First Quarter 2018 Results (1Q18)

April 26, 2018

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Agenda

1. Highlights and 1Q18 consolidated results
2. 1Q18 results by activity
3. Conclusions

Appendices

1. Highlights and 1Q18 consolidated results

Transformation pillars

Management & Organisation

Governance

Shareholder´s remuneration

Value creation

Portfolio optimisation & focus

Business optimisation

✓ **New strategic plan 2018-2022 centered on value creation to drive the transformation of GNF, to be released during the second half of June 2018**

Main figures 1Q18

(€m)	1Q17[1]	1Q18[1]	Change (%)	1Q17[1] recurrent	1Q18[1] recurrent	Change (%)
EBITDA	1,025	1,053	+2.7%	1,027	1,107	+7.8%
Net income	298	320	+7.4%	244	324	+32.8%
Gross investments[2]	332	533	+60.5%	332	300[3]	-9.6%
Net free cash flow	-117	1,968	na	-	-	-
Net debt	15,154[4]	13,031	-14.0%	-	-	-

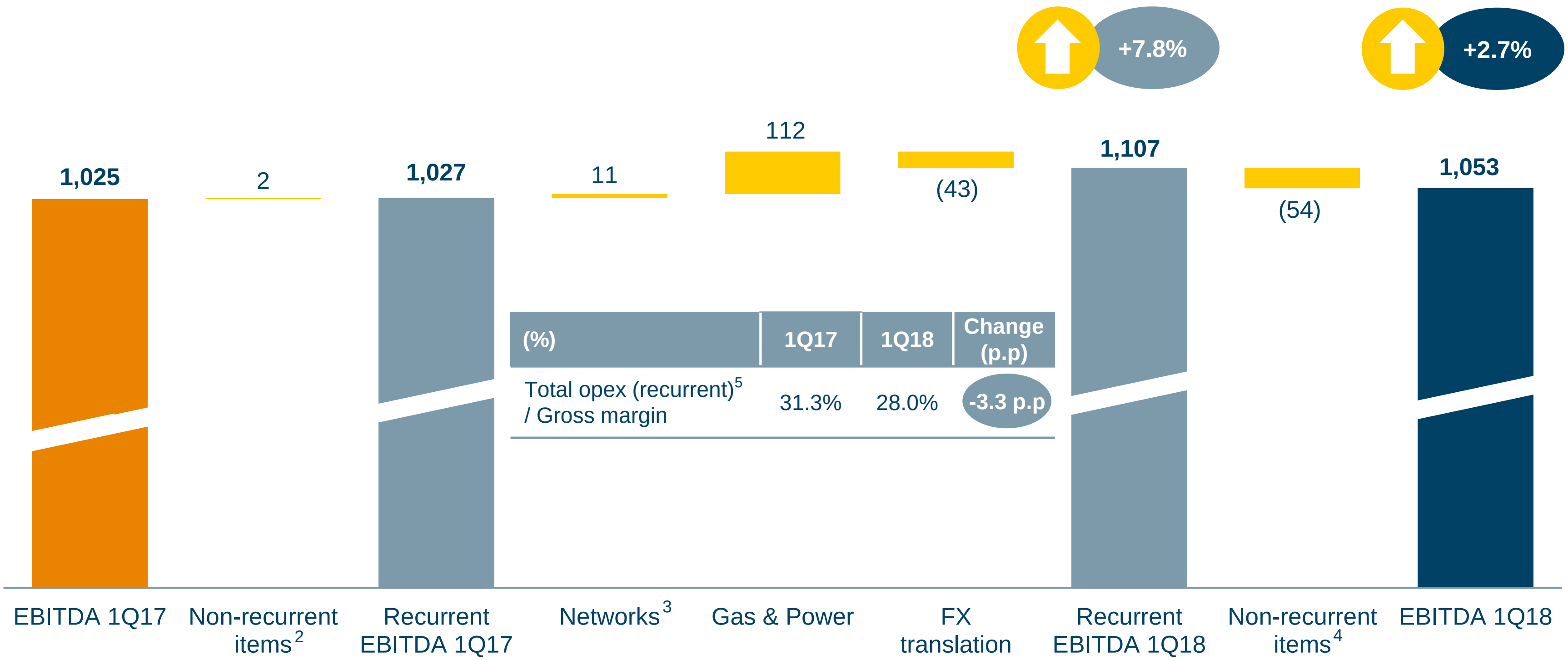
✓ **Higher focus on cash flow generation, efficiencies and contained capex, backed by recurrent growth and disposals**

Notes:
1. Considering the reclassification of Colombia Gas, Kenya, and Moldova as discontinued operations, which has no impact at net income level
2. Including financial investments
3. Excluding €185m on additional LNG tanker and €48m incremental growth capex in new renewable projects in Spain (+€28m) and internationally (+€20m)
4. As of 31 December 2017

EBITDA evolution

1Q18 vs. 1Q17

EBITDA[1] (€m)



(%)	1Q17	1Q18	Change (p.p)
Total opex (recurrent)[5] / Gross margin	31.3%	28.0%	-3.3 p.p

