



# Third Quarter 2015 Results (9M15)

**November 4, 2015**



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## Today's agenda

1. Key messages
2. 9M 2015 results
3. Risks and opportunities
4. FY 2015 targets
5. Business update
6. Conclusions

## Appendices

# Key messages

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## Key messages



✓ **Good 9M15 results despite challenging commodities scenario**

✓ **Strong performance of regulated activities amid regulatory stability**

✓ **Overall growth in LatAm operations despite currency depreciations**

✓ **2015 targets confirmed**

# 9M 2015 results

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# 9M 2015 results

## Key financial indicators



✓ Net Income: €1,094 million (+3.8% adjusted)<sup>1</sup>

✓ EBITDA: €3,998 million (+10.9%)

✓ Investments: €1,208 million (+14.4%)

✓ Net Debt: €16,031 million (-5.4% vs 31/12/14)

Note:

<sup>1</sup> Actual Net Income -11.7% (adjusted by capital gains on sales of telecoms assets in 2014 and Begasa in 2015)

# 9M 2015 results

## Highlights of the period (I)



- **Renewal of 1 bcm gas supply contract with GAIL (India) for the year 2016**
  - **India and Greater Middle East currently showing the highest growths in LNG imports**

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- **New gas supply contract of 1 bcm to EGAS (Egypt) for 1 year (Nov '15 – Dec '16)**
  - **reinforcing GNF's customer portfolio and geographical diversification with new market in Mediterranean basin**

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- **Acquisition in September 2015 of ~250,000 LPG connection points in Spain from Repsol**
  - **enhances the efficient expansion of GNF's gas distribution network into premium locations**
  - **connection points located in GNF's area of influence with high proportion of new municipalities**



# 9M 2015 results

## Highlights of the period (II)



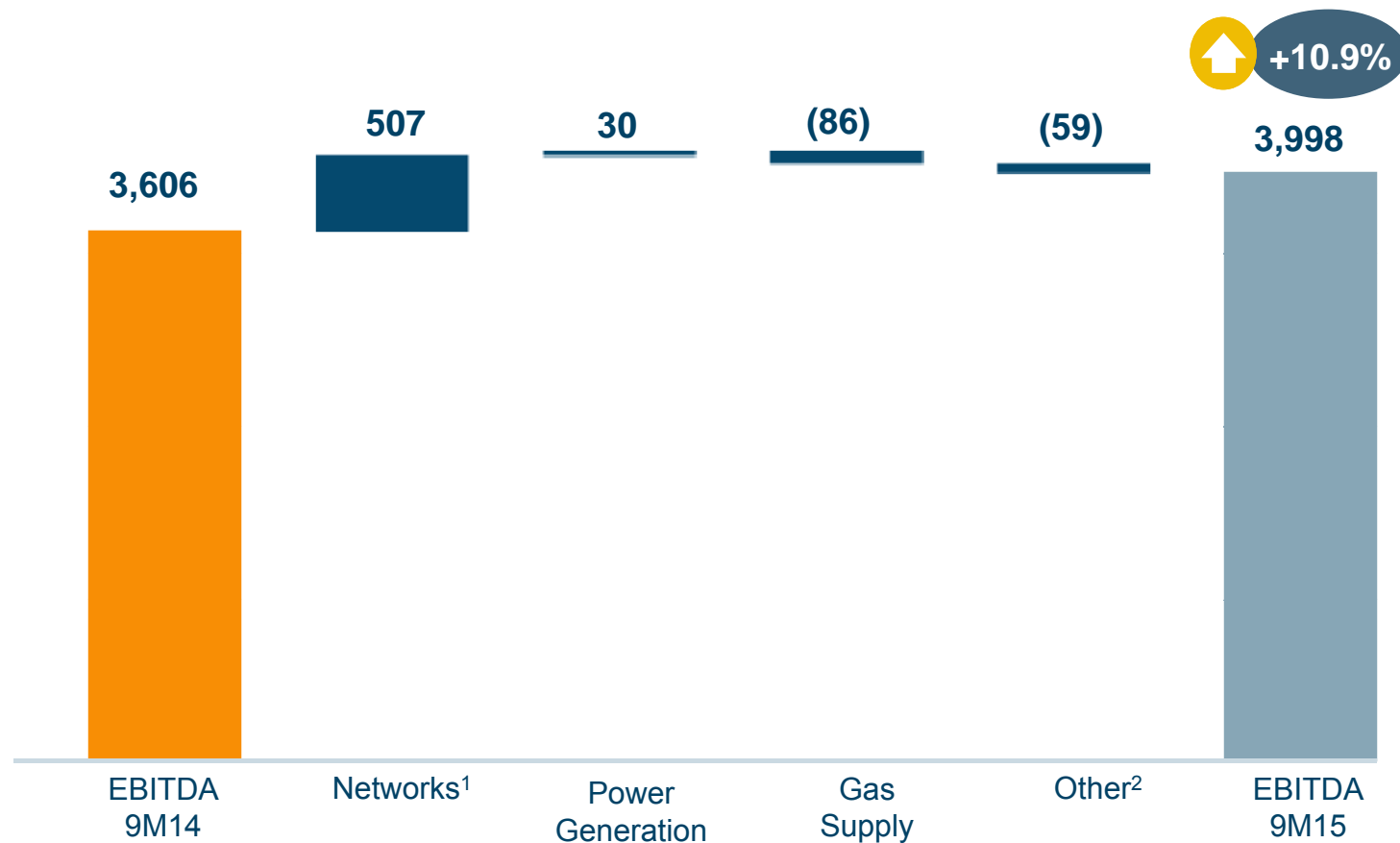
- **GNF continues to be a reference in sustainability maintaining presence in leading indexes**
  - permanence in STOXX Global ESG Leaders index since 2011
  - industry leader in DJSI World and DJSI Europe indexes

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- **Approval by EIB of a €900 million long term loan to finance expansion of gas distribution networks in Spain**

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- **Acquisition in October 2015 of an additional 8.33% of Metrogas by Gas Natural Fenosa Chile**
  - raises GNF's controlling stake in Metrogas from 51.84% to 60.17%

# 9M 2015 results

## EBITDA – by business line



✓ Regulated activities provide strong growth (+2.3% ex-CGE)

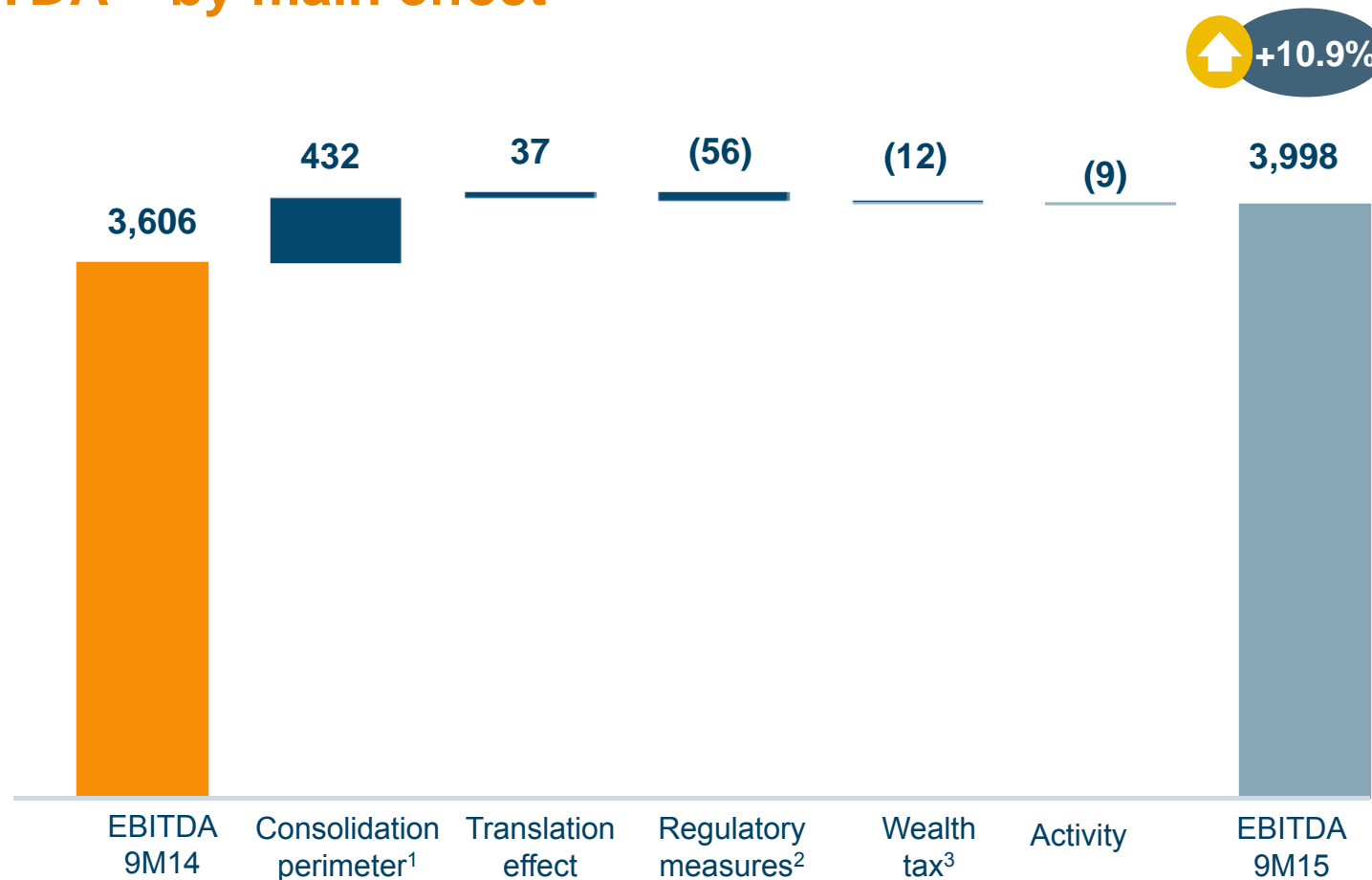
Notes:

1 €464 million correspond to CGE

2 Includes €32 million from telecommunications business in 2014, mining and other

# 9M 2015 results

## EBITDA – by main effect



✓ **CGE contributes most to EBITDA growth**

Notes:

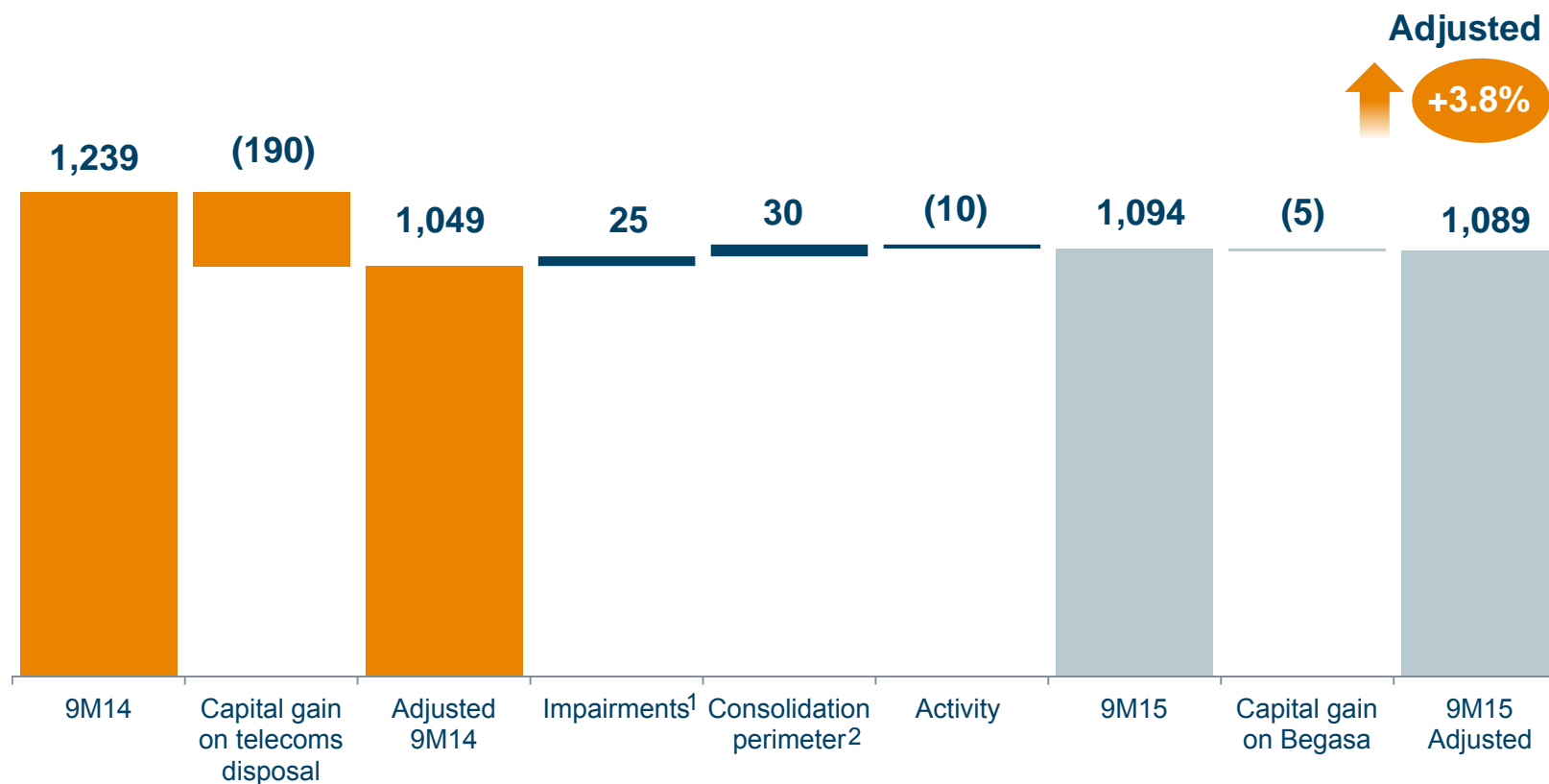
- 1 Includes +464M€ from CGE and -32M€ from Telecommunications
- 2 New regulation of gas distribution in Spain
- 3 Wealth tax in Colombia for period 2015 – 2018

# 9M 2015 results

## Net income



(€million)



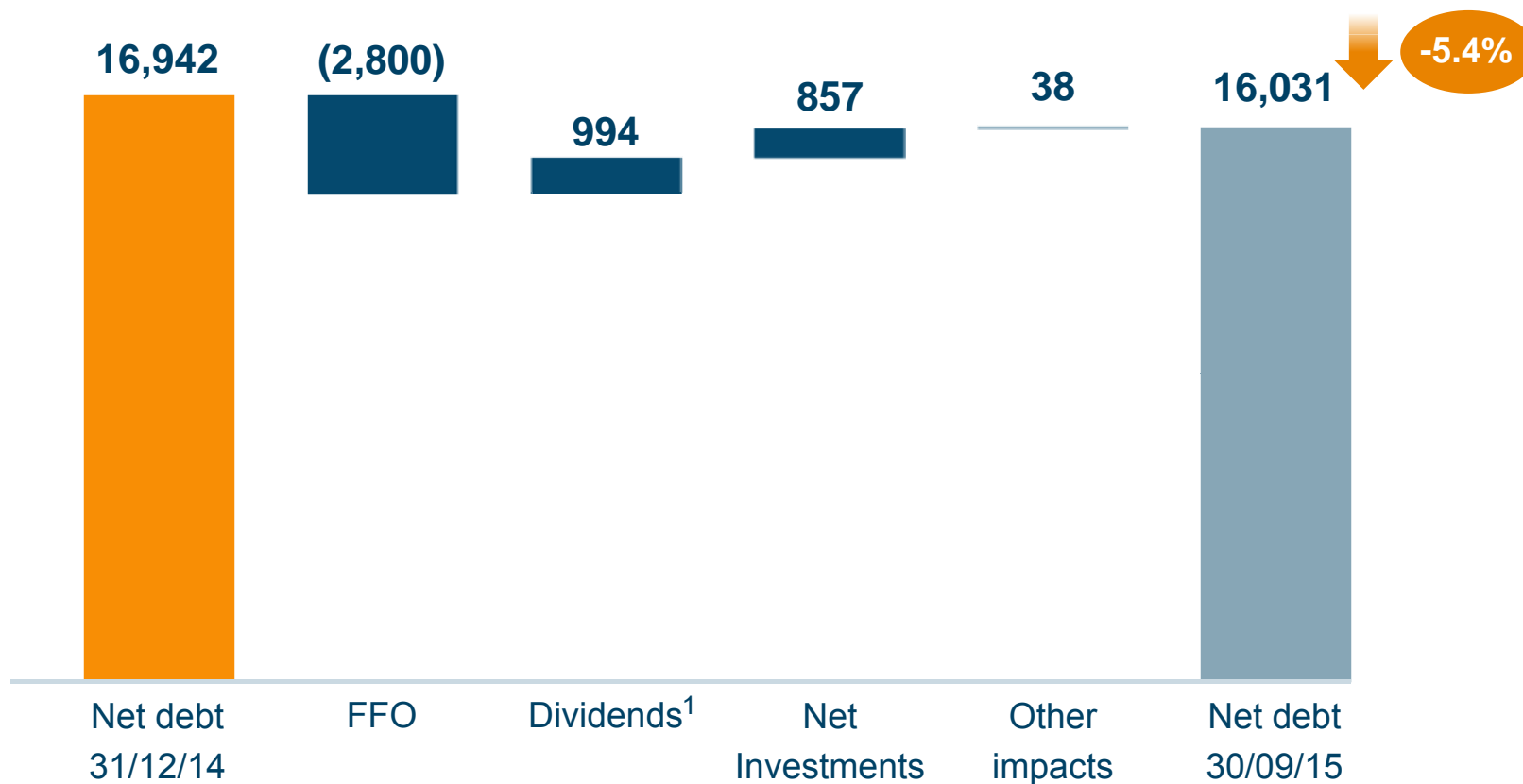
✓ **Showing positive recurrent profit growth (+3.8%)**

