

First Half 2012 Results

July 24, 2012



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Agenda



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



Highlights

Key financial indicators



**Net income 1H12: €767 million (-6.7%)
(adjusted net income 1H12: +24.3%)**

EBITDA 1H12: €2,559 million (+7.3%)¹

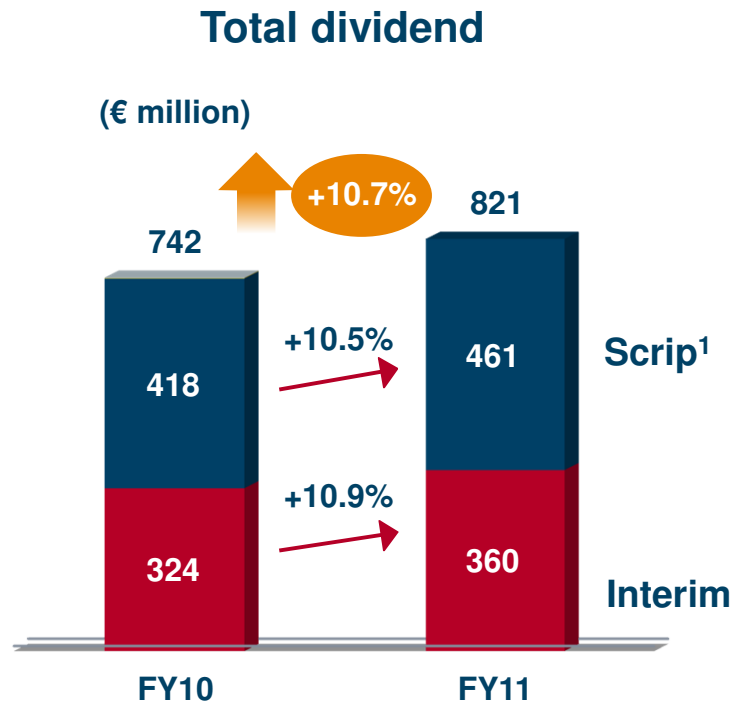
Investments² 1H12: €535 million (+3.3%)

Net debt as of 30/06/12: €16.9 billion (-2.3%)³

Notes:

- 1 EBITDA +10.0% on a like for like basis disregarding disposals made in 2011 and 2012
- 2 Tangible and intangible investments
- 3 Change vs. 31/12/2011. €15.9 billion after deducting outstanding tariff deficit

Shareholder remuneration



- Attractive shareholder remuneration policy in line with targets for 2010-2014 Strategic Plan, with a 2011 payout of 62% and a yield of 6.2%²
- Cash interim dividend paid on 09/01/12 and scrip dividend executed in June with 18.2% success ratio and a cash payment of €379 million

A shareholder remuneration policy that combines value creation and flexibility

Notes:

1 Corresponds to maximum reference market value of a capital increase approved by the AGM on 20/04/12

2 As per closing market price on 30/12/11 of €13.265/share

Spanish regulatory issues



Measures approved by the Ministry

- **Royal Decree Law 1/2012**
 - **Temporary suspension of financial incentives for new facilities under the Special Regime (renewables and co-generation) not yet registered under the pre-filings**
- **Royal Decree Law 13/2012**
 - **Tariff increase (+€1,392 million) to comply with rulings from the Spanish Supreme Court and reduction in costs (-€1,764 million) through cuts in remuneration to transportation and distribution, capacity charges and other**
- **Royal Decree Law 20/2012**
 - **Measures which include lower remuneration for extrapeninsulars, transmission, higher access charges for low voltage and territorial supplements to cover regional taxes**

Spanish regulatory issues

Electricity system costs

(after RDL 13/2012)



(€ million/year)

Transportation	1,500	8.1%
Distribution	5,000	27.0%
Capacity payments ⁽¹⁾	(850)	
Subsidies	10,650	57.6%
Tariff deficit ⁽²⁾	2,200	11.9%
TOTAL	18,500	100%



Special regime ^a	7,600
Photovoltaic	2,400
Solar thermal	1,300
Wind	1,800
Cogeneration	1,200
Rest	900
Extrapeninsular ^b	1,900
Large consumers ^c	500
Domestic coal	400
Social bond	250

⁽¹⁾ Net, not including subsidies to domestic coal

⁽²⁾ Annual payments of principal + interest of accumulated deficit

(a) Increase of €1,000 million/year in 2012 and 2013

(b) Balearics, Canary Islands, Ceuta and Melilla

(c) Payments for interruptibility

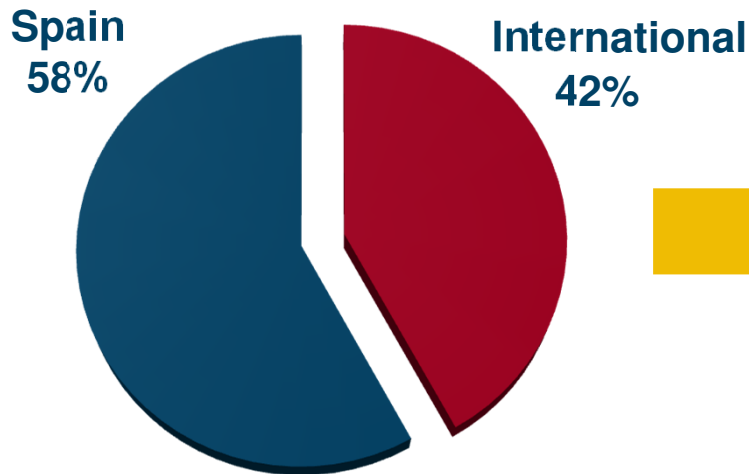


Growth of international operations

A higher share from international operations (I)

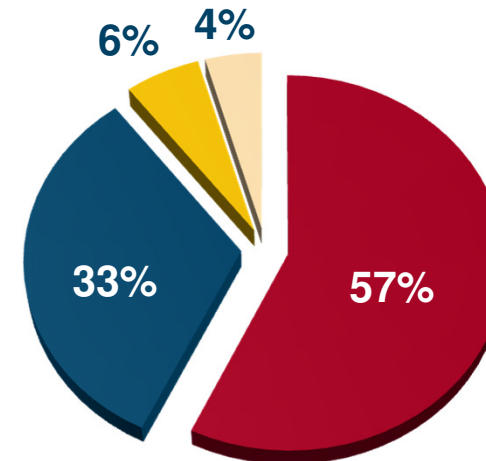
Geographical breakdown of 1H12 EBITDA

EBITDA: € 2,559 million



EBITDA from international operations

EBITDA: € 1,079 million



■ LatAm
 ■ Gas (infrastructures & supply)
 ■ Distribution Europe
 ■ Rest

International operations continue to play an increasing role, in accordance with the 2010-2014 Strategic Plan

A higher share from international operations (II)



