

# First Half 2010 Results

July 27, 2010



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# Agenda



- 1. Main Magnitudes**
- 2. Highlights for 1H10**
- 3. Summary of 1H10 Consolidated Results**
- 4. Analysis of Results (Pro-Forma)**
- 5. Conclusions**



## **Main Magnitudes**

# Main Magnitudes



**1H10 Net Income: €853 million (+37.1%)**

**1H10 EBITDA: €2,381 million (+48.1%)**

**Net Debt as of 30/06/2010: €18.2 billion <sup>1</sup>**

**1H10 Investments: €588 million (-1.2%) <sup>2</sup>**

Notes:

- 1 Taking into account securitisation of €1.5bn tariff deficit
- 2 Tangible and intangible investments



## **Highlights for 1H10**

# Highlights for 1H10



**Advancing in implementation of synergies**

**Enjoying organic growth in LatAm**

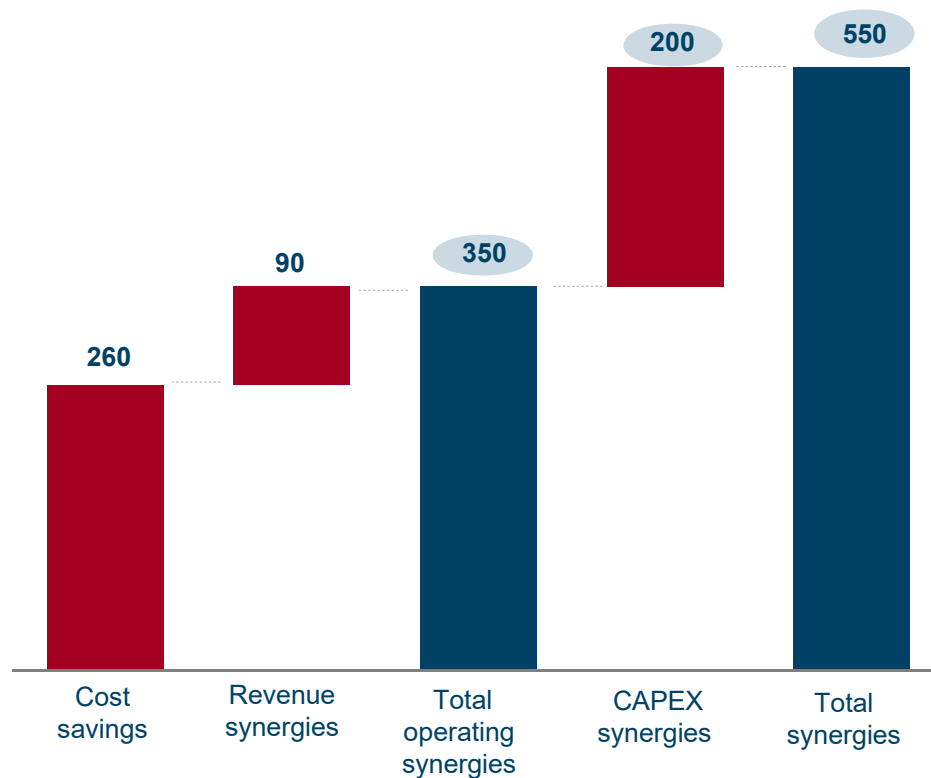
**Strengthening our position in liberalized gas markets**

**Hedging our exposure in the electricity business**

# Advancing in the implementation of synergies



## Current Synergy Plan (€ million)



**~98% already captured  
at the end of June 2010<sup>1</sup>**

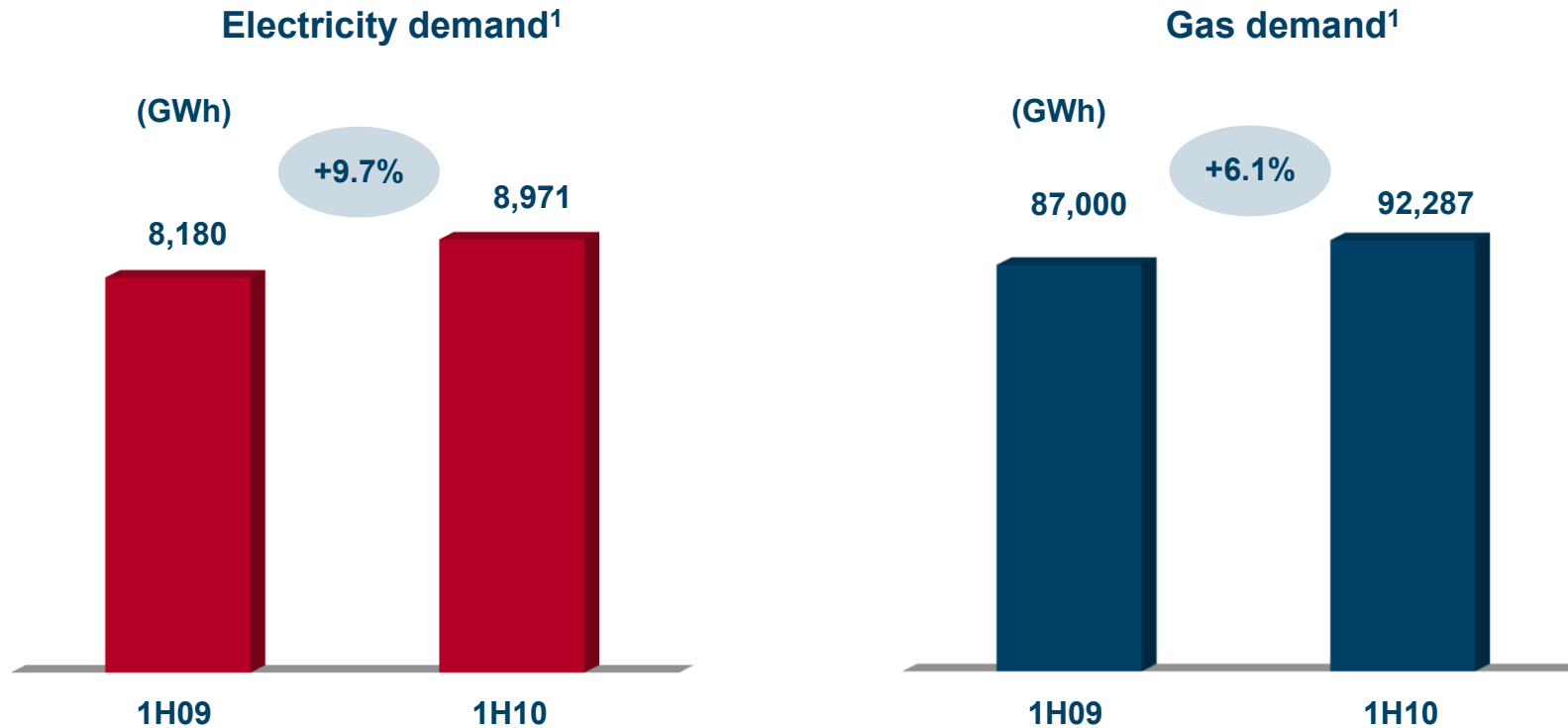
**Second synergy plan launched with additional €200m target**

Note:

