

First Quarter 2014 Results (1Q14)

May 6, 2014



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Agenda



- 1. Highlights**
- 2. Financials**
- 3. Analysis of operations**
- 4. Conclusions**



Highlights

Highlights for 1Q14



- New regulation on electricity in Spain (RDL 9/2013, in force since July 2013)
- Evolution of Latin American currencies
- Mild weather in southern Europe during first months of 2014



- Growth in gas distribution networks in both Europe and Latin America
- Good performance from Latin American gas and electricity markets
- Efficiency plan
- International gas markets

1Q14: challenging environment compensated by GNF's efficient management

Confidence in fulfilling the targets set in the 2013-2015 Strategic Plan

Key financial indicators



Net Income: €402 million (-2.3%)¹

EBITDA: €1,224 million (-4.7%)¹

Investments: €357 million² (+84.0%)¹

Net Debt: €14,172 million³ (-0.6% vs 31/12/13)¹

Notes:

- 1 Changes vs 1Q13 after restatement of 1Q13 figures to IFRS 11
- 2 Tangible and intangible
- 3 Net debt of €13,606 million excluding tariff deficit for 2013 and withholdings on 2014 payments made by CNMC

IFRS 11



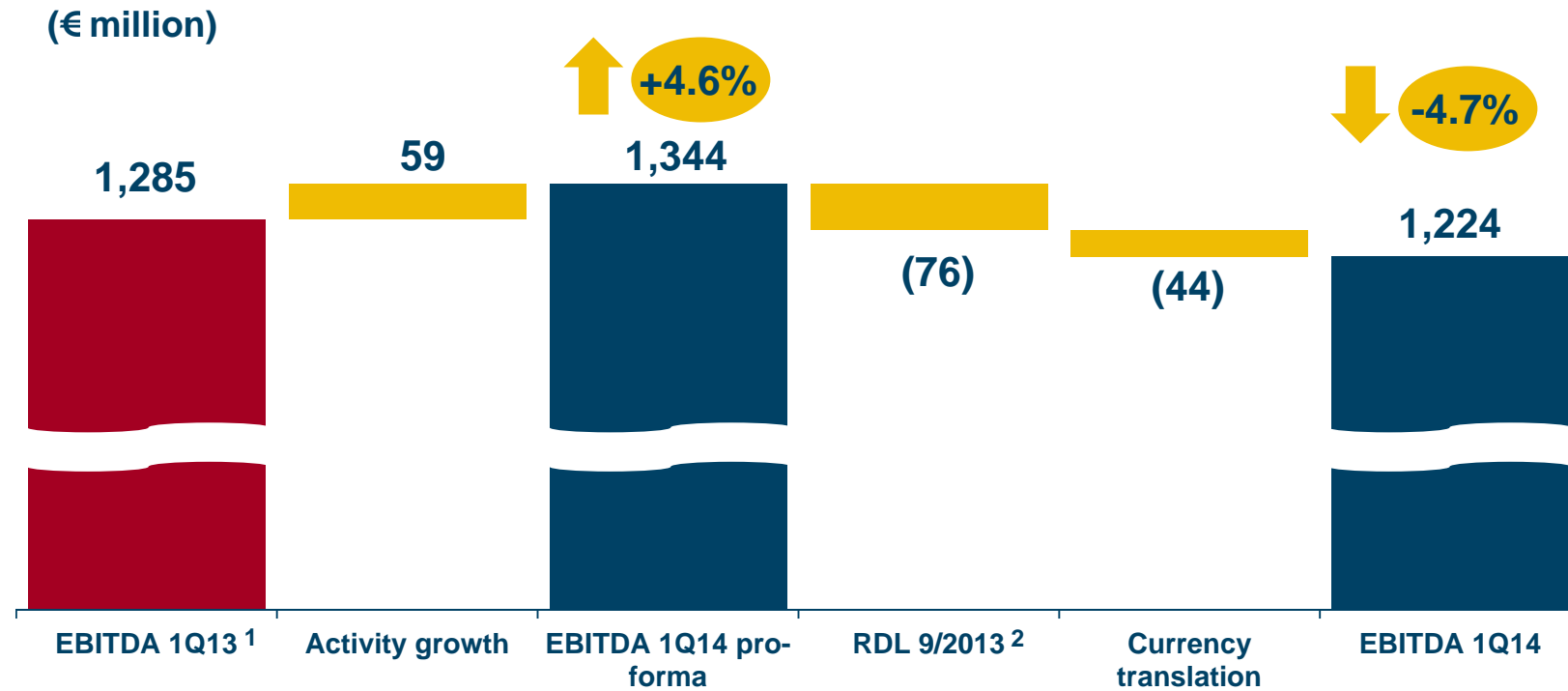
- As from 1 January 2014, IFRS 11 is mandatory, so the equity method is now used for the accounting of joint ventures.
- The following table shows the restatement to IFRS 11 of GNF's 1Q13 figures:

(€ million)	1Q13 as reported	1Q13 IFRS 11	Change
Net Income	411	411	-
EBITDA	1,329	1,285	(44)
Investments	206	194	(12)
Net Debt	15,944	15,440	(504)

EBITDA change breakdown

UF Gas	(13)
Ecoeléctrica	(19)
Renewables	(10)
Other	(2)

EBITDA 1Q14 vs 1Q13



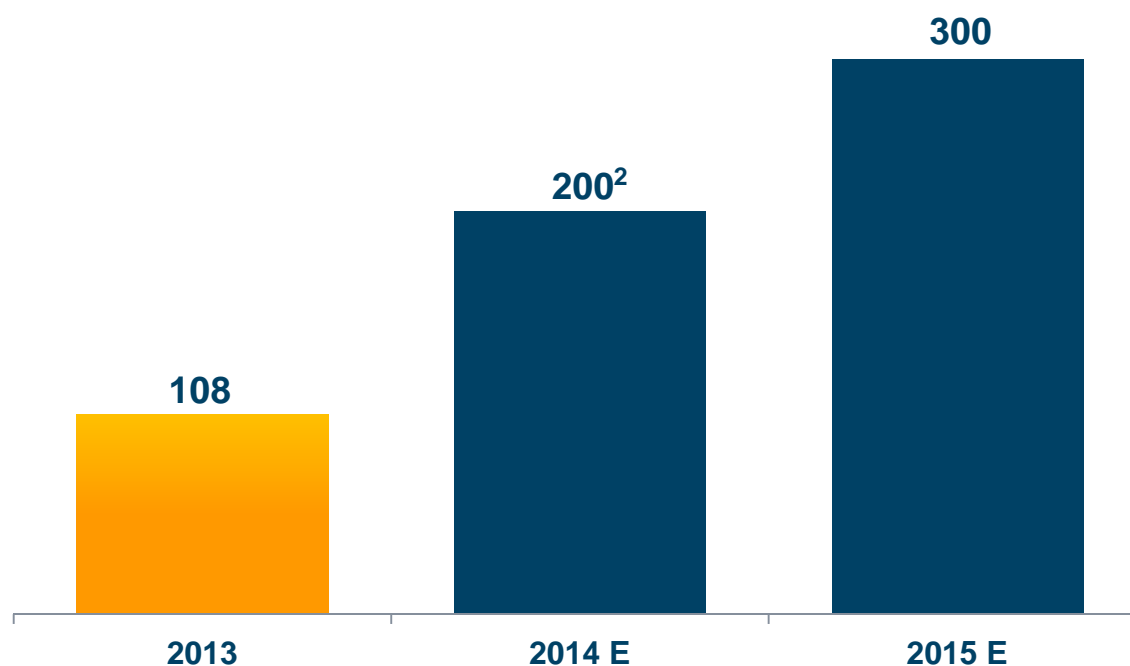
Operational improvements offset by translation of currency exchange differences and impact from RDL 9/2013²

Note:

- 1 Restated for comparative purposes under IFRS 11
- 2 Impacts on Electricity, both liberalized and regulated (formerly "Special Regime") and electricity distribution in Spain. RDL 9/2013 having been in effect from 14 July 2013 therefore without impact on 1Q13.

2013-2015 Efficiency plan

Cost savings on EBITDA¹ (€million)



Key initiatives in 2013-2014

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

Achieved €143 million at end 1Q14, in line with targets set in the Strategic Plan 2013-2015

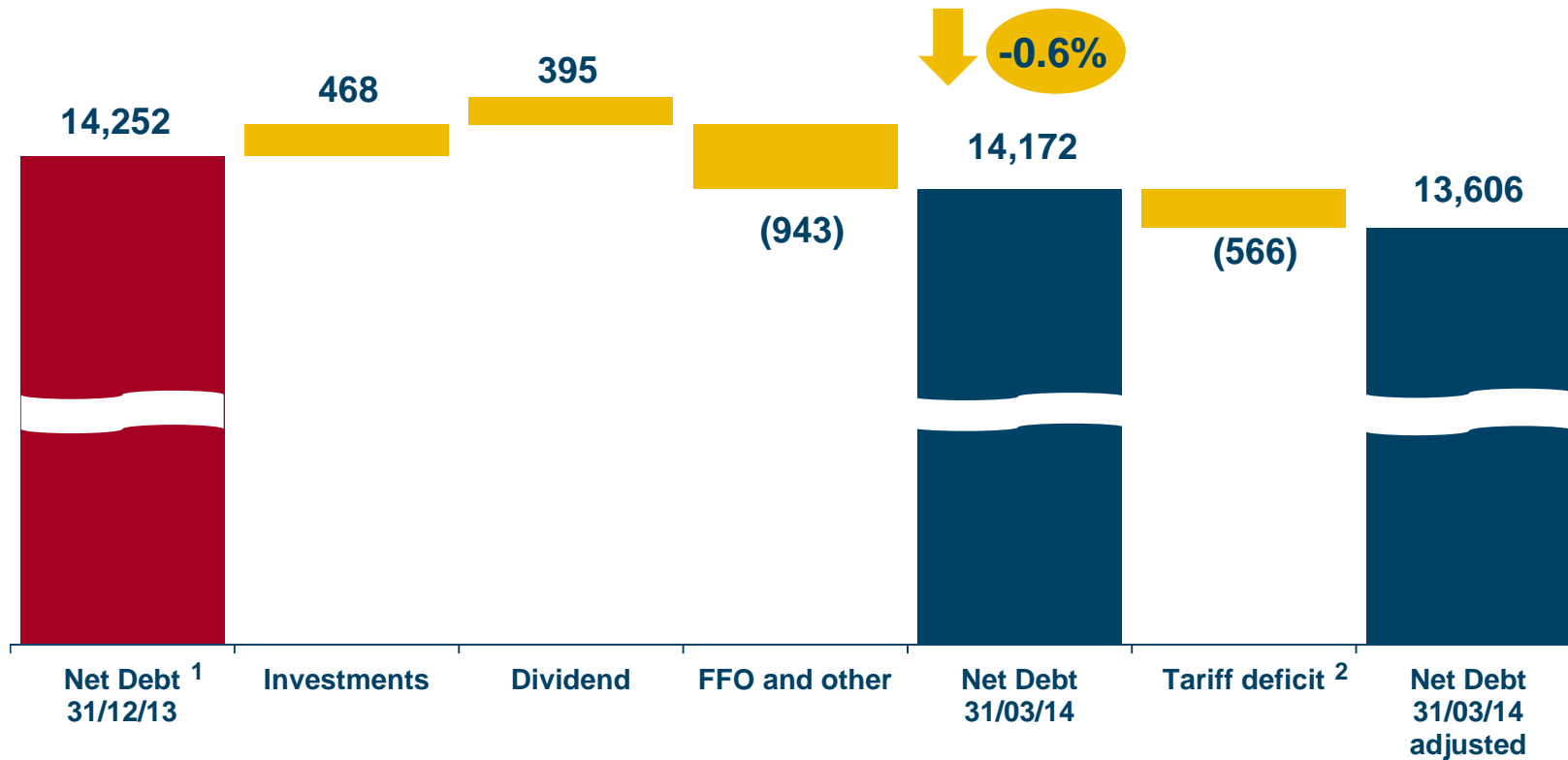
Notes:

- 1 Restated under IFRS 11
- 2 €35 million achieved in 1Q14

Net Debt evolution



(€million)

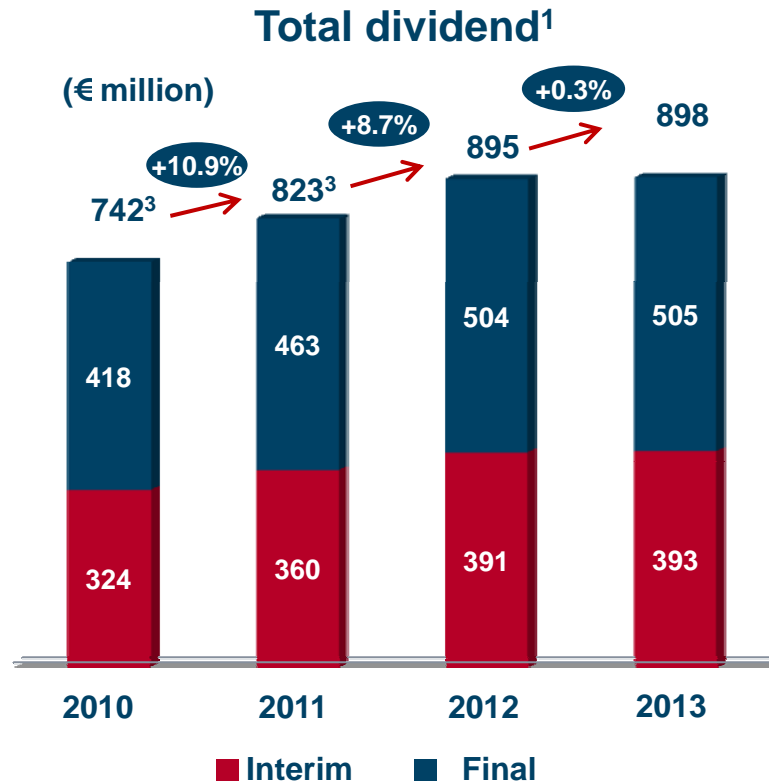


Solid cash flow generation in 1Q14 allows for Net Debt reduction despite investments, dividend payment and tariff deficit

Notes:

- 1 Restated for comparative purposes under IFRS 11
- 2 €496 million tariff deficit for 2013 and €70 million withheld by CNMC against 2014 payments

Shareholder remuneration



- 2013 dividend¹ approved at Shareholders' AGM on 11 April 2014 (€0.897/share) 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

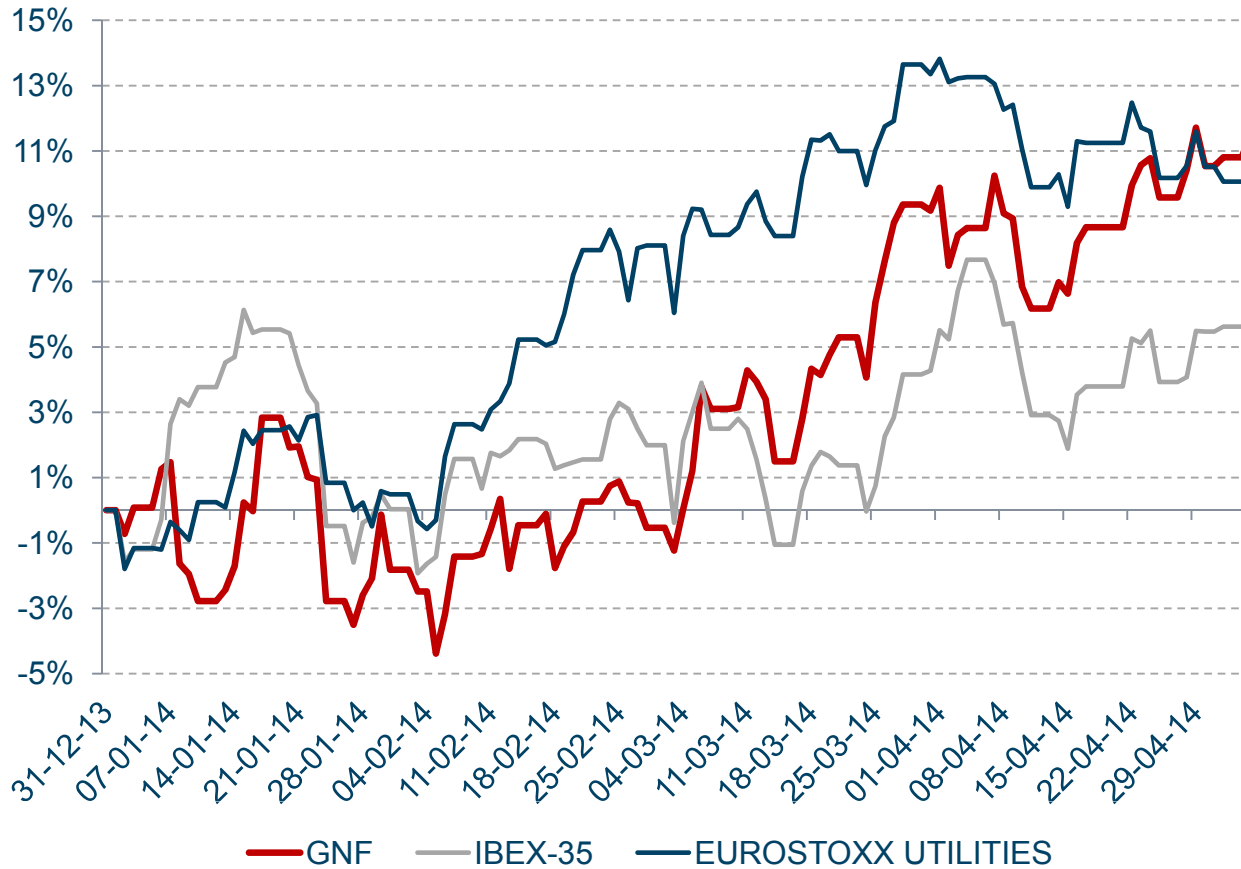
Notes:

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 against 2010 and €82 million against 2011 results

Share price performance



	<u>1Q14</u>	<u>Until 5/5/14</u>
GNF	+9.2%	+11.5%
IBEX-35	+13.4%	+10.2%
EUROSTOXX UTILITIES	+4.3%	+5.7%

Market performance in 1Q14 (+9.2%) above IBEX-35; to date (+11.5%) above IBEX-35 and European peers

Electricity sector reform (I)

Current status of new legislation



Approved

- RD-Law 9/2013 on urgent measures
- Law 24/2013 on electricity sector
- RD 1048/2013 on distribution
- RD 1047/2013 on transmission
- Order IET/2013/2013 on interruptibility
- RD 216/2014 on new methodology to calculate regulated tariff (PVPC)

Pending approval

- RD on renewables, cogeneration and waste
- RD on capacity payments, mothballing and wholesale market
- RD on supply
- RD on self-generation
- RD on extrapeninsular generation
- Model of new electricity bill

A series of important measures still pending to be approved

Electricity sector reform (II)

Balance for 2014E



Regulated costs and revenues

(€million)	2014E	Change 14/13 (%) ¹
Revenues	19,215	11.9
System costs	6,620	(1.5)
Transmission	1,563	(2.6)
Distribution	5,036	(1.3)
Other	22	9.7
Associated costs	12,580	(12.3)
Subsidies ²	9,376	(22.4)
Debt service (principal + interest)	2,967	11.3
Other	237	-
Total costs	19,200	(8.8)
Shortfall (-)/Excess (+)	15	

Source: MINETUR, proposal for MO on access charges for 2014

MINETUR expects no significant shortfall for 2014

Note:

1 On values arising from settlement 14

2 Total subsidies, including renewables, extrapeninsular, interruptibility and coal

- **CNMC estimates a reduction in subsidies to renewables, cogeneration and waste to ~€7,000 million in 2014**

- **The above represents a fall of ~€1,700 million, with a higher emphasis on wind-powered generation**

Gas sector reform



Development of a gas hub in Spain

- The administration has begun to hold a series of meetings with industry agents with the intention of developing an organized secondary gas market

Review of remuneration of regulated activities

- No specific details on the issue known to date
- A new regulatory framework is expected to be approved during 2014

Regulatory issues different both in size¹ and nature from those for electricity sector

Note:

1 Cumulative Tariff Deficit as of December 31, 2013 amounts to €326 million as per latest CNMC data (settlement 14)

2

Financials

Consolidated income statement



(€million)	1Q14	1Q13 ¹	Change %
Net sales	6,284	6,649	(5.5)
Purchases	(4,460)	(4,712)	(5.3)
Gross Margin	1,824	1,937	(5.8)
Personnel, Net	(211)	(227)	(7.0)
Taxes	(115)	(145)	(20.7)
Other expenses, Net	(274)	(280)	(2.1)
EBITDA	1,224	1,285	(4.7)
Depreciation and impairment losses	(387)	(397)	(2.5)
Provisions	(47)	(55)	(14.5)
Other	-	8	-
Operating Income	790	841	(6.1)
Financial results, Net	(200)	(206)	(2.9)
Equity income	(1)	(10)	-
Income Before Tax	589	625	(5.8)
Corporate tax	(144)	(161)	(10.6)
Minority interest	(43)	(53)	(18.9)
Net Income	402	411	(2.3)

Note:

1 Restated for comparative purposes under IFRS 11

EBITDA breakdown



(€million)	1Q14	1Q13 ¹	Change	
			€m	%
Distribution Europe:	406	415	(9)	(2.2)
Electricity	153	159	(6)	(3.8)
Gas	253	256	(3)	(1.2)
Electricity:	199	233	(34)	(14.6)
Spain Liberalized	185	190	(5)	(2.6)
Spain Regulated ²	12	40	(28)	(70.0)
Other	2	3	(1)	(33.3)
Gas:	312	317	(5)	(1.6)
Infrastructures	71	67	4	6.0
Supply	241	250	(9)	(3.6)
LatAm:	274	305	(31)	(10.2)
Electricity Distribution	79	82	(3)	(3.7)
Gas Distribution	147	172	(25)	(14.5)
Generation	48	51	(3)	(5.9)
Other	33	15	18	-
Total EBITDA	1,224	1,285	(61)	(4.7)

Notes:

1 Restated for comparative purposes under IFRS 11

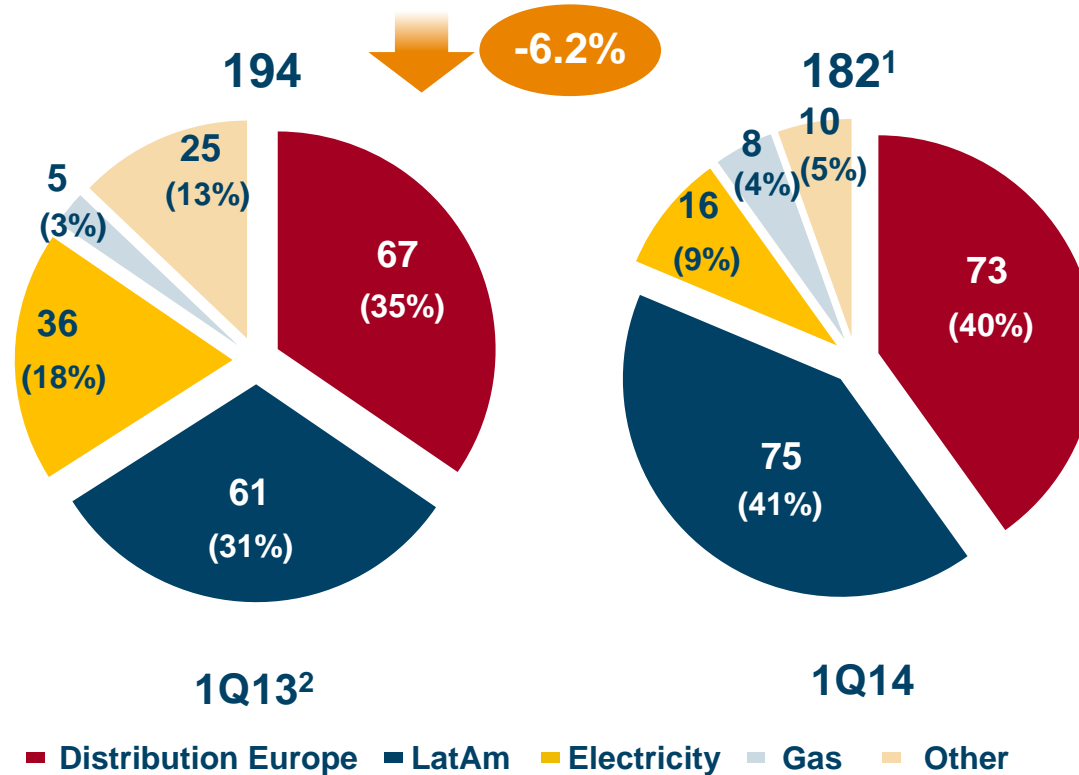
2 Formerly "Special Regime"

Investments

Tangible and intangible



(€million)



- In addition, €175 million corresponding to a new LNG tanker (under lease)

Capex focus on future growth vectors: gas distribution networks in Europe and LatAm activities

Notes:

1 Tangible and intangible investments; total investments of €357 million after adding €175 million from new tanker under lease

2 Restated under IFRS 11

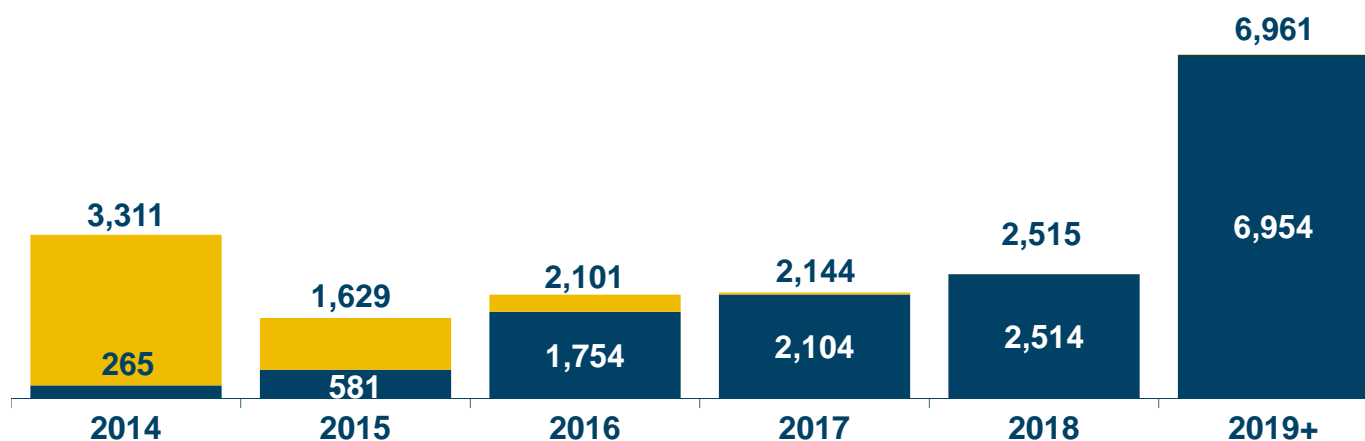
A comfortable Debt maturity profile

As of March 31, 2014

(€million)



■ Net Debt: €14.2 billion¹
 ■ Gross Debt: €18.7 billion



- Extending maturity of capital markets debt (new 10-yr bond, 2.875% coupon)
- Average life of Net Debt >5 years
- 82% of Net Debt maturing from 2017 onwards

All financial needs from 2014 to 2016 are already covered

Note:

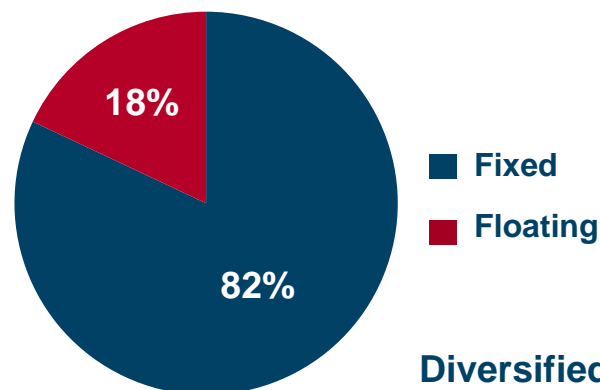
¹ Net debt of €13,606 million excluding tariff deficit for 2013 and withholdings on 2014 payments made by CNMC

An efficient Net Debt structure

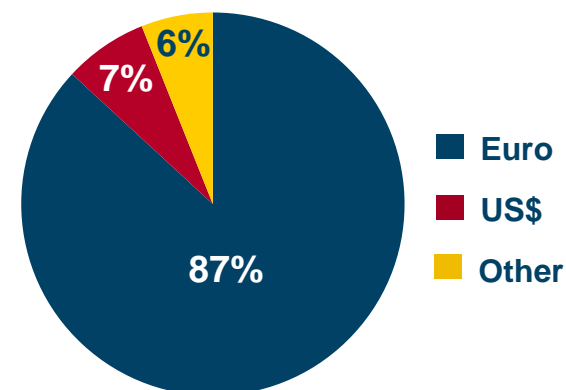
As of March 31, 2014



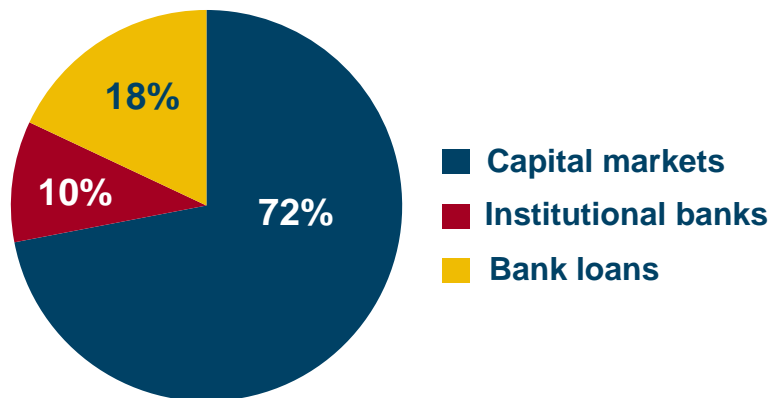
Majority of debt at fixed rate with very competitive cost



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, 2014

(€million)	Limit	Drawn	Undrawn
Committed lines of credit	7,246	246	7,000
Uncommitted lines of credit	171	85	86
Undrawn EIB loan	225	-	225
Cash	-	-	4,483
TOTAL	7,642	331	11,794

- Additional capital market capabilities of ~€2,300 million both in Euro and LatAm (Mexico, Panama and Colombia) programmes

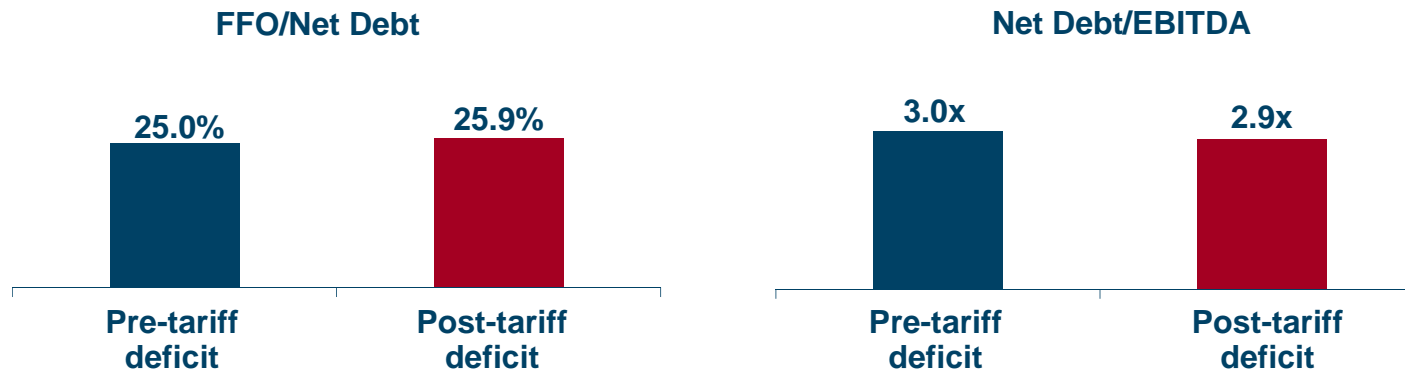
Enough liquidity available to cover needs for over 24 months

A sound capital structure



Solid cash flow and financial ratios...