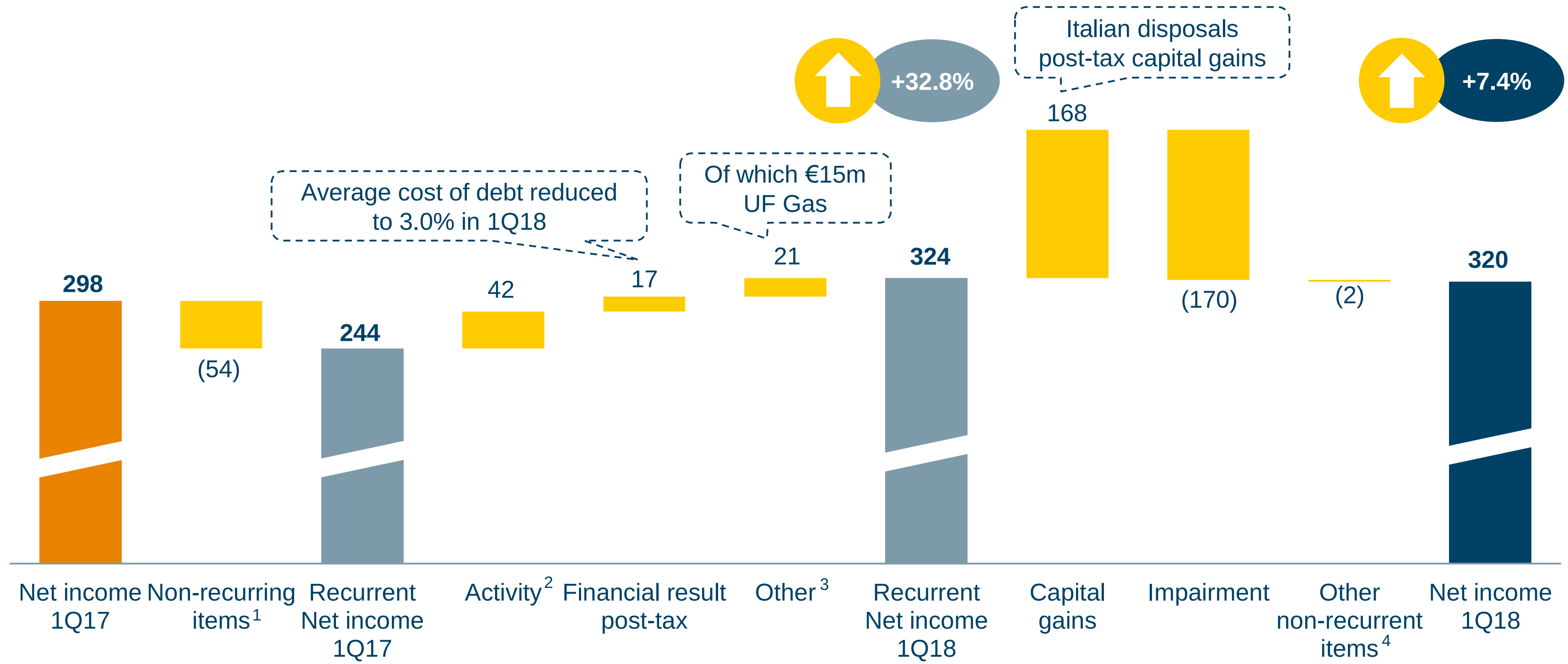
✓ **Recurrent EBITDA up +7.8% supported by a significant improvement in Gas and efficiencies, partially offset by negative currency translation effects**

Notes:

1. Considering the reclassification of Colombia Gas, Kenya and Moldova as discontinued operations
2. Including (i) €7m natural disasters, (ii) €14m restructuring costs, and (iii) €19m credit notes materializing later in 2017
3. Including corporate holding and other activities (€2m)
4. Including (i) €14m severance expenses, (ii) €32m one-off expenses in Chile mainly affected by higher expenses in forest fire prevention and trial expenses in Metrogas, (iii) gas measurement errors in Mexico of which €3m to be received as credit notes in April 2018, and (iv) other €5m non-recurrent items
5. Including recurrent personnel costs and other recurrent operating expenses

Net income evolution
1Q18 vs. 1Q17

Net income (€m)



✓ **Recurrent Net income up +32.8% supported by growing activity and lower financial expenses**

Notes:
1. Based on ~€2m EBITDA impact of non-recurrent items in 1Q17 (post-tax), non-controlling interest of €21m (20% disposal of Nedgia) and €35m of assets reclassified as discontinued operations
2. Includes EBITDA, depreciation & amortization, provisions (excl. impairment of €170m) and tax effects
3. Other includes equity income, discontinued operations results and non-controlling interests
4. Based on ~€54m EBITDA impact of non-recurrent items in 1Q18 (post-tax), non-controlling interest of €18m (20% disposal of Nedgia) and €20m of assets reclassified as discontinued operations

