

gasNatural UNION FENOSA



Third Quarter 2009 Results (9M09)

November 4, 2009



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Agenda

- 1. Highlights**
- 2. Summary of 9M09 Consolidated Results**
- 3. Analysis of Results (Pro-forma)**
- 4. Conclusions**

gasNatural **UNION FENOSA**



1 Highlights

Highlights



- Strong regulated businesses and electricity coverage provide a healthy operating performance in trying times

- Integration with Unión Fenosa completed with merger in early September

- Acquisition facility being successfully refinanced

- High completion degree of asset disposal plan

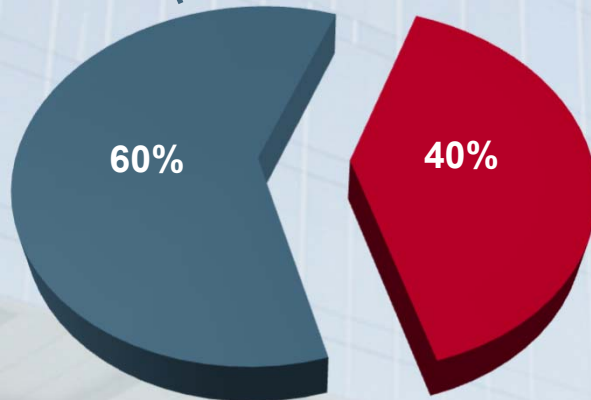
9M09 Consolidated EBITDA: €2,884 million (+49.7%)
9M09 Consolidated Net Income: €914 million (+13.5%)

A Strong Business Model



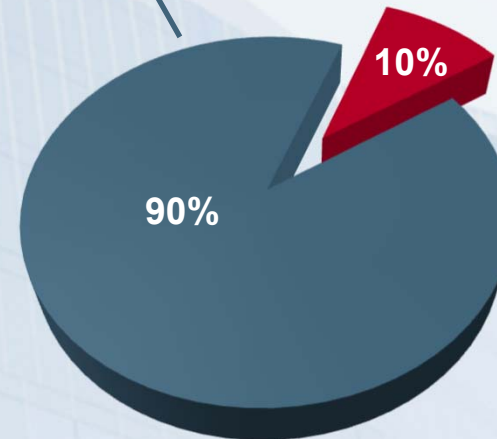
Regulated and Quasi-regulated EBITDA¹

Regulated + PPAs + EMPL



Coverage for Power Generation¹

Supply power contracts + Gas contracts



Consolidated stability of business performance

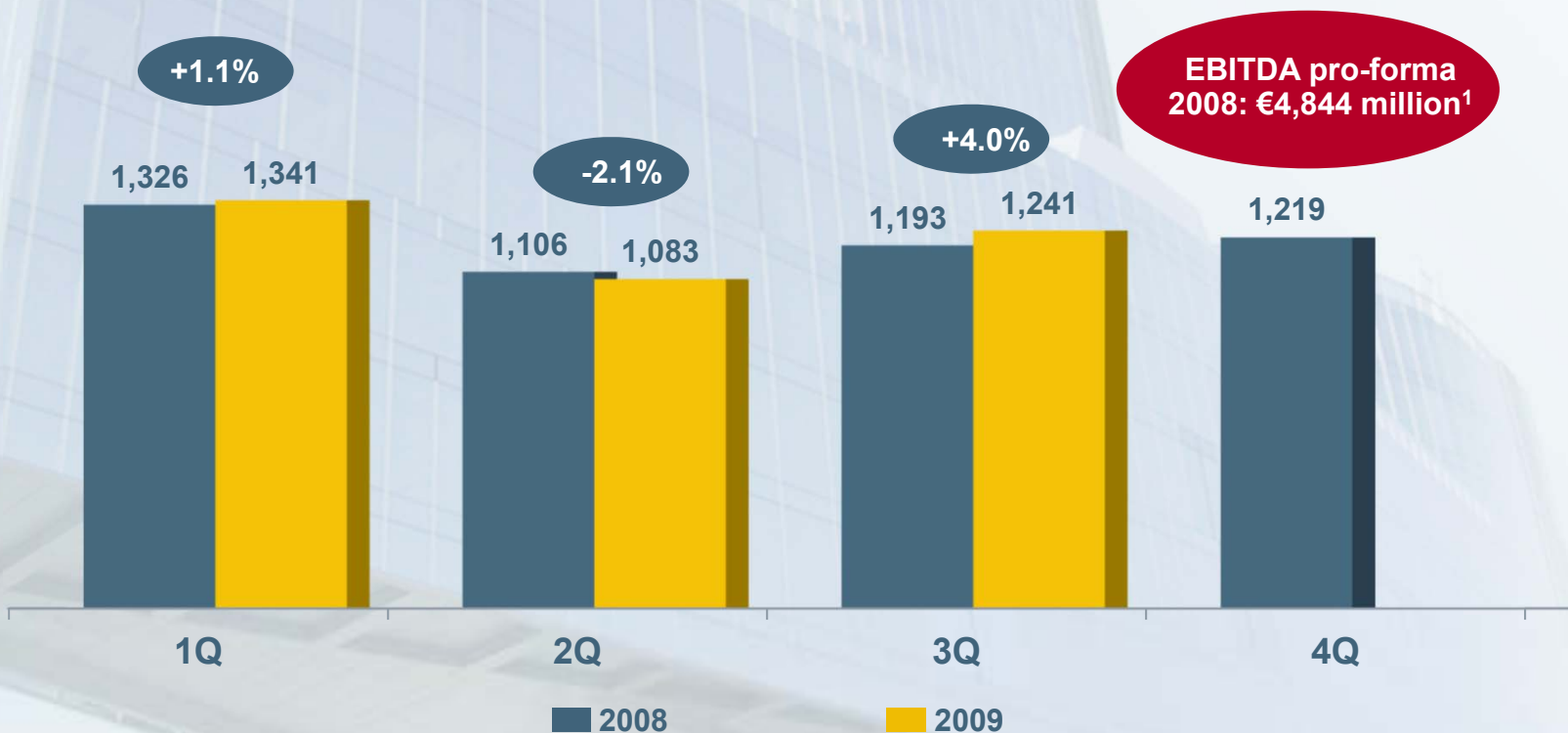
Note:

¹ Pro-forma figures for 9M09

Pro-forma Quarterly EBITDA¹



(€ million)



Resilient pro-forma 9M09 EBITDA (+1.0%) despite difficult environment

Note:

¹ Pro-forma figures from 1 January. Unión Fenosa EBITDA homogenized to GAS NATURAL's accounting criteria

Unión Fenosa Integration Completed



- **€3.5 billion capital increase fully implemented prior to tender offer completion**
- **95.2% holding of Unión Fenosa reached after tender offer, leading to a €788 million lower financing need**
- **Savings achieved through equity swaps and deferred purchases**
- **Merger completed in September, with 4.8% remaining minorities becoming GAS NATURAL's shareholders**

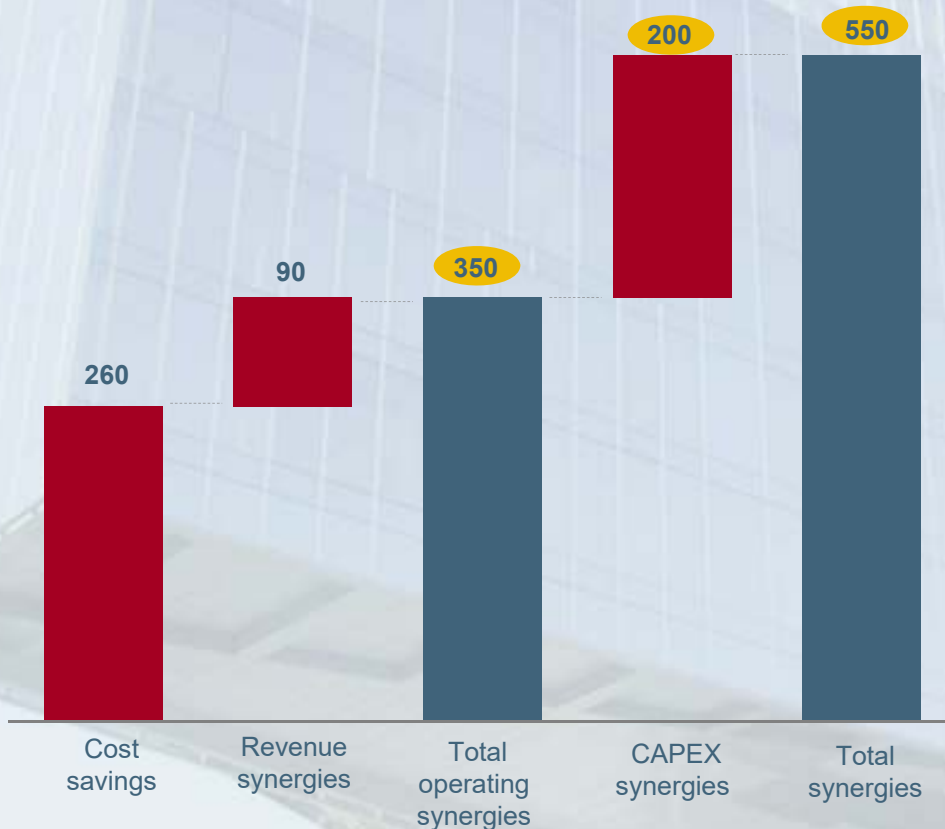
Swift execution, optimization of acquisition costs and financing