(March 31, 2014)



... supported by a strong capital structure

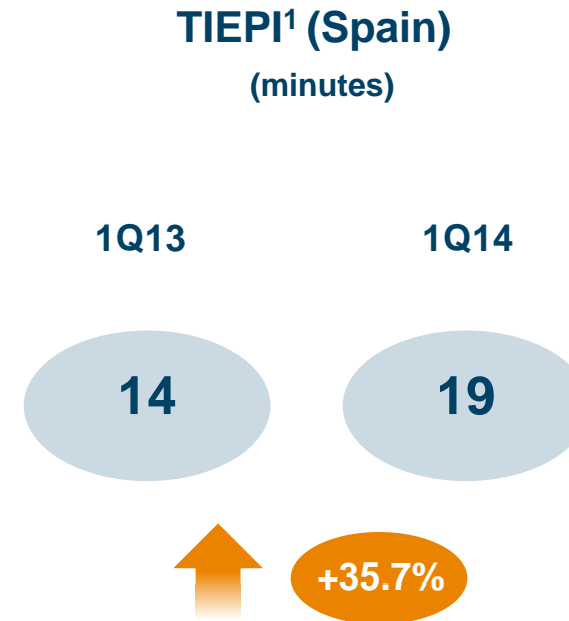
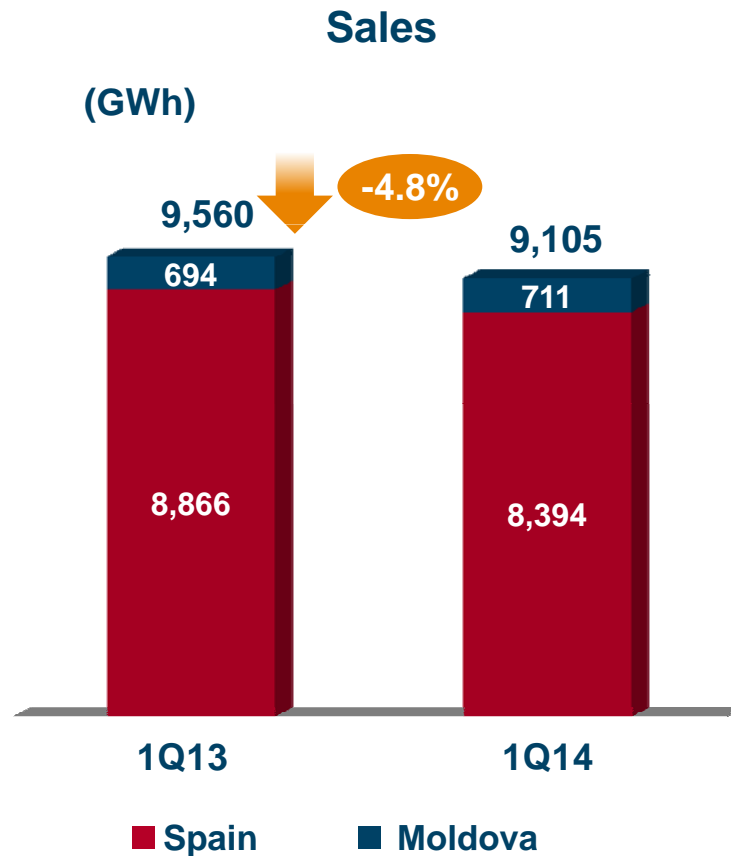
- Diversified debt maturity profile
- 82% at fixed interest plus next years' rates fixed in a low scenario bring a predictable and stable cost of debt
- No FX risk: subsidiaries financed in local/denominated currency



Analysis of operations

Distribution Europe

Electricity (I)



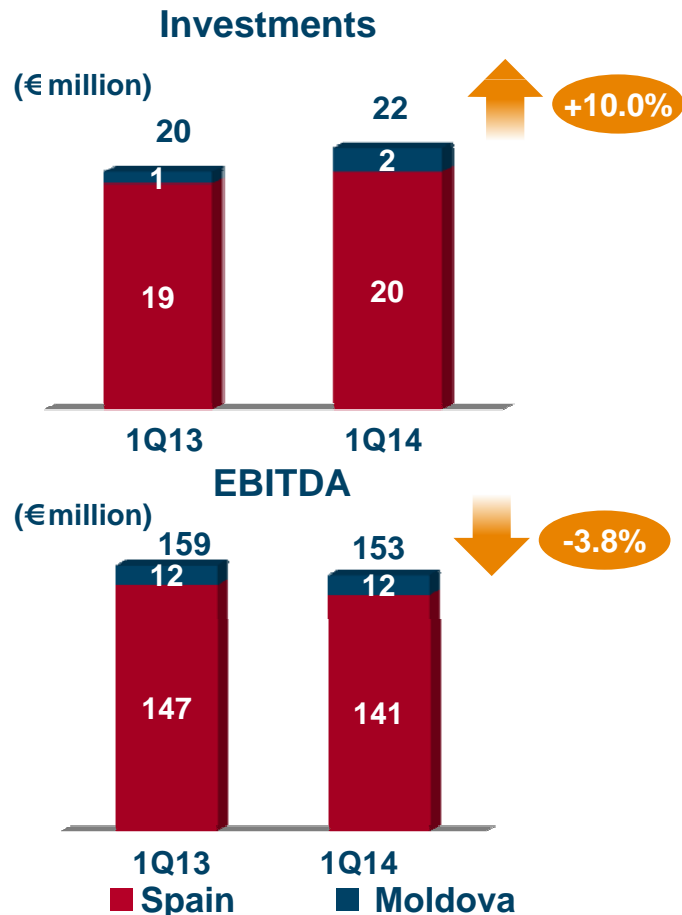
Lower electricity sales after falling demand in Spain due to mild weather and weaker markets

Note:

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

Distribution Europe

Electricity (II)



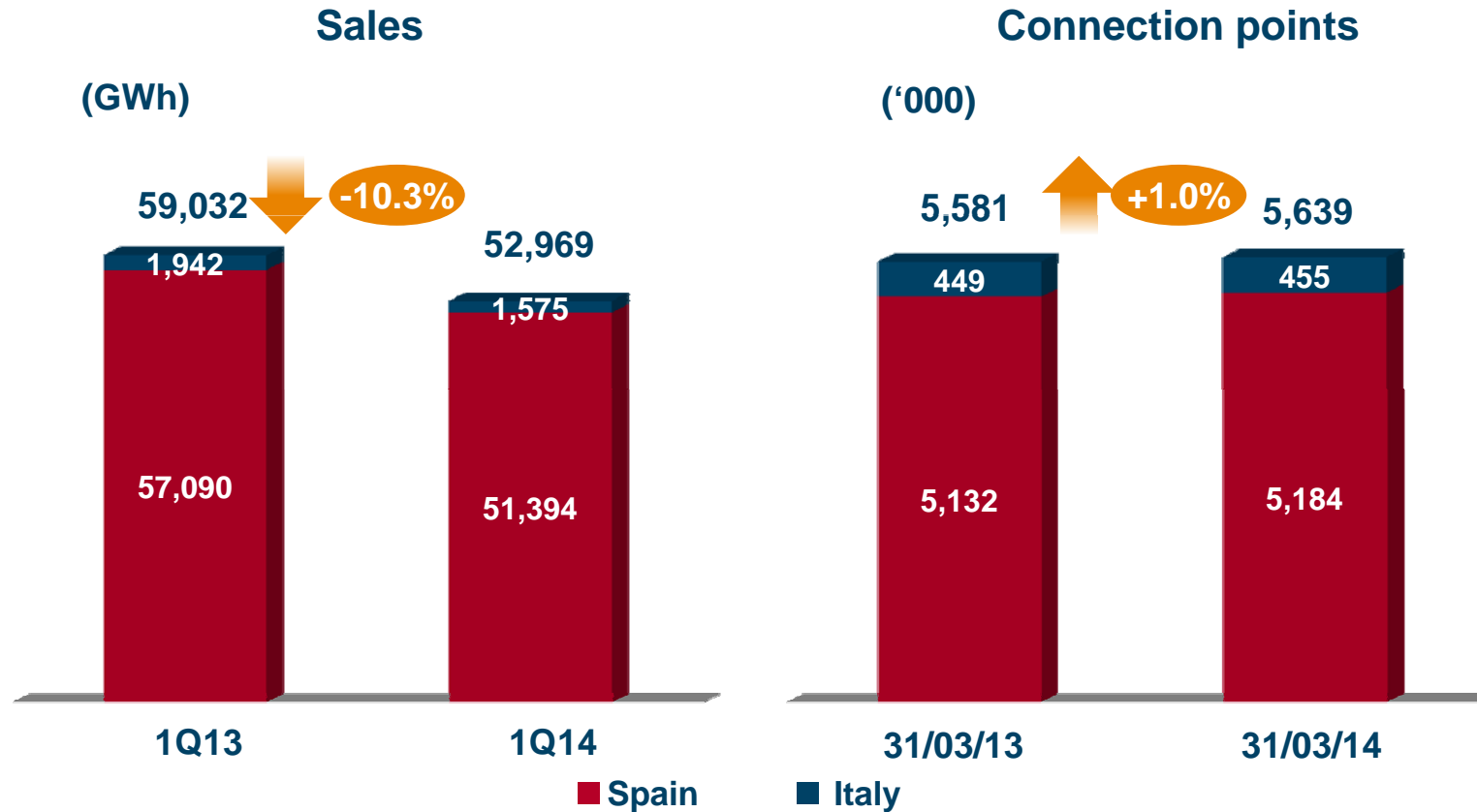
- 4.52 million connection points achieved at end of 1Q14
- Service quality in Spain remains within average for last years
- Recent regulatory measures lead to lower opex and containment in capex
- Efficiency plan with focus on electricity distribution

Results include impact from new regulation (RDL 9/2013)¹

Note:

¹ RDL 9/2013 having been in effect from 14 July 2013 therefore without impact on 1Q13

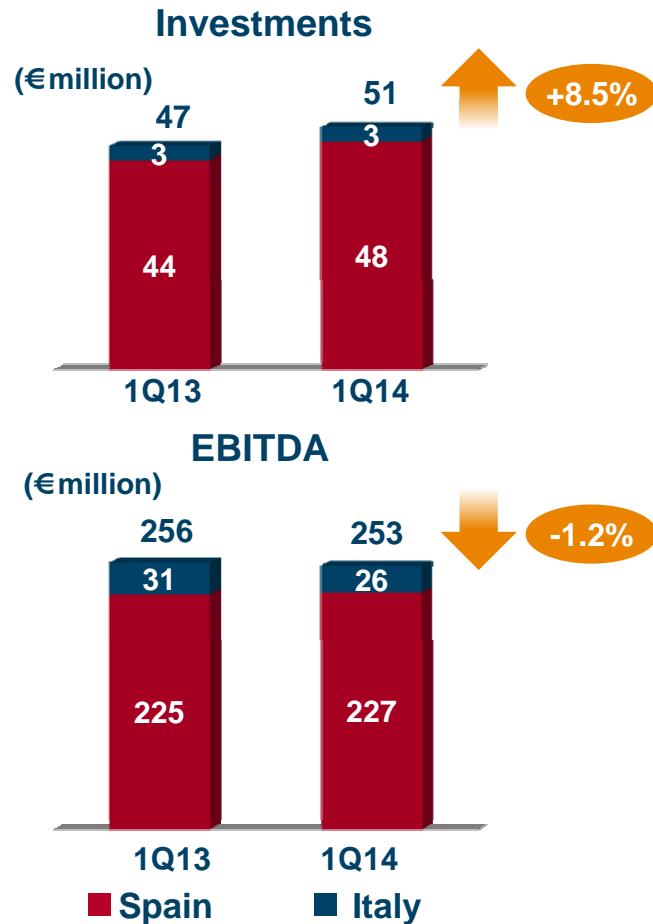
Distribution Europe Gas (I)



**Lower gas demand in Spain and Italy after a mild winter
Continued expansion of distribution networks**

Distribution Europe

Gas (II)



- Lower gas sales in Spain due to a very mild winter
- Italy includes both regulated distribution and liberalized retail supply
- EBITDA in Italy drops -16.1% after lower sales to retail supply due to mild weather in the quarter

