First Quarter 2013 Results (1Q2013)

May 7, 2013

gasNatural fenosa

170 years together

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Agenda

1. Highlights
2. Spanish electricity regulation
3. Financials
4. Analysis of operations
5. Conclusions

1 Highlights

Key financial indicators

Net income: €411 million (+1.0%)

EBITDA: €1,329 million (+2.2%)

Investments: €206 million[1] (-8.0%)

Net debt: €15,944 million[2]

Notes:

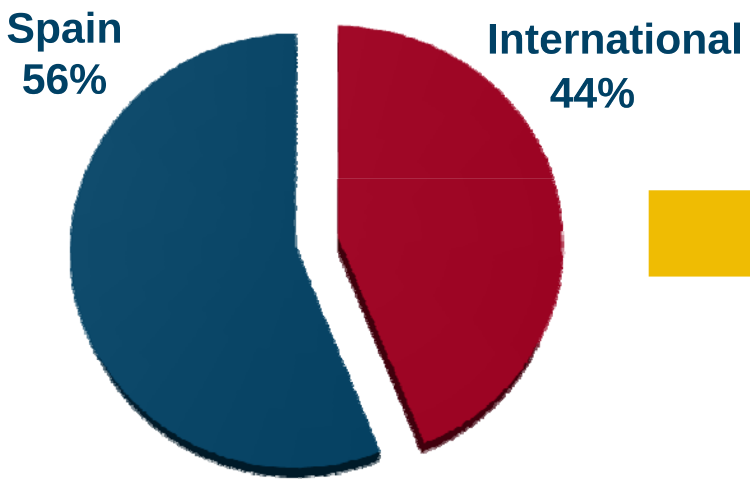
1 Tangible and intangible

2 Net debt of €15,055 million excluding tariff deficit

A higher share from international operations (I)

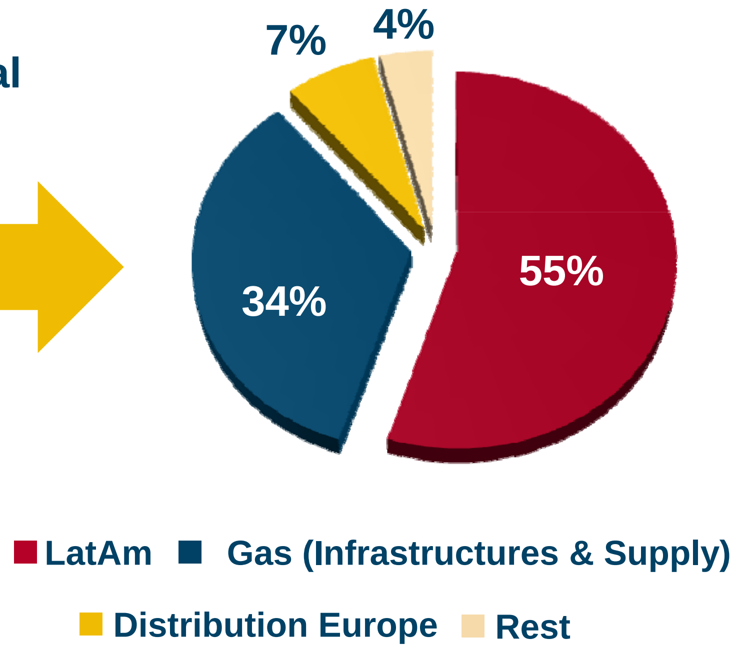
Geographical breakdown of 1Q13 EBITDA

EBITDA: €1,329 million



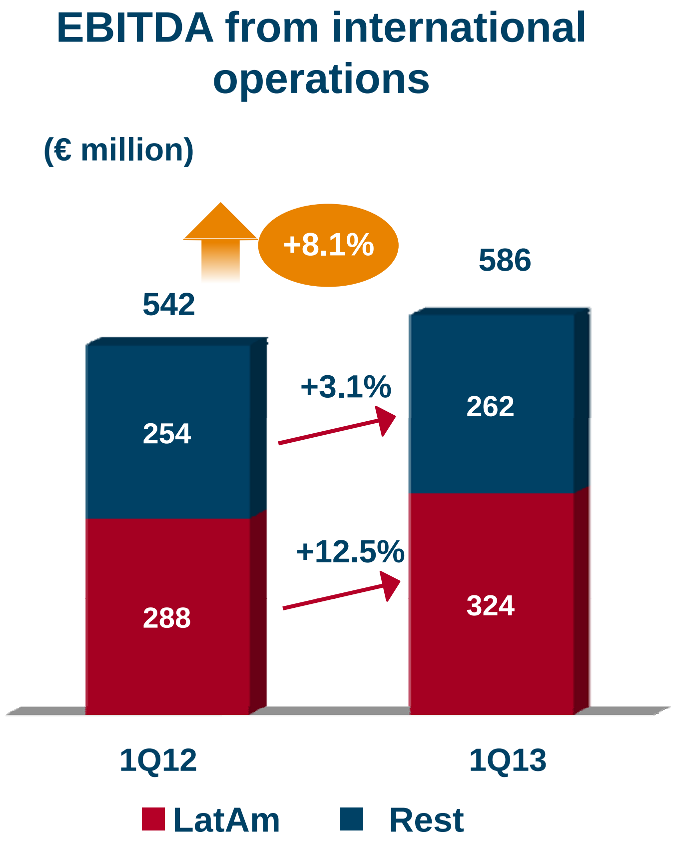
EBITDA from international operations

EBITDA: €586 million



International operations' increasing role enhances and improves the EBITDA diversification, both geographicaly and by line of business

A higher share from international operations (II)



- Latin American activities continue to maintain a robust and sustained growth
- Gas wholesale operations in foreign markets enjoy a continuous and healthy expansion

The solid performance from international operations proves the soundness of GNF's business model

Latest events

- **Acquisitions and disposals:**
  - **purchase of 10% of Medgaz in January with additional 18-year contract of 0.8 bcm p.a.**
  - **sale of Nicaraguan assets in February for US$58 million with deconsolidation of €3.6 million of net debt**
- **Successful bond issuances for ~€1,550 million to date in 2013**
- **Securitisation of €371 million of tariff deficit in 1Q13 and an additional €169 million to date during 2Q13**
- **Proposal to repurchase €609 million preference shares (2003 issuance) currently in acceptance period**
- **AGM (16th April) approved FY 2012 accounts and dividend against 2012 results for a total of €895 million (62.1% pay-out ratio)**

2

Spanish electricity regulation

Spain: regulatory measures in 2012 to reduce the tariff deficit

- Royal Decree-Law 1/2012: Temporary suspension of financial incentives for new facilities under Special Regime
- Ministerial Orders reviewing access charges in January and April 2012. The tariff review from April includes an extraordinary increase to comply with the sentences from the Supreme Court
- Royal Decree-Law 13/2012: Reduction of costs through a lower remuneration for transmission, distribution, capacity payments and other regulated activities
- Royal Decree-Law 20/2012: Reduction of remuneration for transmission and extrapeninsular systems, possibility to include supplements in the access charges (territorial, progressiveness)
- Law 15/2012: Fiscal measures for the system's sustainability approved in 2012 and in force since 1 January 2013
- Royal Decree-Law 29/2012:
  - Raises the upper limit of the deficit for 2012, allowing its securitisation
  - Elimination of tariff sufficiency from 2013

Spain: regulatory environment in 2013

- Royal Decree-Law 2/2013 approved on 1 February
  - Change in the indexation for the annual updating of the regulated activities
  - Change in the remuneration of the Special Regime: option to choose between regulated tariff and market price without premium
- Ministerial Order on access charge review from January 2013
  - Freezing of current access charges
  - Allocates 100% of the costs for extrapeninsular systems to the 2014 State Budget
- The Government is proposing a €2,200 million line of credit to finance the mainland tariff deficit (and therefore achieve a zero deficit)
- The Government has announced a general reform of the electricity system for mid 2013

Balance of the electricity sector 2012-2013 (I)

(milion €)	Forecast closing 2012 [1]	Forecast closing 2013 [2]
Revenues from access charges	**14,904**	**14,395**
Costs	**19,026**	**19,199**
Transmission and distribution	6,482	7,137
Extrapeninsular systems	1,622	-
Various (CNE, OS)	42	21
Premia for Special Regime[3]	8,586	9,040
Debt service (principal + interest)	2,333	2,671
Interruptibility[3]	470	748
Other[3,4]	(509)	(418)
Tariff deficit for the year	**(4,122)**	**(4,804)**
Extra deficit from previous years	(1,274)	-
Social Voucher refund	(106)	(187)
Extra costs SEIE 2010 and 2011	(514)	(58)
Other revenues	**-**	**5,387**
Taxes+CO_2 auctions	-	3,187
State credit	-	2,200
Total deficit	**(5,609)**	**338**