Notes:

- 1 Corresponds to impairment made in 2014 on Nueva Generadora del Sur (NGS)
- 2 Includes net effect of adding CGE (+€45 million) and subtracting telecoms (-€15 million)

# 9M 2015 results

## Cash flow



✓ **Structural cash flow generation without extraordinary items**

Note:

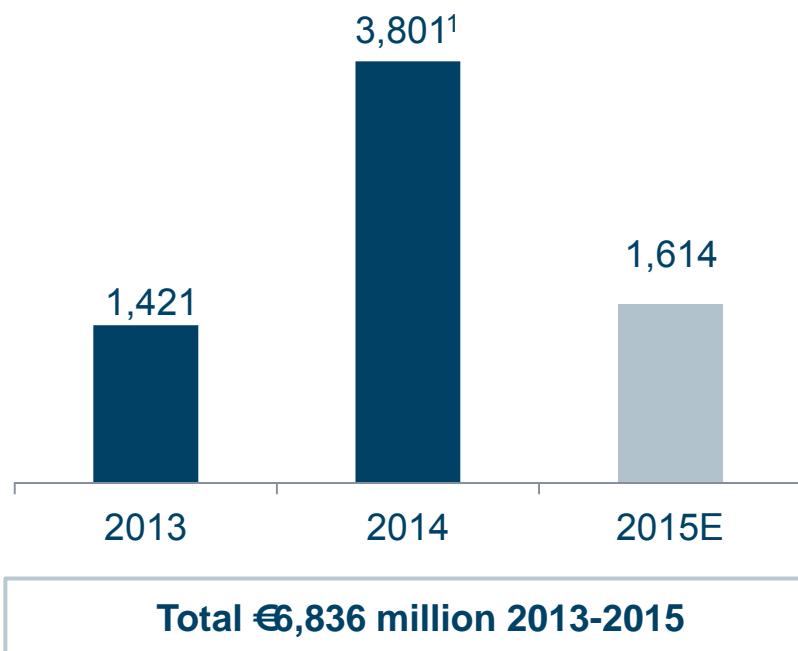
1 Includes €909 million from dividend paid by gas Natural SDG plus €85 million corresponding to other subsidiaries

# 9M 2015 results

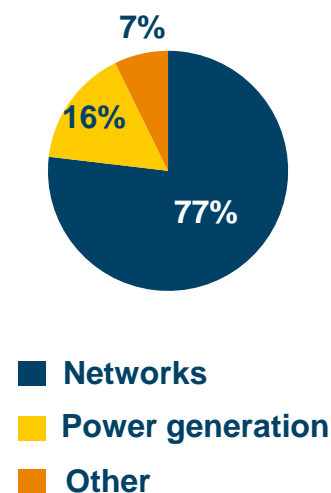
## Investments



**Net Investments**  
(€ million)



**Total investments 9M15:**  
€1,116 million<sup>2</sup>



✓ Adequate asset management, divesting non-strategic assets (Telecoms €510 million, Begasa €97 million)  
 ✓ Entry of 25% equity partner in of GPG in October 2015 (US\$ 550 million)

Notes:

- 1 Includes acquisition of CGE (€2,519 million)
- 2 Tangible and intangible

# 9M 2015 results

## Balance sheet actively optimized



- **Maintaining a comfortable leverage position**
  - 3.0x Net debt/EBITDA
  - 22.4% FFO/Net debt

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- **Achieving an efficient debt structure**
  - diversified debt maturity profile
  - predictable and stable cost of debt (average cost of debt: 4.5%)
  - no FX risk: subsidiaries financed in local/denominated currency

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- **A strong liquidity position**
  - €7.1 billion of committed credit lines with enough liquidity available to cover needs for over 24 months
  - addition of €900 million EIB loan approved in October 2015

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- **Using excellent positioning in capital markets**
  - successful issuances of both bonds and hybrids

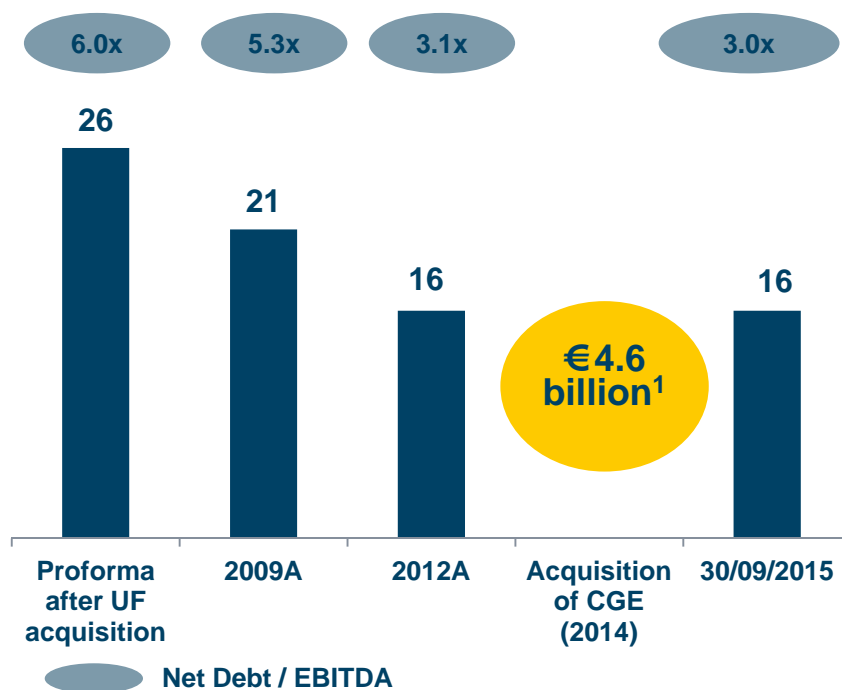
✓ **Maintaining a high financial discipline**

# 9M 2015 results

## A story of growth and financial discipline



Net debt  
(€ billion)



- The structural positive cash flow generation allows:
  - additional deleveraging without recourse to extraordinary items (asset sales, ...)
  - supporting the dividend policy while maintaining growth

✓ Strong commitment to maintaining financial strength

Note:

1 Corresponds to acquisition amount plus associated debt at CGE



# Risks and opportunities

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# Risks and opportunities



✓ **Currencies**

✓ **Commodity prices**

✓ **Gas procurement contracts**

✓ **Disruptions in gas procurement (Egypt)**

✓ **Acquisition of CGE**

# Risks and opportunities

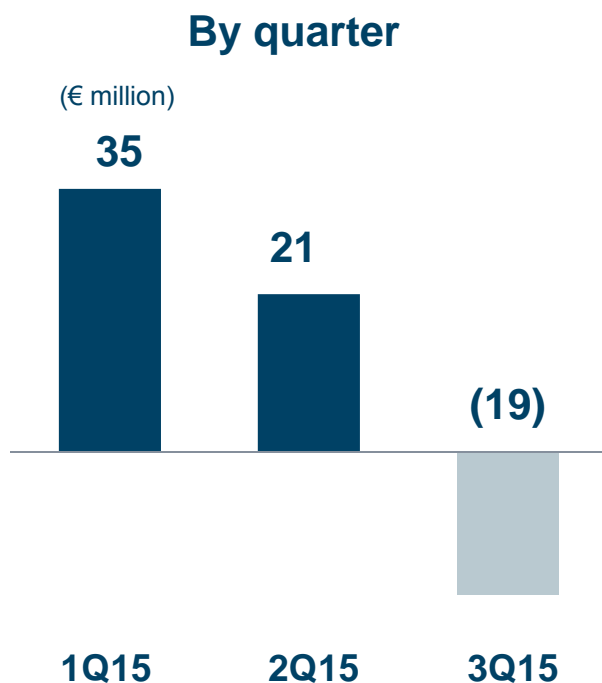
## Currencies



- **No significant FX impact on GNF's profit and loss account**
    - natural hedge provided by running operations in local currency
    - FX differences arising from US\$ financing applied to US\$-denominated assets with therefore no net impact
    - prioritizing financing in local currencies
    - items with FX exposure risk (dividends, accounts payable) hedged with derivatives
- 
- **Impact limited to translation effect of non-Euro denominated activities, mitigated by**
    - diversity of countries and currencies
    - regulatory frameworks that contemplate inflation-linked tariff adjustments
    - lack of incidence in the activities' real cash flows

# Risks and opportunities

## Currencies - Translation effect impact on EBITDA



**By currency**

(€million)

BRL	(25)
COP	(34)
MXN	4
US\$	82
Other	10
<b>TOTAL 9M15</b>	<b>37</b>

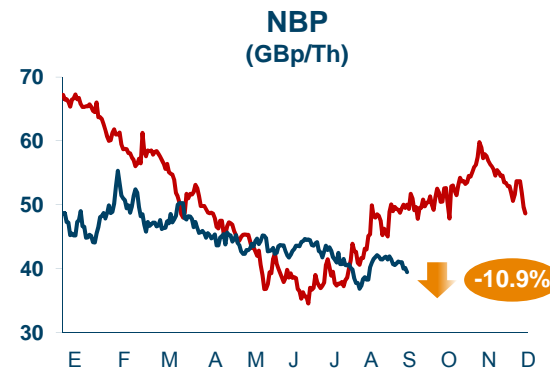
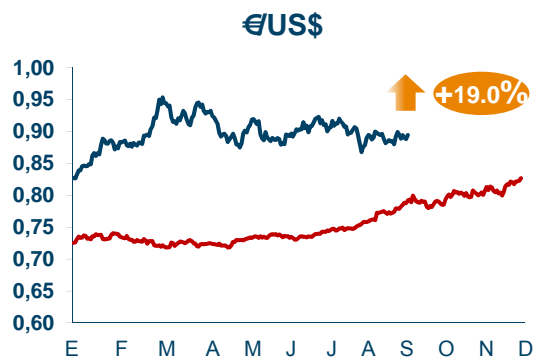
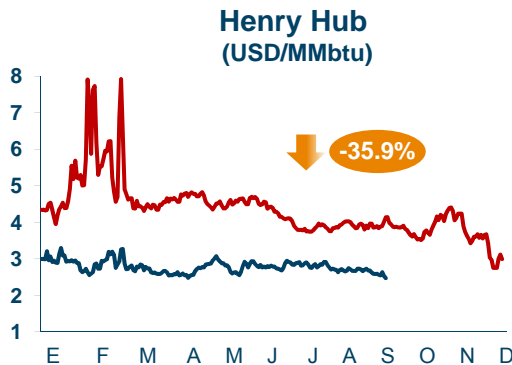
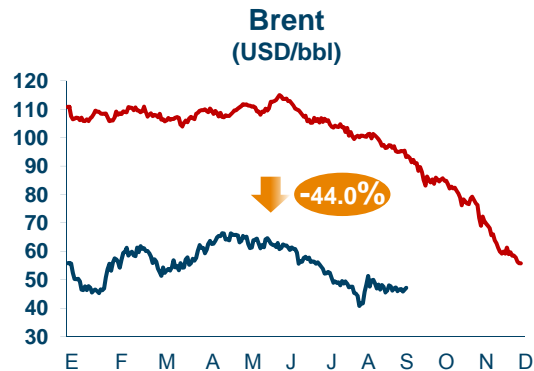
- 1H15 scenario of depreciation of LatAm currencies compensated by US\$ appreciation not materializing in 3Q15

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

# Risks and opportunities

## Commodity prices (I)

Changes 9M15 vs 9M14



— 2014

— 2015

- Total gas supply volumes +4.5% vs 9M14
- Inverse US\$/oil price correlation with a lower slope for US\$

✓ Flexible business model enables mitigation of commodity price risk

# Risks and opportunities

## Commodity prices (II)



- **1H15: adjustment in energy prices (crude, indexes) but margins benefiting from**
  - **US\$ appreciation, mitigating Euro impact of energy price adjustments**
  - **optimization of contract portfolio**

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- **2H15: limited opportunities for portfolio optimization**
  - **energy prices not recovering**
  - **no clear trend in US/€**
  - **change in sales mix in 9M15 (+11.6% sales to CCGTs)**
  - **EBITDA/MWh -15% in 9M15 vs 9M14**

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- **2016: limited additional margin contraction expected due to**
  - **90% of medium term supply contracts committed**
  - **GNF leading LNG operator in the Atlantic basin with a flexible fleet**

✓ **Future margin optimization mainly supported by portfolio flexibility and diversification**

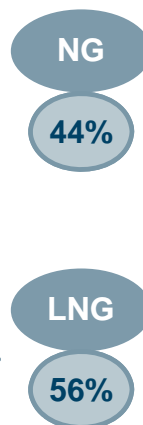
# Risks and opportunities

## Gas procurement contracts



### Current procurement contracts

Origin	Expiry date	ACQ <sup>1</sup>
Algeria Sagane I	2021	5
Algeria Sagane II	2020	3
Algeria Medgaz	2030	1
Norway	2030	2
T&T	2018-2023	4
Qatar	2025	2
Nigeria	2021-2023	4
UFG (Oman, ...) <sup>2</sup>	2030	4



- GNF’s gas procurement is supported by long term contracts with a typical duration of 20-25 years
- Dual NG/LNG portfolio
- 56% of GNF’s LNG with flexibility vs 23% world average
- Diversified indexation of contracts that mitigate commodity risk exposure

- GNF’s flexible portfolio has enabled an above average market growth

✓ Highly diversified and flexible portfolio enabling to capture high value-added markets

Notes:

1 Annual Contract Quantity (in bcm/year)  
 2 Two contracts for supply to CCGTs and industrial customers

# Risks and opportunities

## Gas procurement contracts - Contractual price reviews



- Long term procurement contracts usually incorporate periodic ordinary price reviews (3-4 years)

Origin	ACQ <sup>1</sup>	Review 2015	Review in course
T&T	4	✓	
Algeria	9	✓	
Norway	2	✓	
Qatar	2		✓
UFG (Oman, ...) <sup>2</sup>	4		✓

✓ **Reviews guarantee procurement contracts' adequacy to market conditions including indexes**

Notes:

- 1 Annual Contract Quantity (in bcm/year)
- 2 Two contracts for supply to CCGTs and industrial customers



# Risks and opportunities

## Gas procurement contracts – New volumes



### Future procurement contracts

Origin	Start date	Duration	ACQ <sup>1</sup>
Cheniere I (USA)	2017 <sup>2</sup>	20-30 Y	4.8
Cheniere II (USA)	2020	20-30 Y	2.0
Yamal (Russia)	2018-19	23 Y	3.2
Shah Deniz (Azerbaijan)	2019-21	23-27 Y	1.0

LNG

NG

- Cheniere I&II contracts incorporate indexation to Henry Hub
  - no restrictions on destination
  - 3 bcm currently sold with Henry Hub indexation
- Yamal and Shah Deniz combine indexations to oil and indexes

✓ **New contracts increase GNF's portfolio flexibility enabling competitiveness in world markets**

Notes:

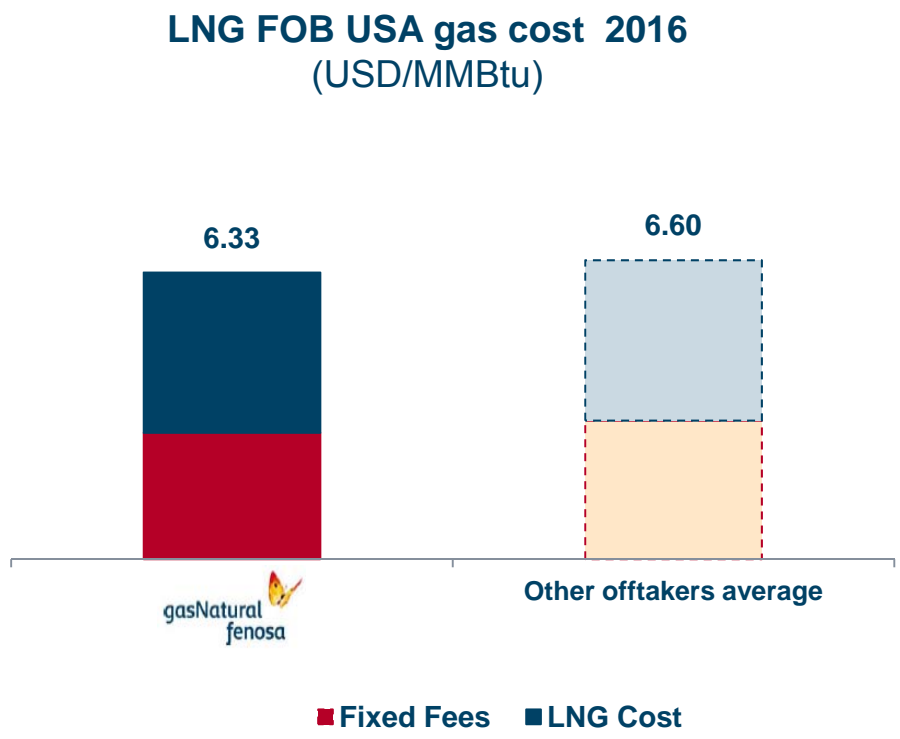
1 Annual Contract Quantity (in bcm/year)  
 2 Early quantities available in 2016