Synergies



Synergies (€ million)

Current status



- Detailed action plans to achieve synergy targets in 2011 already in place
 - Top 30 initiatives representing 60% of total synergies
- 40% of total synergies already captured by 3Q09
 - €180 million impact in 2009
- Smooth synergies implementation, not affecting underlying business

Synergy achievement advancing in accordance with plan

Successful Refinancing Efforts in Capital Markets



- Issuance of €4.75 billion under GAS NATURAL's EMTN programme
 - October: €500 million, 3-yr at 3.125%, €1 billion, 7-yr at 4.375% and €750 million, 12-yr at 5.125%
 - June: €2 billion, 5-yr at 5.250%, and €500 million, 10-yr at 6.375%
- Oversubscription of both issues reflects strong appetite for GAS NATURAL profile
- Funds applied in partial repayment of acquisition debt facility

Refinancing made at an average cost below 5% and an average life of c. 7 years

Asset Disposals (I)

Financial assets



- **Gross cash from financial asset disposals totals €1,135 million**
 - **Sale of 5% in CEPSA for €529 million**
 - **Sale of 1% in Red Eléctrica for €43 million**
 - **Sale of 5% in Enagás for €155 million**
 - **Sale of 13% in Indra for €320 million**
 - **Sale of 4.4% in Isagen (Colombia) for €88 million**

Asset Disposals (II)

CNC commitments



- Sale of gas distribution assets and customer contracts to Naturgas: €330 million, to be completed before year-end 2009
 - 248,000 gas connection points¹, 209,900 gas customers, 4,000 electricity customer contracts and transportation assets
 - Transaction recently approved by CNE
 - EBITDA 2008: ~ €25 million
-
- Sale of gas distribution assets and customer contracts in Madrid, in controlled auction phase
 - ~ 500,000 connection points with related customer contracts
-
- Significant buyer interest for 2,000MW CCGTs

Note:

¹ Final amount to be determined upon completion of sale

Asset Disposals (III)

Other assets



- Agreed sale of 63.8% of EPSA (Colombia)
 - Agreed price of ~ US\$1.1 billion
 - Deconsolidation of ~ €112 million of debt
 - Transaction to be completed by end 2009
 - EBITDA 2008: ~ €167 million²

- Examining strategic alternatives for other assets

€2.3 billion of resulting debt reduction to date¹ sets achievement level at 77% of target

Note:

1 Taking into account disposals both materialized or agreed as well as deconsolidation of EPSA debt as of 30/09/09

2 At average exchange rate for year 2008, for consolidation purposes



2

**Summary of 9M09
Consolidated Results**

9M09 Consolidated Results Snapshot¹



(€ million)	9M09	9M08	Change
Net Sales	10,527	9,702	8.5%
EBITDA	2,884	1,926	49.7%
Operating Income	1,820	1,371	32.7%
Net Income	914	805	13.5%
Investments:	14,957	2,364	-
Tangible & Intangible	1,228	657	86.9%
Financial & Other	13,729	1,707	-
Net Debt (as of 30/09)	21,919	4,939	-

Note:

¹ Unión Fenosa equity consolidated for a 50% holding from 1 March to 30 April, fully consolidated from 1 May

Consolidated Income Statement¹



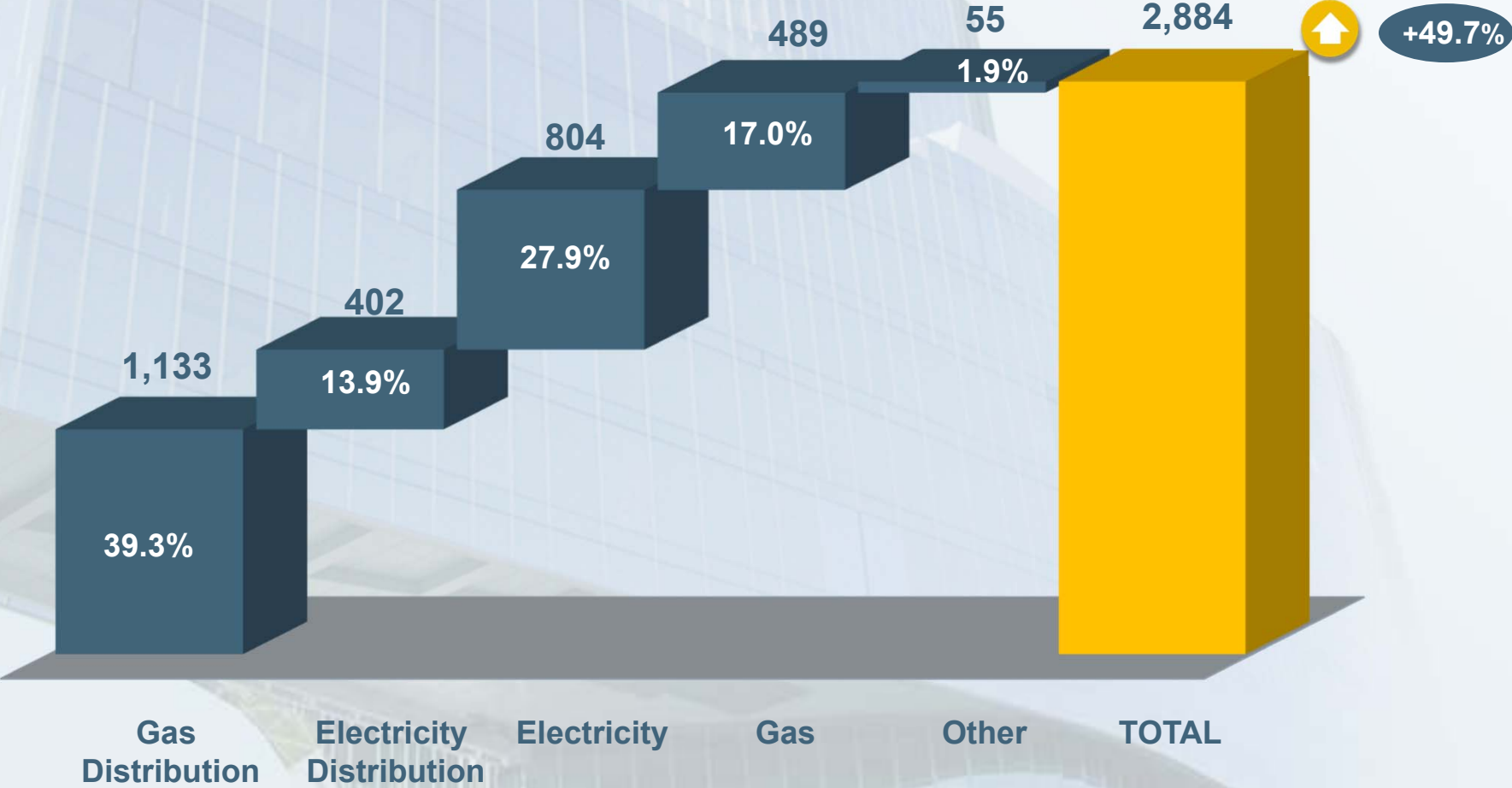
(€ million)	9M09	9M08	Change %
Net Sales	10,527	9,702	8.5
Purchases	(6,404)	(6,917)	(7.4)
Gross Margin	4,123	2,785	48.0
Personnel, net	(436)	(260)	67.7
Other Expenses, net	(803)	(599)	34.1
EBITDA	2,884	1,926	49.7
Depreciation	(957)	(534)	79.2
Provisions	(107)	(21)	-
Operating Income	1,820	1,371	32.7
Financial Results	(579)	(197)	-
Gain on Sale of Financial Assets	101	13	-
Equity Income	57	5	-
Income Before Tax	1,399	1,192	17.4
Taxes	(351)	(304)	15.5
Minority Interest	(134)	(83)	61.4
Net Income	914	805	13.5

