



Press Conference
Ordinary General
Shareholders Meeting
2017



Disclaimer



This document is the property of Gas Natural SDG, S.A. (**GAS NATURAL FENOSA**) and has been prepared for information purposes only. As such, it cannot be disclosed, distributed or published for any other reason, in whole or in part, without the express and prior written consent of GAS NATURAL FENOSA. This document is provided to the recipients exclusively for their information and such recipients are required to carry out their own analysis of the activities, financial condition and prospects of GAS NATURAL FENOSA. The information contained herein must not be used as a substitute for an independent analysis of GAS NATURAL FENOSA, its business and/or its financial condition.

The information contained in this document is not exhaustive and does not set out all the information a potential investor may require or need in order to make an informed decision on whether to purchase or transfer securities or financial instruments related to securities of GAS NATURAL FENOSA. The information contained in this document is subject to changes, corrections and additions without prior notification. GAS NATURAL FENOSA accepts no responsibility for the accuracy of the information contained in, or referred to, in this document, nor does it accept any responsibility for any errors in, or omissions from, this document. GAS NATURAL FENOSA does not undertake any obligation to update any information contained in this document, to correct any inaccuracies it may include, to provide additional information to the recipients of this document or to update this document as a result of events or circumstances that may arise after the date of this document or in order to reflect unforeseen events or changes in valuations or hypotheses on which such information is based.

Certain information and statements contained in this document may be based on GAS NATURAL FENOSA's internal studies, which may be based on assumptions or estimates which may not have been verified by independent third parties. As a result, the accuracy of such assumptions or estimates cannot be guaranteed. Additionally, part of the information contained herein may not have been audited or reviewed by GAS NATURAL FENOSA's auditors. Therefore, the recipients of this document should not place undue reliance on the information contained in this document.

This document may contain forward-looking statements. All statements included that are not historical facts, including, among others, those related to the financial condition, business strategy, management plans and plans for future operations of GAS NATURAL FENOSA are forward-looking statements. Forward-looking statements are based on various assumptions regarding present and future business plans of GAS NATURAL FENOSA and future market conditions. Furthermore, these forward-looking statements are subject to both foreseeable and unforeseeable risks, uncertainty and other factors that could substantially alter the actual results, achievements, performance or industrial results expressed or suggested in such forward-looking statements. The realisation of forward-looking statements is not guaranteed, as they are based, in some instances, on subjective judgments which may or may not realise. As a result, and for various other reasons, the actual future results may differ significantly from those expressed in forward-looking statements included in this document.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO PURCHASE OR SUBSCRIBE FOR SECURITIES OF ANY TYPE. FURTHERMORE, THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO PURCHASE, SELL OR EXCHANGE SECURITIES IN SPAIN OR IN ANY OTHER JURISDICTION.

Neither this document nor any copy of this document may be sent, sent into or disclosed in the United States of America, Canada or Japan. The distribution of this document in other jurisdictions may also be restricted by law. Persons into whose possession this document comes must inform themselves about, and comply with, the relevant restrictions.

By accessing this document, the recipient accepts and agrees with the restrictions and limitations set forth above.

- 
- 1 Environment**
 - 2 Results 2016**
 - 3 Strategic vision 2016-2020**
 - 4 Shareholder remuneration**
 - 5 Summary and conclusions**



1

Environment

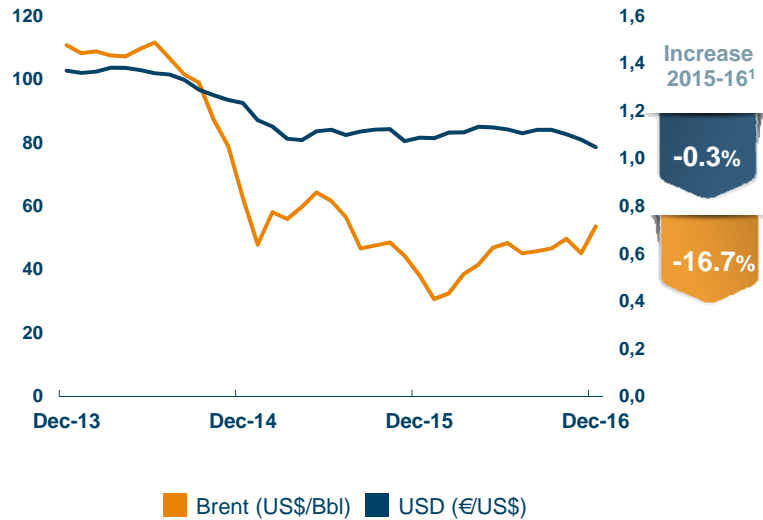
gasNatural
fenosa



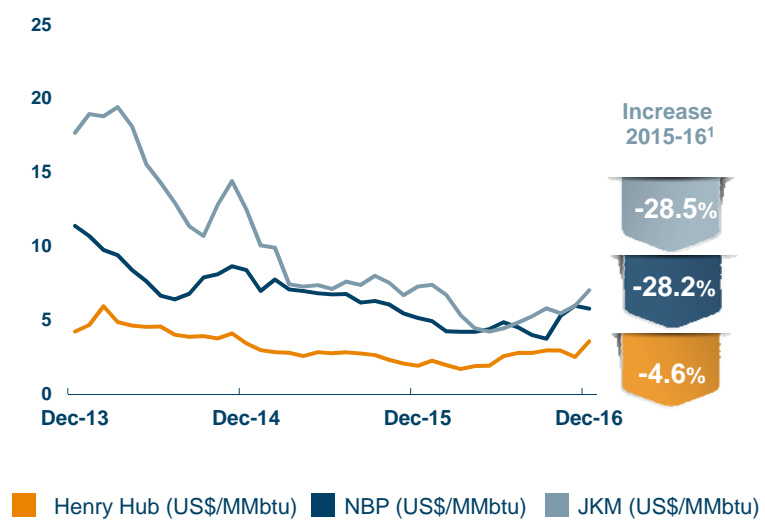
Environment

Evolution of commodity prices

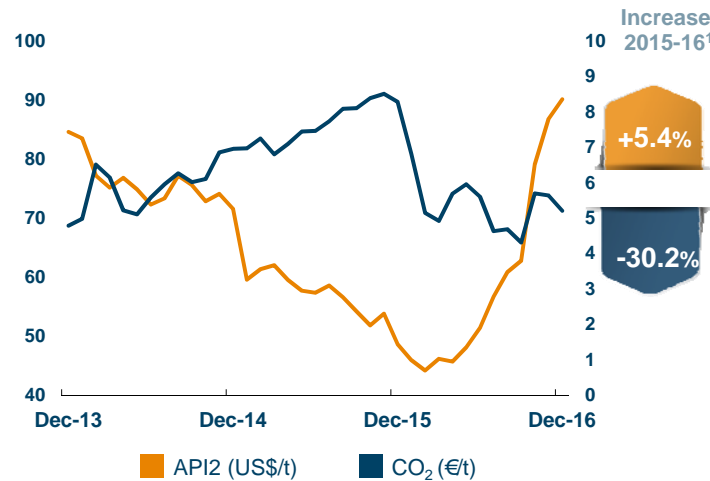
Brent and €US\$



GNL indexes



Coal indexes and CO₂ prices
(US\$/t - €/t)



