



First Quarter 2016 Results (1Q16)

May 11, 2016



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Agenda

1. Main figures
2. 1Q16 results
3. Conclusions

Appendices

Main figures

1

Main figures



Chge vs 1Q15

✓ Net Income	€329 million	-18.6%
	Adjusted Net Income ¹	-8.7%
✓ EBITDA	€1,216 million	-9.9%
	Adjusted EBITDA ¹	-3.4%
✓ Net Investments	€257 million	-9.7%
✓ Net Debt	€15,817 million	-8.7%

Note:

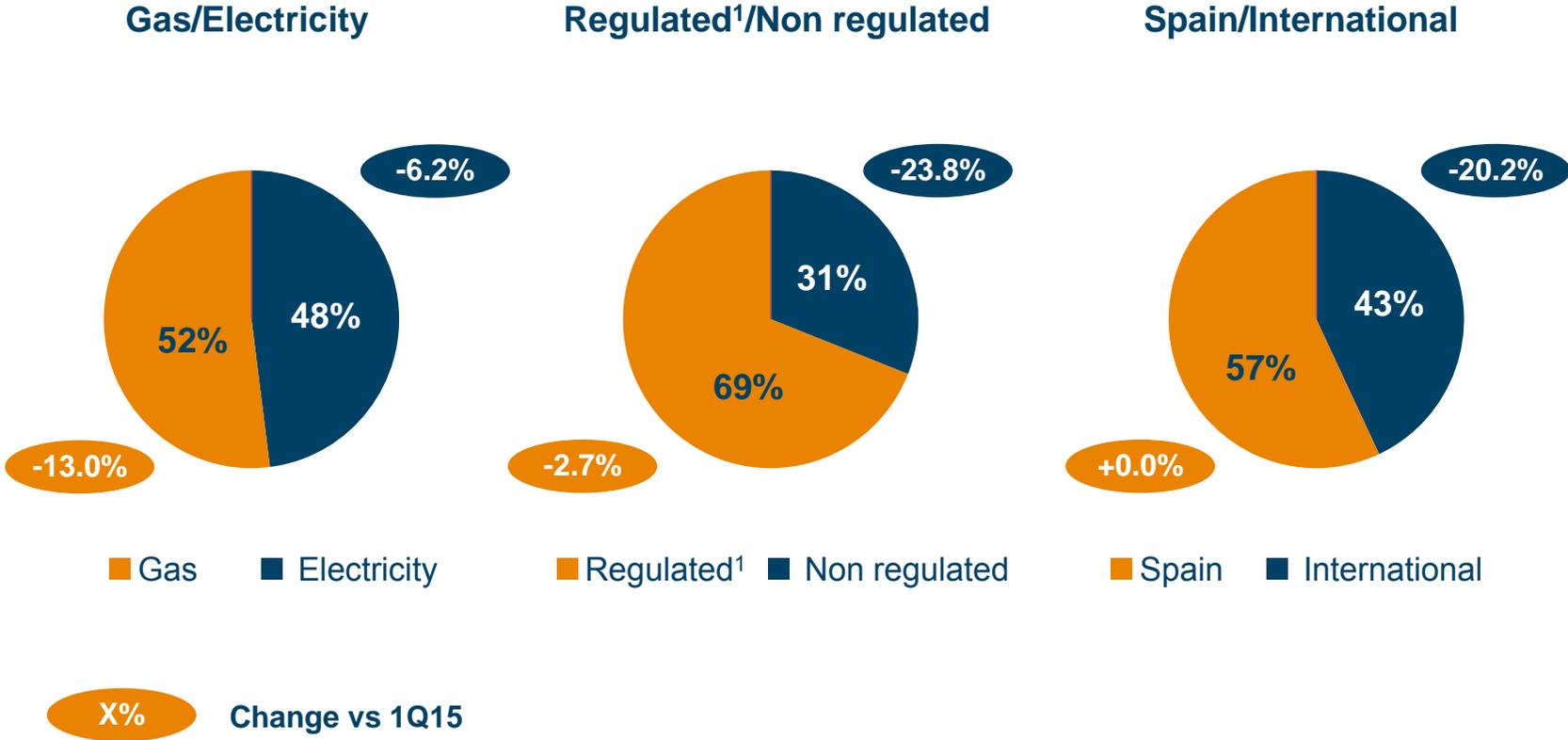
1 Adjusted for translation effect and non-recurring items in 1Q15

1Q16 results

2

1Q16 results

EBITDA breakdown



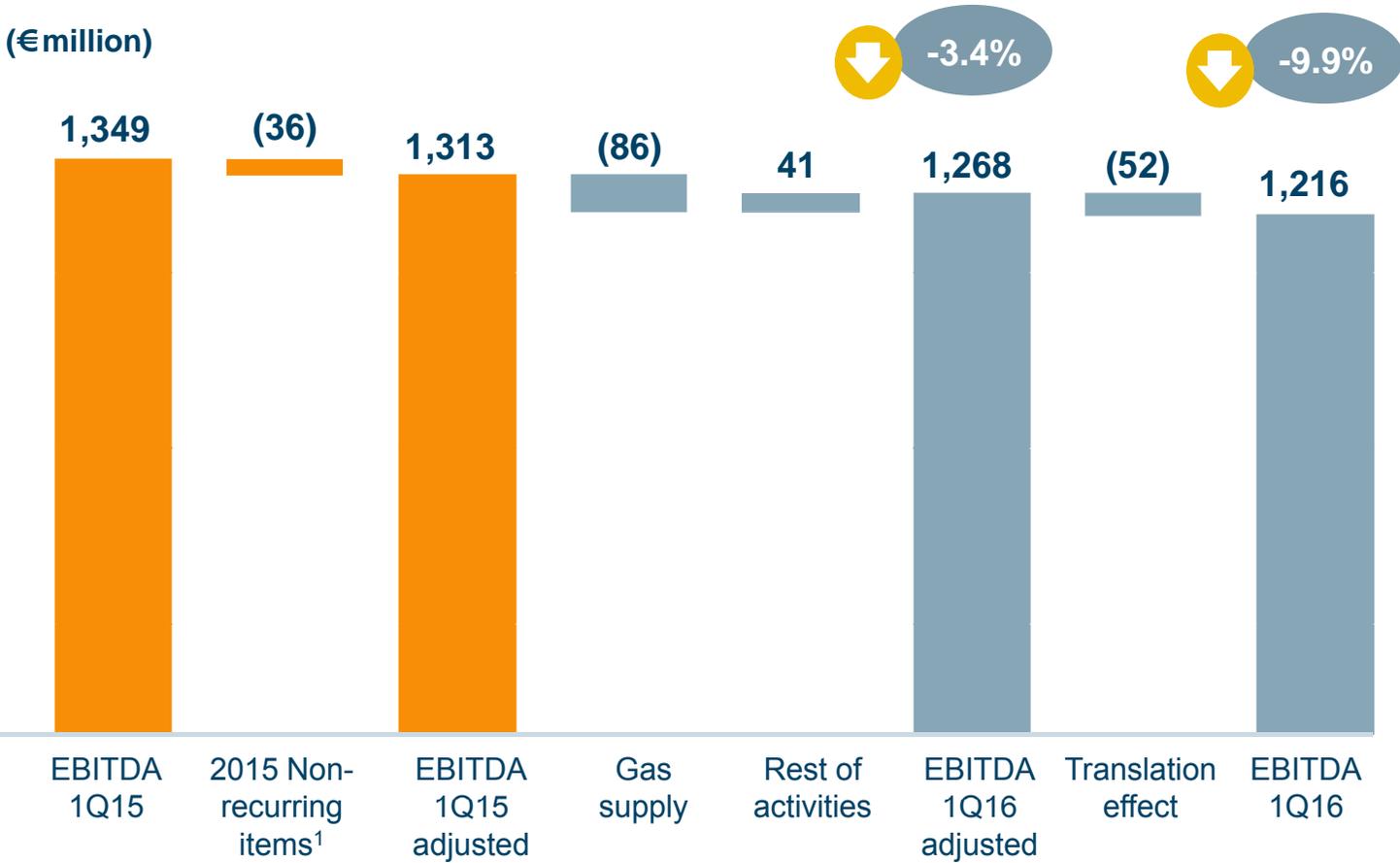
✓ Domestic EBITDA holds while international EBITDA -20.2%