Note:

¹ Unión Fenosa equity consolidated for a 50% holding from 1 March to 30 April, fully consolidated from 1 May

Consolidated EBITDA by Activity

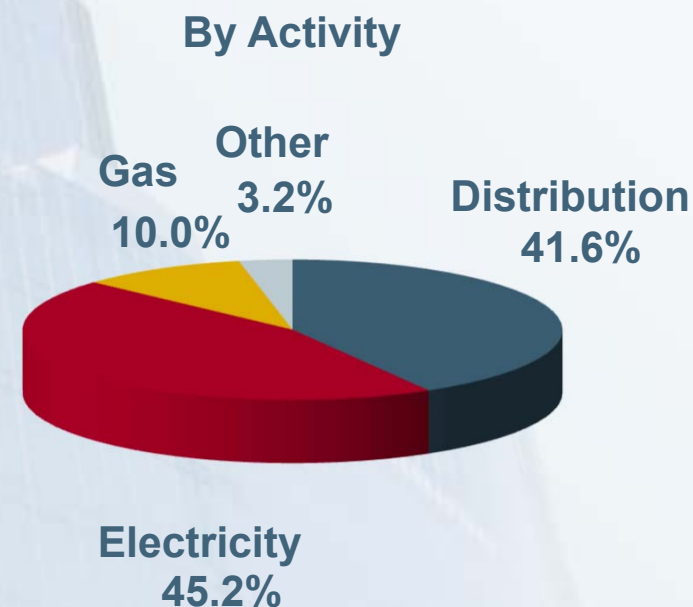
(€ million)



Consolidated Investments Tangible and Intangible



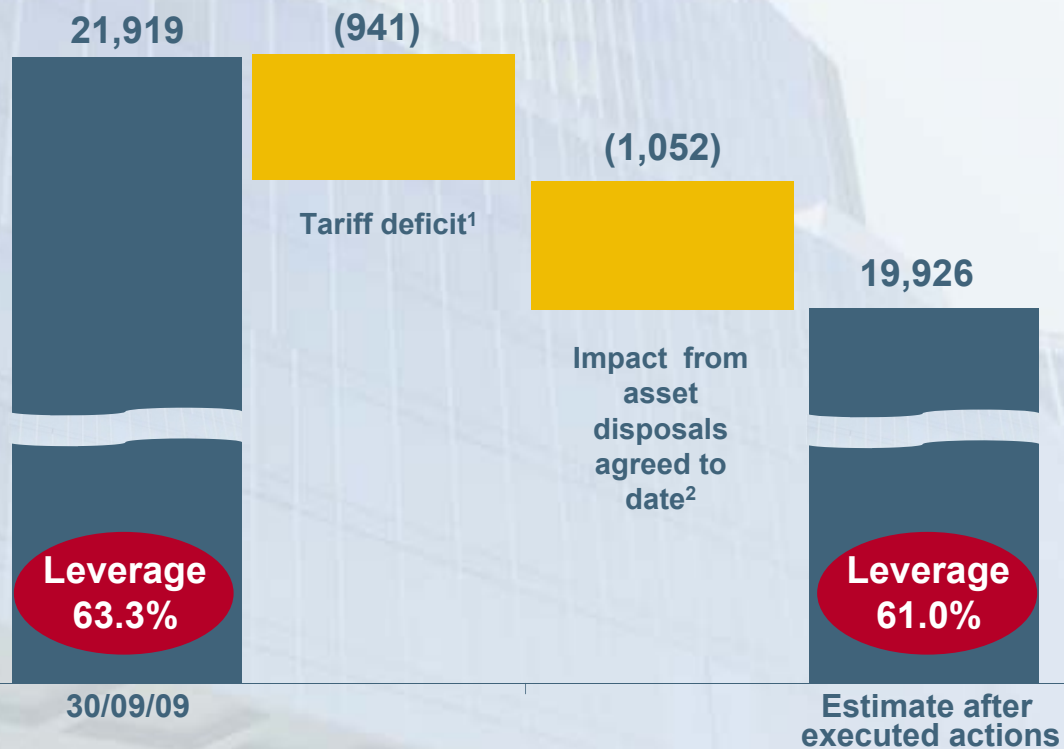
(€ million)	9M09	9M08
Gas:	123	24
Up + Midstream	110	18
Wholesale & Retail	10	6
UF Gas	3	-
Electricity:	555	200
Spain	469	177
International	86	23
Gas Distribution:	327	399
Spain	231	272
International	96	127
Electricity Distribution:	184	-
Spain	130	-
International	54	-
Other	39	35
Total	1,228	658



Additional €13.7 billion financial investment relating mostly to the acquisition of Unión Fenosa

Net Debt Evolution

(€ million)



On track towards ~ €18 billion Net Debt target for year-end 2009

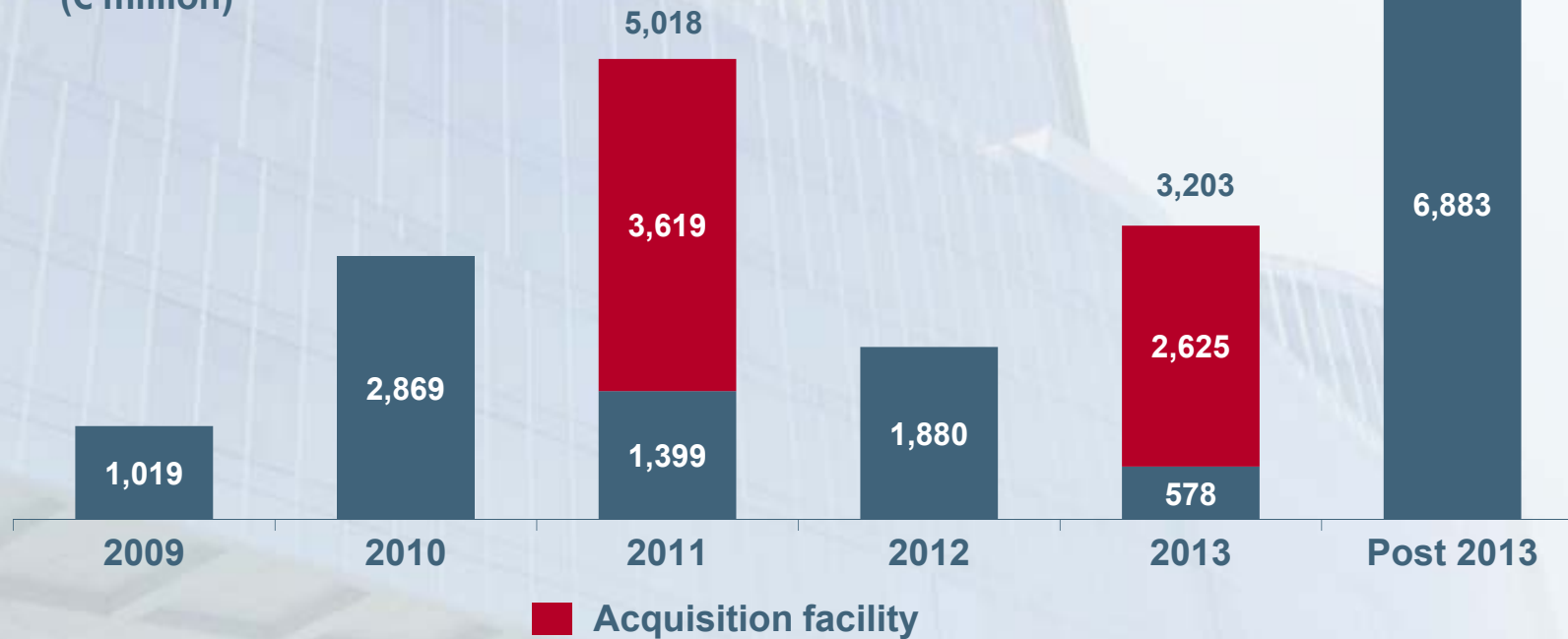
Notes:

- 1 As per actual CNE data up to settlement #7
- 2 Includes sale to Naturgas, sale of 63,8% of EPSA and €112 million deconsolidation of EPSA debt as of 30/09/09.