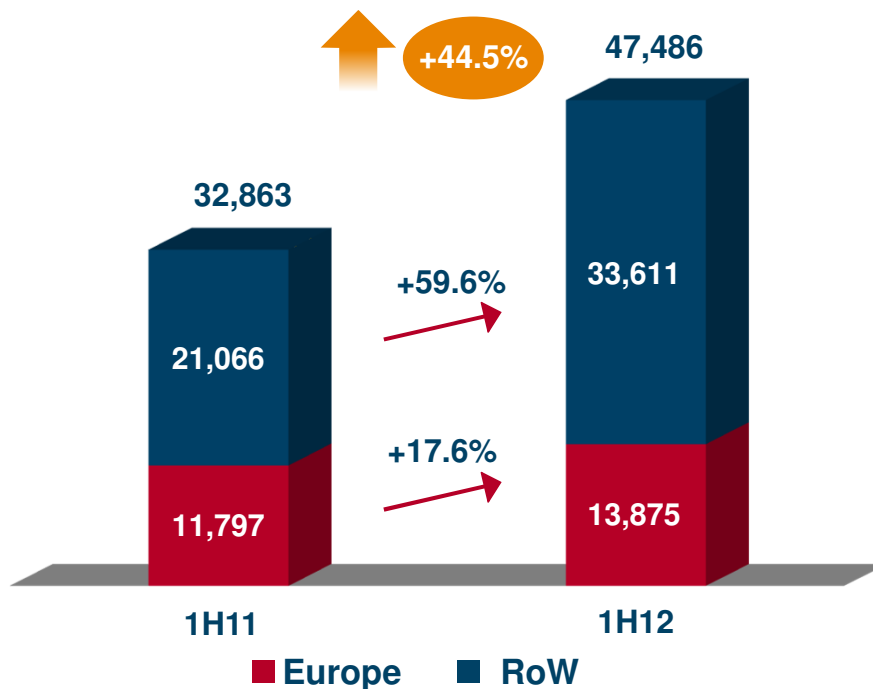
- Gas wholesale operations in foreign markets enjoy a continuous and healthy expansion
- Latin American activities continue to maintain a robust and sustained growth

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

International gas sales maintain growing trend



Foreign sales (GWh)



- International gas sales representing ~30% of total
- Continuous increase in non-European sales (Americas, Asia)
- Successful expansion of commercial operations in Europe (France, BeNeLux, Germany) with 16 TWh p.a. portfolio

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

Future developments of international gas wholesales

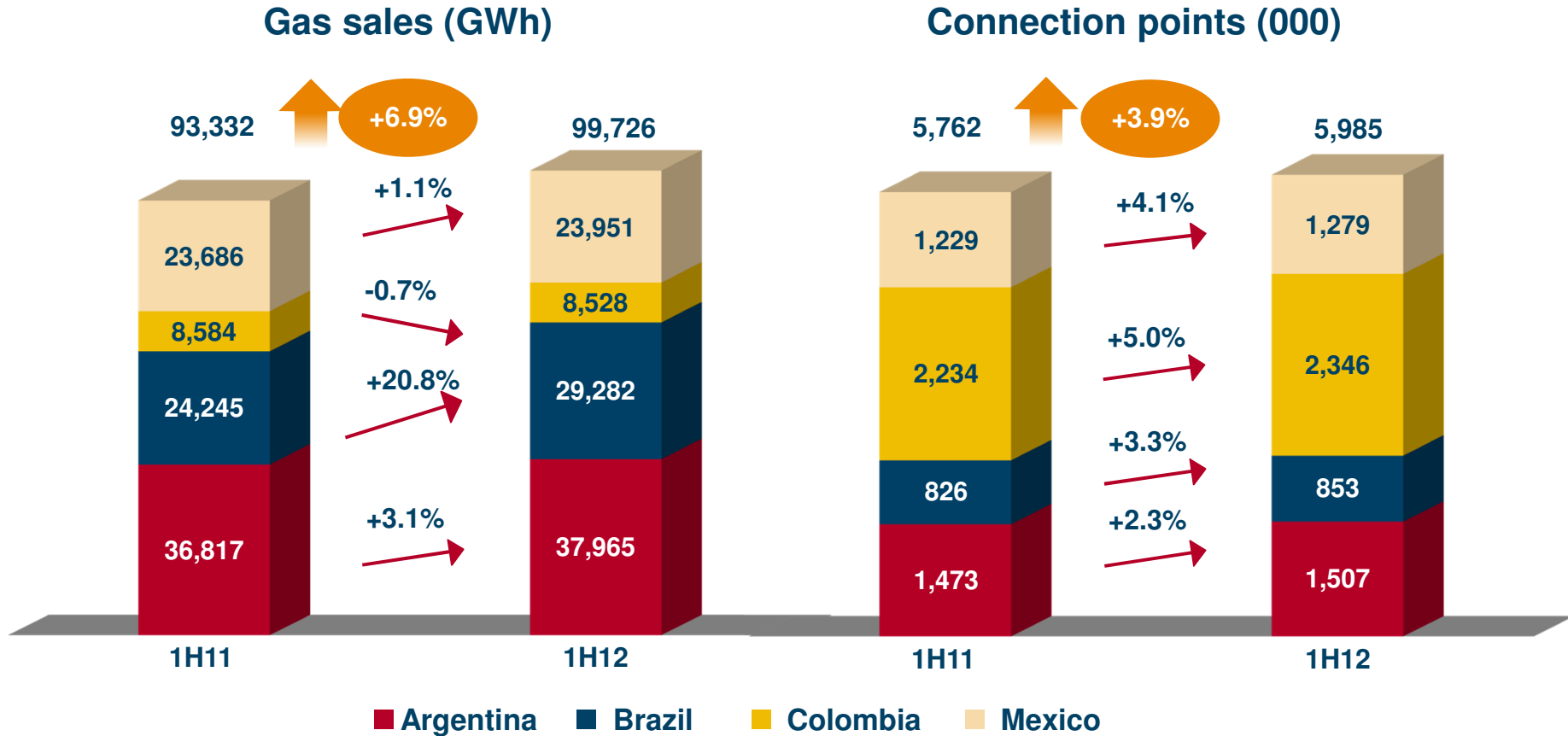


- **GNF's balanced and consolidated position in the world's LNG markets helps maximize the value of its gas procurement contracts**
 - **Balanced presence in Atlantic and Pacific basins (50/50)**
 - **Operating flexibility enables to optimize exposure to most profitable markets while minimizing risks**
- **Aiming to consolidate strategy through mid-term sales contracts (2-3 years)**
 - **Atlantic basin: Puerto Rico and South America**
 - **Pacific basin: mid-term contracts with clients in India and Far East**
- **Recent contract with Cheniere will provide an additional 5 bcm of LNG without limits on destination**

Striving to maintain and strengthen GNF's LNG strategy in the future

Latin America (I)