# Risks and opportunities

## Gas procurement contracts – LNG competitiveness



### Competitive LNG supply portfolio in the US



- GNF has the second most competitive contract of the comparative sample
- GNF's 6.6 bcm ACQ vs average 3.1 bcm for other offtakers
- ~26 bcm are more expensive on a FOB basis than GNF's
- Other offtakers:

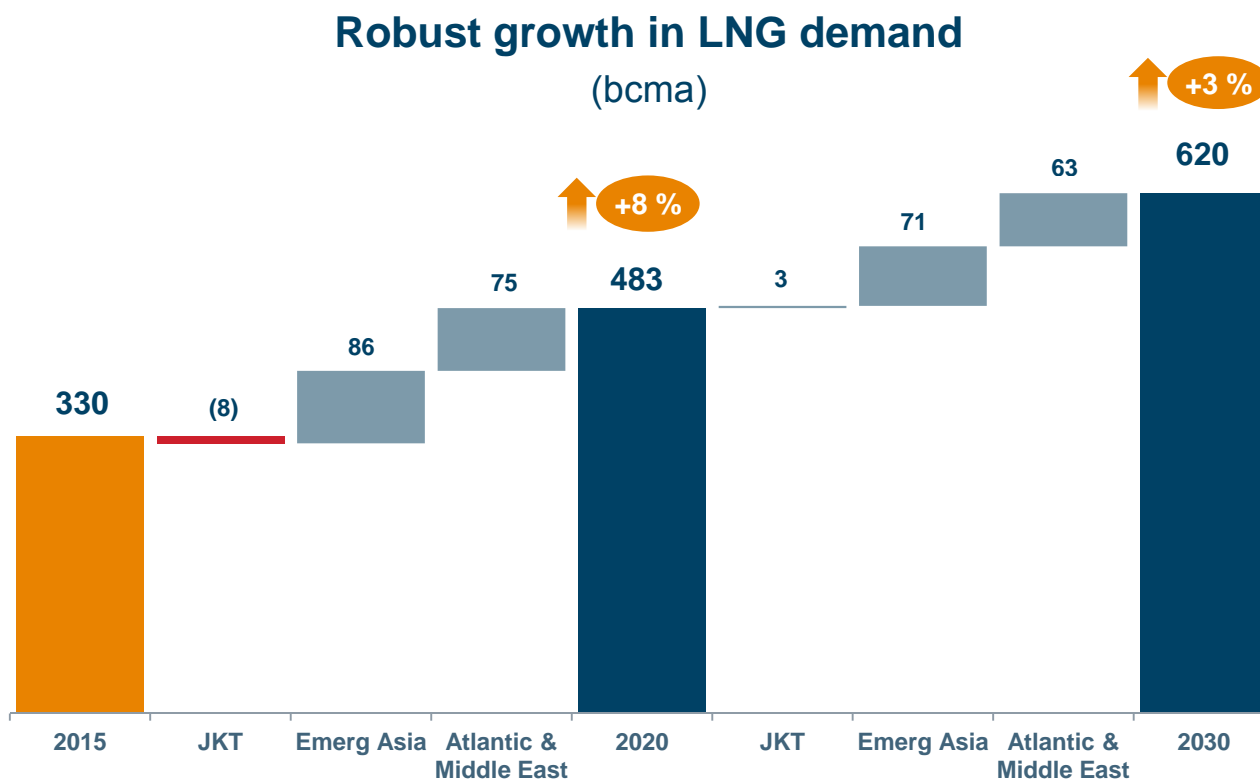


✓ GNF's early entry into the USA allowed the Group to achieve an additional competitiveness vis-a-vis most of the offtakers

Source: Cheniere Energy, Inc, July 2015 (Sabine Pass & Corpus Christi)  
Henry Hub 2016 Wood Mackenzie, sep-15 (~3,1 \$/MMBtu).

# Risks and opportunities

## Gas procurement contracts – Global LNG demand



- Europe: decline of reserves and higher demand for power generation
- Increasing gas demand for power and industrial uses in Middle East
- Replacement of oil derivatives in emerging Asia
- 11 additional countries expected to become LNG importers

✓ In the short/medium term, a robust LNG demand growth is expected in consolidated European markets and in developed niche markets in Asia

# Risks and opportunities

## Disruptions in gas procurement (Egypt)



- **UF Gas is a 50/50 J/V established with the Italian ENI that owns and operates the Damietta liquefaction plant in Egypt. Since 2012 EGAS has breached its contractual obligations to supply ~5 bcm gas on an annual basis to the Damietta liquefaction plant**

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- **In 2013 and 2014 GNF has booked impairment losses on UF Gas to reflect the temporary interruption of gas supply from Egypt**

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- **UF Gas is currently working on finding a solution in the medium term for the Damietta liquefaction plant through the following:**
  - **LOI signed with Tamar project (4.4 – 6 bcm) (Israel)**
  - **ongoing negotiations on course with the Egyptian government to resume gas deliveries**

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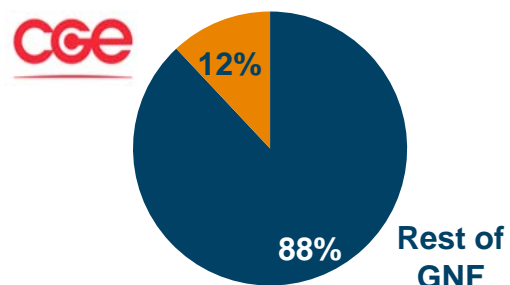
- **Significant new discoveries of gas reserves in Mediterranean basin - Zohr (Egypt) 30 Tcf, Aphrodite (Cyprus) 5 Tcf, Leviathan (Israel) 16 Tcf - increase the value of the plant**

✓ **Open gate to improvements in the medium term**

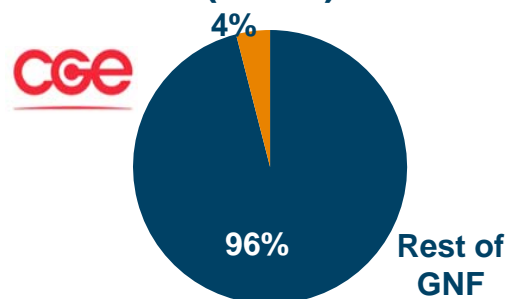
# Risks and opportunities

## Acquisition of CGE (I)

EBITDA share of CGE  
(9M15)



Net income share of CGE  
(9M15)



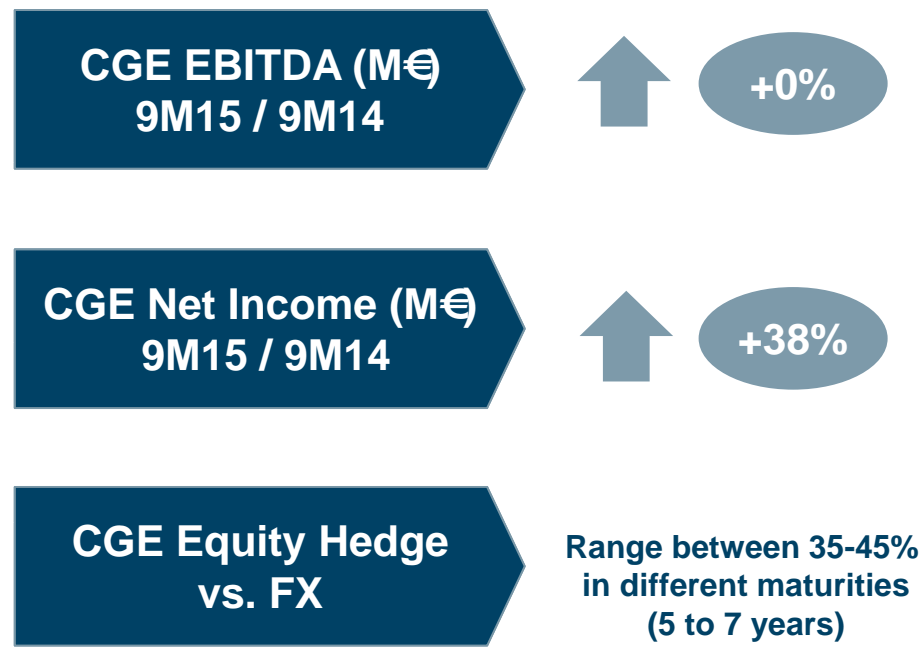
GNF is working on...

- Integrating CGE in GNF's policies and processes
- Managing change properly, ensuring the integration of CGE and its professionals into GNF's culture
- Sharing and implementing GNF's best practices and capture operational synergies between GNF and CGE

✓ CGE integration into GNF represents a big opportunity in the short and medium term

# Risks and opportunities

## Acquisition of CGE (II)



- Despite currency depreciation and extraordinary results in 2014 CGE is contributing significantly to GNF's results
  - with a significant increase in Net Income (+38%), almost doubling previous year result
  - featuring a relevant Equity hedge vs. variations in the exchange rate
- Contributing with €45 million to consolidated net income: accretive acquisition

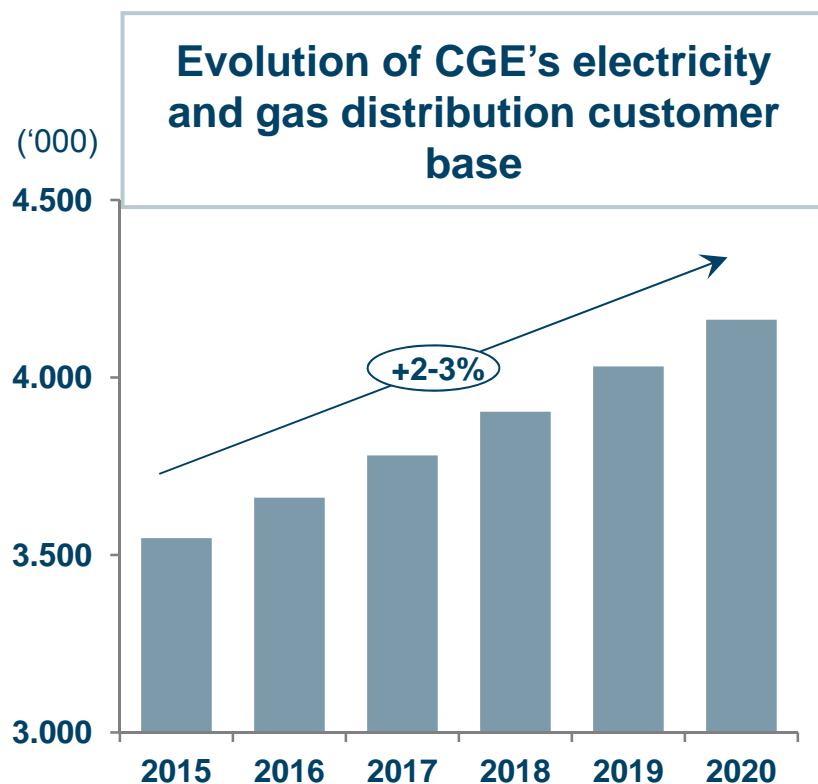
✓ CGE is showing its potential for growth that will continue thanks to a stable and favorable regulatory environment and robust fundamentals in the energy sector

# Risks and opportunities

## Acquisition of CGE (III)



GNF will focus on exploiting the organic growth potential of the distribution business in Chile



### GNF's Growth opportunities in Chile

- Development and efficient operation of the new power infrastructure
- Acceleration of the gasification process through an efficient network growth and the enhancement of CNG and LNG
- Empowerment of LNG, taking advantage of GNF's capabilities in the LNG business
- Maintain LPG market share focusing on cost control and take advantage of trading opportunities in Gasmar

✓ Chile will drive GNF's growth in the networks business

# **FY 2015 targets**

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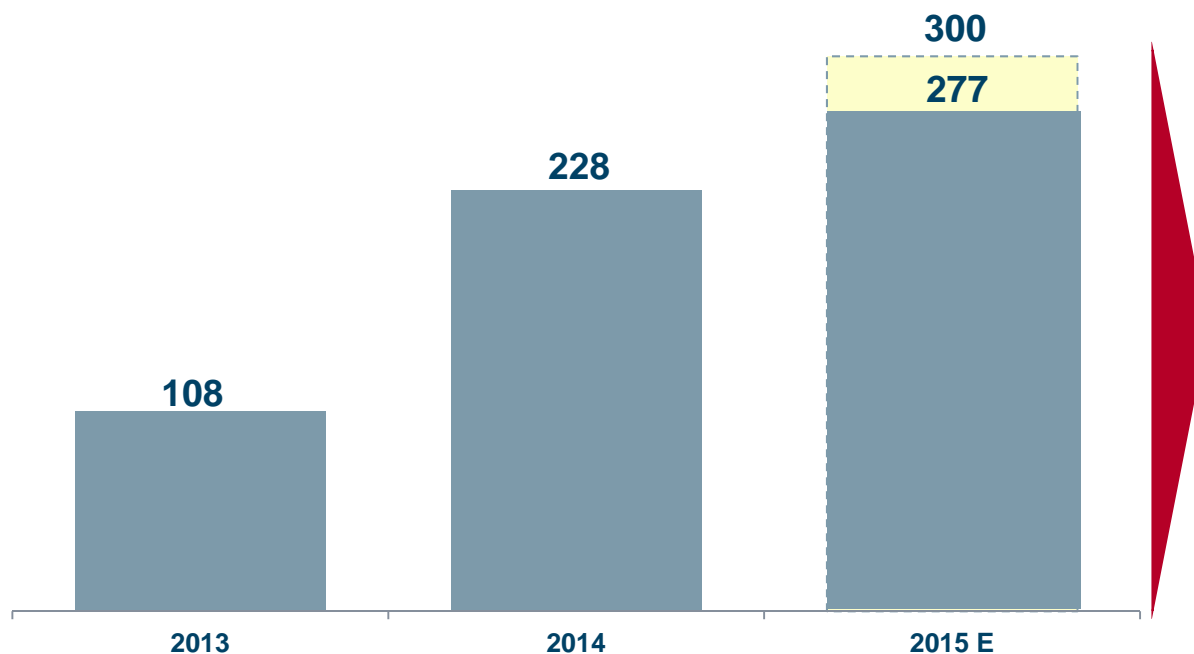


# FY 2015 targets

## Implementing the efficiency plan



Cost savings on EBITDA<sup>1</sup> (€ million)



### Key initiatives in 2013-2015

- reducing services and discretionary cost
- streamline commercial and operational costs
- cost optimization in corporate areas

✓ Achieved €277 million<sup>2</sup> by end 9M15, in line with Strategic Plan 2013-2015

Notes:

1 Restated under IFRS 11.

2 €49 million achieved in 3Q15.

