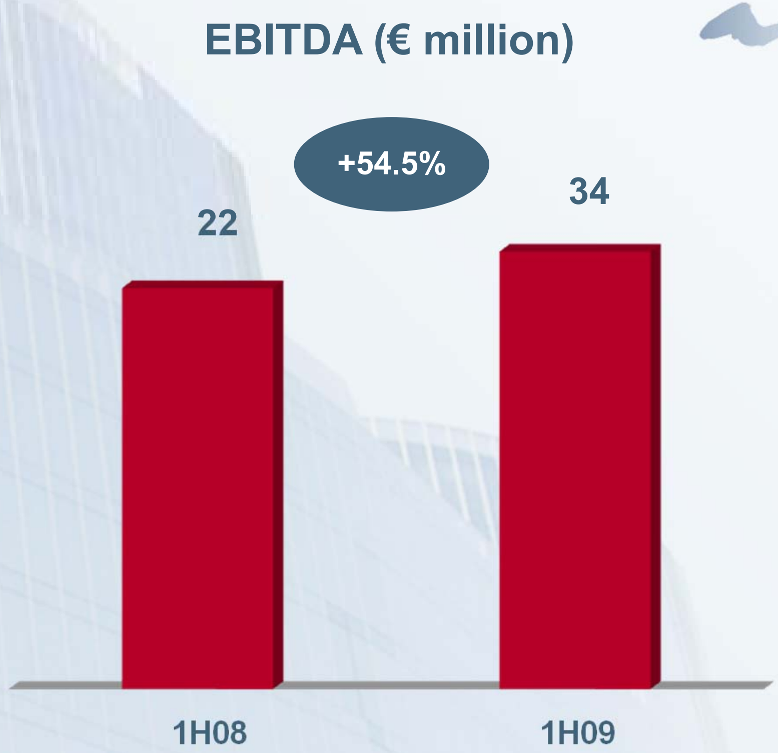


- Former regulated residential customers transferred to liberalized market from 1 July 2008
- Connection points grow by 119,000 YoY despite slowdown in residential construction
- Distribution network grows to a total of 49,831 km (+5.4%)
- Regulated remuneration for 2009 set at €1,206 million

Despite the disappearance of tariff sales, EBITDA remains stable at €458 million thanks to cost efficiencies