Note:

1 Includes quasi-regulated activities (EMPL, GPG, renewables)

1Q16 results

EBITDA analysis



✓ **Worse EBITDA performance due mainly to unfavourable currency and commodity price scenarios**

Note:

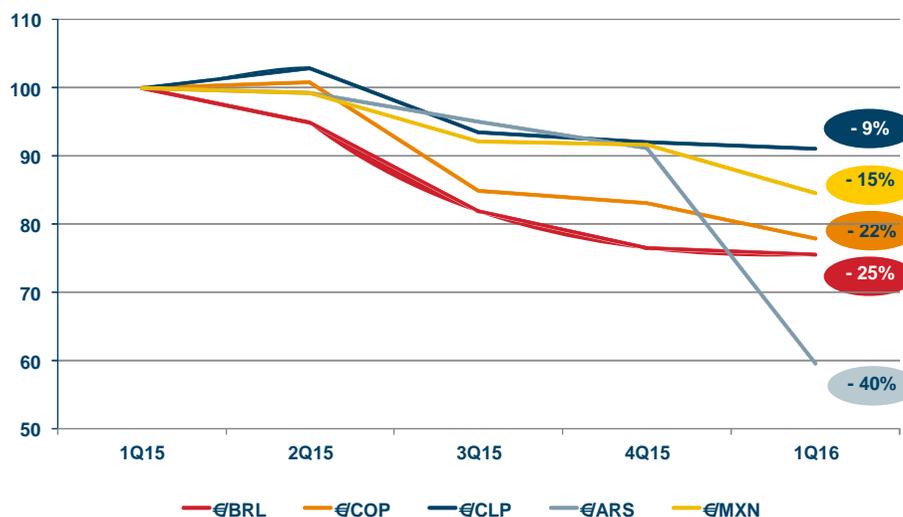
1 2015 positive non-recurring items arising from favorable settlements and other regularizations

1Q16 results

Currencies - Translation effect impact on EBITDA



LatAm currencies (base 100, nominal)



By currency

(€ million)

BRL	(17)
COP	(21)
MXN	(7)
US\$	3
Other ¹	(10)
TOTAL 1Q16	(52)

- Depreciation of LatAm currencies should have bottomed out in 1Q16
- BRL and COP in historical lows in real terms since 2008 due to imbalance in inflation/exchange rates; should stabilize or rebound in the near future

✓ Trade-off between exchange rates and inflation will be a key issue in the medium term performance in LatAm activities

Note:

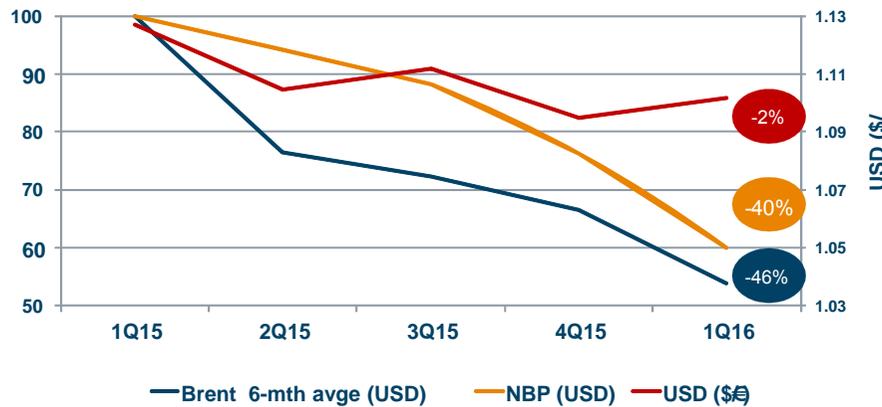
1 CLP, AR\$, MDL

1Q16 results

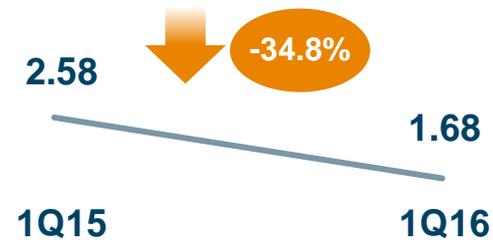
Gas supply: 1Q16 vs 1Q15



Brent, NBP and USD/€(base 100)



EBITDA/MWh¹
(€)



- Inverse US\$/oil price correlation hardly materialized in 1Q16
- Mild winter impacts negatively on seasonal supply optimization

✓ EBITDA/MWh erosion after plunge in commodity prices, enhanced by USD weakness in 1Q16, which impacts LNG positions

✓ No significant additional deterioration foreseen thanks to the diversification of sales and stabilisation of commodity prices

Note:

1 1Q15 EBITDA adjusted for non-recurring items

1Q16 results

EBITDA - Networks



58% of GNF EBITDA

- 52% Spain / 48% International
- 55% gas / 45% electricity

(€million)

Country	1Q 2016	1Q 2015	Currency translation	Activity	Activity growth
Spain	367	355	-	12	3.4%
Chile ¹	105	105	(9)	9	8.6%
Colombia	91	93	(21)	19	20.4%
Brazil	47	69	(17)	(5)	-7.3%
Mexico	44	48	(7)	3	6.3%
Rest ²	53	63	-	(10)	-15.9%
TOTAL	707	733	(54)	28	3.8%

✓ Platform for growth amid stable regulatory regimes and profiting from high growth potential

Notes:

- 1 Includes data for CGE's subsidiaries in Argentina (not meaningful)
- 2 Moldova & Panama electricity distribution, gas distribution Argentina, Peru & Italy

1Q16 results

EBITDA - Power generation



22% of GNF EBITDA

- 77% Spain / 23% International

(€million)

Country	1Q 2016	1Q 2015	2015 Non-recurring Items ¹	Activity	Activity growth
Spain	205	213	(22)	14	+6.6%
GPG	62	73	-	(11)	-15.1%
TOTAL	267	286	(22)	3	+1.0%

- GPG: mainly PPA contracts

✓ Lower power demand in Spain combined with thermal gap; lower production and availability in Mexico due to programmed maintenance outages

Note:

1 2015 non-recurring items arising from favorable settlements and other regularizations

1Q16 results

EBITDA - Gas



19% of GNF EBITDA

- 53% Spain / 47% International
- 67% supply / 33% infrastructures

(€ million)

Activity	1Q 2016	1Q 2015	2015 Non-recurring items ¹	Currency translation	Activity	Activity growth
Infrastructures	75	71	-	2	2	+2.8%
Supply	151	251	(14)	-	(86)	-34.2%
TOTAL	226	322	(14)	2	(84)	-26.1%