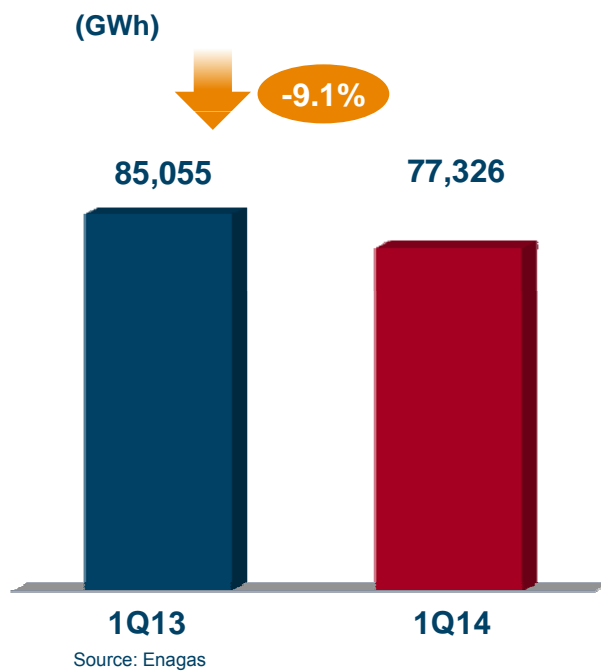
EBITDA suffering from a temporary weather-driven setback in Italy

Energy

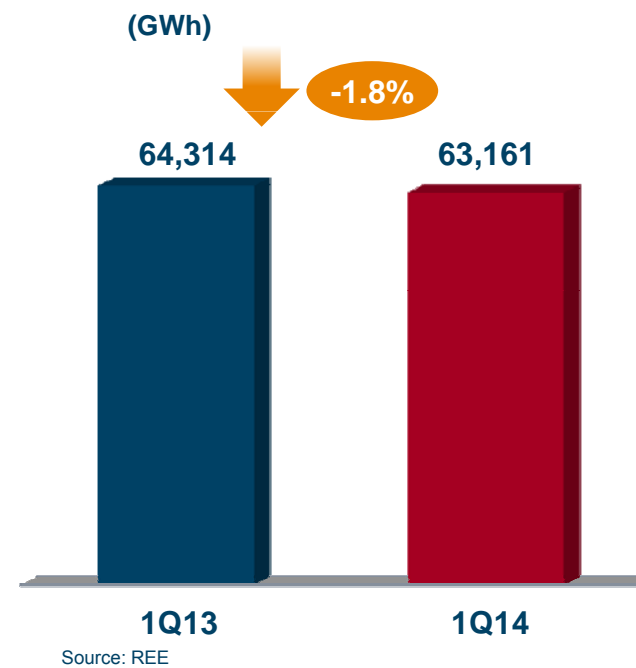
Gas and electricity demand in Spain



Conventional gas demand



Electricity demand



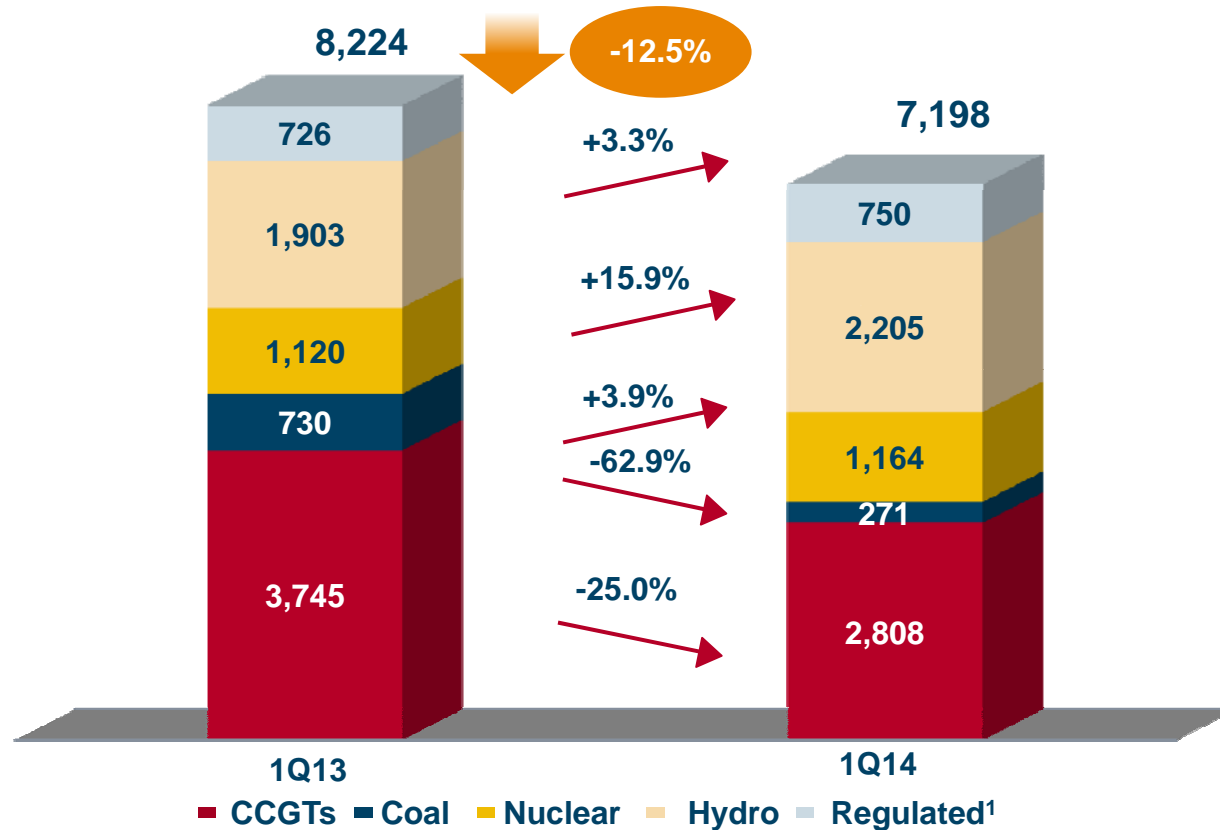
Gas demand depressed by milder winter which together with weaker markets also leads to lower electricity demand

Energy

Electricity in Spain



GNF's total production (GWh)



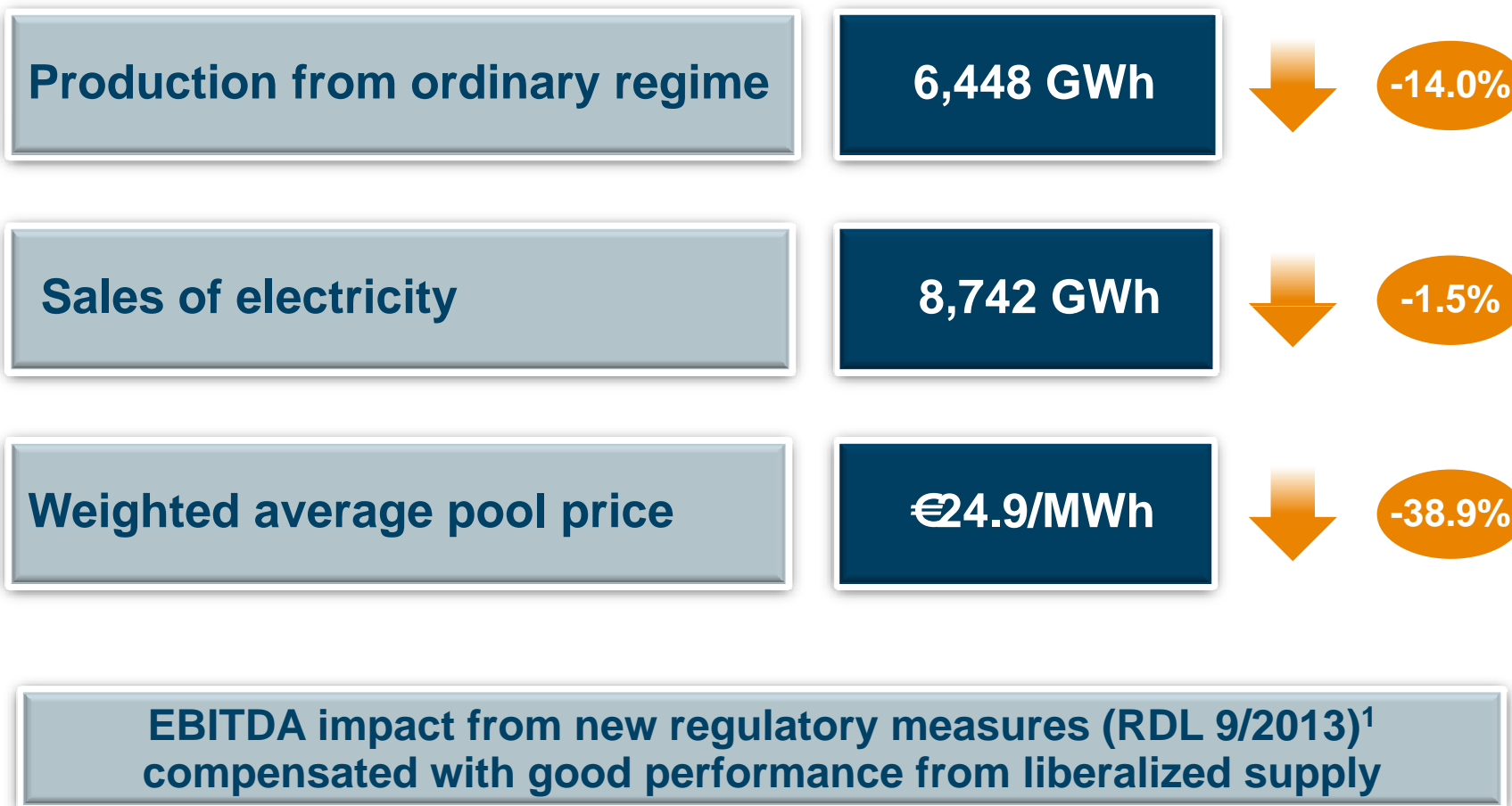
1Q14 marked by lower thermal gap coupled with a drop in pool prices

Note:

1 Formerly "Special Regime"

Energy

Electricity Spain

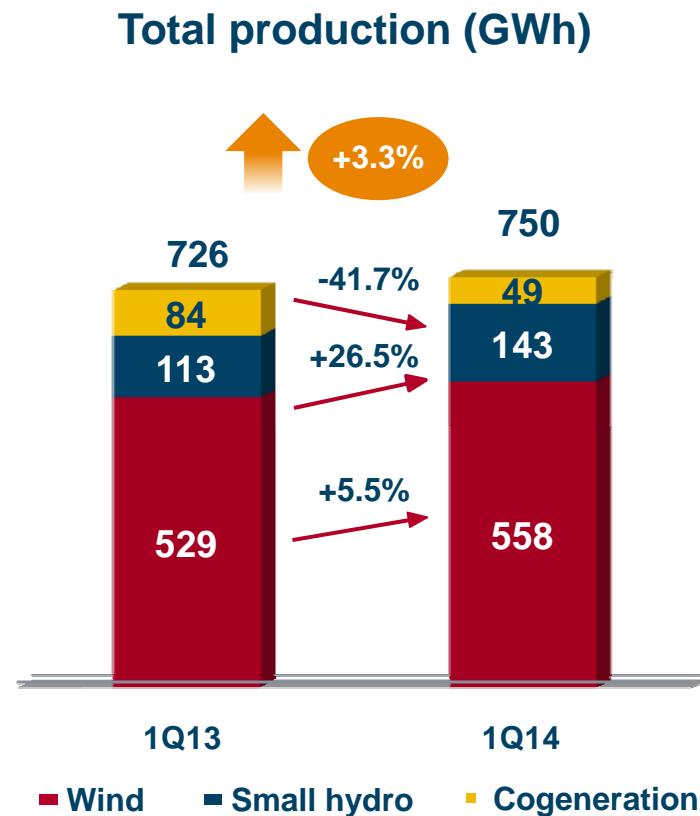


Note:

1 RDL 9/2013 having been in effect from 14 July 2013 therefore without impact on 1Q13

Energy

Regulated generation¹



- 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
- Temporary stop of part of cogeneration capacity after new regulation
- Negative impact from low pool price environment in 1Q14 included in estimates for impact from RDL 9/2013

Results include an estimate of the impact from new regulatory measures (RDL 9/2013)²

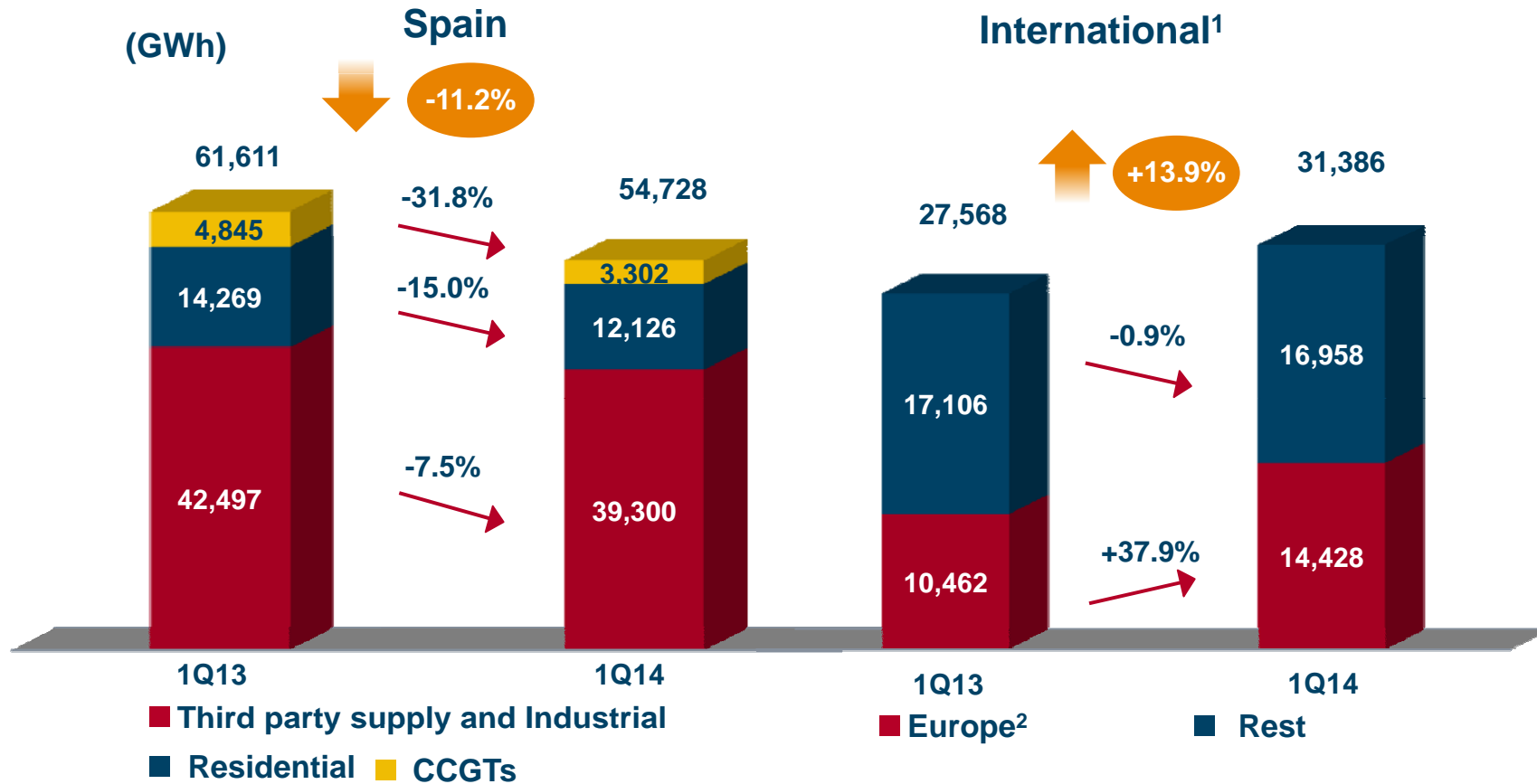
Notes:

1 Formerly "Special Regime"

2 Estimated impact, pending developments of RDL/2013. RDL 9/2013 having been in effect from 14 July 2013 therefore without impact on 1Q13

Energy

Gas supply (I)



Spanish sales impacted by mild winter and lower thermal gap; maintaining growth in foreign markets

Notes:

1 Does not include UF Gas

2 Sales to end customers, including retail supply in Italy

Energy

Gas supply (II)



- International sales now represent 36% of total in 1Q14
 - Consolidating presence in main international LNG markets in Asia and America
 - Expanding sales in Europe with an aim to increase presence to new countries
- Expanding in Spanish liberalized market
 - Over 11.3 million active contracts (gas, power and services)
 - Expanding into both residential and small and medium enterprise (SME) markets
 - 6% growth in retail service contracts
- New tanker added to LNG fleet will further enhance operating flexibility

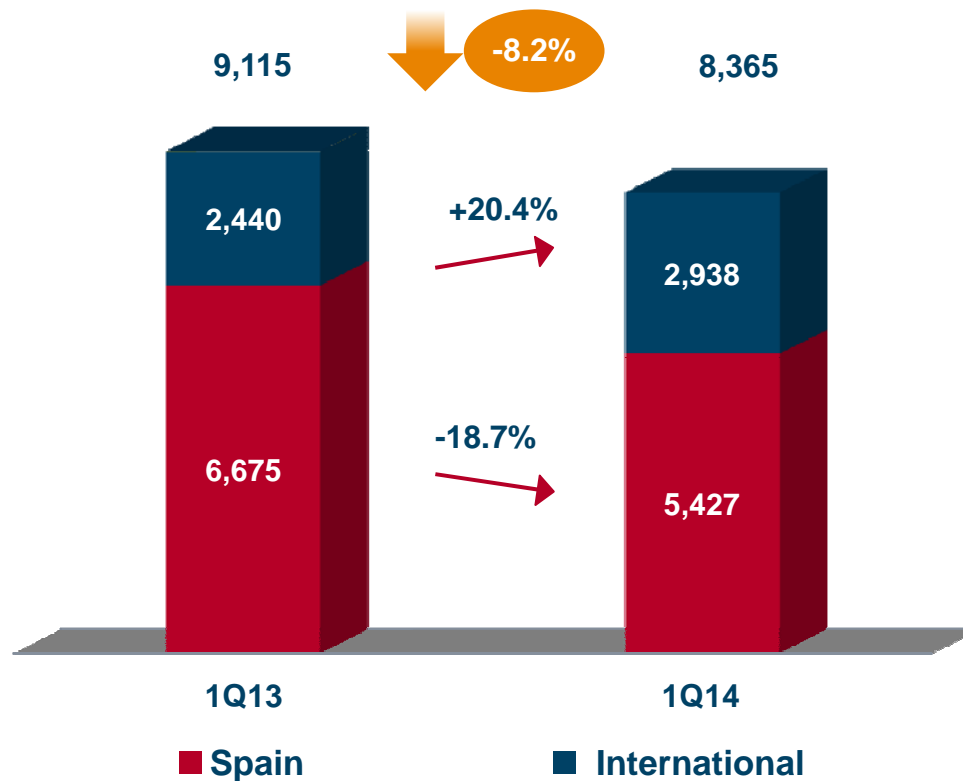
Benefiting from balanced and well-diversified customer base

Energy

UF Gas



Gas supply¹ (GWh)



- Lower sales in Spain after a 31.7% drop in industrial sales due to lower demand from both power generation and industrial customers
- Foreign sales show recovery
- Absence of gas deliveries from Egypt

Better net income contribution¹ vs 1Q13

Note:

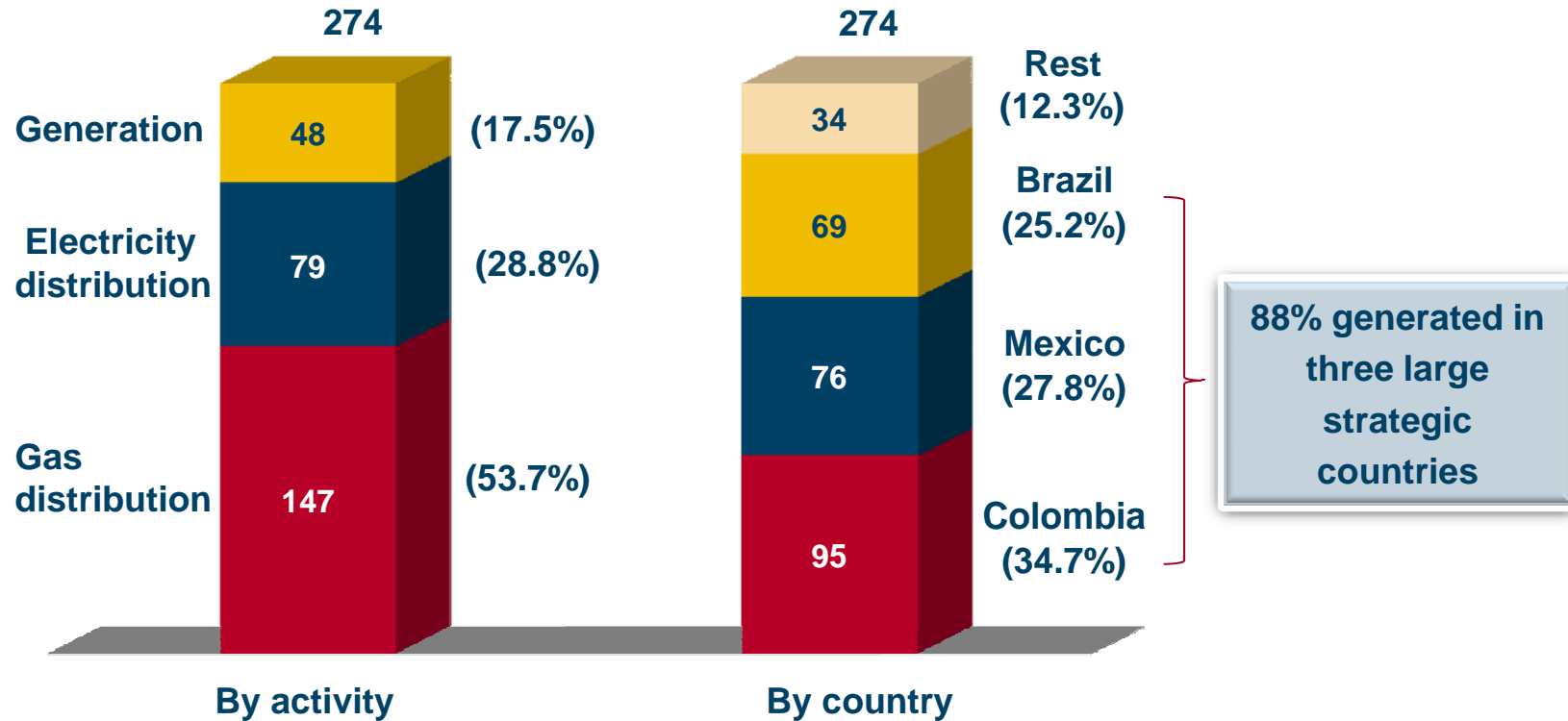
¹ Attributable as equity income (50%)

