

First Quarter 2015 Results (1Q15)

May 6, 2015



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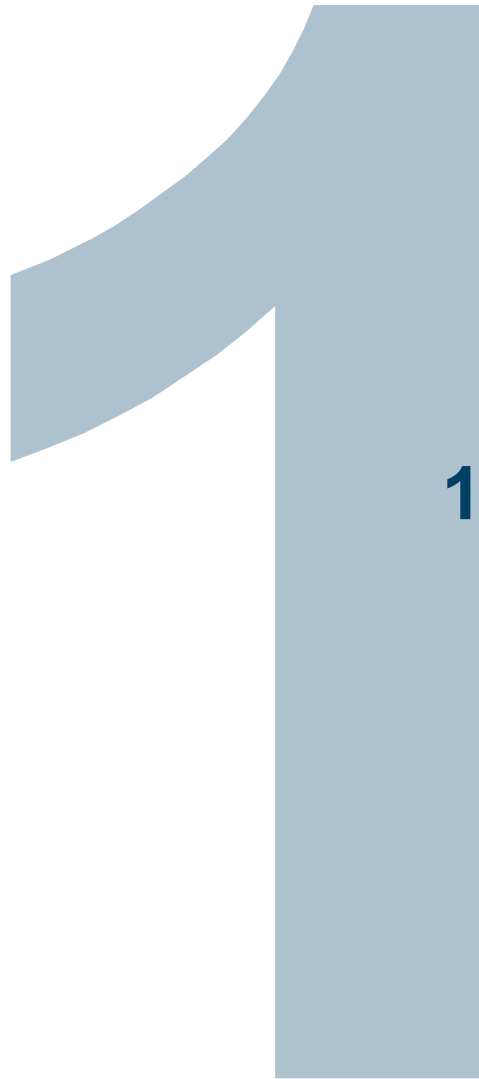
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Agenda



- 1. 1Q15 Key Figures**
- 2. 1Q15 Highlights**
- 3. Financials**
- 4. Analysis of operations**
- 5. Conclusions**



1Q15 Key Figures

Key financial indicators



Net Income: €404 million (+0.5%)

EBITDA: €1,369 million (+11.8%)

Investments: €313 million (-14.7%)

Net Debt: €17,331 million (+2.3% vs 31/12/14)

Changes in consolidation perimeter

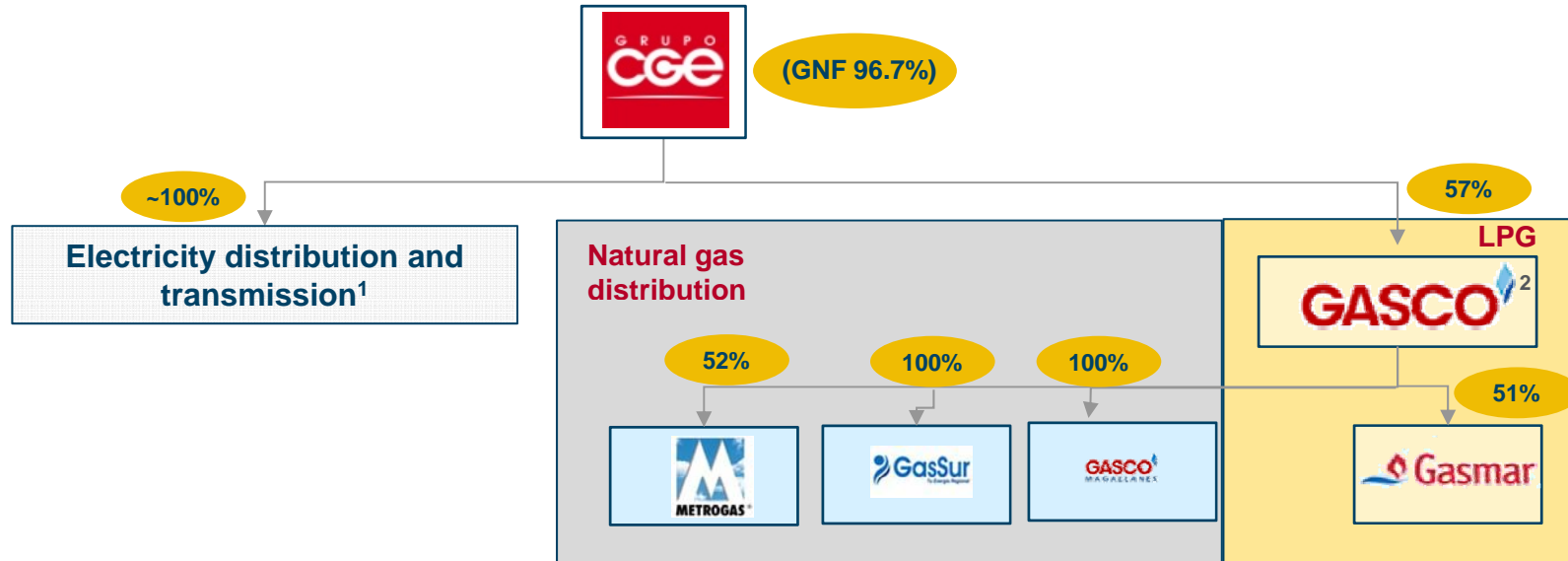
Sale of telecoms assets



- **Sale of Gas Natural Fenosa Telecomunicaciones (GNFT) in June 2014**
 - **GNFT is a fiber optics operator providing services to GNF and other companies in Spain and Latin America**
 - **Transaction value of €10 million with gross capital gains of €252 million (accounted in 2Q14)**
- **Disposal made in consonance with the priorities set forth in the Strategic Plan 2013-2015, optimizing the business portfolio in accordance with its strategic fit**
- **GNFT's EBITDA contribution in 1Q14: ~€18 million**

Changes in consolidation perimeter

Incorporation of CGE: Ownership structure



	Distribution	Transmission		
Oper. figures ³	2,854k customers	3,495 km	593k customers	10,456 GWh
Market share ³	44%	35%	88%	27% Chile, 21% Colombia
% EBITDA ³	30%	16%	38%	17%

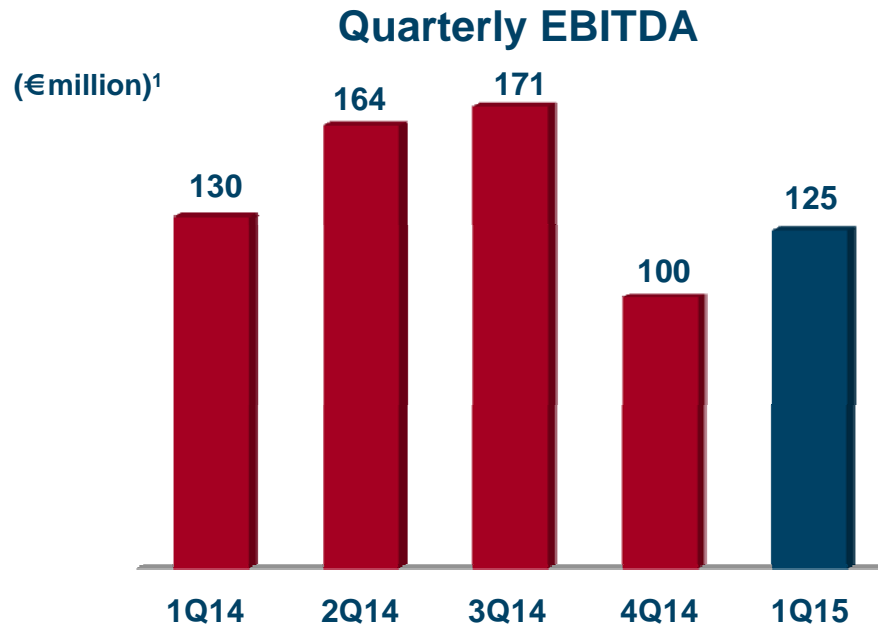
Transaction expected to be additive for GNF from year 1, in spite of the goodwill and the related acquisition financing costs

Notes:

- 1 Activities carried out by a number of companies
- 2 Includes LPG activities in Colombia and Chile
- 3 2014 figures

Changes in consolidation perimeter

Incorporation of CGE: EBITDA



- EBITDA shows a seasonal profile with lower levels during the spring and summer months in Chile (4Q and 1Q)
- Additional EBITDA drop in 4Q14 due to non-recurring costs derived from the acquisition

Note:

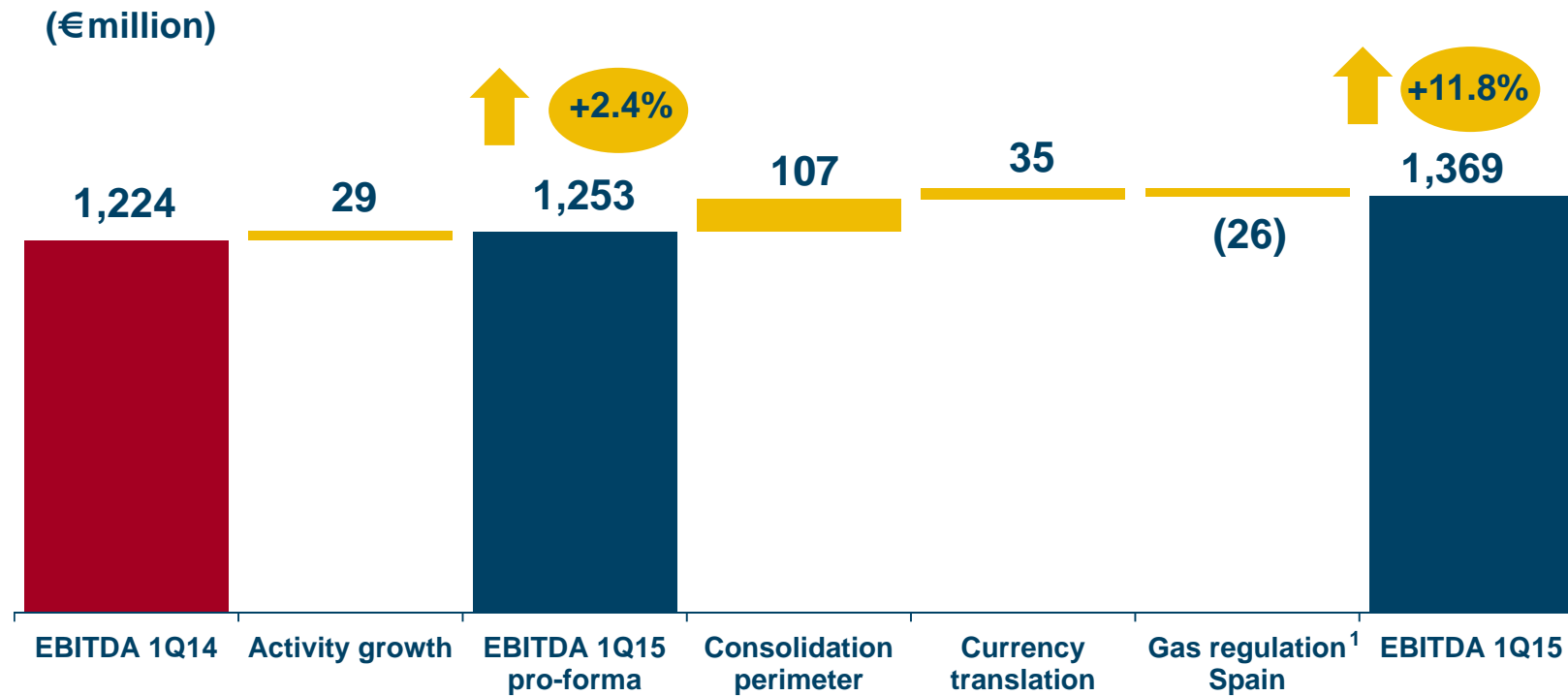
1 Using an exchange rate of 1€ = 757 CLP for 2014 and 1€=704.7 CLP for 1Q15

New gas regulation in Spain



- **New regulation in effect as of 5 July 2014, which brings both higher stability and predictability**
 - **Financial stability: prevents future tariff deficits, current tariff deficit to be recovered over 15 years**
 - **Predictability: 6-year regulatory periods**
 - **Incentive on growth: focus on higher volume customers and expansion into new municipalities**
 - **Continuity of parametric formula (not RAB-based)**
- **1Q15 figures therefore reflect the new regulatory model that was not yet in force in 1Q14**
 - **Impact on 1Q15 from new regulation: -€26 million**
- **Remuneration for 2015: €1,027 million**
- **Expected activity growth in 2015: ~120,000 new connection points**

Impacts on EBITDA



Note:

¹ RDL8/2014 having been in effect from 5 July 2014.

