Fourth Quarter 2013 Results (FY 2013)

February 18, 2014

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Agenda

1. Highlights
2. Regulation in Spain
3. Financials
4. Analysis of operations
5. Conclusions

1 Highlights

Key financial indicators

Net income: €1,445 million (+0.3%)

EBITDA: €5,085 million (+0.1%)

Investments: €1,494 million[1] (+10.1%)

Net debt: €14,641 million[2] (-8.5% vs 31/12/12)

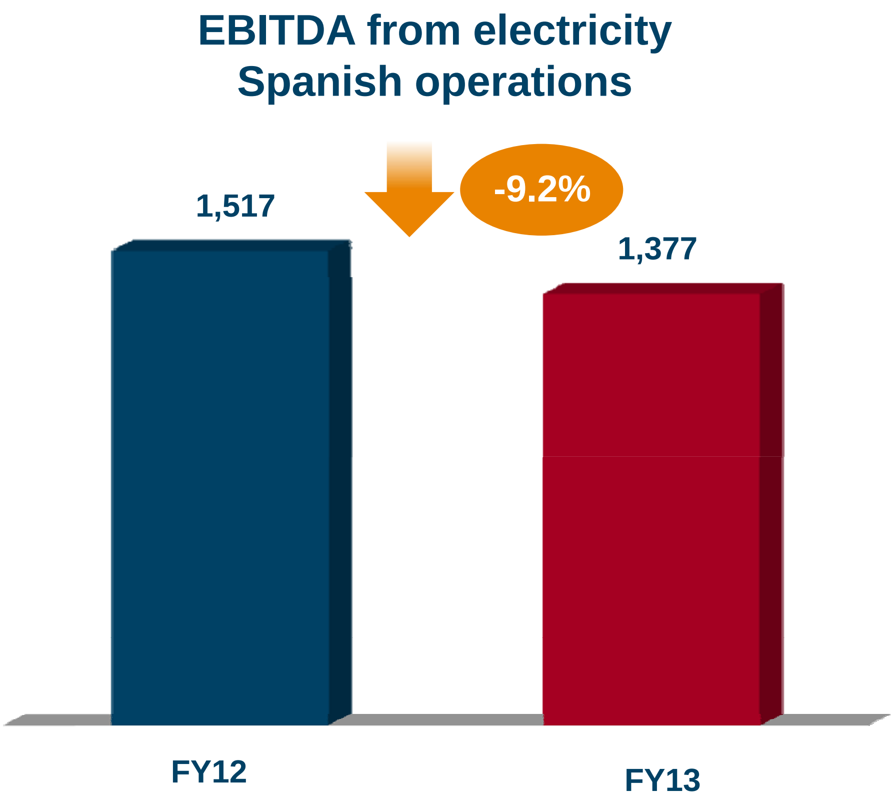
Notes:

1 Tangible and intangible

2 Net debt of €14,156 million excluding tariff deficit

Regulatory impact in Spanish operations

(€ million)



Variation by activity

Electricity Distribution	-4.1%
Electricity	-12.7%
Special Regime	-1.9%

New regulatory impact in 2013 (Law 15/2012 and RDL 9/2013)[1]: €455 million

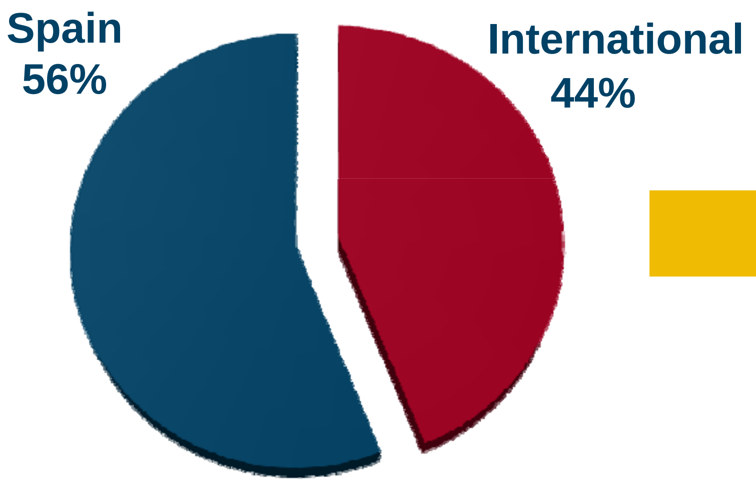
Note:

1 Estimated impact for special regime, pending developments of RDL 9/2013

A higher share from international operations (I)

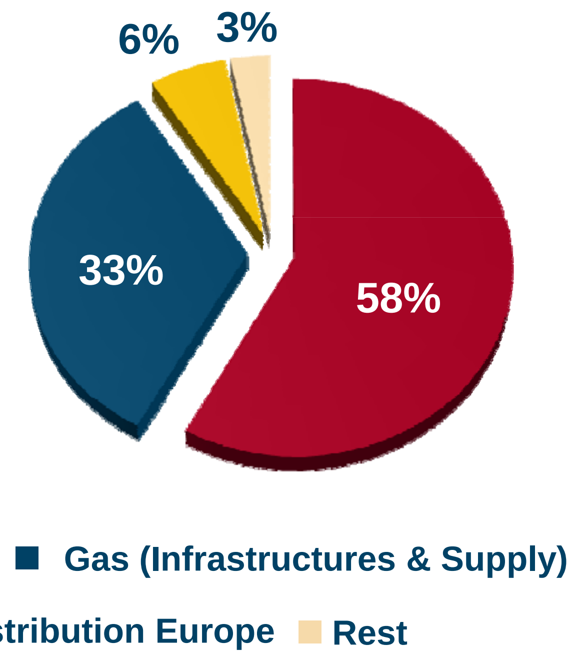
Geographical breakdown of 2013 EBITDA

EBITDA: €5,085 million



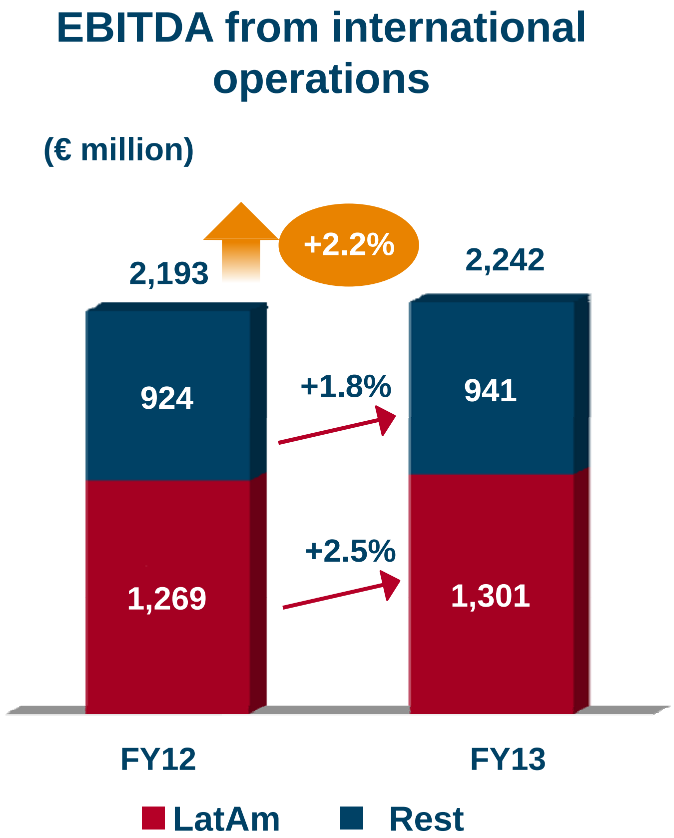
EBITDA from international operations

EBITDA: €2,242 million



Increasing role of international operations enhances and improves the EBITDA diversification, both geographically and by line of business

A higher share from international operations (II)

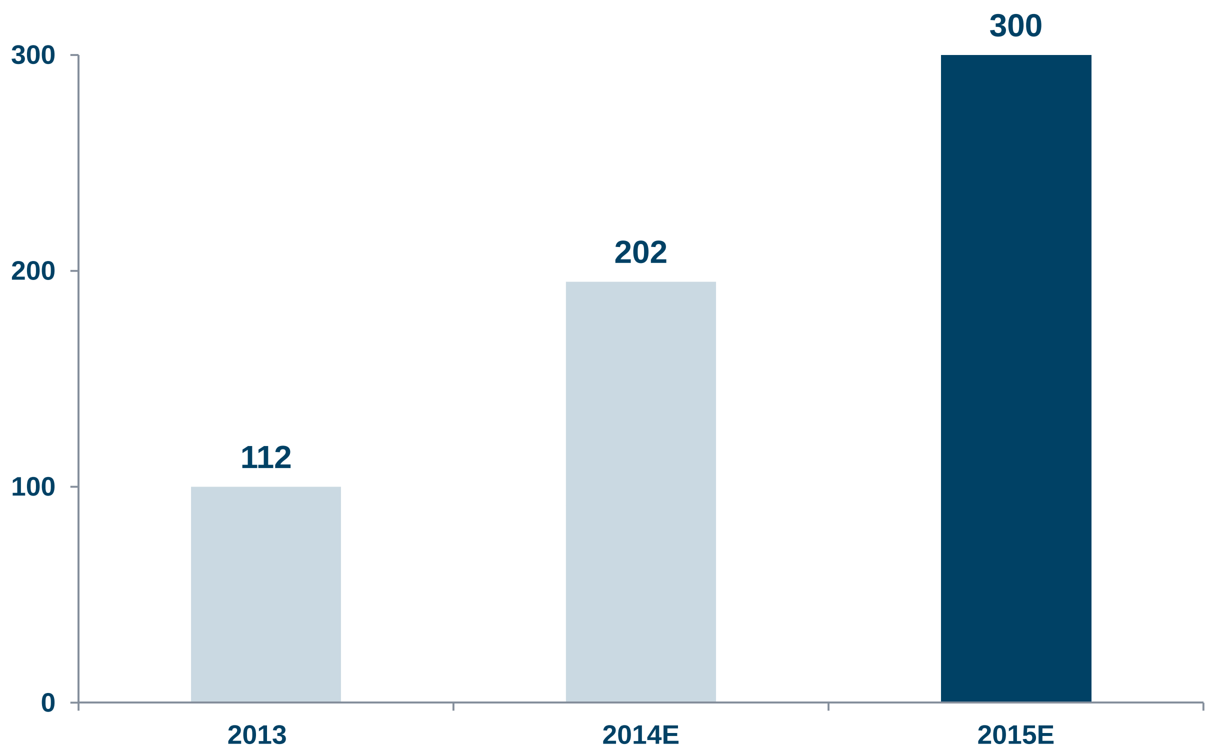


- Latin American activities maintain a sustained growth rate
- Continued expansion of gas wholesale operations in foreign markets
- €100 million negative impact in LatAm (currency translation differences), with +10.6% EBITDA growth in local currency

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

2013–2015 Efficiency plan

Expected savings (€ million)