Latin America

EBITDA breakdown



(€million)



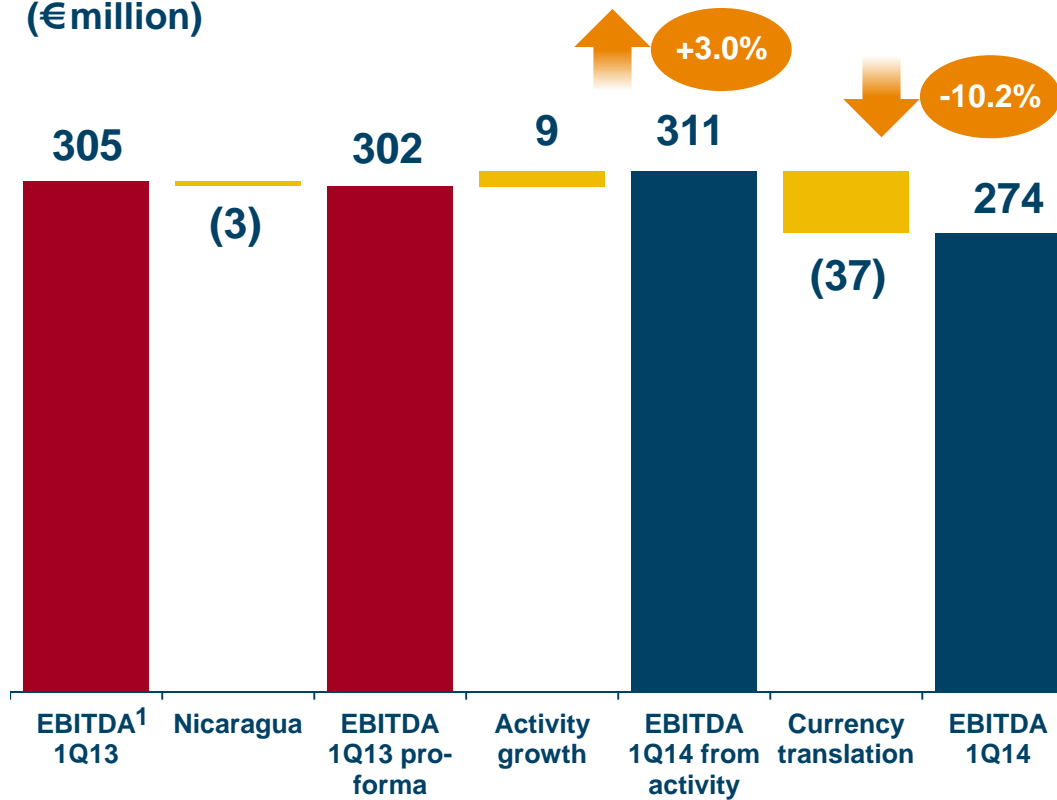
Benefiting from business and geographical diversification

Latin America

EBITDA evolution



(€million)



Impact from translation of currency exchange differences

Brazil	(15)
Colombia	(15)
Other	(7)

3.0% EBITDA growth disregarding impact from disposals and translation of currency exchange differences

Note:

1 Restated under IFRS 11

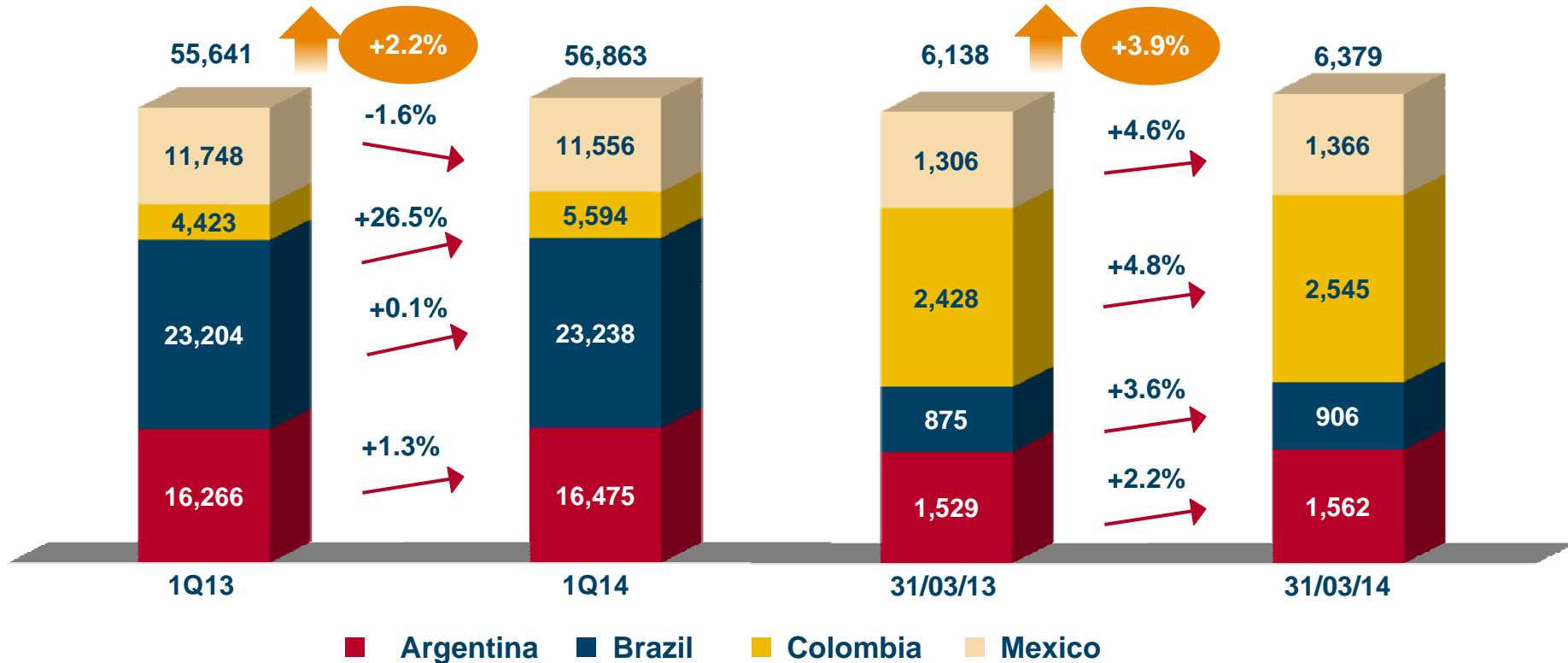
Latin America

Gas distribution (I)



Gas sales (GWh)

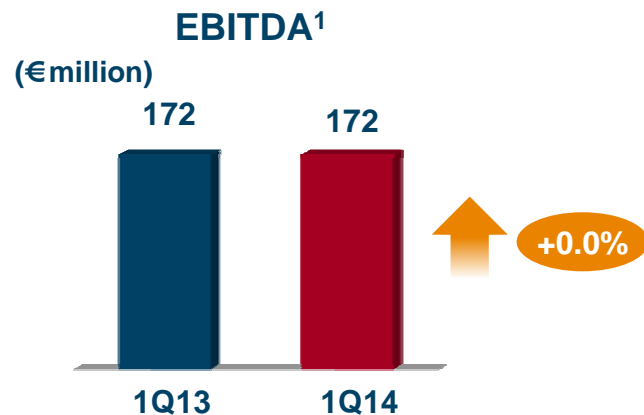
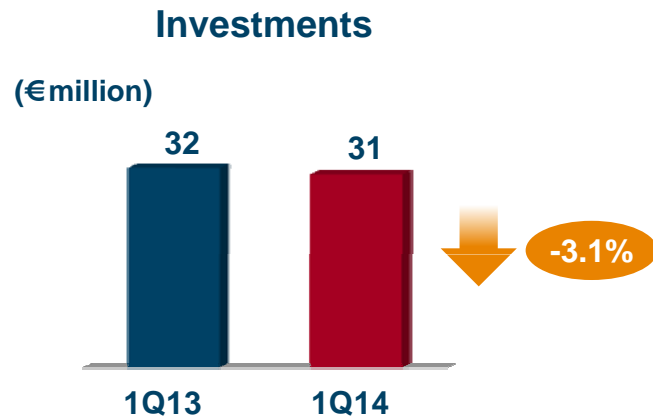
Connection points (000)



Activity growth benefited from higher Colombian industrial sales

Latin America

Gas distribution (II)



- Continued investment in network development adding 241,000 new connection points vs end 1Q13
- Brazil: regulatory review in Rio; maintaining strong sales to power generation
- Colombia: higher activity after growth in industrial and retail customer portfolios
- Mexico: sustained network expansion with an emphasis in the capital
- Initiating expansion of gas distribution activities in Peru

Region constitutes an important vector for growth

Note:

1 Disregarding impact from translation of currency exchange differences

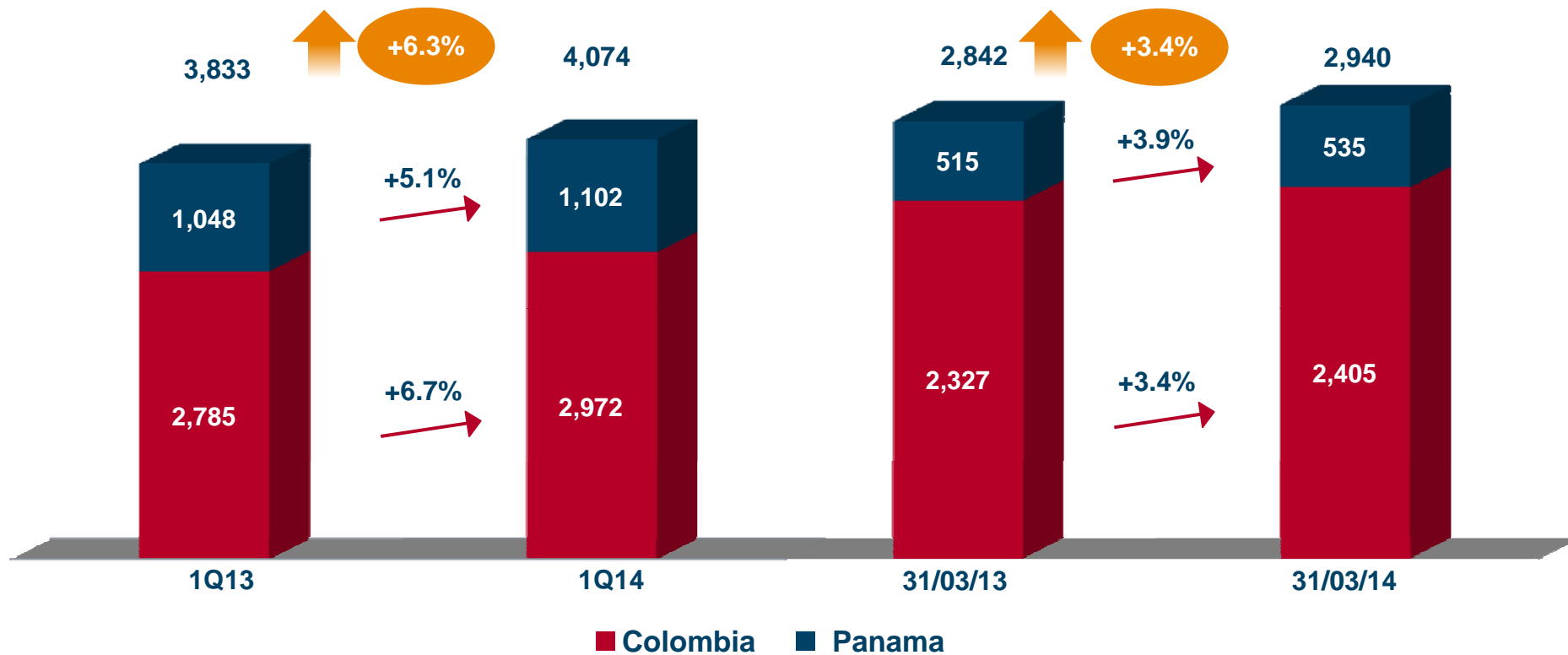
Latin America

Electricity distribution (I)