Hybrid issue



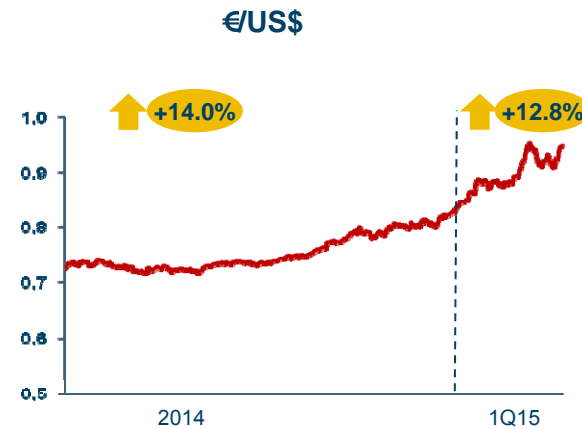
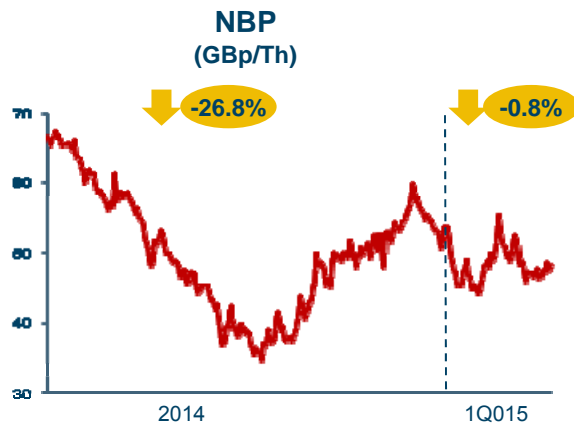
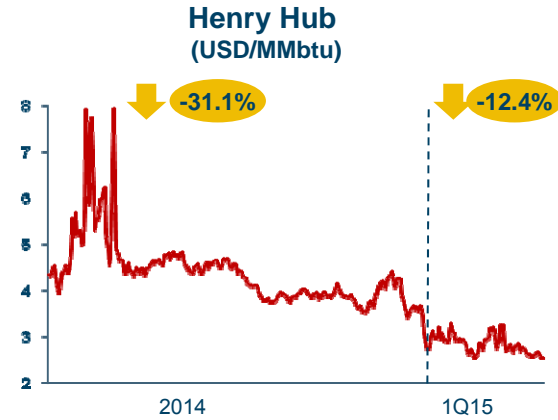
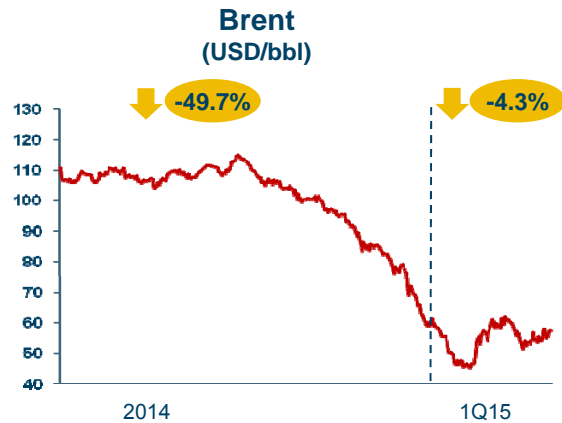
- Issuance of a €1,000 million 8-year hybrid with a 4.125% coupon in November 2014
- Hybrid contributes to diversify the Group's funding sources and investor base while strengthening the Group's capital structure
 - Contributes to support corporate ratings as a good balance sheet strengthening tool
- Accounted under "Non-controlling interests" (both in B/S as equity and P&L) with an impact on net income of €10 million for 1Q15
- Additional issuance of a €500 million 9-year hybrid with a 3.375% coupon on 21 April which will enjoy the same accounting treatment

2

1Q15 Highlights

Commodity prices

Recent evolution



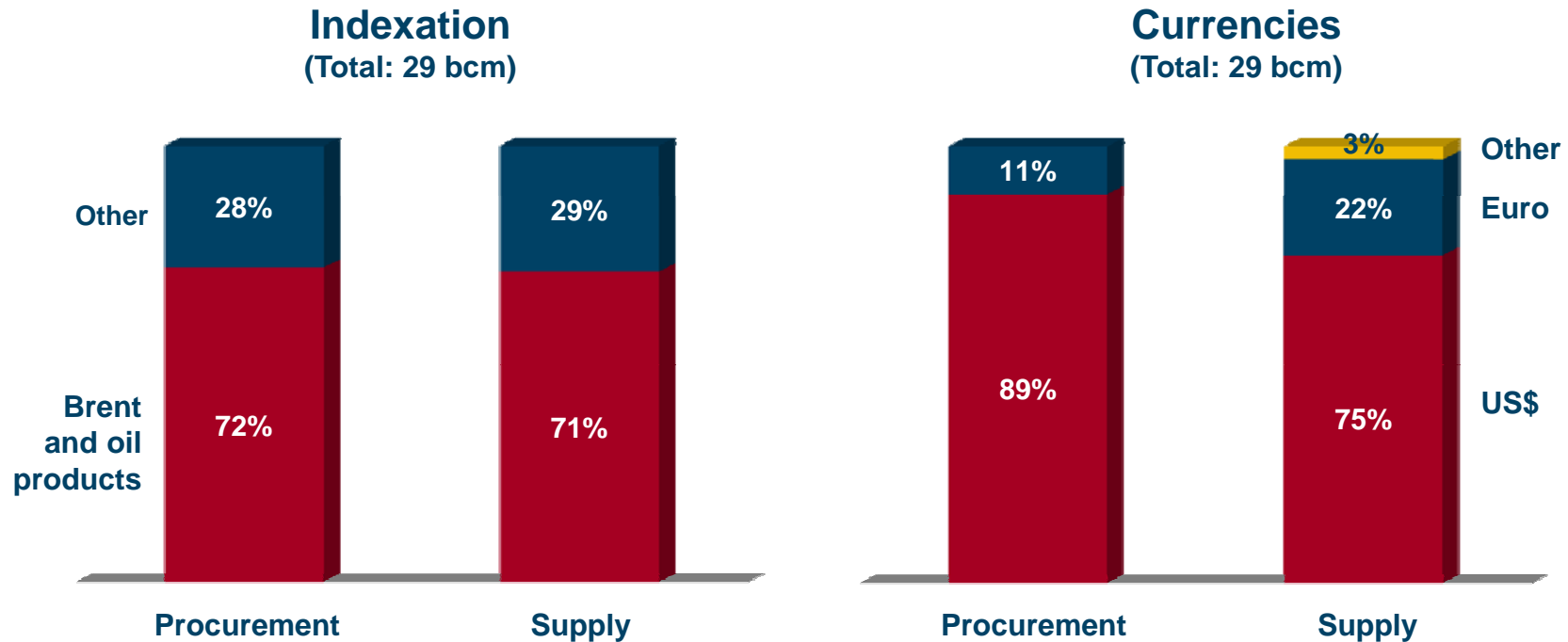
Stable gas supply EBITDA in 1Q15 vs 1Q14 despite sharp and unexpected oscillations in commodities and currencies, evidencing GNF's stable business model

Commodity prices

GNF's business model as mitigating factor



(Actual volumes for 2014)



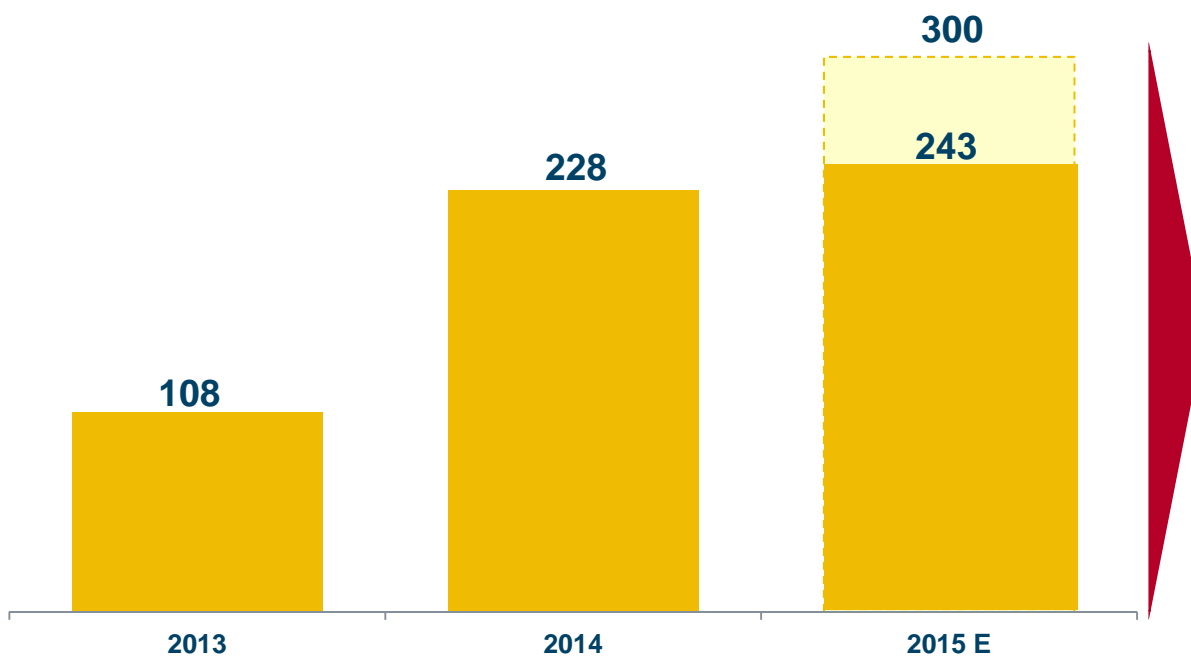
- The momentary overreaction from the TUR hub-based formula to the current oil price environment resulted in lower EBITDA for Spanish retail gas in 1Q15

GNF's commodity portfolio allows a consistent and recurrent performance through a balanced exposure to commodities and currencies

2013-2015 Efficiency plan



Cost savings on EBITDA¹ (€million)



Key initiatives in 2013-2015

- Reducing services and discretionary cost
- Streamline commercial and operational costs
- Cost optimization in corporate areas

Achieved €243 million² at end 1Q15, in line with Strategic Plan 2013-2015

New efficiency plan to be included in the next Strategic Plan

Notes:

1 Restated under IFRS 11.

2 €15 million achieved in 1Q15.

