Gas Natural and Unión Fenosa

A vertically integrated gas and power leader

31 July 2008

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These materials may contain forward-looking statements based on current assumptions made by the top management team of Gas Natural. These forward-looking statements involve, among others:

- management strategies;
- operational and tax synergies and cost savings;
- business integration;
- optimisation of investment plans;
- market position;
- initial financial structure of the combined group and dept levels;
- dividend policy; and
- calendar and advantages of the Offer and the combined group.

These forward-looking statements are subject to a several facts and uncertainties which may cause the actual results to be materially different from those expressed by these forward-looking statements, including, but not limited to: changes in gas and electricity regulations, changes in economic and financial conditions, the ability to integrate the businesses, costs which may be related to the Offer and the integration, decisions from the relevant authorities, disputes and antitrust effects.

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Agenda

1. Transaction details

2. Rationale for the acquisition

3. Financing considerations

4. Conclusion

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1 Transaction details

Transaction details

Agreement with ACS	● Irrevocable purchase agreement with ACS to acquire its 45.3% stake in Unión Fenosa ● Acquisition of ACS full stake in Unión Fenosa will result in a tender offer for 100% of the company

Price	● Purchase price of €18.33/share in cash
	  ● 15.0% premium over closing price on 29 July 2008
	  ● 29.4% premium over average trading price over last 12 months

Transaction steps	● Immediate acquisition of a 9.9% stake of Unión Fenosa from ACS ● Acquisition of ACS's remaining 35.4% stake in Unión Fenosa once regulatory (CNE) and competition (CNC) clearance granted ● Cash tender offer for the remaining 54.7% of Unión Fenosa

Process considerations and preliminary timeline

Jul. 2008

- Irrevocable agreement with ACS to acquire its 45.3% stake in Unión Fenosa
- Initial acquisition of 9.9% stake from ACS

Nov. 2008

- Regulatory approval (CNE)

Feb.-Mar. 2009

- Competition authorities clearance
- Acquisition of ACS' remaining 35.4% stake in Unión Fenosa
- Mandatory tender offer (OPA) approved by the CNMV

Apr. 2009

- OPA settlement

Note: The launch of a voluntary tender offer could accelerate the calendar by 2-3 months

2

Rationale for the acquisition

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A transforming deal for Gas Natural

Accelerates the fulfilment of the Strategic Plan and takes Gas Natural beyond its 2012 targets

Boosting full integration of the gas and power business

Increasing earnings per share for the shareholder

While leaving leverage target for 2012 unchanged

Why Unión Fenosa today?

The company has lately evolved significantly, becoming a very attractive investment opportunity

Focused strategy	• Electricity company with the highest level of gas-power integration in the Iberian Peninsula • Refocused on its core business • Emphasis on organic growth • Significantly improved financial structure
High quality gas business	• Very competitive LNG operator • Present across the entire gas value chain: from liquefaction to final clients • Proven ability to develop alliances with producing countries
Diversified and competitive generation mix	• Diversified generation portfolio • One of the best CCGT portfolios in Spain, with competitive gas • Upstream integration in gas and coal • Growth option in renewables
Upgraded distribution business	• Regulatory changes since 2005 have improved the returns of the business • Significantly better grid reliability and quality of service: average interruption time decreased by 20% over the last five years • Strong local presence, with Madrid area as the main asset • Improved efficiency and regulatory stability in international distribution business

Unique opportunity in Europe with low execution risk

Accelerating the fulfilment of the Strategic Plan, taking Gas Natural beyond the 2012 targets

	08–12 Strategic Plan growth targets	Unión Fenosa today	% Achieved
CCGTs (GW)	+3.3	+4.8	143%
Renewables[1]+CHP (GW)	+0.6	+3.3	550%
Clients[2] (m)	+4.3	+9.2	215%
Gas portfolio[3] (bcm)	+9	+6.5	72%
Regasification plants (no.)	+1	+2	200%
Liquefaction plants (no.)	+1	+2	200%
EBITDA (€bn)	+1.6	+2.1[4]	131%

Gas Natural's Strategic Plan non-organic growth is met by the acquisition of Unión Fenosa at a similar relative price, and without execution risk

Notes:
1 Including hydro
2 Customer connections
3 Unión Fenosa Gas
4 For the year ended 31-12-2007

Creation of a leading European vertically integrated gas and power group

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- World leader in gas distribution
- World's fourth largest LNG operator
- Leader in gas-power convergence