1 On an annualized basis



# Enjoying organic growth in LatAm



- Gas and electricity demand benefiting from industrial recovery in the region

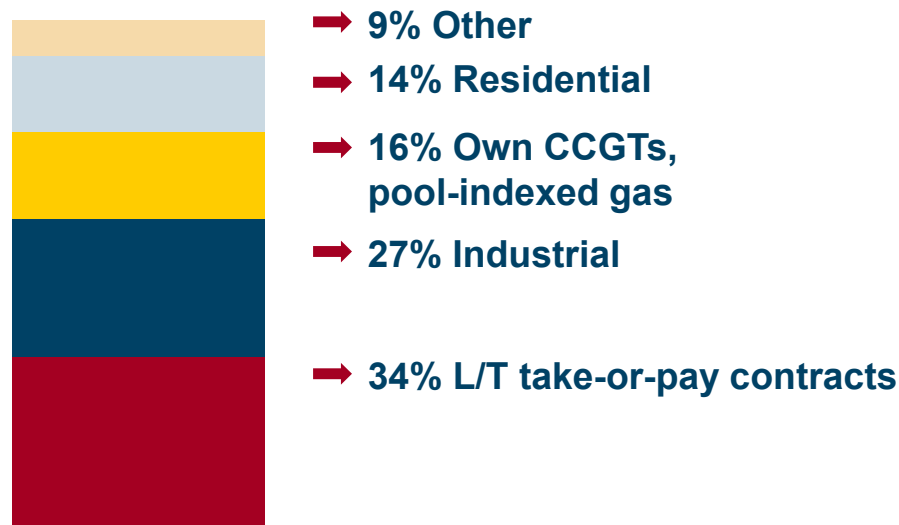
**Benefiting from demand picking up and market diversification**

Note:  
1 Demand for GAS NATURAL FENOSA's operations in the region

# Strengthening our position in liberalized gas markets



## GAS NATURAL FENOSA's expected gas demand for 2010



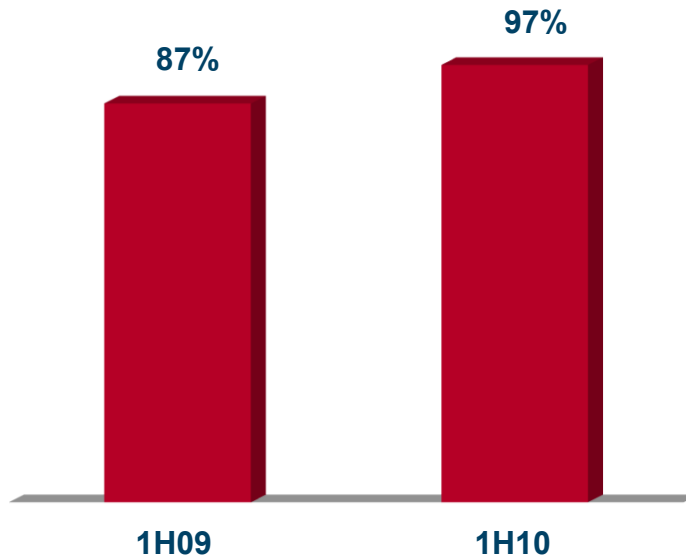
Gas procurement volumes backed by a stable end customer mix

- Not expecting to incur take-or-pay in 2010
- Flexible and diversified gas procurement portfolio

Securing domestic sales and expanding abroad

# Hedging our exposure in the electricity business

Power generation volumes hedged against pool volatility



- **Successful hedging of power generation against the pool**
  - Pool price-indexed gas contracts
  - Supply contracts
- **Successful electricity supply business**
  - contracted industrial portfolio of 25,000 GWh/year

**Providing for a balanced and stable operating performance**



**Summary of 1H10  
Consolidated Results**

# Consolidated Income Statement<sup>1</sup>



(€ million)	1H10	1H09	Change %
<b>Net Sales</b>	<b>9,431</b>	<b>6,425</b>	<b>46.8</b>
<b>Purchases</b>	<b>(5,890)</b>	<b>(4,072)</b>	<b>44.6</b>
<b>Gross Margin</b>	<b>3,541</b>	<b>2,353</b>	<b>50.5</b>
<b>Personnel, Net</b>	<b>(404)</b>	<b>(247)</b>	<b>63.6</b>
<b>Other Expenses, Net</b>	<b>(756)</b>	<b>(498)</b>	<b>51.8</b>
<b>EBITDA</b>	<b>2,381</b>	<b>1,608</b>	<b>48.1</b>
<b>Depreciation</b>	<b>(817)</b>	<b>(511)</b>	<b>59.9</b>
<b>Provisions</b>	<b>(86)</b>	<b>(37)</b>	<b>-</b>
<b>Other results</b>	<b>358</b>	<b>-</b>	<b>-</b>
<b>Operating Income</b>	<b>1,836</b>	<b>1,060</b>	<b>73.2</b>
<b>Financial Results, Net</b>	<b>(561)</b>	<b>(217)</b>	<b>-</b>
<b>Equity Income</b>	<b>4</b>	<b>55</b>	<b>(92.7)</b>
<b>Income Before Tax</b>	<b>1,279</b>	<b>898</b>	<b>42.4</b>
<b>Taxes</b>	<b>(329)</b>	<b>(210)</b>	<b>56.7</b>
<b>Income from Continued Operations</b>	<b>950</b>	<b>688</b>	<b>38.1</b>
<b>Net Income from Discontinued Operations</b>	<b>-</b>	<b>12</b>	<b>-</b>
<b>Minority Interest</b>	<b>(97)</b>	<b>(78)</b>	<b>24.4</b>
<b>Net Income</b>	<b>853</b>	<b>622</b>	<b>37.1</b>

Note:

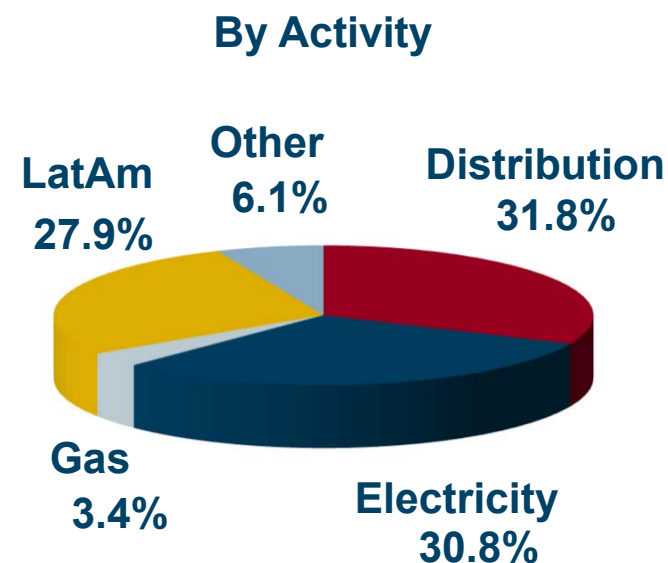
<sup>1</sup> 1H09 figures include Unión Fenosa accounted using the equity method since 28 February 2009 and fully consolidated since 30 April 2009. In addition, 1H09 figures differ from those reported in 2009 after application of CINIIF 12 thereby accounting for EPISA as an interrupted activity