GPG

Agreement with KIA



- Agreement whereby Kuwait Investment Authority (KIA) will subscribe a US\$ 550 million capital increase to take 25% of the share capital of Global Power Generation (GPG)
- KIA's entry in GPG brings an investment partner that will help boost its international growth prospects
- The operation is expected to conclude before the end of the year once the necessary authorizations are issued

An agreement that establishes GNF's attractiveness as a leading partner to exploit growth in the power markets

Main figures¹

- EBITDA: €221 million
- Investments: €166 million²
- Installed capacity: 2.8 GW in 10 countries
- Workforce of 800 professionals

Mexico

- 4 CCGTs – 2.035 MW
- Wind Bii-Hioxo– 234 MW
- O&M Energy – CCGT La Caridad
- New Projects

Caribbean

Puerto Rico – 263 MW

- 1 CCGT³

Dominican Republic– 198 MW

- 2 fuel plants

Panama – 33 MW

- 4 hydro plants
- 2 fuel plants
- New Projects

Costa Rica – 51 MW

- Hydro Plant
- Under construction: Hydro plant- 50 MW

Colombia

- 1 hydro plant under development – 100 MW
- New Projects



Perú

Chile

Uganda

O&M Energy – Hidro Bujagali (250 MW)

Kenya





Fuel-gas – 112 MW

South Africa

Indonesia

Australia

466 – 834 MW Under development projects

-  Generation assets
-  Generation projects
-  New Projects Portfolio
-  O&M Energy

 GNF's footprint

Notes:

- 1 For 2014
- 2 Tangible and Intangible. Does not include financial investment of Torito project
- 3 Equity consolidated

GPG

Future growth plans



- Torito 50 MW hydro plant (Costa Rica) operational in 2Q15
- GPG's future growth plans include 5 GW capacity target in the medium term to be deployed in international markets
 - Focus areas: Latin America, Asia
 - Current portfolio: Colombia, Mexico, Panama, Peru, Chile, South Africa, Indonesia...
- Growth in technologies where GNF has a proven expertise:
 - CCGT, coal, hydro, wind
- Preference for greenfield or brownfield investments, not discarding other investment alternatives
- Preference for contracted or long-term PPA generation

CGE

Organizational evolution



- Appointment on 1 April 2015 of Mr Antonio Gallart as CGE's General Manager
- Appointment of a single manager for the electricity business, with main responsibilities in electricity distribution and transmission
- Organizational changes communicated at CGE (6 March) and GASCO (9 April) to obtain leaner and more integrated organizations with the aim of setting common standards for:
 - Quality
 - Safety
 - Growth
 - Operating efficiencies
- The above changes will enhance CGE Group's operational efficiency, simplifying the decision-making process in the different business areas

BCG is currently working on the efficiency and productivity plan to be presented within the new Strategic Plan

CGE

Regulatory environment



Electricity distribution and transmission

- Regulated return of 10% before tax (in real terms) on replacement value of investments, equivalent to around 8%-8.5% real after tax
- Ordinary review in 2016; no major changes expected in the near future

Natural gas distribution

- Maximum allowed return after tax: cost of capital (minimum 6%) + 500 bp in real terms on replacement value of investments
- Regulation currently under review

LPG

- Liberalized business

Balanced combination of regulated/liberalized activities consistent with GNF's business mix profile

CGE

Regulatory reform for gas distribution in Chile

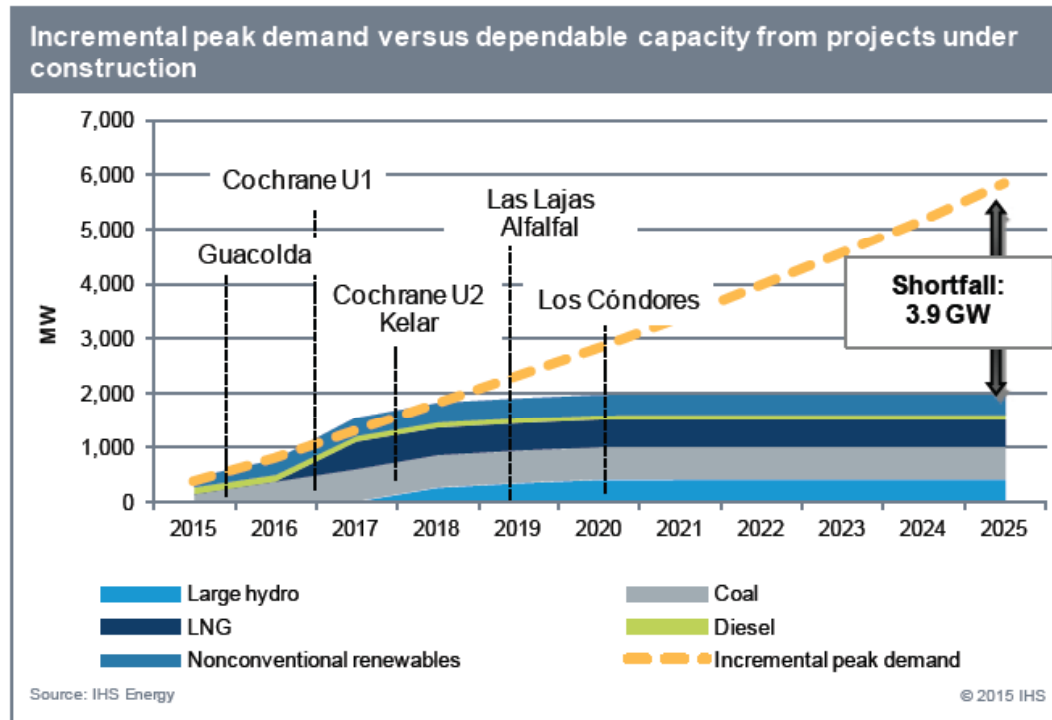


Project for new regulation

- Rates freely set
- Allowed return capped at cost of capital (minimum 6%) + 300 bp (real after tax); check on returns every 3 years
- Should the allowed return cap be exceeded, then the CNE may decide on setting tariffs in the event of market abuse having been determined to happen
- Change on accounting criteria for capex for connections and internal installations considering them expenses to be depreciated over a 5-year period

It is expected that during the discussions on the project changes will be introduced that may foster the investment and the gasification of the country with adequate returns

Expected growth of electricity demand

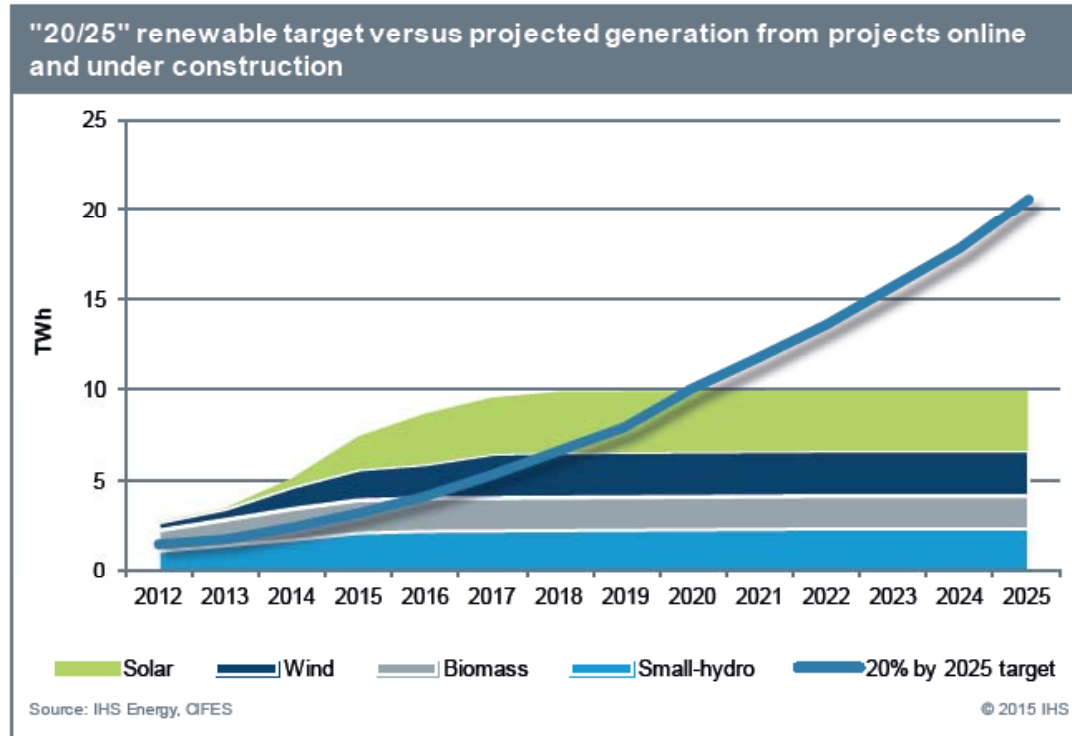


- Electricity demand expected to grow at a 5% CAGR until 2020

Need for new capacity build brings additional growth opportunities for GPG

CGE

Expected buildup of transmission infrastructure linked with renewables

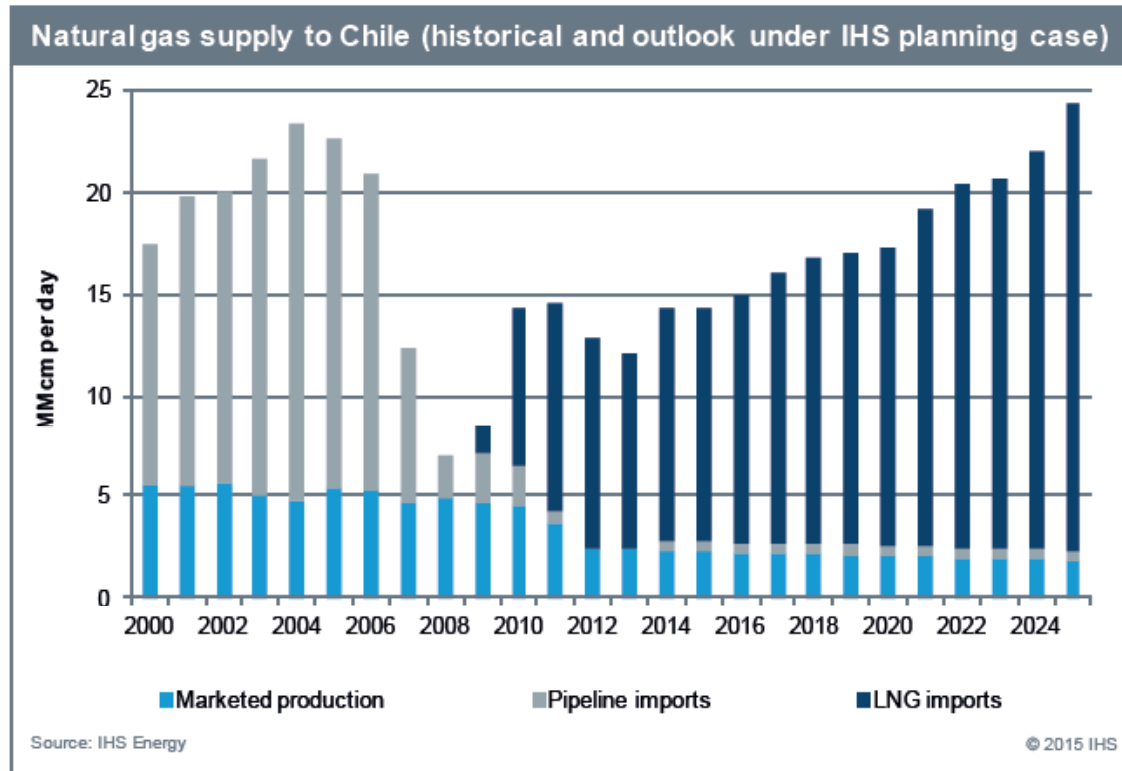


- 45% of new generation capacity built until 2025 will be in renewables

Significant investments needed new capacity in renewables brings additional growth potential for GPG

CGE

Expected increase in natural gas volumes



- 5% CAGR of natural gas consumption until 2025

Energy Agenda to foster penetration of natural gas in the residential and power generation markets