- **Infrastructures: mainly fees from Europe-Maghreb pipeline**
- **Gas supply accounts for 12% of total EBITDA in 1Q16**

✓ **Gas business impacted by changes in commodity price environment**

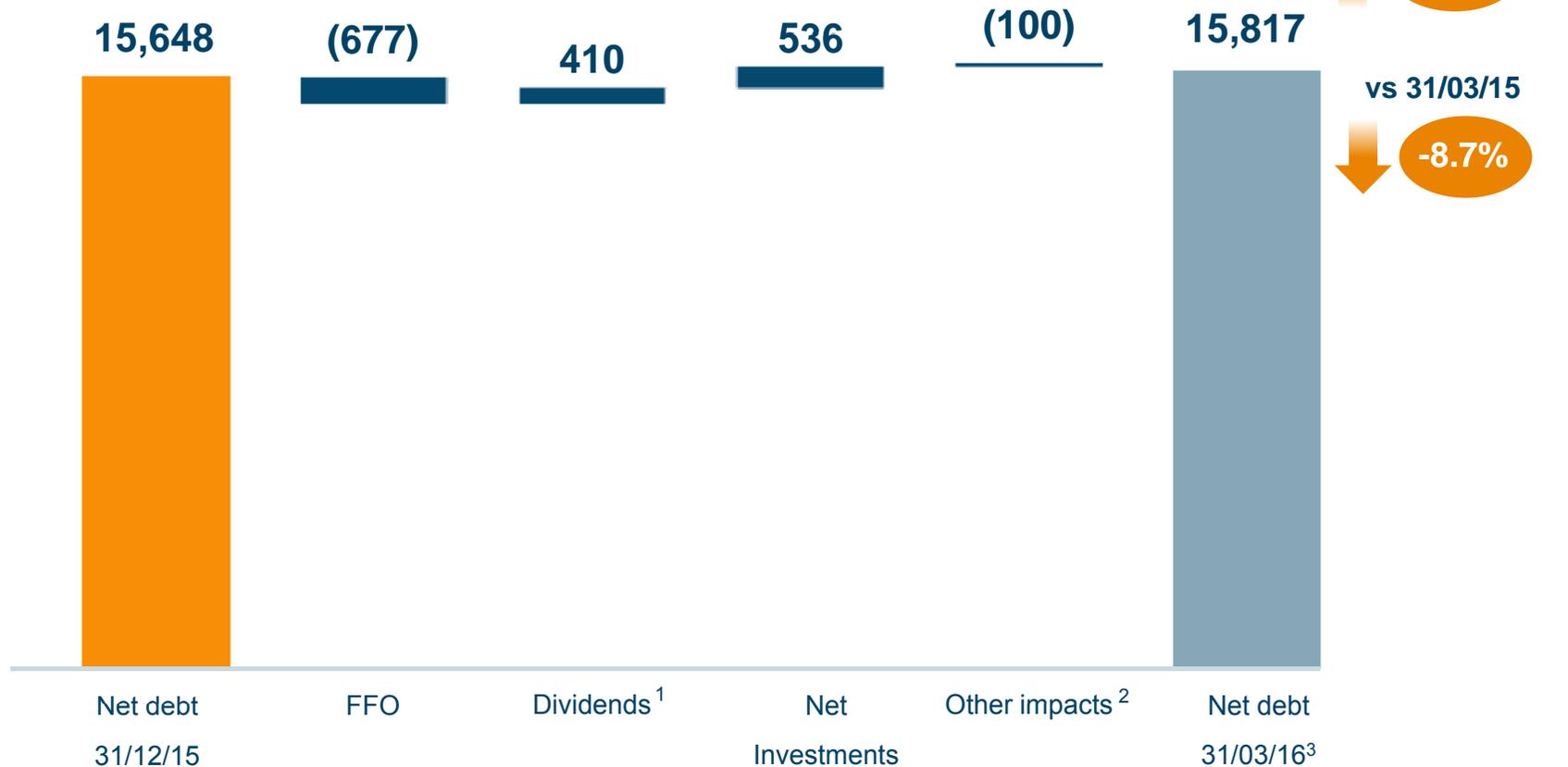
Note:

1 2015 non-recurring items arising from settlements of regulatory issues and other concepts

1Q16 results

Cash flow

(€million)



✓ Historically free cash flow positive; payment in 1Q of dividends and investments accrued in 4Q

Notes:

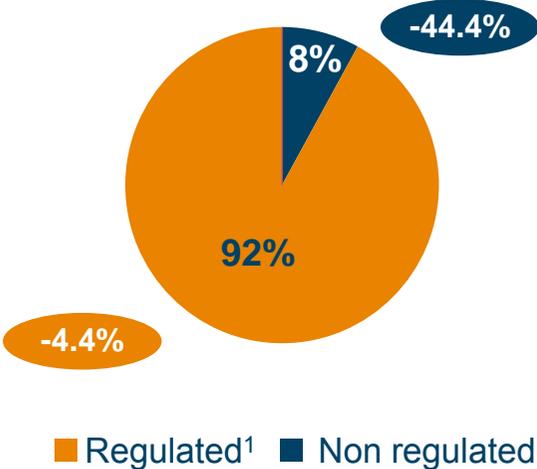
- 1 Basically dividend paid by Gas Natural SDG
- 2 Includes currency translation effect, change in consolidation perimeter and other

1Q16 results

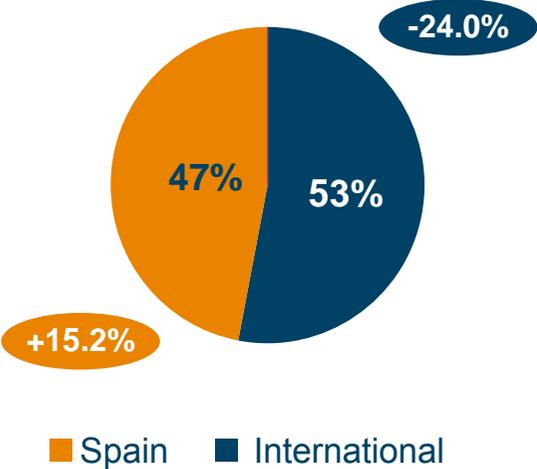
Net Investments



Regulated¹/Non regulated



Spain/International



X% Change vs 1Q15

✓ Investments² in European regulated activities +36.5%

Notes:

- 1 Includes quasi-regulated activities (EMPL, GPG, renewables)
- 2 Tangible and intangible

Financial discipline

A solid profile



- Regulated and quasi-regulated activities reinforced as main sources of cash flow
-
- Available loans and L/C's above €7,300 million, maturing in 2018 and beyond, allow meeting debt maturities comfortably over the next 24 months
-
- Continuing with financial optimization
 - Average and stable cost of debt of 4.3% with 77% of debt at fixed rates
 - New public issuance of a 10-year €600 million bond in April with the lowest coupon in GNF's history for that maturity (1.25%)
 - Private 5-year, €300 million debt issuance in April with a coupon of 0.515%

✓ Financial strength supported by both a high liquidity and a proactive debt management

Shareholder remuneration

Dividend 2015



	Interim	Final	Total
Dividend per share	€0.4078	€0.5922	€1.00
Total dividend¹	€408 M	€593 M	€1,001 M

- Interim dividend paid on 8 January (€0.4078/share in cash)
- Final dividend of €0.5922/share to be paid in cash on 30 June 2016
- Dividend against 2015² results represents a *payout* of 66.6% and a yield of 5.3%²
- Remuneration above what was set in the Strategic Plan 2013-2015