The zero tariff deficit for 2013 is achievable

Notes
1 As per Liquidación nº14/2012 of April 2013
2 Estimation based on tariff order IET/221/2013, new taxation legislation (law 15/2012) and the projected legislation to include 2.200 M€ of tariff deficit to state budget
3 2012: Amounts with annual accrual as reported in Liquidación nº14/2012
2013: Estimation based on tariff order IET/221/2013
4 Basically positive balance from capacity payments and remaining CNE e IDAE

Balance of the electricity sector 2012-2013 (II)

Subsidies[1]

(€ million)	2012	2013E
Special Regime	8,586	9,040
Extrapeninsular	1,622	-
Interruptibility	470	748
Domestic coal	479	422
Social voucher	202	260
Total	**11,359**	**10,470**

Special regime subsidies by technology

(€ million)	2012	2013E	2013/ 2012
Cogeneration	1,865	1,951	+4.6%
Wind	2,037	2,032	-0.2%
Solar	3,538	4,044	+14.3%
Mini hydro	184	160	-13.0%
Others	962	853	-11.3%
Total subsidies	**8,586**	**9,040**	**+5.3%**

In 2013 subsidies amount to 55% of the regulated system costs

Note
1 2012: As per Liquidación nº14/2012 of April . 2013: estimate based on tariff order IET/221/2013

3

Financials

Consolidated income statement

(€ million)	1Q13	1Q12	Change %
Net sales	6,769	6,489	4.3
Purchases	(4,769)	(4,595)	3.8
Gross Margin	**2,000**	**1,894**	**5.6**
Personnel, Net	(235)	(217)	8.3
Levies	(148)	(72)	105.6
Other expenses, Net	(288)	(305)	(5.6)
EBITDA	**1,329**	**1,300**	**2.2**
Depreciation	(449)	(443)	1.4
Provisions	(55)	(55)	0.0
Other	8	17	(52.9)
Operating Income	**833**	**819**	**1.7**
Financial results, Net	(215)	(219)	(1.8)
Equity income	2	4	(50.0)
Income Before Tax	**620**	**604**	**2.6**
Taxes	(154)	(150)	2.7
Minority interest	(55)	(47)	17.0
Net Income	**411**	**407**	**1.0**

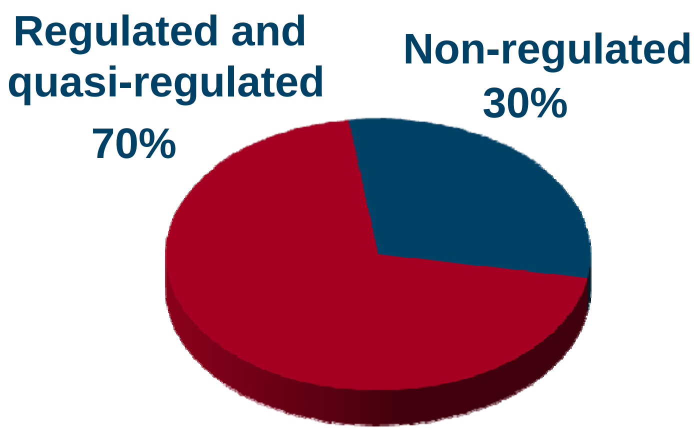
EBITDA breakdown

(€ million)	1Q13	1Q12	Change €m	Change %
Distribution Europe:	**417**	**416**	**1**	**0.2**
Electricity	161	164	(3)	(1.8)
Gas	256	252	4	1.6
Electricity:	**242**	**254**	**(12)**	**(4.7)**
Spain	188	208	(20)	(9.6)
Special Regime	51	43	8	18.6
Other	3	3	0	-
Gas:	**330**	**343**	**(13)**	**(3.8)**
Infrastructures	67	58	9	15.5
Supply	250	190	60	31.6
UF Gas	13	95	(82)	(86.3)
LatAm:	**324**	**288**	**36**	**12.5**
Electricity Distribution	82	85	(3)	(3.5)
Gas Distribution	172	146	26	17.8
Generation	70	57	13	22.8
Other	**16**	**(1)**	**17**	**-**
Total EBITDA	**1,329**	**1,300**	**29**	**2.2**

Consolidated investments

Tangible and intangible

(€ million)	1Q13	1Q12
Distribution Europe:	**67**	**90**
Electricity	20	44
Gas	47	46
Electricity:	**37**	**41**
Spain	31	33
Special Regime	6	8
Gas:	**6**	**9**
Infrastructures	2	5
Supply	3	3
UF Gas	1	1
LatAm:	**68**	**67**
Generation	18	19
Gas Distribution	32	29
Electricity Distribution	20	20
Other	**26**	**16**
Total	**206**	**224**

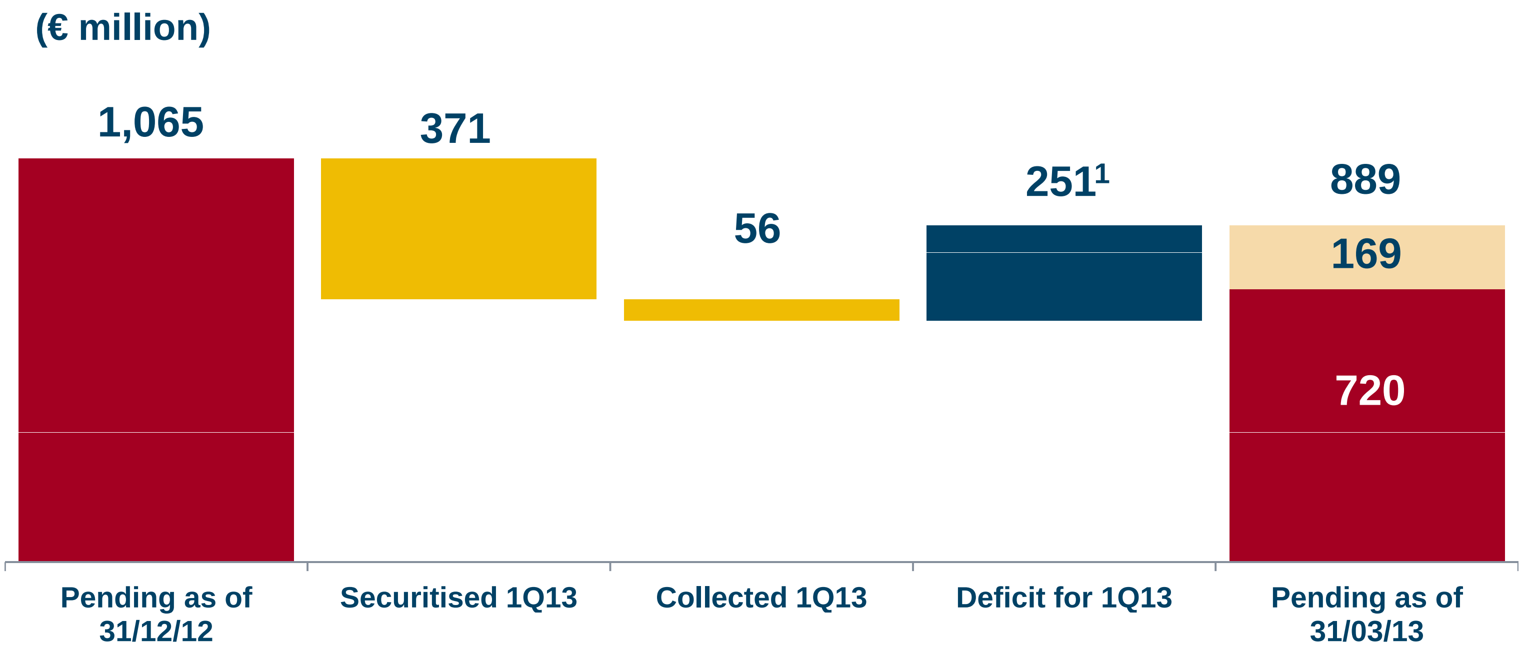


- **International investments grow +10.1% to €87 million**

Lower investments in distribution of electricity in Spain as a consequence of the reduction in regulated remuneration

Securitisation of tariff deficit

Tariff deficit amounts for GNF



- €371 million collected by GNF in 1Q13 through sales carried out by FADE
- Additional €169 million collected to date during 2Q13 from recent issuances

Tariff deficit 2012 in excess of €1,500 million for the industry may be transferred to FADE (RDL 29/2012)