3 Financials

Consolidated Income Statement



(€ million)	1Q15	1Q14	Change %
Net sales	7,282	6,284	15.9
Purchases	(5,192)	(4,460)	16.4
Gross Margin	2,090	1,824	14.6
Personnel, Net	(266)	(211)	26.1
Taxes	(118)	(115)	2.6
Other expenses, Net	(337)	(274)	23.0
EBITDA	1,369	1,224	11.8
Depreciation and impairment losses	(451)	(387)	16.5
Provisions	(54)	(47)	14.9
Operating Income	864	790	9.4
Financial results, Net	(229)	(200)	14.5
Equity income	(8)	(1)	-
Income Before Tax	627	589	6.5
Corporate tax	(154)	(144)	6.9
Non-controlling interests	(69)	(43)	60.5
Net Income	404	402	0.5

EBITDA breakdown



(€million)	1Q15	1Q14	Change	
			€m	%
Gas Distribution:	385	390	(5)	-1.3
Europe	230	243	(13)	-5.3
Latin America	155	147	8	5.4
Electricity Distribution:	243	232	11	4.7
Europe	152	153	-1	-0.7
Latin America	91	79	12	15.2
Gas:	322	322	-	-
Infrastructures	71	71	-	-
Supply ¹	251	251	-	-
Electricity:	286	255	31	12.2
Spain	213	205	8	3.9
GPG	73	50	23	46.0
CGE	125	-	125	-
Other	8	25	(17)	-68.0
Total EBITDA	1,369	1,224	145	11.8

Note:

1 Includes retail supply in Italy, formerly under Distribution Europe (gas).

Investments



(€million)	1Q15	1Q14	Change	
			€m	%
Gas Distribution:	101	82	19	23.2
Europe	56	51	5	9.8
Latin America	45	31	14	45.2
Electricity Distribution:	54	44	10	22.7
Europe	29	22	7	31.8
Latin America	25	22	3	13.6
Gas	8	183	(175)	(95.6)
Electricity:	47	39	8	20.5
Spain	35	16	19	-
GPG	12	23	(11)	(47.8)
CGE	54	-	54	-
Other	5	9	(4)	(44.4)
Total tangible + intangible	269	357	(88)	(24.6)
Financial	44	10	34	-
TOTAL	313	367	(54)	(14.7)

Investments + 64.7%
excluding the
€177 million tanker lease
reported in 1Q14



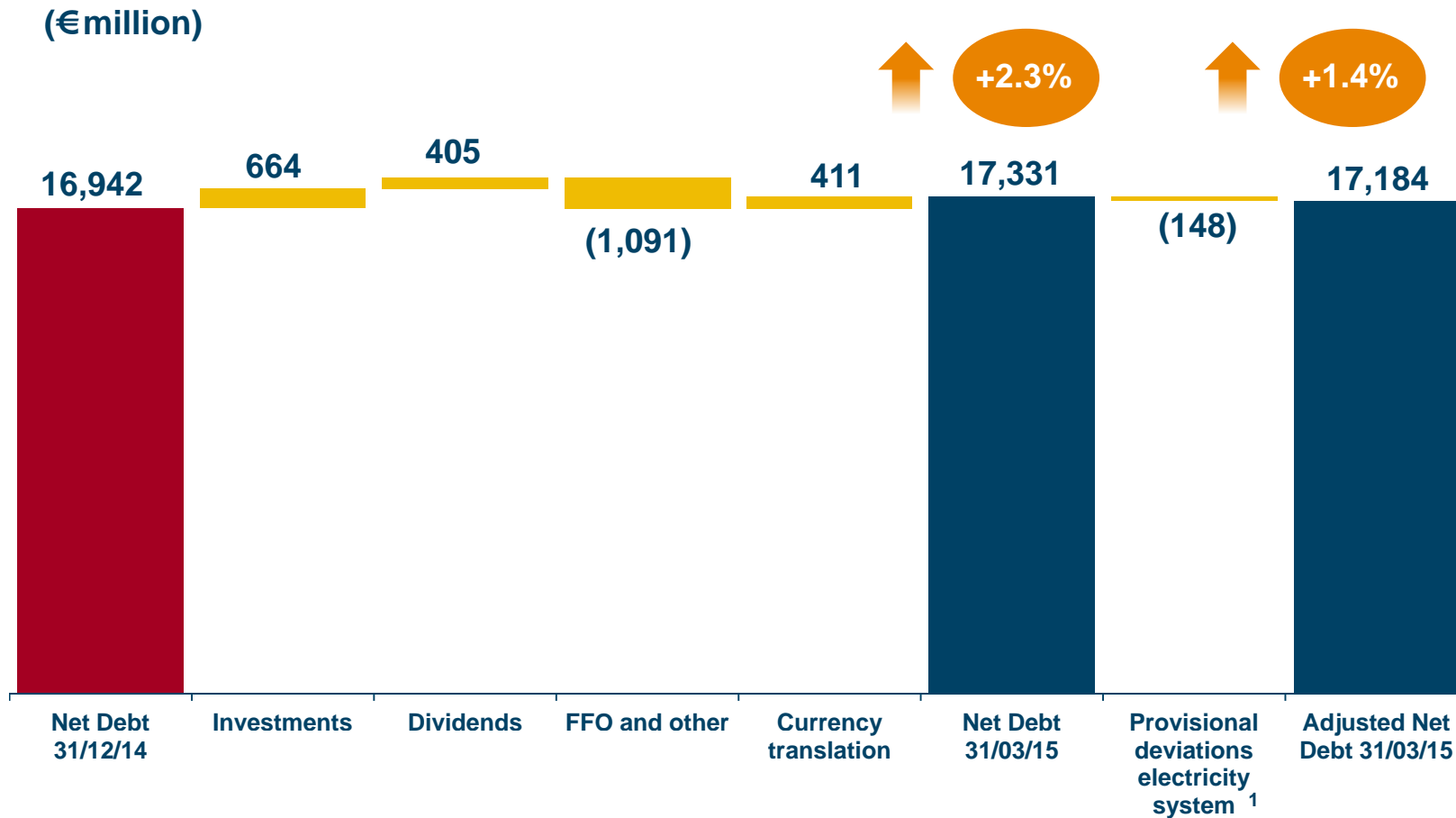
Spain



International



Net Debt evolution



Increase in debt mainly due to depreciation of the Euro

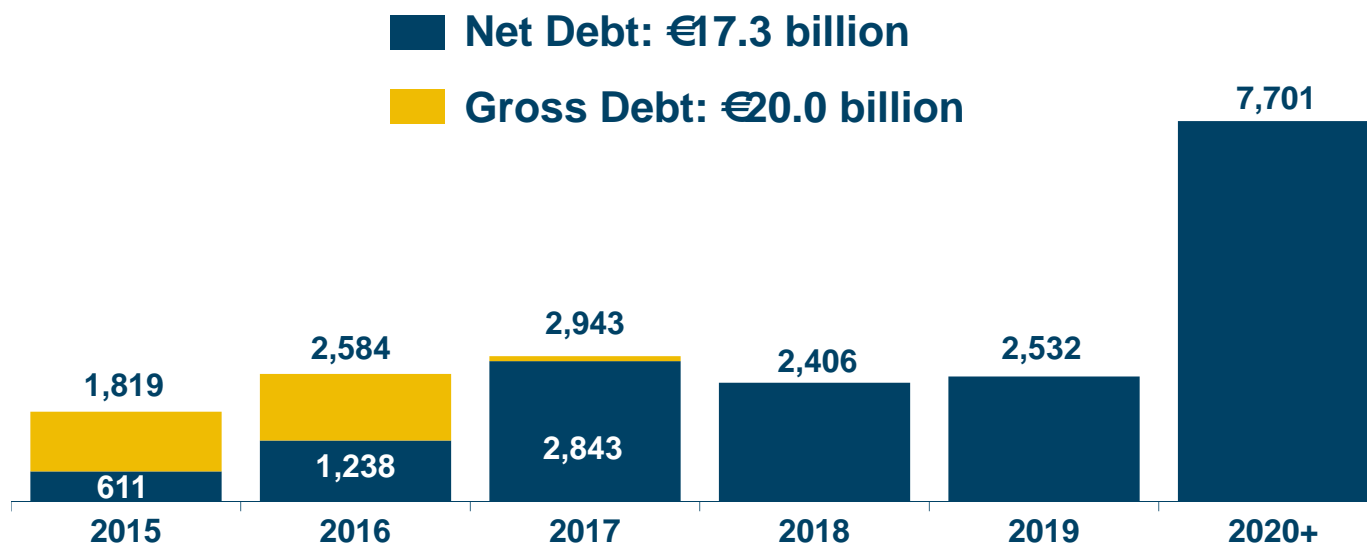
Note:

1 Corresponds to withholdings made by the CNMC

A comfortable debt maturity profile

As of March 31, 2015

(€million)



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

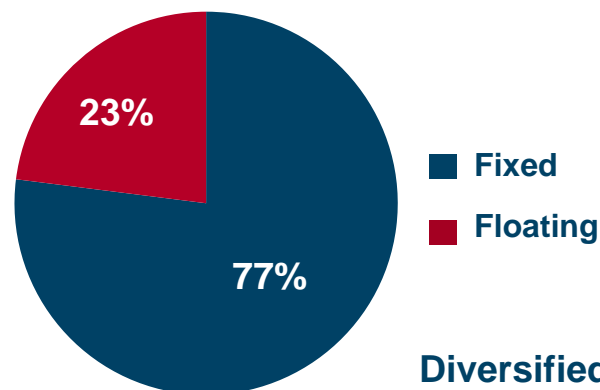
All financial needs for 2015 and 2016 are already covered

An efficient Net Debt structure

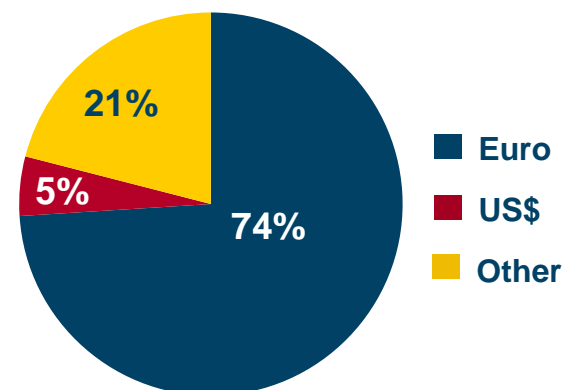
As of March 31, 2015



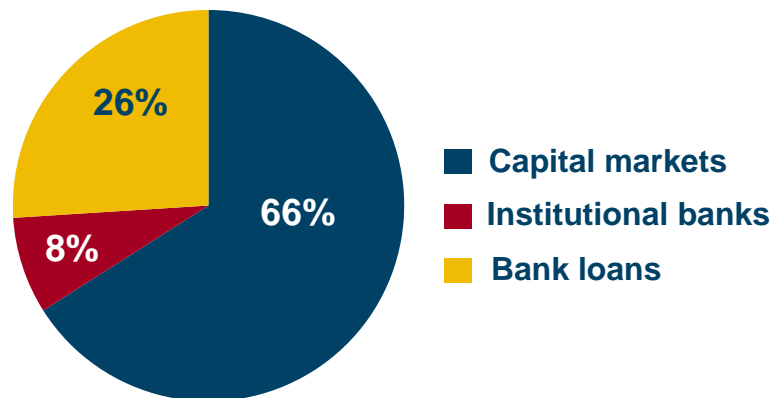
Majority of debt at fixed rates with very competitive cost



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 March 31, 2015

(€million)	Limit	Drawn	Undrawn
Committed lines of credit	7,729	499	7,230
Uncommitted lines of credit	617	138	479
EIB loan	53	-	53
Cash	-	-	2,560
TOTAL	8,399	637	10,322

- Additional capital market capabilities of ~€5,500 million both in Euro and LatAm (Mexico, Chile, Panama and Colombia) programmes