UNION FENOSA

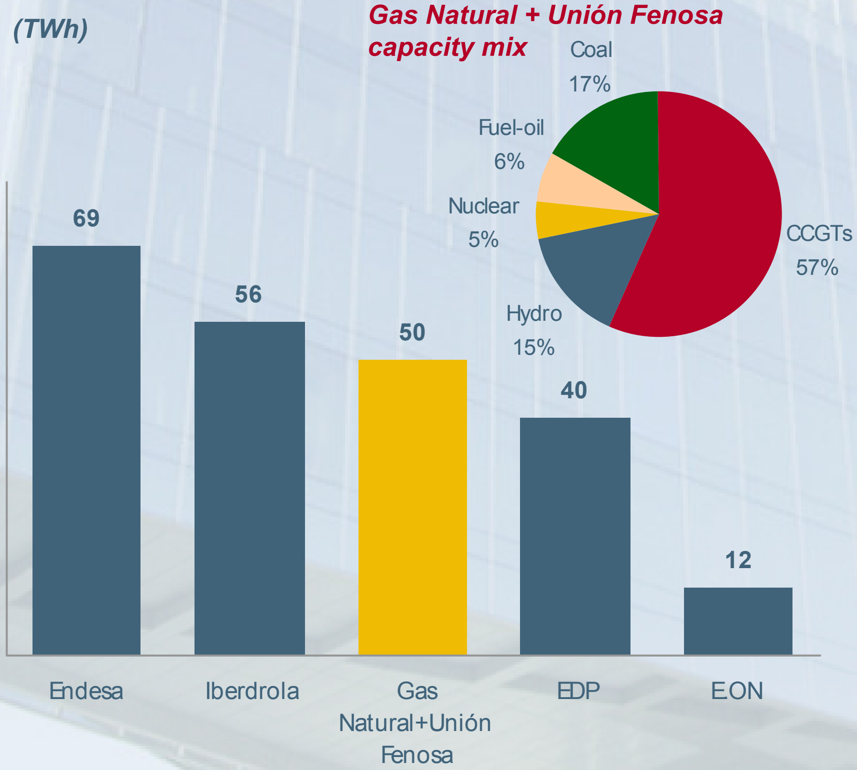
- Spain's third largest electric utility
- High-growth gas business with quality assets
- Attractive international platform

- One of the top European utilities and among the three leading players in the Iberian market
- Leading presence in the Atlantic and Mediterranean LNG markets, with a combined gas portfolio of over 30 bcms
- Leading downstream operator with over 20 million clients and 18 GW of installed capacity globally
- Combined enterprise value in excess of €40bn[1]

Note:
1 Based on offer price for Unión Fenosa and market price for Gas Natural as of 25th July 2008

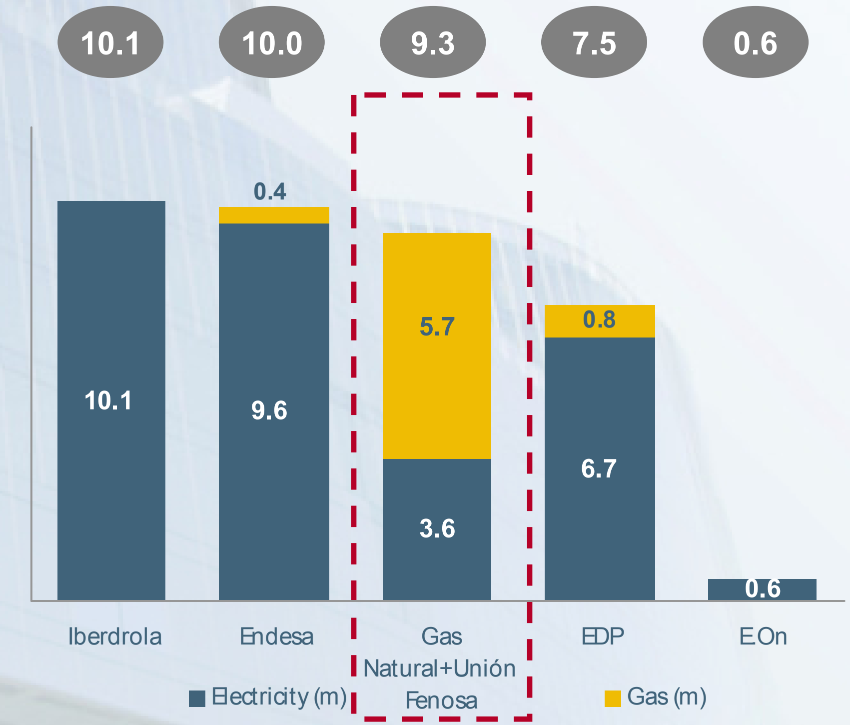
One of the three leading utilities in the Iberian market

Generation position in the Iberian Peninsula (ordinary regime)