✓ Dividend grows 10.1% vs the previous year

Notes

- 1 Payable on results for the year
- 2 As of 31/12/15 (€18,815/share)

Outlook for 2016

Activity



- No optimisation of gas procurement portfolio in 1Q16, unlike 1Q15 due to both a lower gas demand in Spain and the convergence of commodity prices

- 1Q15 positively impacted by non-recurring items (regulatory and other)

- Negative currency translation impact expected to be larger in 1H16 than in 2H16

- Oil prices: signs of stabilization of balance for 2H16, with lower output observed in US plus improved expectations of demand growth in Asia

- New tariffs in Argentina to be applied from 2Q16 and higher tariffs in Mexico since mid-March

✓ Expectations of a better performance in 2H16 after challenging 1H16

Conclusions

3

Conclusions



✓ EBITDA -9.9% and Net Income -18.6% reflecting a challenging commodities and currencies scenario

✓ Strong performance of regulated activities among regulatory stability

✓ LatAm continues to be a growth platform despite depreciations of local currencies

✓ Dividend 2015 +10.1% (payout 66.6%)

✓ Expectations for an improved currency and energy price environment in 2H16

Appendices





1. Financials

Consolidated income statement



(€million)	1Q16	1Q15	Change %
Net sales	5,954	7,167	(16.9)
Purchases	(4,059)	(5,123)	(20.8)
Gross Margin	1,895	2,044	(7.3)
Personnel, Net	(249)	(255)	(2.4)
Taxes	(124)	(117)	6.0
Other expenses, Net	(306)	(323)	(5.3)
EBITDA	1,216	1,349	(9.9)
Depreciation and impairment losses	(435)	(441)	(1.4)
Provisions	(57)	(54)	5.6
Other	-	-	-
Operating Income	724	854	(15.2)
Financial results, Net	(199)	(223)	(10.8)
Equity income	(9)	(8)	12.5
Income Before Tax	516	623	(17.2)
Corporate tax	(121)	(152)	(20.4)
Discontinued operations results	5	2	150,0
Non-controlling interests	(71)	(69)	2.9
Net Income	329	404	(18.6)

EBITDA breakdown



(€million)	1Q16	1Q15	Change	
			€m	%
Networks:	707	733	(26)	(3.5)
Gas Distribution Europe	229	230	(1)	(0.4)
Gas Distribution LatAm	159	187	(28)	(15.0)
Electricity Distribution Europe	165	152	13	8.6
Electricity Distribution LatAm	154	164	(10)	(6.1)
Power Generation:	267	286	(19)	(6.6)
Spain	205	213	(8)	(3.8)
GPG	62	73	(11)	(15.1)
Gas:	226	322	(96)	(29.8)
Infrastructures	75	71	4	5.6
Supply	151	251	(100)	(39.8)
Other	16	8	8	100.0
Total EBITDA	1.216	1.349	(133)	(9.9)

Net Investments



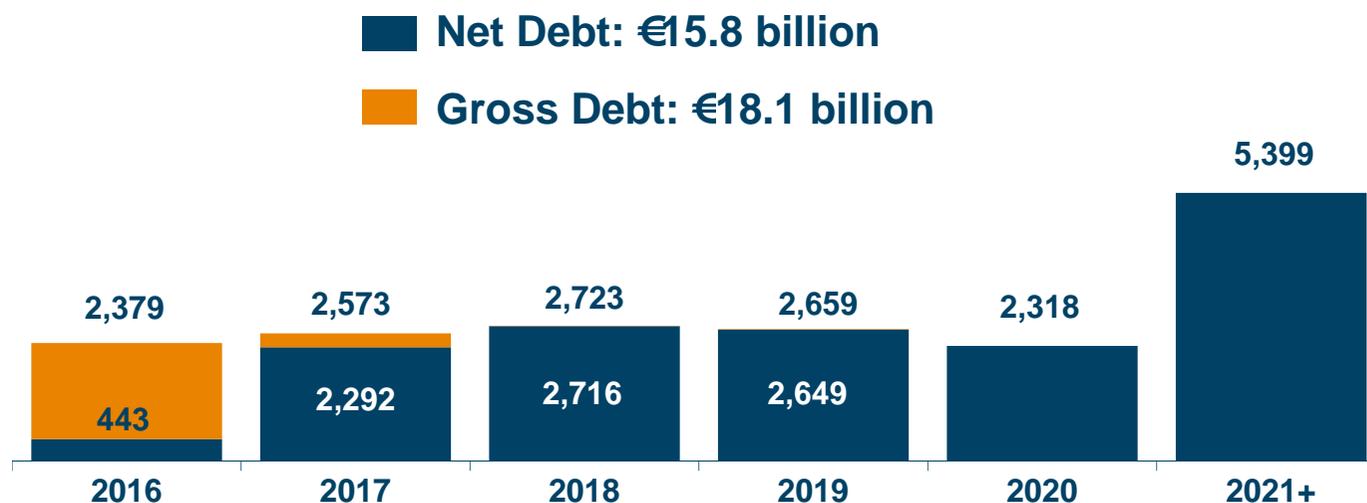
(€million)	1Q16	1Q15	Change	
			€m	%
Networks:	225	199	26	13.1
Gas Distrib Europe	71	56	15	26.8
Gas Distrib LatAm	48	59	(11)	-18.6
Elec Distrib Europe	45	29	16	55.2
Elec Dist LatAm	61	55	6	10.9
Power Generation:	30	28	2	7.1
Spain	17	16	1	6.3
GPG	13	12	1	8.3
Gas:	7	8	(1)	-12.5
Infrastructures	1	2	(1)	-50.0
Supply	6	6	-	-
Other	4	15	(11)	73.3
Total tangible + intangible	266	250	16	6.4
Financial	10	44	(34)	-77.3
TOTAL GROSS	276	294	(18)	-6.1
Disposals and other	(19)	(10)	(9)	90.0
TOTAL NET	257	284	(27)	-9.7

Financial structure (I)

A comfortable debt maturity profile



As of March 31, 2016
(€million)



- New €600 million 10-year bond in April (coupon 1.25%)
- Average life of Net Debt ~5 years
- 84% of Net Debt maturing from 2018 onwards

✓ All financial needs covered until 2019

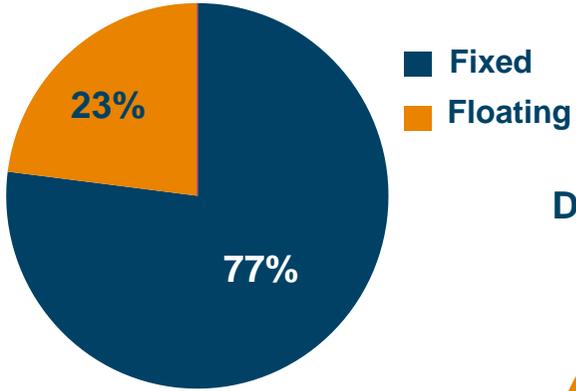
Financial structure (II)