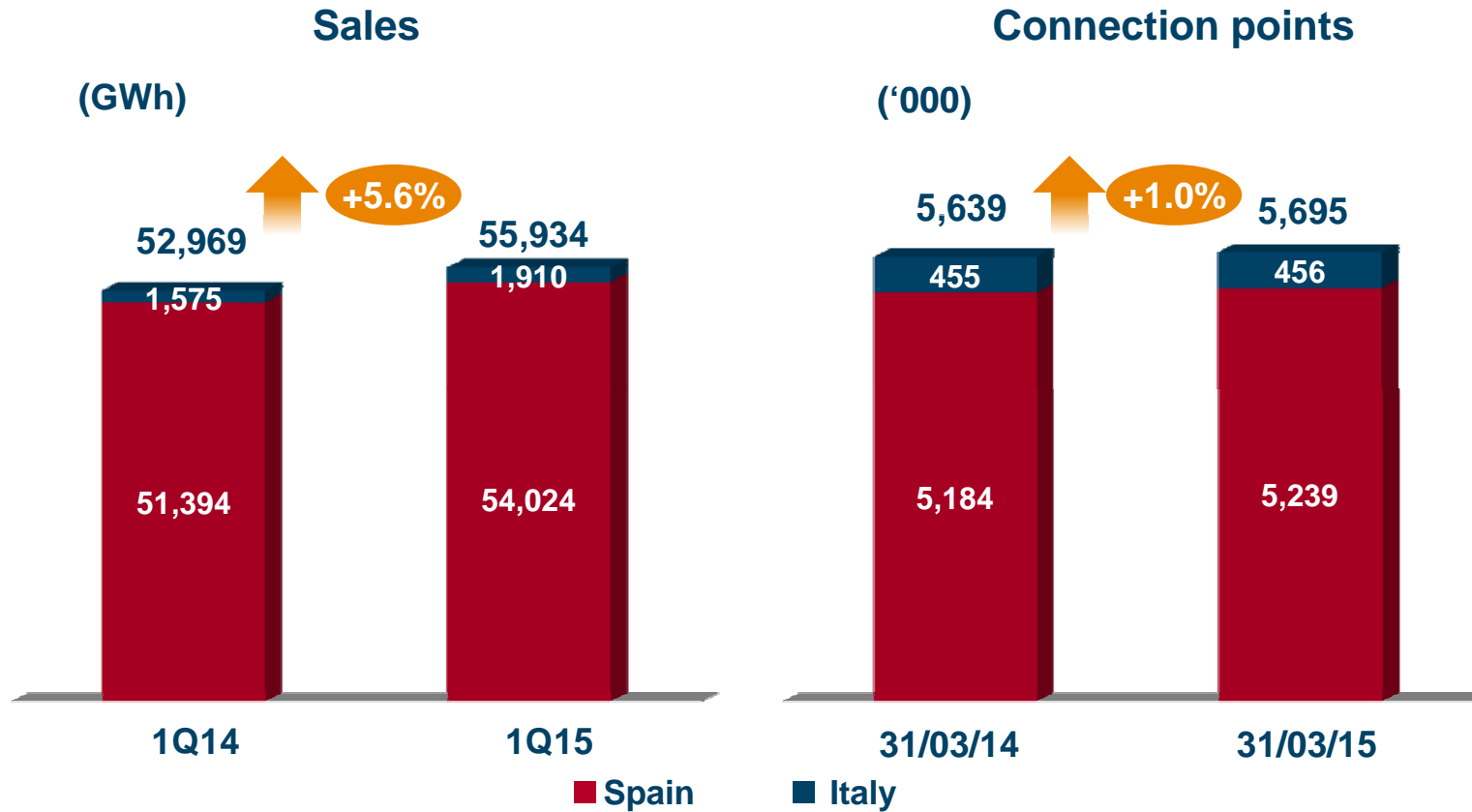
Enough liquidity available to cover needs for over 24 months



Analysis of Operations

Gas Distribution

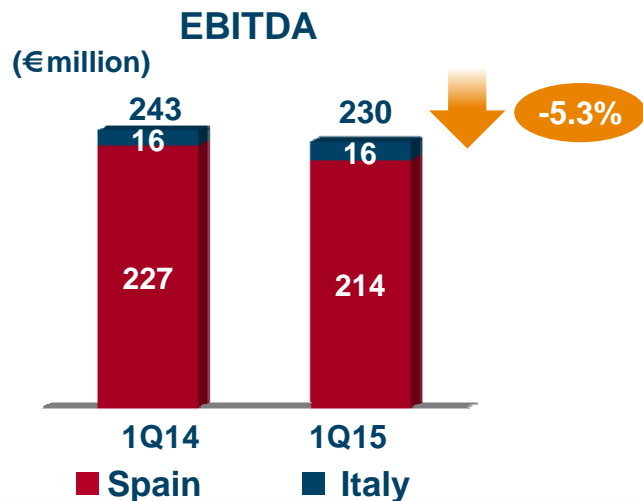
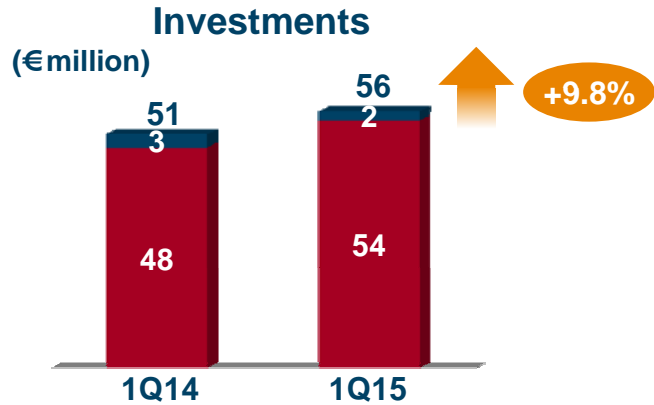
Europe (I)



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
 - 2 new municipalities connected in 1Q15
 - new concession awarded for Menorca
- Higher gas sales in both Spain and Italy due to colder winter
- 1Q15 EBITDA in Spain reflects impact from RDL 8/2014

EBITDA impacted by regulatory changes in Spain

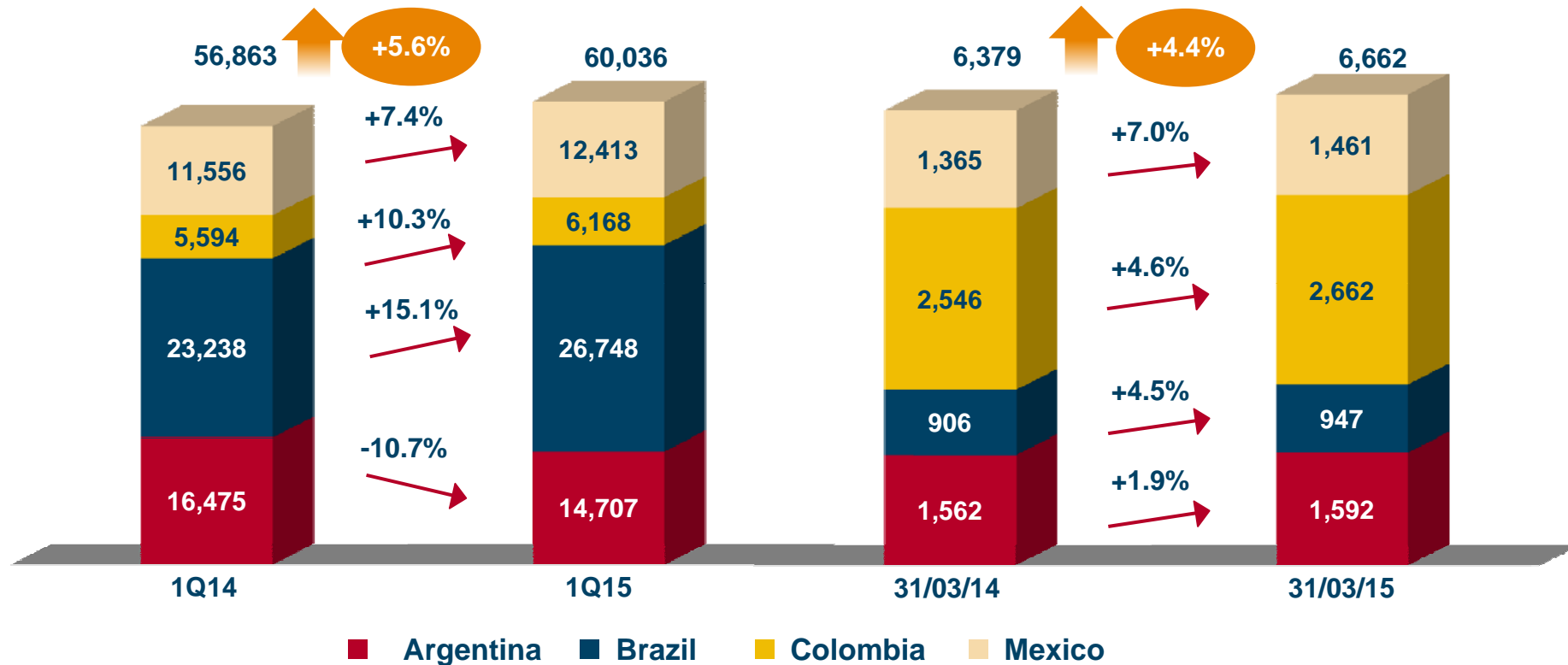
Gas Distribution

Latin America (I)



Gas sales (GWh)

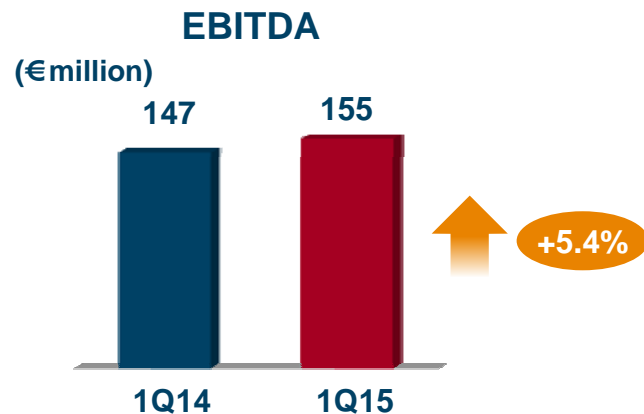
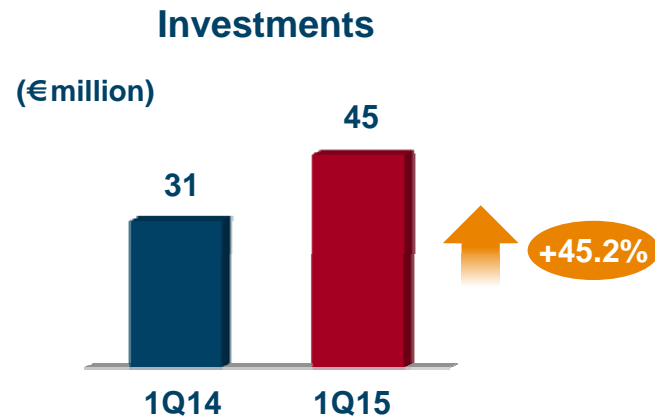
Connection points (000)



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

Gas Distribution

Latin America (II)