# FY 2015 targets

## Executing our strategy



### Advancing in our three lines of growth

Networks	Generation	Gas supply
Entry in gas distribution in Peru (Arequipa)	Bii-Hioxo (Mexico)	Cheniere
New gas concessions in Mexico (Sinaloa, Northwest)	Torito (Costa Rica)	Shah Deniz II
Acquisition of CGE in Chile	GPG; agreement with KIA	Yamal LNG
Gas distribution Spain (Gas Directo, new towns, Repsol LPG customers)	Gecalsa	Corpus Christi
New conn. pts. <b>~3.7 million</b> Additional potential conn. pts. <b>~1.0 million</b> In 2020	<b>520 MW</b>	<b>11 bcm and doubling capacity of tanker fleet</b> (5 new tankers contracted, +0.9Mm <sup>3</sup> )

# FY 2015 targets

## Financial targets confirmed



(€ billion)		2015E
EBITDA	→	>€5.0
Net Income	→	~€1.5
Net Debt / EBITDA	→	~ 3.0x
Dividend Payout <sup>1</sup>	→	~ 62%

✓ **GNF maintains its commitment to accomplish the financial targets set in the Strategic Plan 2013-2015**

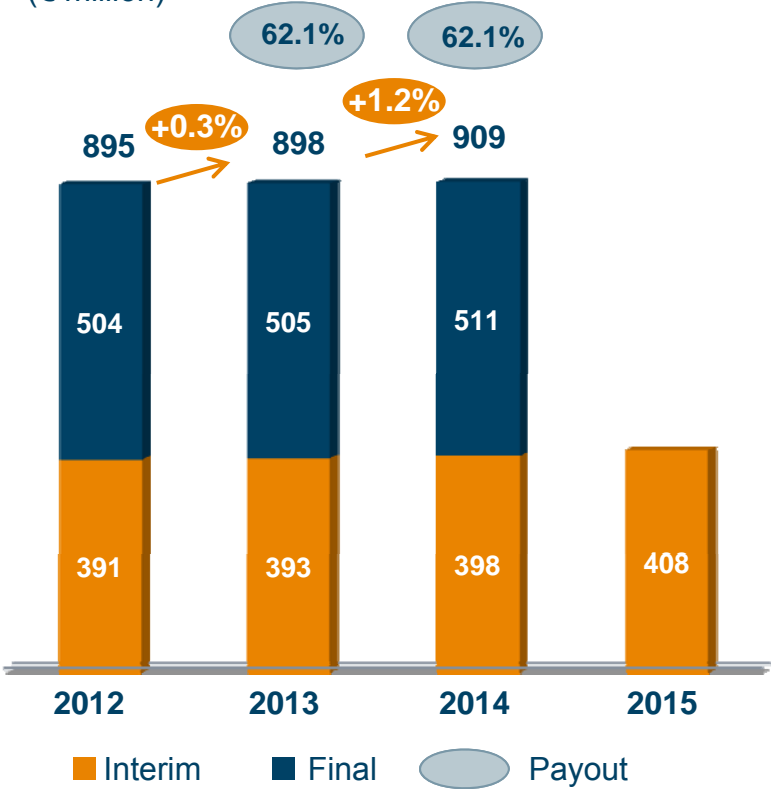
Note:  
 1 Dividend to be paid in cash

# FY 2015 targets

## Shareholder remuneration



Total dividend<sup>1</sup>  
(€ million)



- Interim dividend against 2015 results of €0.4078/share to be paid on 8 January 2016
- 2015 interim dividend grows 2.72% vs. previous year

✓ Remuneration in accordance with Strategic Plan 2013-2015

# **Business update**

**5**

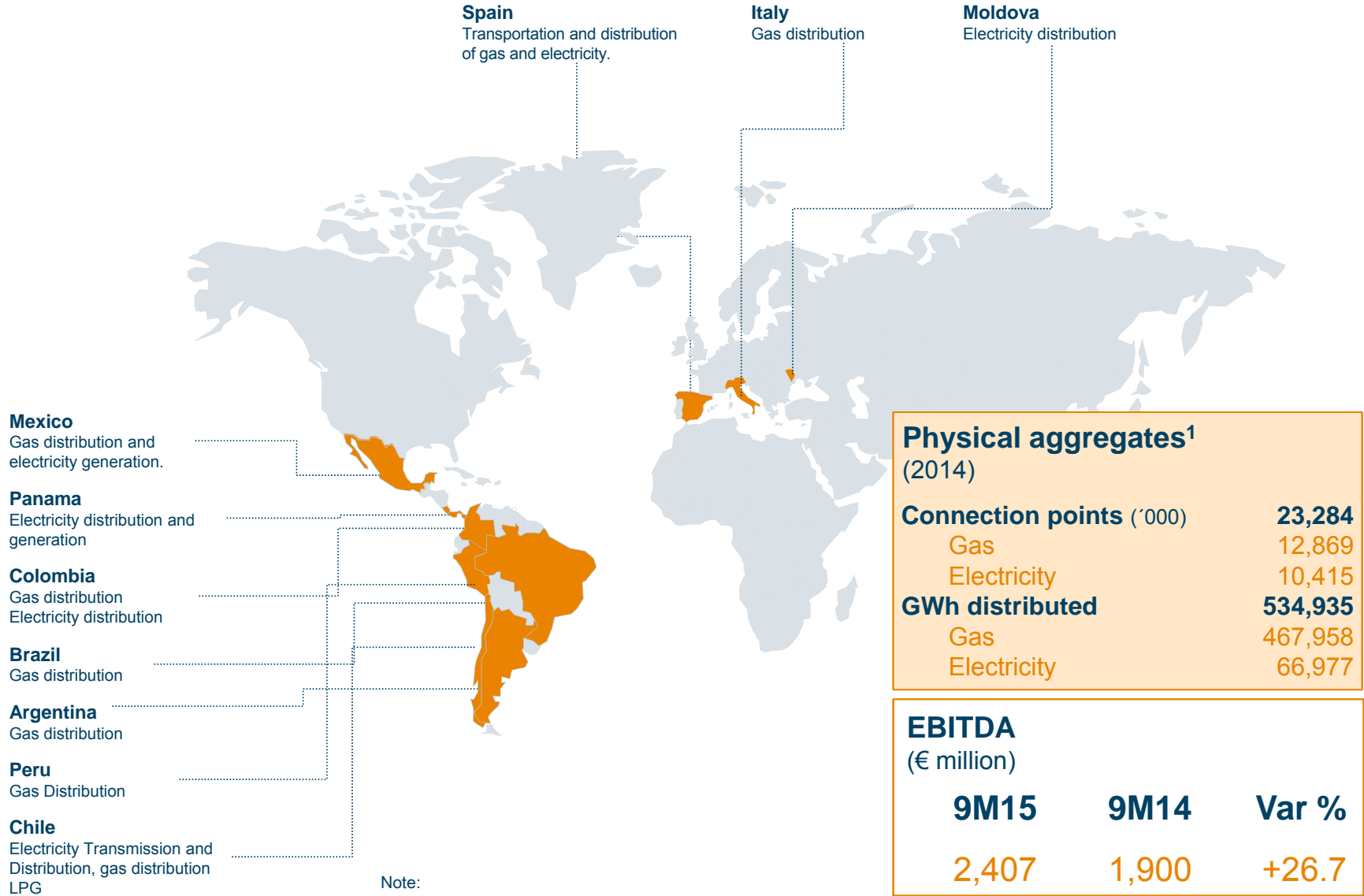
# **Business update**

✓ **Networks**

**5.1**

# Networks

## GNF presence



Note:  
1 Figures include Chile

Physical aggregates <sup>1</sup> (2014)	
<b>Connection points ('000)</b>	<b>23,284</b>
Gas	12,869
Electricity	10,415
<b>GWh distributed</b>	<b>534,935</b>
Gas	467,958
Electricity	66,977

EBITDA (€ million)		
9M15	9M14	Var %
2,407	1,900	+26.7

# Spain

## Gas distribution

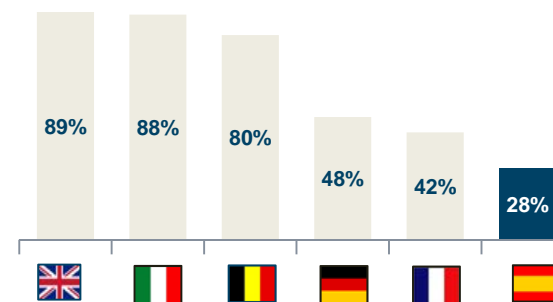


### Regulation

- Parametric formula linking remuneration to growth
  - growth measured in new connections and volumes
  - higher remuneration for new municipalities during the first 5 years
  - no regulated returns (no RAB base) which allow for discretionary growth
- Latest review: July 2014
- Six-year regulatory periods
  - currently in first regulatory period (2015-2020)

### Main issues

- Low penetration in Spain vis-a-vis other countries provides organic growth potential:



(Source: Sedigas)

- Sales growth unrelated to GDP but influenced by weather
- Achieved returns enabled by capex and operating efficiency

✓ 110,000 new connections in 9M15



# Spain

## Electricity distribution



### Regulation

- From 2015 remuneration capped at 6.5% on net assets at year n-2
- New model contemplated in 2016 on unitary values for investments and O&M (pending regulatory approval)
- Annual investments for the sector limited to 13% GDP
- Electricity tariff deficit eliminated, with Government estimates of a €500 million superavit for 2015

### Main issues

- Investments made in:
  - security of supply
  - network quality
  - network safety
- Smart meters: first to fulfil with requirements set by regulator
  - enabling higher operating agility and lower costs

✓ Capex of €143 million, 22% higher than previous year will lead to future increases in remuneration

# Chile

## Gas distribution

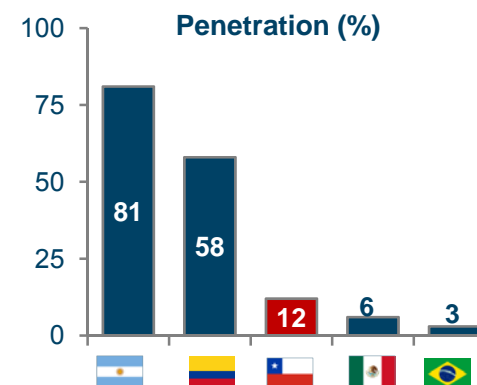


### Regulation

- Tariffs are freely set
  - set to own internal criteria
  - return cap of 11% real after tax in concession area (currently under review)
- Wholesales outside concession are liberalized
- Current review with no expected significant impacts that point to:
  - lowering return cap
  - defining remuneration for conversion costs
  - establishing precise mechanisms to appraise return cap based on cost of capital

### Main issues

- Low penetration (average 27% in concession areas) provides organic growth potential



(Source: GNF based on official housing statistics)

- Potential to increase per capita consumption and promote value added services

✓ Connection points grow 4.4% to 610,432; 34% higher sales outside of concession area

# Chile

## Electricity distribution and transmission



### Regulation

- 4-year regulatory periods
- Regulated remuneration of investments at 10% real before tax
- Pass-through of energy cost in distribution
- Monthly adjustment for inflation (local, USA) and prices for copper and aluminium
- Current tariff reviews in Distribution (applied from Nov 2016) and Transmission (applied from Jan 2016)

### Main issues

- Operating efficiencies:
  - keep operating losses below international standards
- Apply cost efficiencies
- Manage regulatory issues
  - obtain higher recognition in tariff of efforts made on service quality
- Expected 3-5% p.a. growth in electricity demand until 2020
  - need to invest in transmission to meet higher demand and growth in renewables

✓ Efficiency improvement with energy losses down to 7.75% in 9M15 (-1.4% vs 7.86% for 9M14)

# Colombia

## Gas distribution



### Regulation

- 5-year regulatory period
- Pass-through of gas cost
- Remuneration of capex, O&M and other expenses
- Monthly updates on inflation
- Regulated return: 16.06% real before tax
- New tariff period starting in 2016: regulated return of 13.51% before tax

### Main issues

- Mature residential market with high degree of saturation
  - demand growth from higher immigration into large cities
- Growth levers to be found in
  - non-regulated market segments (products and services for residential market and SMEs, energy management services)
  - development of industrial sales

✓ 8% higher sales after rising demand from industrial and commercial markets

# Colombia

## Electricity distribution



### Regulation

- 5-year regulatory periods
- Remuneration of capex, O&M and other expenses with monthly updates on inflation
- Regulated return: 13.90% real before tax
- Next tariff period starting 2016
- Measures on course to reduce fraud and bad debt

### Main issues

- Concession area covering low-income neighborhoods
  - activity subject to public subsidies
- Area impacted by fraud and bad debt
  - low rainfall (El Niño) straining electricity market
- Business growth levers
  - reduction of fraud
  - improving collection

✓ Losses of 16.63% in line with previous year despite higher demand

# Brazil

## Gas distribution



### Regulation

- 5-year regulatory period
- Pass-through of gas cost
- Remuneration of capex, O&M and other expenses
- Annual updates on inflation
- Regulated return: 9.6% real after tax
- Next reviews: 2015 (Sao Paulo, pending), 2018 (Rio)

### Main issues

- Low penetration especially outside large urban areas of Sao Paulo and Rio
- Demand growth
  - consolidate current presence
  - expand into add new municipalities
- Promote and develop non-regulated activities within residential and SME segments
- Impact of weather on gas sales to power generation

✓ 11% rise in new residential connections through expansion into new municipalities

# Mexico

## Gas distribution



### Regulation

- 5-year regulatory period
- Pass-through of gas cost
- Remuneration of capex, O&M and other expenses
- Annual updates on inflation (local, USA)
- Regulated return: 14.86% real before tax
- Latest review: 2014 and 2015 (depending on area), still pending enforcement

### Main issues

- Demand
  - consolidate presence in current concessions, especially in those with low penetration (19% in Mexico DF)
  - accelerate growth in residential segment
  - develop newly obtained concessions (Sonora, Sinaloa, with potential market of 1 milion)
  - develop non-regulated activities in residential and SME segments

✓ 33% increase in residential/commercial customers

# Networks Summary



60% of GNF EBITDA

- 46% Spain / 56% International
- 59% gas / 41% electricity

(€million)

Country	9M 2015	9M 2014	Currency translation	Regulation	Consolidation perimeter	Wealth tax	Activity	Activity growth
Spain	1,116	1,115	-	(56)	-	-	57	5.1%
Chile	464	-	-	-	464	-	-	-
Colombia	308	312	(34)	-	-	(12)	41	13.1%
Brazil	200	228	(25)	-	-	-	(3)	-1.3%
Mexico	124	89	4	-	-	-	31	34.8%
Rest <sup>1</sup>	195	156	15	-	-	-	24	15.4%
<b>TOTAL</b>	<b>2,407</b>	<b>1,900</b>	<b>(40)</b>	<b>(56)</b>	<b>464</b>	<b>(12)</b>	<b>150</b>	<b>7.9%</b>

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

Note:

1 Moldova & Panama electricity distribution, gas distribution Argentina & Italy



# **Business update**

✓ **Power  
generation**

**5.2**

# Power generation

## GNF presence



Physical aggregates (2014)	
<b>Installed capacity (MW)</b>	<b>14,785</b>
of which renewable	1,209
<b>Electricity produced (GWh)</b>	<b>48,282</b>
of which renewable	2,563

EBITDA (€ million)		
9M15	9M14	Var %
752	723	+4.0

# Power generation Spain



Installed capacity (MW)			Production (GWh)		
(Sep 30, 2015)	System	GNF	(9M15)	System	GNF
Hydro	17,791	1,954	Hydro	20,659	2,141
Nuclear	7,866	604	Nuclear	41,602	3,326
Coal	10,972	2,065	Coal	37,259	5,814
CCGT	25,348	6,603	CCGT	18,784	10,931
Cog. & ren.	39,769	919	Cog. & ren.	75,280	1,478
<b>TOTAL</b>	<b>101,746</b>	<b>12,145</b>	<b>TOTAL</b>	<b>193,583</b>	<b>23,690</b>

- High proportion of renewables within system (39.1% vs 7.6% for GNF)
- GNF's share: 12% in capacity and 19% in production
- High technical profile of GNF's fleet

✓ Efficient management of own generation fleet and customer portfolio

# Power generation

## GPG (I)



### Regulation

- Operation of 2,702 MW capacity in PPAs
- O&M management (Group and third party) and technical assistance
- Expertise in all technologies
  - Hydro
  - Coal
  - CCGT
  - Wind

### Main issues

- Commissioning of 284 MW of new capacity
  - Bii Hioxo 234 MW (first full year)
  - Torito 50 MW
- Incorporating KIA as 25% shareholder

✓ Platform for growth, both organic (greenfields) and non-organic (brownfields)

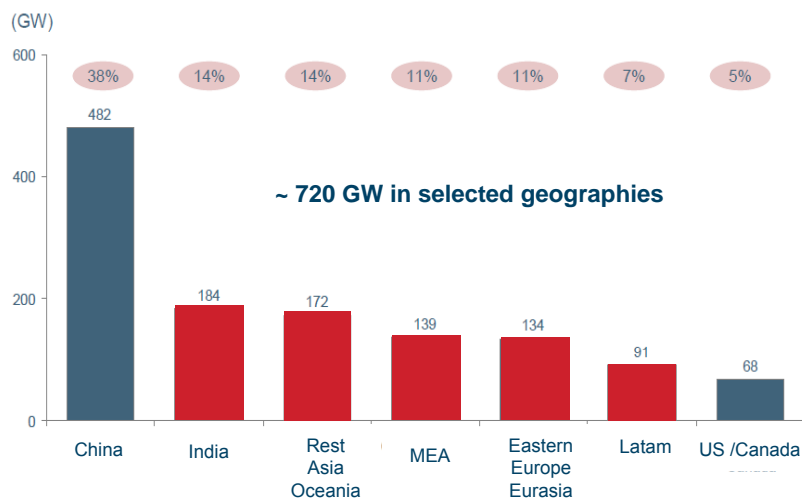
# Power generation

## GPG (II)

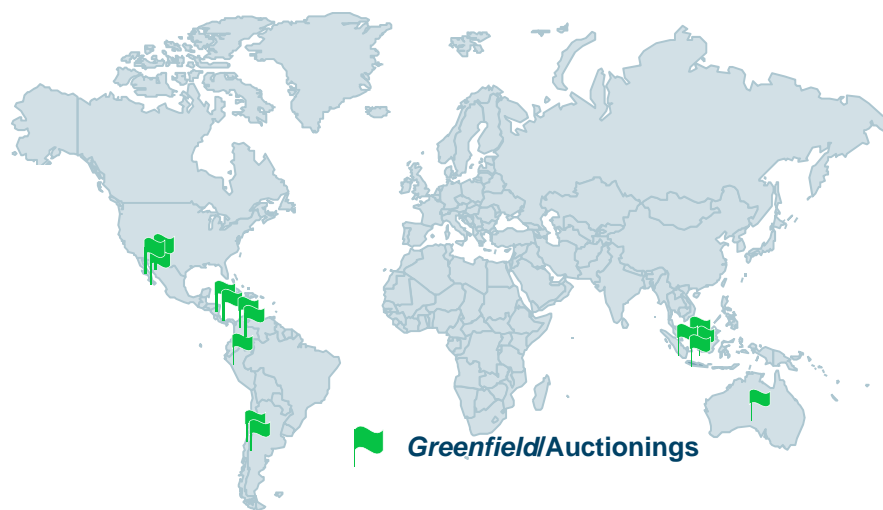


**New capacity in Gas, Coal, Hydro and Wind Power Plants**  
(excluding Europe)

**~8,800 MW in greenfield projects**  
in the world



(Source: BCG)