Source: CNE as of 2007

Distribution position in the Iberian Peninsula

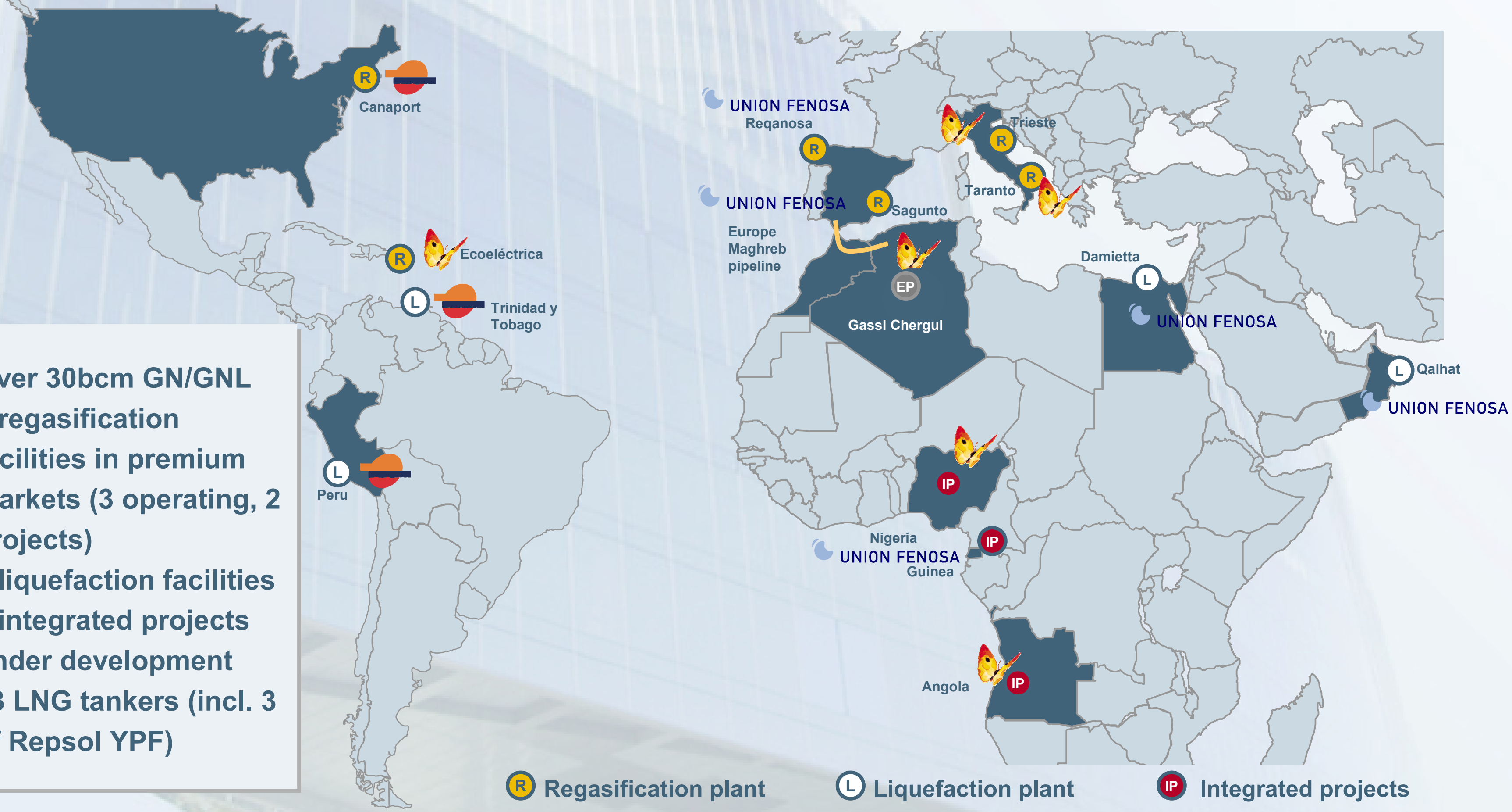


Source: OMEL as of December 2007

Leader in gas and electricity commercialisation in the Iberian liberalised market with 310 TWh

Leadership in the Atlantic and Mediterranean LNG markets

Reinforced position as main supplier of LNG/NG in the Atlantic and Mediterranean basins, becoming the second LNG operator in the world