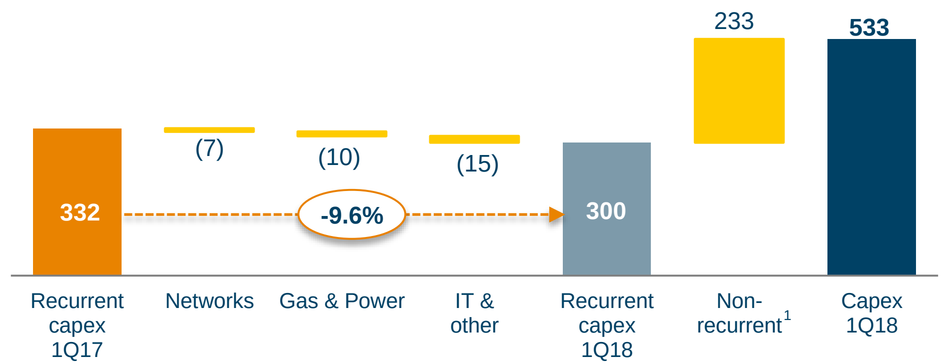
Cash flow, investments and net debt

1Q18 vs. 1Q17

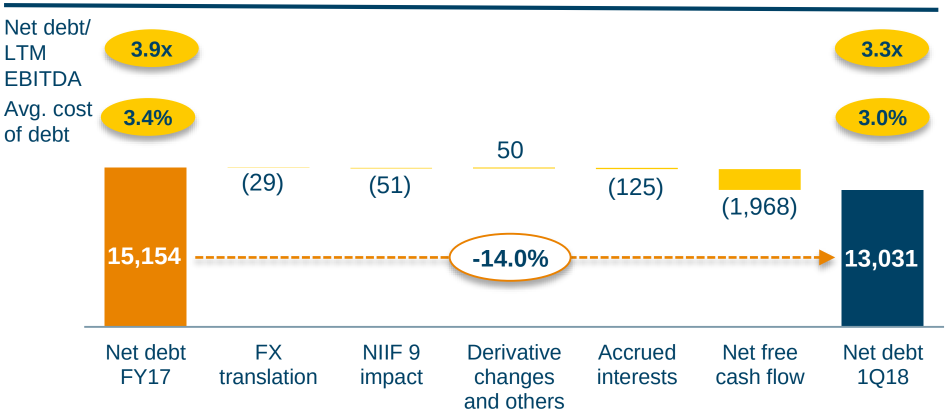
Cash flow (€m)

	1Q18 (€m)	Change vs. 1Q17 (%)
EBITDA	1,053	+2.7%
Maintenance capex	(124)	-16.8%
Growth capex	(409)	+123.5%
Changes in working capital	(587)[2]	+12.5%
Gross cash flow	(67)	-139.2%
Financial result	(160)	-9.6%
Taxes	(97)	+7.8%
Non-cash impacts and other	56	na
Divestments	2,236	na
Free cash flow	1,968	na

Gross capex evolution (€m)



Net debt evolution (€m)



✓ **Higher focus on cash flow generation and contained maintenance and growth capex (ex. LNG tanker and new renewables projects)**

Notes:
1. Including €185m on a new LNG tanker through time charter and €48m growth capex in new renewable projects in Spain (+€28m) and internationally (+€20m)
2. Changes in working capital mainly affected by the €390m securitization on receivables executed in Dec-17 with no equivalent in 1Q18 and employee restructuring costs of €78m paid in 1Q18

Update on portfolio management

Disposals	Proceeds		Capital gains		Status update
	Received	Pending	Booked	Pending	
Gas distribution and supply in Italy	€736m	€30m[1]	€168m	€20m[1]	✓ Completed
Nedgia Spain (20%)	€1,500m	-	€1.0bn[2]	-	✓ Completed

✓ **Ongoing disposal processes in Colombia, Moldova and Kenya progressing**

✓ **Ongoing processes progressing and review of business portfolio to continue as part of the new strategic plan**

Notes:

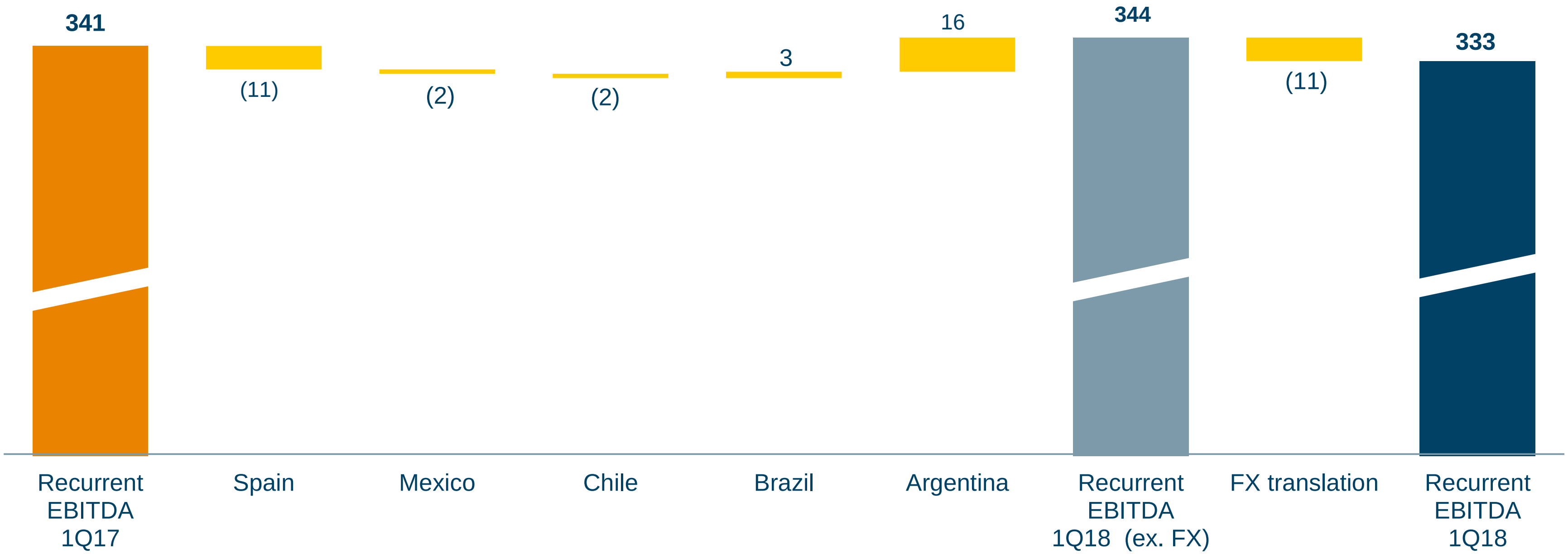
1. Gas contract Shah Deniz II total proceeds of €30m, of which €10m received on 18 April 2018 and €20m payable in 2021 following the expected start of operations of the Trans Adriatic Pipeline (TAP), upon which the capital gains associated to Shah Deniz II shall also be booked
2. No P&L impact, capital gains with positive impact on shareholders' equity of approximately €1.0bn