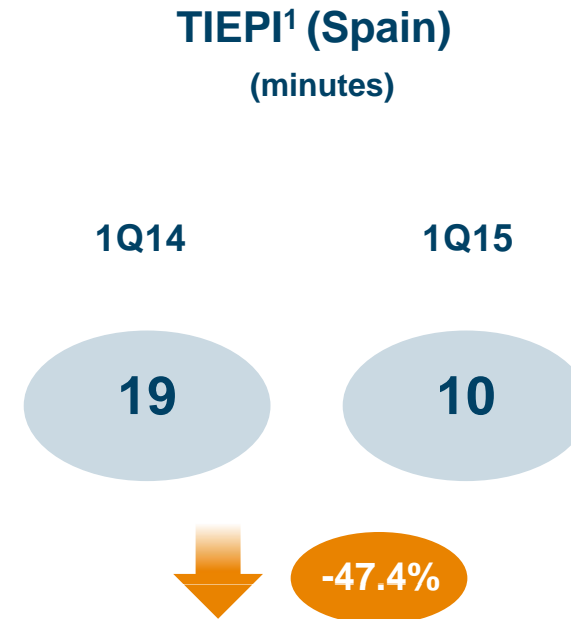
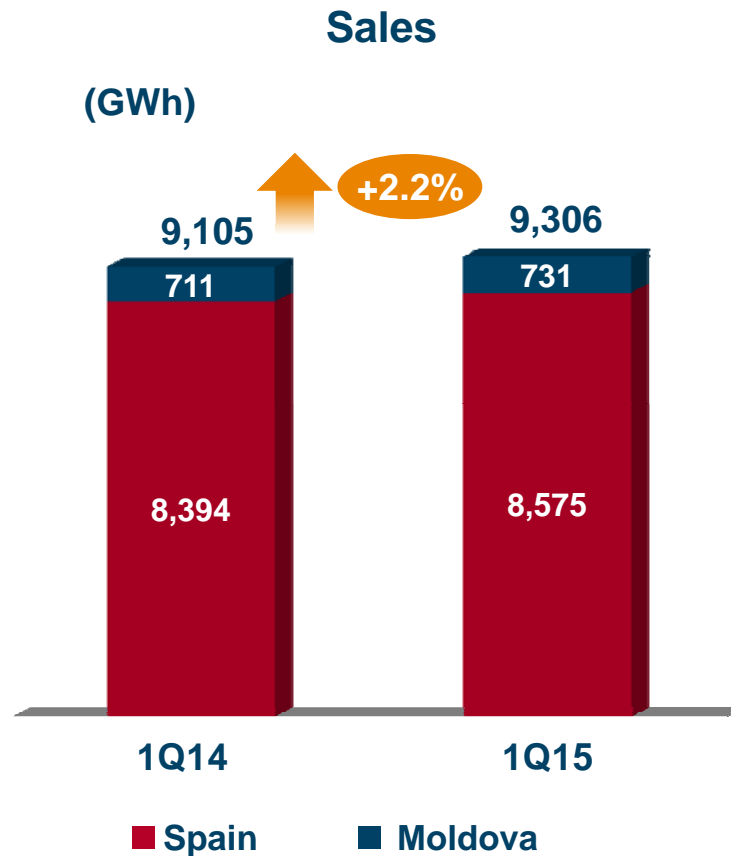


- Growth capex leads to 283,000 new connection points vs end 1Q14
- Brazil: higher sales to power generation; achieving customer base growth
- Colombia: achieving growth mainly in industrial customer portfolios
- Mexico: sustained network expansion and higher industrial demand

Region continues to be an important platform for growth

Electricity Distribution

Europe (I)



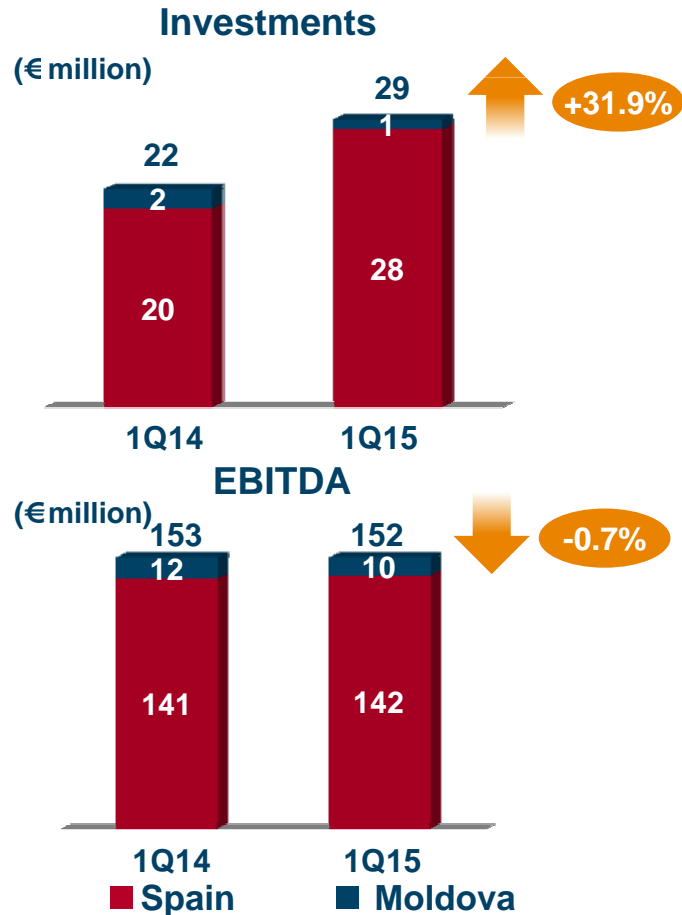
Electricity sales show recovery after colder winter weather despite still weak markets

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 1Q15
- 1Q15 revenues in Spain reflect investments made in 2013
- Higher investments in Spain in accordance with the investment plan approved by the regulator
- EBITDA in Moldova impacted by currency depreciation

Efficiency plan in Spain materializing according to schedule

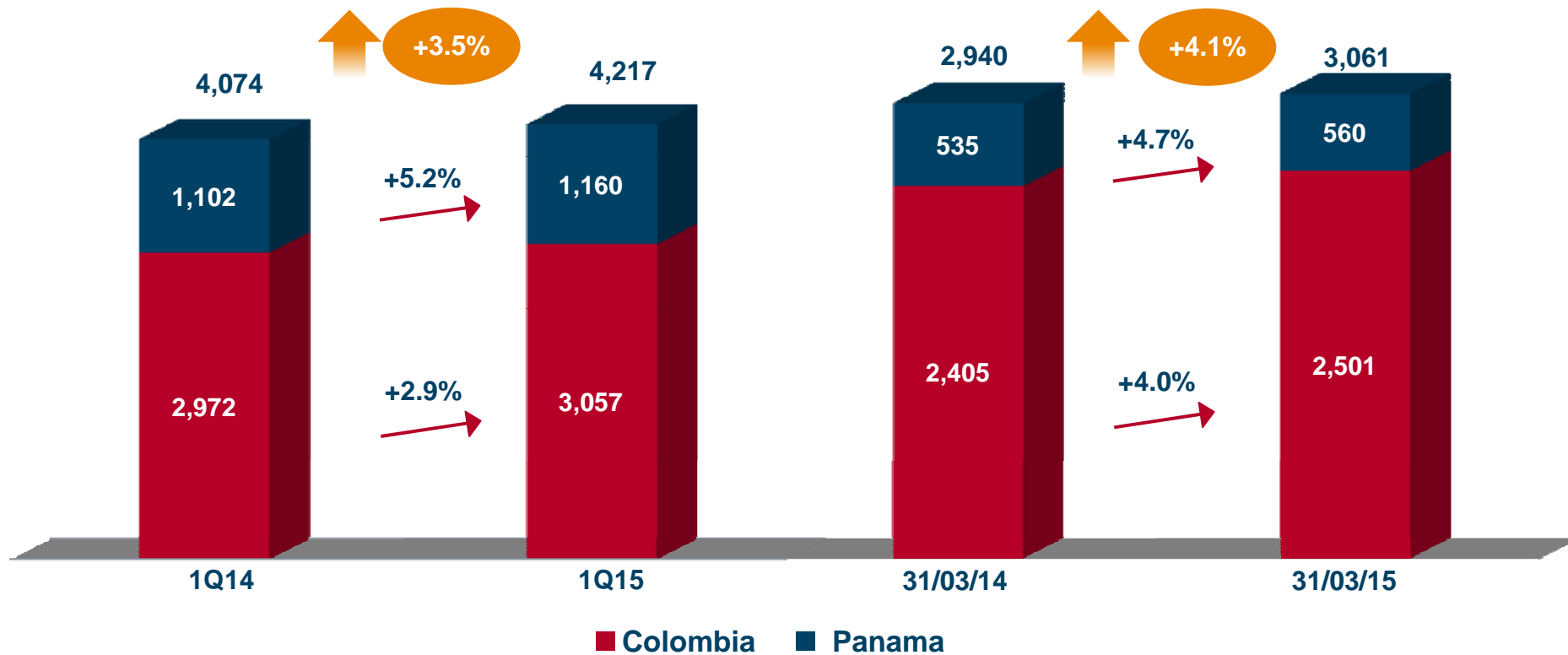
Electricity Distribution

Latin America (I)



Electricity sales (GWh)

Connection points (000)

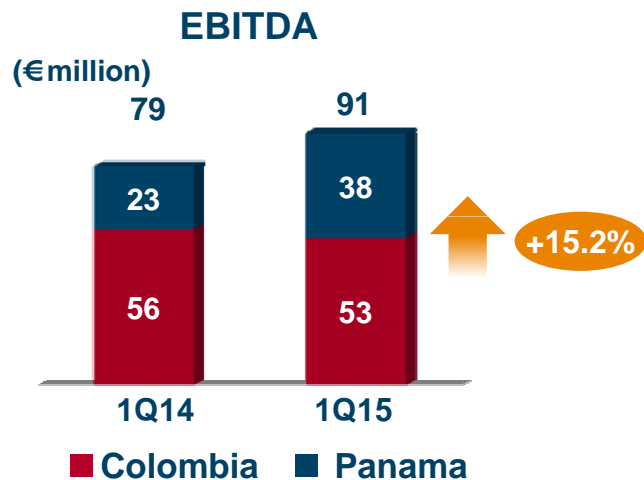
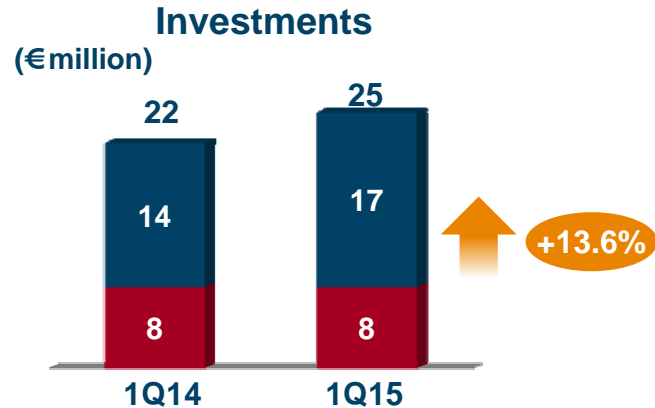


Current operations offer potential for both network growth and efficiency improvements

Electricity Distribution



Latin America (II)



- EBITDA in Colombia reflects a €4 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

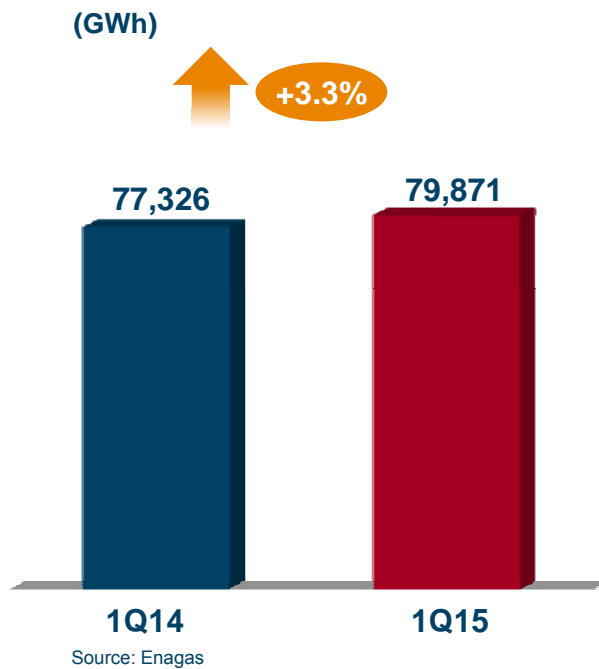
Maintaining a strong operating performance