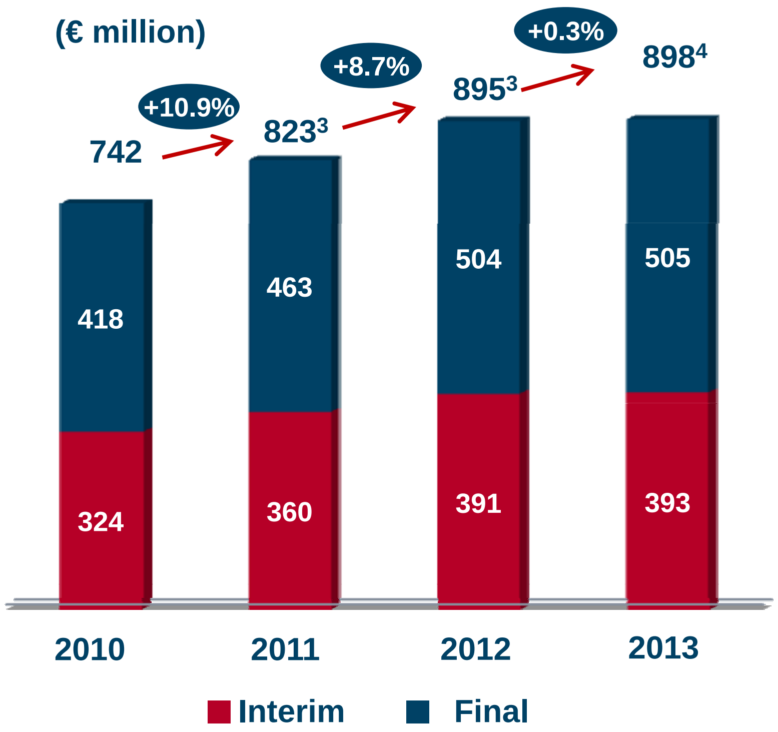
Key initiatives in 2013

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

Achieved €112 million in 2013
in line with the targets set up in the Strategic Plan 2013-2015

Shareholder remuneration

Total dividend[1]



- **2013 dividend[1] resulting in a payout of 62.1% and a yield of 4.8%[2]**
- **Interim dividend paid on 8 January (€0.393/share in cash)**
- **Final dividend to be paid in cash (no scrip)**
- **Remuneration in accordance with Strategic Plan 2013-2015**

Maintaining an attractive shareholder remuneration policy

Notes:

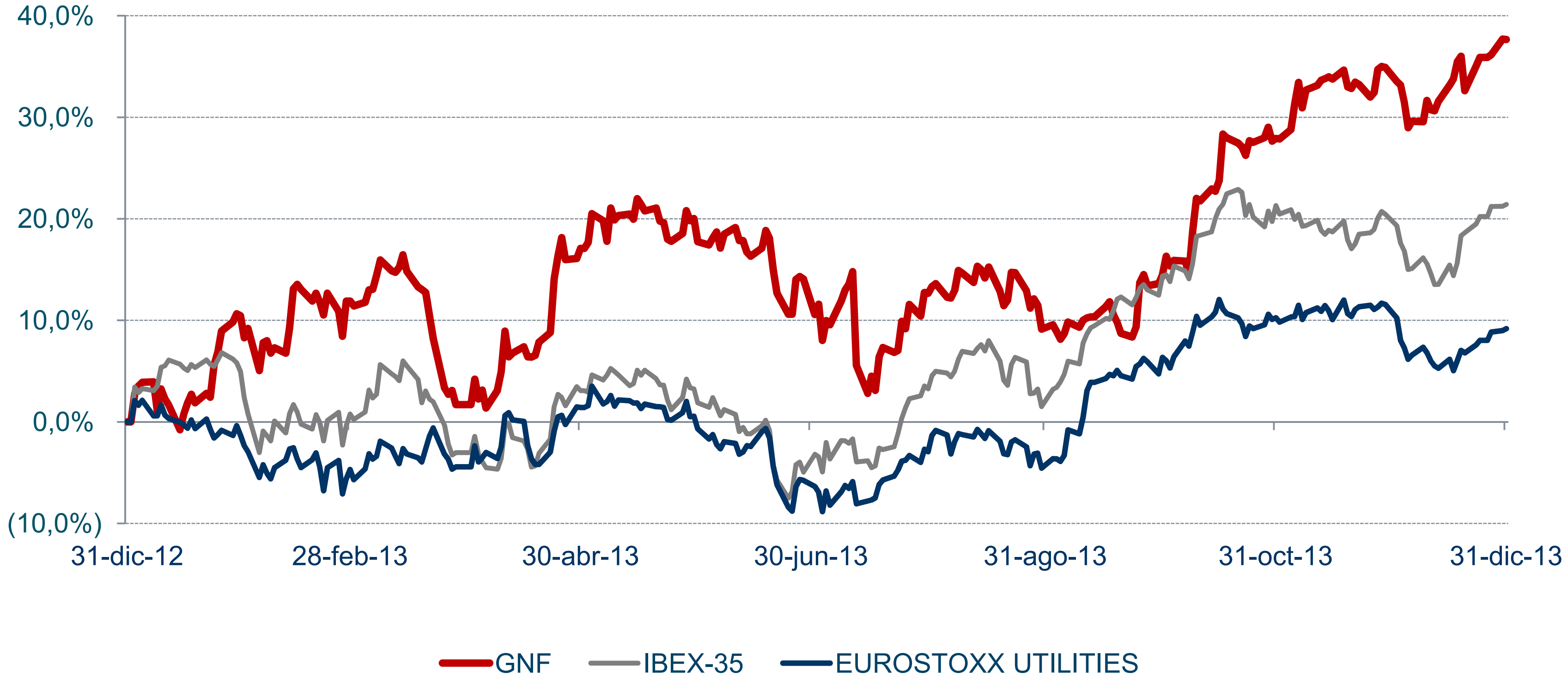
1 Payable against year's results

2 As per closing market price on 31/12/13 of €18.695/share

3 Includes scrip dividend paid of ~€400 million for 2010 and €82 million for 2011

4 Pending approval from Shareholders' AGM

Share price performance in 2013



Market performance in 2013 (+37.7%) well above peers' average

IFRS 11

- As from 1 January 2014, IFRS 11 will be mandatory. Joint ventures will be accounted for using the equity method. Proportionate consolidation method will not be permitted for joint ventures so these will be accounted for using the equity method.

- Applying IFRS 11 in GNF's FY13 financial statements would have resulted in the following estimated impacts:

(€ million)	Actual	IFRS 11	Change
Net Debt	14,641	14,252	(389)
EBITDA	5,085	4,849	(236)
Investments	1,494	1,426	(68)
Net Income	1,445	1,445	-

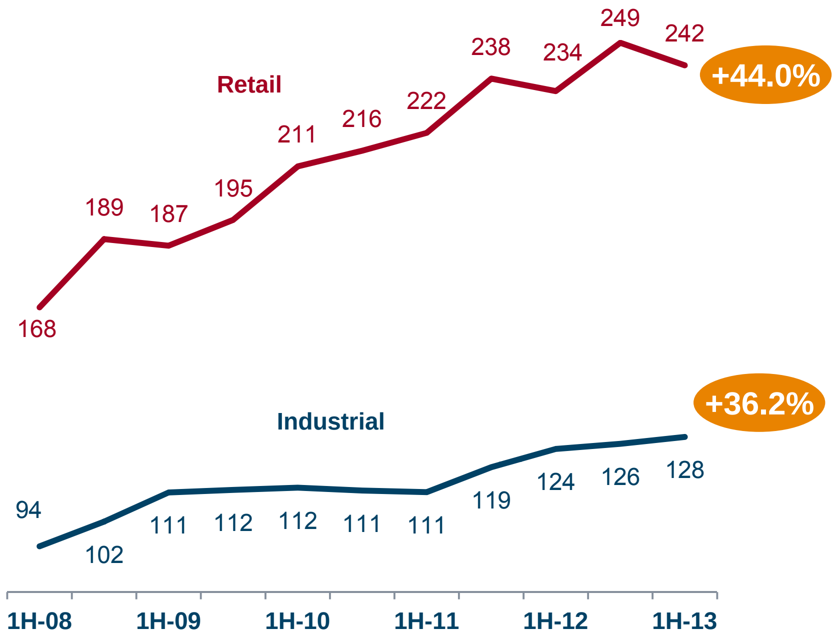
- The above impacts arise basically from changing the consolidation method for UF Gas, Ecoeléctrica (CCGT in Puerto Rico) and NGS (CCGT in Spain)

2

Regulation in Spain

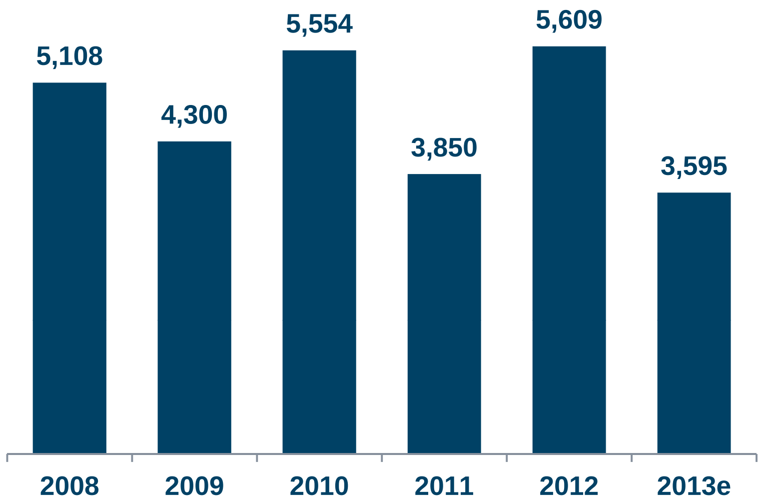
Key problems of the Spanish electricity sector

Evolution of retail and industrial electricity prices in Spain (€/MWh)



Source: Eurostat

Tariff deficit evolution (€ million)



Source: MINETUR, CNMC

Cumulative tariff deficit for period 2008-2013: €28,016 million

Electricity system costs 2013

(€ million)		%	% s/2012
Cost of energy[1]	**11,845**	**26.3%**	**-22.2%[5]**
Regulated costs	**21,238**	**47.1%**	
Own costs[2]	6,690	14.8%	+2.5%
Associated costs[3]	14,548	32.3%	+2.9%
Taxes	**11,983**	**26.6%**	**+31.1%**
VAT	7,821	17.4%	
Elec. Tax	1,812	4.0%	
Law 15/2012[4]	2,350	5.2%	
Total system costs	**45,066**	**100.0%**	**-1.1%**

Source: MINETUR, REE, CNMC

"Cost of producing electricity is similar to the rest of the EU, however regulated costs are 40% higher than the countries of our area"

(MINETUR presentation of 14 January 2014)

Cost of energy for 2013 22.2% lower than 2012[5]

Notes:

1 Does not include taxes and levies from Law 15/2012 on generation (€2,350 million)

2 Basically transmission and distribution

3 Basically subsidies and debt service

4 Taxes and levies on generation

5 -6.7% considering the same taxes and fees to the generation

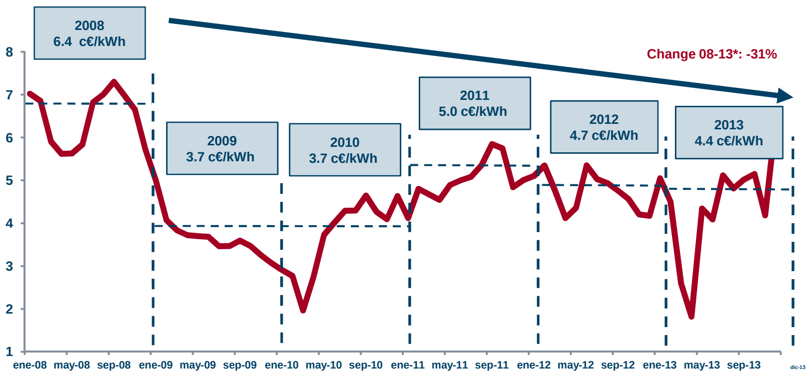
Evolution of wholesale prices for electricity

The cost of generation is determined by the wholesale market (“pool”)

Average wholesale power prices in Europe

(€/MWh)	2011	2012	2013
Italy	72.20	75.48	62.90
Germany	51.14	42.60	37.78
Scandinavia	47.15	31.20	38.12
France	48.94	46.94	43.24
UK	55.12	55,75	59.57
Spain	50.89	47.26	44.26[1]

Wholesale electricity prices in Spain (c€/kWh)



The rise in electricity prices in Spain for the end consumer is not attributable to higher generation costs, as pool prices have decreased 31% from the beginning of the crisis

Source: OMEL daily market (simple average)

Note:

1 Includes new taxes on generation, Law 15/2012

Electricity tariff deficit

Costs and revenues 2013

(€ million)

Access charges	**17,643**
System's own costs	**6,690**
Transmission	1,570
Distribution	5,098
Other	21
Associated costs	**14,548**
Subsidies	12,009
Debt service (principal + interest)	2,681
Other	(142)
Total regulated costs	**21,238**
Deficit for the year	**(3,595)**
Accumulated deficit	**(29,052)**

Source: MINETUR, REE, CNMC

Subsidies 2013

(€ million)

Special Regime	**9,047**
Extrapeninsular	**1,806**
Interruptibility	**682**
Domestic coal	**246**
Social voucher	**228**
TOTAL	**12,009**
Subsidies 2012	**11,329**

+6%

"Premia for renewable and cogeneration accounted for more than €9 billion a year and are the highest in the EU in €/MWh"

(MINETUR presentation of 14 January 2014)

Electricity sector reform 2012-2013

TARGETS		• Guarantee financial stability. Elimination of tariff deficit • Reduce regulated costs through regulatory measures • Avoid RES overcompensation and price volatility
Cost Reductions	RDL 1/2012	• Incentives of the special regime are restricted only to already registred new capacity (moratorium)
	RDL 13/2012 RDL 20/2012	• Reduction in remuneration of distribution, transmission, capacity payments, extrapensinsular compensation and others.
Increase Revenues	Orden IET/843/2012	• Increased access tariffs mandated by the Supreme Court in 2012
	Law 15/2012 Law State Budgets	• Fiscal measures for energy sustainability supported by generators and auctions of CO_2 allocated to regulated costs coverage
Financial Stability	RDL 9/2013	• Adoption of urgency measures
	Law 24/2013 Elec. Sector	• Establishes principle of economic and financial sustainability
Regulated Cost Reductions	Approved	• New remuneration framework for transmission and distribution activities
	Drafts	• Legislation under discussion for renewables, net-metering, capacity payments, mothballing, extrapeninsular systems and retail markets
Other	Law 15/2013	• Authorization for the Ministry to contribute with a €2.2 billion extraordinary credit. cancelled one month later
	RDL 2/2013	• Change in CPI index for the update of the remuneration of regulated activities (network and renewables)

Summary of adjustments

(€ million/yr)

Structural deficit for the sector	**10,500**

Adjustments in 2012 and 2013

Reduction in subsidies	**2,210**
Special Regime	2,000
Extrapeninsulars	210
State Budget	**900**
Traditional utilities	**2,240**
Transmission	330
Distribution	1,240
CCGTs	430
Social voucher	240
New taxes and levies	**3,100**
Tariff increase	**2,050**
Total adjustments	**10,500**

Source: based on presentation by MINETUR, of 12/07/13

Gas tariff deficit in 2013

(€ million)	
Regulated revenues	**2,961**
Basic infrastructure costs	**1,438**
Regasification	488
Storage	47
Transmission	903
Distribution	**1,467**
Other costs	**72**
Total regulated costs	**2,977**
Deficit for the year	**(16)**
Accumulated deficit	**(314)**

Source: estimate based on OM IET/2812/2012 and settlement 11/2013 of the gas system

2013 deficit not significant. Overall, gas tariff deficit is temporary and manageable

Key characteristics of gas distribution

A Gas distribution is not a universal service and an important gasification potential still exists

B Gas distribution activity has remuneration risks

C The increased investment in gas distribution contributes to reduce the tariff deficit issue

- Relevant growth potential in Spain due to low penetration levels ((27% vs 59% EU average)
- The network expansion has guaranteed the growth in demand, both industrial and residential, in spite of the crisis
- The growth in distribution is key for increasing the use of the basic infrastructure and therefore solve the gas tariff deficit issue, being a net generator of positive cash flow
- The expansion of the distribution network helps to improve the country's economy, jobs and the fulfilment of environmental targets by replacing more expensive and more polluting fuels
- Over the last years more efficient gasification systems have been developed that allowed the expansion into new municipalities

3 Financials

Consolidated income statement

(€ million)	FY13	FY12	Change %
Net sales	24,969	24,904	0.3
Purchases	(17,228)	(17,309)	(0.5)
Gross Margin	**7,741**	**7,595**	**1.9**
Personnel, Net	(861)	(871)	(1.1)
Taxes	(523)	(285)	83.5
Other expenses, Net	(1,272)	(1,359)	(6.4)
EBITDA	**5,085**	**5,080**	**0.1**
Depreciation and impairment losses	(1,907)	(1,798)	6.1
Provisions	(226)	(235)	(3.8)
Other	11	20	(45.0)
Operating Income	**2,963**	**3,067**	**(3.4)**
Financial results, Net	(838)	(874)	(4.1)
Equity income	7	10	(30.0)
Income Before Tax	**2,132**	**2,203**	**(3.2)**
Corporate tax	(468)	(546)	(14.3)
Minority interest	(219)	(216)	1.4
Net Income	**1,445**	**1,441**	**0.3**

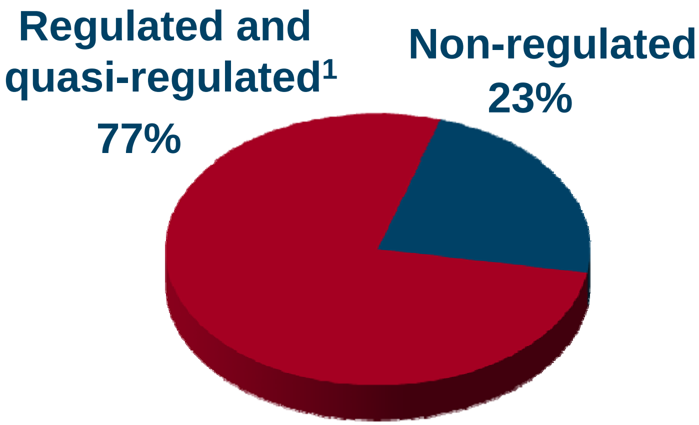
EBITDA breakdown

(€ million)	FY13	FY12	Change €m	Change %
Distribution Europe:	**1,632**	**1,631**	**1**	**0.1**
Electricity	623	648	(25)	(3.9)
Gas	1,009	983	26	2.6
Electricity:	**801**	**920**	**(119)**	**(12.9)**
Spain	637	750	(113)	(15.1)
Special Regime	152	155	(3)	(1.9)
Other	12	15	(3)	(20.0)
Gas:	**1,244**	**1,217**	**27**	**2.2**
Infrastructures	258	225	33	14.7
Supply	863	736	127	17.3
UF Gas	123	256	(133)	(52.0)
LatAm:	**1,301**	**1,267**	**34**	**2.7**
Electricity Distribution	340	366	(26)	(7.1)
Gas Distribution	686	640	46	7.2
Generation	275	261	14	5.4
Other	**107**	**45**	**63**	**-**
Total EBITDA	**5,085**	**5,080**	**5**	**0.1**

Consolidated investments

Tangible and intangible

(€ million)	FY13	FY12
Distribution Europe:	**547**	**583**
Electricity	238	285
Gas	309	298
Electricity:	**176**	**182**
Spain	149	145
Special Regime	27	37
Gas:	**56**	**63**
Infrastructures	12	25
Supply	25	27
UF Gas	19	11
LatAm:	**559**	**372**
Generation	250	63
Gas Distribution	181	177
Electricity Distribution	128	132
Other	**156**	**157**
Total	**1,494**	**1,357**



- **International investments grow +35.1% to €662 million**
- **€161 million invested in 234 MW wind farm in Mexico**

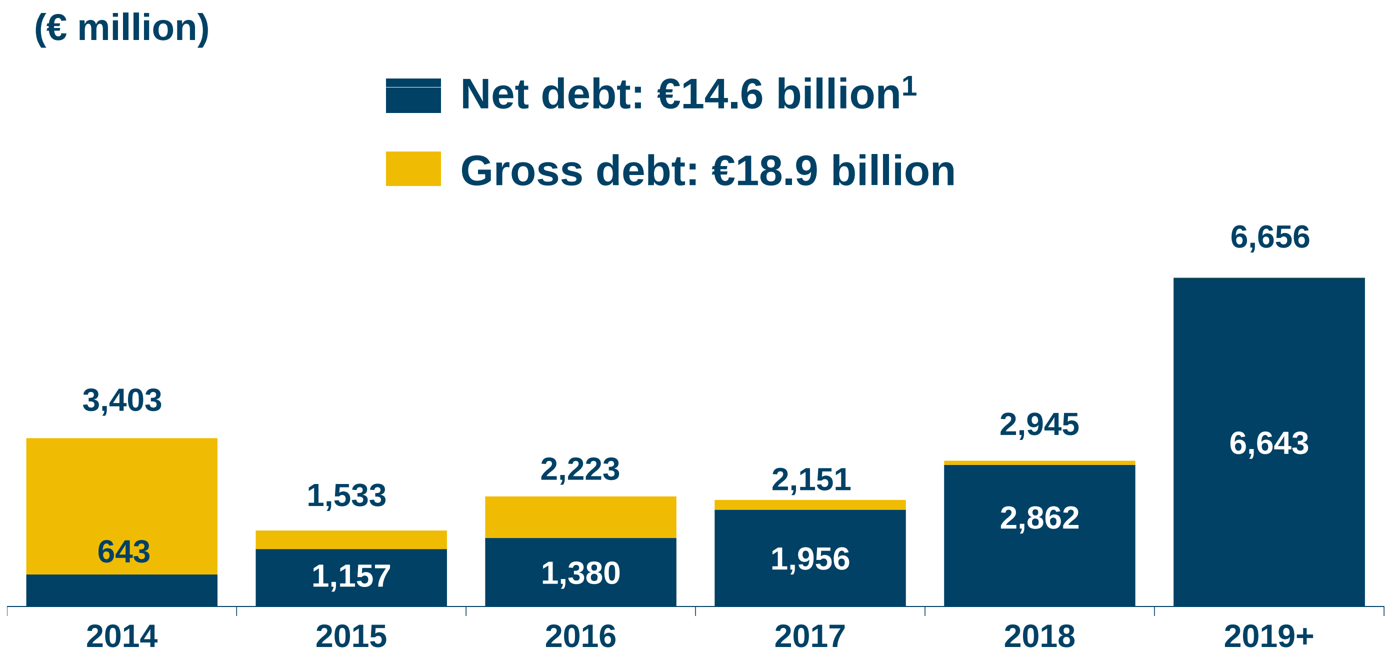
Growth in international investments focused on Latin American power generation and distribution markets