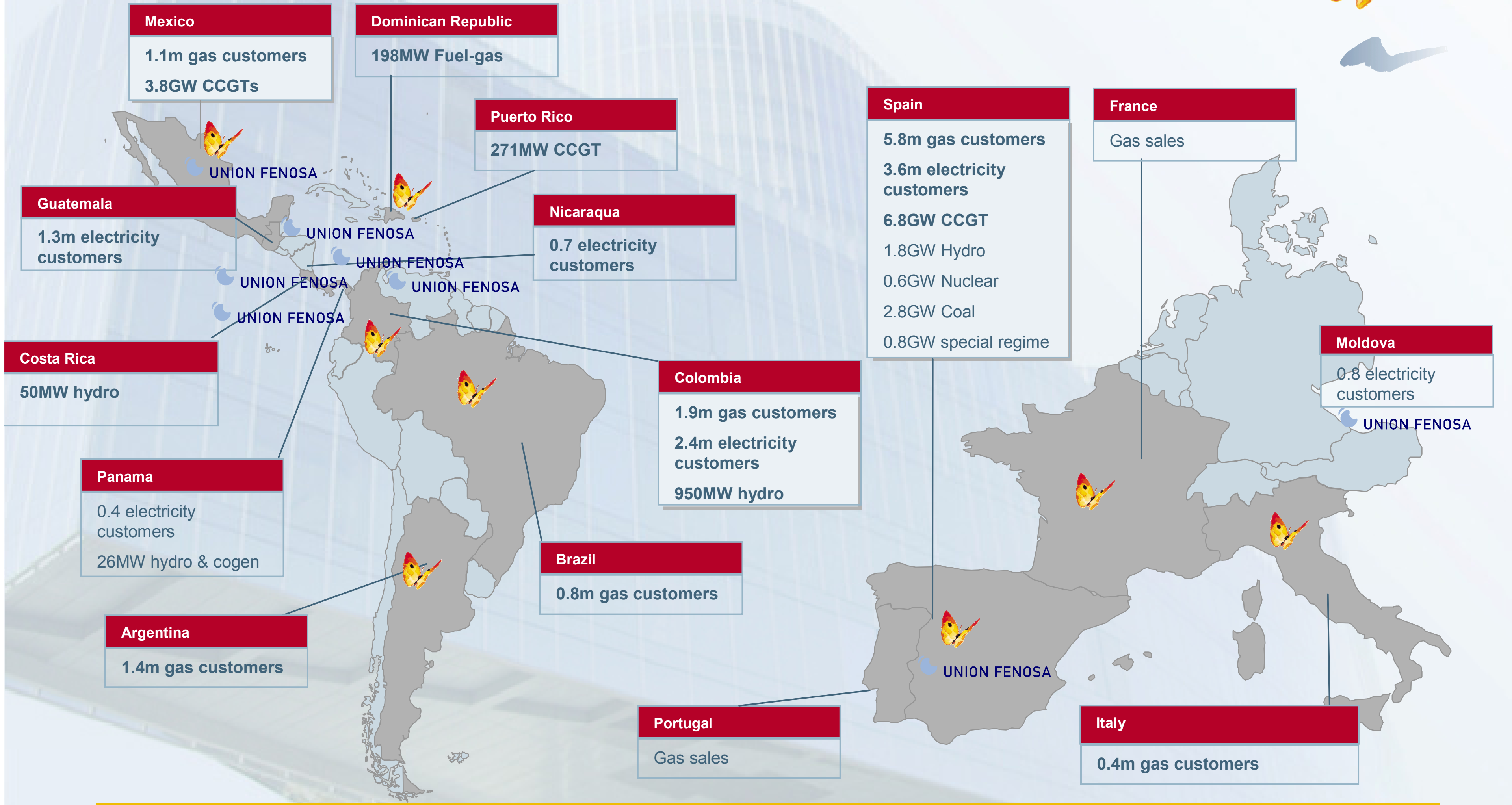
- Over 30bcm GN/GNL
- 5 regasification facilities in premium markets (3 operating, 2 projects)
- 2 liquefaction facilities
- 3 integrated projects under development
- 13 LNG tankers (incl. 3 of Repsol YPF)

R Regasification plant
L Liquefaction plant
IP Integrated projects
EP Exploration project
European Maghreb pipeline

Stream[1] will manage the most important LNG portfolio in the Atlantic

Note: 1 50/50 JV with Repsol YPF. Gas Natural's tankers are held through Stream

Leading downstream player with over 20 million clients and 18 GW of installed capacity



Highly complementary positions in key markets (Spain, Mexico and Colombia)

Gas Natural becomes the world's second largest operator of CCGTs, with more than 11 GW of installed capacity and an annual consumption of 11 bcm

Source: 1H 2008 results and 2007 Annual Reports

A strategy to create value for shareholders

Manage the integration

- First priority: integration of Unión Fenosa
- Constant effort to improve performance in all business areas
- Exploiting synergies: c. €300m preliminarily identified

Maintain solid financial position

- Strict financial discipline
- Optimization of the company's financial structure
- Commitment to maintain a sound and strong balance sheet