Gross Debt Maturity Profile

Gross debt (€20,872 million¹) maturity schedule estimated after executed actions

(€ million)



Acquisition loan down to €6,244 million¹ from original €19 billion

Average life of refinancing debt of c.7 years

Note:

¹ Less tariff deficit of €941 million, after €2.25 billion bond issue in October and €1,052 million from asset sales agreed to date which includes €112 million deconsolidation of EPSA debt as of 30/09/09.

3

Analysis of Results (Pro-forma)

Pro-forma EBITDA Breakdown¹

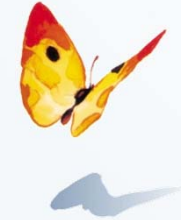


(€ million)	Pro-forma	Pro-forma	Change	
	9M09 ¹	9M08 ¹	€m	%
Gas:	580	679	(99)	(14.4)
Up + Midstream	134	120	14	11.7
Wholesale & Retail	290	316	(26)	(8.2)
UF Gas	156	243	(87)	(35.8)
Electricity:	1,163	1,138	25	2.2
Spain	809	799	10	1.3
International	354	339	15	4.1
Gas distribution:	1,134	1,075	59	5.5
Europe	762	719	43	6.0
LatAm	372	356	16	4.5
Electricity distribution:	698	621	77	12.4
Europe	449	423	26	6.1
LatAm	249	198	51	25.8
Other	89	113	(24)	(21.2)
Total Pro-forma EBITDA	3,664	3,626	38	1.0

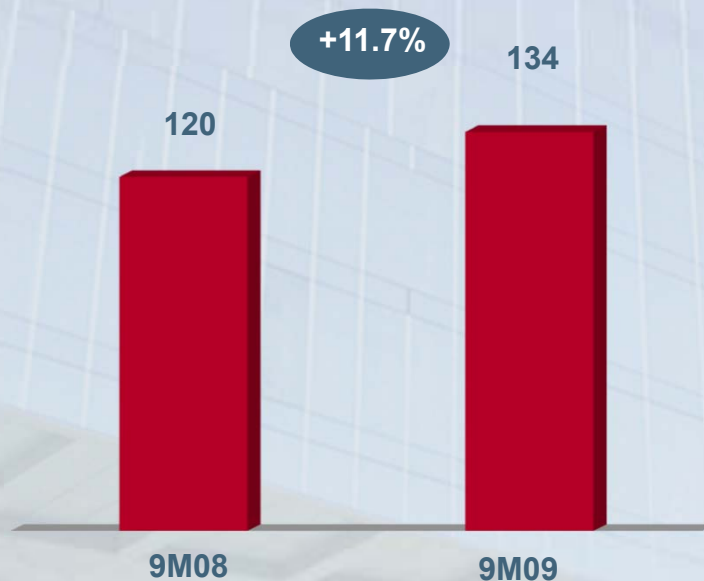
Note:

¹ Pro-forma figures from 1 January

Gas: Up + Midstream



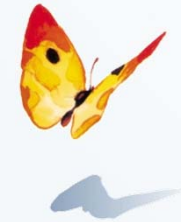
EBITDA (€ million)



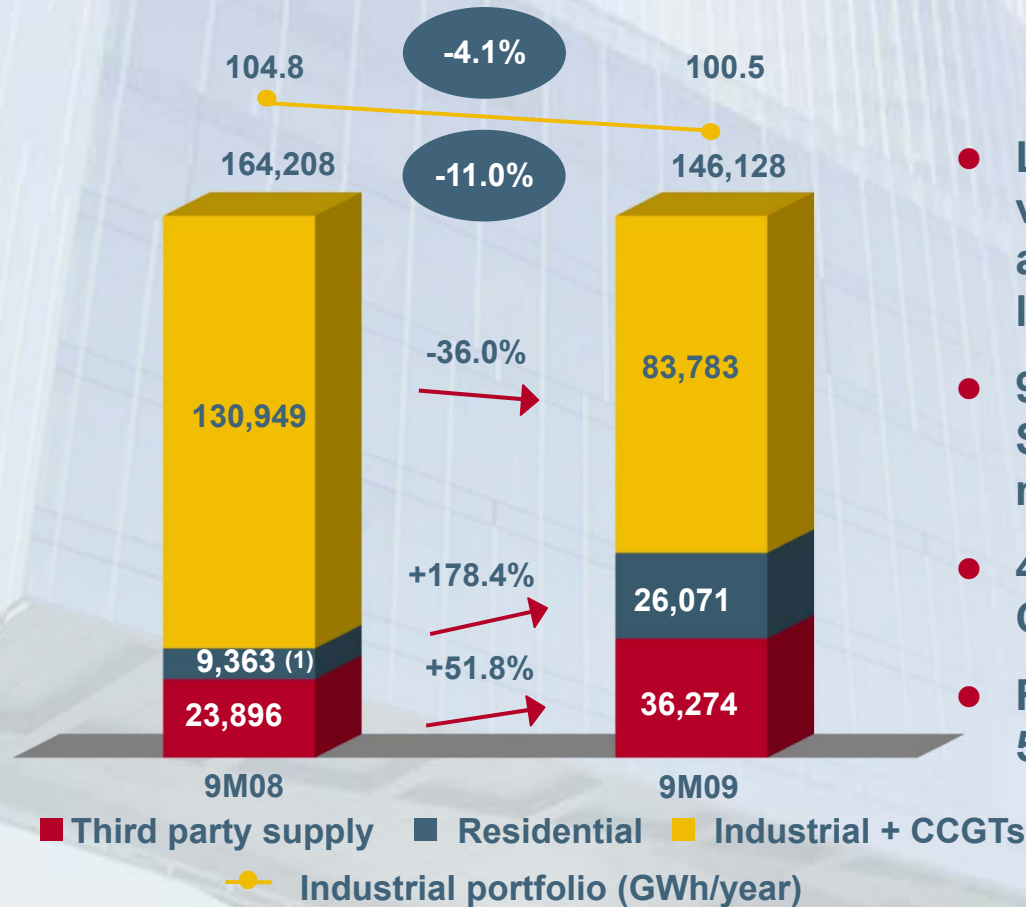
- High capacity charge component offsets 25% lower gas volumes through Maghreb pipeline (EMPL)
- LNG fleet increases utilization ratio to 97%
- Exploration projects under development in Northern Africa (Tangiers-Larache) and Spain
- Italy: final investment decision for Trieste LNG terminal expected for 1Q 2010

EBITDA rise supported by higher dollar and stable Maghreb pipeline business

Gas: Wholesale & Retail (I)



GAS NATURAL's sales in Spanish liberalized market (GWh)

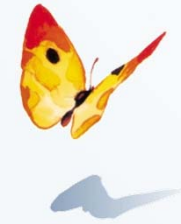


- Lower CCGT-based generation volumes and a drop in economic activity lead to a 11% drop in Spanish liberalized market sales
- 90% of gas sold under contracts in the Spanish market with average maturities of nearly 2 years
- 43% share in industrial market (ex-CCGTs)
- Retail customer base in Spain reaches 5.1 million