Note:

1 Distribution Europe, Special Regime in Spain, Gas Infrastructures and Latin America

A comfortable debt maturity profile

As of December 31, 2013



- Average life of net debt >5 years
- 78% of net debt maturing from 2017 onwards

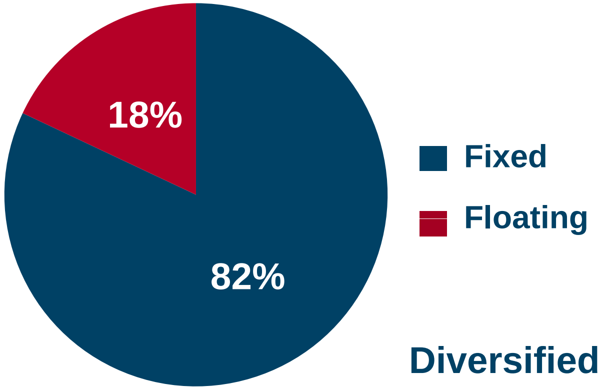
All financial needs from 2014 to 2016 are already covered

Note:

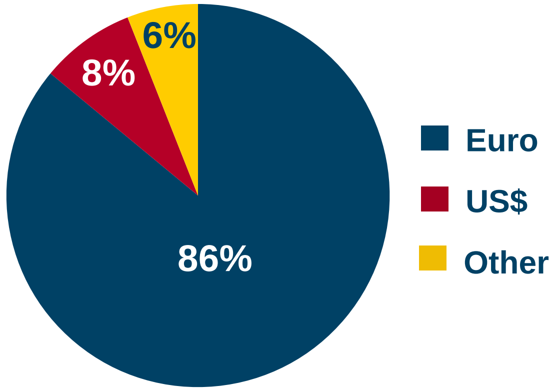
1 Net debt of €14,156 million excluding tariff deficit

An efficient net debt structure

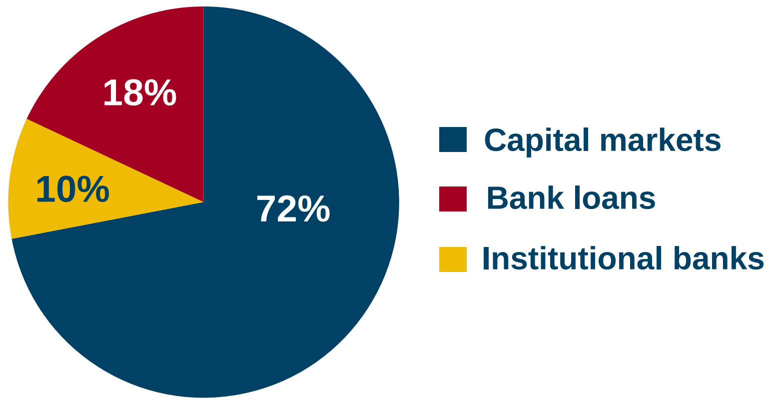
Significant level of fixed rate obtained at very competitive levels



Currency exposure consistent with business risk



Diversified financing sources



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

Ample liquidity available

As of December 31, 2013

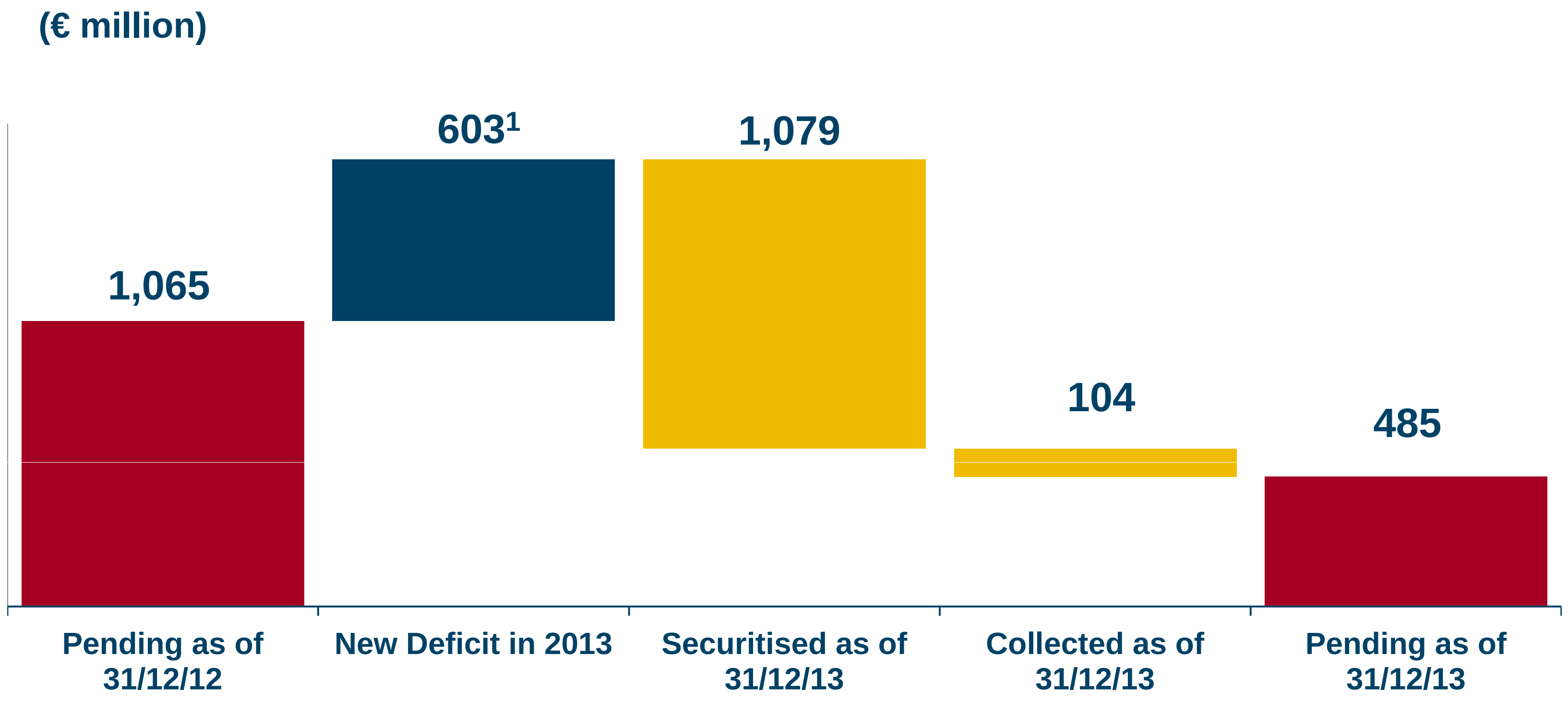
(€ million)	Limit	Drawn	Undrawn
Committed lines of credit	7,317	281	7,036
Uncommitted lines of credit	189	89	100
Undrawn EIB loan	225	-	225
Cash	-	-	4,252
TOTAL	7,731	370	11,613

- Additional capital market capabilities of ~€3,000 million both in Euro and LatAm programmes (Mexico, Panama and Colombia)

Enough liquidity available to cover needs above 24 months

Securitisation of tariff deficit

Tariff deficit amounts for GNF



- **The €485 million tariff deficit by the end 2013 was originated during the year**

€1,079 million collected during 2013 from FADE issuances

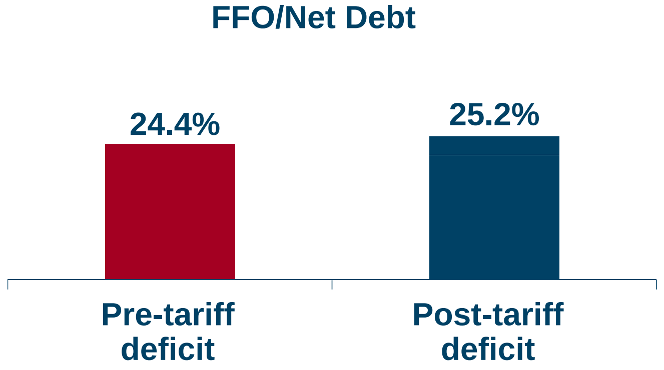
Note:

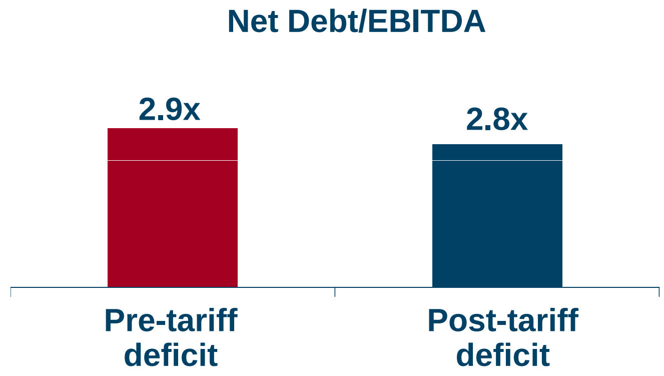
1 Includes €12 million of interest accrued on tariff deficit for past years

A sound capital structure

Solid cash flow and leverage ratios…

(December 31, 2013)