✓ **Between 2015 and 2020 ~1,300 GW of new capacity is expected in the world using GPG's target technologies (>60% in Latam – Asia – India)**

# Power generation Summary



19% of GNF EBITDA

- 74% Spain / 26% International

(€million)

Country	9M 2015	9M 2014	Currency translation	Consolidation perimeter	Activity	Activity growth
Spain	553	564	-	-	(11)	-2.0%
GPG	199	159	37	-	3	1.9%
TOTAL	752	723	37	-	(8)	-1.1%

✓ Stable business with growth outlook in foreign markets

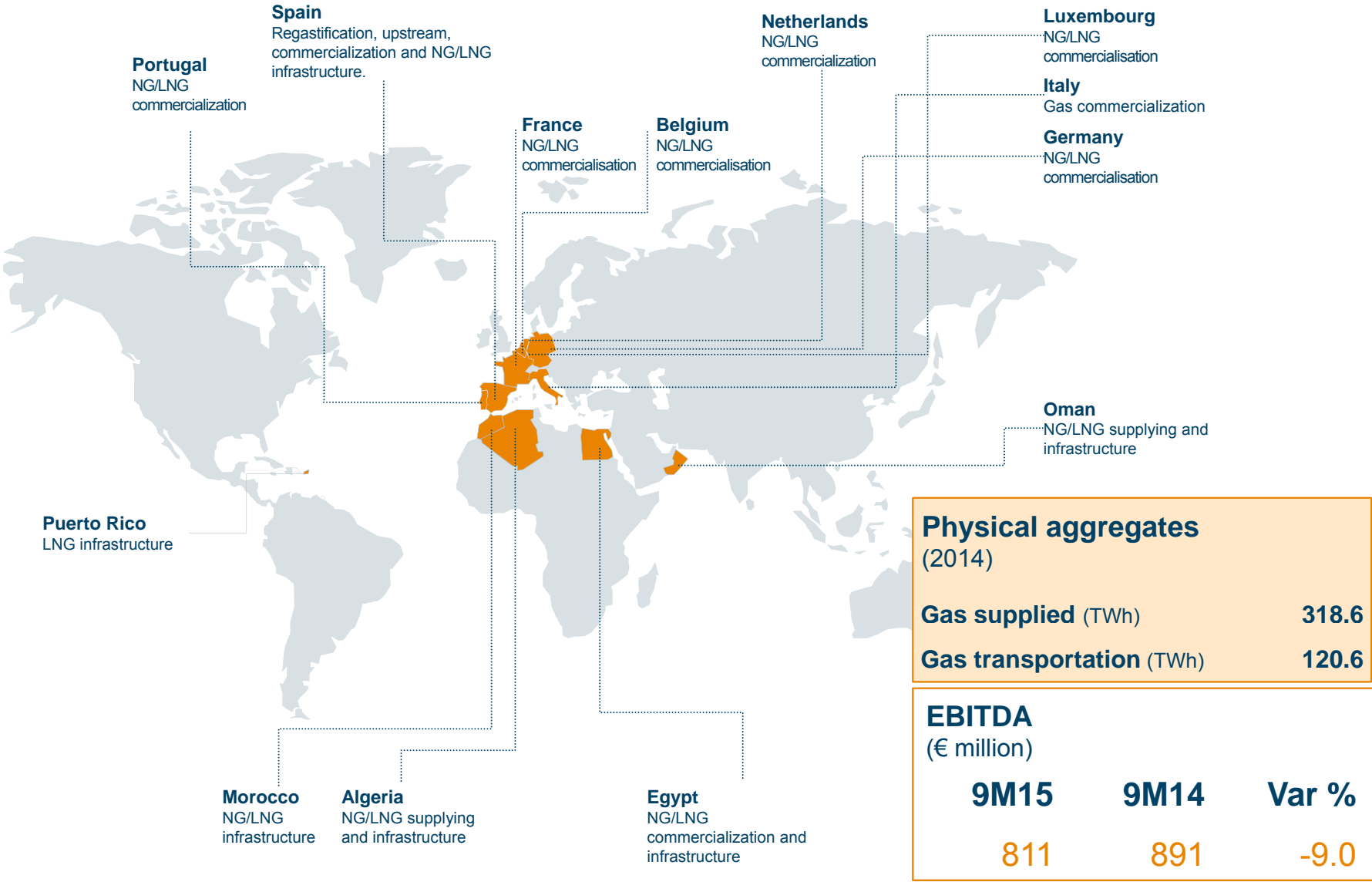
# **Business update**

**✓ Gas supply**

**5.3**

# Gas supply

## GNF's presence



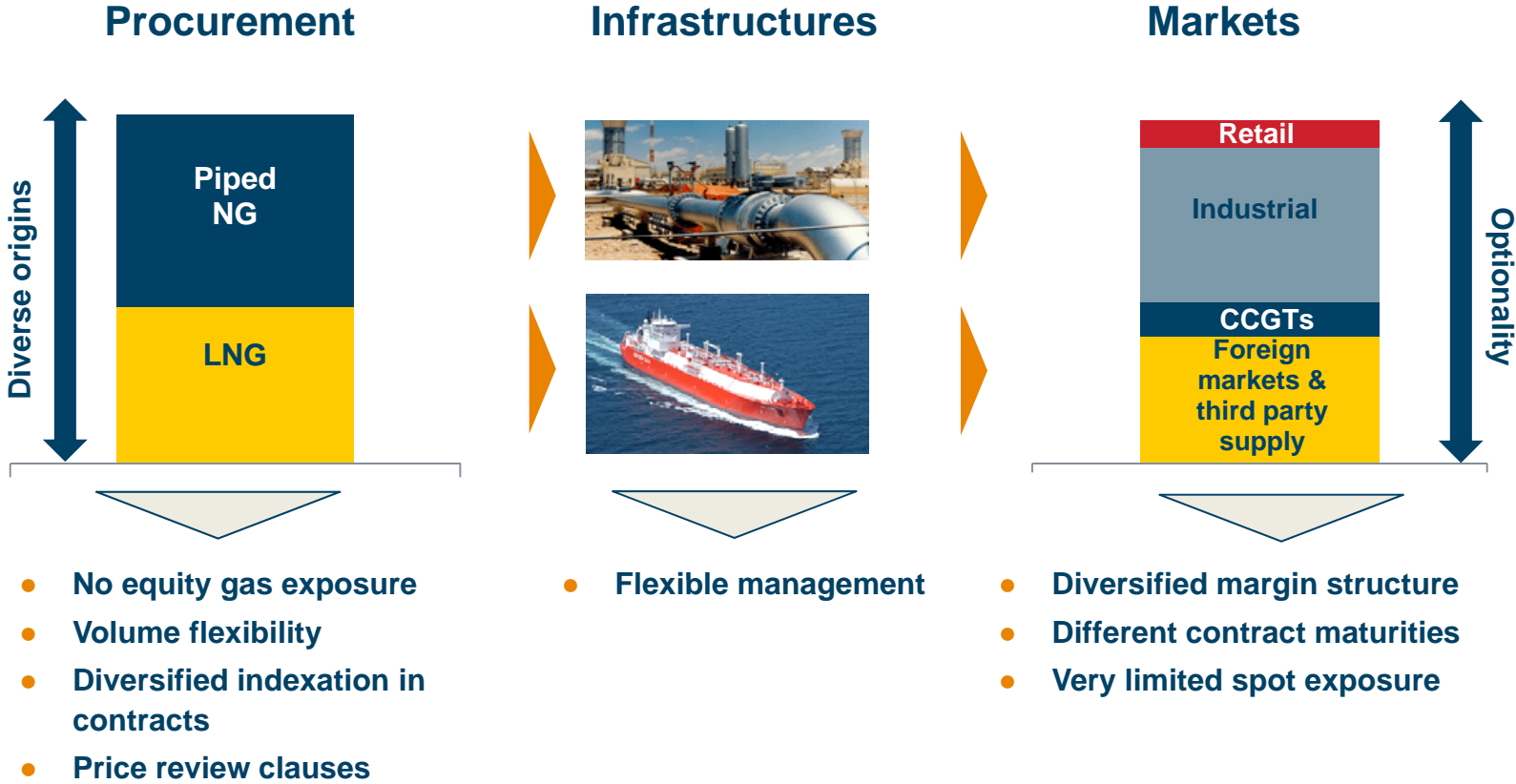
Physical aggregates (2014)	
<b>Gas supplied (TWh)</b>	<b>318.6</b>
<b>Gas transportation (TWh)</b>	<b>120.6</b>

EBITDA (€ million)		
9M15	9M14	Var %
<b>811</b>	<b>891</b>	<b>-9.0</b>



# Gas supply

## A flexible business model



✓ **GNF enjoys operating flexibility to manage commodity risk and profit from arbitrage opportunities**

# Gas supply

## Procurement and infrastructure



- **Procurement contracts:**
    - a diversified portfolio, with contractual terms that mitigate commodity risks exposure
    - high flexibility, enabling to capture high value-added markets
    - diversified indexation in procurement contracts
- 
- **Own LNG tanker fleet:**
    - transport capacity above 2 million m<sup>3</sup>
    - competitive cost benefiting from favorable price environment
    - opex optimization; flexibility to reach different suppliers and markets with possibility to rent excess capacity
    - incorporation of 5 new LNG tankers to 2018; additional 2-4 LNG tankers may be incorporated up to 2020

✓ **Procurement contracts and LNG fleet are the basis of the future growth of the gas supply activity**

# Gas supply

## Customer segments



9M15

<p><b>Retail<sup>1</sup></b></p>	<ul style="list-style-type: none"> <li>• Regulated prices partially indexed to HH, NBP and auction results</li> <li>• Standard 1-year length contracts. Sale of services and energy solutions</li> </ul>	<p>22.0 TWh</p>	<p>9.5%</p>
<p><b>Industrial<sup>1</sup></b></p>	<ul style="list-style-type: none"> <li>• Price formula mainly indexed to Brent and oil derivatives, as well as to the USD/€ exchange rate, similarly to the procurement contracts.</li> <li>• Usually 3-year length contracts</li> </ul>	<p>108.8 TWh</p>	<p>46.9%</p>
<p><b>CCGT</b></p>	<ul style="list-style-type: none"> <li>• Price formulas adapted to the peculiarities of these customers.</li> <li>• Long term contracts</li> </ul>	<p>16.4 TWh</p>	<p>7.0%</p>
<p><b>Global LNG<sup>2</sup></b></p>	<ul style="list-style-type: none"> <li>• Includes other LNG sales under contract to third parties with sale formulas indexed to oil/derivatives and indexes. Billed in USD</li> <li>• Higher sensitivity to the energy environment, both crude and Brent</li> <li>• Medium and long term contracts (1-20 years) and high volumes</li> </ul>	<p>85.0 TWh</p>	<p>36.6%</p>

Note:

1 Sales in Spain and rest of Europe

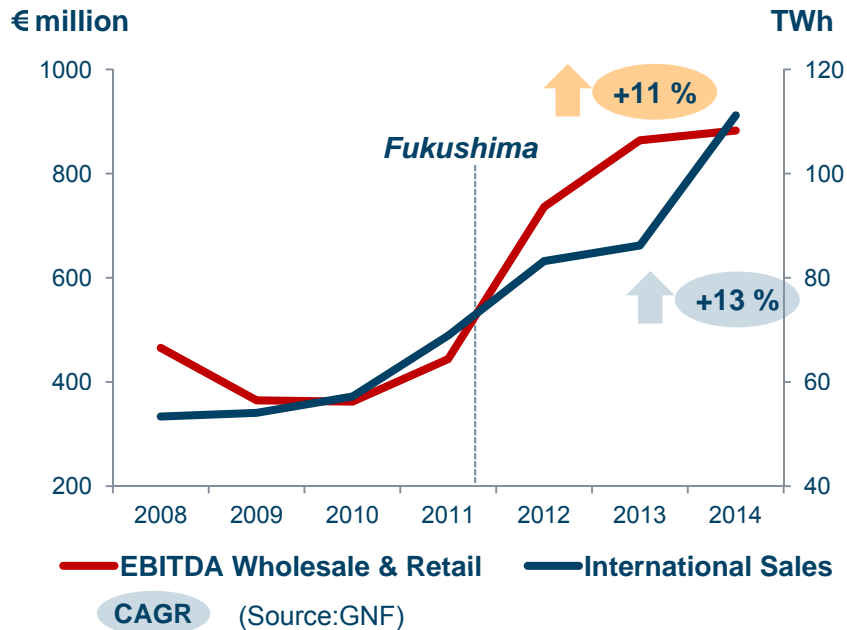
2 Includes supply of ex-ship gas to Iberian peninsula

# Gas supply

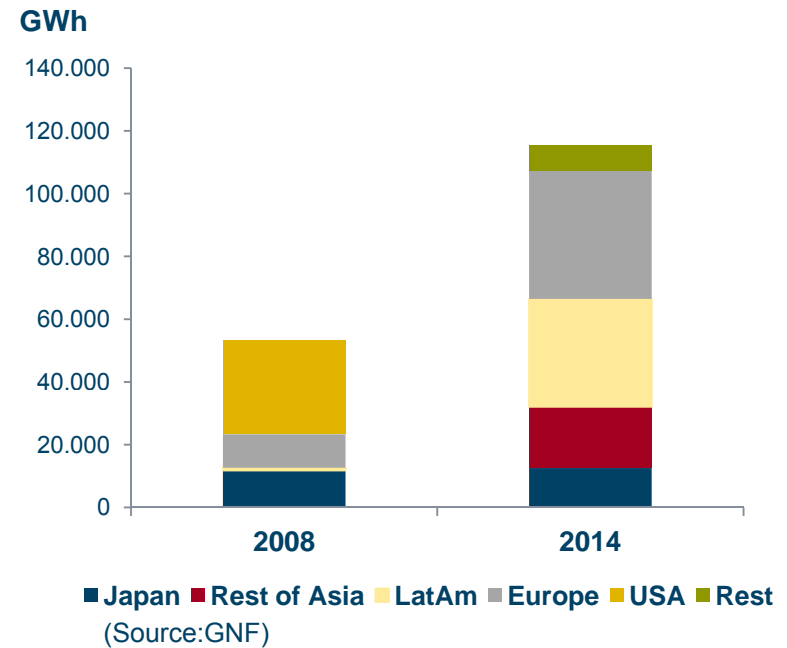
## Evolution of GNF's business model 2011-2014 (I)



**GNF's International Sales vs. EBITDA**



**GNF's international gas demand**



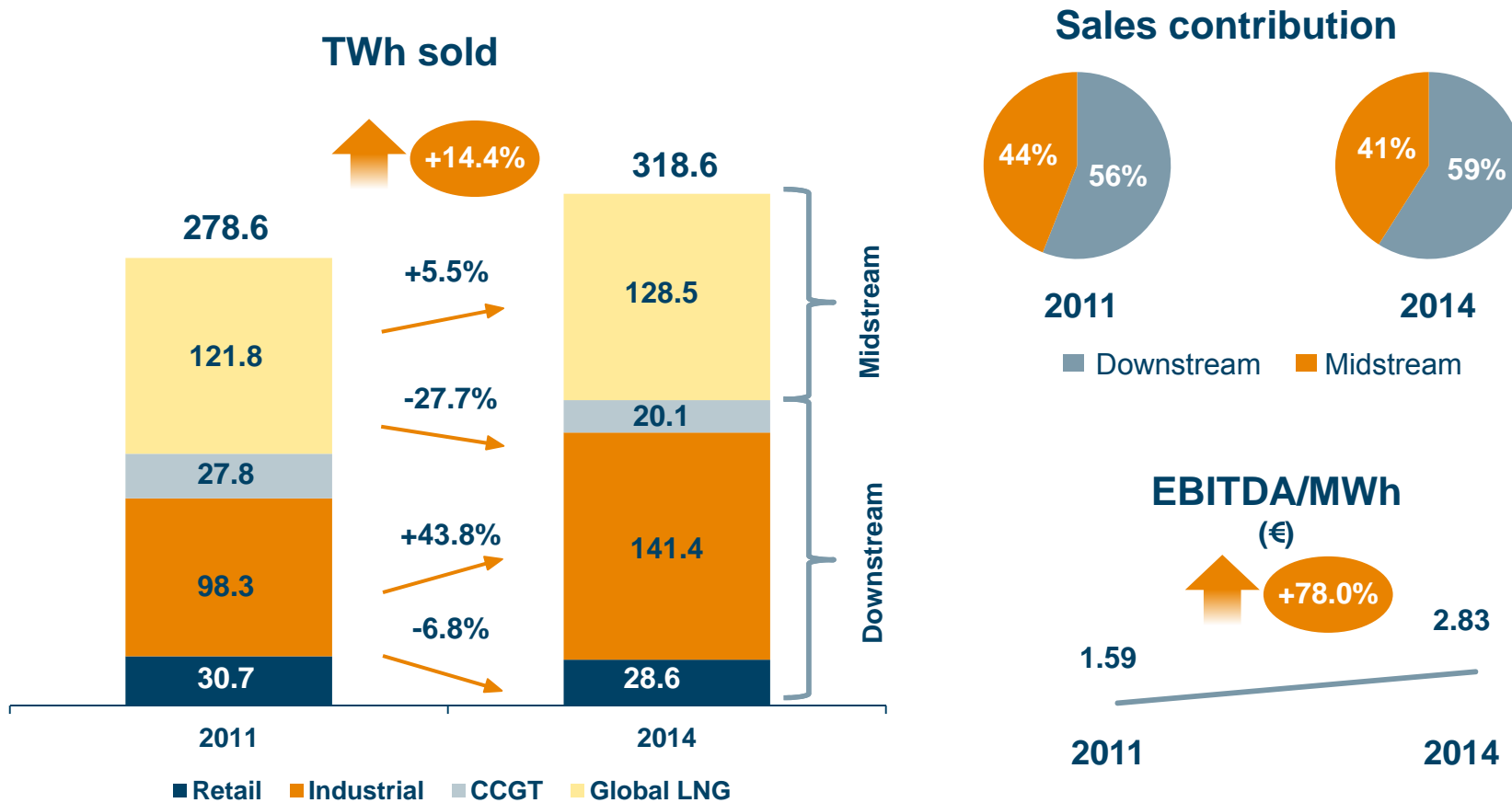
- The high flexibility inherent in its business model has enabled GNF to profit from the growth opportunities that arose in the LNG markets thereby strengthening its international profile

✓ GNF's gas supply business model has been strongly diversified making GNF a global and resilient LNG operator

Note: international sales including Europe.