2. 1Q18 results by activity

Gas networks
1Q18 vs. 1Q17

EBITDA (€m)

	Spain	Mexico	Chile	Brazil	Argentina		
Sales growth[1] (%)	+3.7%	+5.5%	+7.6%	-1.2%	-0.1%	+0.9%	-2.2%
CPs net increase (%)	+1.2%	+6.4%	+3.1%	+5.2%	+1.2%		

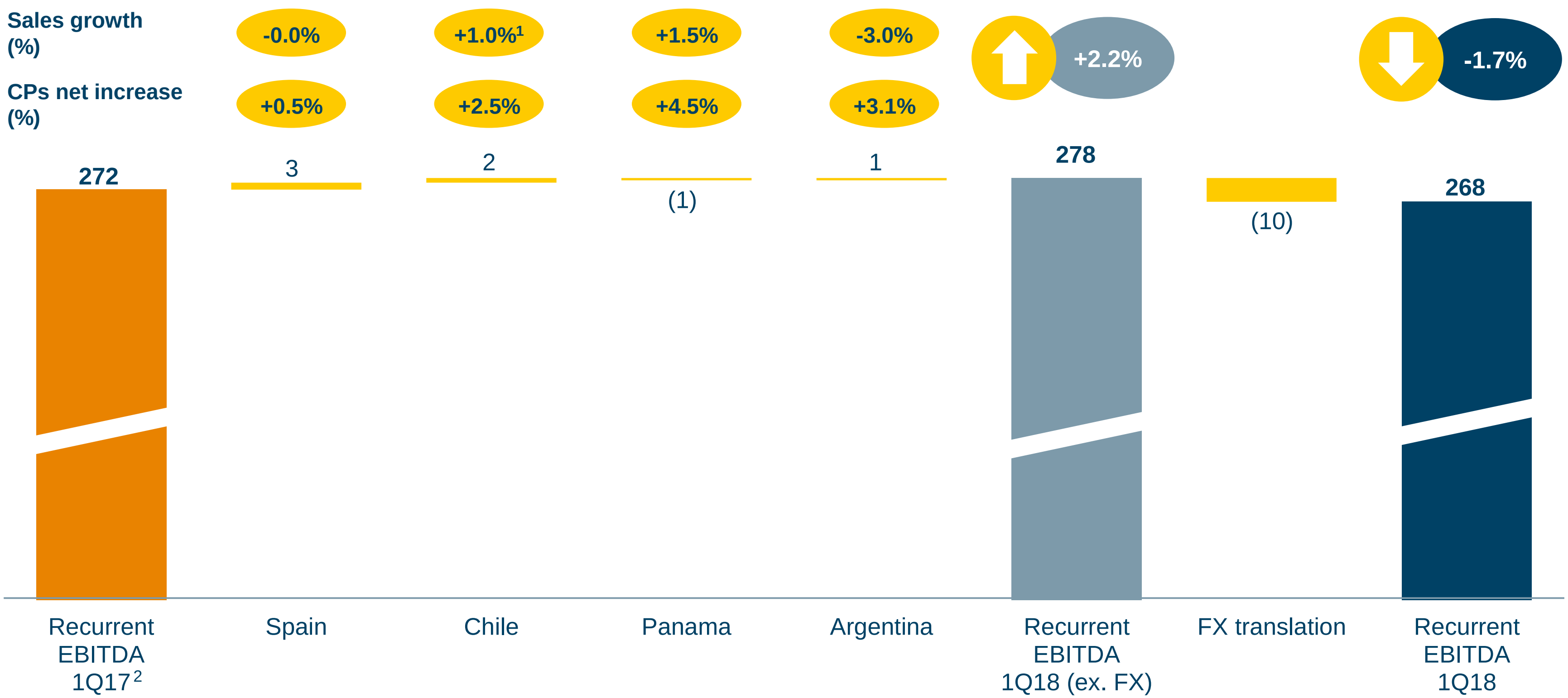


✓ **Positive recurrent activity growth mainly underpinned by Argentina (tariff review) partially offset by lower gas meters remuneration in Spain**