… supported by a strong capital structure…

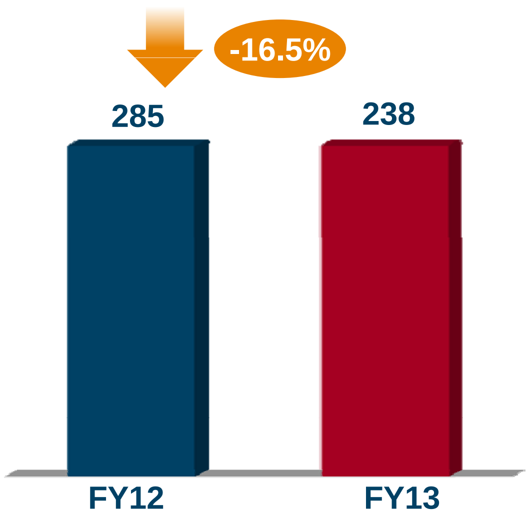
- Diversified debt maturity profile
- 82% at fixed interest plus next years' rates fixed in a low scenario bring a predictable and stable cost of debt
- No FX risk: subsidiaries financed in local/denominated currency

… and a competitive cost of debt (4.2%)

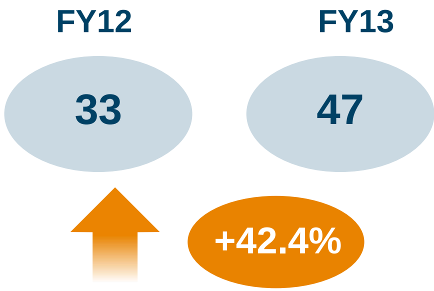
4 Analysis of operations

Distribution Europe
Electricity

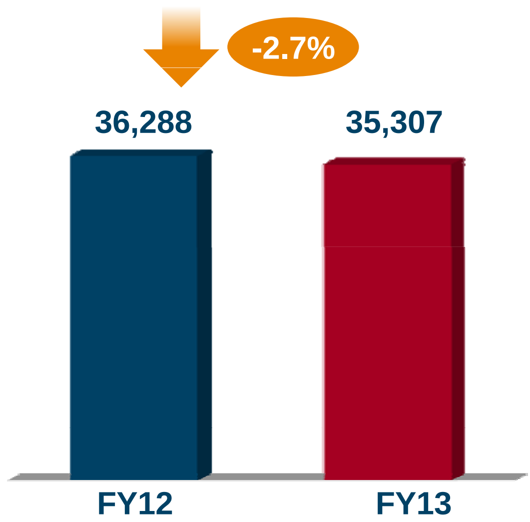
Investments
(€ million)



TIEPI[1] (Spain)
(minutes)



Sales
(GWh)

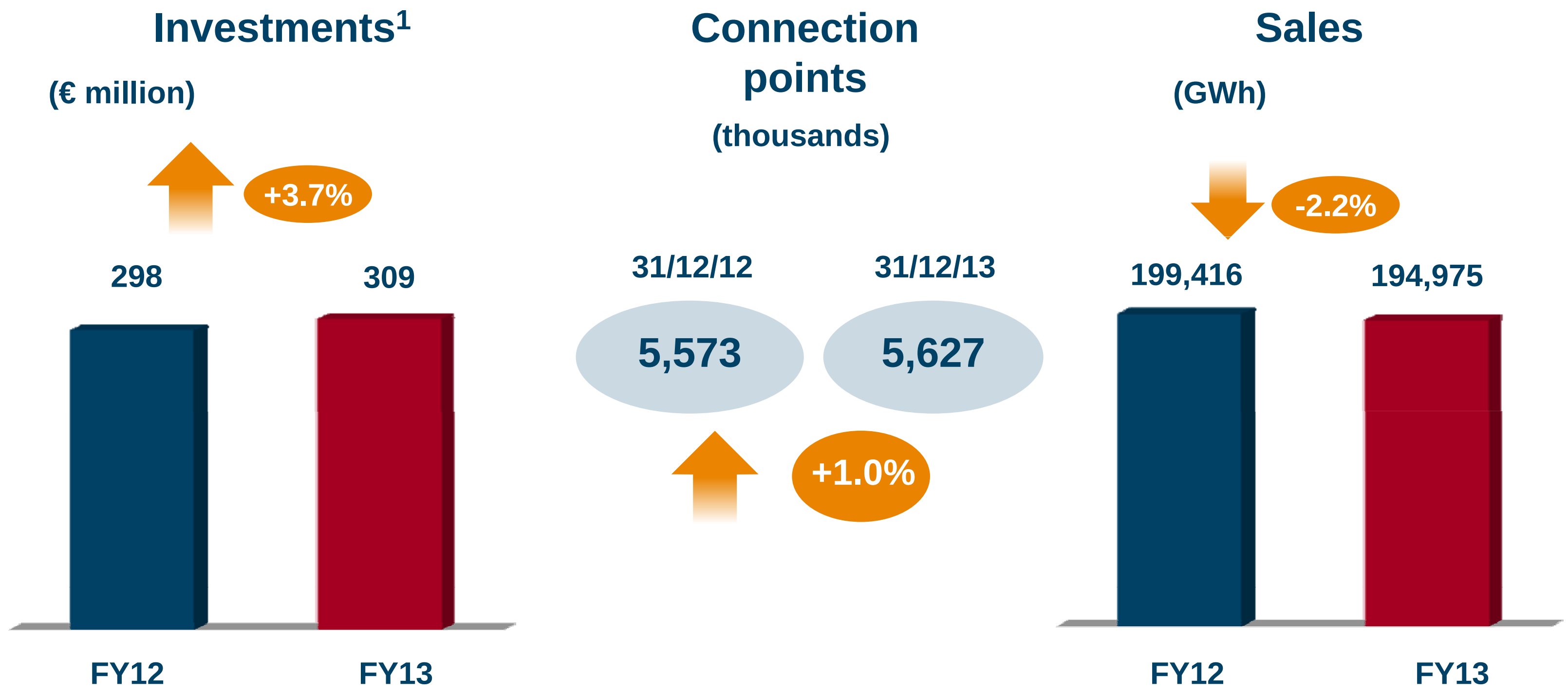


- Lower sales in Spain, in line with average fall in demand for the country

Recent regulatory measures lead to lower opex and capex

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

Distribution Europe
Gas



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

Remuneration of Spanish gas distribution for GNF in 2014 of €1,108 million (+0.1%)[2]

Notes:

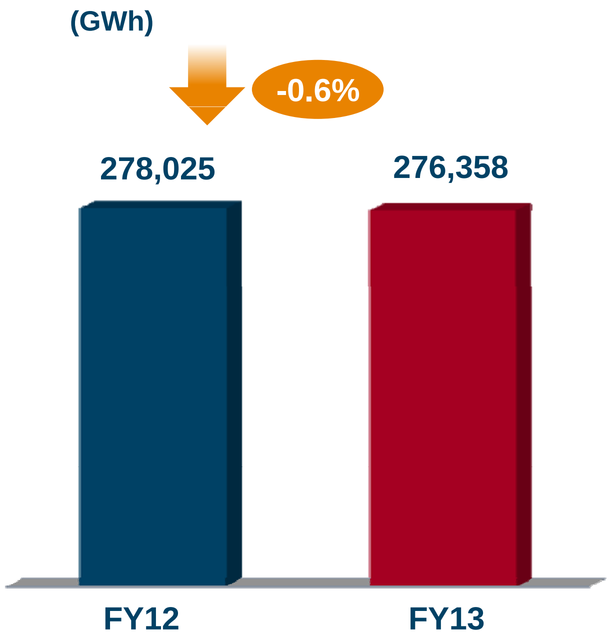
1 Tangible and intangible

2 Transportation included

Energy

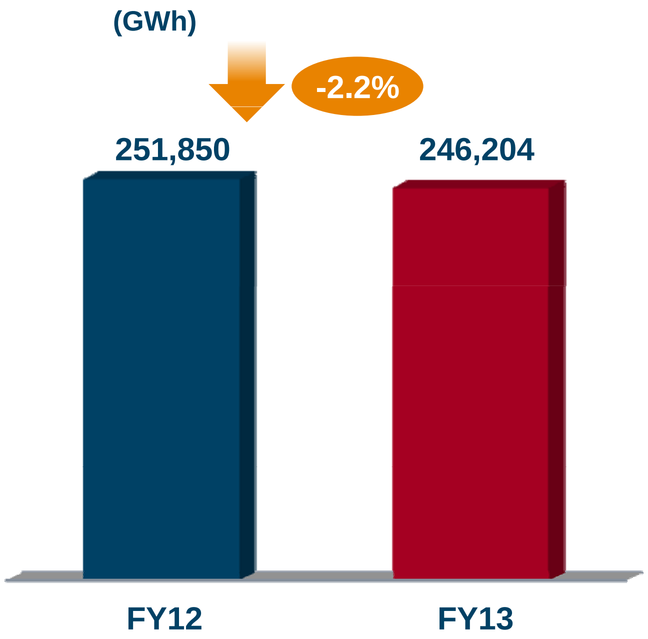
Gas and electricity demand in Spain

Conventional gas demand



Source: Enagas

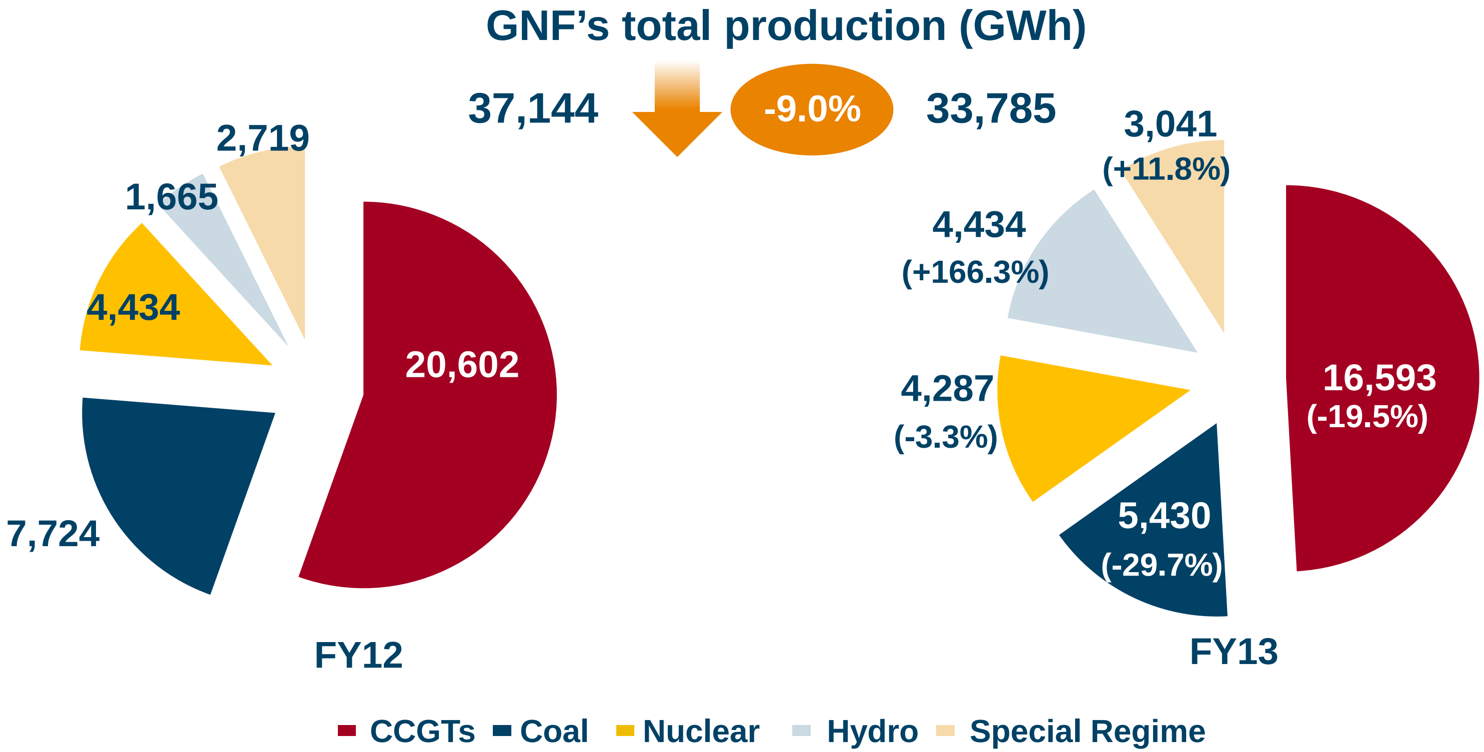
Electricity demand



Source: REE

Weaker Spanish economy reflected in lower electricity demand despite a stable conventional gas demand