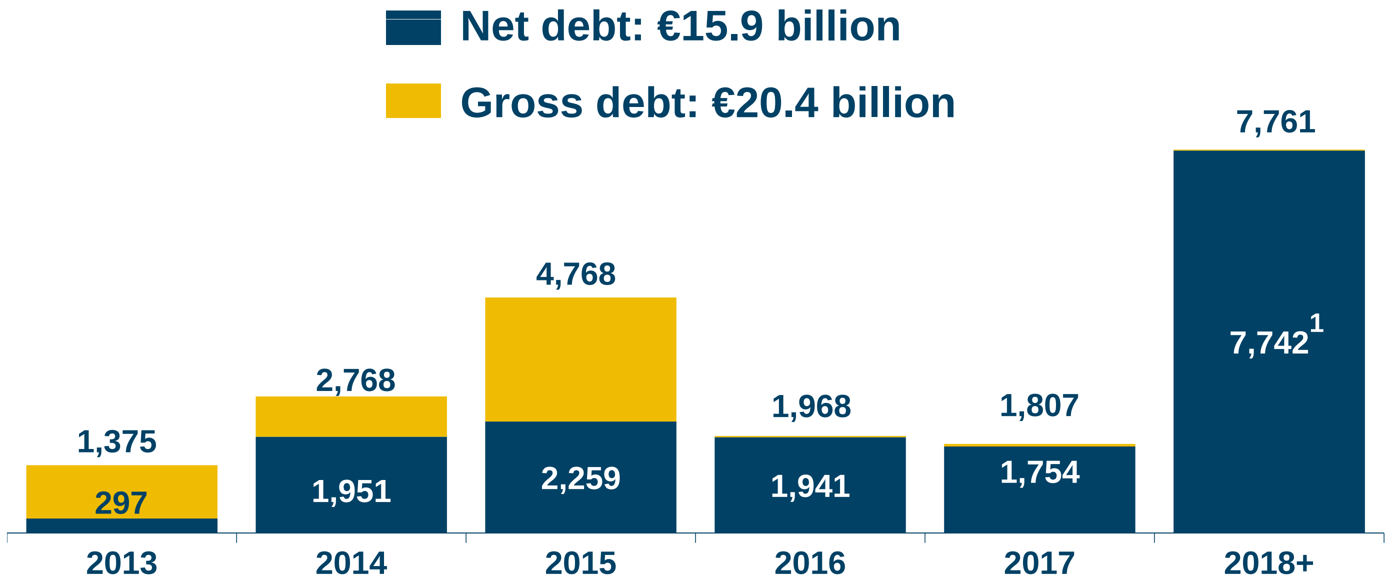
Note:

1 Includes €4 million of interest accrued on tariff deficit for past years

A comfortable debt maturity profile

As of March 31, 2013

(€ million)



- Average life of net debt ~5 years
- 60% of net debt maturing from 2017 onwards

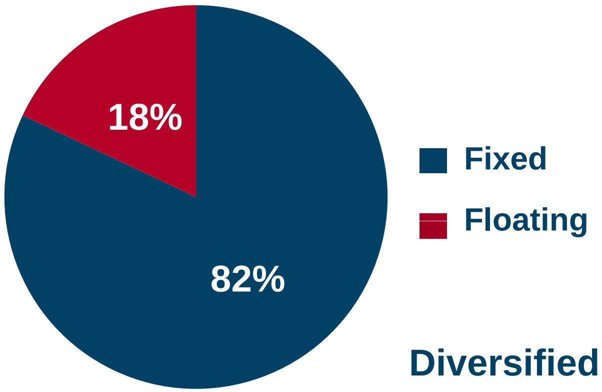
All financial needs from 2013 to 2014 already covered, currently focusing on 2015

Note:

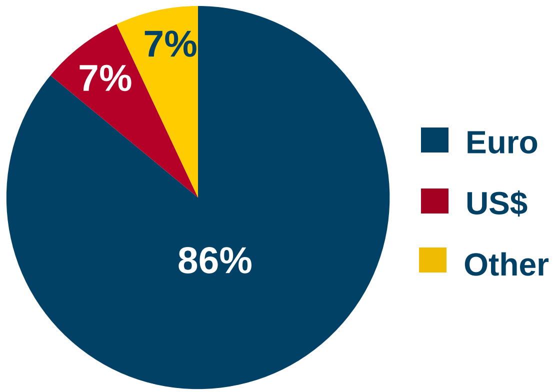
1 Including preference shares in the amount of €609 million but not including new public issuances in April 2013 of €750 million

An efficient net debt structure

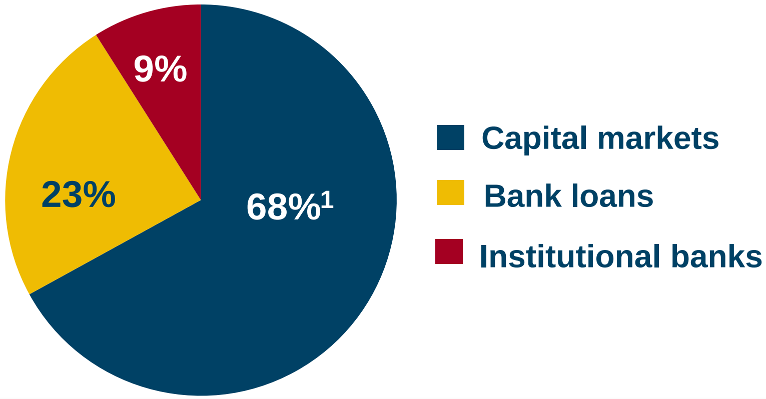
Significant level of fixed rate obtained at very competitive levels



Currency exposure consistent with business risk



Diversified financing sources



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

Note:

1 Adjusting net debt with pending tariff deficit securitisation, the weighting of capital markets would increase to 71%

Ample liquidity available

As of March 31, 2013

(€ million)	Limit	Drawn	Undrawn
Committed lines of credit	5,364	287	5,077
Uncommitted lines of credit	208	114	94
Undrawn loan	150	-	150
Cash	-	-	4,504
TOTAL	5,722	401	9,825

- Enough liquidity available to cover needs for over 24 months
- Additional capital market capabilities of around €2,600 million in both Euro and LatAm programmes (Mexico, Argentina, Panama), complemented by recent COP 500 billion programme

Liquidity enhanced in 2Q13 in €750 million after new bond issues

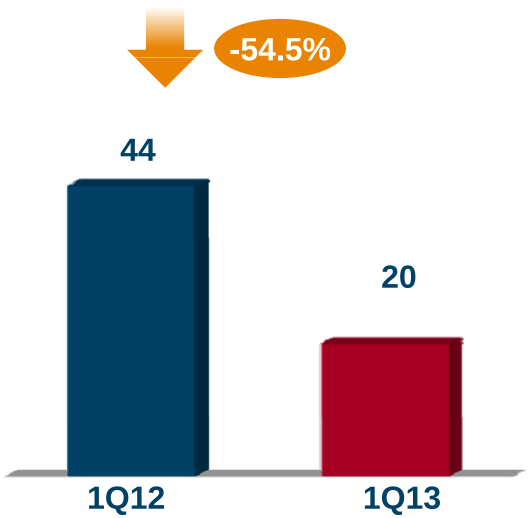
4 Analysis of operations

Distribution Europe

Electricity

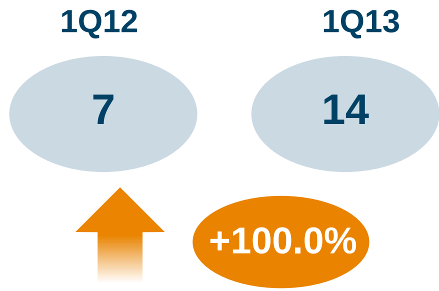
Investments

(€ million)



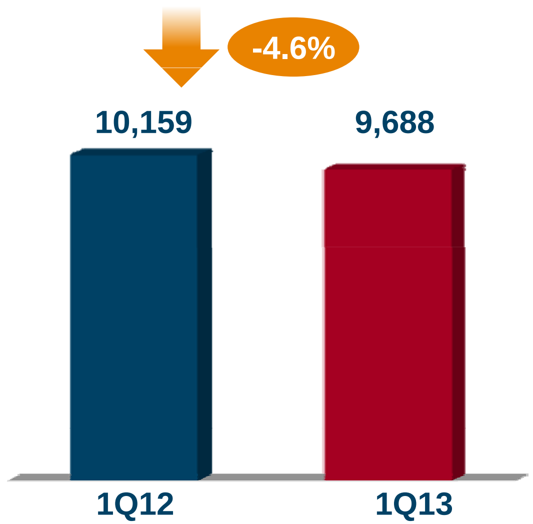
TIEPI[1] (Spain)

(minutes)



Sales

(GWh)



- **Demand in Spain falls in line with average for the country, with an underlying 3.6% drop enhanced by leap year effect**