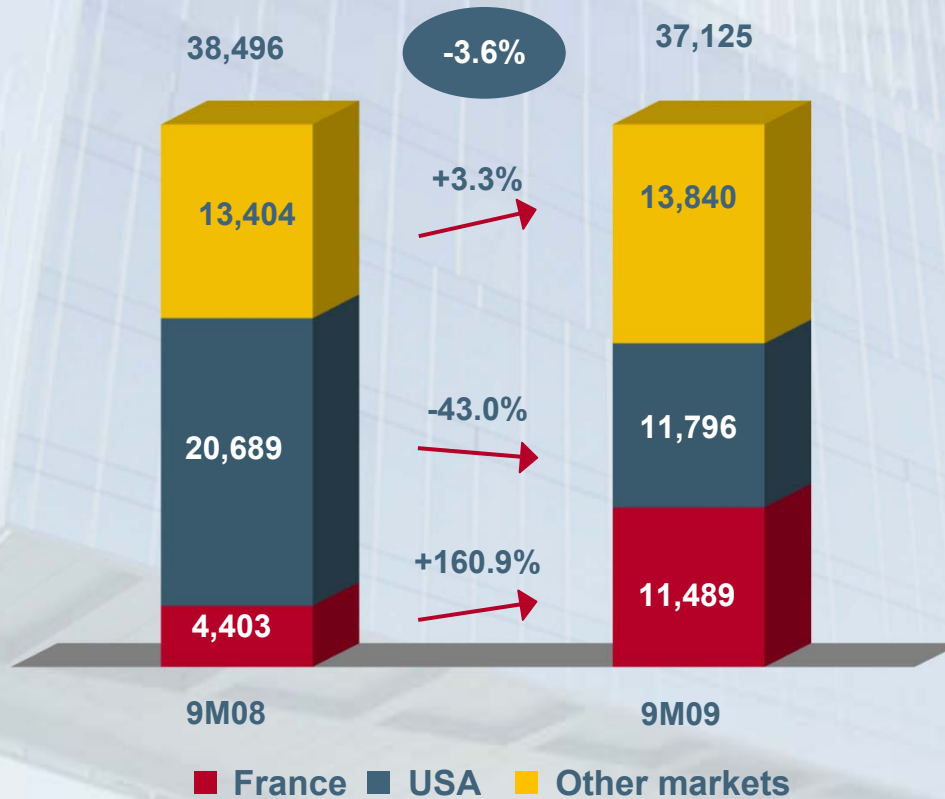
Disregarding sales to CCGTs, total gas sales in Spain would only be 7% lower

(1) Considering sales to residential customers of 15,727 GWh under regulated tariff in 9M08, the increase would be 3.9% in this segment
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Gas: Wholesale & Retail (II)



GAS NATURAL's international sales
(GWh)



- Own flexible LNG portfolio and transportation infrastructure allows expansion of international markets to South America
- Customer portfolio in France grows +335% to reach 17,153 GWh/yr

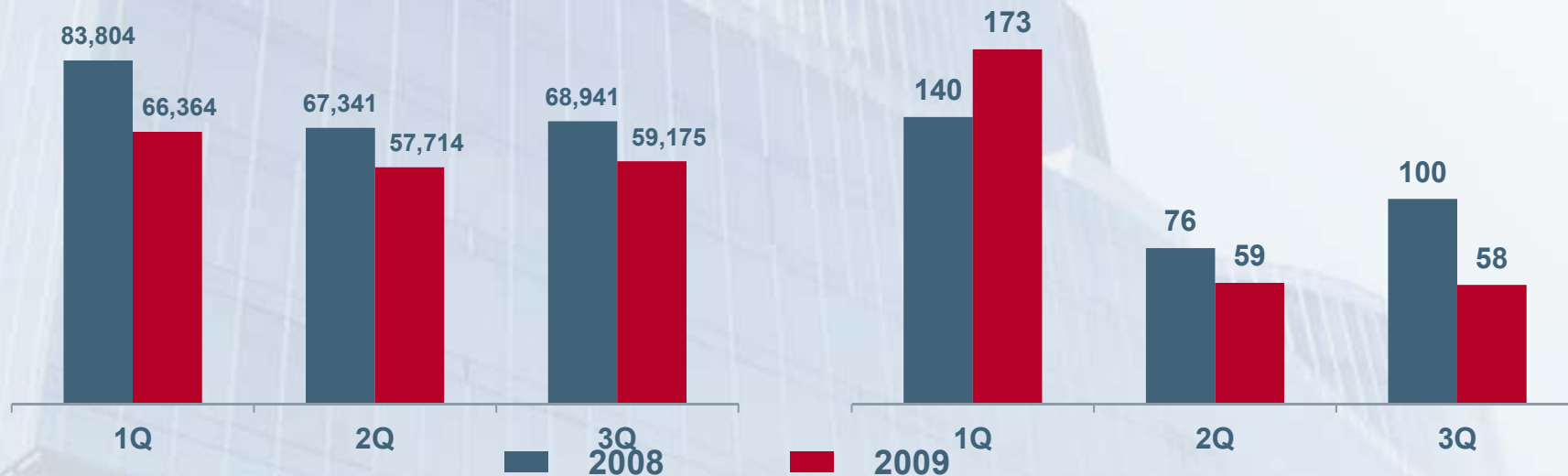
Successful expansion into French industrial market

Gas: Wholesale & Retail (III)



Quarterly gas sales (GWh)

Quarterly EBITDA (€m)



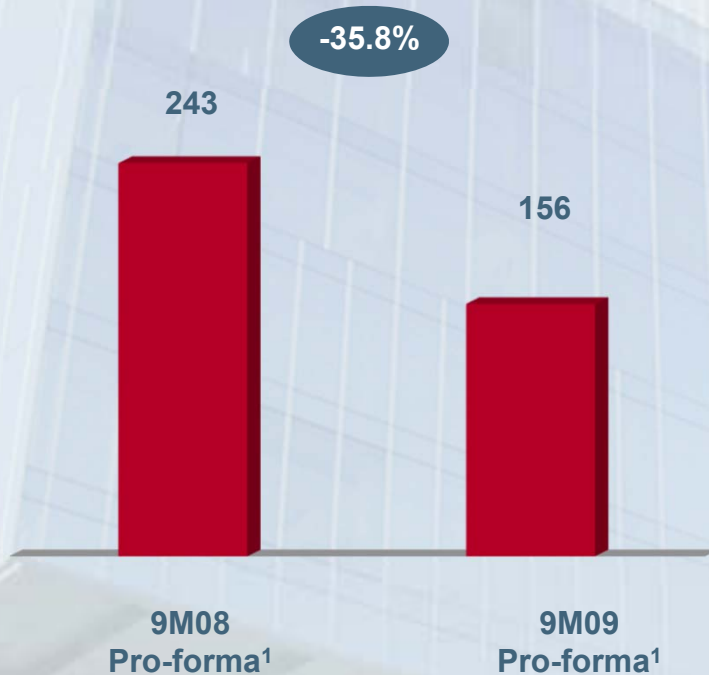
- Results in 9M09 mainly affected by lower demand volumes
- 5.1 million retail customers bring sales with a seasonal profile
- 3Q08 favoured by high volume of opportunistic foreign sales

Stable divisional EBITDA in 3Q09 vs 2Q09

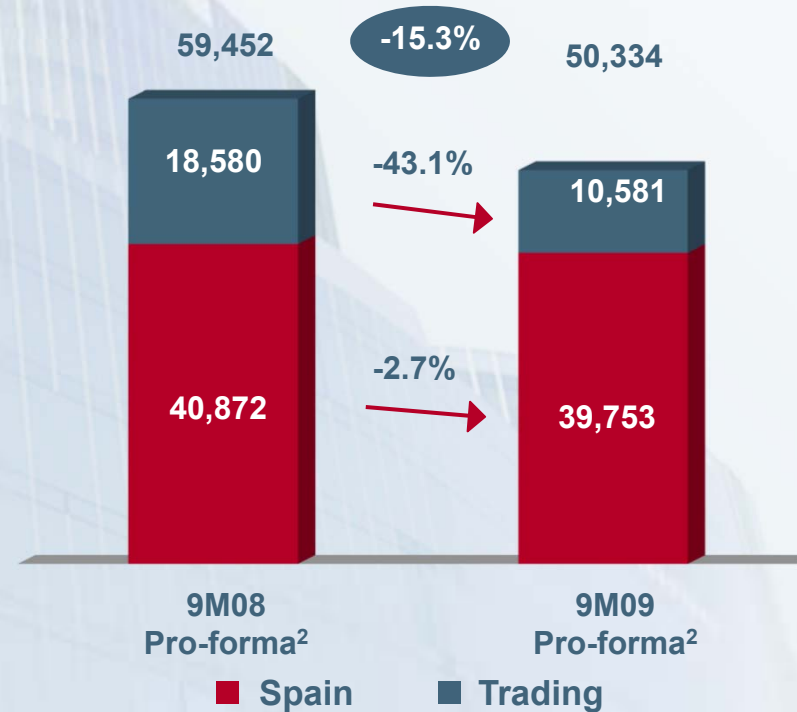
Gas: UF Gas



EBITDA (€ million)