Energy
Electricity in Spain



- Thermal technologies decrease their output after higher hydro and wind production in the period

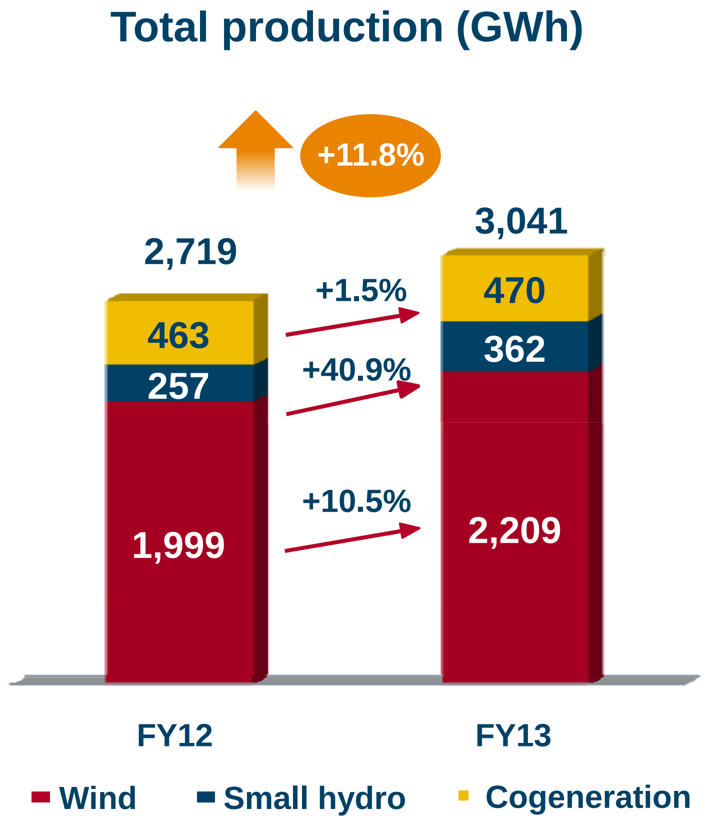
Impact of Law 24/2013 on this activity still to be appraised

Energy
Electricity Spain

Production from ordinary regime	30,744 GWh	-10.7%
Sales of electricity	32,942 GWh	-8.3%
Weighted average pool price	44.3 €/MWh	-8.7%

Total EBITDA impact of -€379 million from both tax measures and RDL 9/2013

Energy
Special regime



- **Wind-powered production boosted by higher wind factor in the period**
- **Heavy rainfall in the period leads to a significant growth in small hydro production**
- **New small hydro projects in Galicia commissioned in 4Q13 (39 MW)**

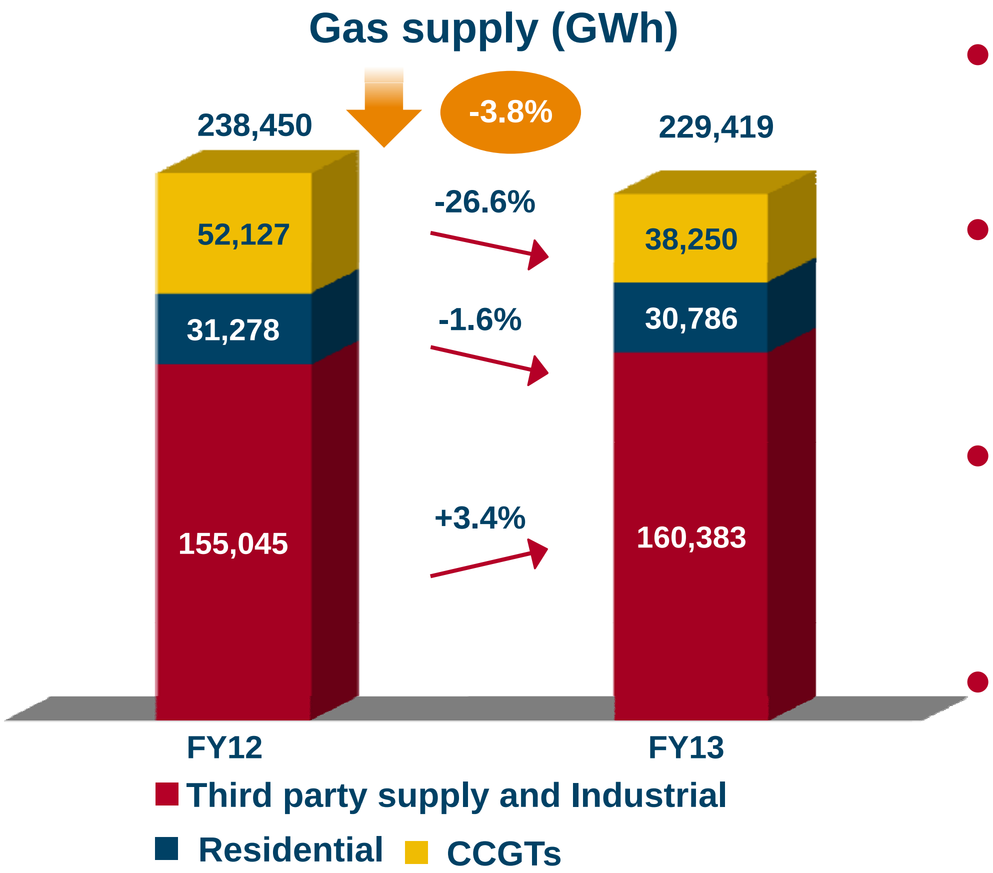
Results include a total -€42 million impact from both tax measures and RDL 9/13[1]

Note:

1 Estimated impact for special regime, pending developments of RDL 9/2013

Energy

Gas supply in Spain



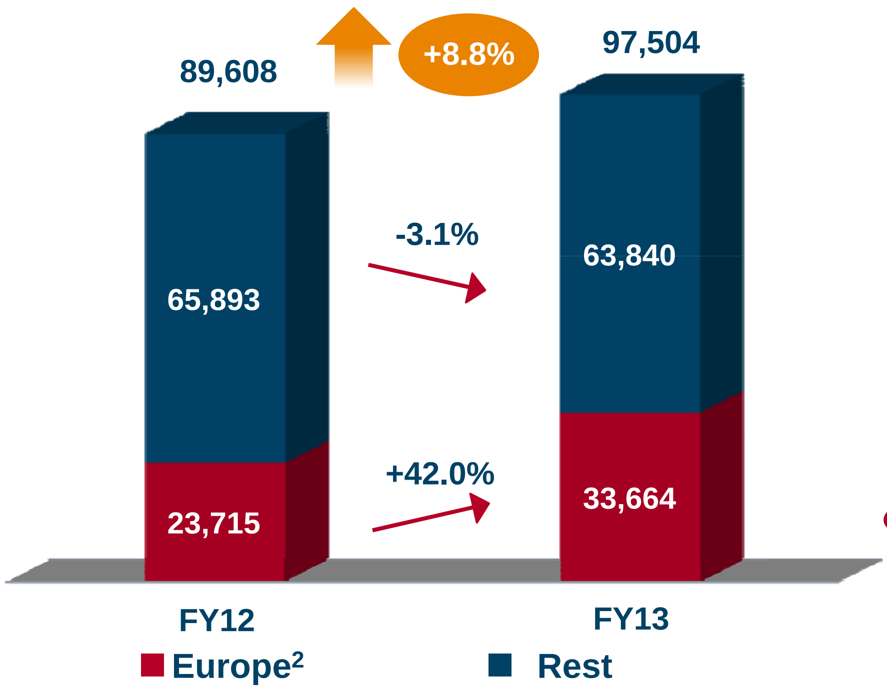
- GNF's sales to conventional segment +2.1%
- Growth in customer portfolio enables leadership in each end market segment
- 11.2 million active retail contracts for gas, electricity and services
- Expansion of customer portfolio: 1.7 million new residential and 114,000 new commercial contracts

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
  - Expansion of commercial operations in central Europe, Italy and Portugal
  - Circumstantial limited reduction in other markets, expected to rebound in the near future
- Average contract duration of 2 years

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

Notes:

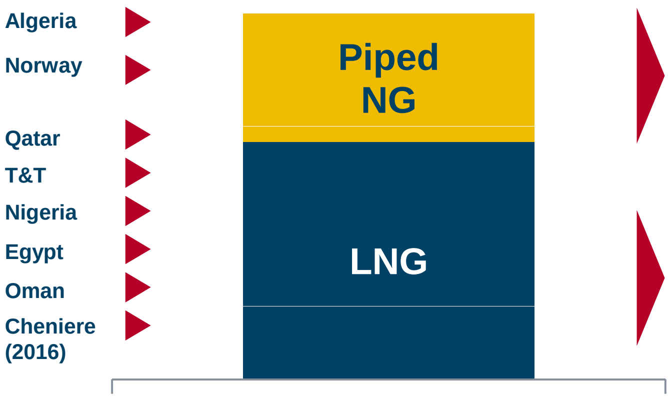
1 Does not include UF Gas

2 Sales to end customers, including retail supply in Italy

Energy

An integrated gas business model

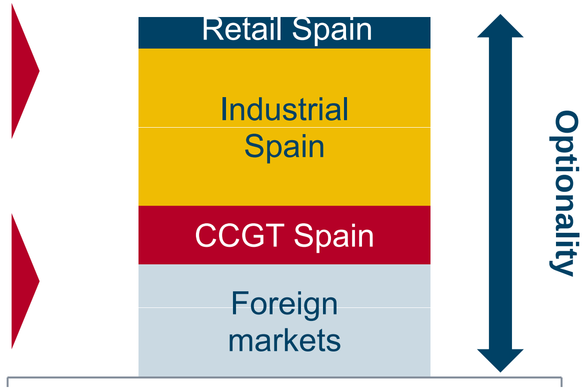
A diversified portfolio of NG and LNG…



EMPL + Medgaz

Fleet of tankers

…complemented with a diversified array of end markets



- LNG provides flexibility of destination given majority of FOB vs. DES
- Diversifying indexation in procurement contracts
- Cheniere contract coming on line in 2016