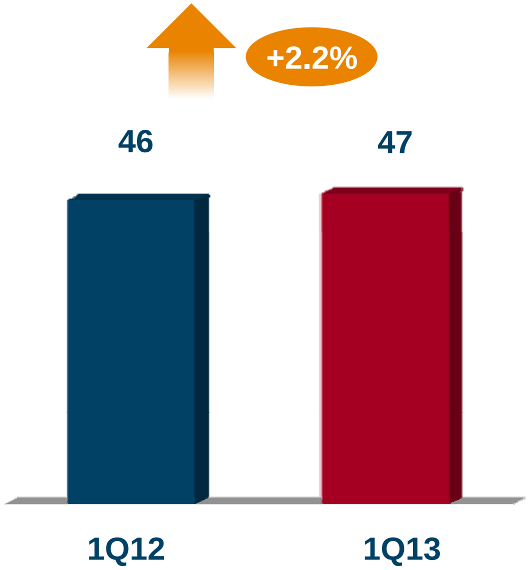
Downward adjustment of CAPEX after regulatory measures for Spanish distribution passed in 2012

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

Distribution Europe
Gas

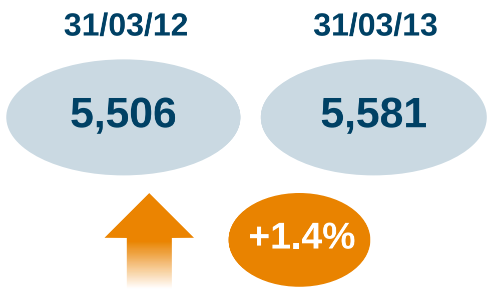
Investments[1]

(€ million)



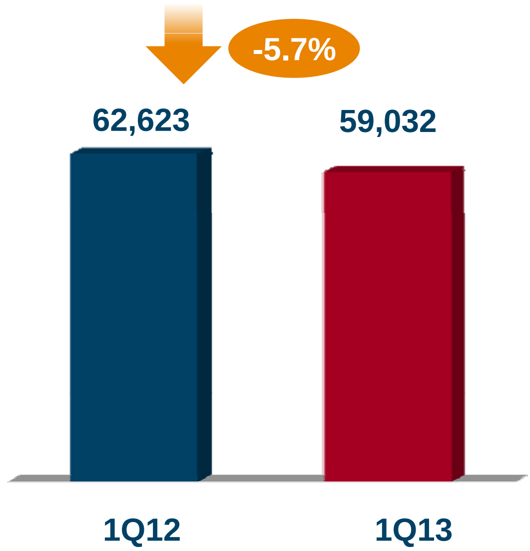
Connection points

(thousands)



Sales

(GWh)



Investment focus on efficient network expansion with still low penetration levels in Spain

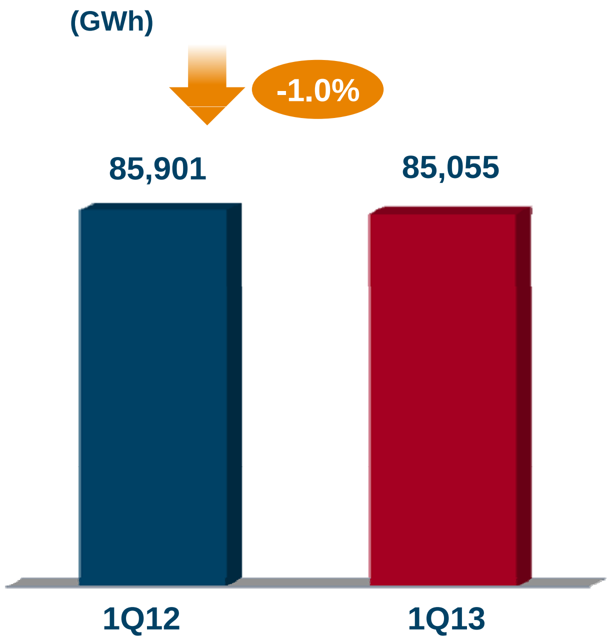
Note:

1 Tangible and intangible

Energy

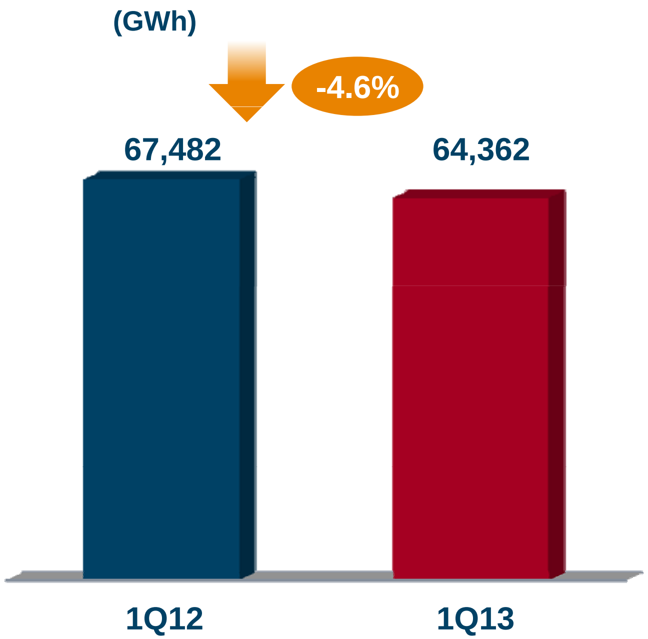
Gas and electricity demand in Spain

Conventional gas demand



Source: Enagas

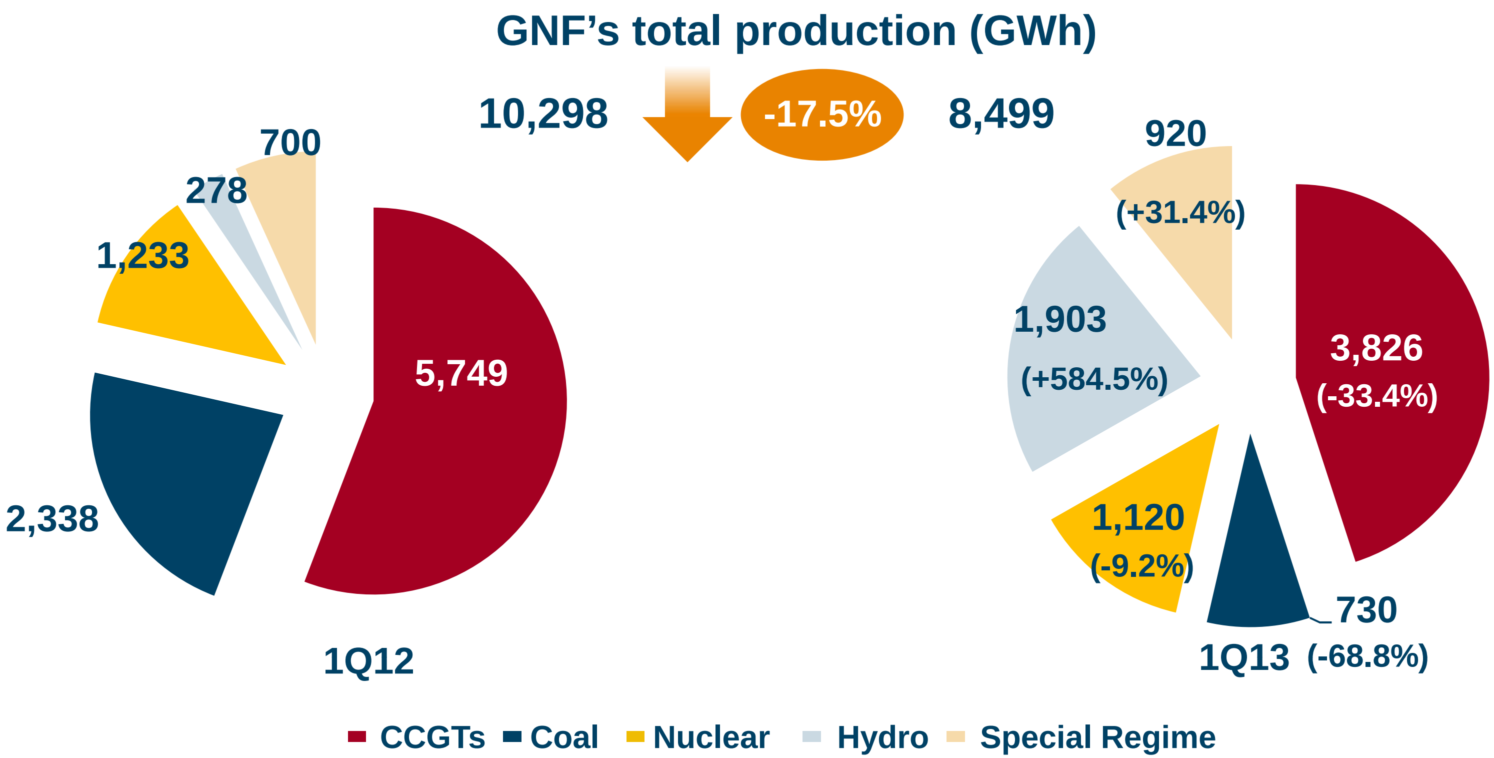
Electricity demand



Source: REE

Weaker Spanish economy reflected in lower electricity demand

Energy
Electricity in Spain

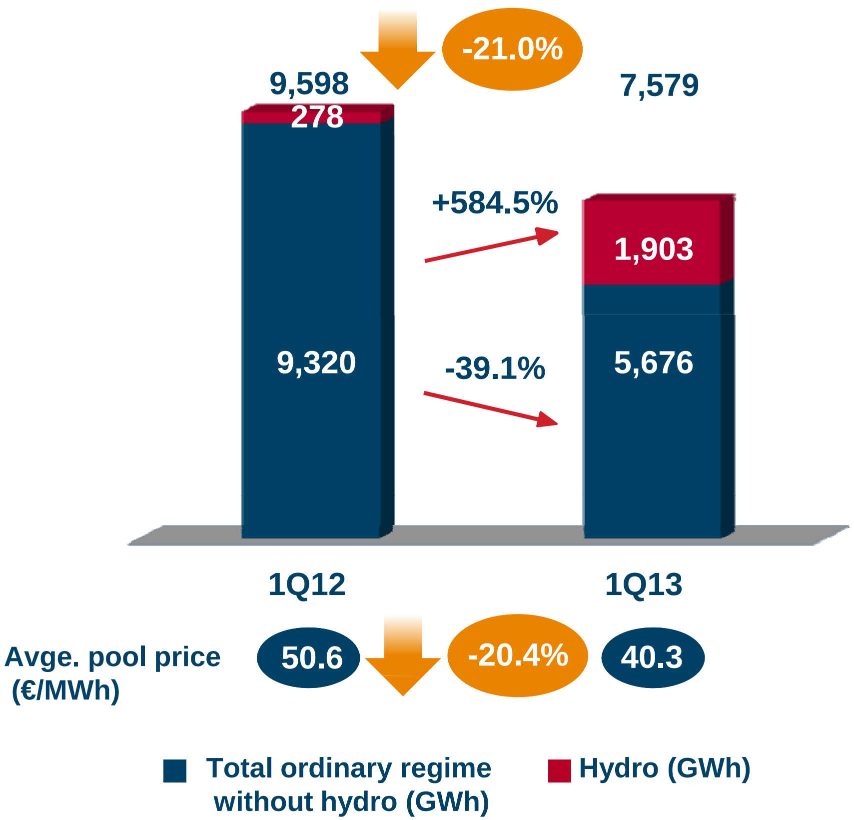


- **Thermal technologies decrease their output after higher hydro and wind production in 1Q13**

Lower production in accordance with price environment for 1Q13

Energy
Ordinary regime in Spain

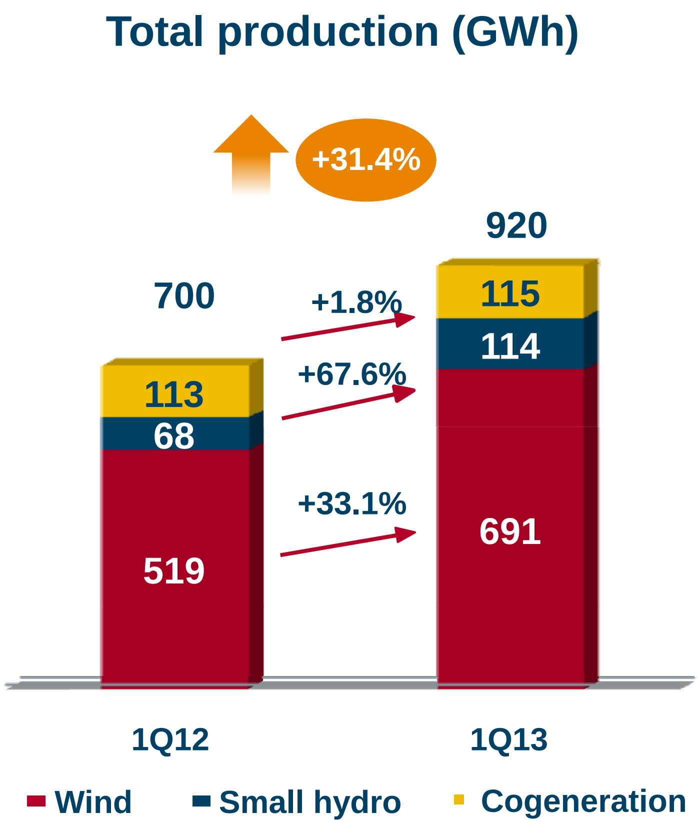
GNF's ordinary regime production



- Enjoying an optimized position in supply business, which provides a good hedge against pool price volatility
- A higher hydro production having a positive contribution by reducing GNF generation cost
- Results in 1Q13 include a -€73 million impact from tax measures

EBITDA of €188 million (-9.6%) impacted by tax measures

Energy
Special regime

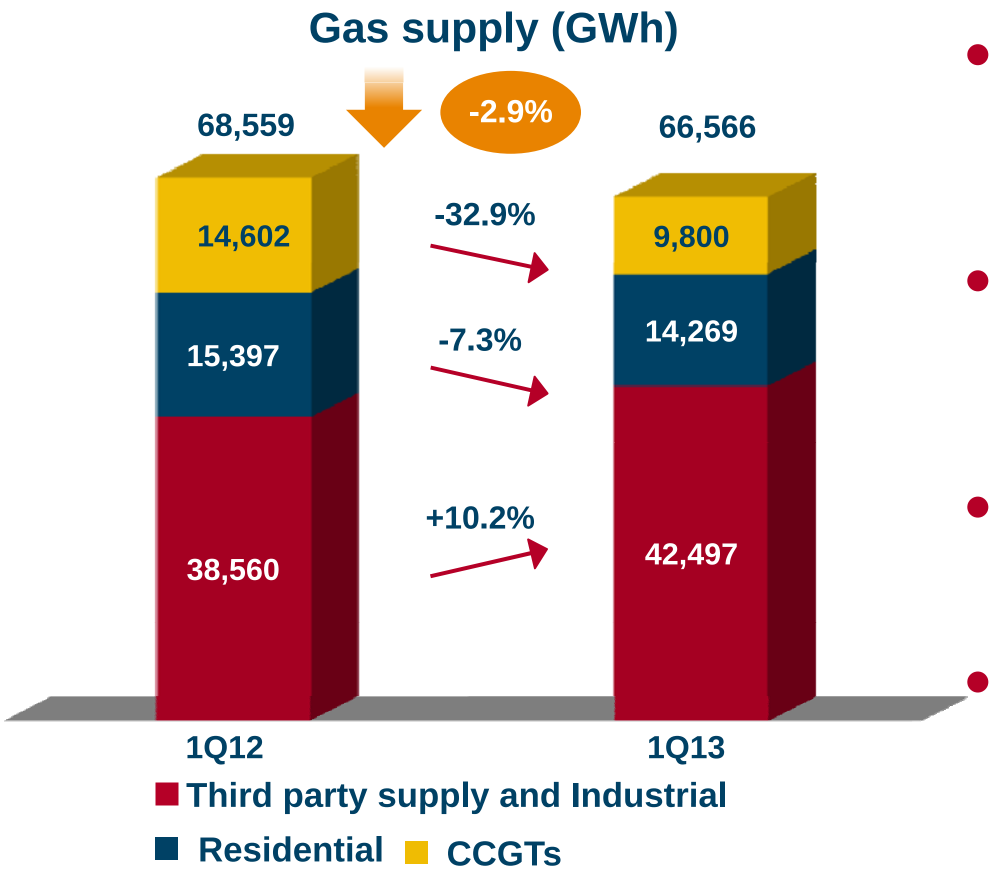


- Wind-powered production boosted by higher wind factor in 1Q13
- Heavy rainfall in the period leads to a significant growth in small hydro production
- New small hydro projects in Galicia to be commissioned in 2013
- Results in 1Q13 include a -€8 million impact from tax measures

Focus on developing several new wind power projects abroad (Mexico, Australia)