# Gas supply

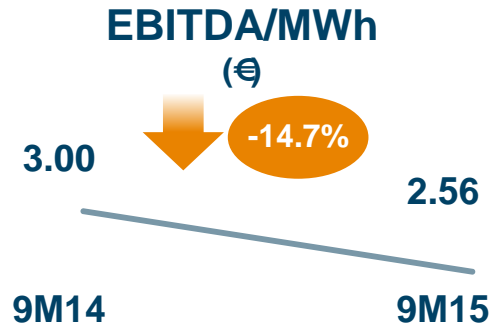
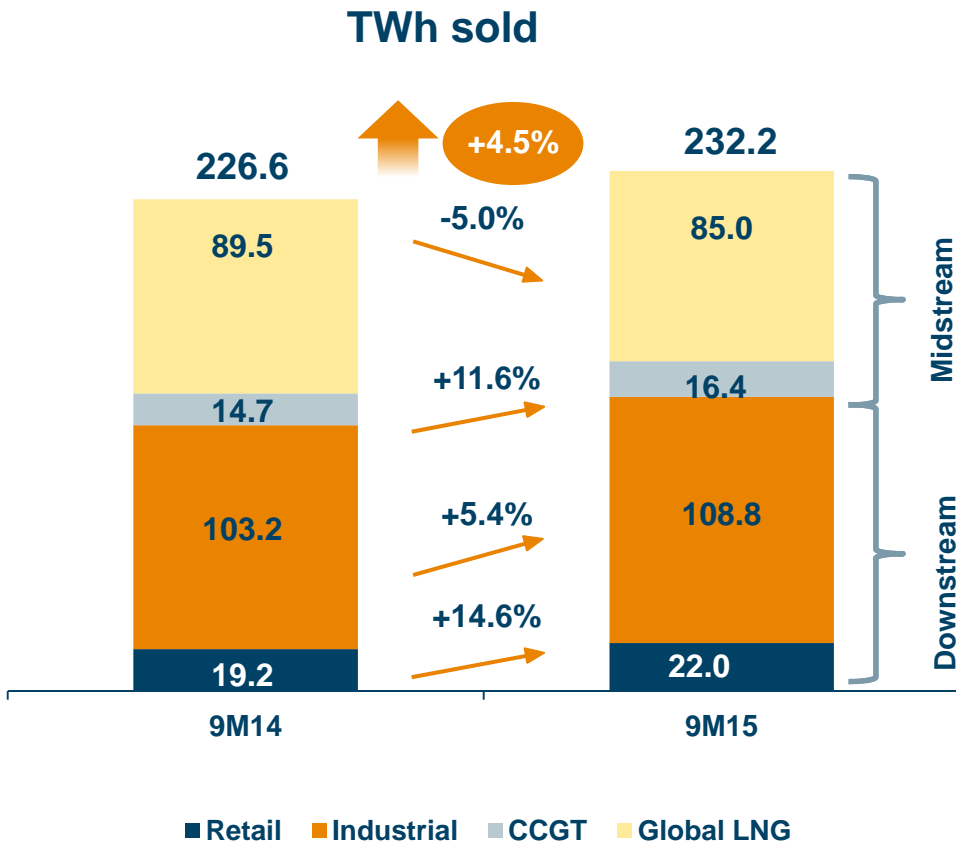
## Evolution of GNF's business model 2011-2014 (II)



✓ Changing sales mix in favour of higher margin segments

# Gas supply

## 9M15 vs 9M14

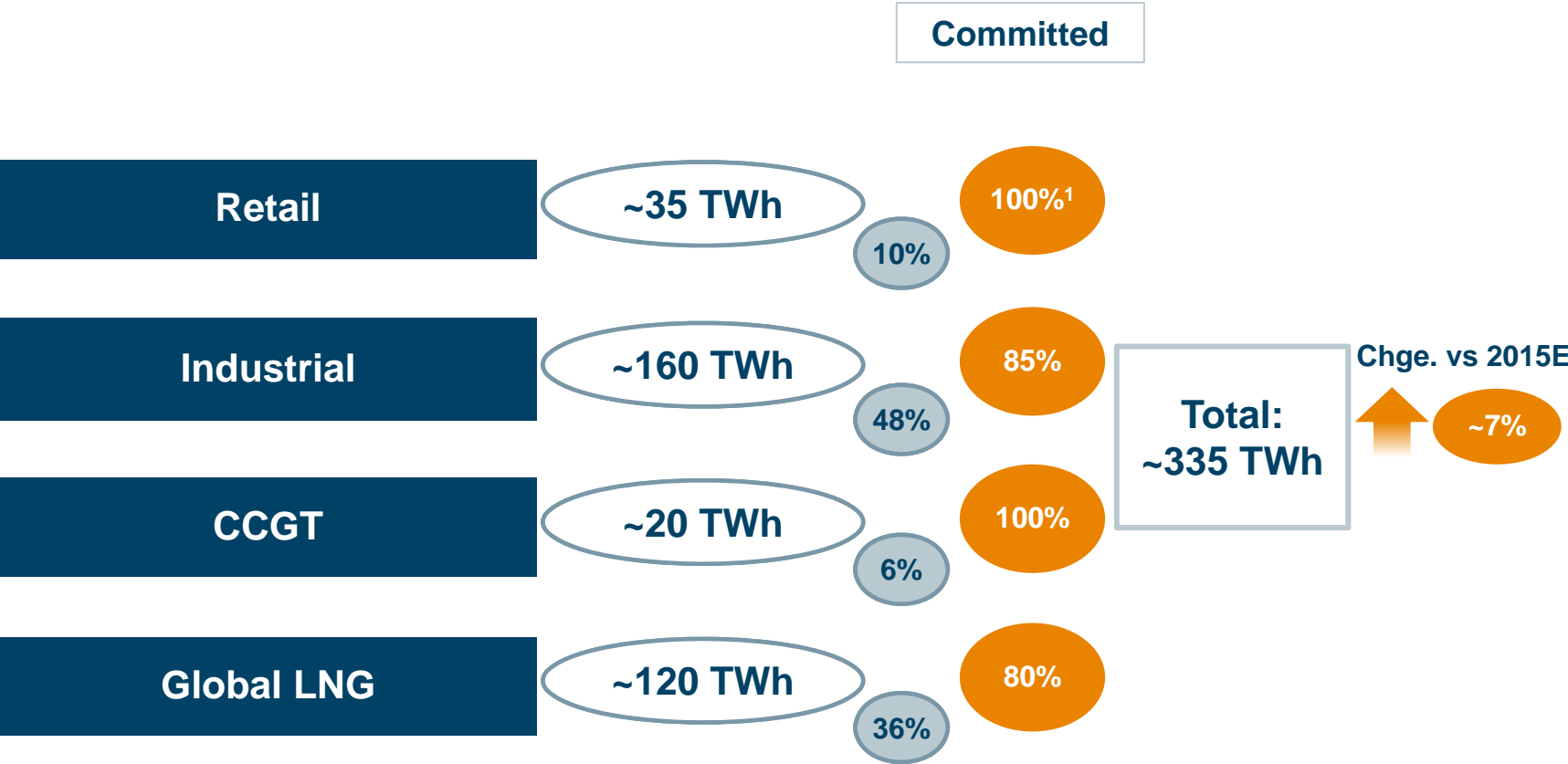


- EBITDA for gas supply only falls 12.5% in 9M15 vs 9M14 thanks to increase in sales

✓ EBITDA for the period impacted by scenario and different sales mix

# Gas supply

## Gas volumes for 2016



✓ **New volumes will contribute with positive margins**

Note:  
 1 Retail contracts being open-ended automatic renewal is assumed – Demand linked to weather

# Gas supply Summary



20% of GNF EBITDA

- 38% Spain / 62% International
- 73% supply / 27% infrastructures

(€million)

Activity	9M 2015	9M 2014	Currency translation	Activity	Activity growth
Infrastructures	216	211	38	(33)	-15.6%
Supply	595	680	-	(85)	-12.5%
TOTAL	811	891	38	(118)	-13.2%

✓ Solid business temporarily impacted by changes in commodity price environment



# Conclusions

6

# Conclusions



✓ EBITDA +10.9% and Net Income +3.8% (adjusted)  
evidence a solid business model

✓ Business model strengthened by continuous  
optimization of asset portfolio

✓ Proven resilience of gas supply business model

✓ Interim dividend +2.72%

✓ On track to achieving 2015 targets

# Appendices





# 1. Financials

# Consolidated Income Statement



(€million)	9M15	9M14	Change %
Net sales	20,042	18,223	10.0
Purchases	(13,905)	(12,803)	8.6
<b>Gross Margin</b>	<b>6,137</b>	<b>5,420</b>	<b>13.2</b>
Personnel, Net	(775)	(617)	25.6
Taxes	(368)	(359)	2.5
Other expenses, Net	(996)	(838)	18.9
<b>EBITDA</b>	<b>3,998</b>	<b>3,606</b>	<b>10.9</b>
Depreciation and impairment losses	(1,337)	(1,184)	12.9
Provisions	(194)	(185)	4.9
Other	5	253	-98.0
<b>Operating Income</b>	<b>2,472</b>	<b>2,490</b>	<b>-0.7</b>
Financial results, Net	(694)	(587)	18.2
Equity income	(5)	(75)	-93.3
<b>Income Before Tax</b>	<b>1,773</b>	<b>1,828</b>	<b>-3.0</b>
Corporate tax	(434)	(448)	-3.1
Non-controlling interests	(245)	(141)	73.8
<b>Net Income</b>	<b>1,094</b>	<b>1,239</b>	<b>-11.7</b>
Capital gains <sup>1</sup>	(5)	(190)	-
<b>Adjusted Net Income</b>	<b>1,089</b>	<b>1,049</b>	<b>3.8</b>

Note:

1 Sale of Telecoms in 2014 and Begasa in 2015

# EBITDA breakdown



(€million)	9M15	9M14	Change	
			€m	%
<b>Networks:</b>	<b>2,407</b>	<b>1,900</b>	<b>507</b>	<b>26.7</b>
Gas Distribution Europe	715	726	(11)	(1.5)
Gas Distribution LatAm	478	459	19	4.1
Electricity Distribution Europe	475	465	10	2.2
Electricity Distribution LatAm	275	250	25	10.0
CGE	464	-	464	-
<b>Power Generation:</b>	<b>752</b>	<b>723</b>	<b>29</b>	<b>4.0</b>
Spain	553	564	(11)	(2.0)
GPG	199	159	40	25.2
<b>Gas Supply:</b>	<b>811</b>	<b>891</b>	<b>(80)</b>	<b>(9.0)</b>
Infrastructures	216	211	5	2.4
Supply	595	680	(85)	(12.5)
Other	28	92	(64)	(69.6)
<b>Total EBITDA</b>	<b>3,998</b>	<b>3,606</b>	<b>392</b>	<b>10.9</b>

# Investments



(€million)	9M15	9M14	Change	
			€m	%
<b>Networks:</b>	<b>858</b>	<b>549</b>	<b>309</b>	<b>56.3</b>
Gas Distribution Europe	266	206	60	29.1
Gas Distribution LatAm	168	136	32	23.5
Elec Distrib Europe	147	126	21	16.7
Elec Dist LatAm	90	81	9	11.1
CGE	187	-	187	-
<b>Power Generation:</b>	<b>177</b>	<b>193</b>	<b>(16)</b>	<b>(8.3)</b>
Spain	138	87	51	58.6
GPG	39	106	(67)	(63.2)
<b>Gas Supply:</b>	<b>30</b>	<b>203</b>	<b>(173)</b>	<b>(85.2)</b>
Infrastructures	7	185	(178)	(96.2)
Supply	23	18	5	27.8
Other	51	70	(19)	(27.1)
<b>Total tangible + intangible</b>	<b>1,116</b>	<b>1,015</b>	<b>101</b>	<b>10.0</b>
<b>Financial</b>	<b>92</b>	<b>41</b>	<b>51</b>	<b>124.4</b>
<b>TOTAL</b>	<b>1,208</b>	<b>1,056</b>	<b>152</b>	<b>14.4</b>

Investments<sup>(1)</sup> +33.2%  
excluding the  
€177 million tanker lease  
reported in 1H14



**Spain**



**+28%**

**International**



**+40%**

Note:

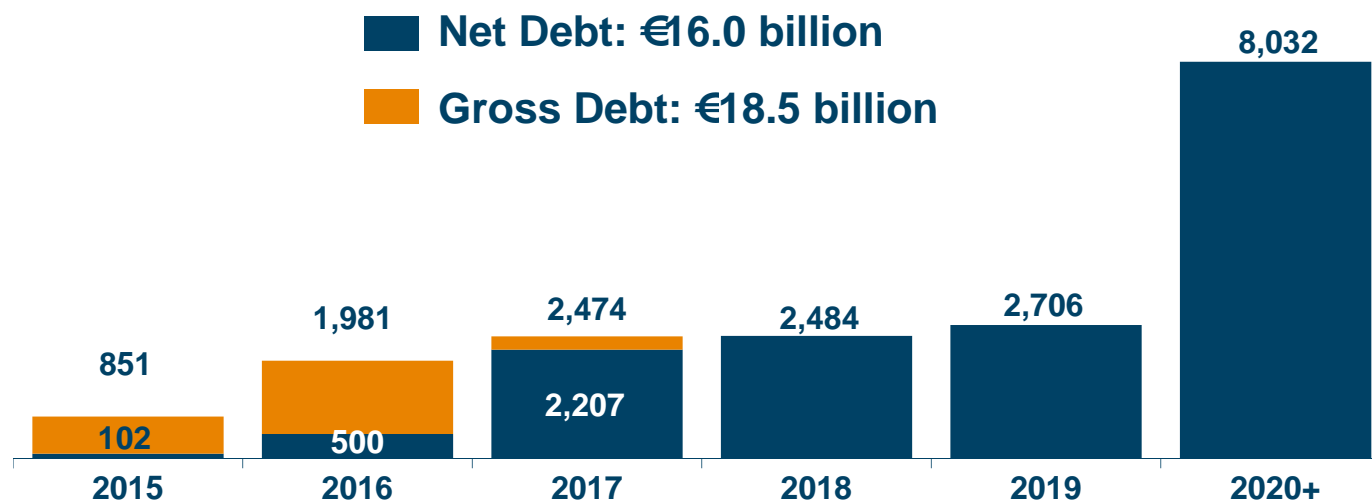
1 Tangible and intangible

# Financial structure (I)

## A comfortable debt maturity profile



As of Sep 30, 2015  
(€million)