Gas Distribution in Italy



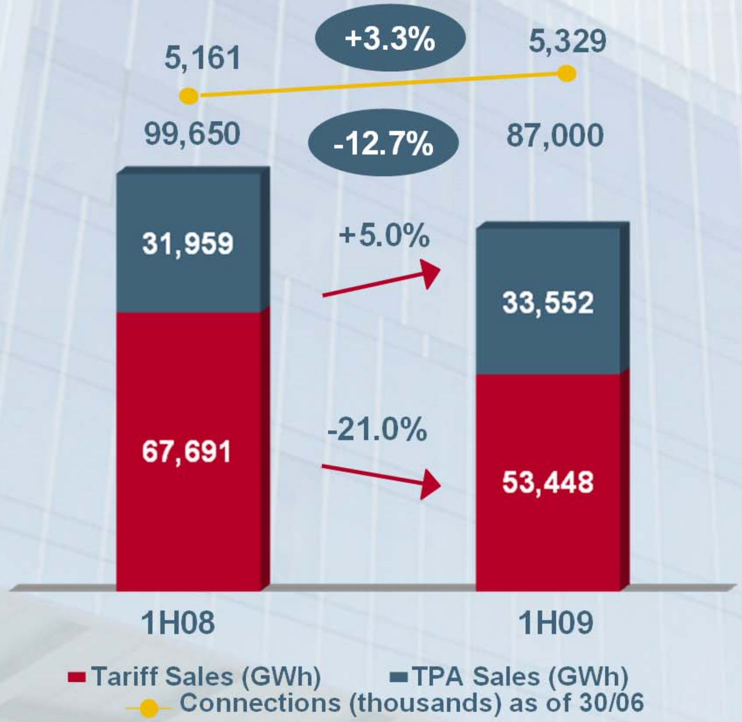


- EBITDA growth in the period favoured by higher gas sales after colder winter

Achieving steady network growth

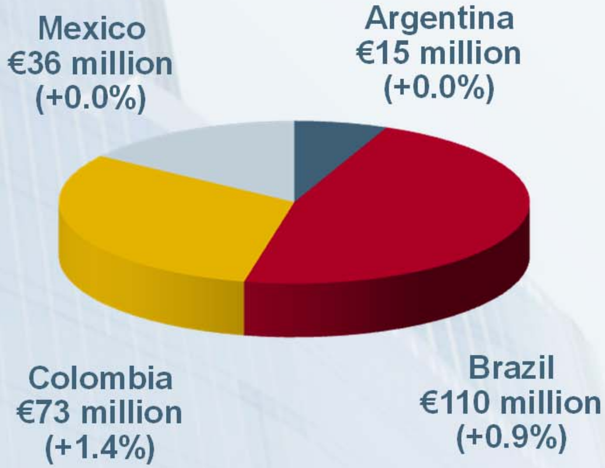
Gas Distribution in Latin America

Operating figures



EBITDA contribution and growth by country

(Total €234 million, +0.9%)

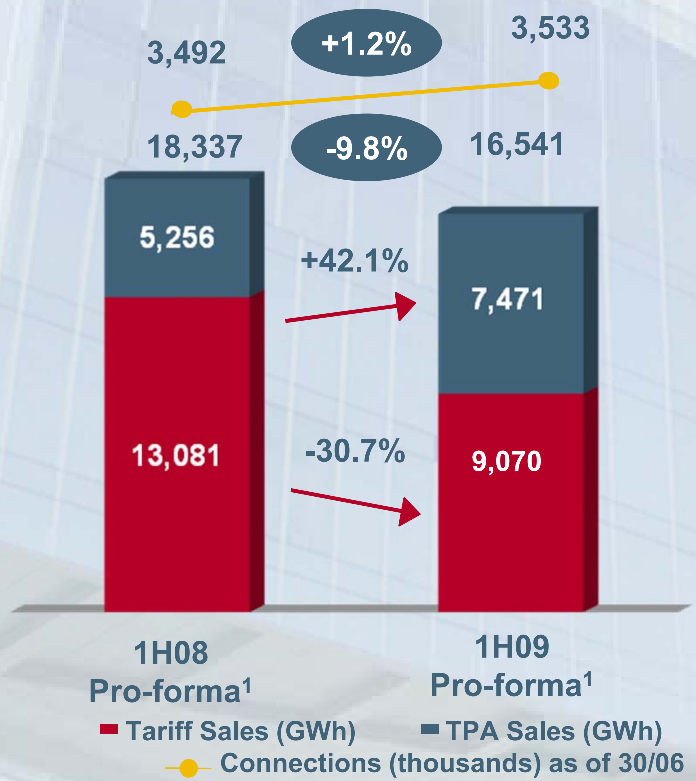


- EBITDA greatly impacted by performance of local currencies
- Expanding network in the region with +168,000 connection points YoY