Note:
1. Including gas sales and TPA

Electricity networks
1Q18 vs. 1Q17

EBITDA (€m)

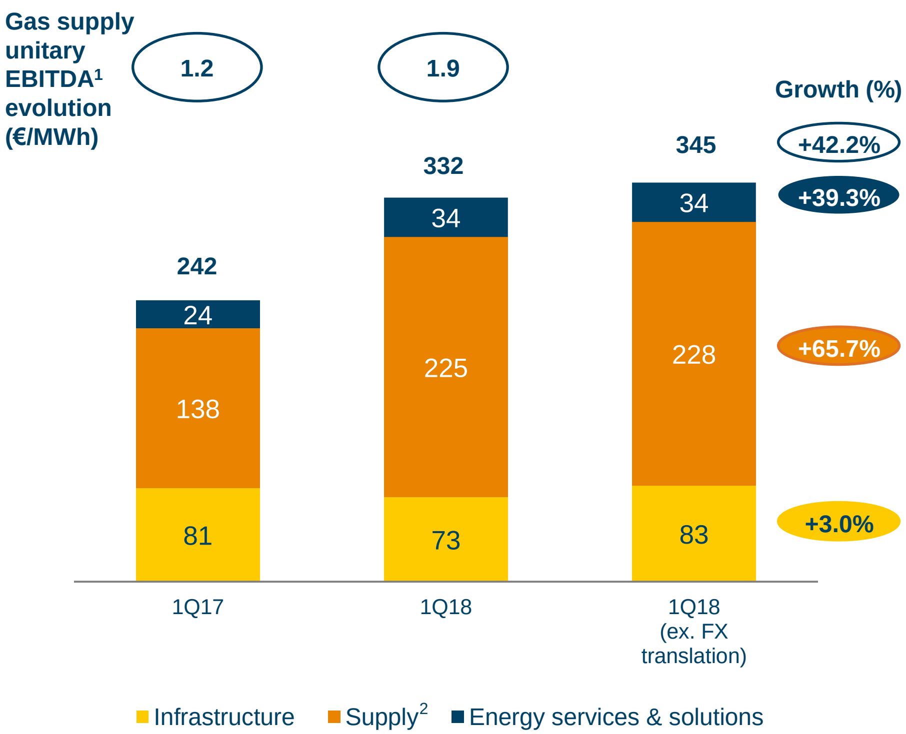


✓ **Recurrent activity growth up +2.2% mainly driven by increased efficiencies**

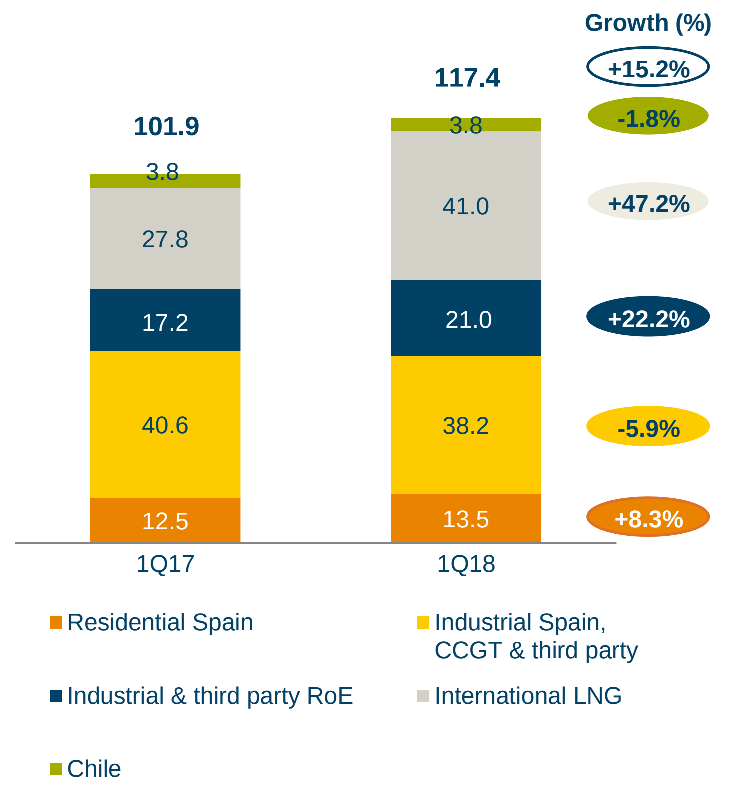
Notes:
1. Including Chile distribution and transmission
2. Restructuring costs of €14m in electricity networks Spain reclassified into Other for recurring comparability purposes

Gas

EBITDA (€m)



Gas sales (TWh)



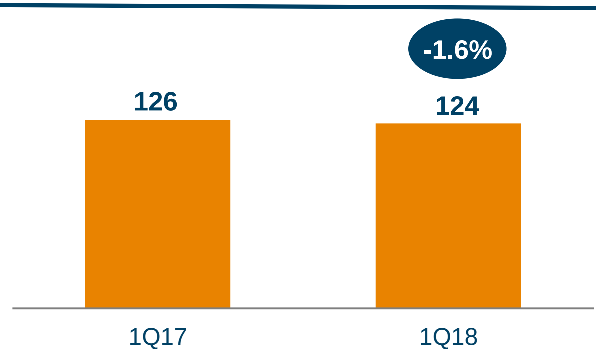
✓ **Stressing international sales volume to capture the higher international prices in the winter season; more cautious outlook for 2Q and 3Q 2018**