- Average life of Net Debt ~5 years
- 92% of Net Debt maturing from 2018 onwards

✓ All financial needs covered until 1H18



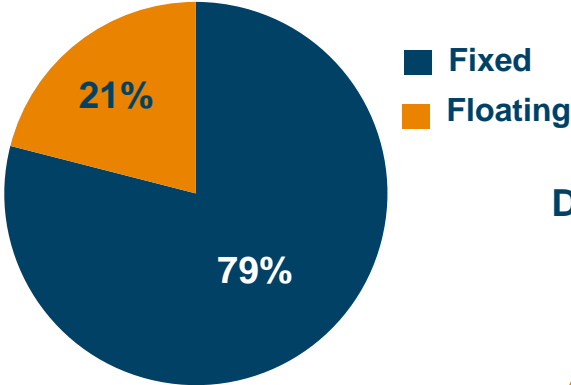
# Financial structure (II)

## An efficient net debt structure

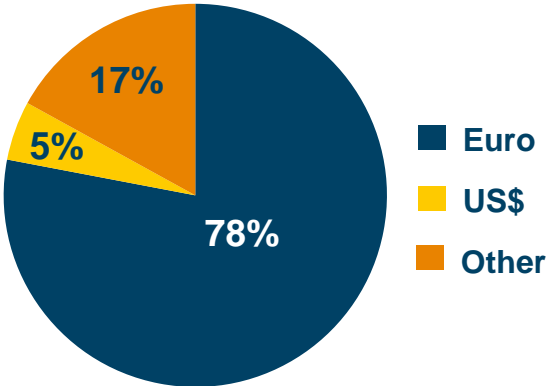


As of Sep 30, 2015

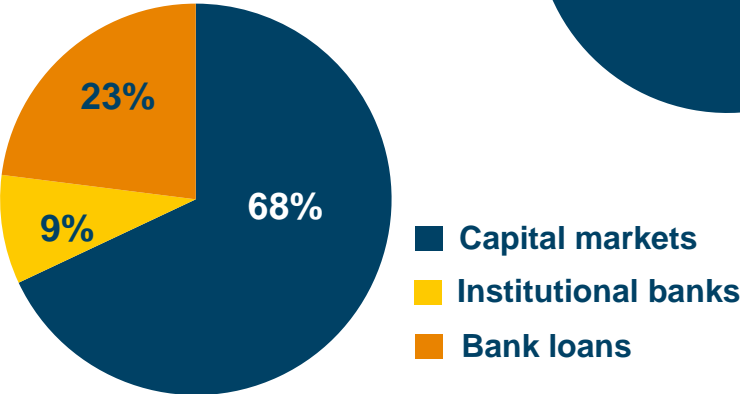
Majority of debt at fixed rates with very competitive cost



Conservative currency exposure policy



Diversified financing sources



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

# Financial structure (III)

## Strong liquidity position



As of Sep 30, 2015 (€ million)	Limit	Drawn	Undrawn
Committed lines of credit	7,460	385	7,074
Uncommitted lines of credit	607	82	525
EIB loan	53	-	53
Cash	-	-	2,280
<b>TOTAL</b>	<b>8,119</b>	<b>468</b>	<b>9,932</b>

- Additional capital market capabilities of ~€5,639 million both in Euro and LatAm (Mexico, Chile, Panama and Colombia) programs
- New €900 million EIB loan approved in October 2015

✓ Enough liquidity available to cover needs for over 24 months



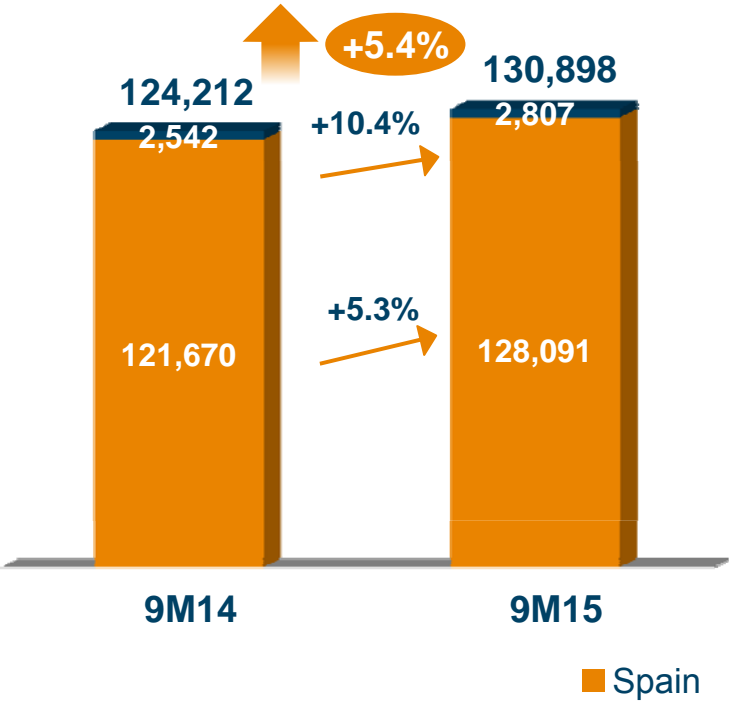
## **2. Operating figures**

# Networks

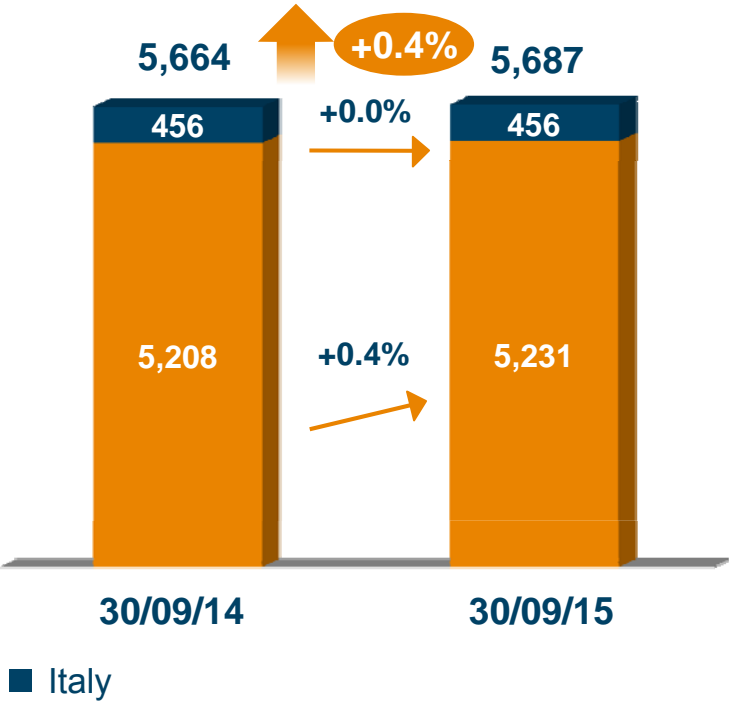
## Gas Distribution Europe



Gas Sales (GWh)



Connection points (000)



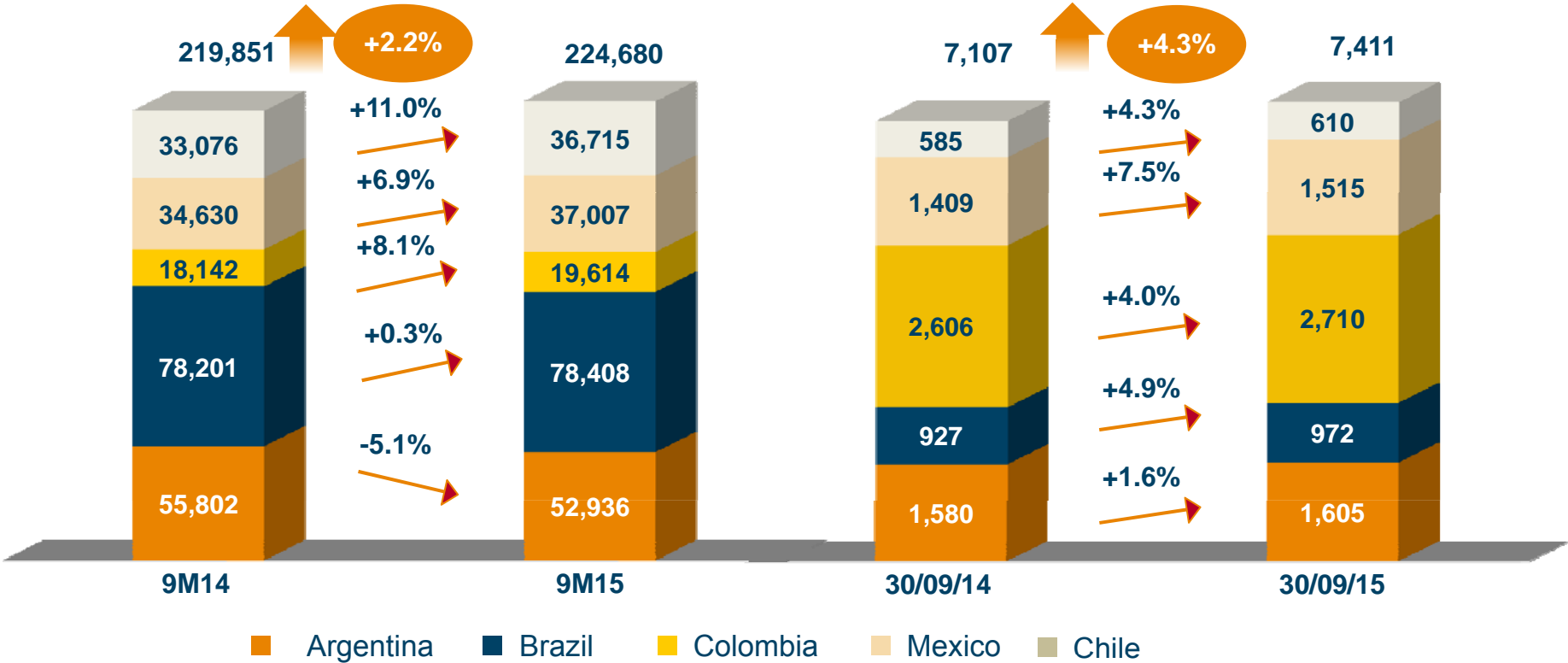
# Networks

## Gas Distribution Latin America



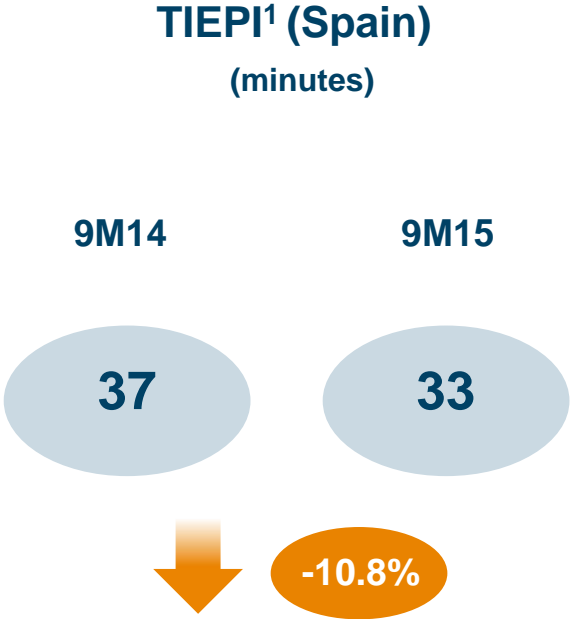
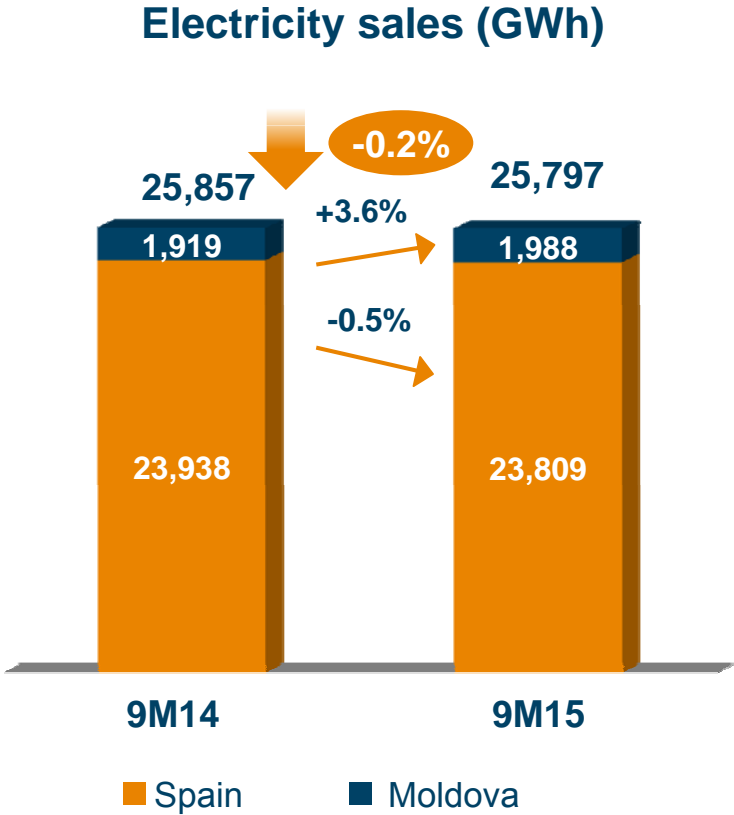
Gas sales (GWh)

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.

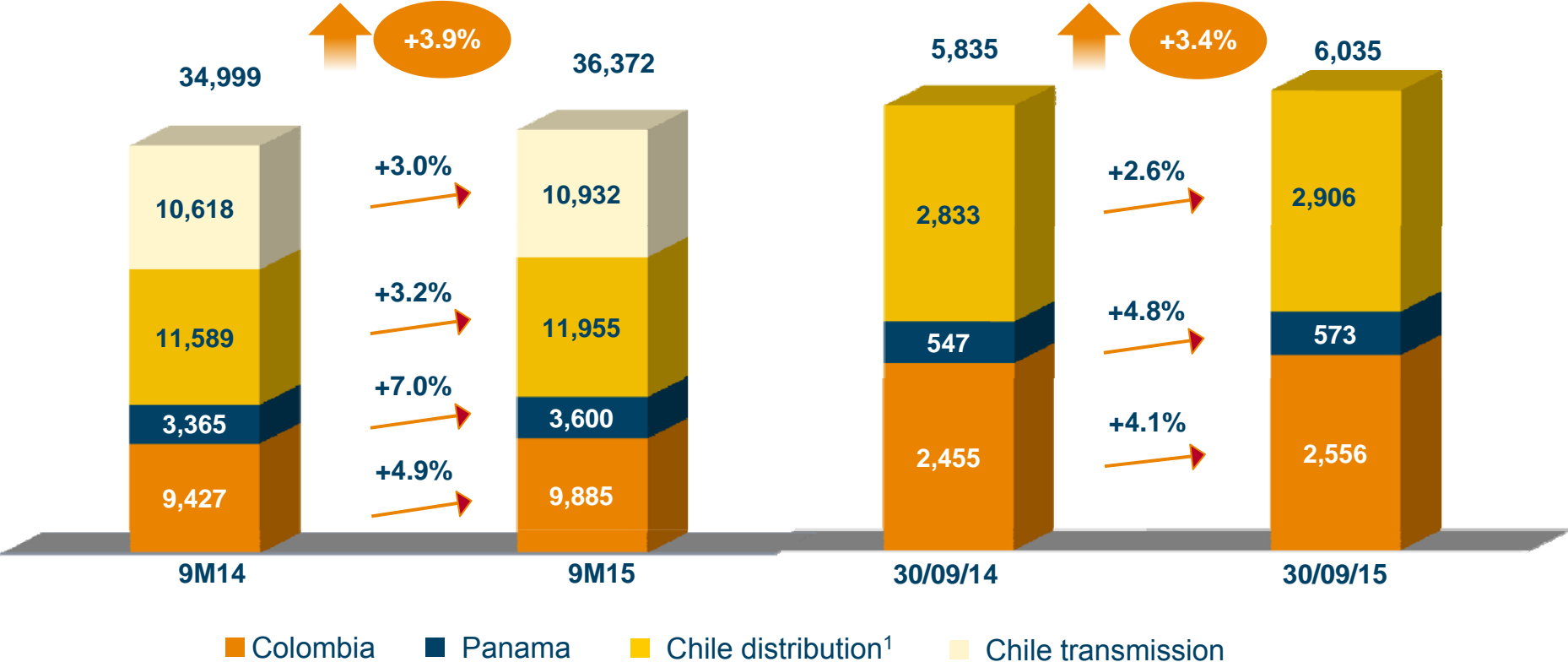
# Networks

## Electricity Distribution Latin America



Electricity sales (GWh)

Connection points (000)