An efficient net debt structure

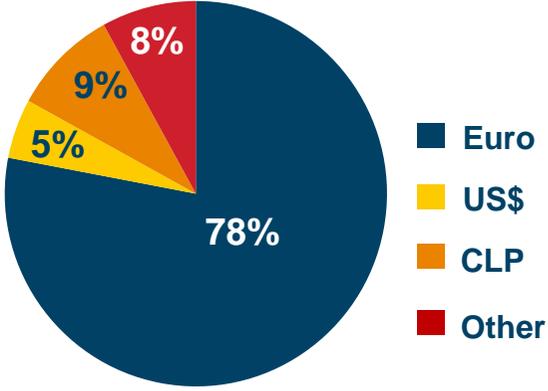


As of March 31, 2016

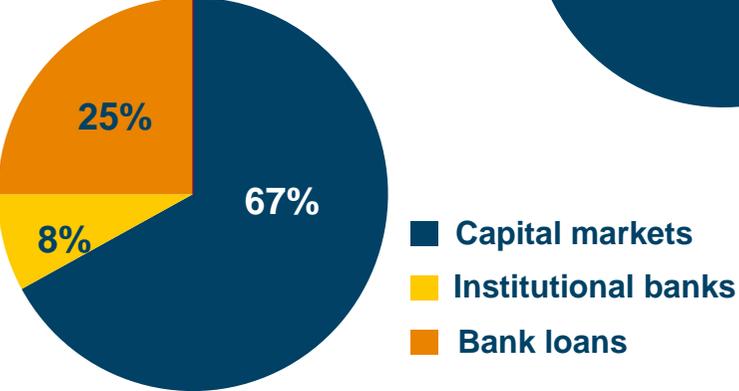
Majority of debt at fixed rates with very competitive cost



Conservative currency exposure policy



Diversified financing sources



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

Financial structure (III)

Strong liquidity position



As of March 31, 2016 (€million)	Limit	Drawn	Undrawn
Committed lines of credit	7,415	321	7,093
Uncommitted lines of credit	599	117	482
EIB loan	653	-	653
Cash	-	-	2,062
TOTAL	8,667	438	10,290

- Additional capital market capabilities of ~€5,600 million both in Euro and LatAm (Mexico, Chile, Panama and Colombia) programs

✓ Enough liquidity available to cover needs for over 24 months



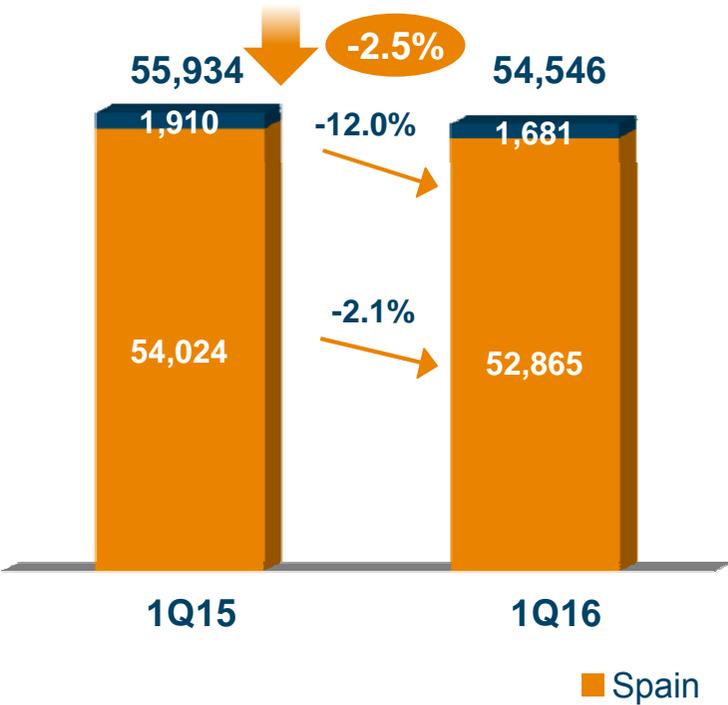
2. Operating figures

Networks

Gas distribution Europe



Gas sales (GWh)



Connection points ('000)