# Consolidated Investments

## Tangible and intangible



(€ million)	1H10	1H09
<b>Distribution:</b>	<b>188</b>	<b>225</b>
Electricity	90	54
Gas	98	171
<b>Electricity:</b>	<b>180</b>	<b>243</b>
Spain	139	187
Special Regime	40	54
Other	1	2
<b>Gas:</b>	<b>19</b>	<b>25</b>
Infrastructures	13	19
Supply	6	6
<b>LatAm:</b>	<b>164</b>	<b>87</b>
Generation	85	32
Gas Distribution	29	39
Electricity Distribution	50	16
<b>Other</b>	<b>37</b>	<b>15</b>
<b>Total</b>	<b>588</b>	<b>595</b>

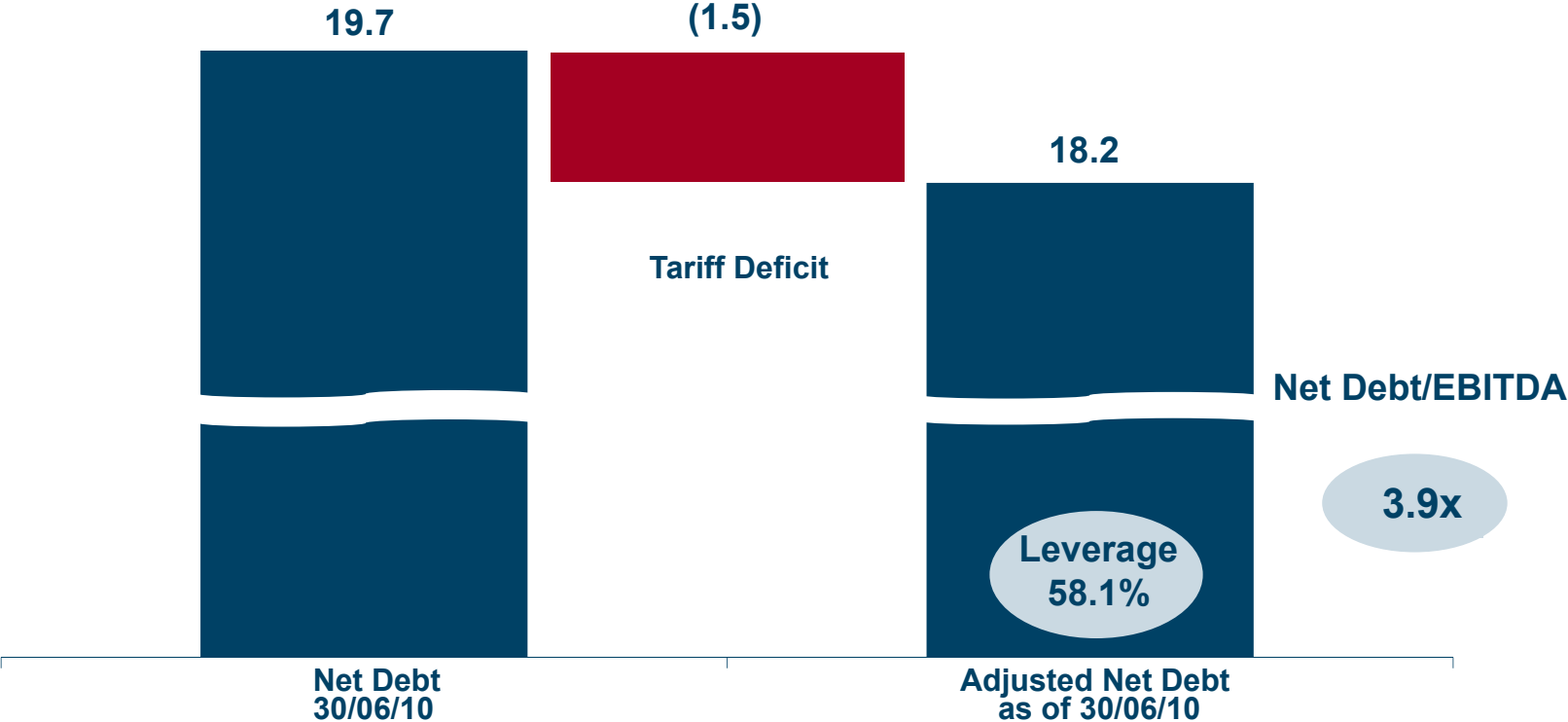


**CAPEX containment after completion of CCGTs and lower investments in gas distribution in Spain**

# Net Debt



(€ billion)



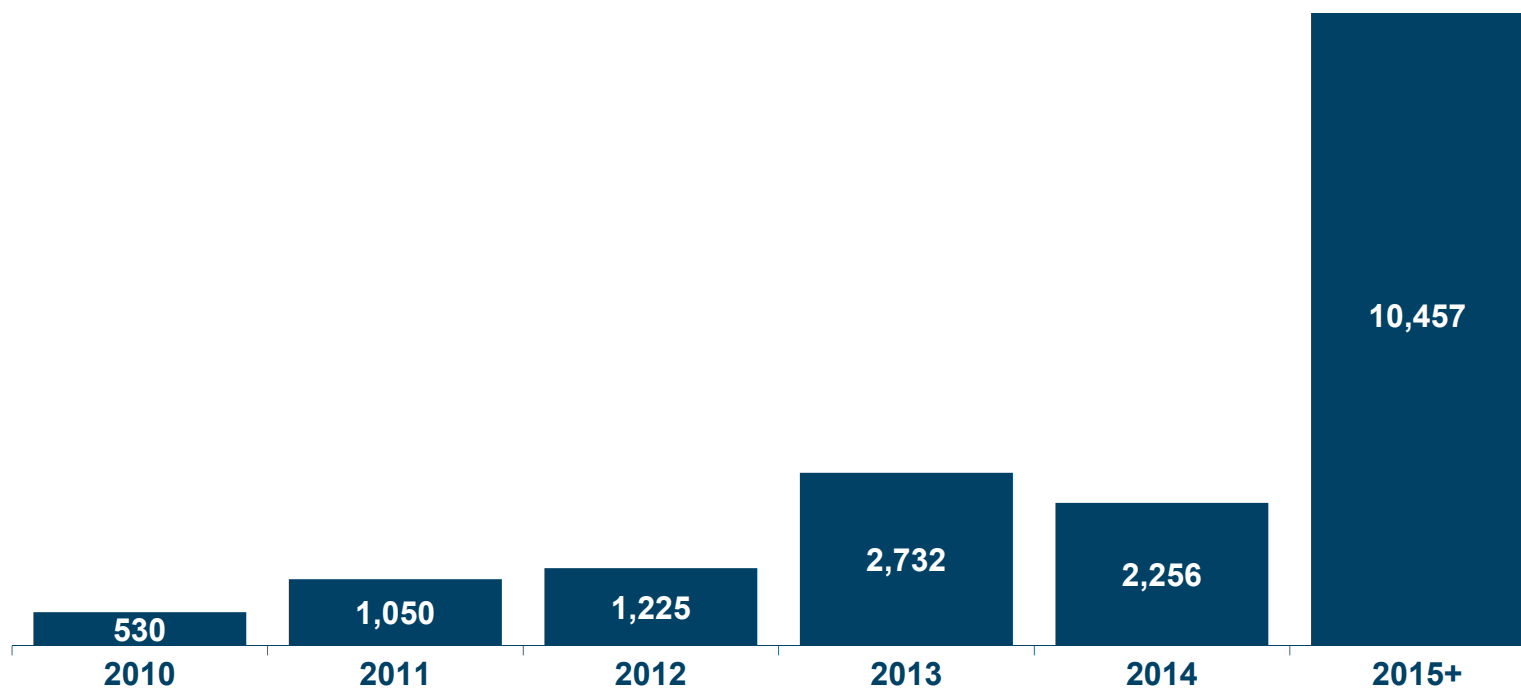
Parameters continue to evidence a healthy capital structure