EBITDA in local currency +12.1%

Electricity Distribution in Spain

Operating figures



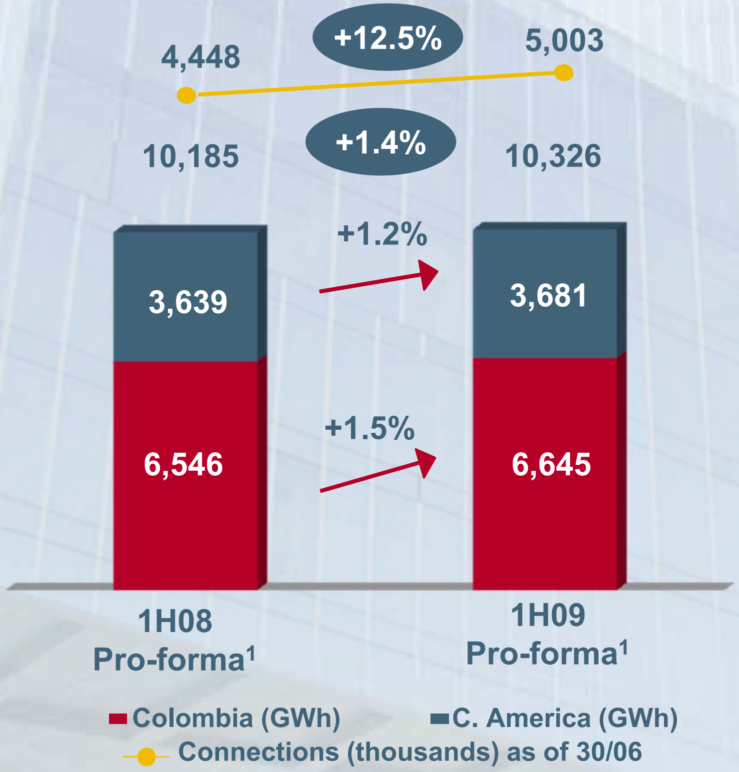
- Lower electricity sales as a result of the decrease in consumption in the country
- Distribution network grows to a total of 48,982 km (+5.7%)
- TIEPI down 20.5% to 29.4 minutes[2] evidences an improvement in service quality

EBITDA rises 7.1% to €287 million[1] thanks to higher remuneration in 2009 and efficiency gains

Notes:
1 Pro-forma figures from 1 January
2 Adjusted for *force majeure* event (hurricane Klaus)

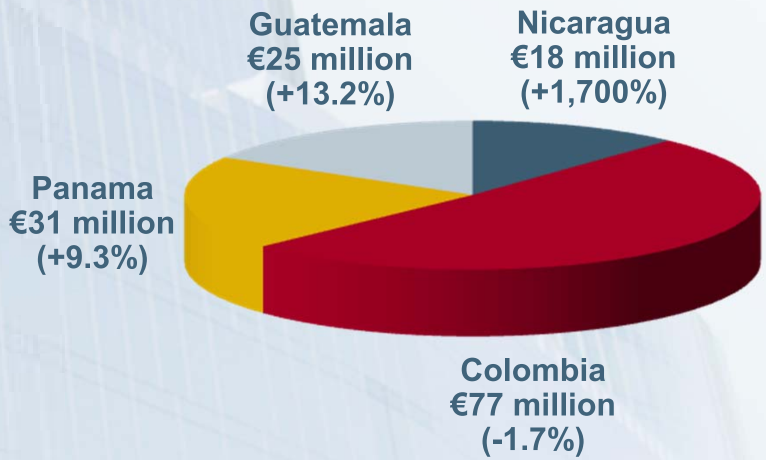
Electricity Distribution in Latin America

Operating figures



EBITDA contribution and growth by country

(Total €151 million, +16.2%)[1]



- New framework in Nicaragua brings EBITDA back to normal levels
- Improvements achieved in reducing distribution losses

EBITDA growth despite worse local currencies' performance

Note:
1 Pro-forma figures from 1 January

4 Conclusions

Conclusions

- Operating performance maintained in spite of a challenging environment

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- High weighting of regulated activities and business and geographical mix provide stability in earnings

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- Unión Fenosa acquisition successfully completed
  - Timing of execution better than initial estimates
  - Optimized transaction financing after good timing of capital increase and outcome of tender offer

On our way towards the creation of a vertically integrated gas and power leader

A strategy to create value for shareholders

Focus on integration

- Integration in progress ensuring smooth transition
- Annual operating synergies of €350m and CAPEX synergies of ~€200m beat initial estimates
- €800m tax synergies identified

Financial discipline

- Delevering through €3.5 billion capital increase and €3 billion expected asset sales
- Ratings in line with or better than expected in July 2008
- Sucessful refinancing of €2,500 million of acquisition loan

Active portfolio management

- Disposals agreed to date: €1,414 million, almost half of total planned
- Divestments agreed with CNC do not impair the strategic rationale of the transaction
- Monitoring of portfolio: strategic fit and value creation

Investment plan rationalisation

- Reduced combined investment plan with limited execution risk
- Focus on gas and power convergence in existing markets

Thank you

INVESTOR RELATIONS

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