Energy

Gas supply in Spain



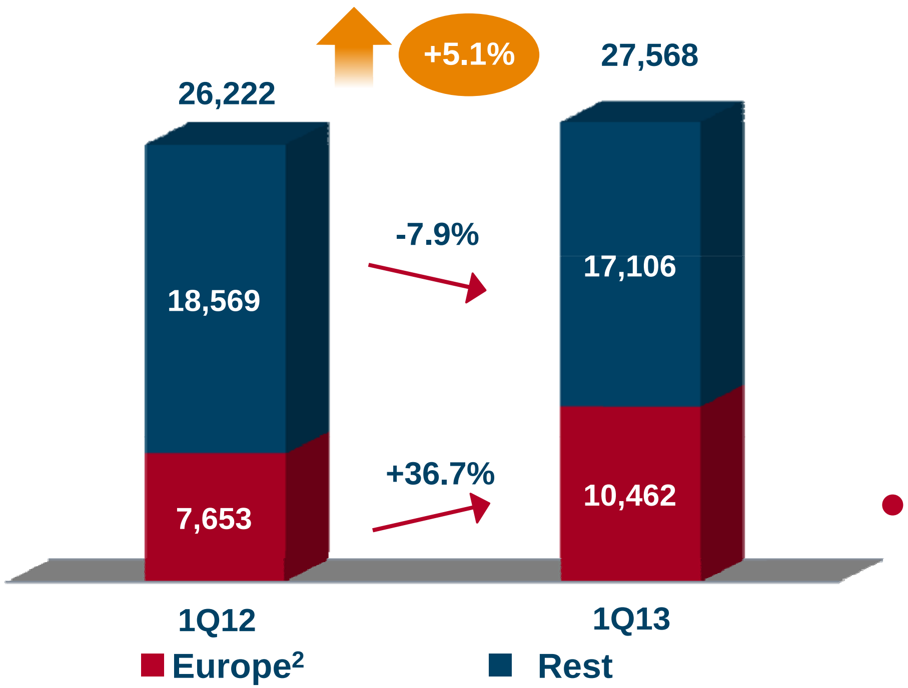
- Weaker demand in the quarter basically after lower sales to CCGTs
- Growth in customer portfolio enables leadership in each end market segment
- Average 1.41 contracts per residential customer (+3.4%)
- Maintenance contracts grow +14.0% to 1.9 million

Benefiting from balanced and well-diversified customer base

Energy

International gas sales maintain growing trend

Foreign sales (GWh)[1]



- International gas sales representing ~30% of total
  - Continuous increase in non-European LNG sales (Americas, Asia)
  - Expansion of commercial operations in Europe (France, BeNeLux, Germany)
- Average contract duration of 2 years

Consolidating GNF's strength in Europe and reinforcing its position as a global LNG player

Notes:

1 Does not include UF Gas

2 Sales to end customers, including retail supply in Italy

Energy

An integrated gas business model

gasNatural fenosa

Diversity in gas origins and procurement of both NG and LNG…

…complemented with a diversified array of end markets

Algeria
Norway
Qatar
T&T
Nigeria
Egypt
Oman

Piped NG

LNG

EMPL + Medgaz

Fleet of 11 tankers

Retail Spain

Industrial Spain

CCGT Spain

Foreign markets

Spot

Optionality

- LNG provides flexibility of destination given majority of FOB vs. DES
- Diversifying indexation in procurement contracts

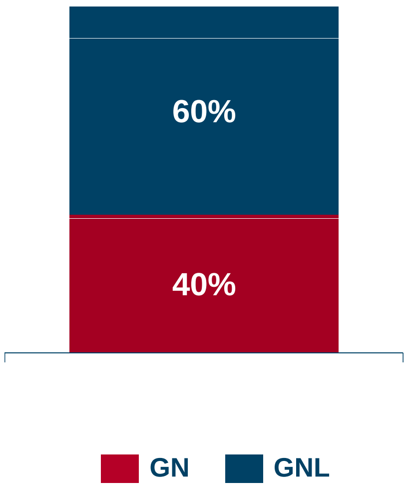
- Ability to implement combined gas and electricity strategy on a daily / weekly basis

A unique business model which provides an extremely efficient commodity hedge, allowing optimisation

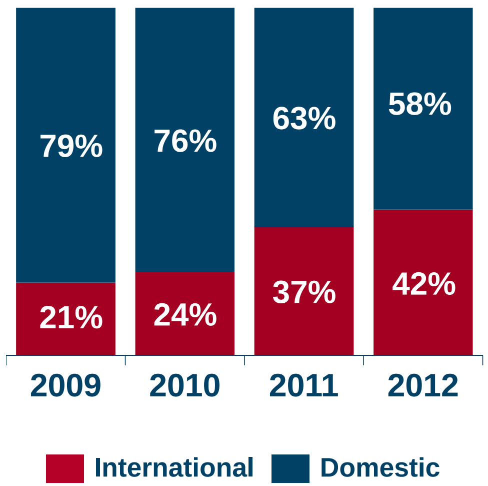
Energy

LNG sales enjoy an increasingly higher weighting

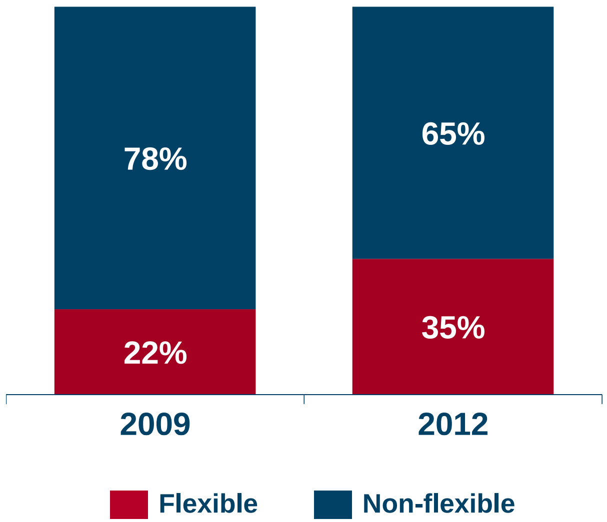
GNF's gas sales in 2012



GNF's LNG sales



LNG destination flexibility (world markets)



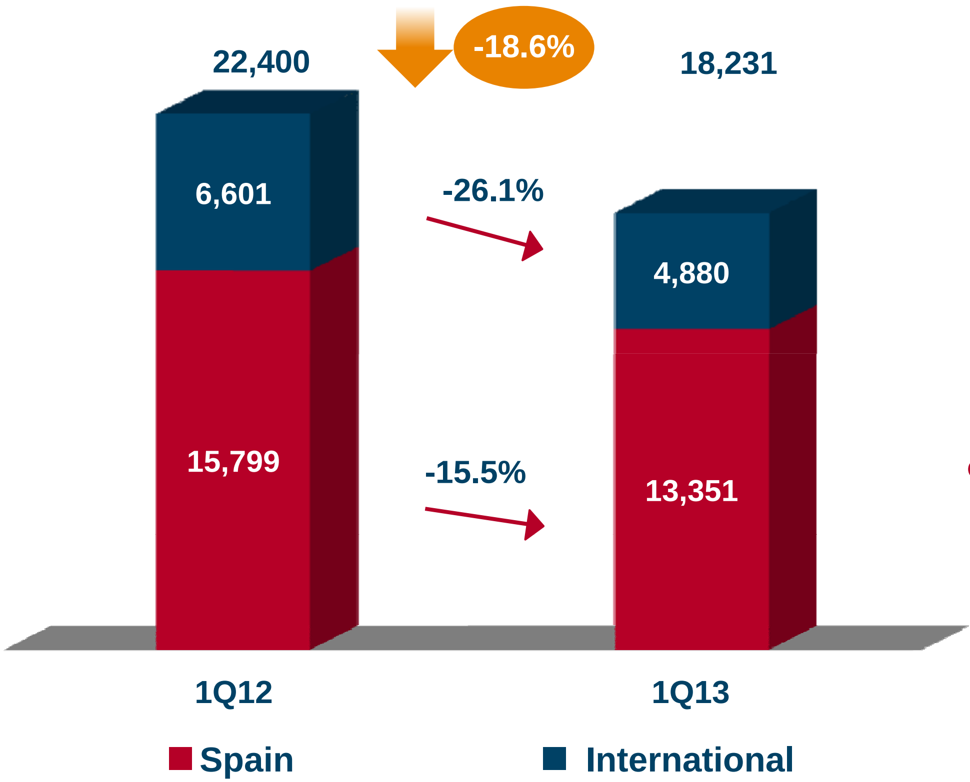
Source: CERA, Stream

- **Growing international sales places GNF as one of the world's main LNG operators**
- **GNF is well positioned to profit from future growth opportunities**

Energy

UF Gas

Gas supply[1] (GWh)



- Performance in 1Q13 impacted mainly by events of a temporary nature
  - Lower gas deliveries from Egypt, compensated with purchases from alternative sources
  - Lower sales (-18.6%)
- Ongoing conversations with Egyptian authorities in order to resume gas deliveries

EBITDA[2] (supply and infrastructures) of €13 million (-86.3%)

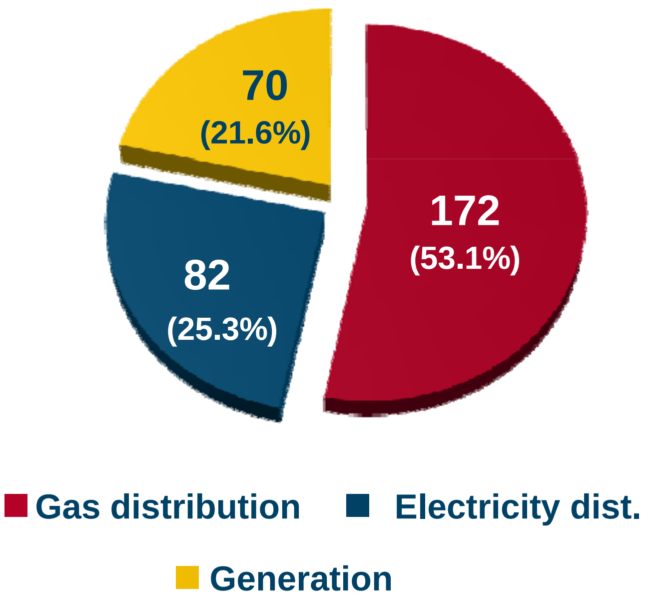
Notes:
1 100% attributable
2 50% attributable