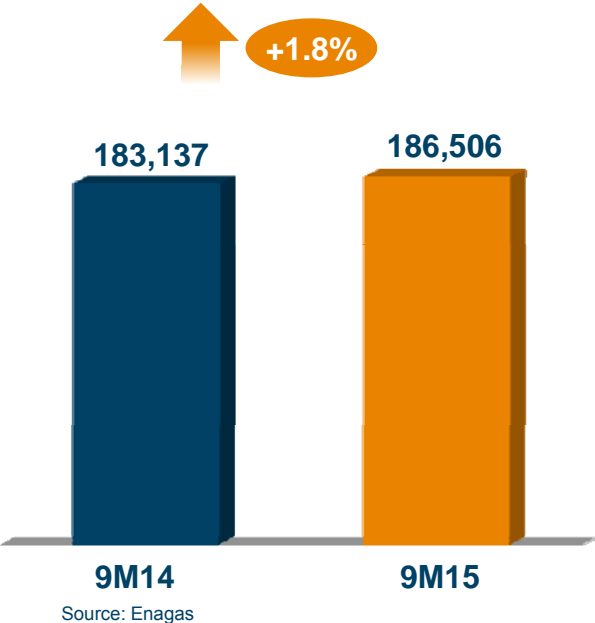


Note:  
 1 Includes data for CGE's subsidiaries in Argentina (not meaningful)

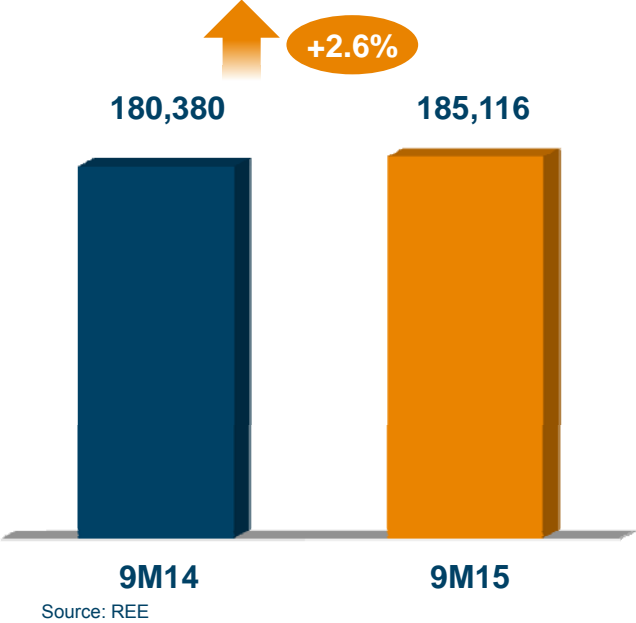
# Gas and electricity demand in Spain



Conventional gas demand (GWh)



Electricity demand (GWh)



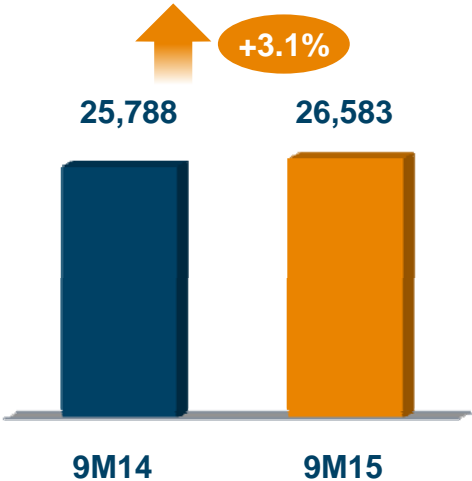


# Power generation

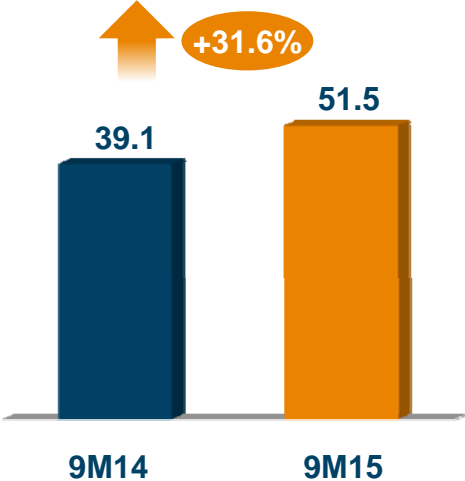
## Electricity Spain (I)



### Electricity sales (GWh)



### Average pool price (€/MWh)

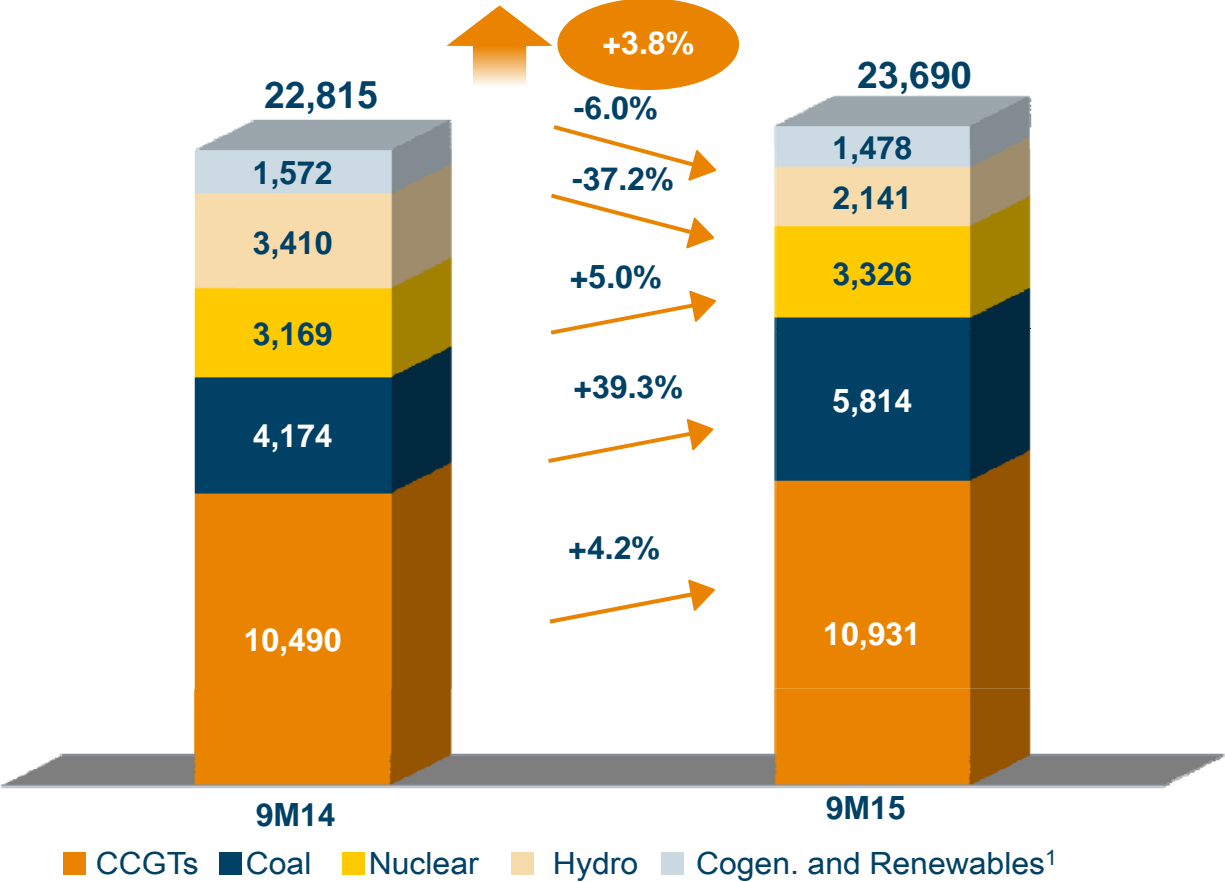


Source: REE

# Power generation Electricity Spain (II)



GNF's total production (GWh)



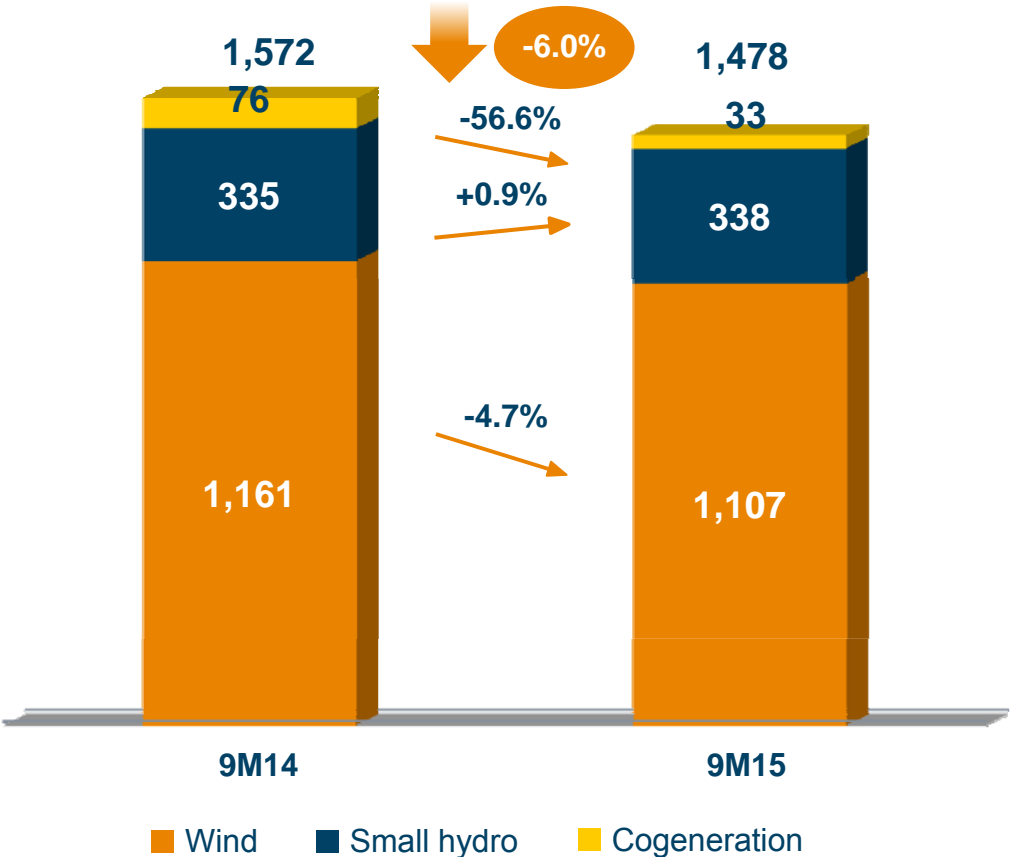
Note:

1 Formerly "Special Regime".

# Power generation Electricity Spain (III)



GNF's total production in cogeneration and renewables<sup>1</sup> (GWh)



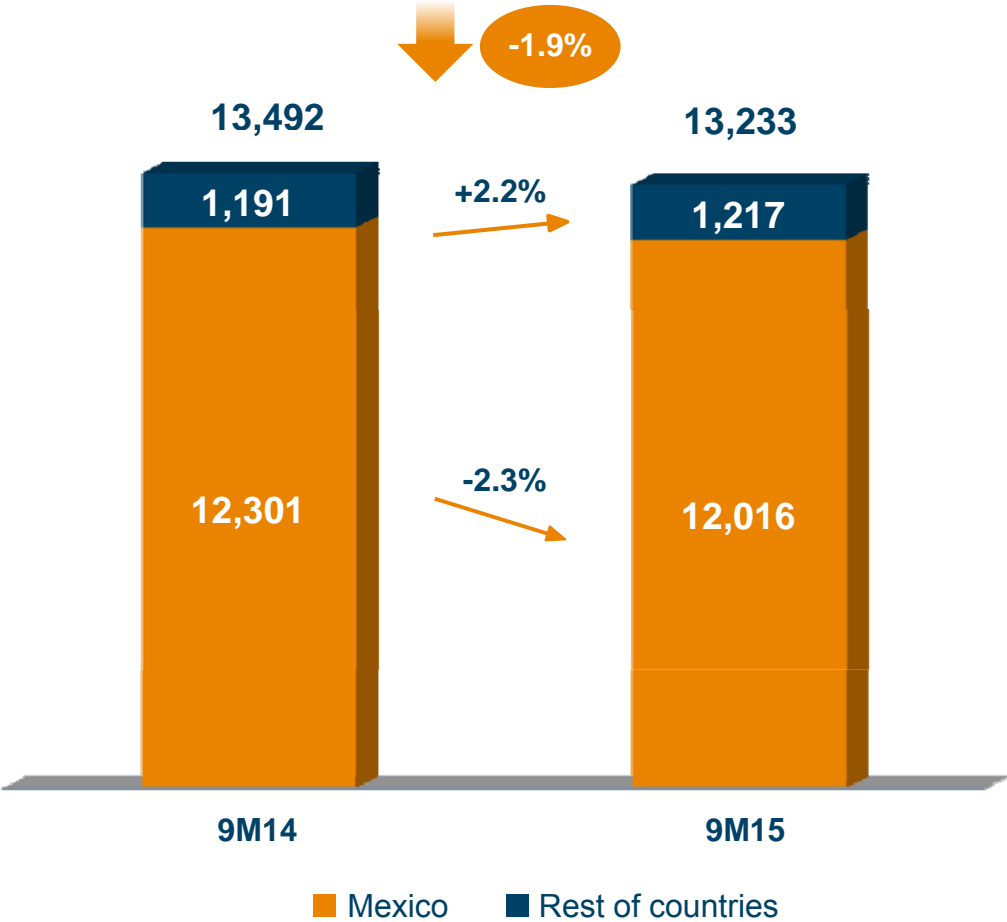
Note:  
1 Formerly "Special Regime"

# Power generation

## GPG

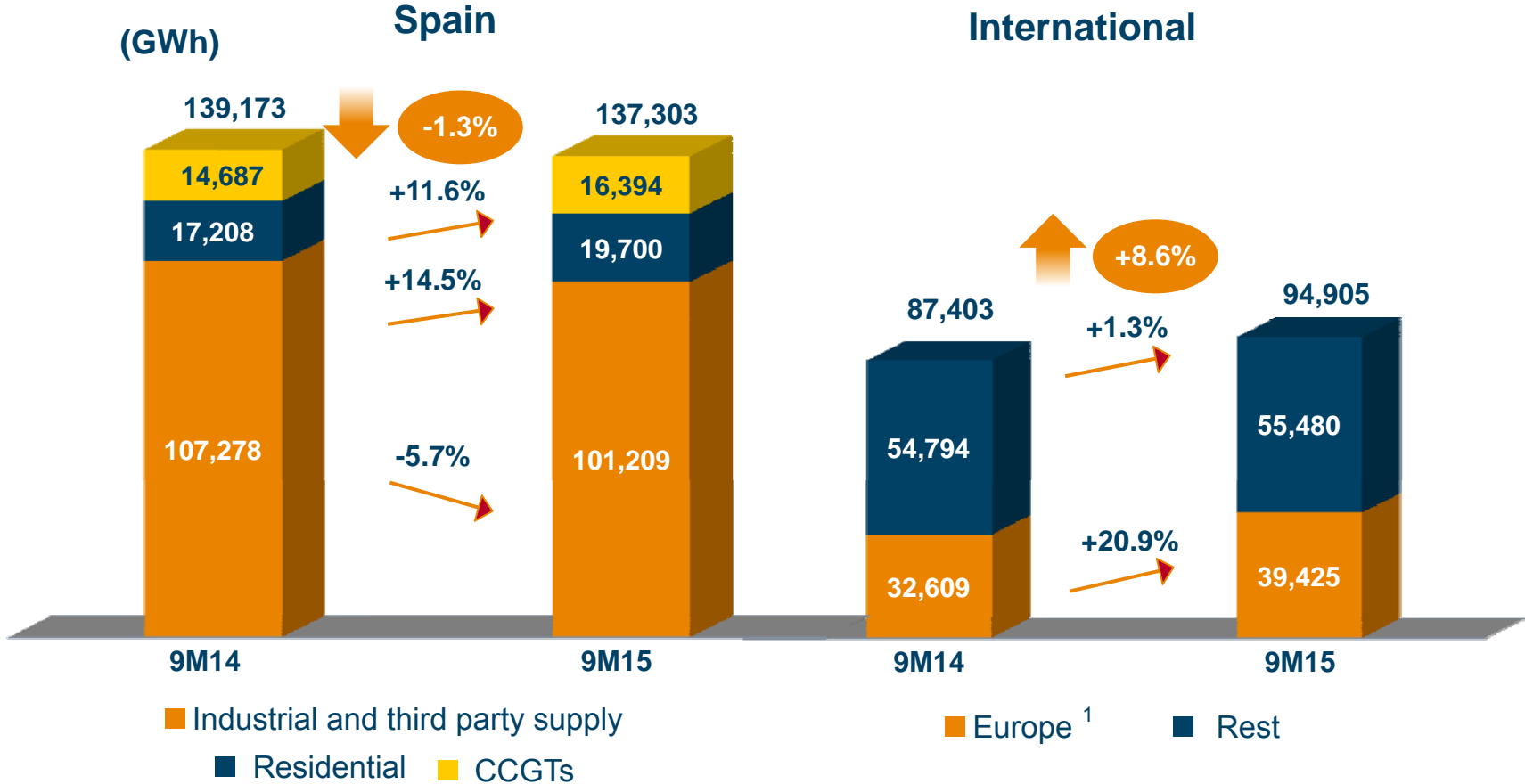


GPG's total production (GWh)



# Gas supply

## Gas sales by markets



Note:

<sup>1</sup> Sales to end customers, including retail sales in Italy



## Thank you

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