Notes:
1. Estimated as EBITDA supply (ex. Chile) divided by total gas sales (ex. Chile)
2. Chile supply EBITDA of €14m and €19m for 1Q18 and 1Q17 respectively reclassified from gas networks LatAm into gas supply

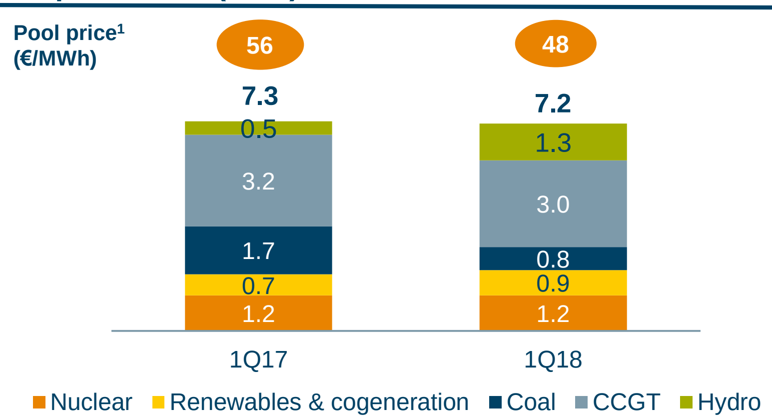
Power

Spain

EBITDA (€m) (generation & supply)



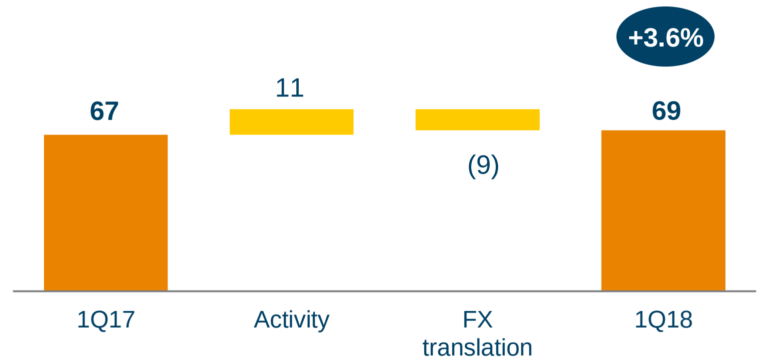
GNF production (TWh)



- ✓ **Higher supply margins and normalization of hydro production offset by lower thermal contribution, notably vs. January 2017**

International

EBITDA (€m)



Total availability (%)

	1Q18	1Q17	Change (p.p)
Mexico	**98.5%**	**91.3%**	**+7p.p.**
Rest of countries	**94.5%**	**95.4%**	**-1p.p.**
Total	**98.0%**	**91.9%**	**+6p.p.**

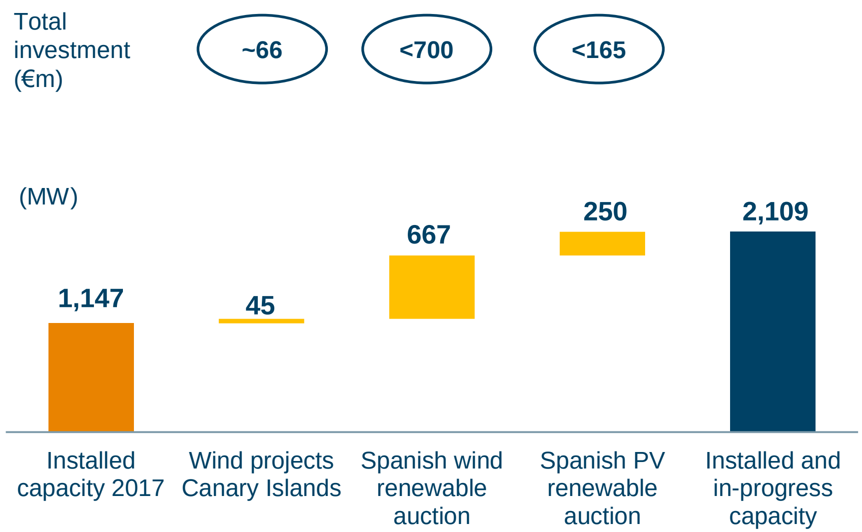
- ✓ **Activity growth mainly driven by different planned outages schedule vs. last year in Mexico as well as the start of operations in Brazil PV; FX translation (US$/€) negatively impacted results**