Energy

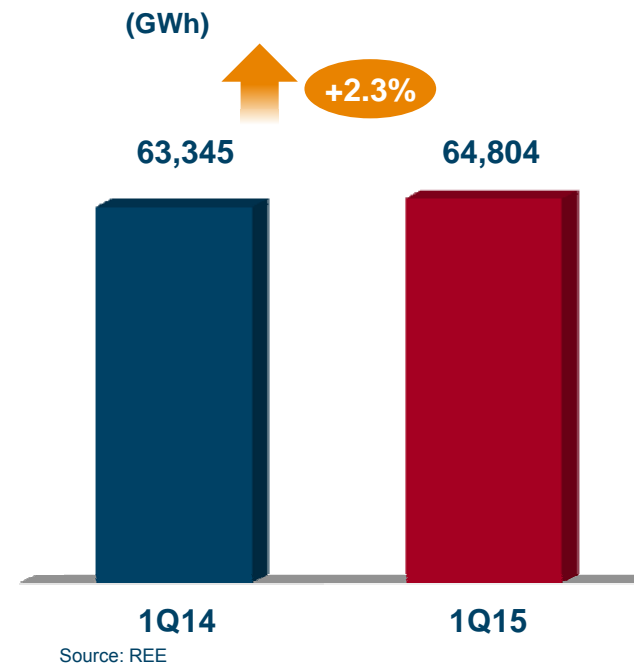
Gas and electricity demand in Spain



Conventional gas demand



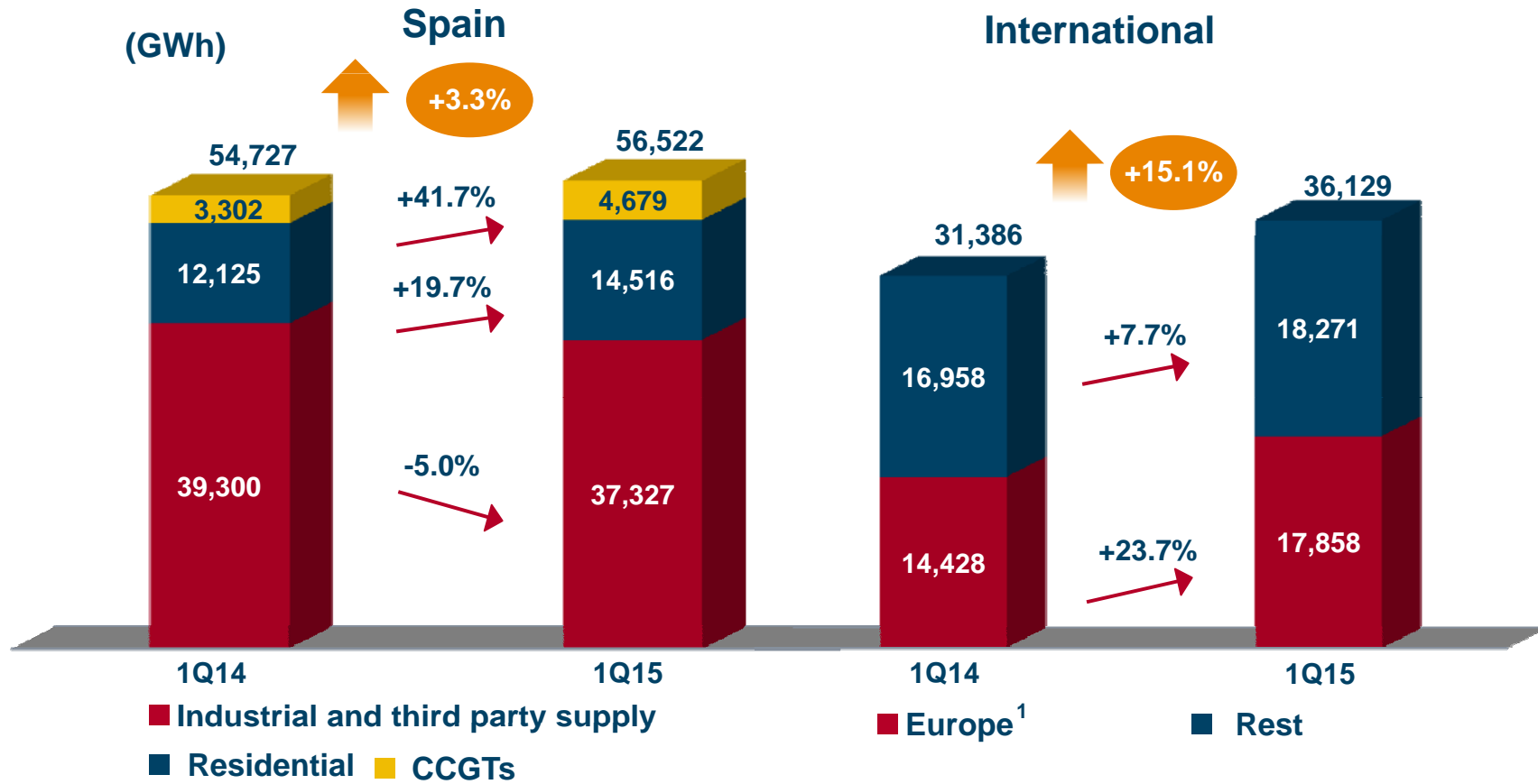
Electricity demand



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 1Q15 (vs 41% in 1Q14)
 - 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

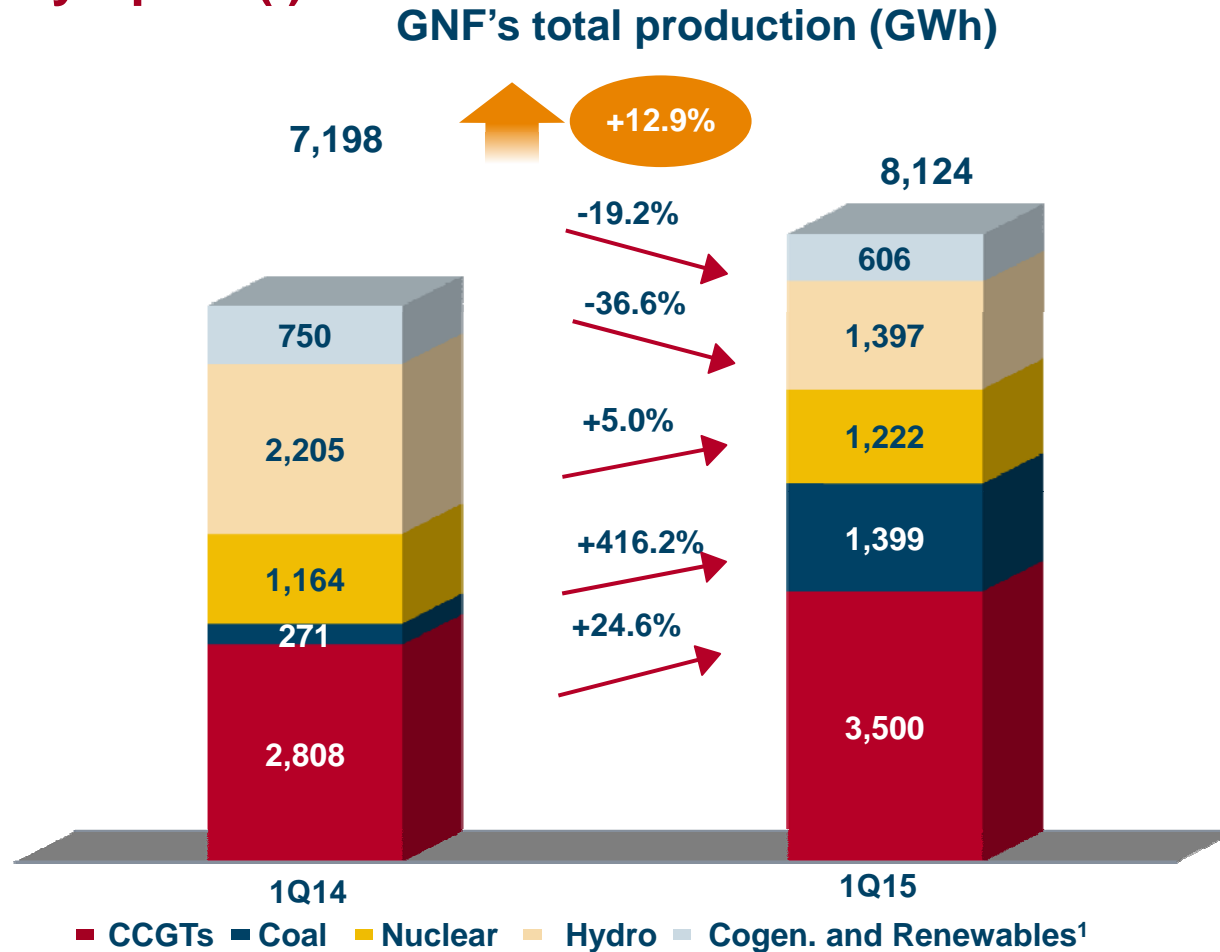
Retail

- Continued expansion into retail liberalized markets in Europe (Spain, Italy)
- 12.2 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 1.53
 - 13.7% growth in maintenance contracts in Spain

Stable EBITDA 1Q15 vs 1Q14: €251 million

Energy

Electricity Spain (I)



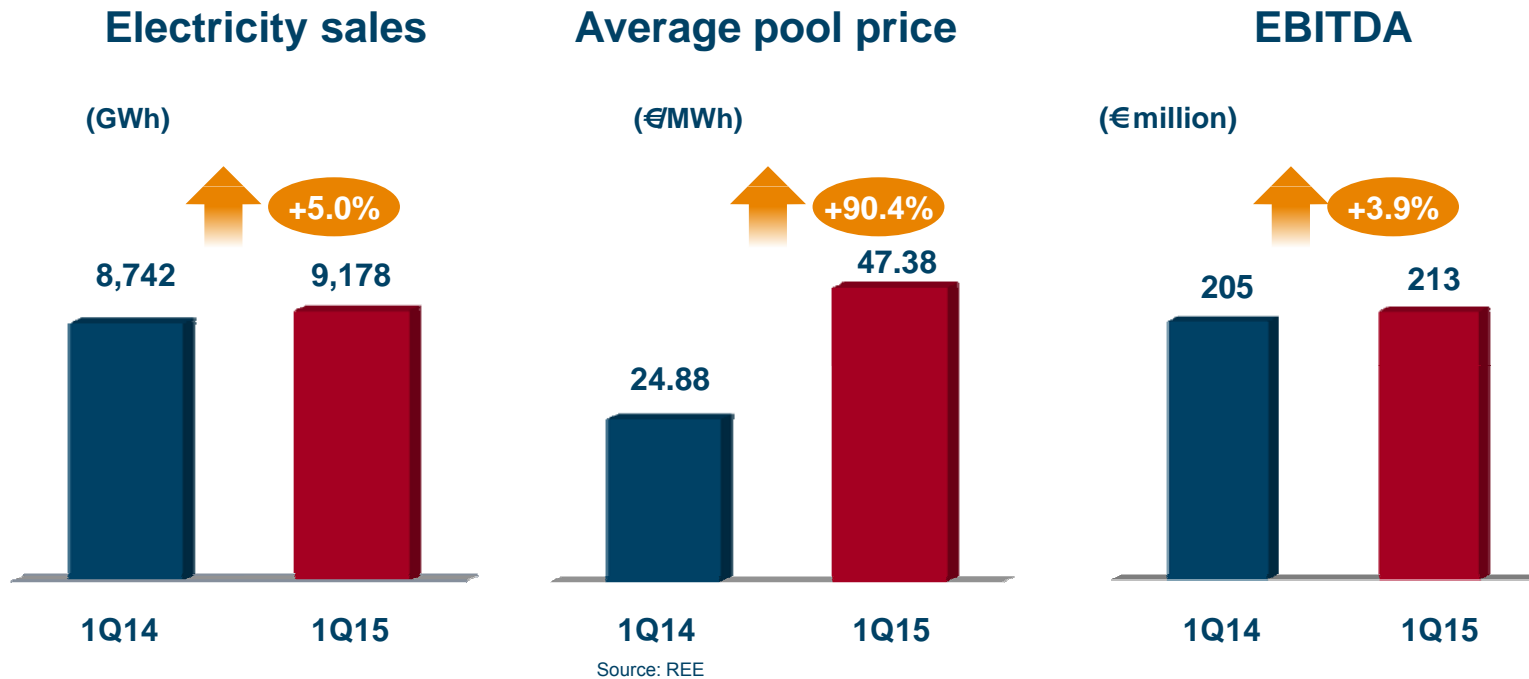
Production figures boosted by thermal component