Active portfolio management

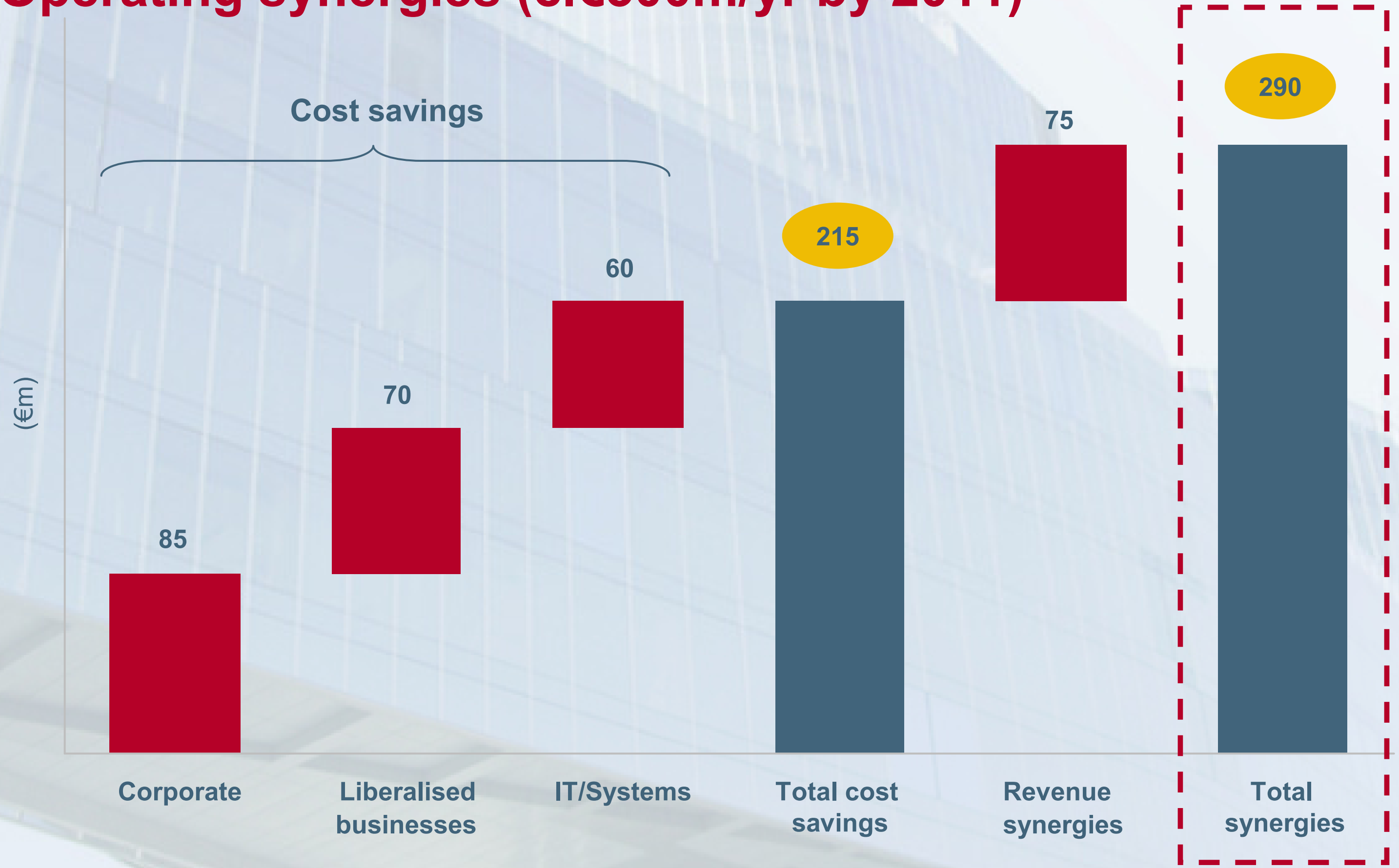
- Constant monitoring of assets strategic fit and value creation contribution
- Active management of existing business portfolio
- Balanced and efficient business mix

Rationalise investments

- Focus on gas and power convergence in existing markets
- Expanded platform for organic growth with currently identified investments
- Combined investment plan reduction of c. €11-13bn, reducing non organic investments and non-defined projects, thus limiting the overall execution risk of the investment plans

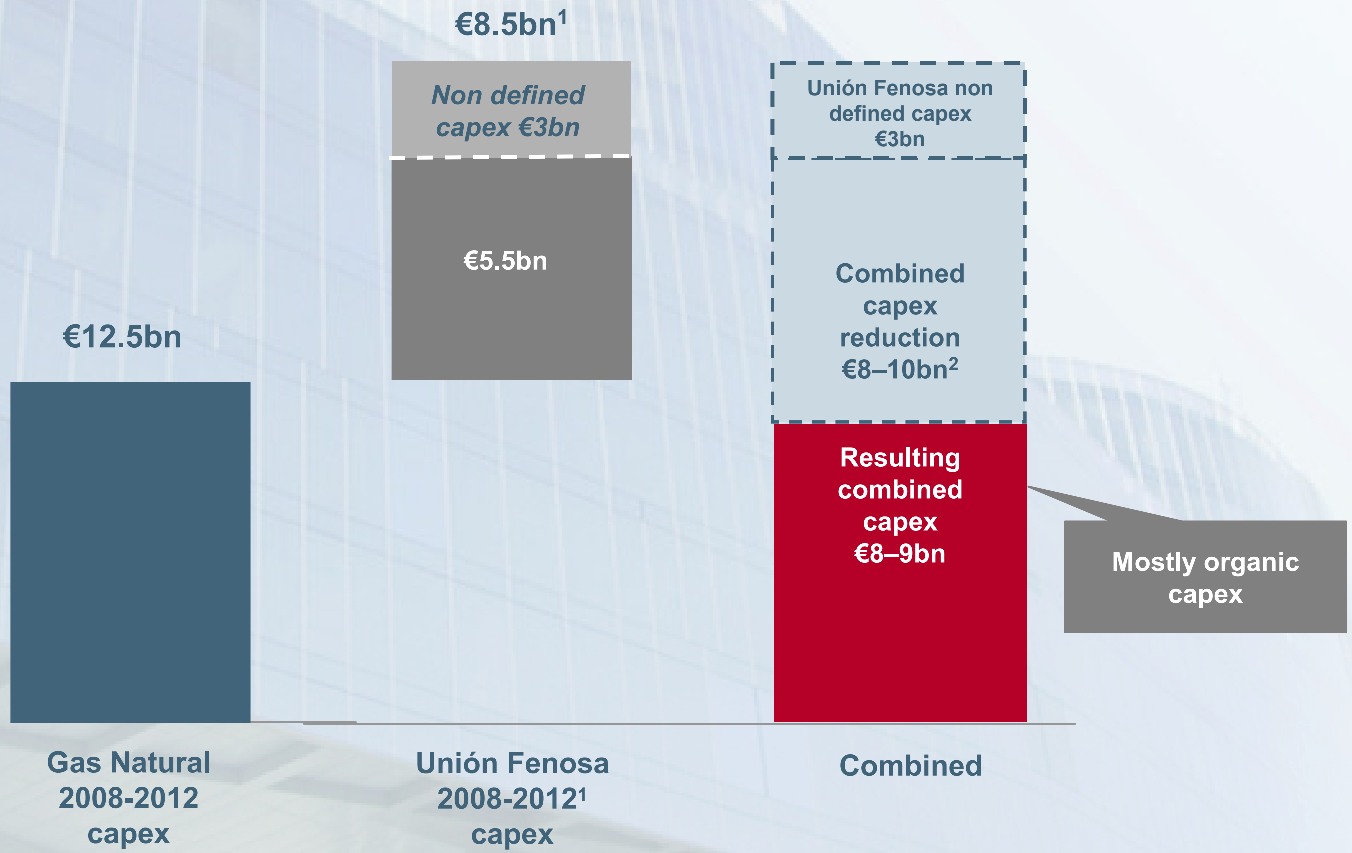
Substantial operating and tax synergies from the combination