Gas distribution



Exploiting high underlying growth potential in the region

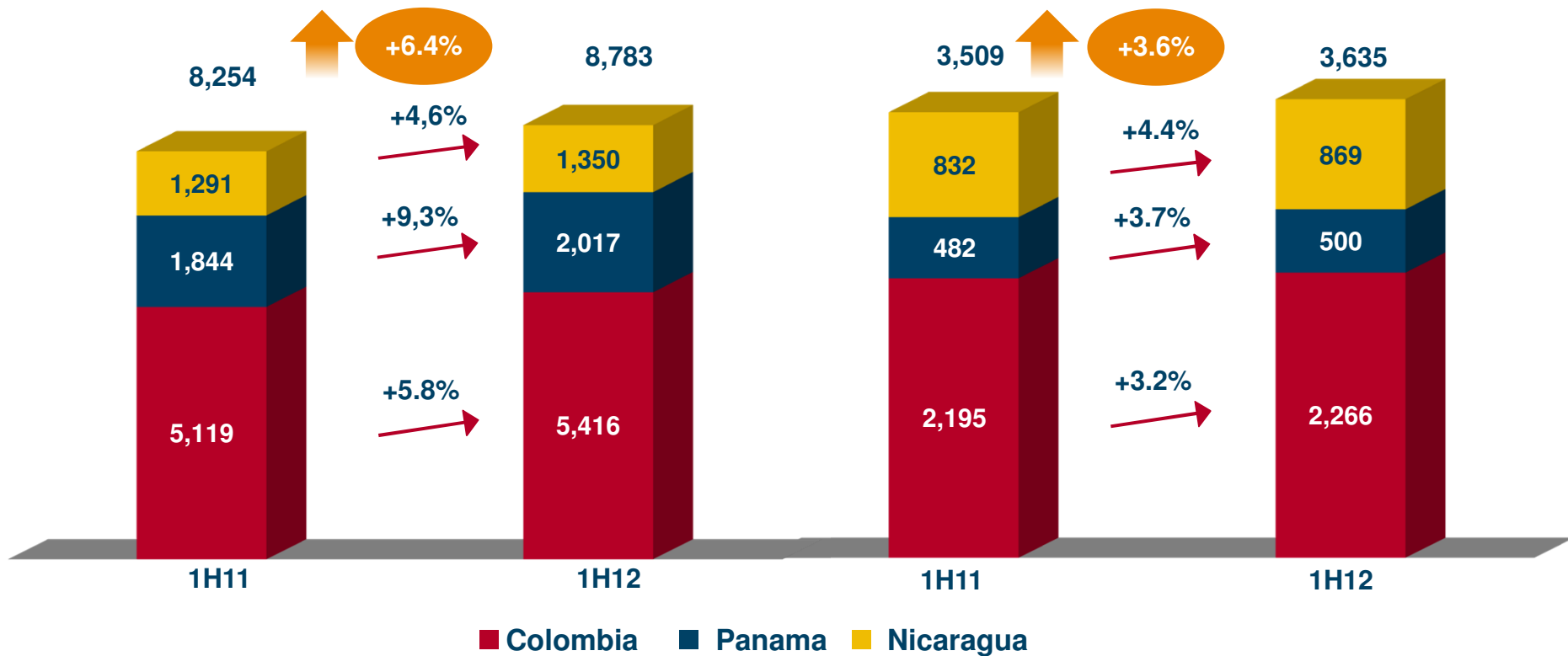
Latin America (II)

Electricity distribution



Electricity sales (GWh)

Connection points (000)



EBITDA grows +32.1% to €181 million

3

Financials

Consolidated income statement



(€ million)	1H12	1H11	Change %
Net sales	12,439	10,205	21.9
Purchases	(8,639)	(6,684)	29.2
Gross Margin	3,800	3,521	7.9
Personnel, Net	(423)	(438)	(3.4)
Other expenses, Net	(818)	(697)	17.4
EBITDA	2,559	2,386	7.3
Depreciation	(890)	(869)	2.4
Provisions	(107)	(86)	24.4
Other	20	267	(92.5)
Operating Income	1,582	1,698	(6.8)
Financial results, Net	(431)	(489)	(11.9)
Equity income	7	5	(40.0)
Income Before Tax	1,158	1,214	(-4.6)
Taxes	(288)	(302)	(4.6)
Minority interest	(103)	(90)	14.4
Net Income	767	822	(6.7)

EBITDA breakdown



(€ million)	1H12	1H11	Change	
			€m	%
Distribution Europe:	822	865	-43	-5.0
Electricity	325	364	-39	-10.7
Gas	497	501	-4	-0.8
Electricity:	457	467	-10	-2.1
Spain	370	390	-20	-5.1
Special Regime	81	70	11	15.7
Other	6	7	-1	-14.3
Gas:	646	424	222	52.4
Infrastructures	152	117	35	29.9
Supply	494	307	187	60.9
LatAm:	616	563	53	9.4
Electricity Distribution	181	137	44	32.1
Gas Distribution	310	302	8	2.6
Generation	125	124	1	0.8
Other	18	67	-49	-73.1
Total EBITDA	2,559	2,386	173	7.3

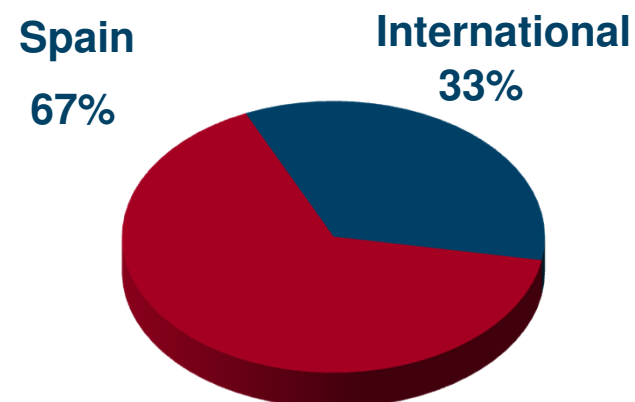
Consolidated investments

Tangible and intangible

(€ million)	1H12	1H11
Distribution Europe:	250	230
Electricity	125	107
Gas	125	123
Electricity:	80	94
Spain	62	82
Special Regime	18	12
Gas:	24	24
Infrastructures	17	18
Supply	7	6
LatAm:	141	121
Generation	32	24
Gas Distribution	65	50
Electricity Distribution	44	47
Other	40	49
Total	535	518



By geography



- Starting construction of El Torito 50 MW hydro plant in Costa Rica, to be commissioned in 2014