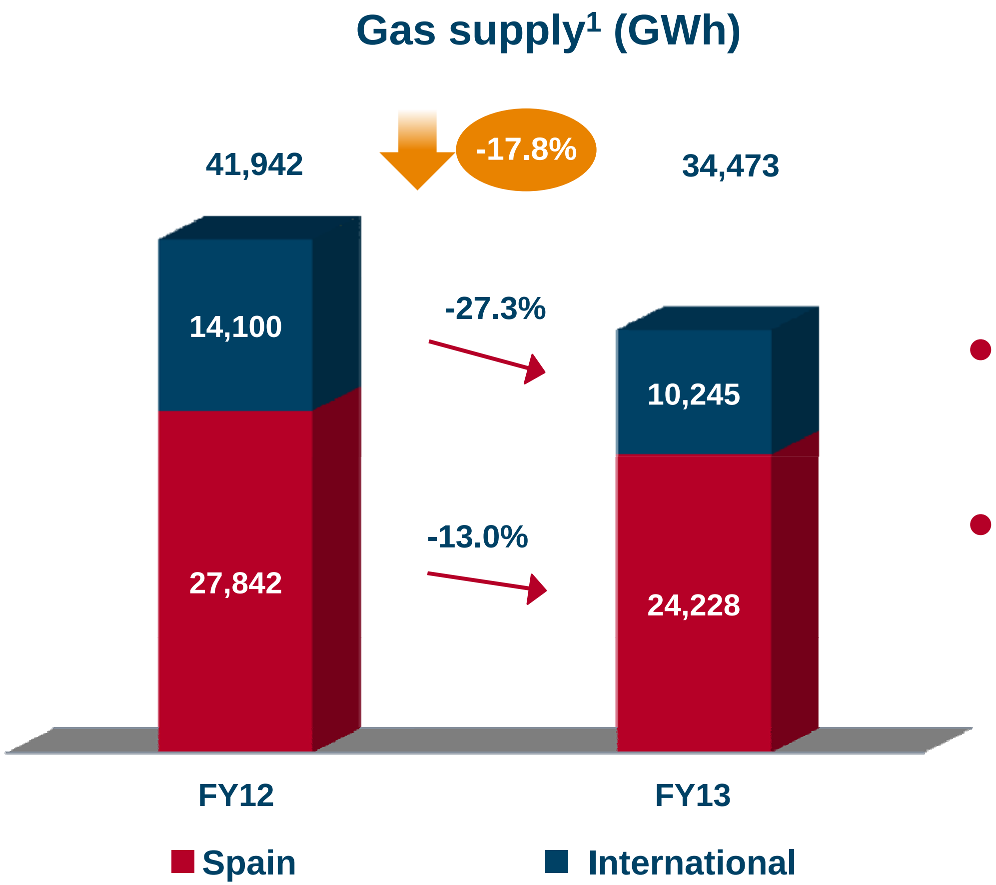
- Fleet optimization in 2014-2015
- Medgaz ramp-up
- New tanker operational in 2014
- 4 newly built tankers contracted

- Ability to implement combined gas and electricity strategy on a daily / weekly basis
- International LNG sales doubled to 47% in 2013 vs 21% in 2009

A business model which provides a commodity hedge, allowing optimisation

Energy

UF Gas



- Absence of gas deliveries from Egypt in 2013
- Partially lower gas sales, both in Spain and foreign markets

EBITDA[1] (supply and infrastructures) of €123 million (-52.0%)

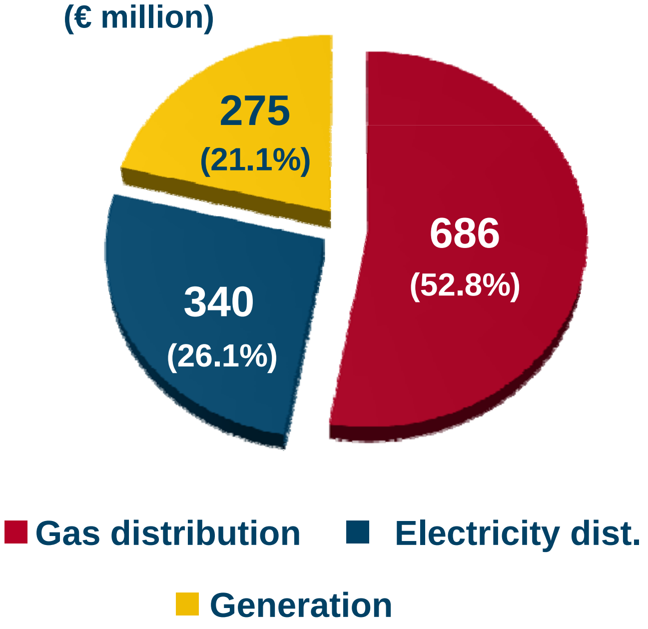
Note:

1 50% attributable

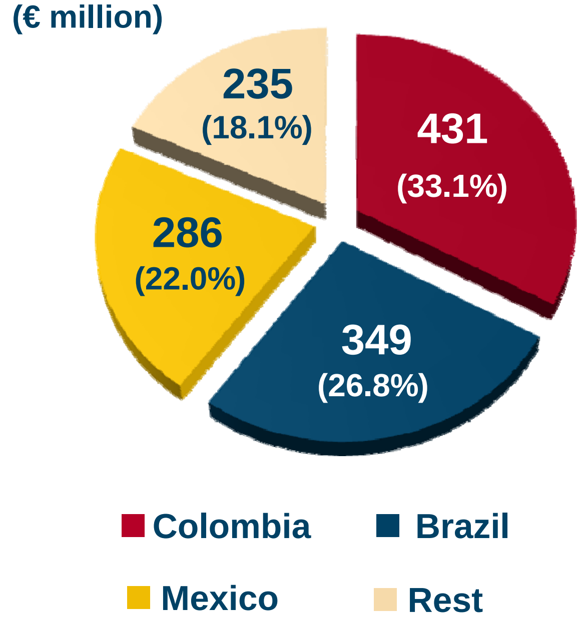
Latin America (I)

EBITDA breakdown

EBITDA by activity
EBITDA: €1,301 million



EBITDA by country
EBITDA: €1,301 million



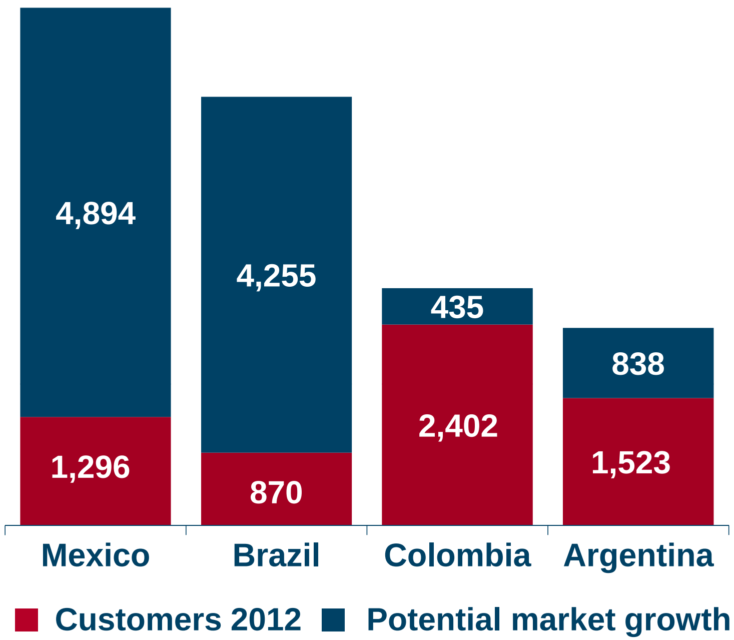
- EBITDA growth +€134 million in local currency offset by -€100 million impact from currency translation differences, mainly Brazil

Benefiting from business and geographical diversification

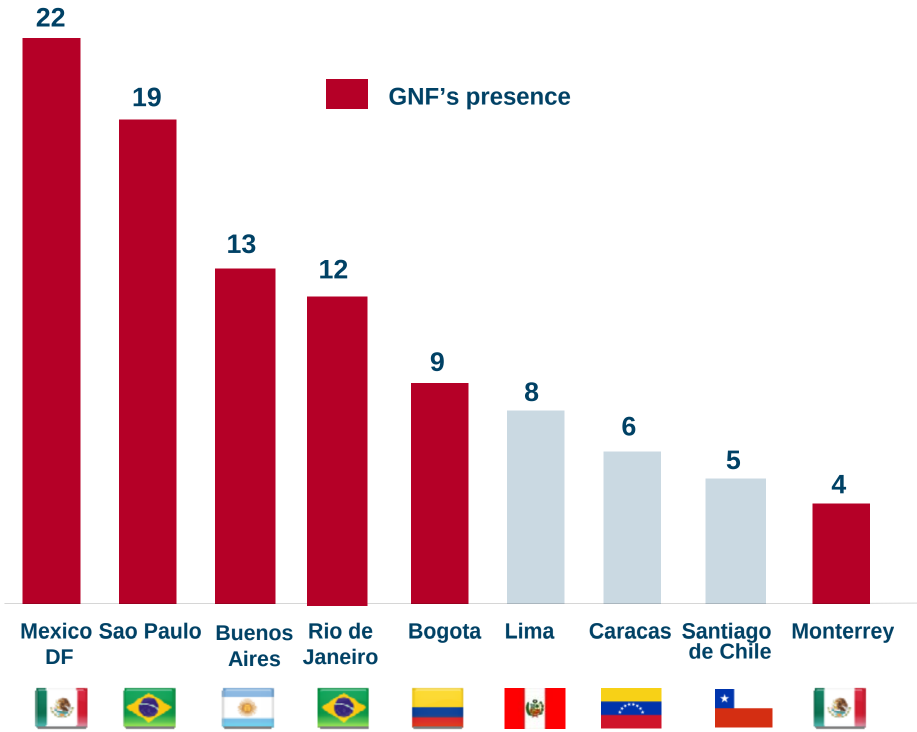
Latin America (II)

Positioned to exploit growth in the region

Gas residential customers' growth potential (thousands)