Sales (GWh)



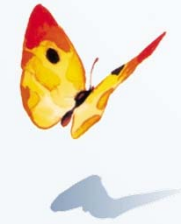
- Lower commercial and industrial sales in Spain almost offset by CCGT sales

EBITDA impacted by lower activity levels and an unfavourable energy scenario

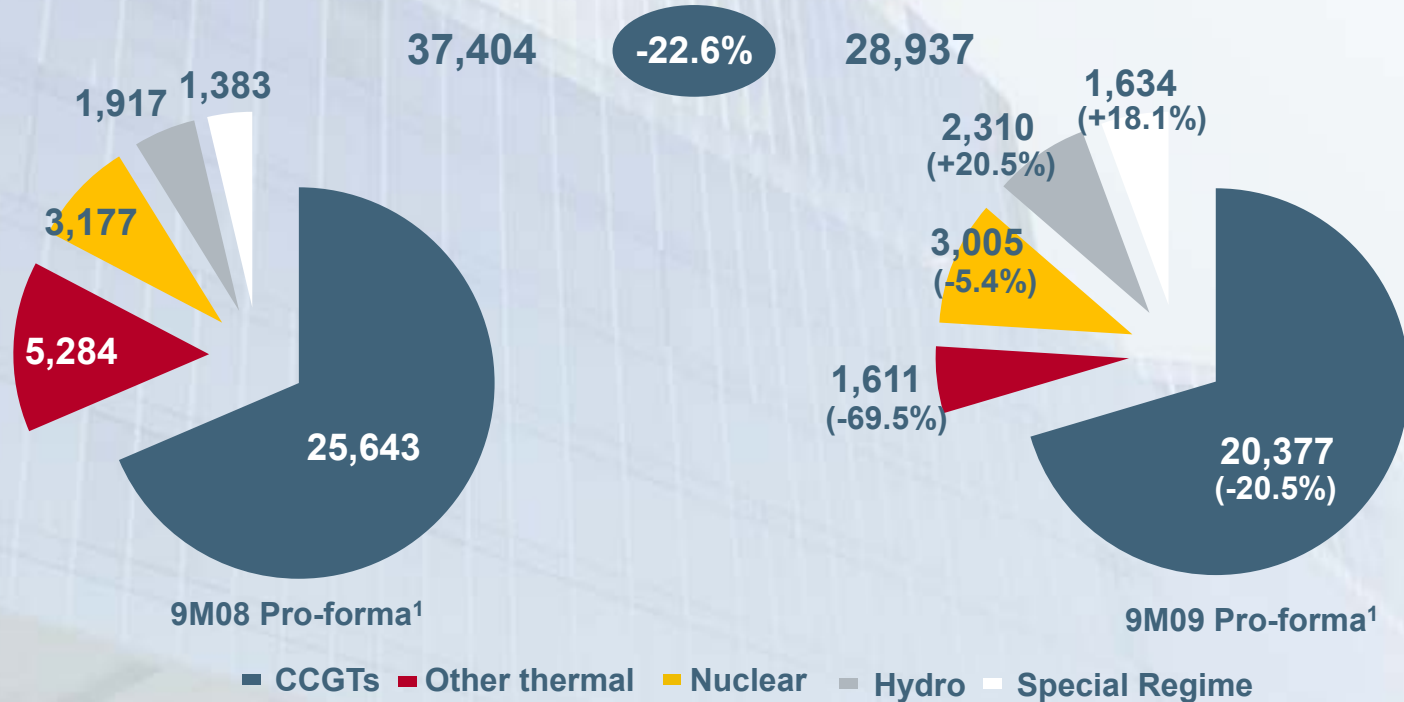
Note:

- 1 Pro-forma figures from 1 January, considering 50% of UF Gas
- 2 Pro-forma figures from 1 January, considering 100% of UF Gas

Electricity (I): Spain



Total GAS NATURAL production (GWh)



- Average pool price of €39.3/MWh in 9M09 (-40%vs 9M08) after lower demand and fuel prices and higher production from Special Regime
- CCGTs load factor of 43% in the period and electricity supply of 21,195 GWh (+36.9%)

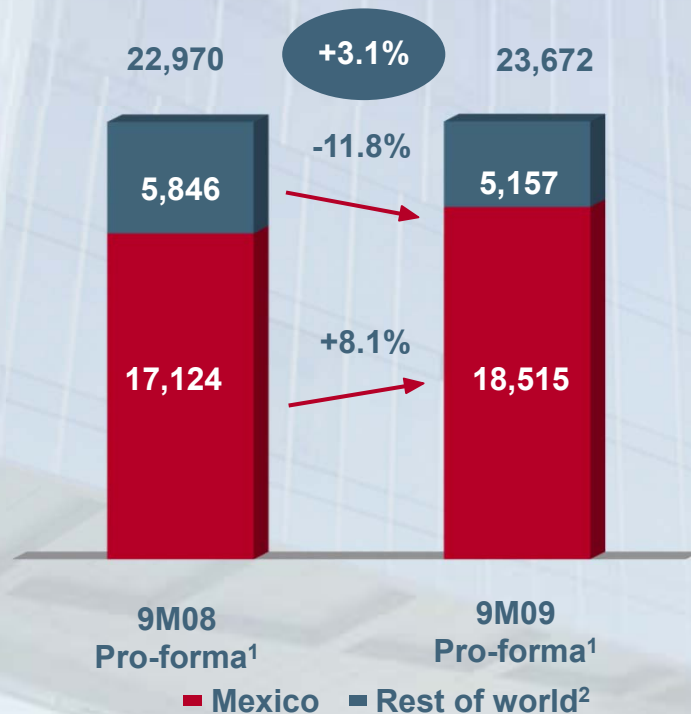
Complex market conditions in 9M09

Note:
¹ Pro-forma figures from 1 January
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Electricity (II): International



Total production (GWh)



- Production figures rise for Mexican CCGTs after higher demand from CFE, allowing for a 75.9% load factor with an availability of 91.5%
- New Durango 450 MW CCGT is 92% completed, with commissioning expected in 1Q 2010
- Lower production in Colombia (-18.2%) due to drought
- Production in Puerto Rico -15.2% due to lower load factor

High PPA component provides for stability

Notes:

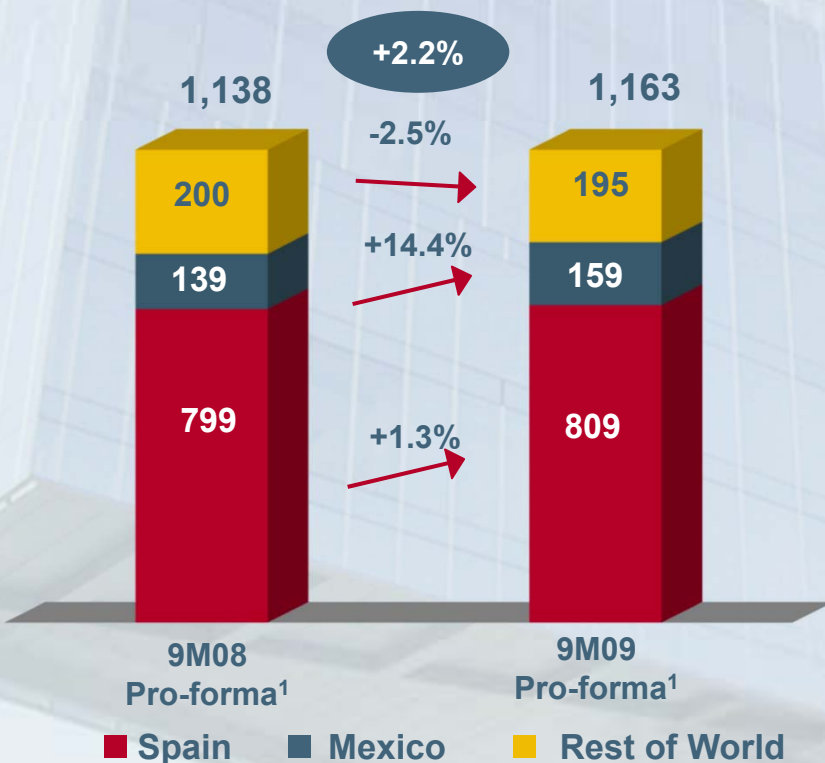
1 Pro-forma 2009 figures from 1 January

2 Includes Kenya, Dominican Republic, Panama, Costa Rica, Colombia and Puerto Rico

Electricity (III): Operating Results



EBITDA (€ million)