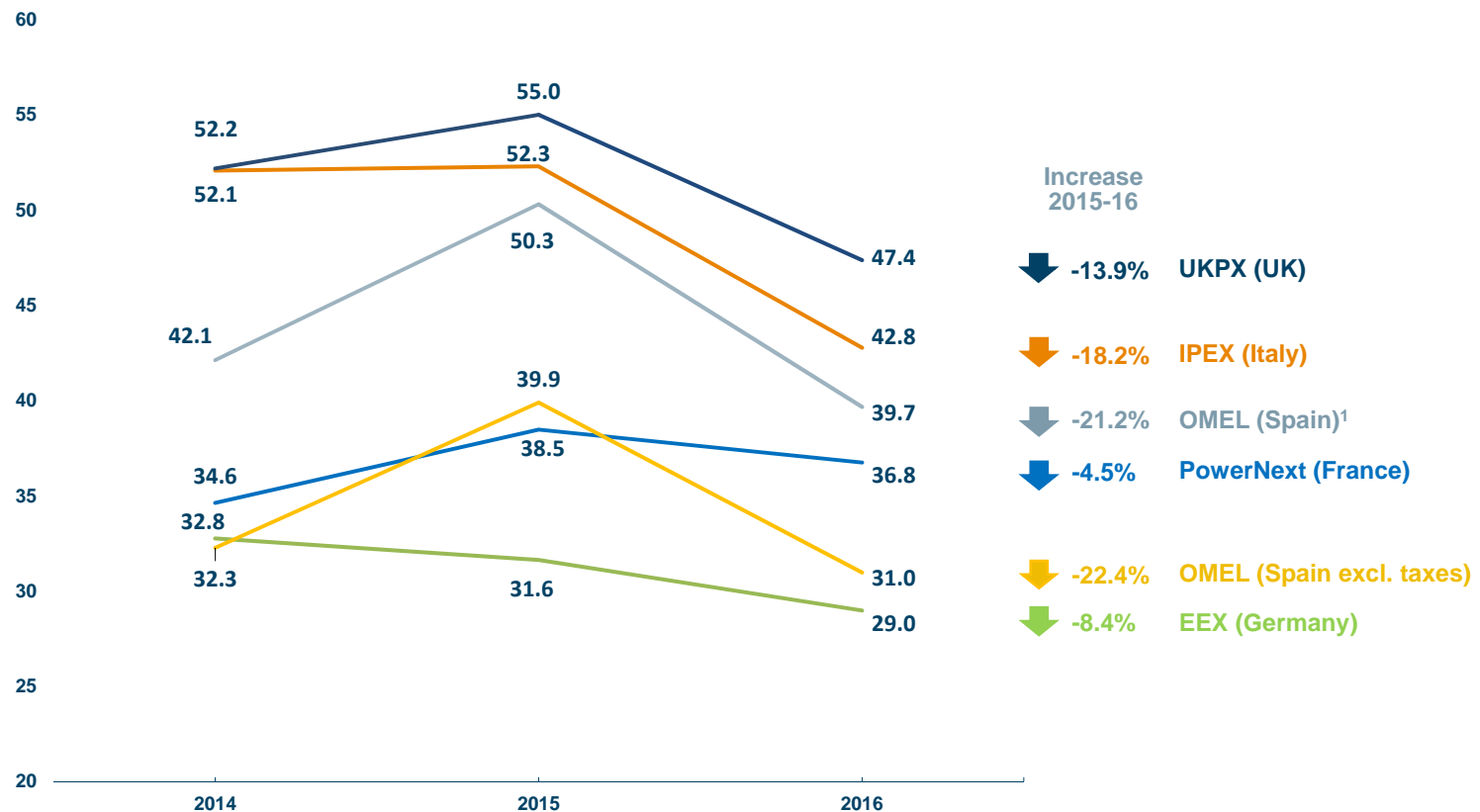
Source: Bloomberg

Note:

1. Based on average prices for years 2015 and 2016

Wholesale electricity market prices in Europe

Evolution of wholesale electricity market prices in Europe 2014-16 (€/MWh)



Source: Gestore Mercati Energetici, JP Morgan, Elexon, OMIE daily market

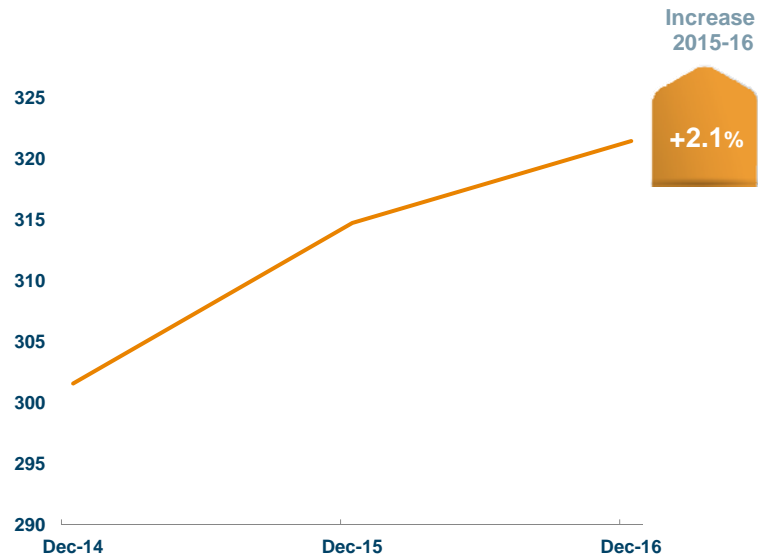
Note:

1. Including taxes and levies from Law 15/2012

Overall decrease of wholesale electricity prices. The price in Spain is one of the cheapest in Europe