# Debt Maturity Profile

**Maturities for adjusted Net Debt (€18.2 billion<sup>1</sup>)**



(€ million)

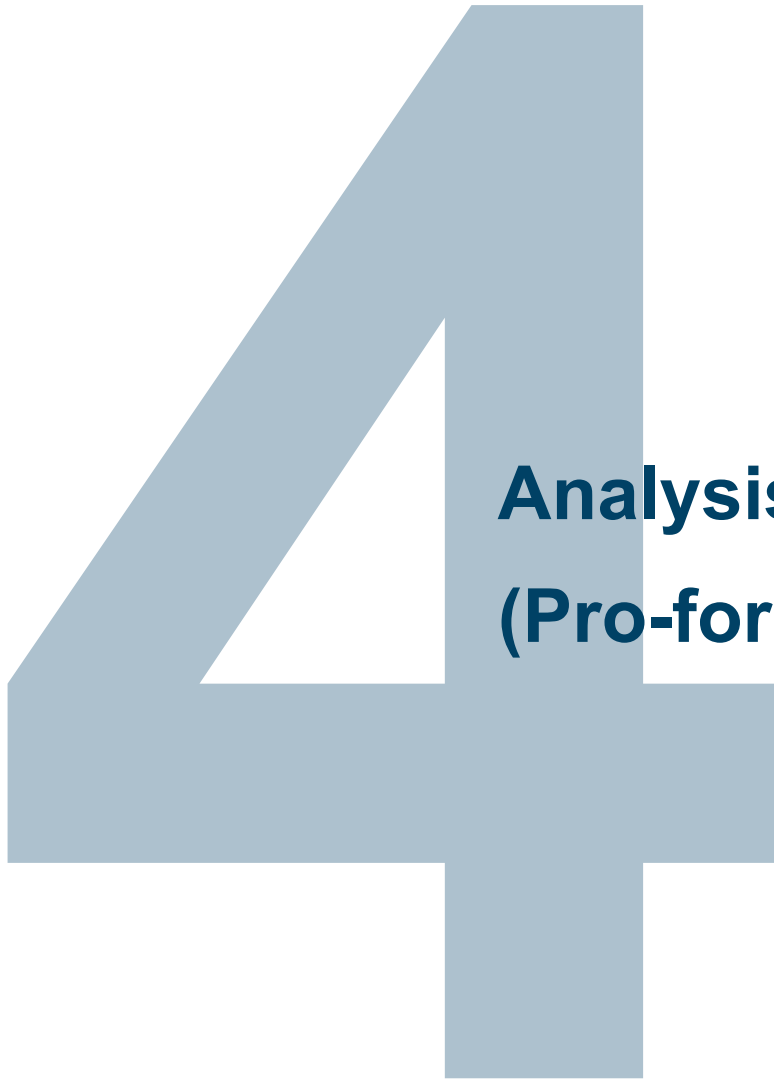


**55% of Net Debt with a maturity from 2015 onwards**

Note:

<sup>1</sup> Less tariff deficit of €1,501 million





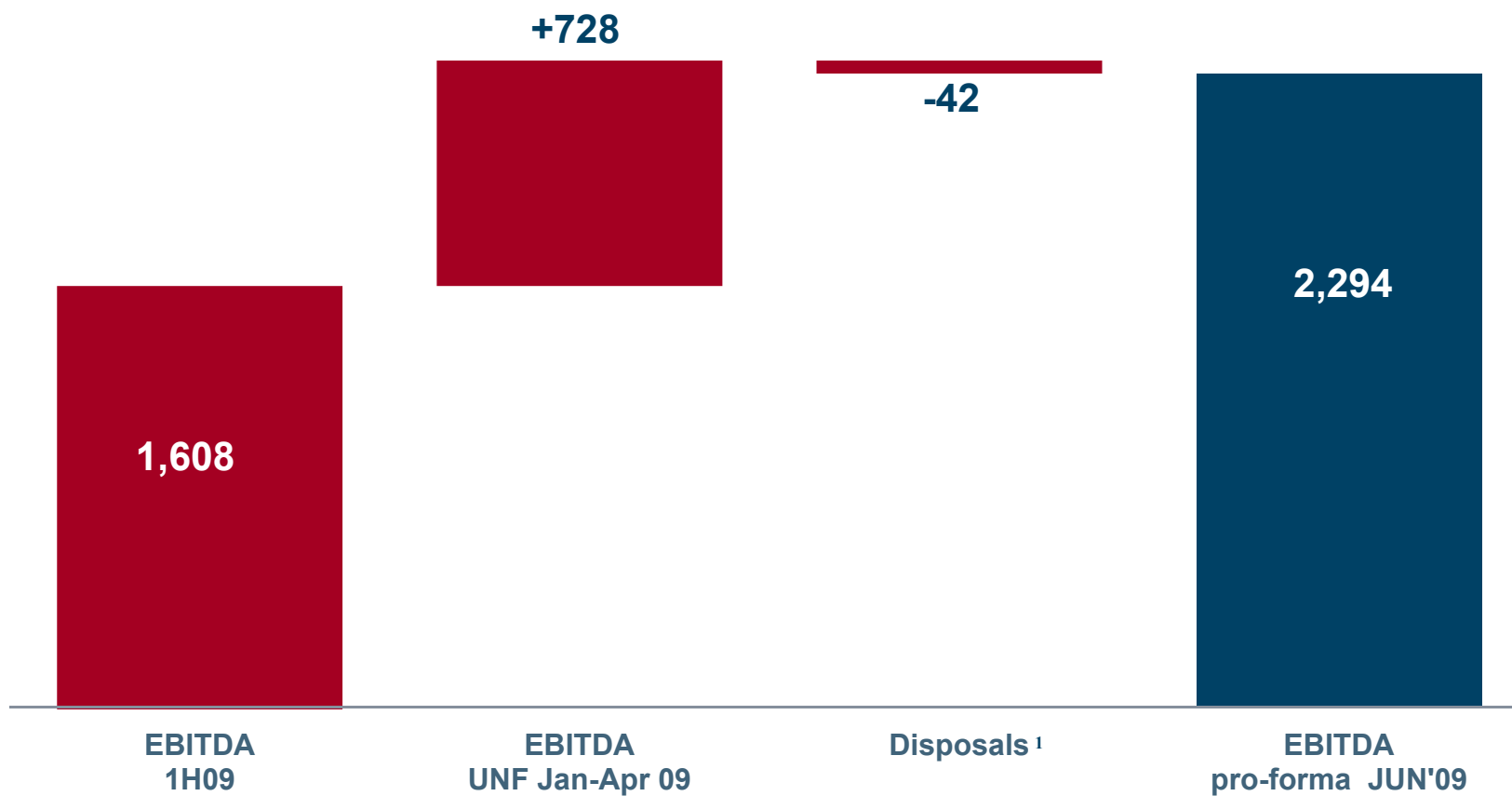
**Analysis of Results  
(Pro-forma)**

# EBITDA 1HQ09

## Pro-forma vs. consolidated



(€ million)