- EBITDA in Spain grows 1.3% despite lower production and pool prices thanks to the coverage given to power generation by commercialisation contracts and CCGT gas supply contracts linked to pool prices
- 90% annual coverage against pool price volatility
- Higher output and availability of CCGTs behind EBITDA growth in Mexico
- EBITDA in Puerto Rico impacted by lower load factor in the period

Benefiting from coverage of Spanish pool price risk

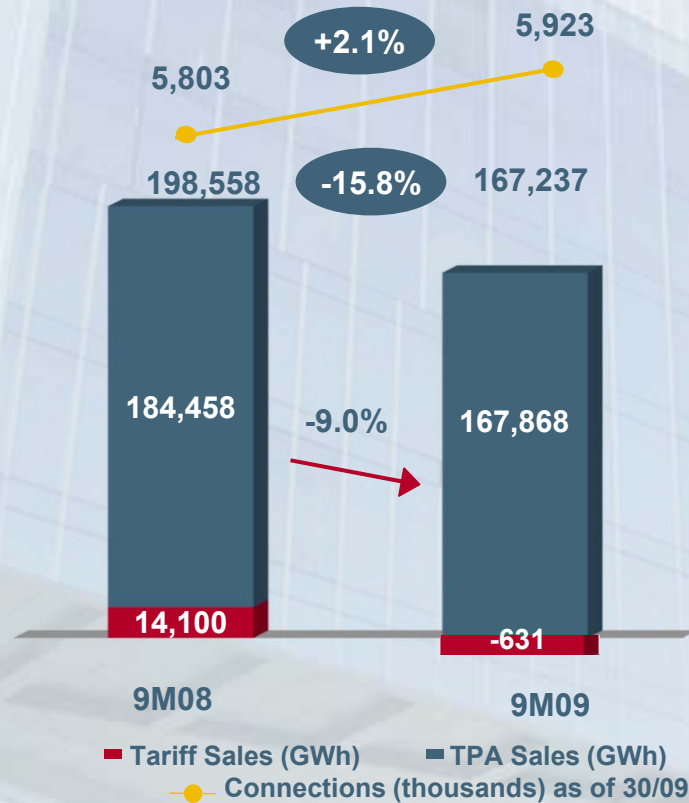
Note:

1 Pro-forma figures from 1 January

Gas Distribution in Spain



Operating figures



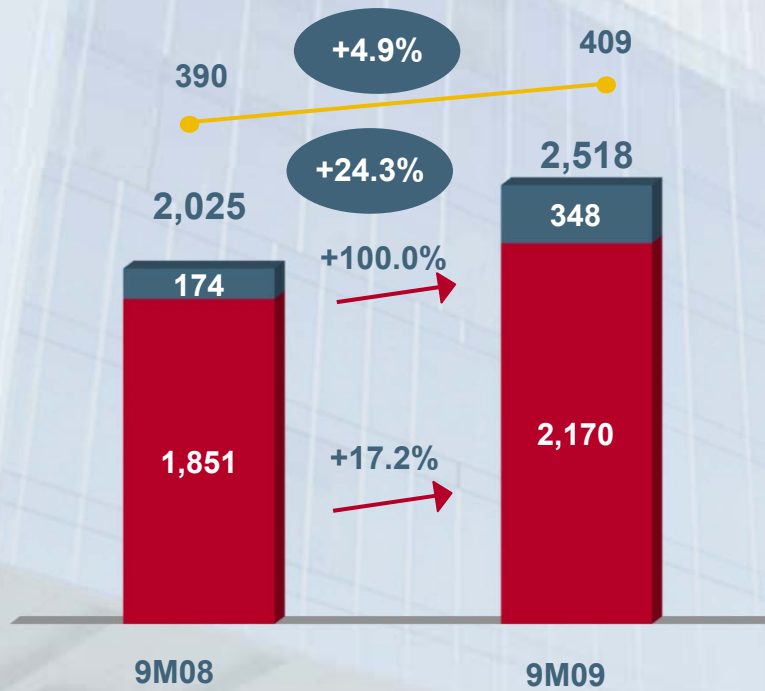
- Connection points grow by 120,000 YoY despite slowdown in residential construction
- Distribution network grows +5.1% to a total of 50,346 km
- Regulated remuneration for 2009 set at €1,206 million

EBITDA grows +3.5% to €719 million thanks to cost efficiencies

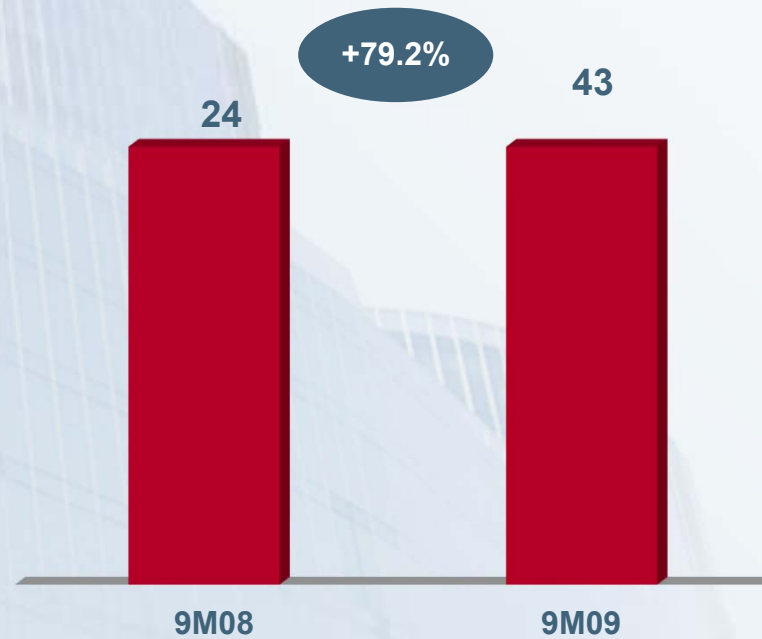
Gas Distribution in Italy



Operating figures



EBITDA (€ million)



■ Tariff Sales (GWh) ■ TPA Sales (GWh)
● Connections (thousands) as of 30/09

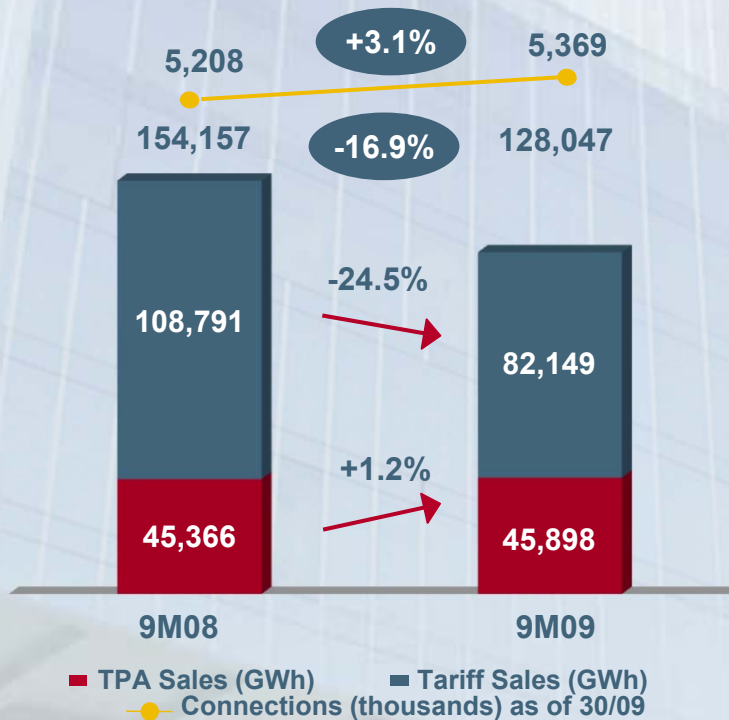
- EBITDA growth in the period favoured by a higher remuneration under new framework for 2009-2010 as well as by higher gas sales