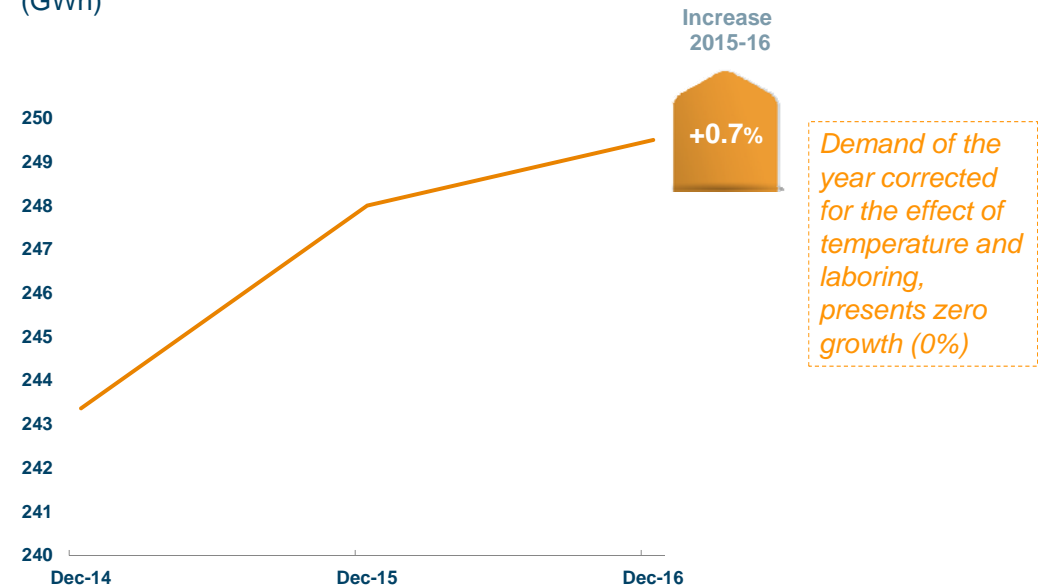
Demand for gas and electricity in Spain

Gas demand¹
(GWh)



Source: Enagas
Note:
1. National gas demand

Electricity demand²
(GWh)



Source: REE
Note:
2. Gross electricity peninsular demand

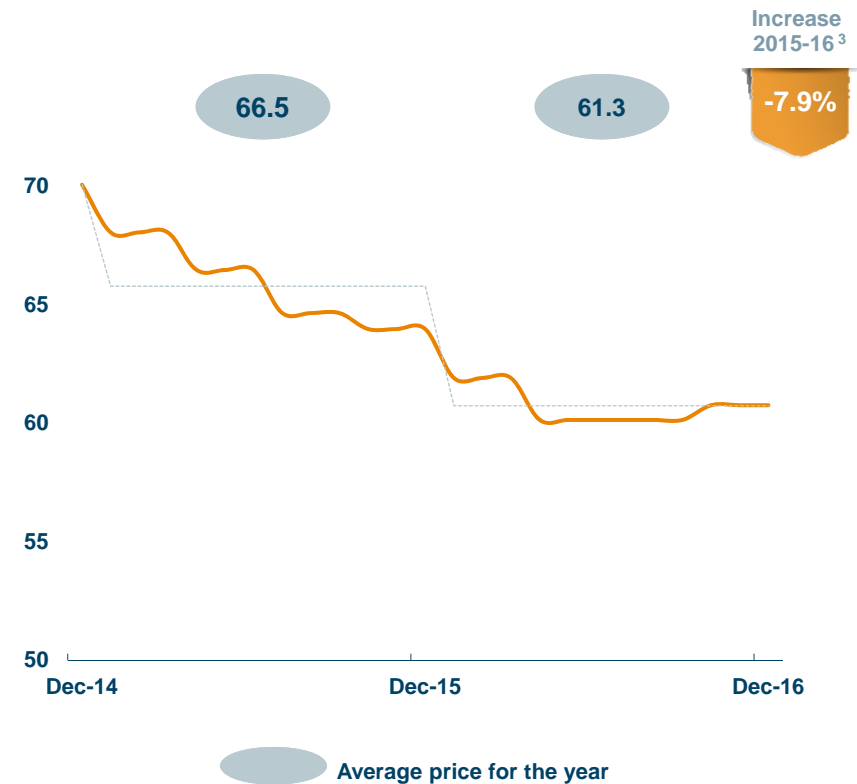
Environment

Regulated market prices in Spain

Average electricity PVPC¹ (€/MWh)



Average gas TUR² (€/MWh)



Source: Based on average consumption prices and data parameters

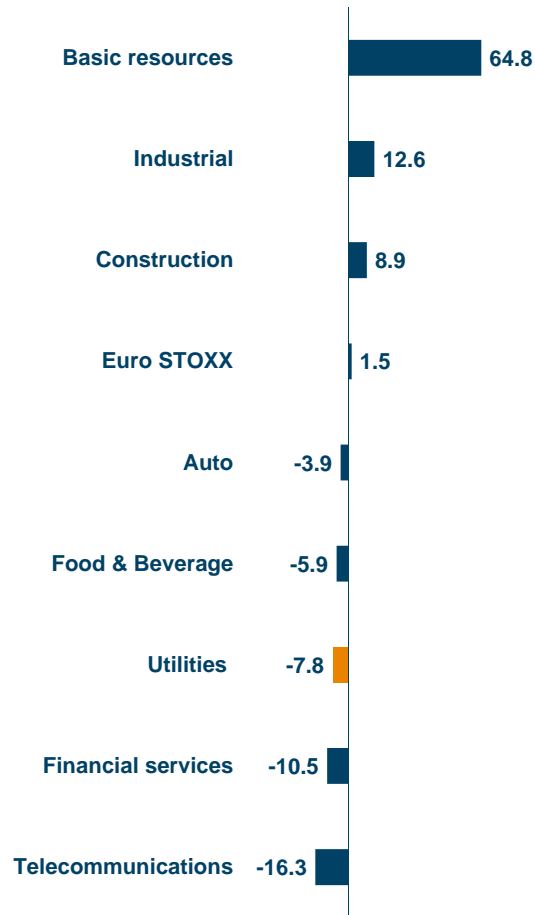
Notes:

1. Small consumer voluntary prices
2. Last-resort tariff
3. Based on average prices for years 2015 and 2016

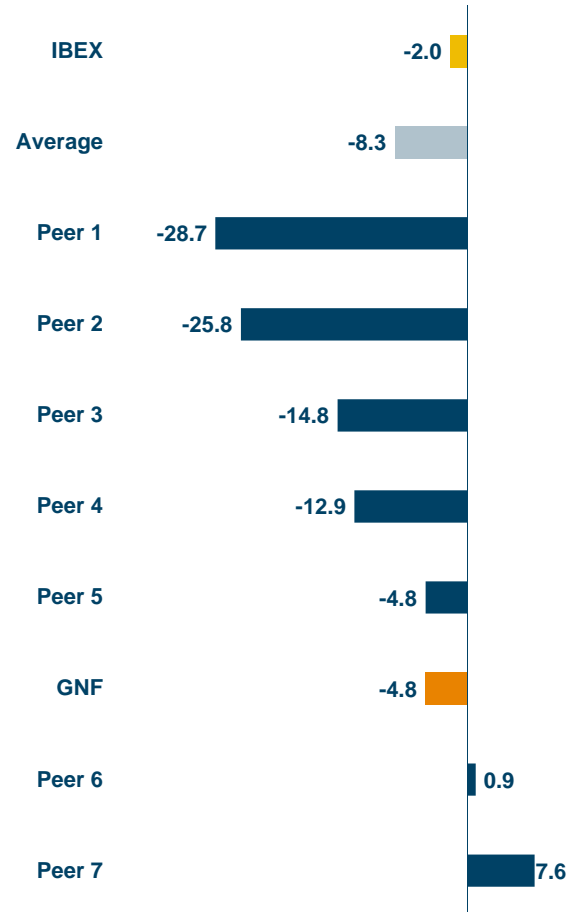
1 Environment

European utilities sector performance in 2016

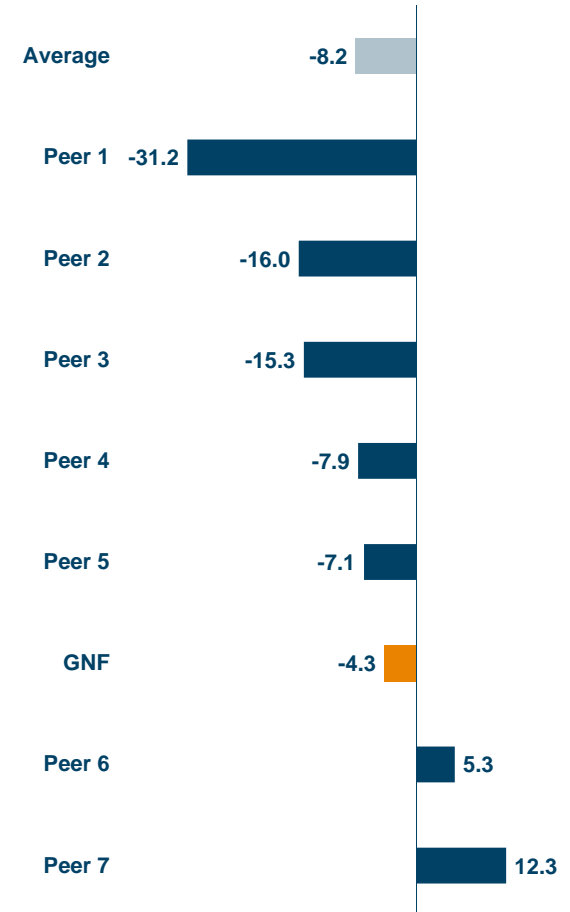
2016 EURO STOXX sector performance (%)



Share price performance vs. peers¹ 2016 (%)



Net income adjusted² vs. peers 2015-2016 (%)



Source: Bloomberg as at 31 December, Facset

Notes:

1. Peers include IBE, EDP, EDF, ENGIE, RWE, E.ON and ENEL
2. Adjusted for one-offs and non-recurrent items

The background features a white surface with a grey pen resting on it. A large, semi-transparent orange circle is on the left side, with a pattern of small orange dots along its edge. The number '2' is prominently displayed in orange.

2

Results 2016

gasNatural 
fenosa



All businesses evolving as expected.
Achieving target results of Net income in 2016

Networks: The strong underlying growth in Latin America continues, non-Euro currencies stabilizing in the second half of 2016

Gas: Margins adjustment with signs of stabilization

Electricity: Stable behavior of the integrated business model despite the environment

| | 2016 (M€) | Strategic Plan 2016-18 (M€) |
|------------------------------|---------------|-----------------------------|
| Net sales | 23,184 | |
| EBITDA | 4,970 | ~ 5,000 ✓ |
| Net income | 1,347 | 1,300 – 1,400 ✓ |
| Investments | 2,901 | |
| Total tangible + intangible | 2,517 | |
| Financial | 384 | |
| Net financial debt | 15,423 | |
| Market capitalization | 17,922 | |

EBITDA and net income in line with the Strategic Plan 2016-2018

| | 2016 | Inc. 2015-16 |
|--|--------------------|--------------------|
| Gas distribution (GWh) | 458,265 | -3.3% |
| Electricity distribution (GWh) | 68,258 | -0.7% |
| Connection points gas distribution (miles) | 13,546 | +2.8% |
| Connection points electricity distribution (miles) | 8,202 ¹ | +1.8% ¹ |
| Gas supply (GWh) | 325,384 | +2.9% |
| Electricity generation (GWh) | 46,552 | -6.0% |

Note:

1. Excludes Electricaribe (Colombia) in 2015 and 2016 for comparability purposes, following its deconsolidation on 12/31/2016

Key milestones for the year – Networks

- ✓ **583,943 new services arrangements in gas** (136,215 in Spain)
- ✓ **Acquisition of 230,000 connection points of LPG pipe for transformation to natural gas**
- ✓ **New regulation for gas distribution in Chile¹** which encourages the expansion of natural gas
- ✓ **2.8 million smart meters in Spain (77% of the total) installed by the end of 2016**

Note:

1. Law approved in December 2016 and published in February 2017

- ✓ **Market share** of gas sales in Spain of **~44%**
- ✓ **Acquisition of Vayu** (Ireland)
- ✓ **Gas sales in Europe¹** of **77.1 TWh (+41%)**
- ✓ **Fleet expansion to 9 vessels²** (+2 additional vessels in 2016)

Notes:

1. Excluding Spain
2. As at 31 of December 2016

Key milestones for the year – Electricity

- ✓ **Australia:** Award of long-term contract in wind generation Crookwell II (91MW)
- ✓ **Chile:** Award of long-term electricity generation contract (324MW) with a mix of wind and solar technologies
- ✓ **Brazil:** Acquisition of a "ready to build" (60MW) solar project with a long-term electricity sales contract
- ✓ **Spain:** First repowering in Galicia (wind park Cabo Vilano, 6MW) and kick off of wind parks development in the Canary Islands (65MW)

- ✓ Kick off of the **restructuring and corporate optimization** process in **Chile**

- ✓ **Portfolio management :**
 - Sales of 756 M€
 - Acquisitions of 350 M€
 - Capital gains of 111 M€

- ✓ Implementation of **Efficiency Plan 2016 – 2018**: Realization of 89 M€ efficiencies in 2016

- ✓ **Debt refinancing and restructuring**. Reduced cost of debt

- ✓ **Entry** into the share capital of Gas Natural SDG of **GIP** with **20% shareholding**