Note:

<sup>1</sup> Gas assets and customers in Spain and CCGTs in Mexico

# Pro-forma EBITDA Breakdown

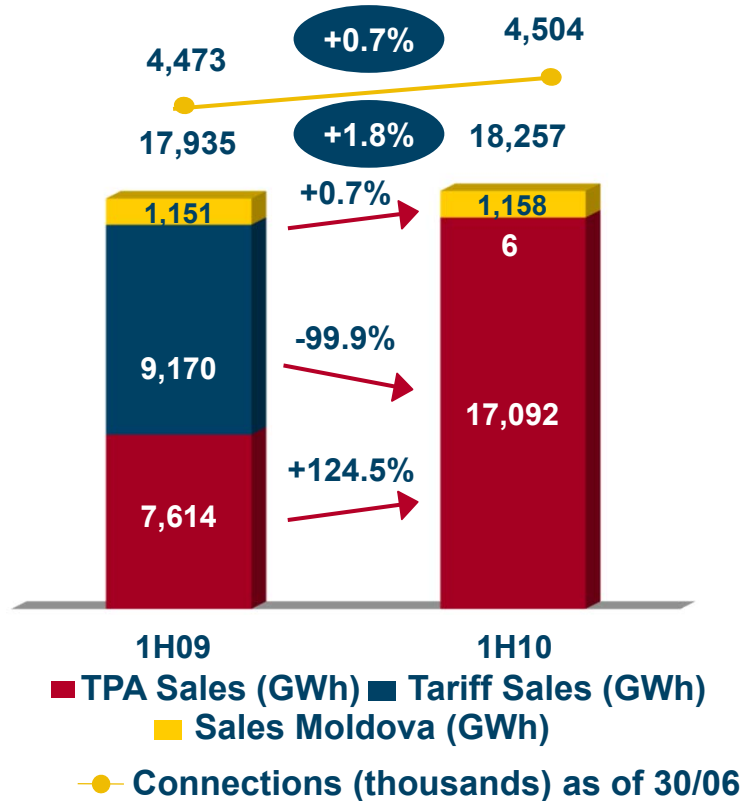


(€ million)	Pro-forma	Pro-forma	Change	
	1H10	1H09	€m	%
<b>Distribution:</b>	<b>791</b>	<b>765</b>	<b>26</b>	<b>3.4</b>
Electricity	302	299	3	1.0
Gas	489	466	23	4.9
<b>Electricity:</b>	<b>567</b>	<b>497</b>	<b>70</b>	<b>14.1</b>
Spain	489	432	57	13.2
Special Regime	69	63	6	9.5
Other	9	2	7	-
<b>Gas:</b>	<b>388</b>	<b>448</b>	<b>(60)</b>	<b>(13.4)</b>
Infrastructures	132	132	-	-
Supply	256	316	(60)	(19.0)
<b>LatAm:</b>	<b>605</b>	<b>521</b>	<b>84</b>	<b>16.1</b>
Generation	128	134	(6)	(4.5)
Gas Distribution	286	234	52	22.2
Electricity Distribution	191	153	38	24.8
<b>Other</b>	<b>30</b>	<b>63</b>	<b>(33)</b>	<b>(52.4)</b>
<b>Total Pro-forma EBITDA</b>	<b>2,381</b>	<b>2,294</b>	<b>87</b>	<b>3.8</b>

# Distribution

## Electricity

### Operating figures



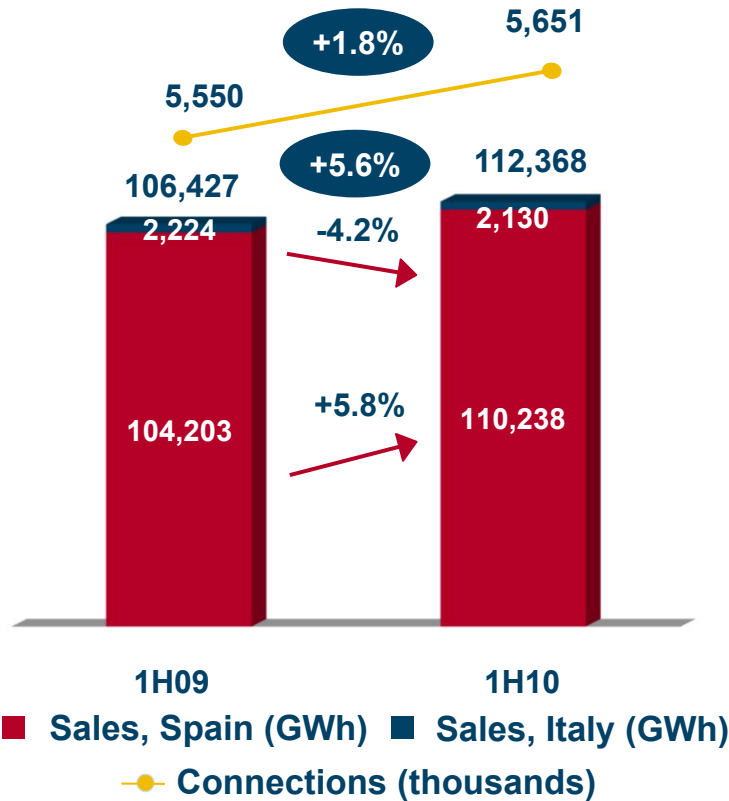
- Recovery in consumption evidenced by a demand increase of +4.1% vs. 1H09
- Operating efficiencies continue to materialize in 2010
- Areas of service continue to show new applications for connections
- TIEPI in Spain of 35 minutes after impact from Xyntia storm, but only 6 minutes above 1H09

**EBITDA of €302 million in line with current remuneration for 2010**

# Distribution

## Gas

### Operating figures<sup>1</sup>



- Gas sales in Spain growing +5.8% YoY
- Connection points grow 43,000 YoY in Spain (+1.7%) and 13,000 in Italy (+3.2%)
- Total network length of 49,000 km (+2.1% vs 1H09)