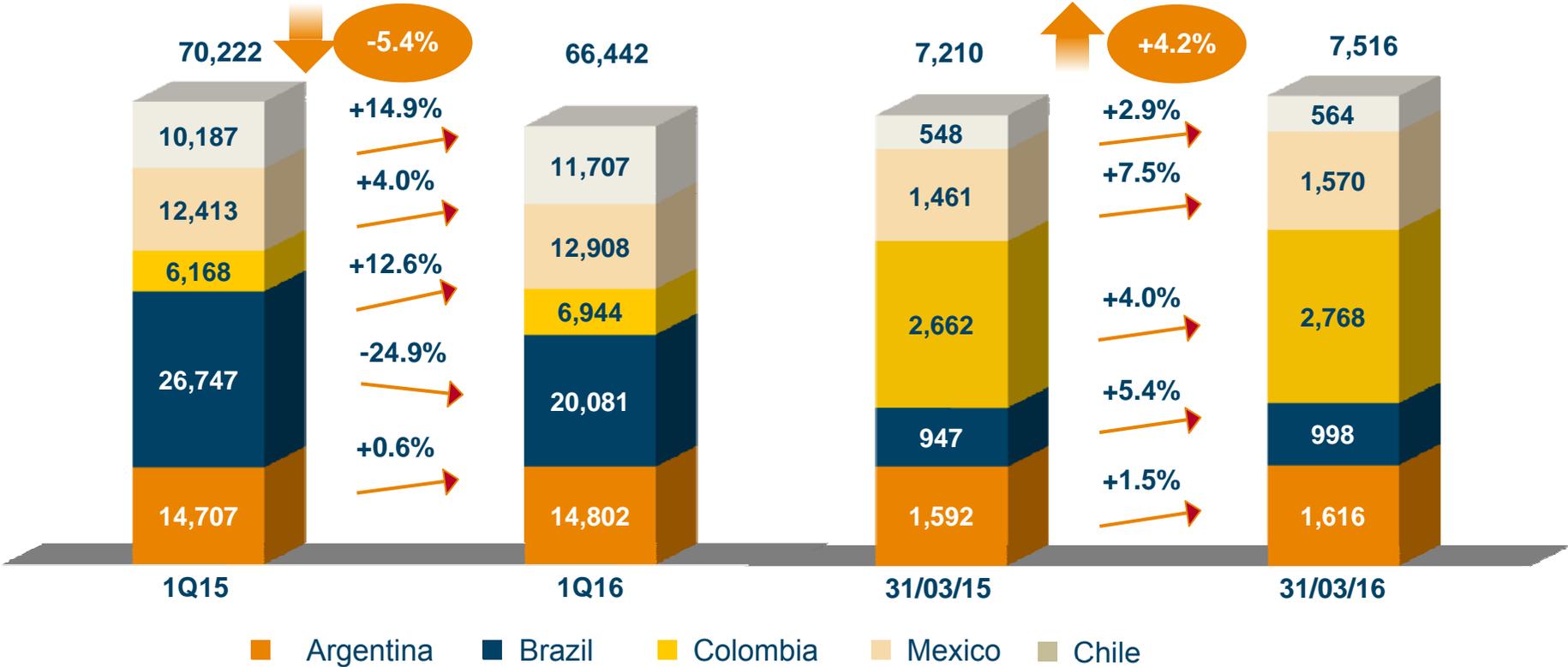
Networks

Gas distribution Latin America



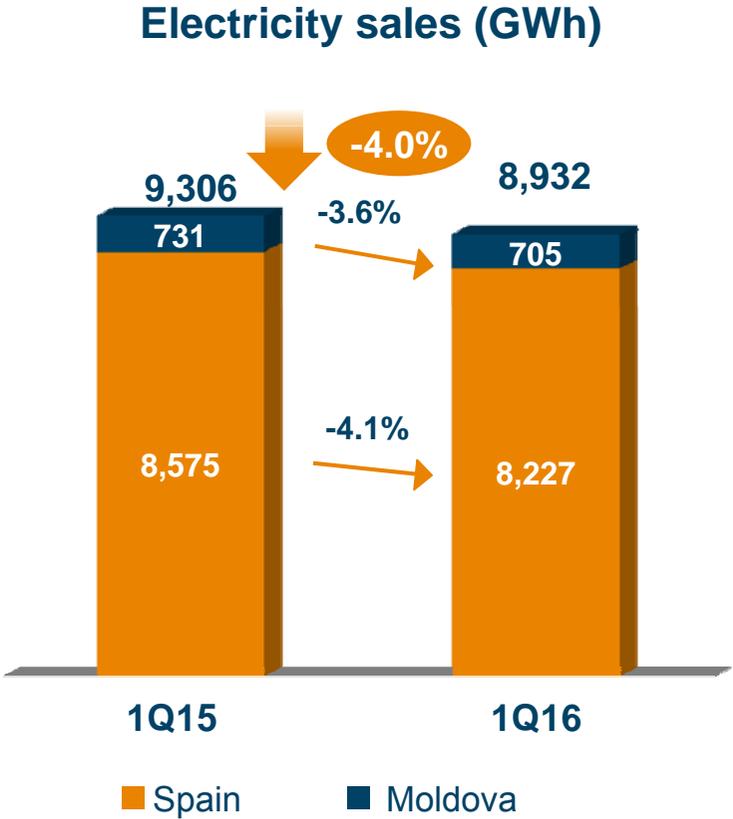
Gas sales (GWh)

Connection points ('000)



Networks

Electricity distribution Europe



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

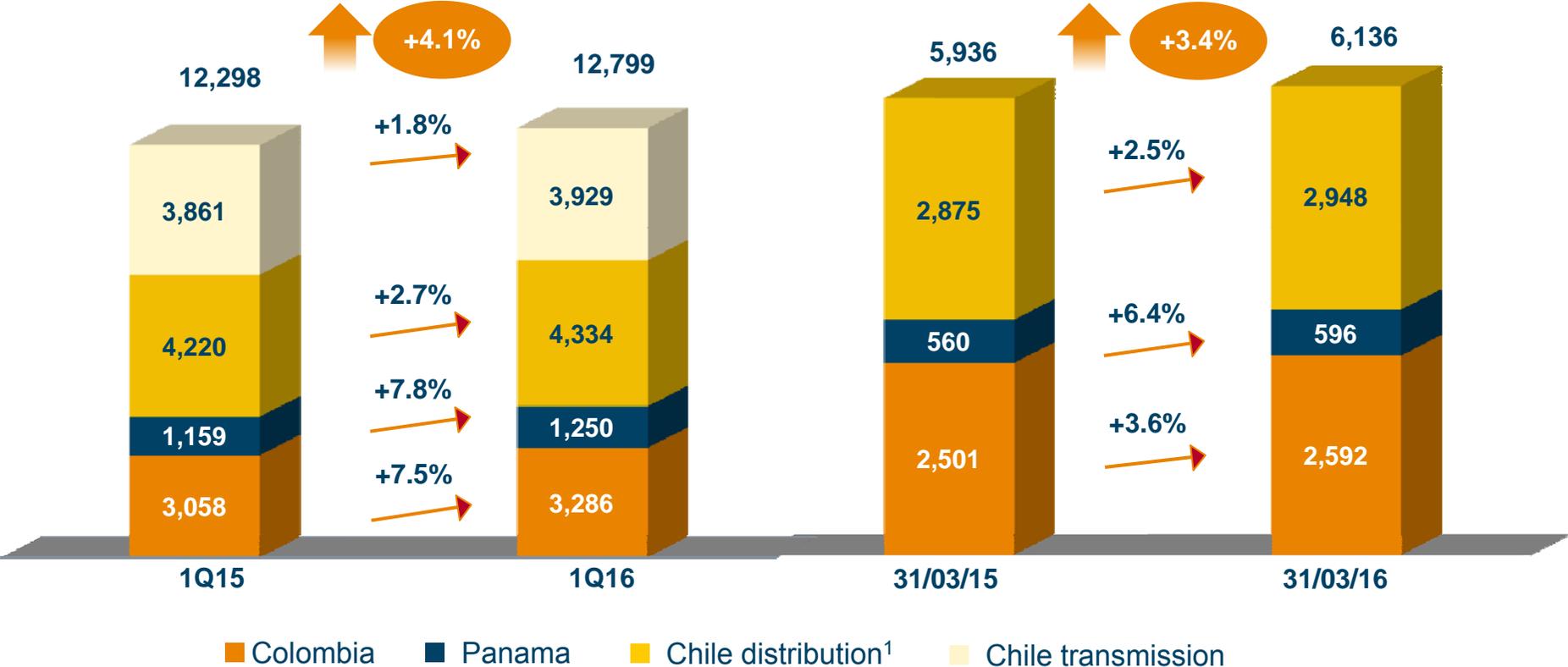
Networks

Electricity distribution Latin America



Electricity sales (GWh)

Connection points ('000)

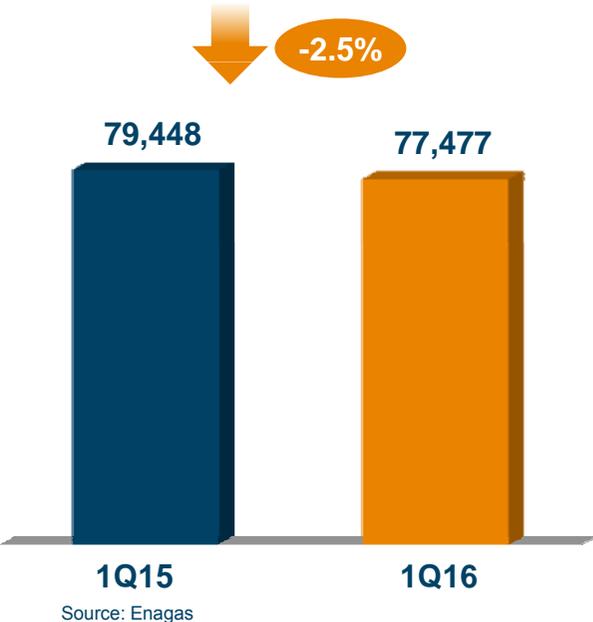


Note:
 1 Includes data for CGE's subsidiaries in Argentina

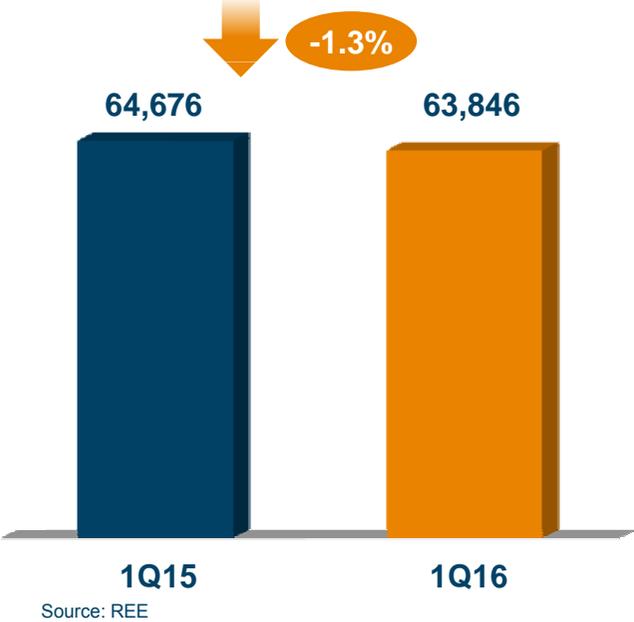
Gas and electricity demand in Spain



Conventional gas demand (GWh)