Operating synergies (c.€300m/yr by 2011)



Additional identified tax synergies with a NPV in excess of €500 million

Meaningful optimisation of the combined investment plan



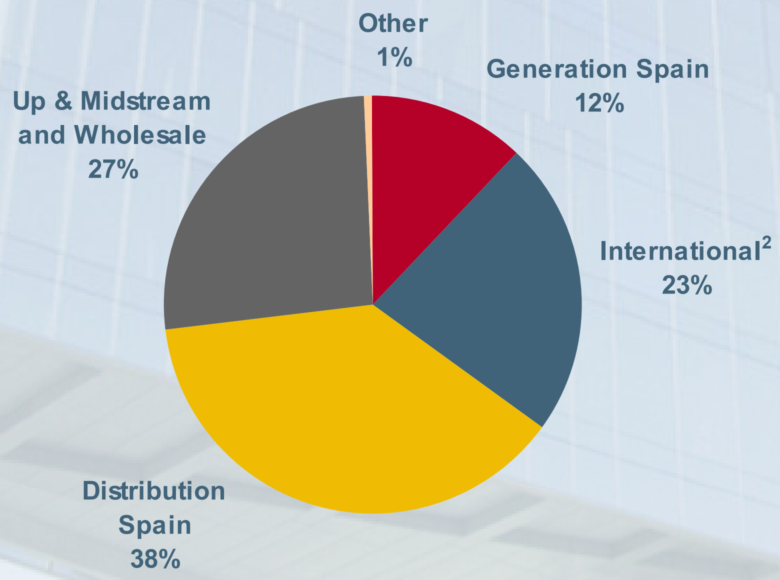
The transaction allows for a significant reduction of the combined group investment plans. The resulting combined capex will be invested in projects which are already identified

Note:
1 Assumes c €500m of maintenance capex in 2012 for comparative purposes

A more balanced business profile resulting from the combination

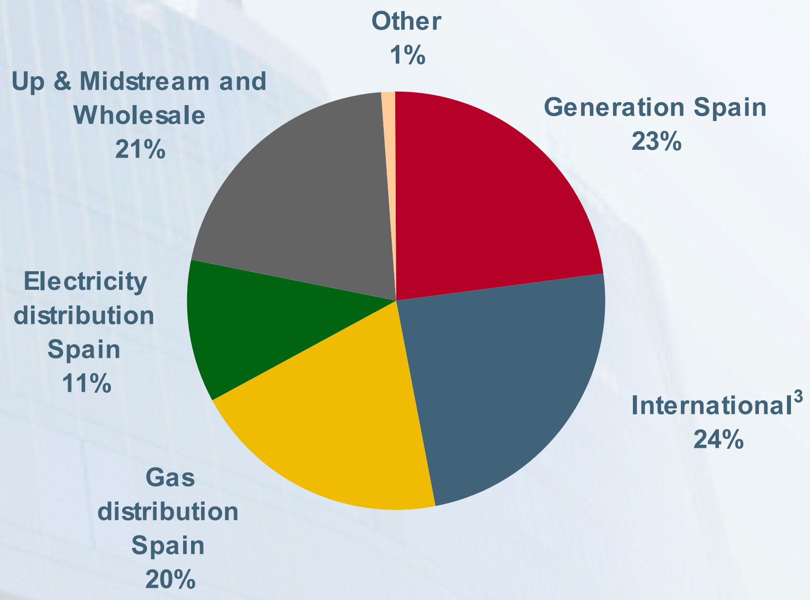
Gas Natural EBITDA breakdown

€2,277m (2007A)



Combined pro-forma EBITDA [1]

€4,339m (2007A)



Notes:
1 Before asset sales
2 Includes distribution in Italy (1.5%), generation in Puerto Rico (2.6%) and distribution in Latin America (18.7%)
3 Includes Gas Natural International and Unión Fenosa international distribution and generation

Positive financial impact for Gas Natural shareholders

Positive impact on earnings	• Significant earnings enhancement resulting from cash acquisition and synergies • Earnings per share accretion from year 1, in excess of 15% by the second year
Attractive shareholder remuneration	• Maintain target of >10% annual dividend per share growth