**EBITDA grows 4.8% to €489 million, in accordance with the increase in remuneration for 2010 in Spain and Italy**

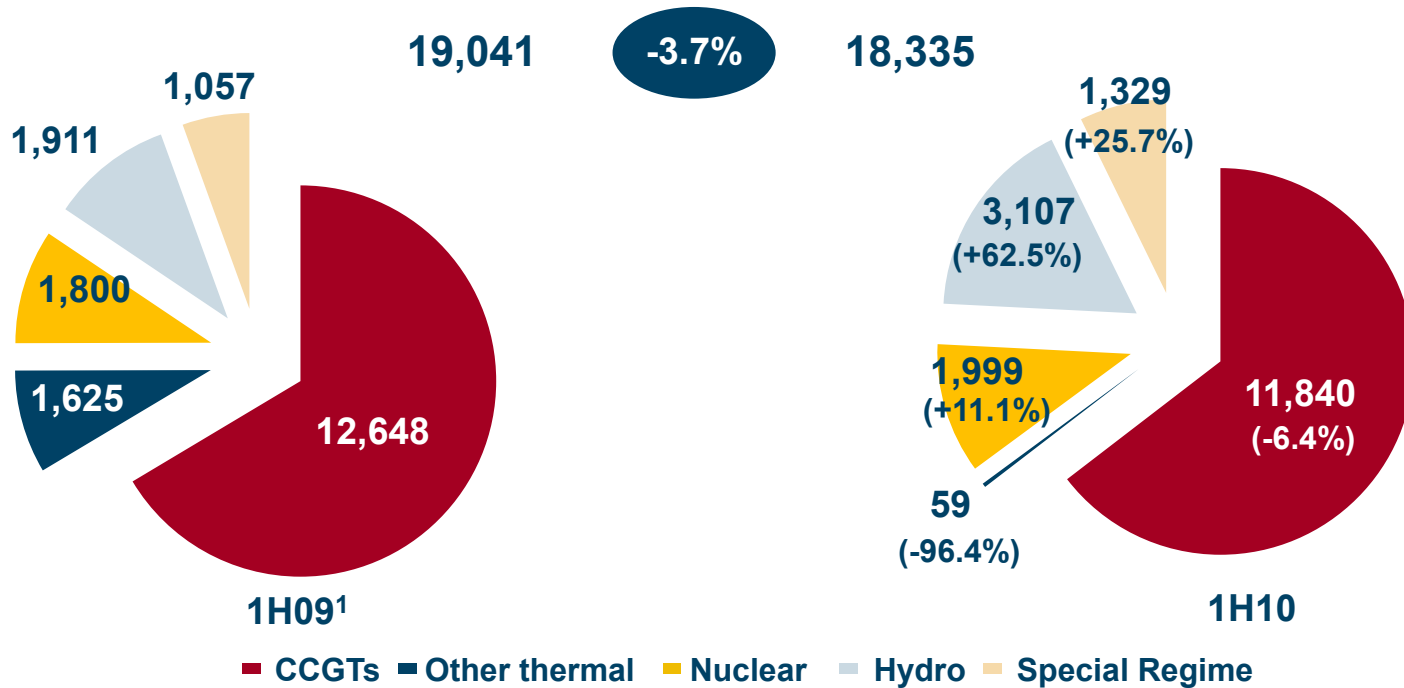
Notes:

<sup>1</sup> 2009 figures take into account sale of operations in Murcia, Cantabria and Madrid

# Electricity Spain



Total GAS NATURAL FENOSA's production (GWh)



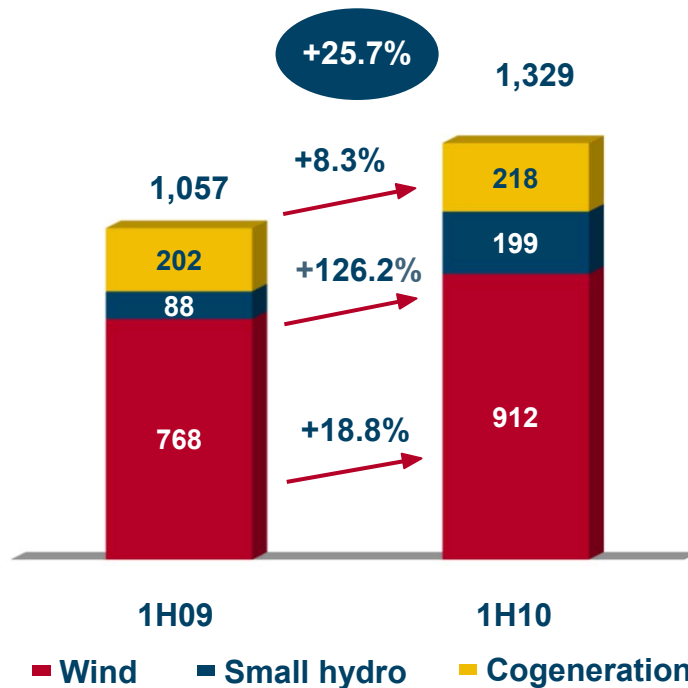
- Average pool price of €31.1/MWh in 1H10 (-24.1% vs 1H09) after higher production from hydro and Special Regime
- CCGT load factor of 37.9% vs. 40.5% in 1H09

Supply customer portfolio and hedging position provide stability in operating parameters

Note:  
1 Pro-forma

# Electricity Special Regime

Total production<sup>1</sup> (GWh)