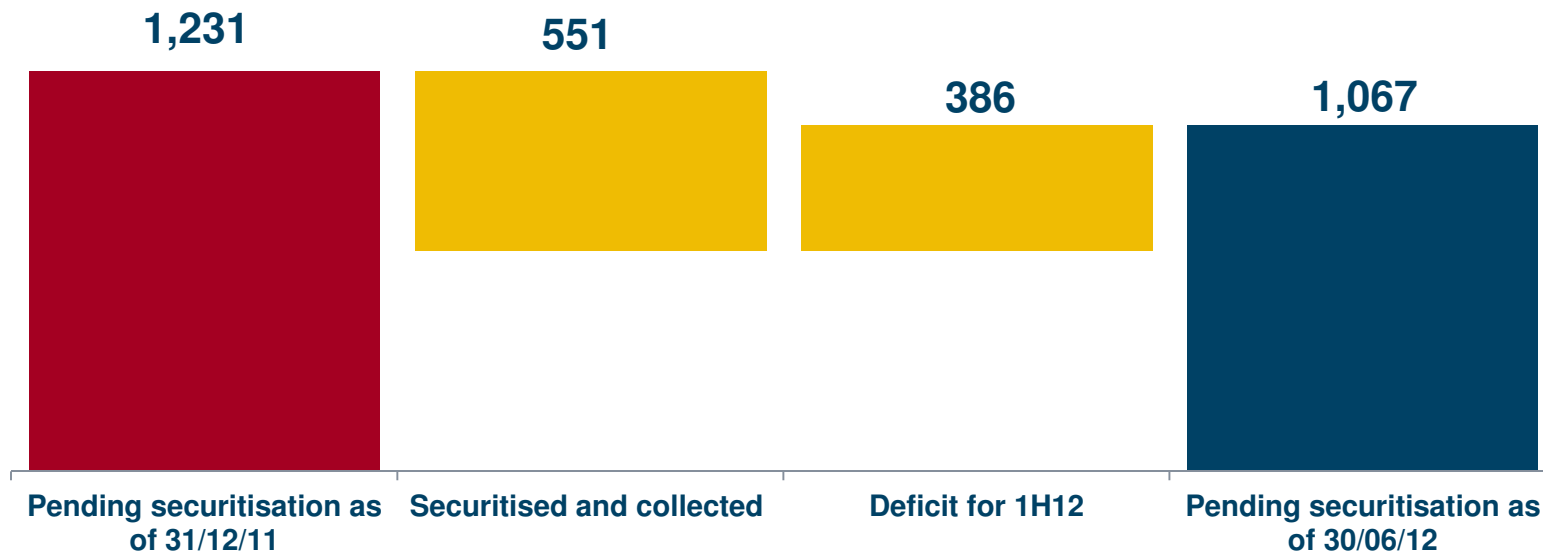
Regulated activities account for 79.6% of total capex in 1H12

Securitisation of tariff deficit



Tariff deficit amounts for GNF

(€ million)

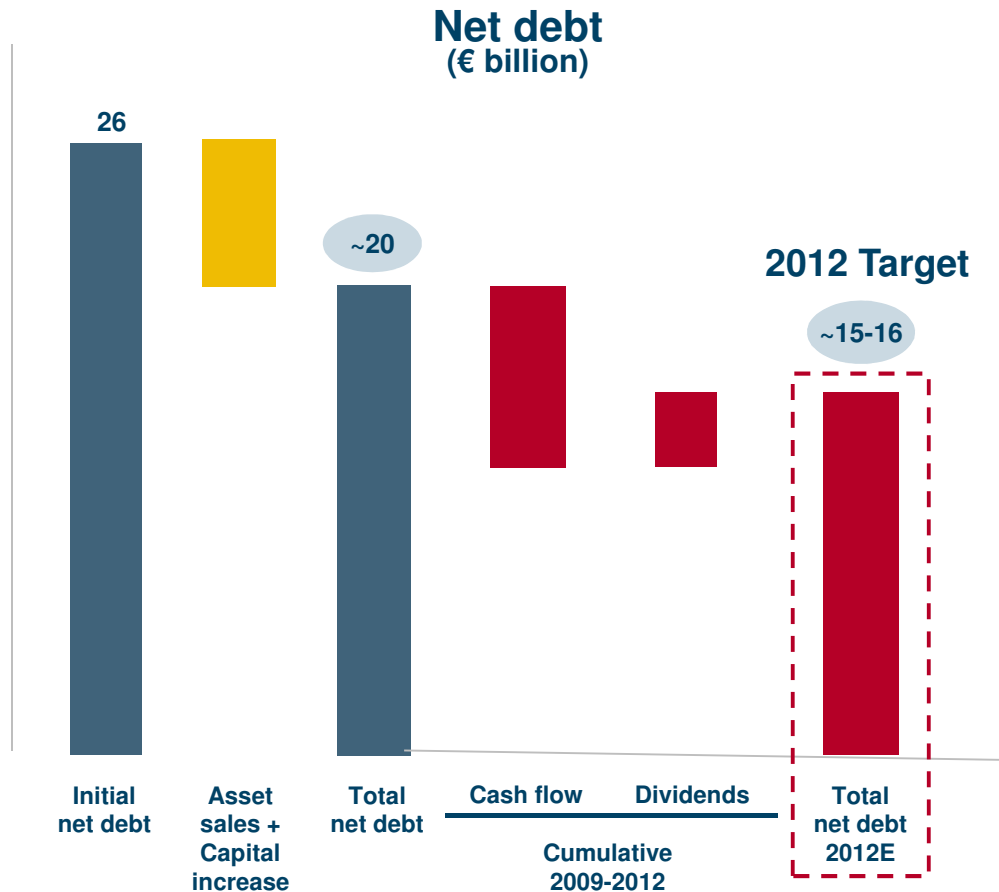


- **€367 million collected by GNF through several private placements carried out by FADE**

Challenging market conditions for securitisation, with several additional private placements executed in 1Q12

Ongoing debt reduction

Evolution of net debt since acquisition of Unión Fenosa



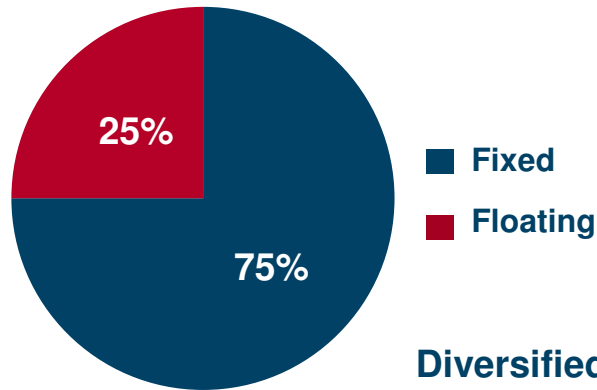
- All of the commitments have been fulfilled (asset sales, capital increase, refinancing)
- €9.1 billion debt reduction to date
- Positive structural free cash flow should enable further deleveraging
- Leverage ratio of 53.3%