Note:

1 Formerly "Special Regime".

Energy

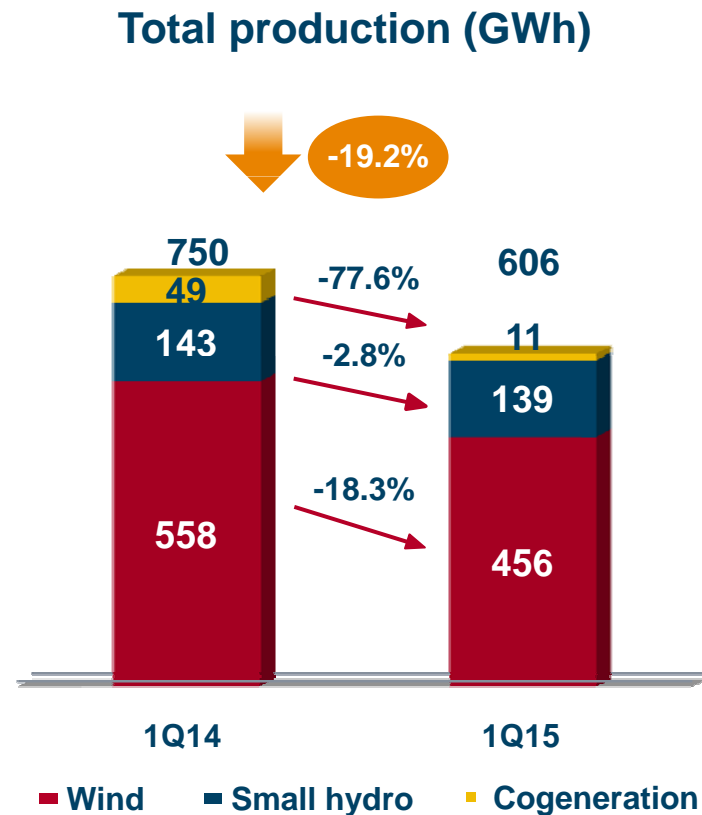
Electricity Spain (II)



EBITDA favoured by higher sales and a better pool price environment

Energy

Cogeneration and renewables¹

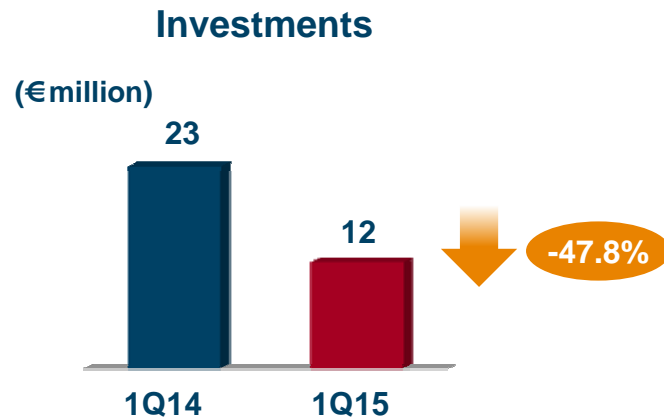
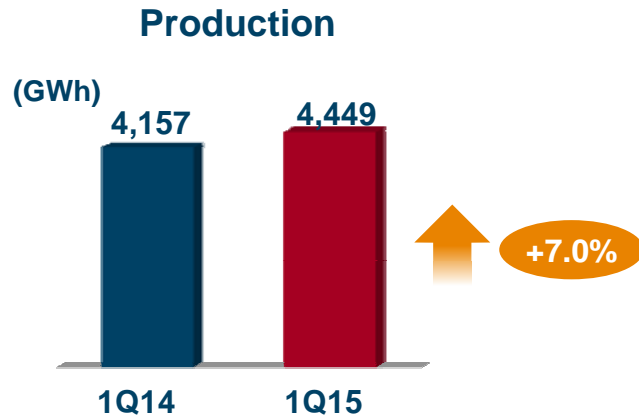


- New 14 MW wind farm commissioned in 1Q15 (Cordal de Montouto)
- However, lower rainfall and wind levels lead to a drop in output from both mini-hydro and wind farms
- Cogeneration impacted by new regulation

Note:

1 Formerly "Special Regime"

International power generation



- Overall higher generation activity in Central America and Caribbean
 - Bii Hioxo wind farm (234 MW) already operational
- Lower investments due to higher concentration of capex for Bii Hioxo wind farm (Mexico) in 2014

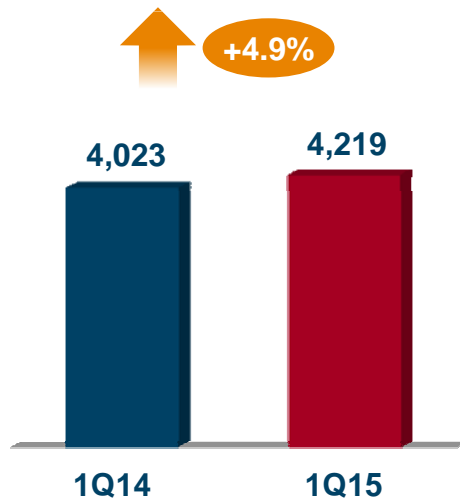
EBITDA grows +46.0% to €73 million helped by both higher activity and lower costs

CGE

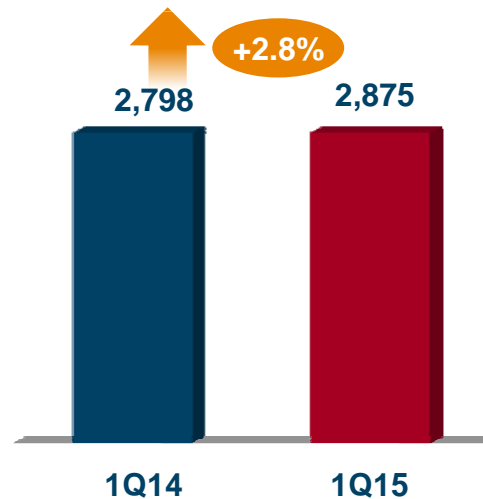
Electricity distribution and transmission



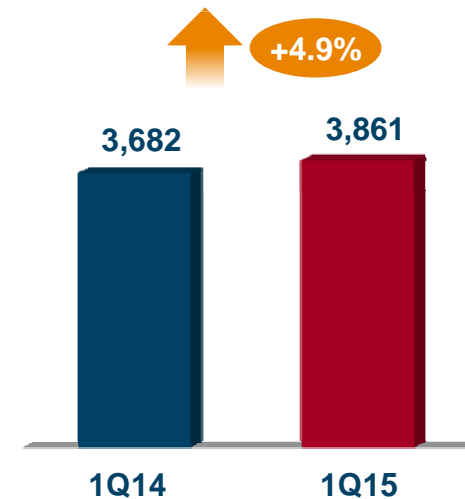
Electricity sales, distribution (GWh)



Connection points (000)



Electricity transported (GWh)



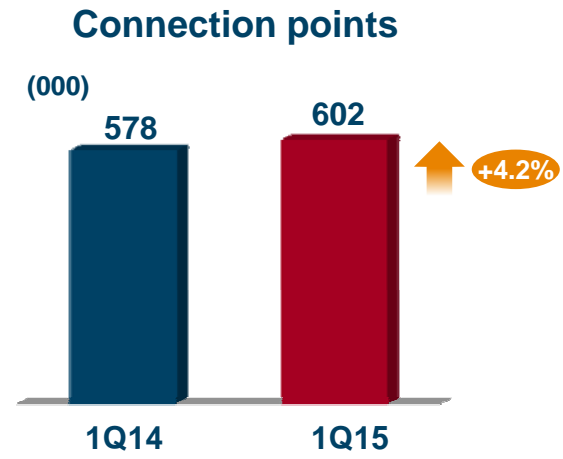
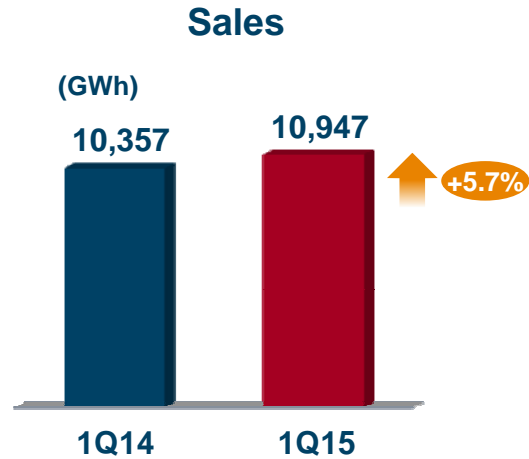
Electricity business benefiting from growth in Chilean market

CGE

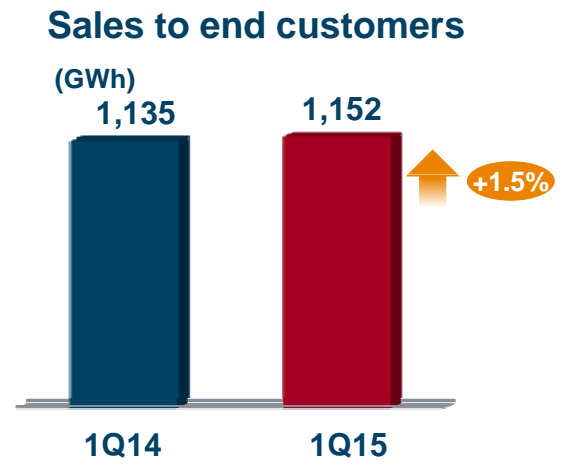
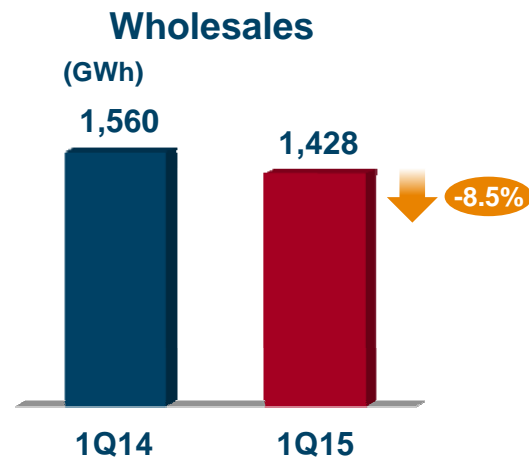
Gas distribution and LPG



Gas distribution



LPG



Gas distribution sales grow along with network

5

Conclusions

An integrated and diversified business model



EBITDA +11.8% and Net Income +0.5% showing a resilient business model

CGE acquisition enhances GNF's international growth while maintaining a solid business model and risk profile

GPG's recent agreement with KIA enhances GNF's attractiveness as a partner to exploit growth in the power markets

Proven resilience of gas wholesale business model

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

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

Thank you

INVESTOR RELATIONS

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