3 Financing considerations

Key financing parameters

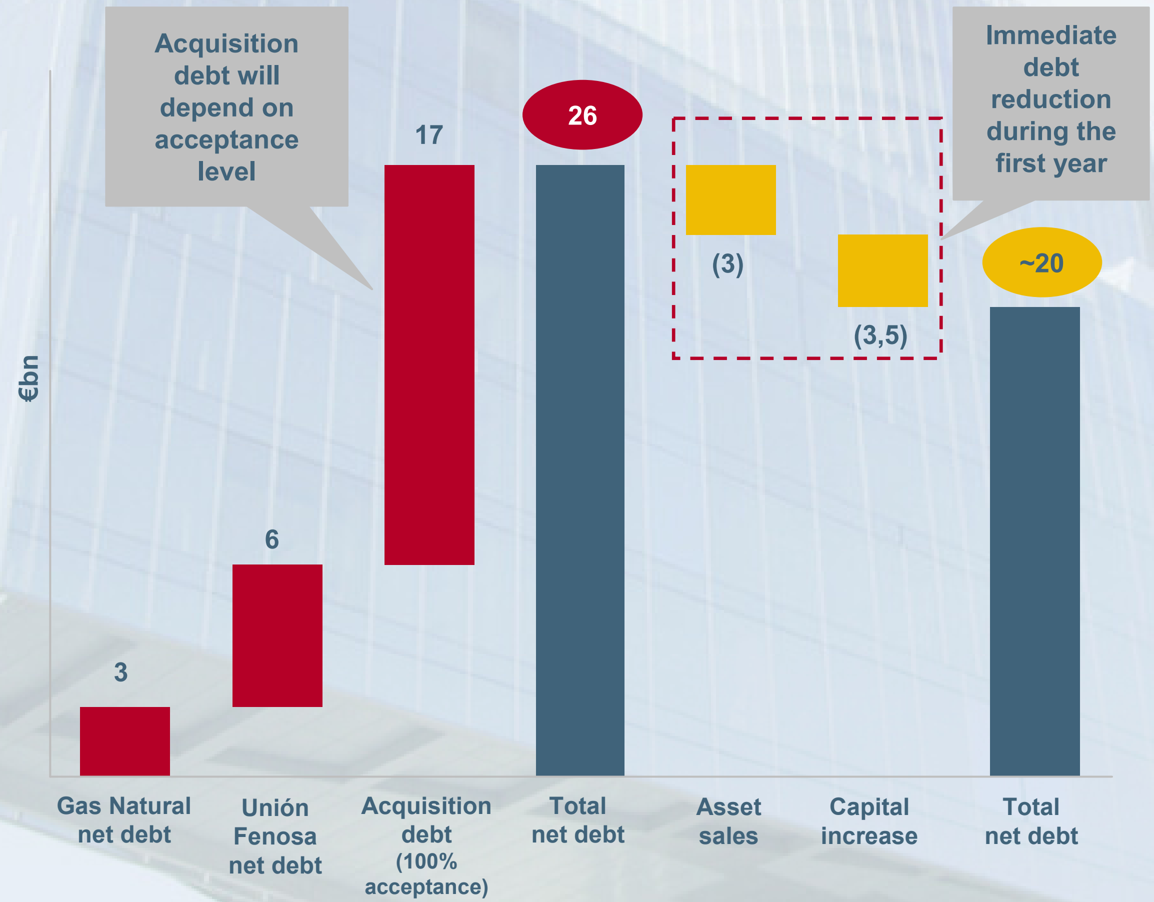
The offer will be initially financed with bank debt

	€m
Offer value	**16,757**
Financed through:	
Acquisition facility[1]	16,757
Initial debt repayment:	
Capital increase	(3,500)
Asset sales (after tax)	(~3,000)
Acquisition debt following initial repayment	**~10.257**

Capital increase and asset sales will allow an initial reduction of the acquisition financing of over €6bn

Nota:
1 Does not include potential refinancing of some Unión Fenosa existing debt

Overview of the initial financing structure



Commitment from core shareholders to subscribe the capital increase

Asset sales for c. €3bn

Minimum initial target rating of "BBB"

A 90% acceptance level would reduce the financing needs by €1.7bn

Expected funding timeline

Total funding needed and potential funds received

July 2008	Feb-Mar 2009	April 2009	April 2009	2009
• Irrevocable agreement with ACS • Initial acquisition of 9.9% stake of Unión Fenosa	• Acquisition of ACS' remaining 35.4% stake in Unión Fenosa • Tender offer filed	• OPA settlement	• Capital increase	• Assets disposals
€1.7bn	€5.9 bn Aval for €9.2bn	€9.2bn (assuming 100% acceptance)	(€3.5bn) (depending on acceptance level)	(€3bn)