Current net debt (€16.9 billion) almost on target for 2012

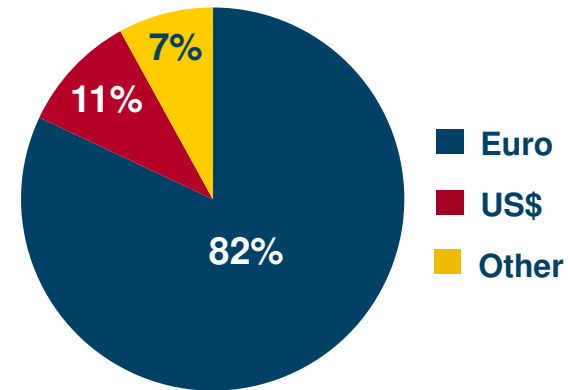
An efficient net debt structure



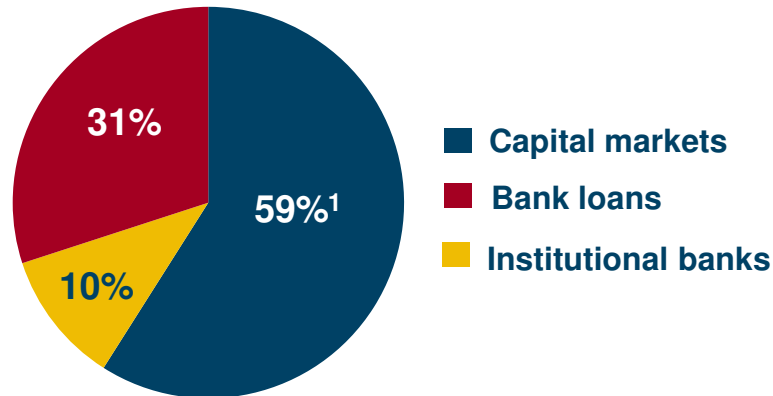
Significant level of fixed rate obtained at very competitive levels



Currency exposure consistent with business risk



Diversified financing sources



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

Note:

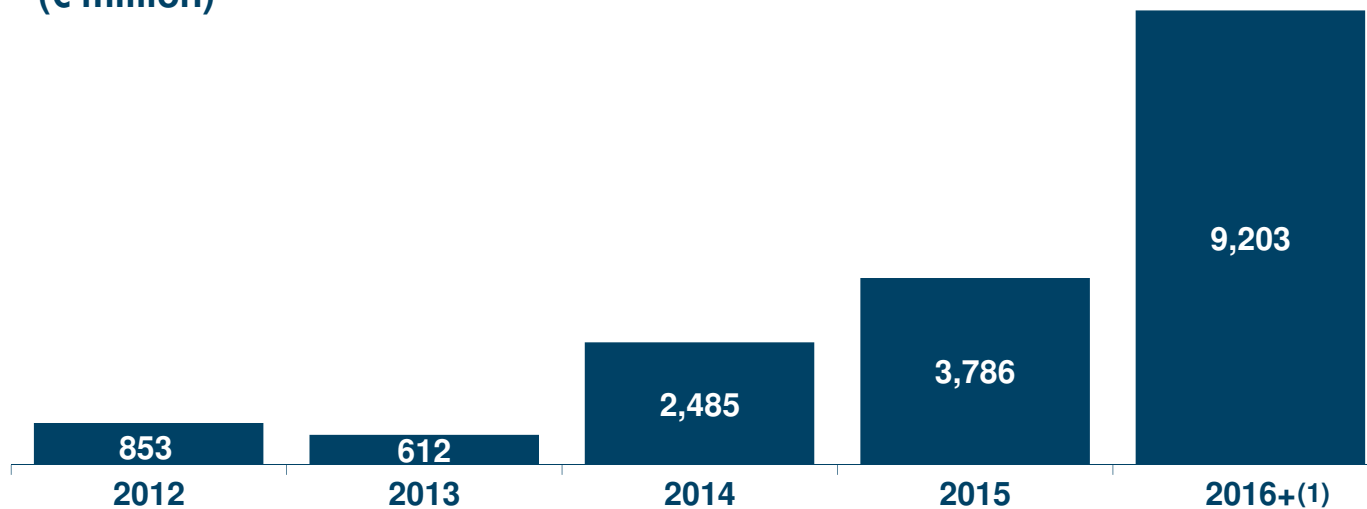
¹ Adjusting net debt with pending tariff deficit securitisation, the weighting of capital markets would increase to 62%

A comfortable debt maturity profile



Net debt: €16.9 billion

(€ million)



- Average life of debt ~5 years
- 77% of net debt maturing from 2015 onwards

All financial needs for 2012 and 2013 already covered, currently focusing on 2014 and 2015

Note:

1 Includes preference shares in the amount of €609 million

Ample liquidity available



As of June 30, 2012

(€ million)	Limit	Drawn	Undrawn
Committed lines of credit	4,892	667	4,226
Uncommitted lines of credit	214	79	135
Undrawn loan	150	-	150
Cash	-	-	4,330
TOTAL	5,256	745	8,841

- Enough liquidity available to cover needs exceeding 24 months
- Available additional capital market capabilities of around €5,200 million both in Euro and LatAm programmes (Mexico, Argentina, Panama)

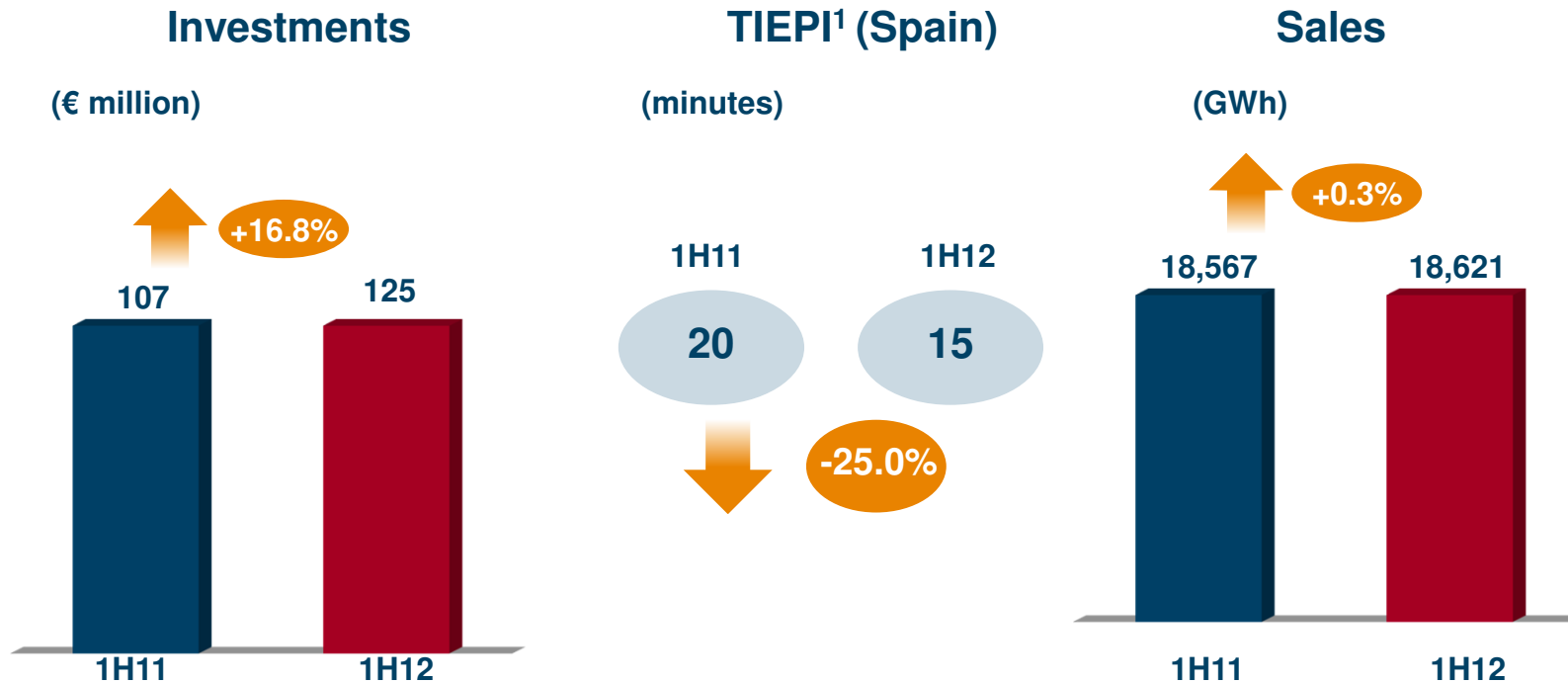
Proactively maintaining a healthy liquidity position