- ✓ GNF has **19 agreements** with public administrations and more than **1,000 operating agreements** with municipalities throughout Spain, which allow us to **protect the vast majority** of our **clients**
- ✓ To date, GNF has worked with public administrations to identify **more than 21,000 vulnerable clients** from 1,394 towns and villages across the country, contributing to resolve these situations
- ✓ At the beginning of 2017, GNF also launched a **national plan targeted at vulnerable individuals**, committing to it **4.5 M€**, along with above **20 initiatives** aimed at intensifying the actions which GNF was already carrying out to take care and protect these clients
- ✓ The plan includes actions to collaborate with the entities of the third sector in the **direct attention** of the vulnerable people and in the **training of the social agents** through the GNF Foundation

Key events

Nov -
2016

- ✓ Electricaribe (ECA) intervened by the Colombian government

Dec -
2016

- ✓ ECA was deconsolidated on 31 December 2016

Mar -
2017

- ✓ Colombia announces its decision to liquidate ECA
- ✓ GNF initiates arbitration procedure for ECA to be returned, claiming otherwise a compensation > 1,000 M€

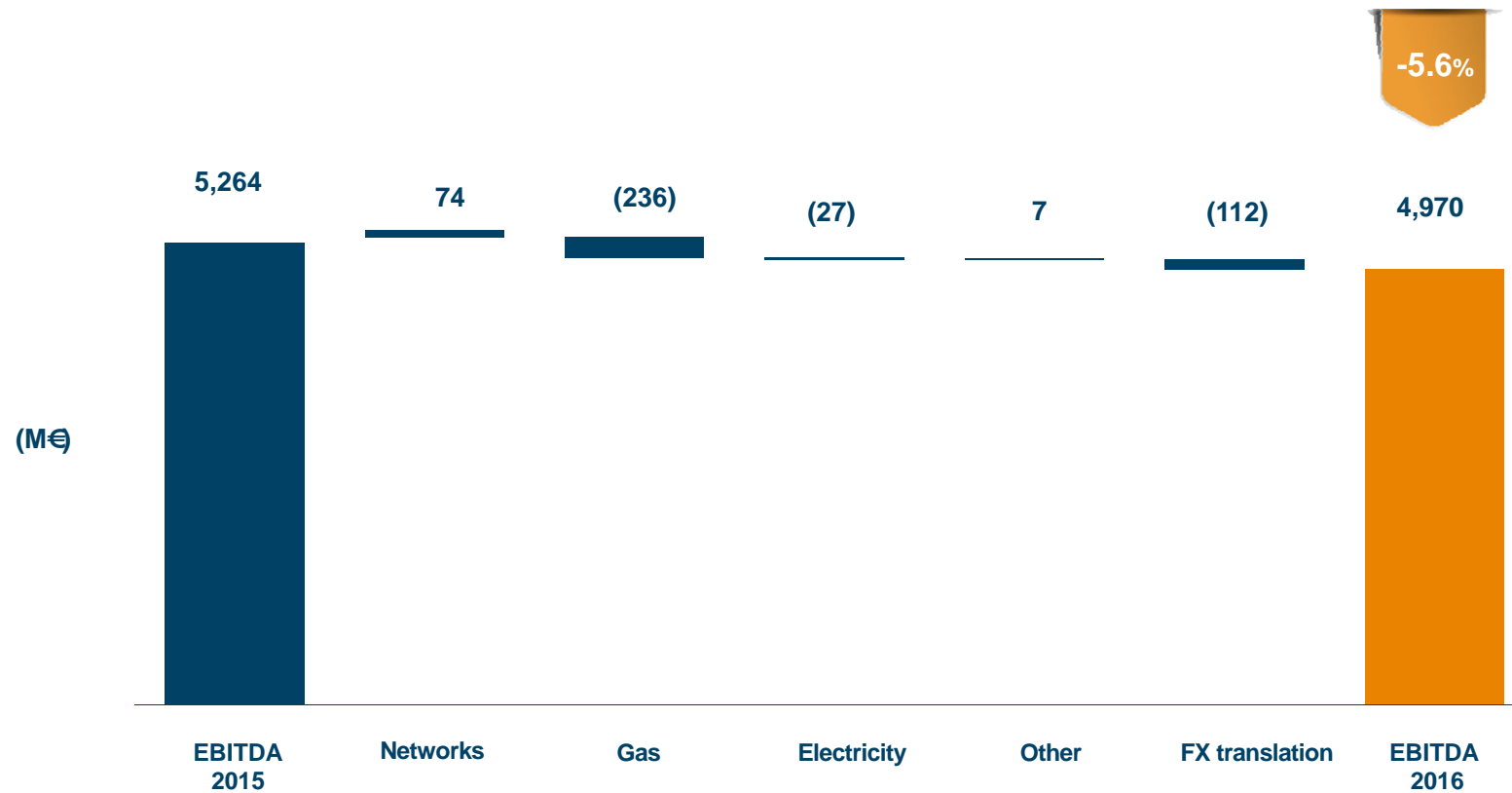
Limited impact on results

- ✓ EBITDA 2016 of 253 M€ and net income of -44 M€¹
- ✓ Prospects of consolidated net income for GNF remain unchanged, no cash flow nor dividend policy impacts expected

Serious problem of insufficient regulation and legal uncertainty in the context of payment defaults and fraud