Latin America (I)

EBITDA breakdown

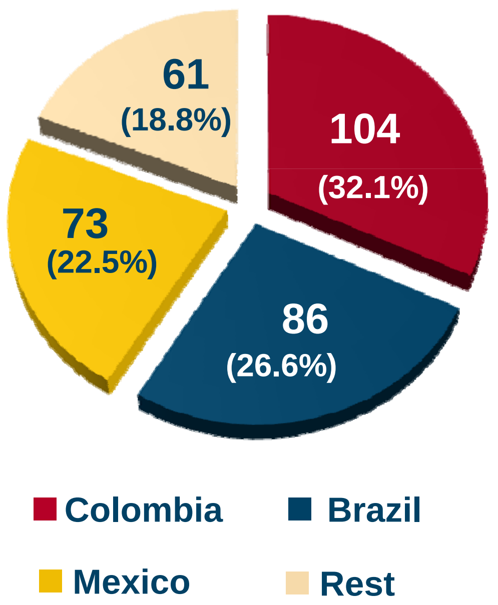
EBITDA by activity

EBITDA: €324 million



EBITDA by country

EBITDA: €324 million

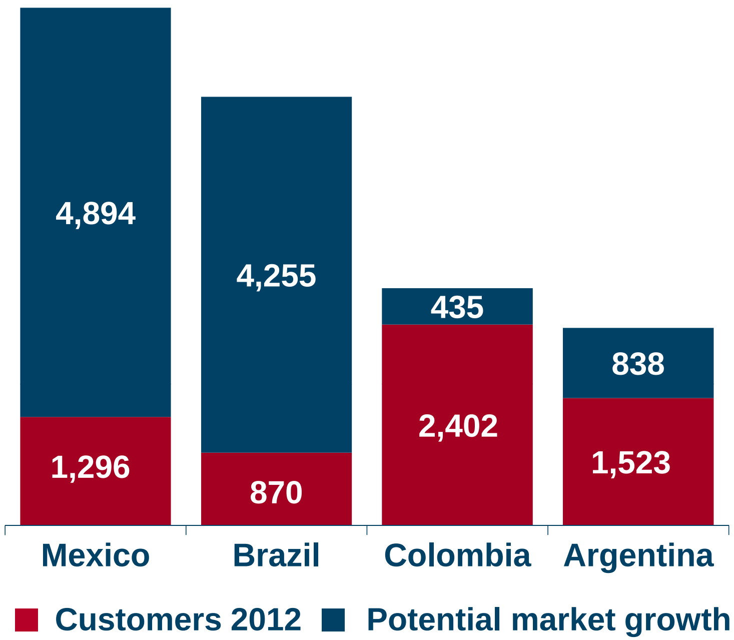


Benefiting from business and geographical diversification

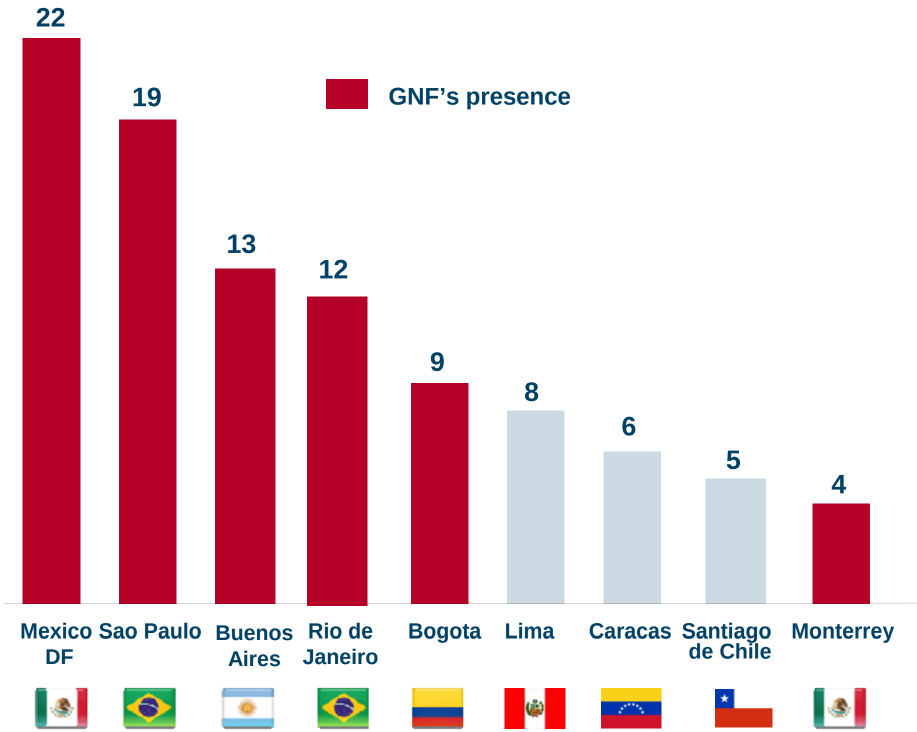
Latin America (II)

Positioned to exploit growth in the region

Residential customers' growth potential (thousands)



Population in main urban areas (million)