Analysis of operations

Distribution Europe

Electricity



- A well-focused investment policy leads to an enhancement of service quality parameters

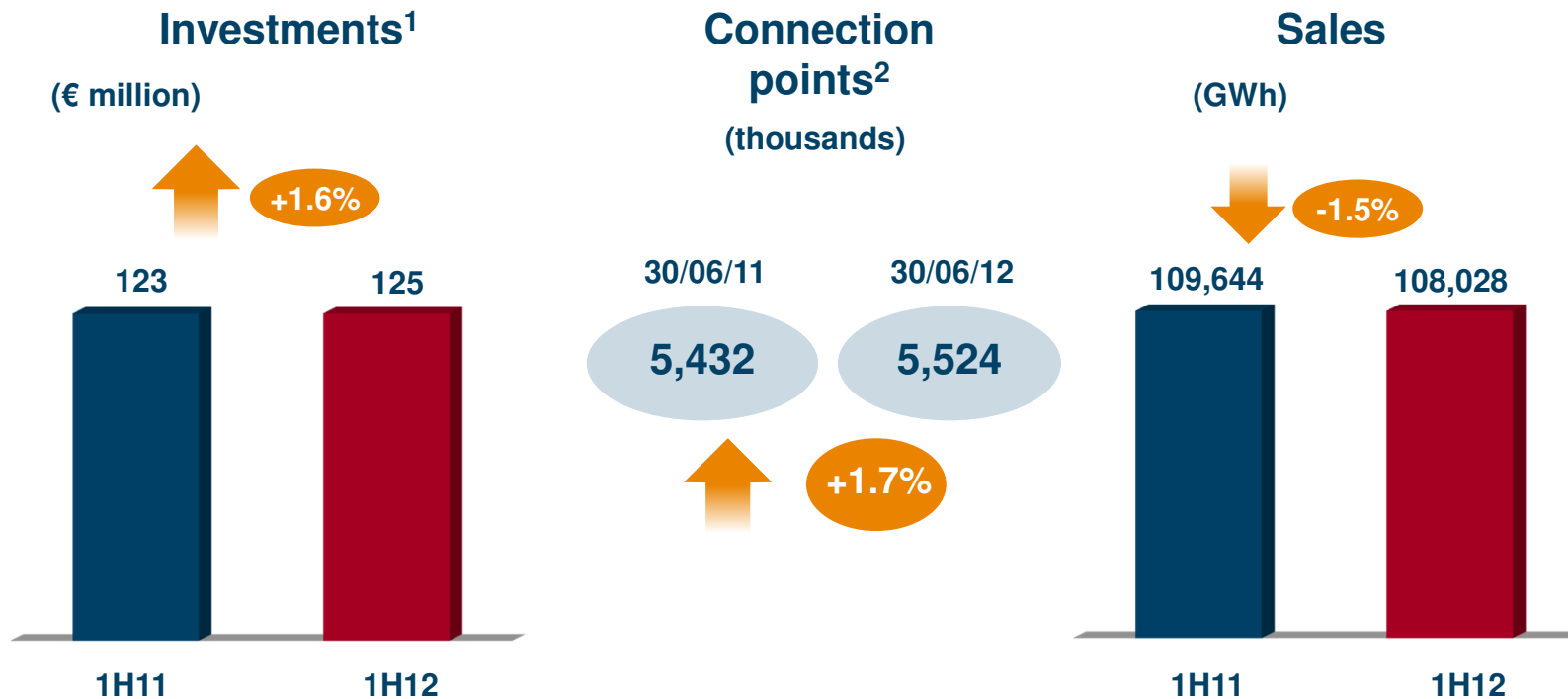
Higher operating efficiency mitigates effect of recent regulatory measures in Spain with 1H12 EBITDA falling 11.7%

Note:

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

Distribution Europe

Gas



- No impact on gas distribution from recent regulatory measures in Spain

Investments focused on efficient network expansion - main driver for remuneration increase - thanks to low penetration levels in Spain

Notes:

1 Tangible and intangible

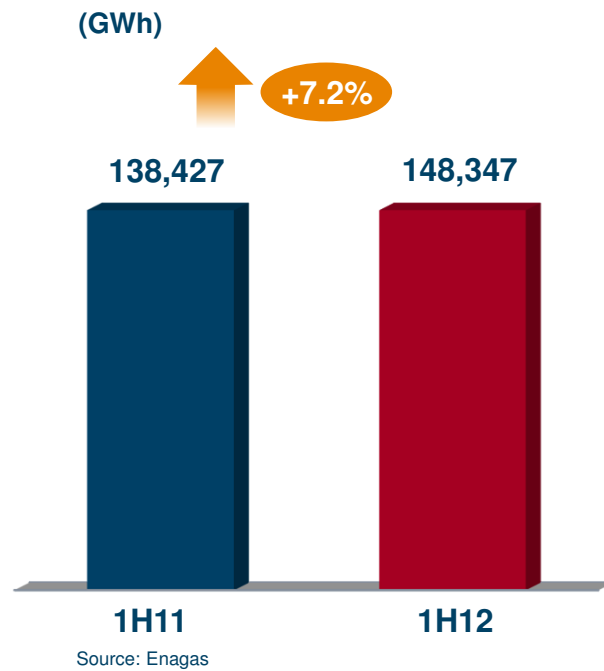
2 Comparable figures for 30/06/11, after deducting the disposal of 304,000 connection points in June 2011