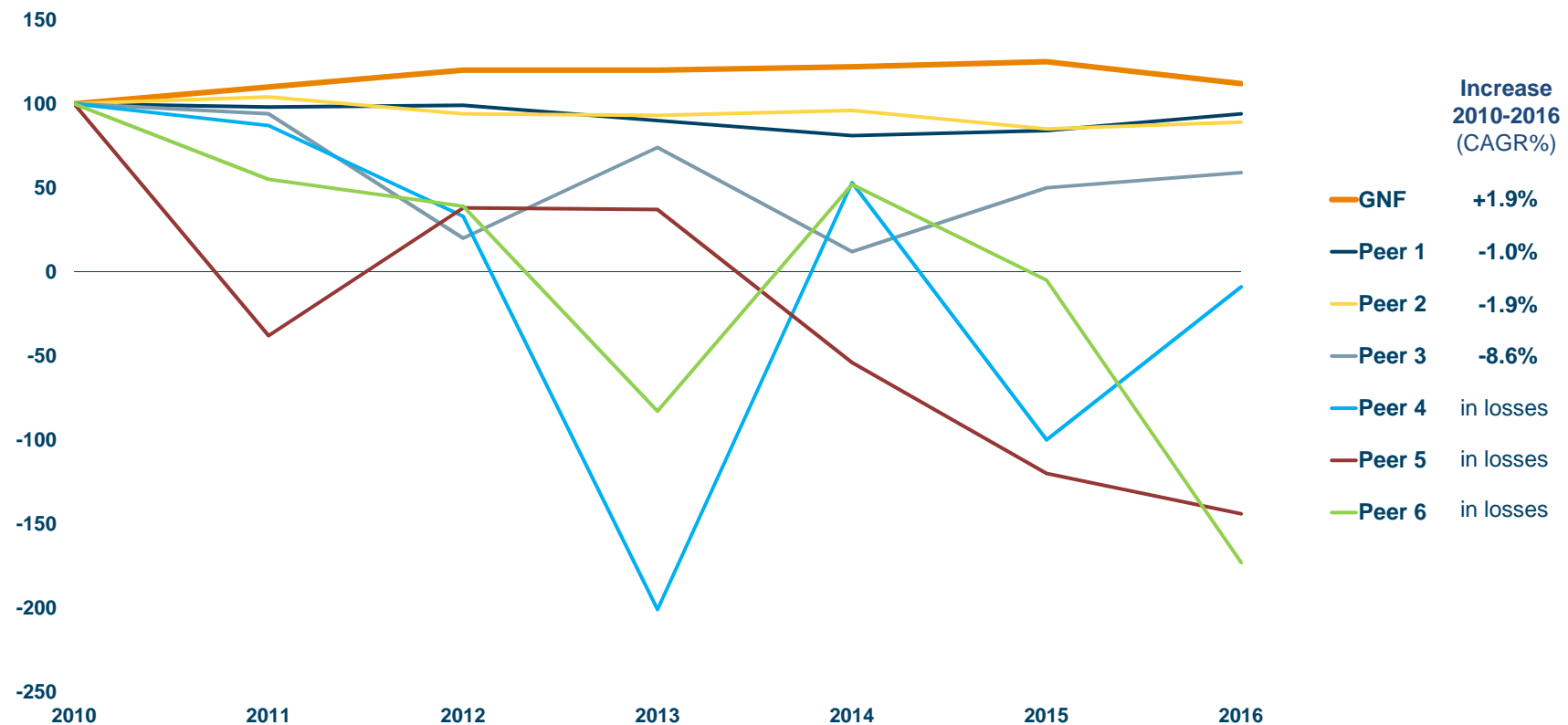
Note:

1. Includes -18 M€ with no cash impact per the tax reform in Colombia



Stable EBITDA in regulated activities and significant negative impact on gas supply and translation of exchange rates

Evolution of net income for European utilities

Evolution of net income 2010-2016 (rebased to 100 in 2010)¹

Source: Company information; GNF analysis

Note:

¹ Peers include IBE, EDF, ENGIE, RWE, E.ON and ENEL

Positive highlights

- ▲ Fulfilment of Strategic Plan 2016-2018 objectives
- ▲ Reasonable share price performance versus peers
- ▲ Carried out value-enhancing investments and divestments
- ▲ Increase of customer base
- ▲ Accomplishment of efficiency plan and signing of collective labour agreement
- ▲ Financial strength

Key challenges

- ▼ Regulatory pressure in Europe
- ▼ Intervention of Electricaribe (ECA)
- ▼ UF Gas / Egypt situation
- ▼ Energy price volatility
- ▼ Evolution of exchange rates in Latin America