Electricity demand (GWh)

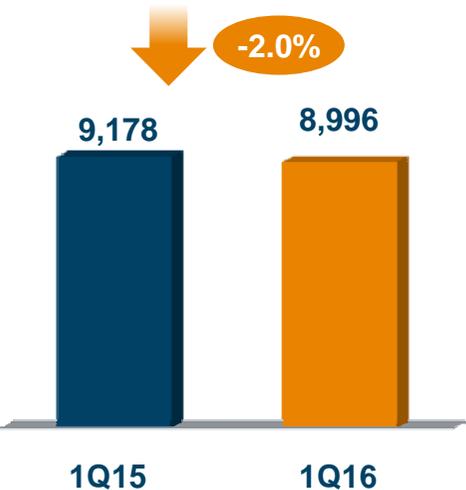


Power generation

Electricity Spain (I)



Electricity sales (GWh)



Average pool price (€/MWh)

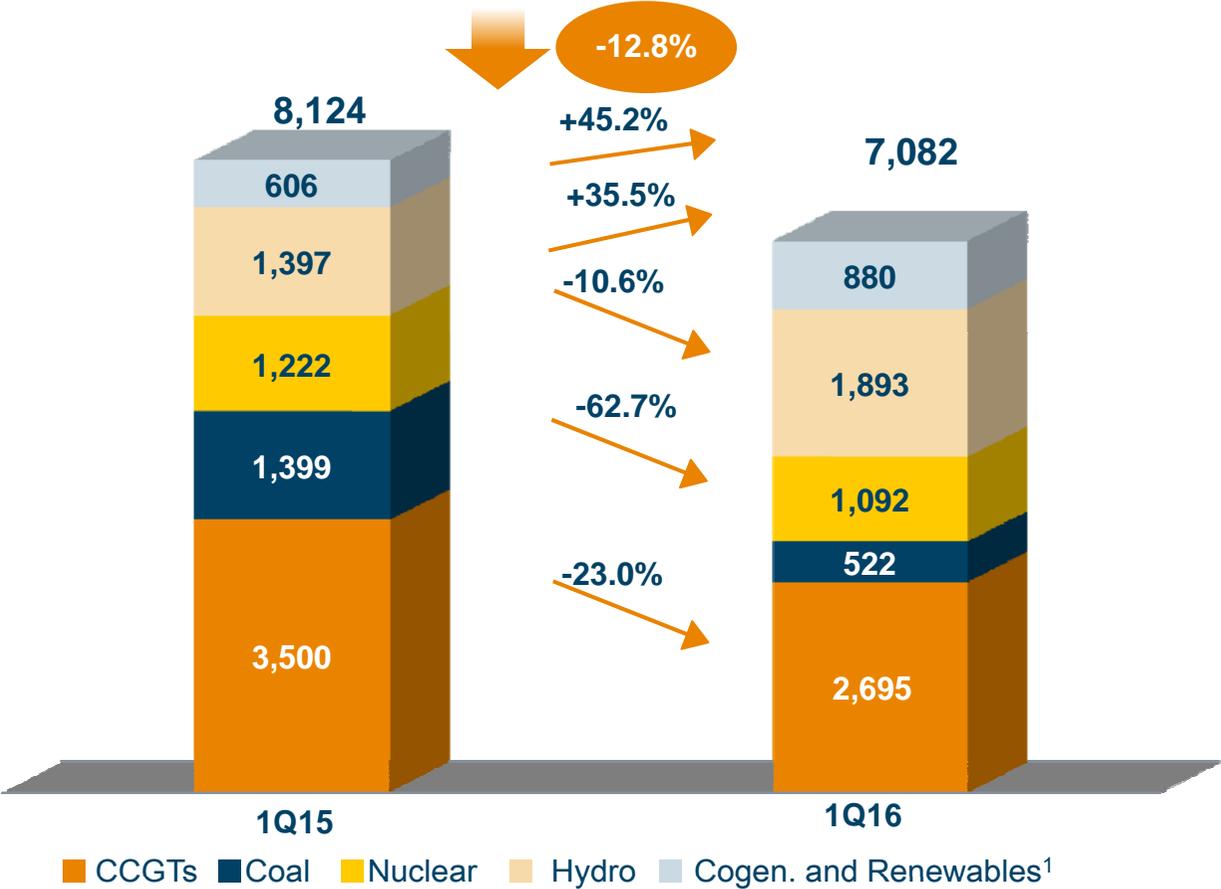


Source: REE

Power generation Electricity Spain (II)



GNF's total production (GWh)



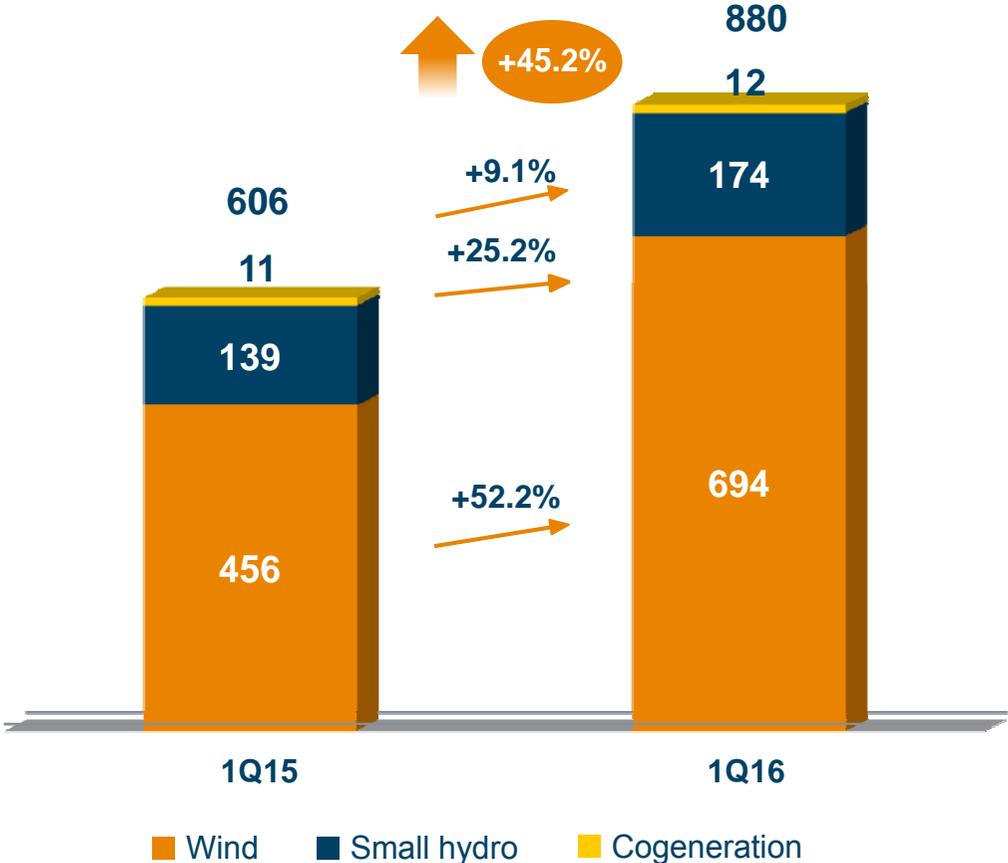
Note:

1 Formerly "Special Regime"

Power generation Electricity Spain (III)



GNF's total production in cogeneration and renewables¹ (GWh)



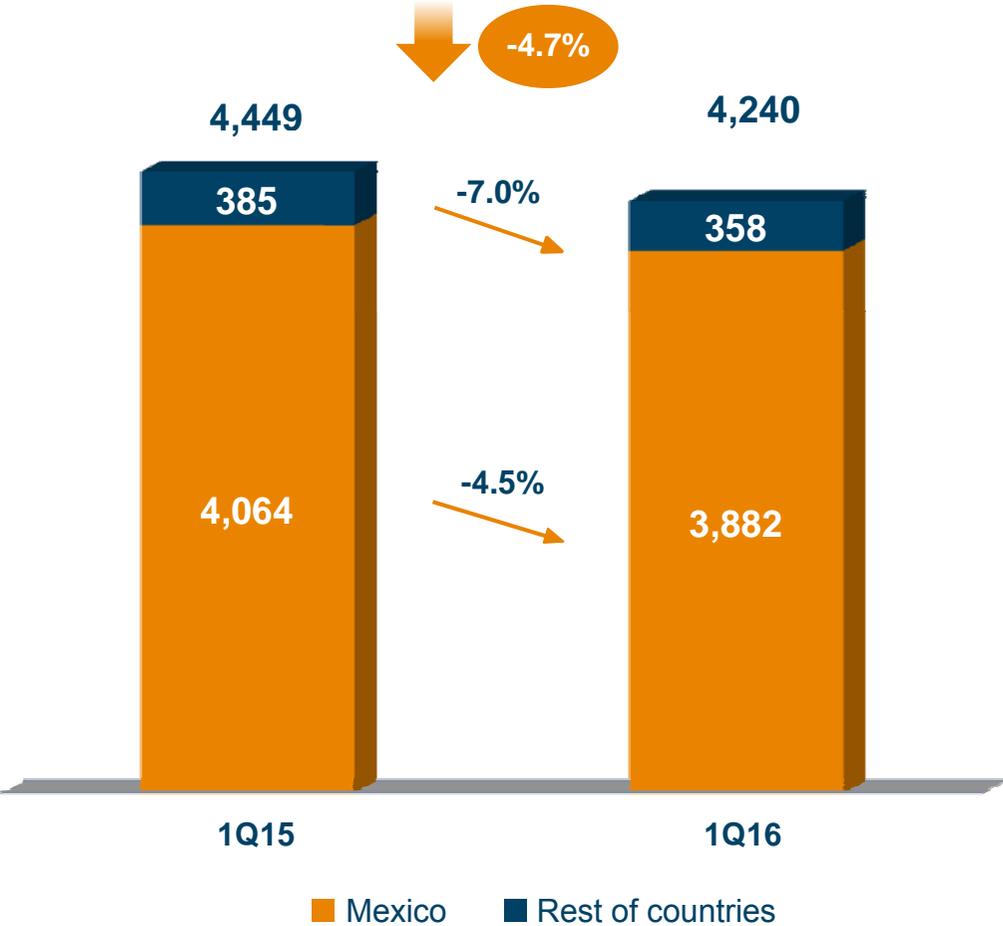
Note:
1 Formerly "Special Regime"

Power generation

GPG

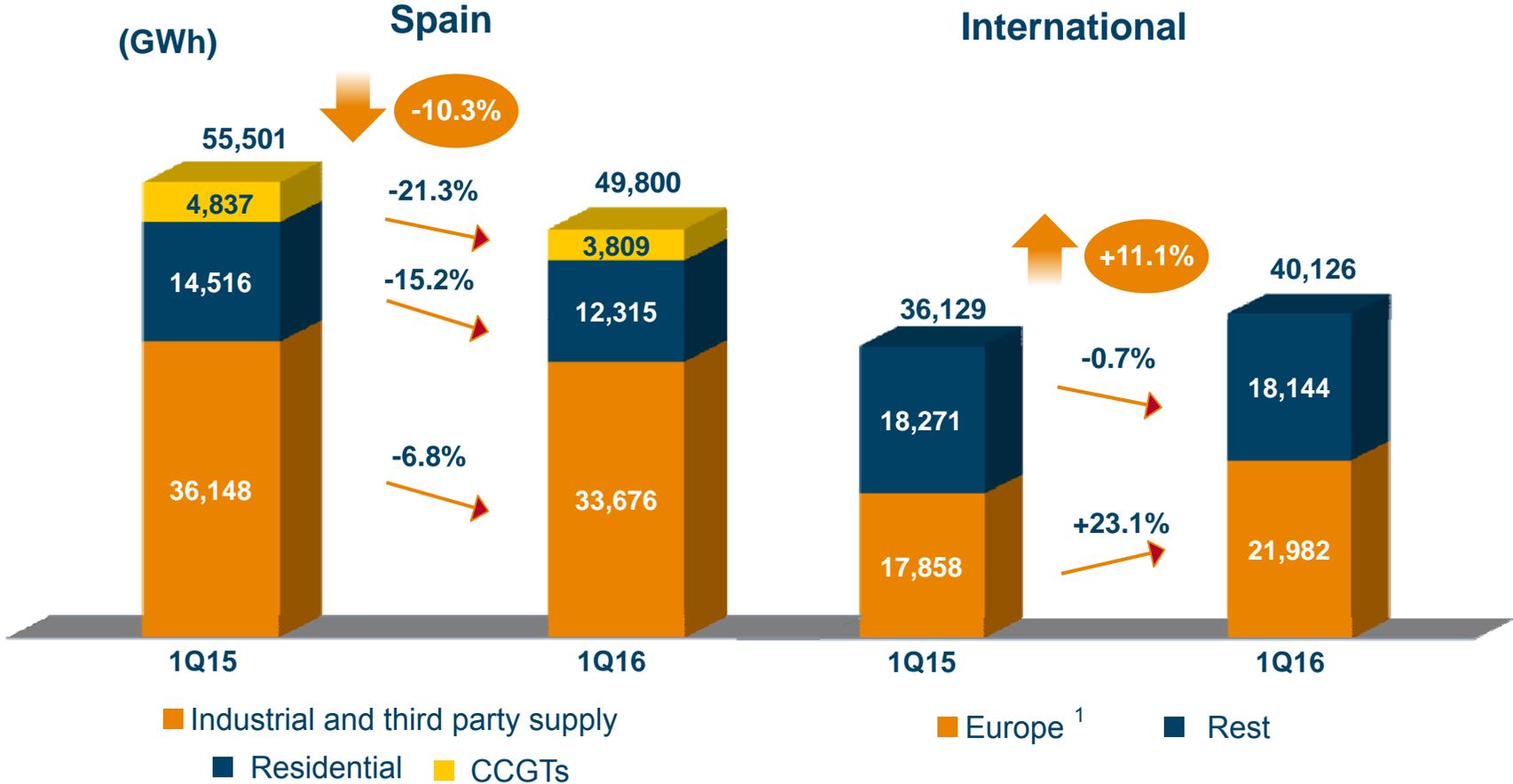


GPG's total production (GWh)



Gas supply

Gas sales by markets



Note:

¹ Sales to end customers, including retail sales in Italy



Thank you

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