Energy

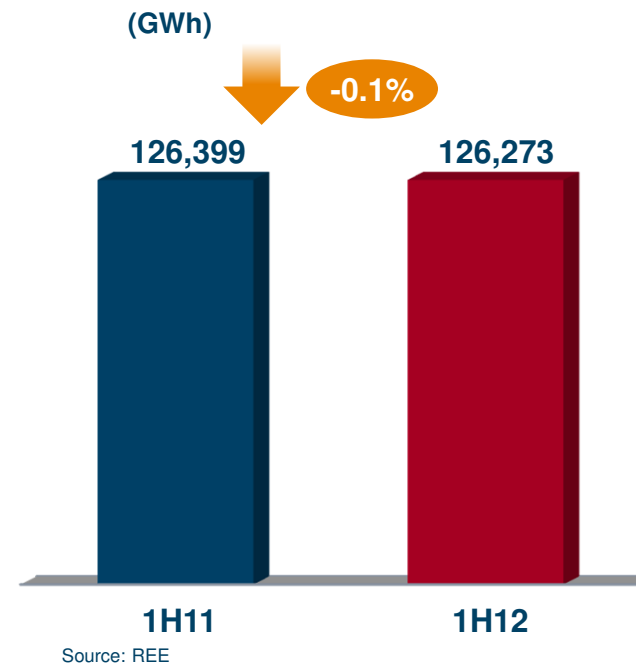
Gas and electricity demand in Spain



Conventional gas demand



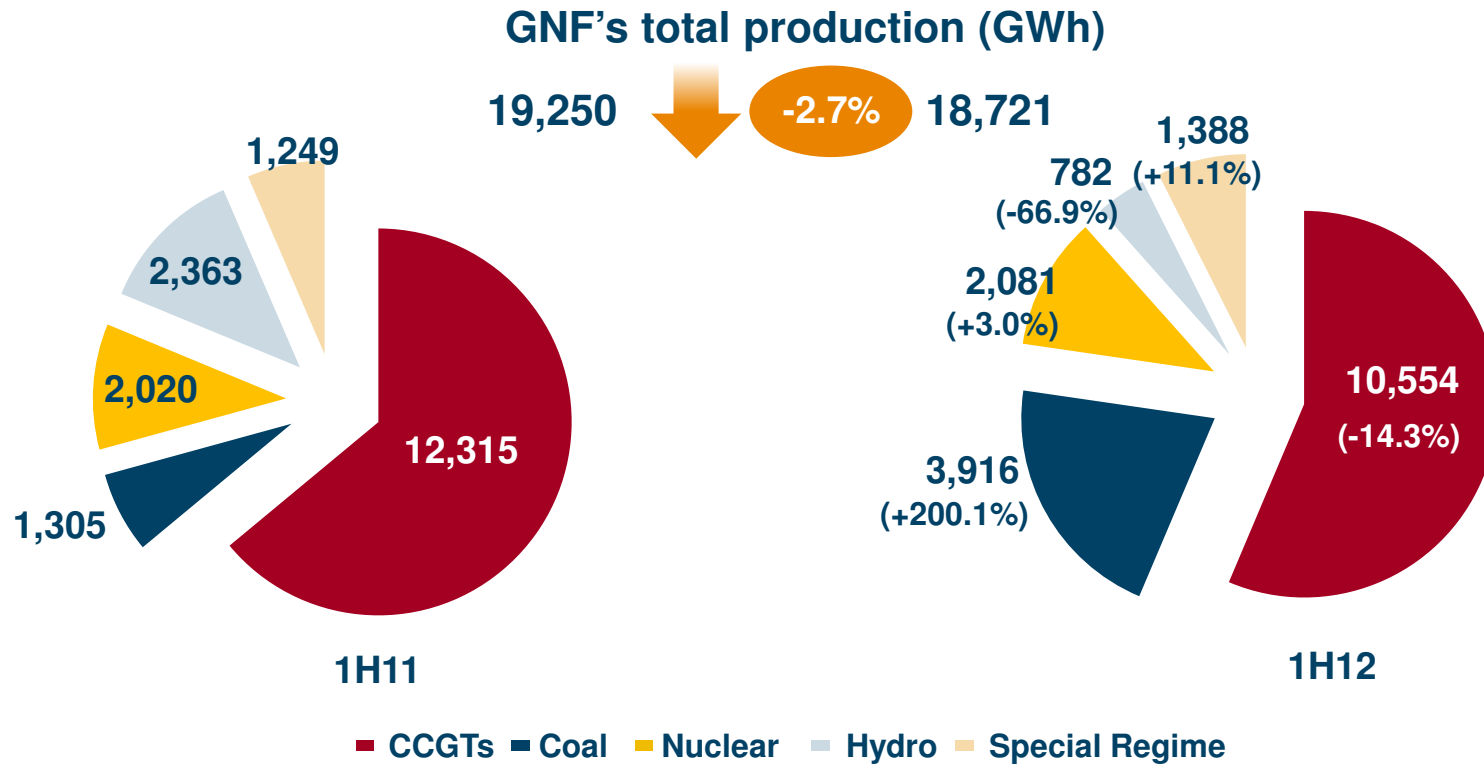
Electricity demand



Growing demand from both industrial and residential segments lead to higher gas sales in 1H12

Energy

Electricity in Spain



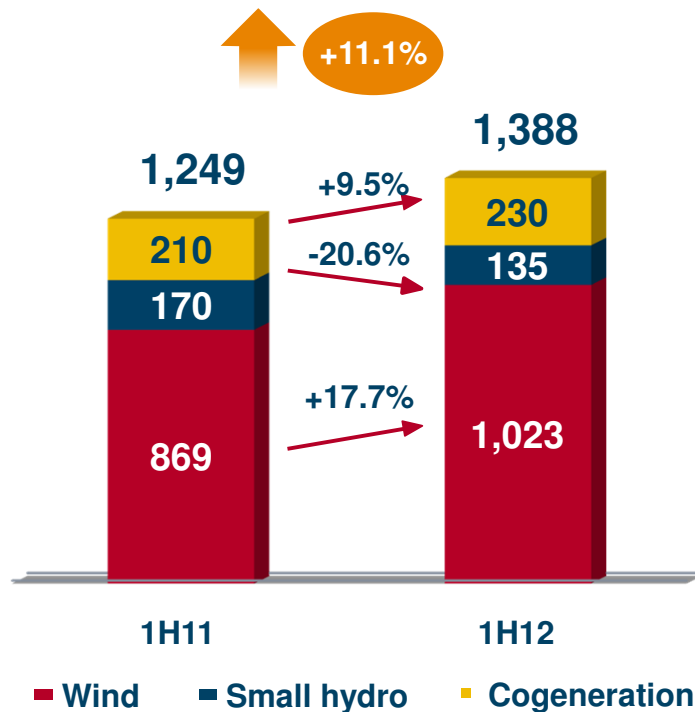
- Higher production from coal offsets lower production from CCGT and hydro as a result both lower rainfall and asset disposals in 2011

A selective commercial policy helps maximize margins and optimize both market share and exposure to pool price volatility

Energy

Special Regime

Total production (GWh)