3

Strategic vision 2016-2020

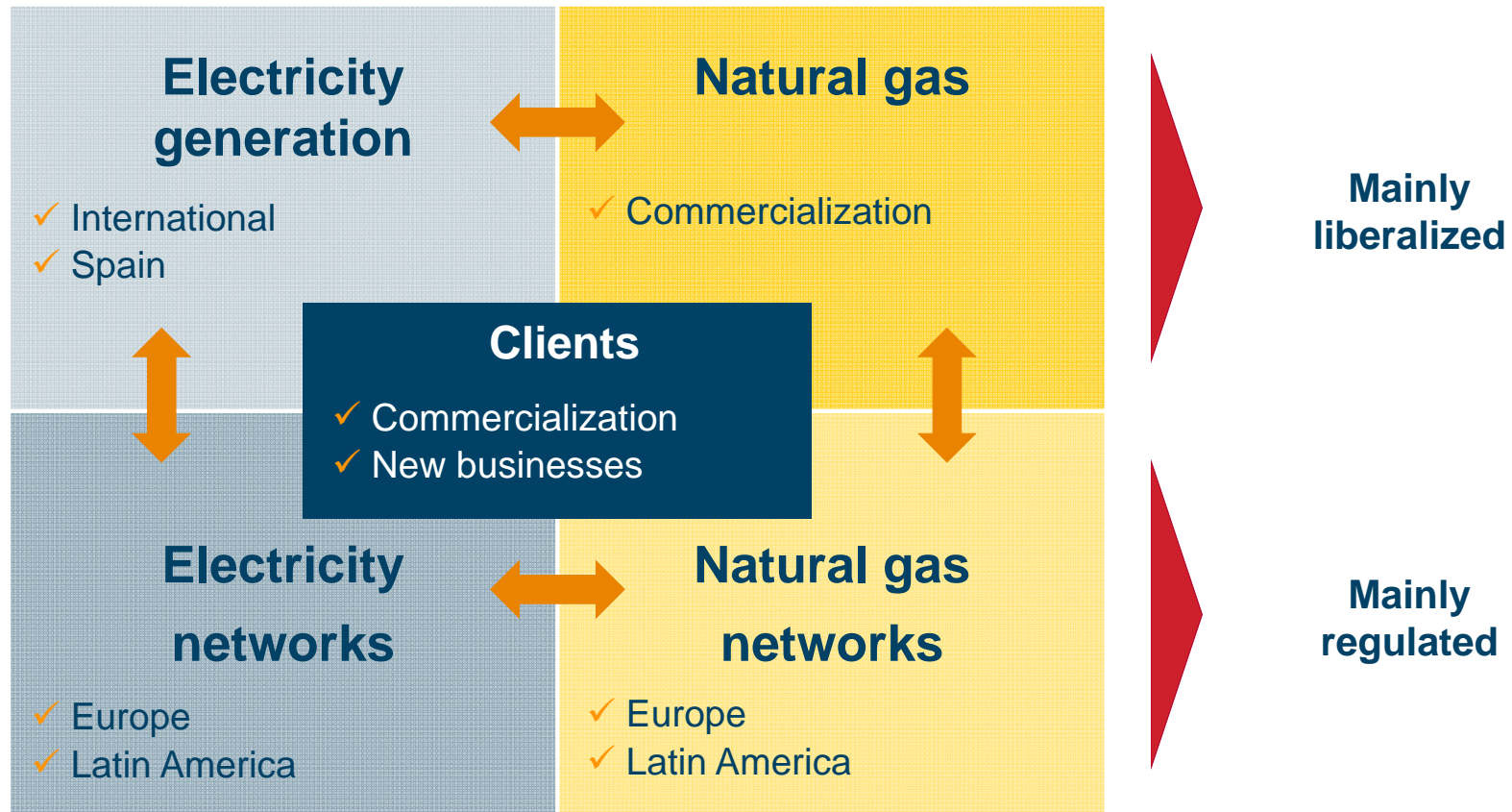
gasNatural
fenosa
gasN



3 Strategic vision 2016-2020
Balanced presence in natural gas and power sectors



 **Business model**



3

Strategic vision 2016-2020

Trends defining the future of the energy sector

Growth driven by emerging countries

Energy mix moving towards renewables and gas

Emergence of new business models in the energy sector

Networks

- ✓ **Investments** in 2017 mainly devoted to growing the **networks in Spain and Latin America**
- ✓ **Favorable environment** of foreign exchange rates compared to the trends in 2016
- ✓ **Deconsolidation** of EBITDA from **ECA** (253 M€ in 2016)

Gas

- ✓ **Increased volumes** in gas supply
- ✓ **~ 90%** of volumes already **contracted** for 2017

Electricity

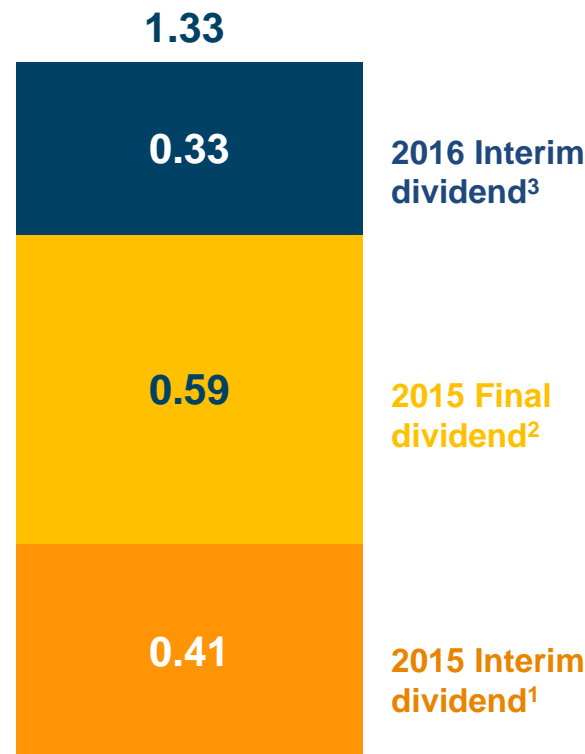
- ✓ **Brazil: 60MW** in 2 solar projects with start of operations envisioned in the last quarter of 2017
- ✓ **Challenging year** for **electricity in Spain** marked by the variability of peninsular demand and its incidence on generation levels

4

Shareholder remuneration

Shareholder remuneration

Dividend 2016



2016 Dividend per share (€)

- ✓ Delivering on the new dividend policy for 2016 – 2018 (70% pay-out; minimum €1/share)
- ✓ Board proposal of final dividend of €0.67/share to be approved by AGM resulting in €1/share dividend in cash for 2016 (5.6% yield⁵)
- ✓ 2016 pay-out of 74.2%

Total dividend paid during 2016 of €1.33/share in cash, with a dividend yield of 7.1%⁵

Notes:

1. Paid out in January 2016
2. Paid out in June 2016
3. Paid out in September 2016
4. Based on a share price of €17.91/share as at 31/12/16
5. Based on a share price of €18.815/share as at 31/12/15

Delivering on the commitment of an attractive and sustainable shareholder remuneration

4

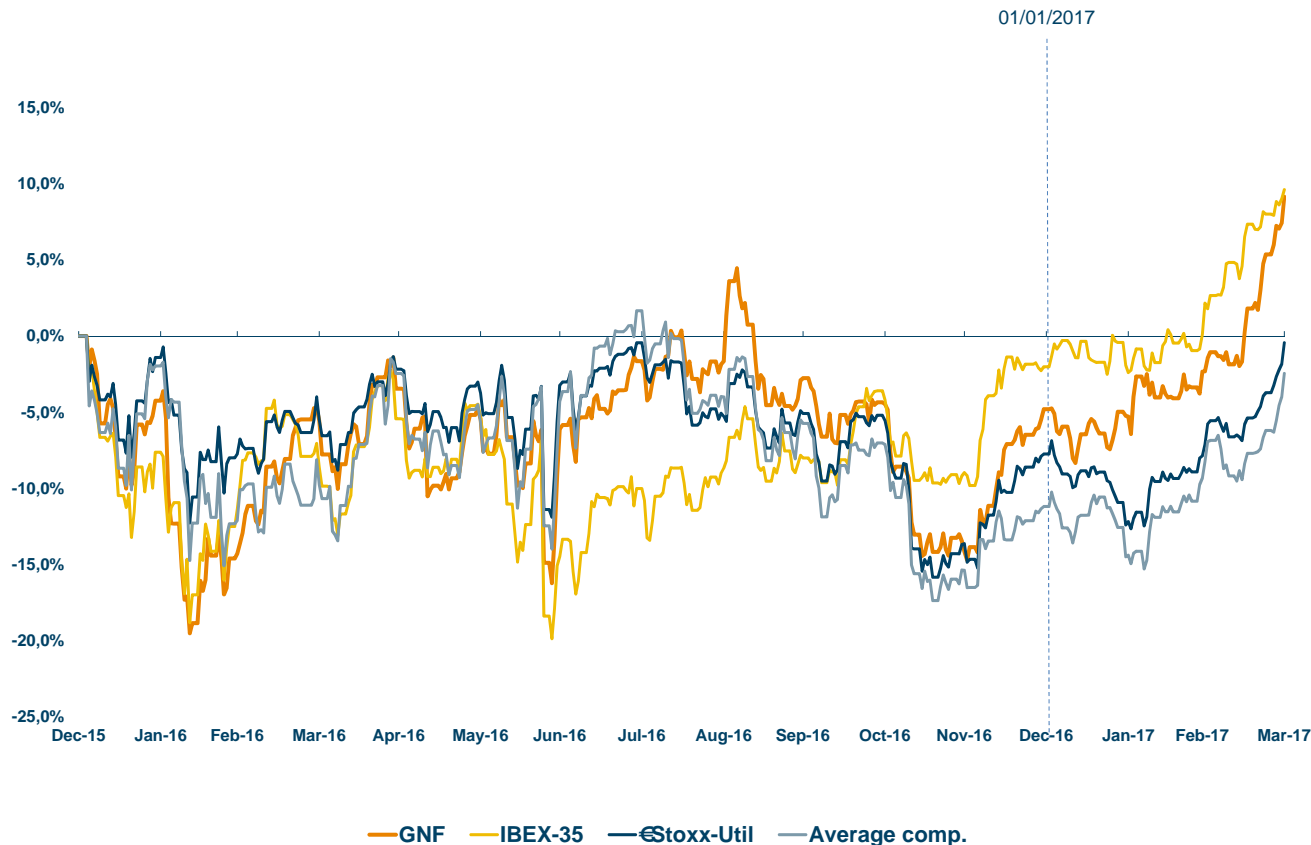
Shareholder remuneration

Share price performance – since 01/01/2016



Share price performance

(%; rebased = 01/01/2016)