Note:
1. Average price in the daily power generation market

Growing renewable exposure

Spain

Renewable installed and in-progress capacity

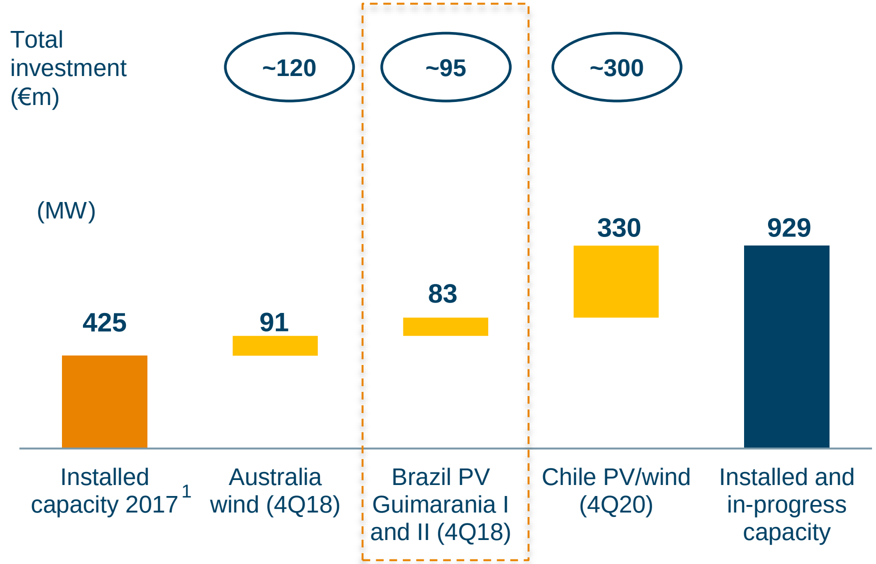


✓ Progressive COD (commercial operation date) in the Canary Islands projects according to plan

✓ **Starting construction works in first wind and PV projects awarded in Spanish auctions with significant capex savings**

International

Renewable installed and in-progress capacity



✓ On 19 March 2018, GNF agreed to acquire 2 PV projects in Brazil from Canadian Solar, doubling its capacity in the country

✓ **Attractive projects in progress which will contribute to EBITDA with ~€70m[2] once in full operation**

Notes:
1. Including the Sobral I and Sertao I solar farms in Brazil which began operations last September 2017 with a total capacity of 68MW
2. Including the Sobral I and Sertao I solar farms, the new Guimarania I and Guimarania II PV projects, Australia wind and Chile PV/ wind projects

3. Conclusions

Summary and conclusions

Results 1Q18

- ✓ **Results improvement mainly driven by Gas supply and higher efficiencies**
  - Stressing international gas sales volume to capture the higher international prices in the winter season
  - Electricity Spain on its path towards normalization, supported by improving hydro conditions
  - Continued organic growth in networks and international generation offset by negative currency translation effects
- ✓ **Higher focus on cash flow generation, efficiencies and contained capex, backed by recurrent growth and disposals**

✓ **New strategic plan 2018-2022 centered on value creation to drive the transformation of GNF, to be released during the second half of June 2018**

First Quarter 2018 Results (1Q18)

Questions & Answers

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Appendices

1. Financials

Consolidated income statement

(€m)	1Q18	1Q18 recurrent	1Q17	1Q17 recurrent	Change in recurrent (%)
Net Sales	6,406	6,406	6,089	6,089	+5.2%
Purchases	(4,700)	(4,692)	(4,419)	(4,419)	+6.2%
Gross Margin	1,706	1,714	1,670	1,670	+2.6%
Personnel Costs, Net	(246)	(232)	(241)	(227)	+2.2%
Taxes	(127)	(127)	(121)	(121)	+5.0%
Other Expenses, Net	(280)	(248)	(283)	(295)	-16.0%
EBITDA	1,053	1,107	1,025	1,027	+7.8%
Depreciation and Impairment losses	(596)	(426)	(410)	(410)	+3.9%
Provisions	(29)	(29)	(28)	(28)	+3.6%
Operating Income	428	652	587	589	+10.7%
Financial Results, Net	(160)	(160)	(177)	(177)	-9.6%
Equity Income	15	15	-	-	-
Income before tax	283	507	410	412	+23.1%
Corporate tax	(97)	(111)	(90)	(90)	+23.6%
Discontinued operations results	188	-	46	-	-
Non-Controlling Interests	(54)	(72)	(68)	(78)	-7.7%
Net Income	320	324	298	244	+32.8%

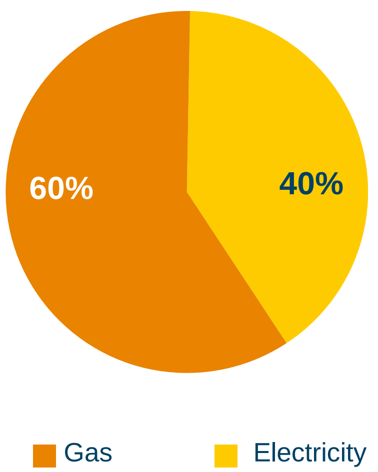
EBITDA breakdown[1]

(€m)	1Q18	1Q17	Change (€m)	Change (%)
Gas networks	333	341	(8)	-2.2%
Spain	214	225	(11)	-5.0%
LatAm[3]	119	116	4	+3.1%
Electricity networks	268	272	(5)	-1.7%
Spain	160	157[2]	3	+1.9%
LatAm	108	115	(7)	-6.5%
Gas	332	242	89	+36.8%
Infrastructure	73	81	(8)	-9.4%
Supply[3]	225	138	87	+63.5%
Energy services & solutions	34	24	9	+39.3%
Electricity	193	193	-	+0.1%
Spain	124	126	(2)	-1.6%
International	69	67	2	+3.6%
Other	(72)	(23)[2]	(49)	-
Total EBITDA	**1,053**	**1,025**	**27**	**+2.7%**