Electricity sales (GWh)¹

Connection points (000)¹

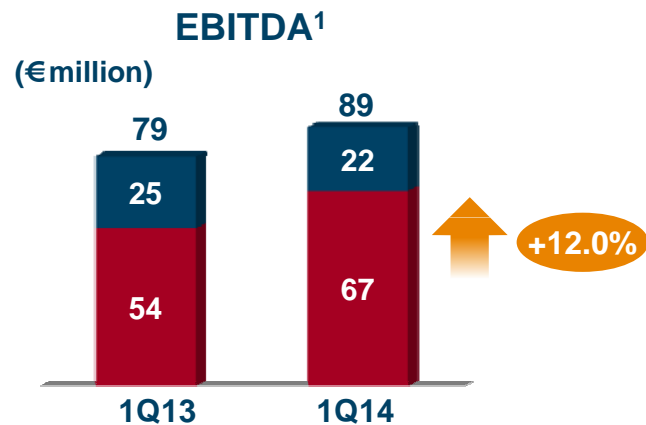
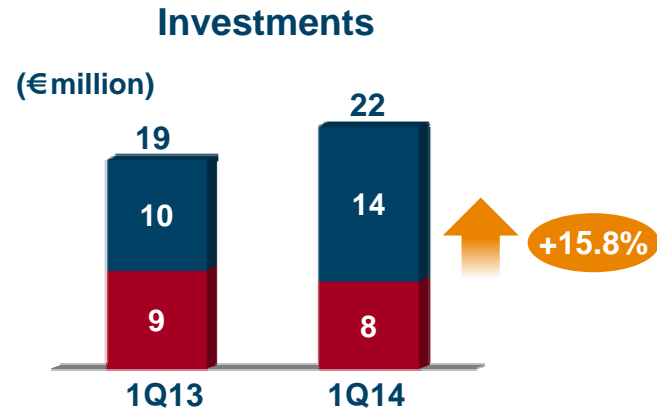


Current operations offer potential for both network growth and efficiency improvements

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

Latin America

Electricity distribution (II)



■ Colombia ■ Panama

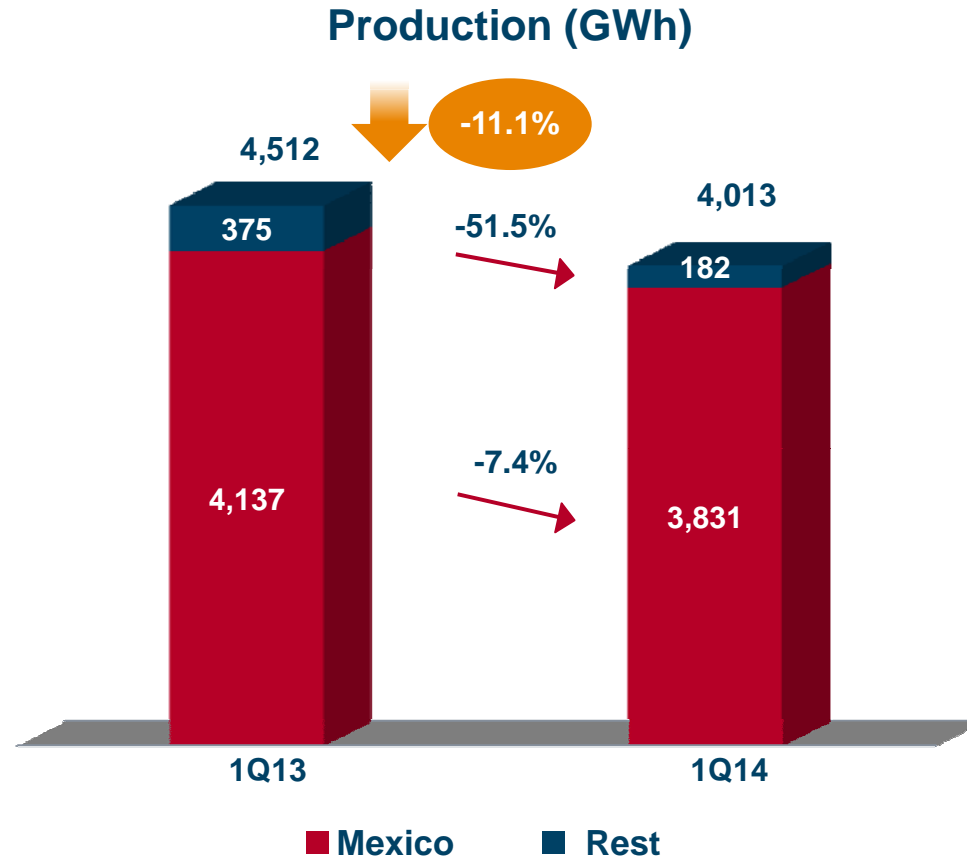
- Performance helped by growth in demand and customer figures
- Reduction of energy losses and bad debt in line with plan

Strong operating performance with EBITDA +12.0% disregarding disposals and translation of currency exchange differences

Note:

¹ Disregarding impact from both translation of currency exchange differences and disposal of Nicaraguan assets in 2013

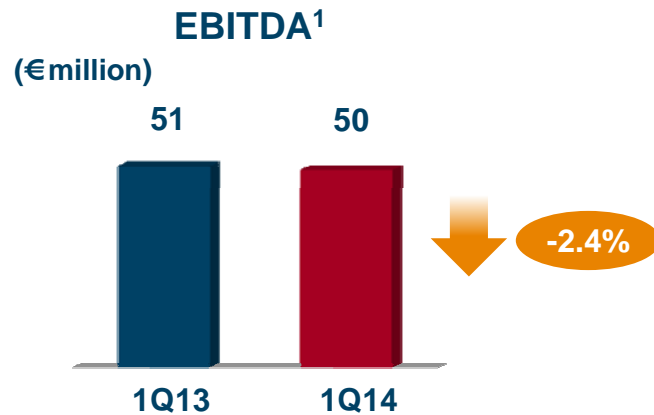
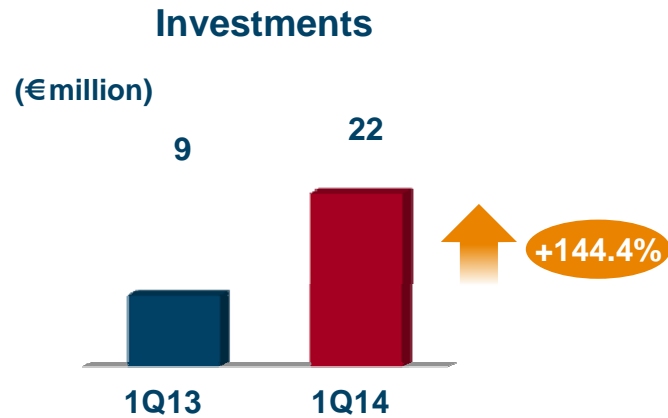
Latin America Generation (I)



Maintenance works in Mexico and lower rainfall in Central America lead to a drop in production

Latin America

Generation (II)

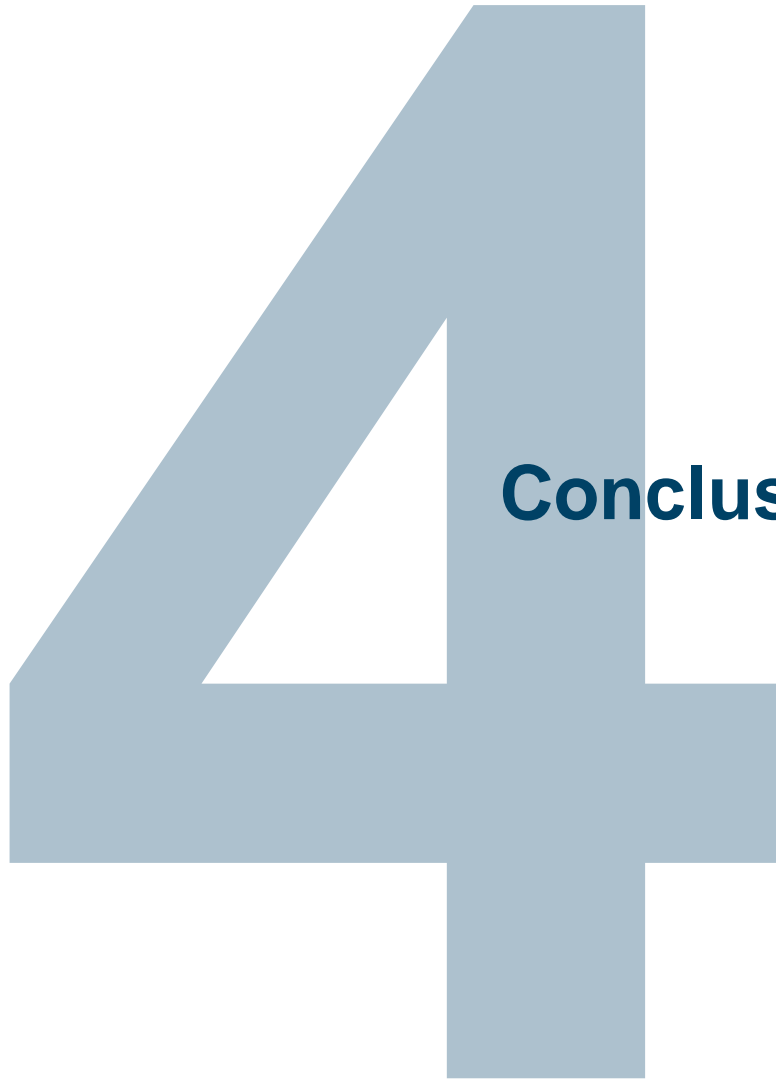


- Higher investments corresponding to construction of Bii Hioxo wind farm (Mexico)
- Activity- driven EBITDA drop against an unusually strong 1Q13 in Dominican Republic

Maintaining a stable activity profile

Note:

1 Disregarding impact from translation of currency exchange differences



Conclusions

Conclusions



EBITDA -4.7% after impact from regulation and translation

Disregarding the above, EBITDA +4.6%, evidencing a balanced business mix

GNF's activities continue to be managed under an added value approach

Excellent market performance in 1Q14; cash dividend with 62.1% payout consistent with Strategic Plan 2013-2015

Confidence in fulfilling the targets set in the 2013-2015 Strategic Plan

Thank you

INVESTOR RELATIONS

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