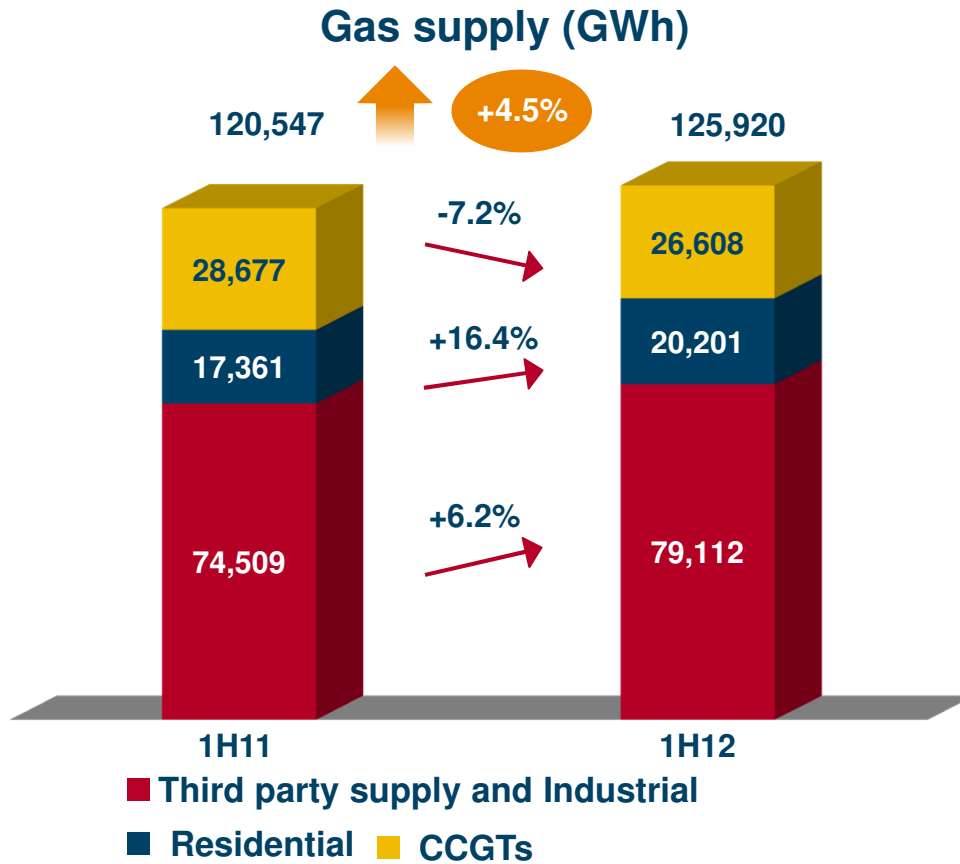


- Higher wind production after recent 139 MW net capacity increase in 2012
- Lower rainfall in 1H12 vs 1H11 lead to a drop in small hydro production
- Continuing development of wind-powered capacity:
 - 97 MW awarded in Andalusia
 - 86 MW awarded in Extremadura and 22.5 MW in Aragon

Development of several wind power projects abroad
(Mexico, Australia, UK)

Energy

Gas supply Spain

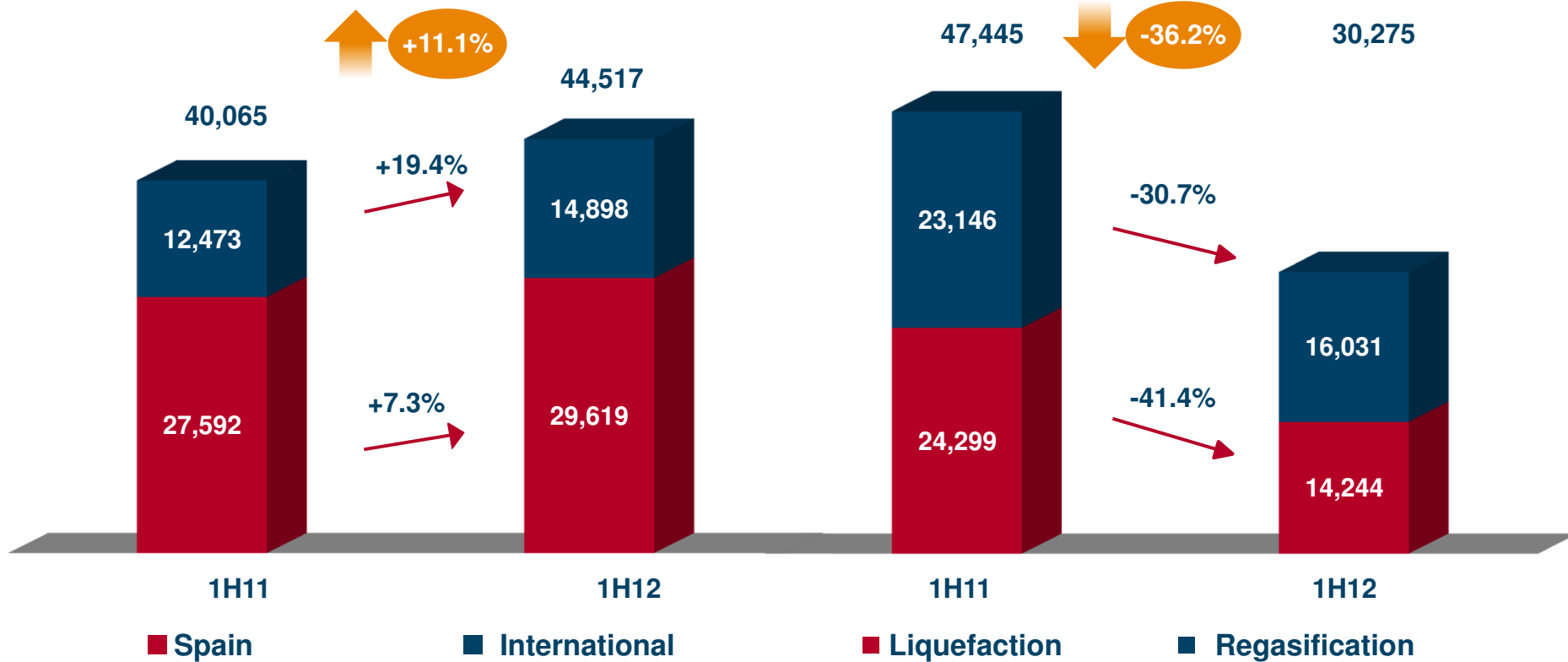


- Higher demand in 1H12 underpinned both by residential and industrial segments
- Growth in customer portfolio with 50% end customer share
- Higher activity of own CCGTs mitigate drop in sales to this segment

Benefiting from balanced and well-diversified customer base

Gas Supply¹ (GWh)

Infrastructures¹ (GWh)



EBITDA² (supply and infrastructures) grows 27.2% to €173 million

Notes:

- 1 100% attributable
- 2 50% attributable

5

Conclusions

Conclusions

EBITDA grows +7.3% despite asset disposals and regulatory changes

**Adjusted net income grows +24.3%
(reported net income -6.7%)**

Net debt decreases to €16.9 billion¹



**Continuity of an attractive shareholder remuneration policy: +10.7%
increase in 2011 plus the option of a scrip for final dividend**

Striving to achieve the targets for 2012

Notes:

1 €15.9 billion after deducting outstanding tariff deficit

Thank you

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