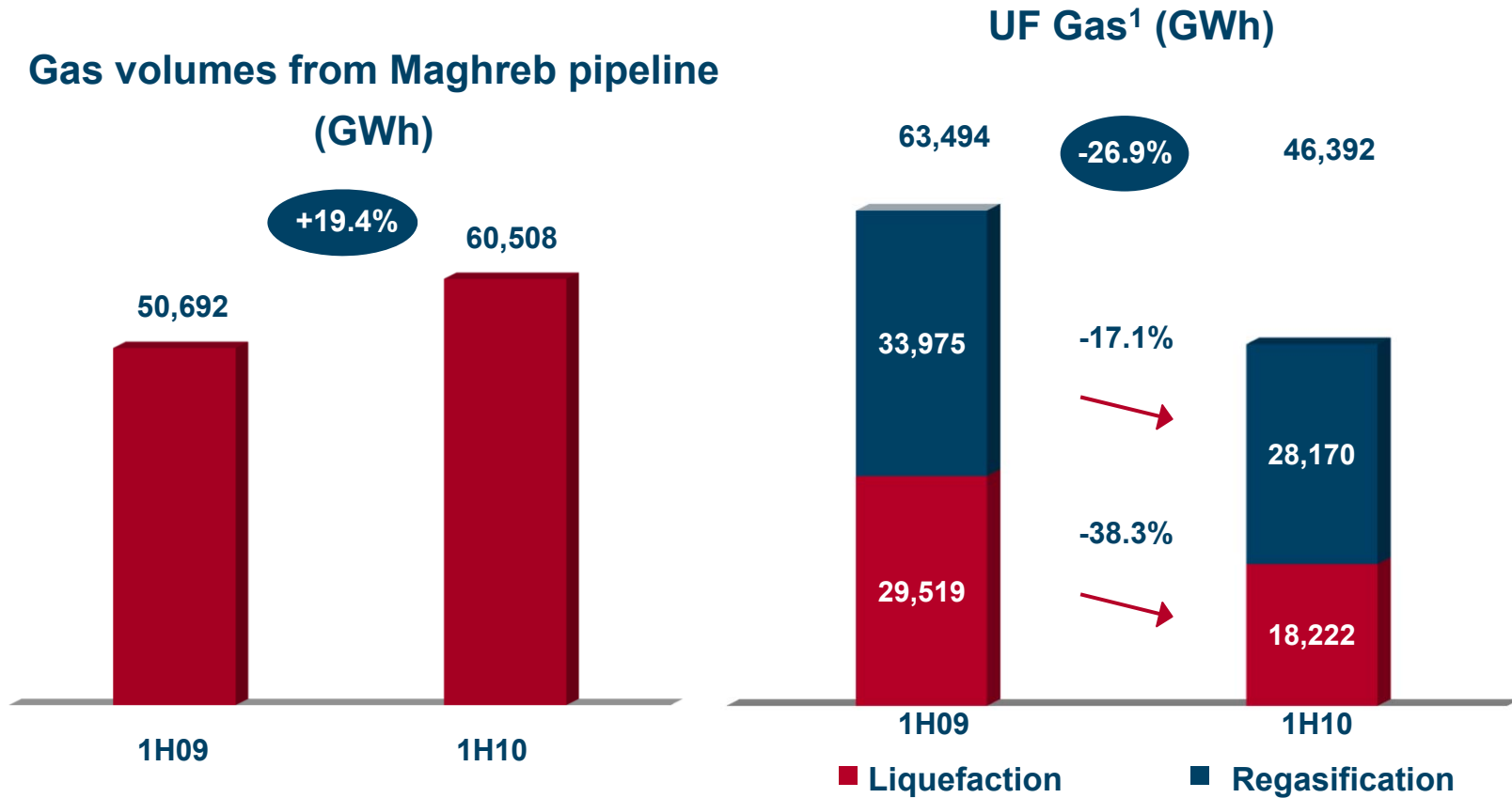


- 19% higher wind powered production after adding 103MW of new capacity and enjoying higher efficiency levels
- Small hydro favoured by higher rainfall vs. 1H09
- Growth in cogeneration favoured by higher overall plant availabilities

**EBITDA of €69 million (+9.5%) after higher sales and cost optimization**

Note:  
1 Attributable

# Gas Infrastructures



**EBITDA remains stable at €132 million due to absence of LNG tanker subleases in the period**

Note:  
1 100% attributable

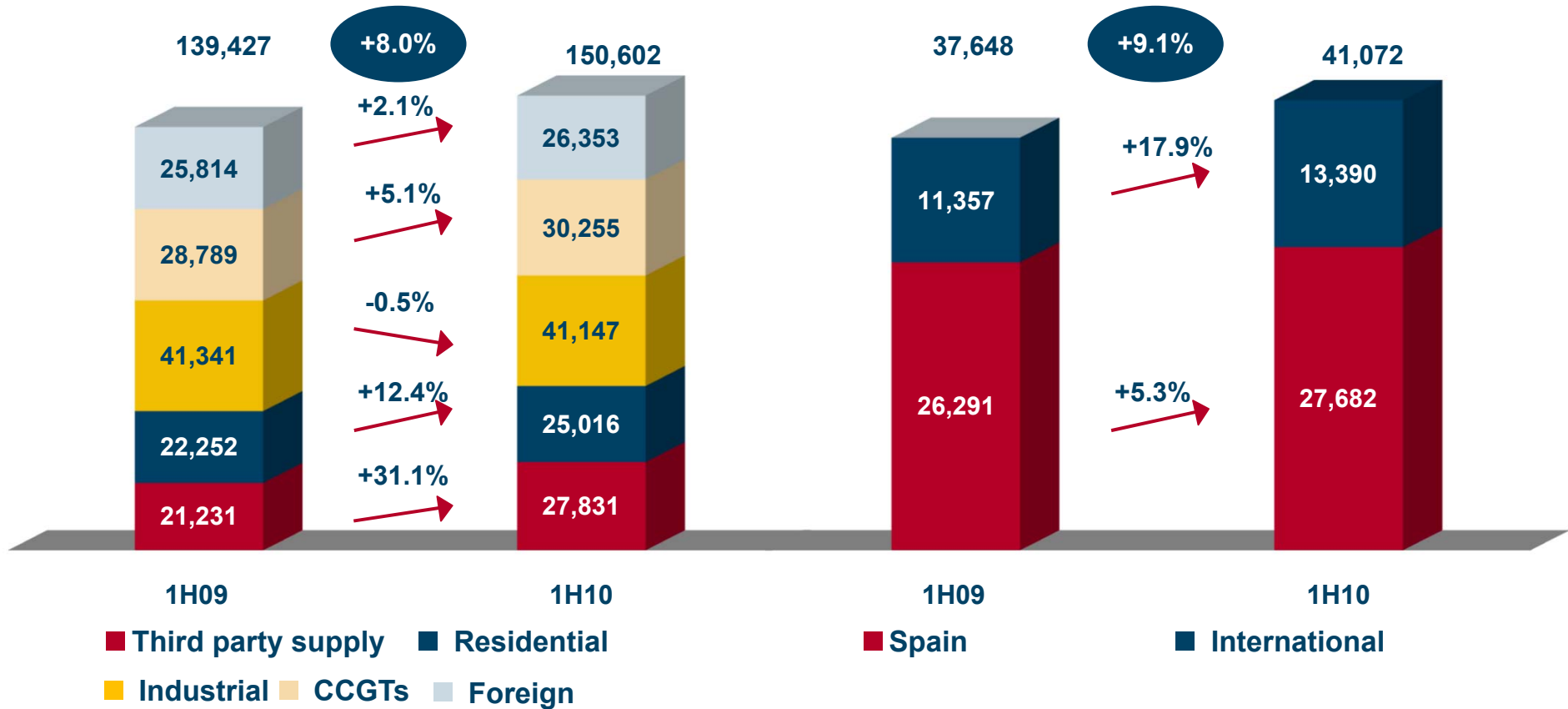


# Gas Supply



### Gas supply (GWh)

### UF Gas<sup>1</sup> (GWh)

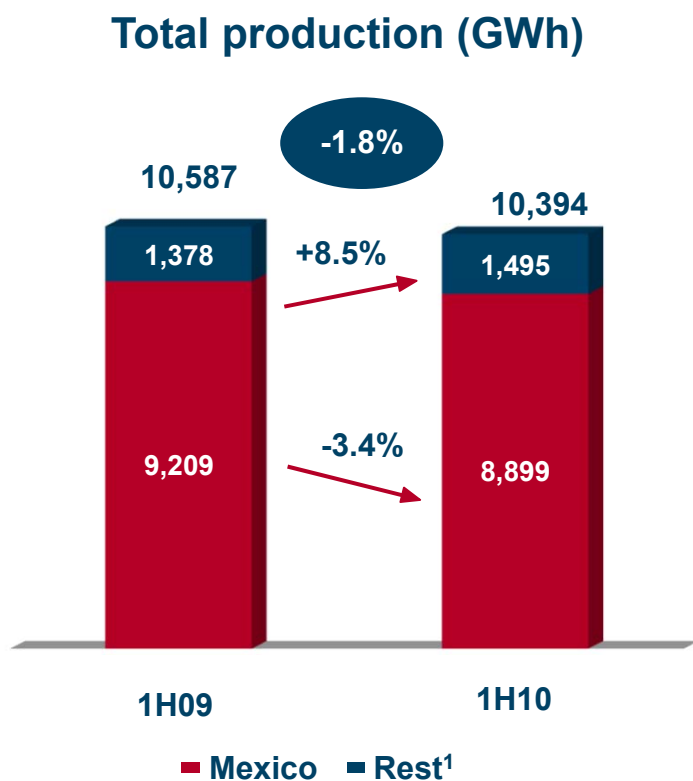


**Higher gas volumes sold thanks to market diversification**

Note:  
1 100% attributable

# Latin America

## Electricity Generation



- New 450 MW CCGT in Durango (Mexico) completed: commissioning expected in July
- Programmed major maintenance outage in Tuxpan (Mexico) results in 3.4% lower production
- Higher thermal production in Panama
- Higher power prices in Puerto Rico and Dominican Republic