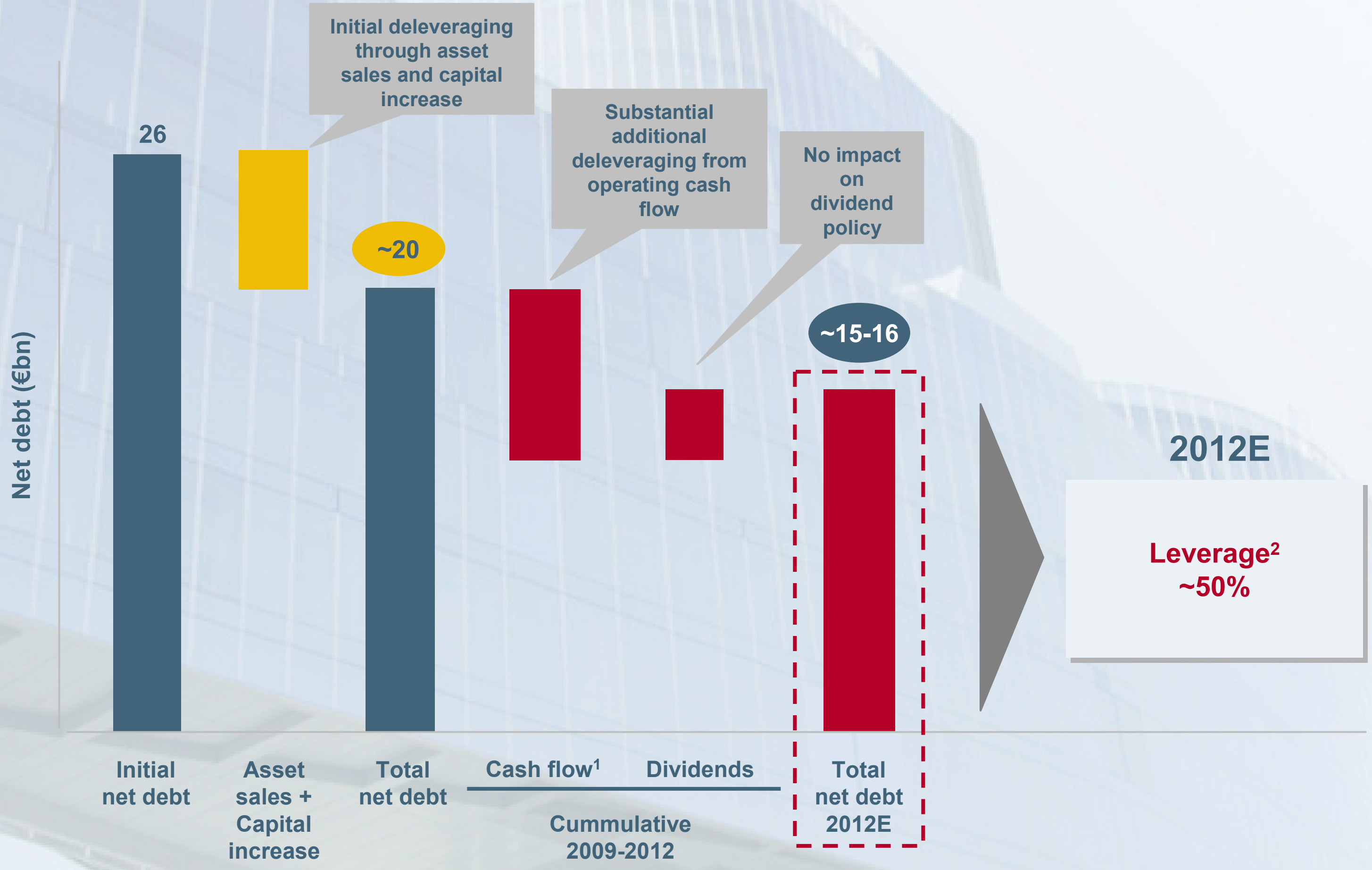
Immediate deleveraging achieved through asset sales

Preliminary planned disposals

Financial investments (no EBITDA contribution)	Non core assets	Other assets

Estimated proceeds of €3bn during 2009

Significant balance sheet strengthening in the medium term



Capex optimisation, synergies and cash flow generation potential will account for rapid balance sheet deleveraging

Notes:
1 Includes operating cash flow after taxes, capex and change in working capital
2 Defined as Net debt / (Net debt + shareholders equity)

4 Conclusion

A transforming deal for Gas Natural

With a clear strategic rationale

Accelerates the fulfilment of the Strategic Plan and takes Gas Natural beyond its 2012 targets

Creation of a leading European vertically integrated gas and power group and #1 LNG operator in the Atlantic basin

One of the three leading utilities in the Iberian market, with over 20 million clients and 18GW of installed capacity globally

The joint Gas Natural – Unión Fenosa workforce will continue to be the most valuable asset of the new group

Significant shareholder value creation from organic growth, integration synergies and optimised capital structure

A transforming deal for Gas Natural

and a clear financial rationale

Investment programme 2008 – 2012E	~ 8-9 €bn
EBITDA 2012E	> 6 €bn
Leverage 2012E[1]	~ 50%
EPS accretion[2]	> 15%
DPS CAGR policy unchanged	> 10%

Notas:
1 Defined as Net debt / (Net debt + shareholders equity)
2 Achievable in year two, excluding extraordinaries

Thank you

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