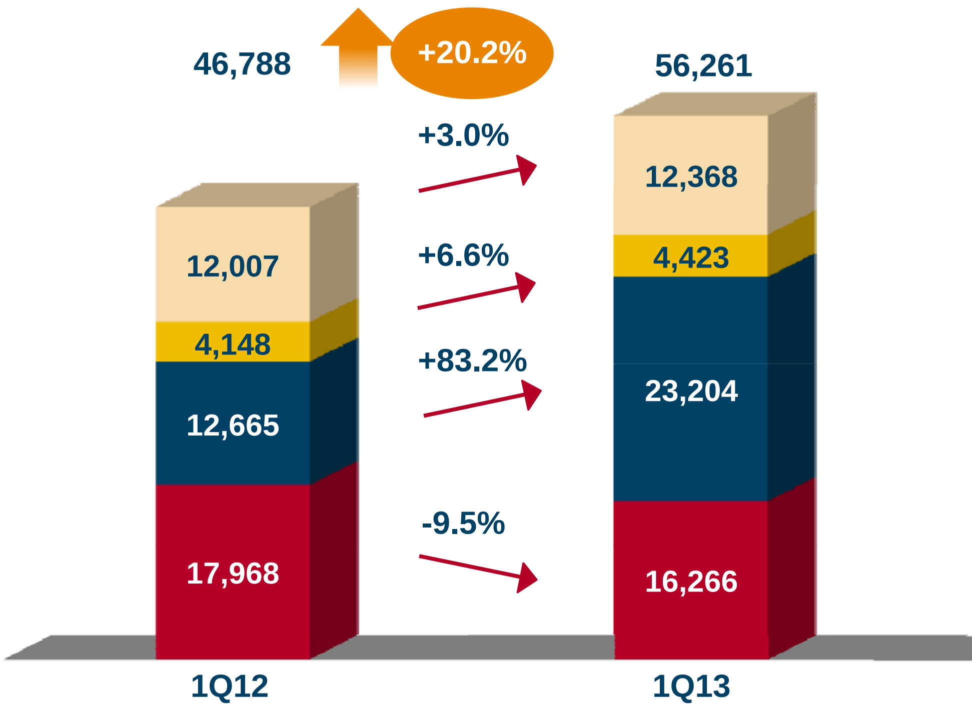


High growth potential for residential markets in our gas distribution franchises

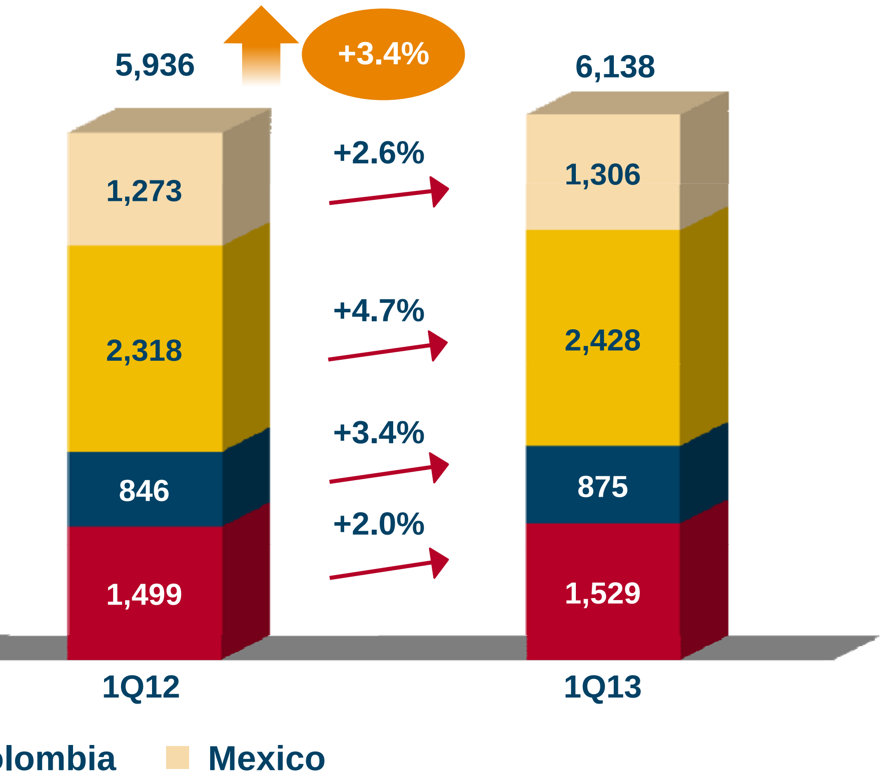
Latin America (III)

Gas distribution

Gas sales (GWh)



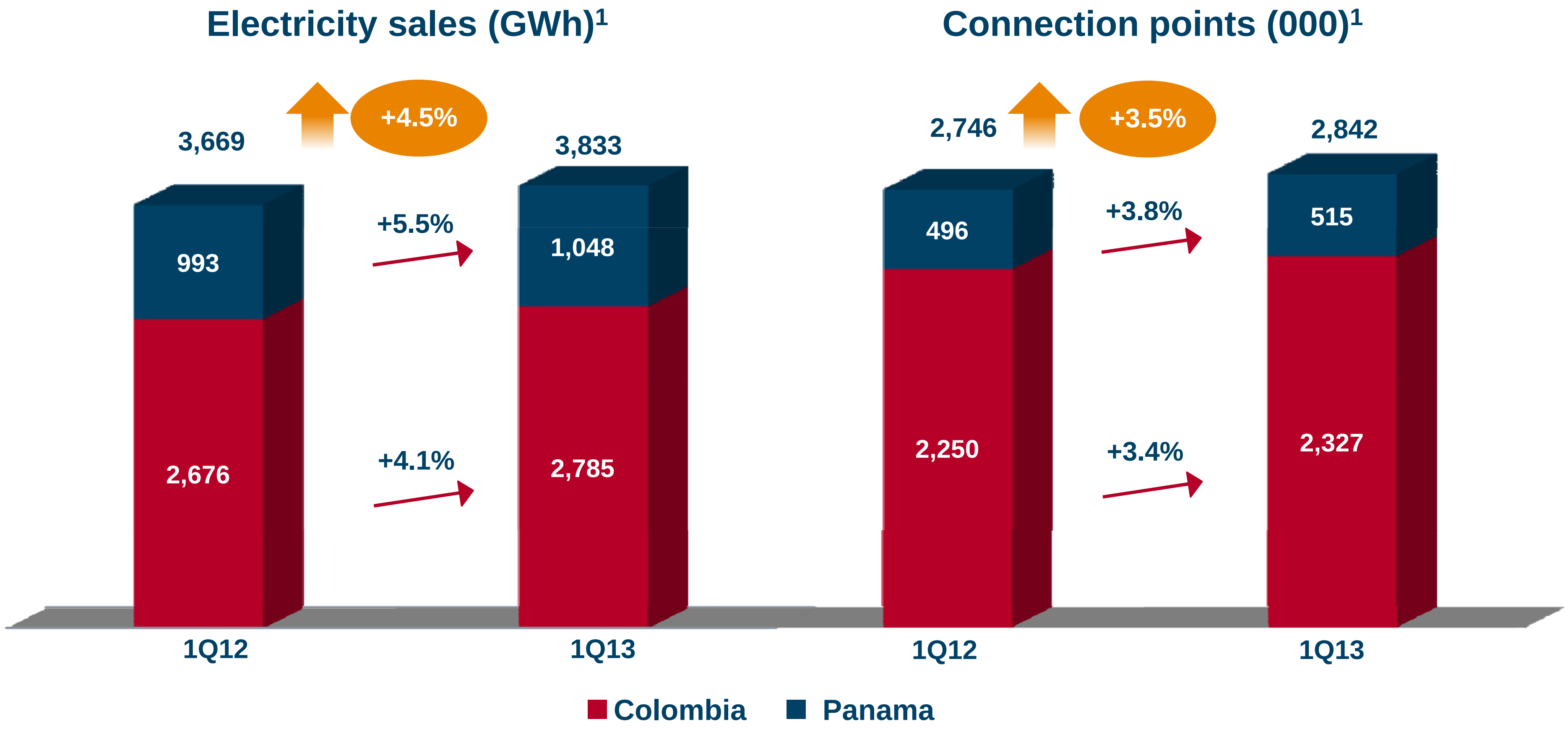
Connection points (000)



Gas demand in 1Q13 boosted by power generation in Brazil

Latin America (IV)

Electricity distribution

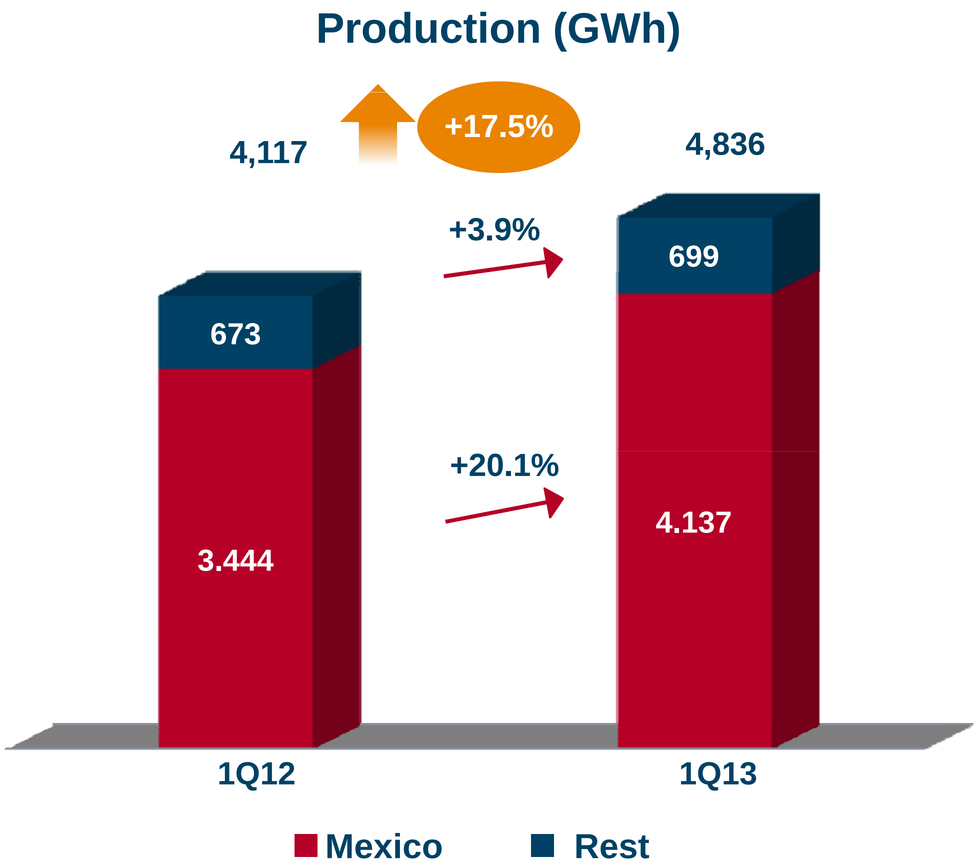


EBITDA close to last year's levels to €82 million, despite disposal of Nicaraguan assets

Note:
1 Excluding operations in Nicaragua, sold in February 2013

Latin America (V)

Generation



- Production in Mexico resumes growth after one CCGT's outage during 1Q12
- Higher dispatching levels in Puerto Rico and Dominican republic
- New projects in development:
  - Torito: 50 MW hydro in Costa Rica
  - Bii Hioxo: 234 MW wind farm in Mexico

EBITDA grows +22.8% to €70 million

5 Conclusions

Conclusions

Our balanced business mix allows a stable performance

EBITDA +2.2% despite asset disposals and regulatory changes and Net Income +1.0%

Successful bond issuances for around €1,550 million despite challenging market environment

An attractive shareholder remuneration policy

Thank you

INVESTOR RELATIONS

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170 years together