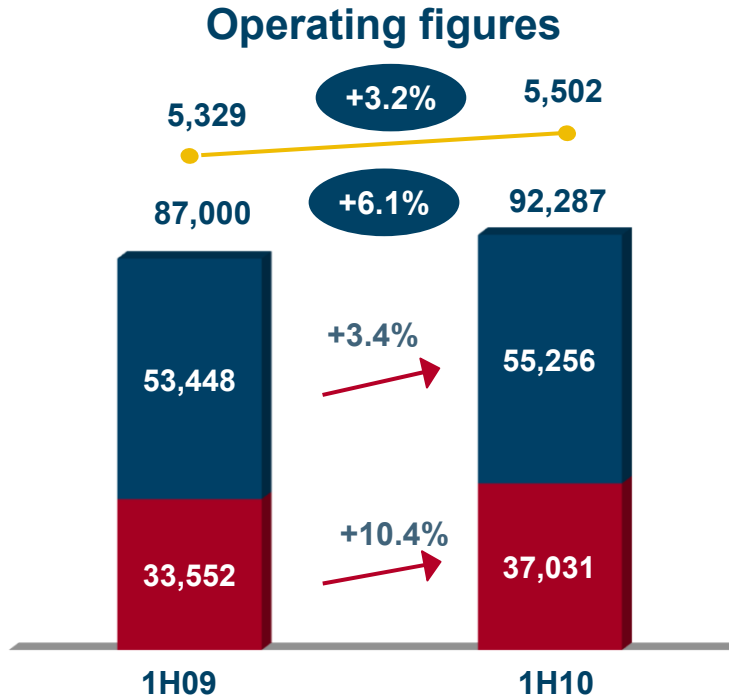
**EBITDA of €128 million (-4.5%) after higher maintenance costs**

Note:

<sup>1</sup> Includes Dominican Republic, Panama, Costa Rica, and Puerto Rico

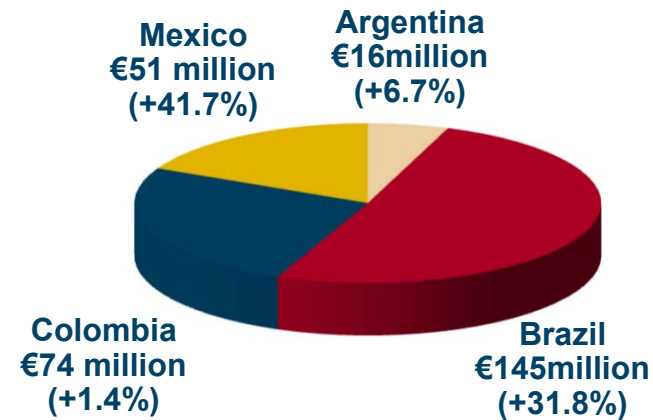
# Latin America

## Gas Distribution



■ TPA Sales (GWh) ■ Tariff Sales (GWh)  
 ● Connections (thousands) as of 30/06

**EBITDA contribution and growth by country**  
(Total €286 million, +22.2%)



- Enjoying growth in connection points all over the region (+173,000 YoY)
- Industry-led volume growth (+6%), evidencing economic recovery in the region

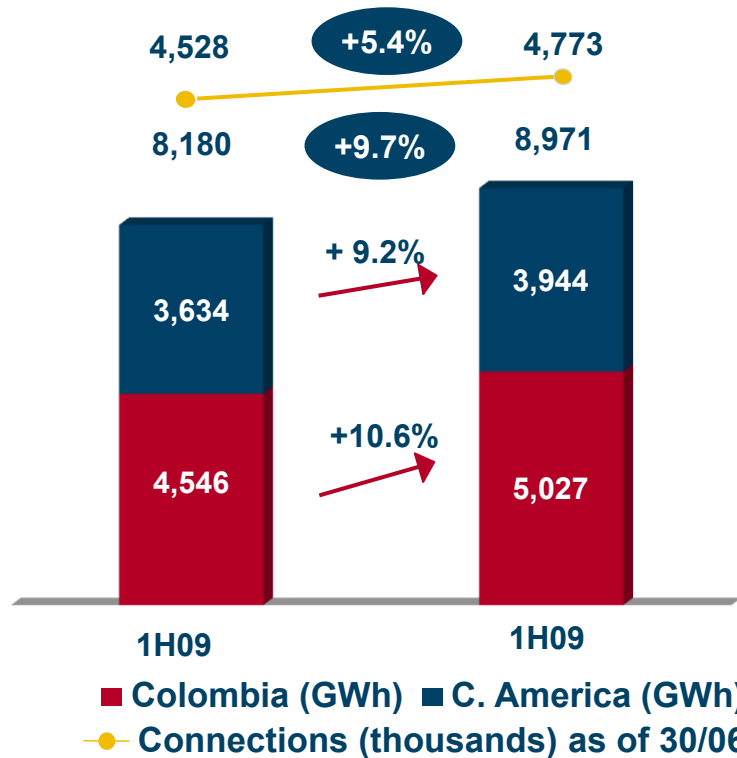
**EBITDA growth enhanced by appreciation of local currencies**

# Latin America

## Electricity Distribution

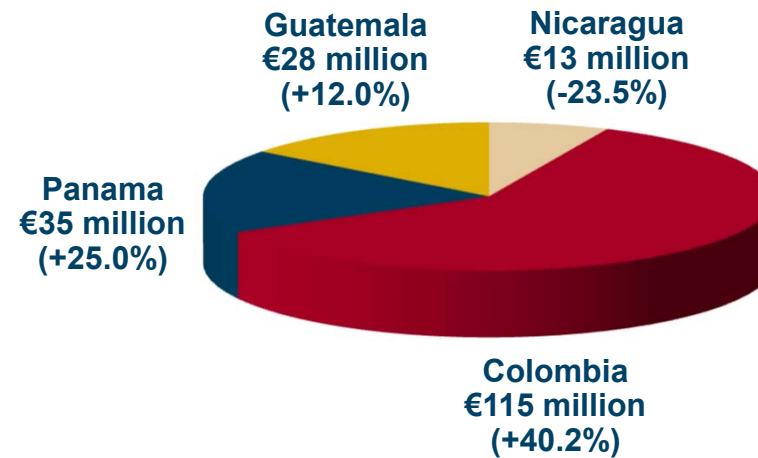


### Operating figures



### EBITDA contribution and growth by country

(Total €191 million, +22.4%)



- Higher demand in Caribbean region support EBITDA growth

Improving region's operating and financial performance and enjoying a diversified currency mix

5

**Conclusions**

# Strong 1H 2010 results



**Strong 1H 2010 results despite challenging market conditions**

**EBITDA: 1H 2010 €2,381m (+48.1%)<sup>1</sup>**

**Net Income: 1H 2010 €853m (+37.1%)**

**Continued synergy realization according to announced plan**

**Ongoing balance sheet strengthening during H1 2010**

**Continued successful programme of committed divestitures**

Note:

<sup>1</sup> +3.8% on a pro-forma basis

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# Thank you

INVESTOR RELATIONS

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