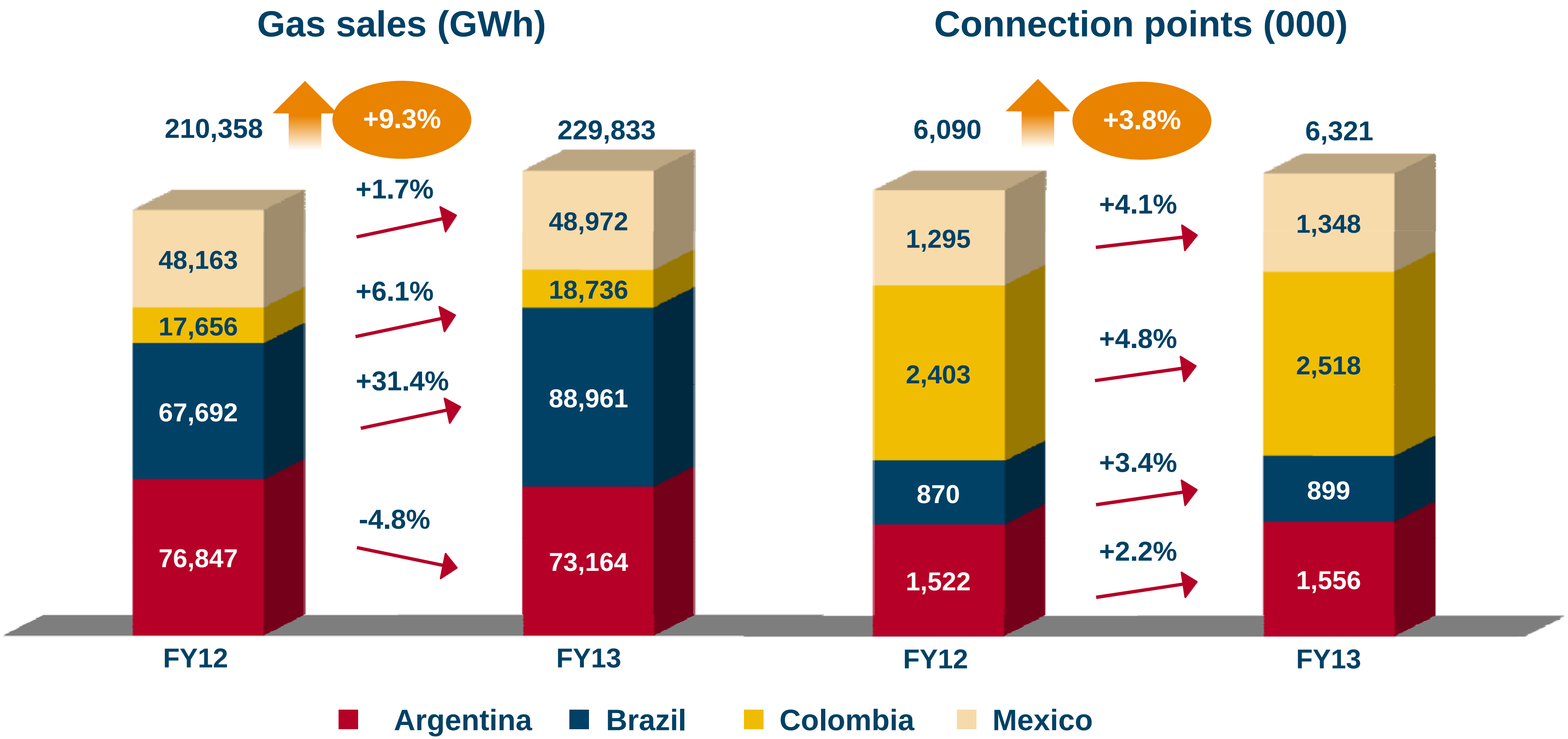
Population in main urban areas (million)



High growth potential for residential markets in our gas distribution franchises

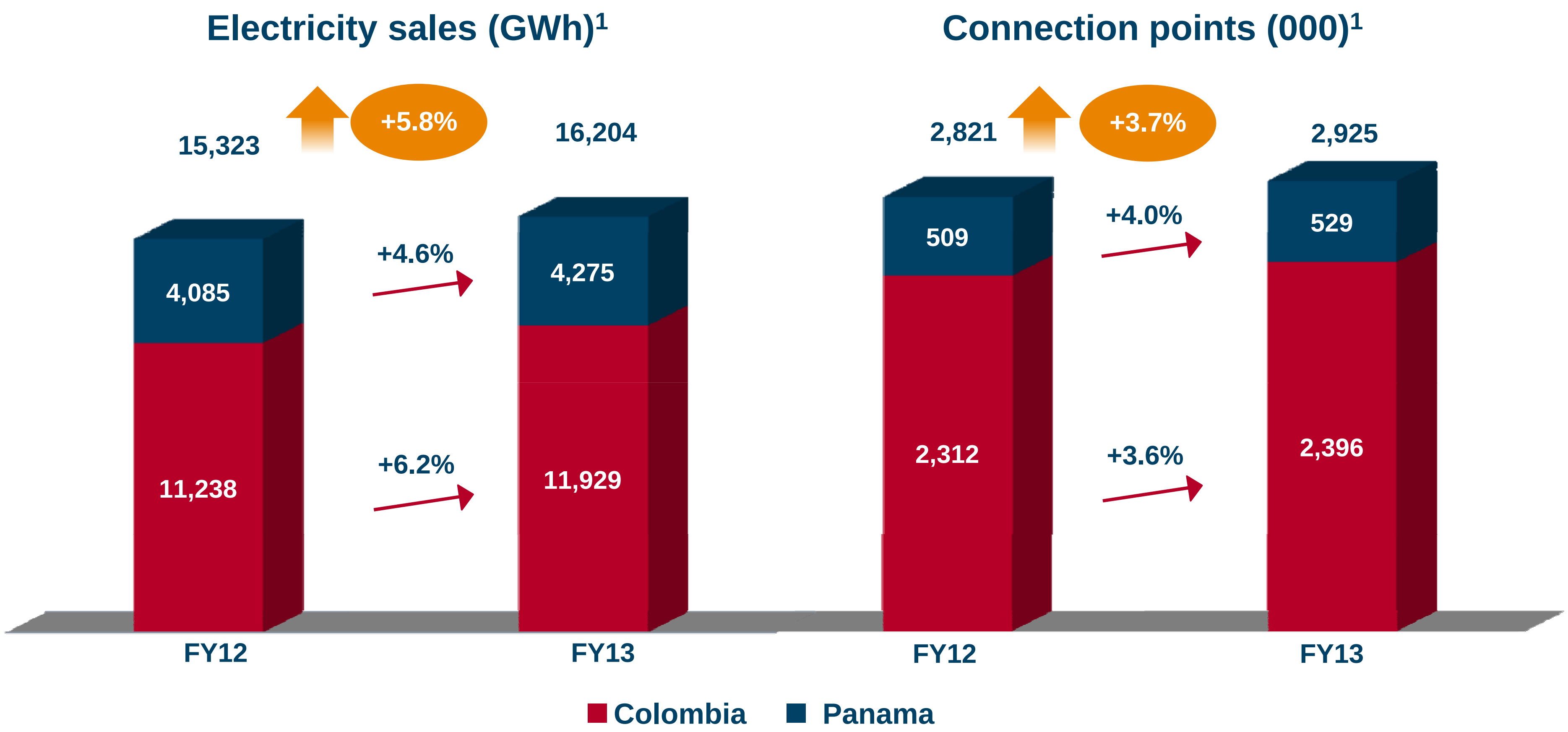
Latin America (III)

Gas distribution



Gas demand in 2013 boosted by power generation in Brazil

Latin America (IV)
Electricity distribution

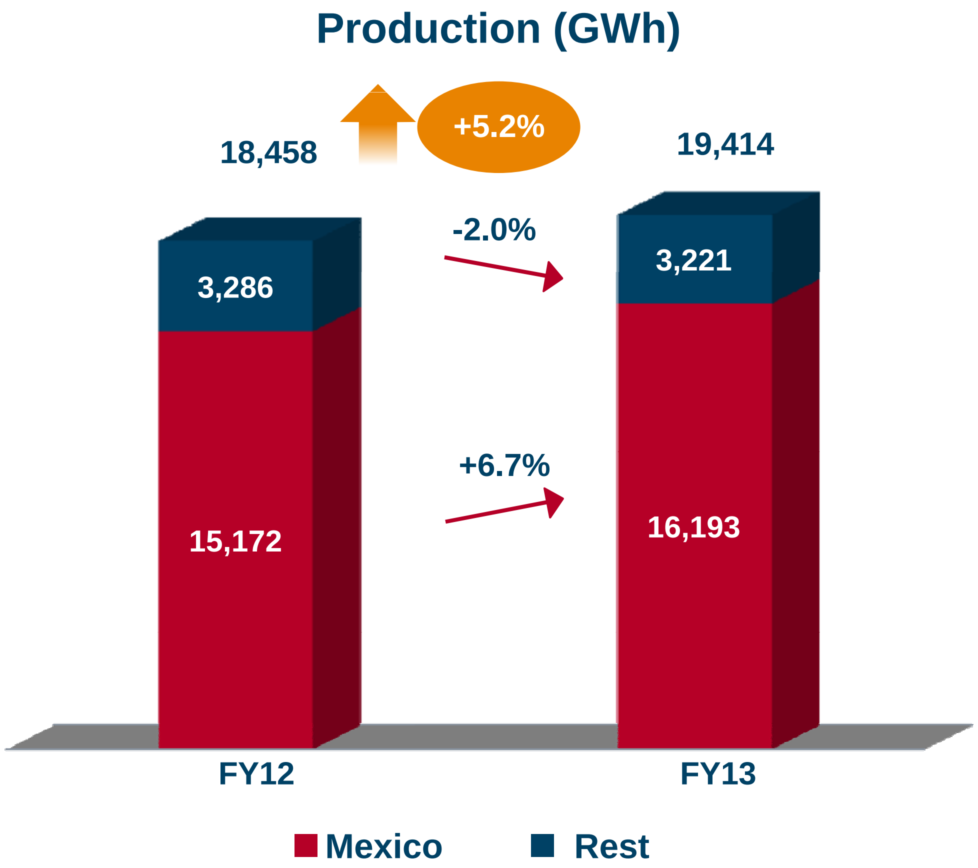


EBITDA of €340 million (-7.1%) impacted by disposals and currency translation of exchange differences

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

Latin America (V)

Generation



- Higher dispatching levels in Mexico and Puerto Rico
- New projects under development:
    - Torito: 50 MW hydro in Costa Rica
    - Bii Hioxo: 234 MW wind farm in Mexico

EBITDA grows +5.4% to €275 million

5 Conclusions

Conclusions

Our balanced business mix allows a solid and reliable performance

EBITDA +0.1% despite asset disposals and regulatory changes and Net Income +0.3%

Successful deleveraging and lengthening of average life of debt achieved within a short time frame

Recent strategic update redefines the future development of the group's activities in accordance with an added value approach

Cash dividend payment against 2013 results represents a 62.1% payout, consistent with Strategic Plan 2013-2015

Thank you

INVESTOR RELATIONS

telf. 34 934 025 897

fax 34 934 025 896

e-mail: relinversor@gasnaturalfenosa.com

website: www.gasnaturalfenosa.com