Achieving steady and profitable growth

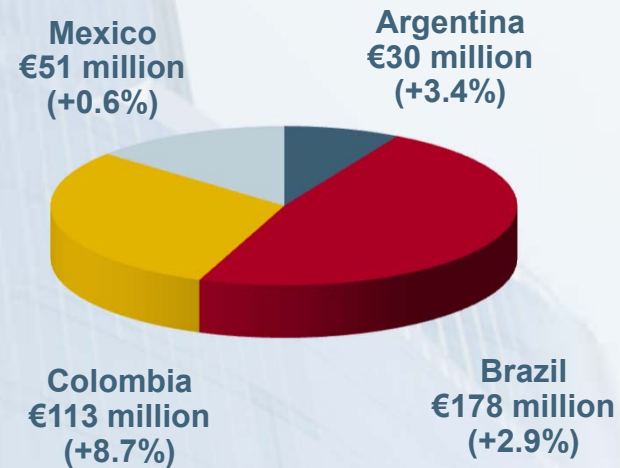
Gas Distribution in Latin America



Operating figures



EBITDA contribution and growth by country (Total €372 million, +4.5%)



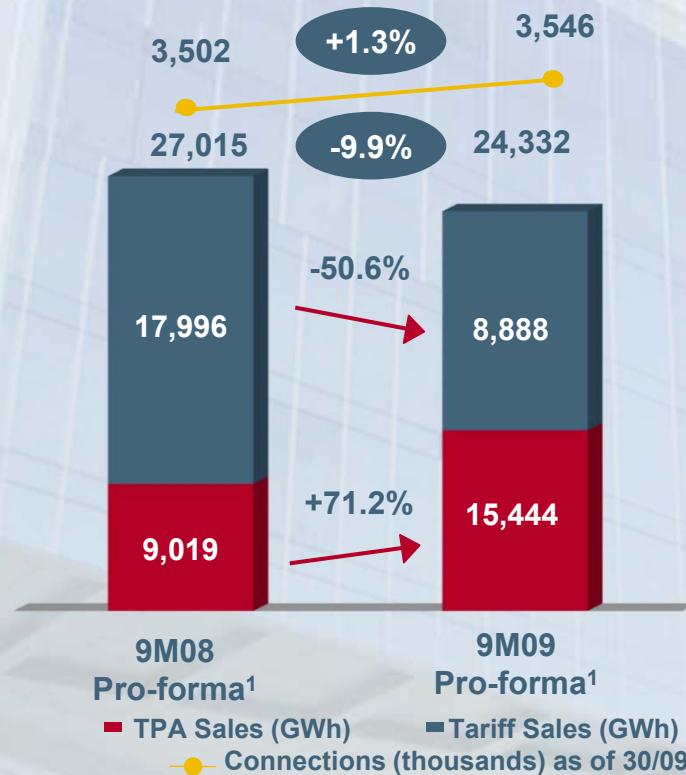
- Lower gas sales due mainly to lower demand from power generation
- Higher tariffs approved in Brazil and Mexico
- Expanding network in the region with +161,000 connection points YoY

Stable EBITDA thanks to geographical diversification

Electricity Distribution in Spain



Operating figures



- Lower electricity sales as a result of the decrease in consumption in the country
- End of regulated tariff on 1 July 2009
- TIEPI down 23.6% to 42 minutes² evidences an improvement in service quality

EBITDA rises +6.9% to €431 million¹ thanks to higher remuneration in 2009 and efficiency gains

Notes:

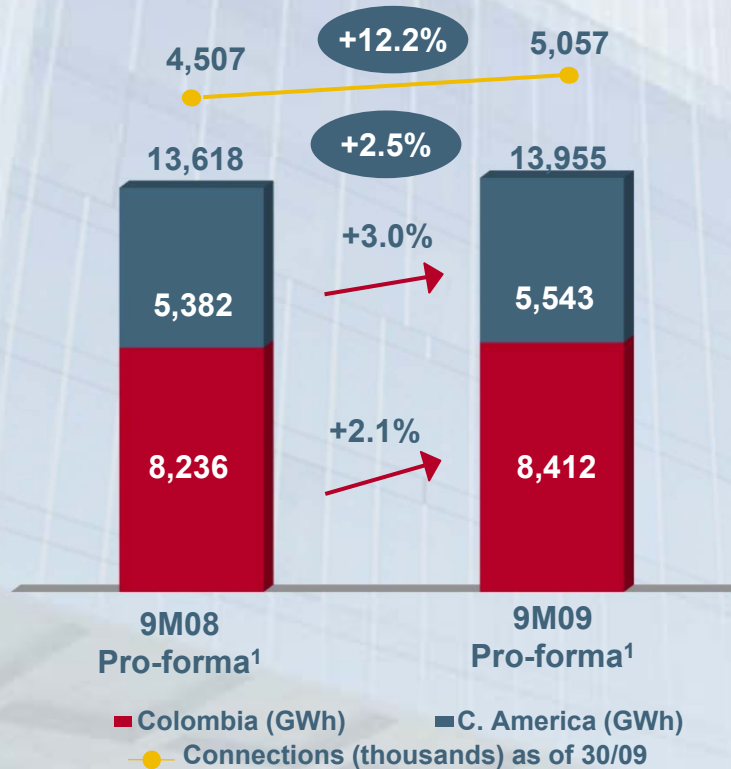
1 Pro-forma figures from 1 January

2 Adjusted for *force majeure* event (hurricane Klaus)

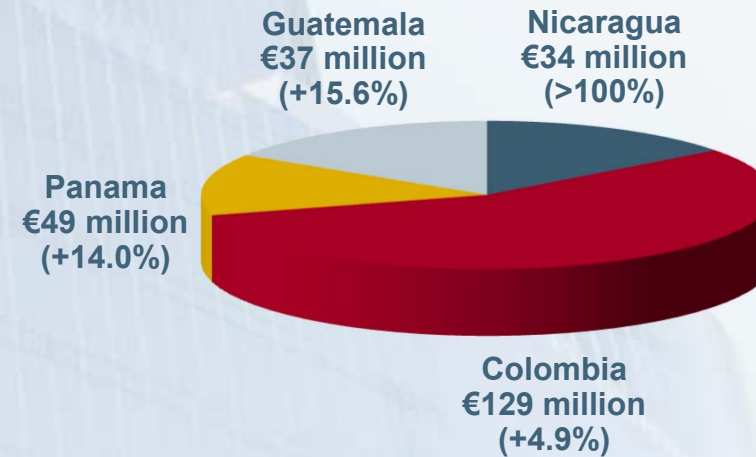
Electricity Distribution in Latin America



Operating figures



EBITDA contribution and growth by country (Total €249 million, +25.8%)¹



- High growth in Colombia partly offset by worse performance of currency
- EBITDA in Nicaragua benefited from the application of Protocol of Understanding

Improving region's performance in accordance with plan

Note:

¹ Pro-forma figures from 1 January

4

Conclusions

Conclusions



- **GAS NATURAL continues to show a solid business model**
 - + 1.0% pro-forma EBITDA despite a challenging environment
 - high weighting of regulated activities, business and geographical mix provide stability in earnings

- **Successful execution of Unión Fenosa integration**
 - swift execution, optimized transaction financing

- **Delivering on acquisition loan refinancing and asset disposals**
 - high achievement levels obtained on both activities

On our way towards the creation of a vertically integrated gas and power leader

A Strategy to Create Value for Shareholders



Focus on integration

- Annual operating synergies of €350 million and CAPEX synergies of €200 million beat initial estimates
- ~€800m tax synergies identified (NAV)

Financial discipline

- Delevering through €3.5 billion capital increase and €3 billion expected asset sales
- Ratings in line with or better than expected in July 2008
- Successful refinancing of €4.75 billion of acquisition loan since today
- €2.3 billion¹ debt reduction from disposals, almost 80% of total planned

Active portfolio management

- Divestments agreed with CNC do not impair the strategic rationale of the transaction
- Monitoring of portfolio: strategic fit and value creation

Investment plan rationalisation

- Reduced combined investment plan with limited execution risk
- Focus on gas and power convergence in existing markets

Note:

¹ Includes deconsolidation of debt after EPSA sale



Thank you

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