Performance in the period

| (%) | 2015 - 16 | 2015 - Mar 2017 |
|-------------------------------|---------------|-----------------|
| GNF | -4.8% | +9.2% |
| IBEX | -2.0% | +9.6% |
| €Stoxx-Util. | -7.8% | -0.4% |
| Avg. peers¹ | -11.2% | -2.5% |

Source: Bloomberg as at 31/03/2017

Note

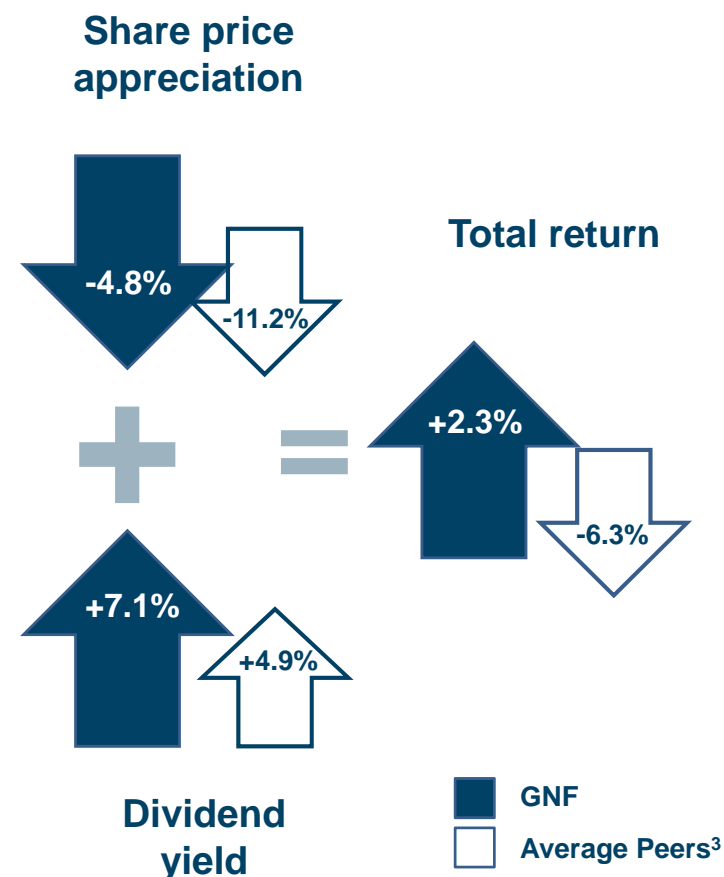
1. Peers include IBE, EDP, ELE, EDF, ENGIE, RWE, E.ON and ENEL

GNF -4.8% in the year, better than the average of its peers (-11.2%). In 2017 the strength of GNF continues as reflected in the evolution of the IBEX

Total shareholder return (2016)

| | 31/12/2016 | 31/12/2015 | Return |
|-----------------------|------------|------------|--------------------|
| Share price | €17.91 | €18.815 | -4.8% |
| Dividend ¹ | €1.33 | | +7.1% ² |
| | | | TOTAL |
| | | | 2.3% |

- ✓ GNF's share price has shown an excellent performance in recent months, achieving a +9.2% appreciation as at 31 March 2017 since ending of 2015



Source: Bloomberg and GNF analysis

Notes

1. Dividend paid during 2016: 2015 Interim dividend = €0.4078 (8 January); 2015 final dividend = €0.5922 (30 June); 2016 Interim dividend = €0.330 (27 September)
2. €1.33 / €18.815
3. Peers include IBE, EDP, ELE, EDF, ENGIE, RWE, E.ON and ENEL

GNF total return in the year (+ 2.3%) was 8.5 percentage points higher than the average of its comparable peers (-6.3%)



5

**Summary and
conclusions**

gasNatural
fenosa



Summary and conclusions 2016 and outlook 2017

2016

- ✓ **FY16 results affected by:**
 - ✓ **Lower margins in gas business**
 - ✓ **Negative foreign exchange translation effect mainly in networks Latin America**
- ✓ **Compensated by the efficiency plan and non-recurrent results, while achieving the targets of the Strategic Vision 2016-2020**

Outlook for 2017

- ✓ **Continued organic growth in networks**
- ✓ **No further negative impacts expected (LNG margins and currency translation in Latin America)**
- ✓ **Downward pressure on electricity and gas margins in Spain**
- ✓ **Deconsolidation of EBITDA from ECA (253 M€ in FY16)**
- ✓ **GNF will continue to optimize its asset portfolio**

Maintaining attractive shareholder returns with a 5.6% yield for 2016 (7.1% yield for dividend paid during 2016)

Confirming the Net income targets for 2017 and 2018 according to the Strategic Plan 2016-2018

Protect current business

+

Set the foundations for growth

=

Strong cash flow generation delivers growing dividends and accelerates investment plan while keeping net debt level

Summary and conclusions

Commitment with stakeholders



- ✓ **17,229** employees worldwide (7,452 in Spain)
- ✓ Stable and quality employment with **96%** long-term contracts
- ✓ **51** hours of training per employee
- ✓ Among the best companies to work for: **10th** place in the prestigious monitor Merco Talento and **3rd** in the ranking of the best companies to work for in 2015 per the magazine Actualidad Económica



Maintaining long-term and trustworthy relationships with **12,072 suppliers** with a total amount awarded of **3,599 M€** and an average of orders to local suppliers of **99.0%**



Total tax contribution of **3,419 M€** in 2016 (2,299 M€ in Spain)



Human Rights policy in force since 2011

Summary and conclusions

Awards and recognitions

International indexes of corporate responsibility



Other awards and recognitions



First company in the gas sector worldwide.



287 company worldwide and 5 Spanish, according to Forbes Global 2000.



Top employer 2016 certification



Bequal Plus seal awarded for inclusive policies for disabled individuals.



Certified by efr global in Human and Social Development.