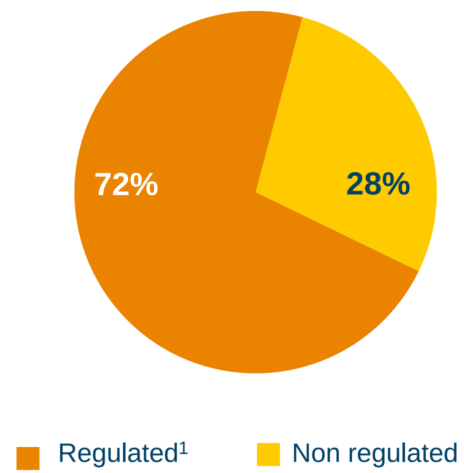
Notes:
1. Considering the reclassification of Colombia Gas, Kenya and Moldova as discontinued operations
2. Restructuring costs of €14m in electricity networks Spain reclassified into Other for recurring comparability purposes
3. Chile supply EBITDA of €14m and €19m for 1Q18 and 1Q17 respectively reclassified from gas networks LatAm into gas supply

EBITDA analysis

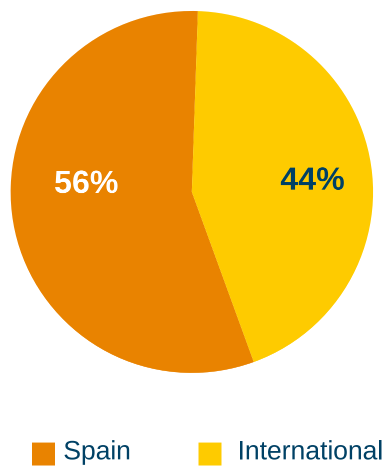
Gas/Electricity



Regulated/Non regulated



Spain/International



Note:

1. Includes contracted activities (EMPL, International generation, renewables)

Currency translation effect on EBITDA

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Gas Distribution

EBITDA (€m)

Country	1Q18	1Q17	Currency translation	EBITDA change (ex. FX)
Argentina	12	(6)	2	16
Brazil	51	57	(9)	3
Chile	15	18	(1)	(2)
Mexico	42	47	(3)	(2)
Peru	(1)	(1)	-	-
TOTAL	119	116	(11)	14

Electricity Distribution

EBITDA (€m)

Country	1Q18	1Q17	Currency translation	EBITDA change (ex. FX)
Argentina	5	5	(1)	1
Chile	79	82	(5)	2
Panama	24	28	(4)	(1)
TOTAL	108	115	(10)	3

International generation

EBITDA (€m)

Country	1Q18	1Q17	Currency translation	EBITDA change (ex. FX)
Mexico	59	63	(8)	4
Rest	10	4	(1)	7
TOTAL	69	67	(9)	11

Gas

EBITDA (€m)

Country	1Q18	1Q17	Currency translation	EBITDA change (ex. FX)
Gas Infra	73	81	(10)	2
Chile supply	14	19	(3)	(2)
TOTAL	87	100	(13)	-

Total currency translation effect: -€43m

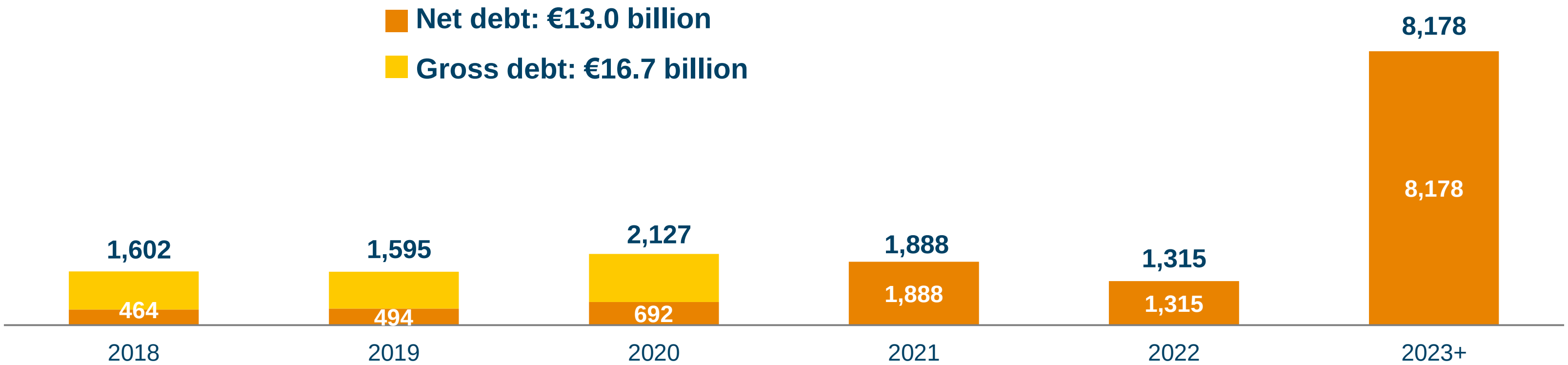
Net investments

(€m)	1Q18	1Q17	Change €m	Change %
Gas networks	118	107	11	+10.3%
Europe	33	42	(9)	-21.4%
LatAm	85	65	20	+30.8%
Electricity networks	115	128	(13)	-10.2%
Europe	41	42	(1)	-2.4%
LatAm	74	86	(12)	-14.0%
Gas	187	2	185	-
Energy services & solutions	4	7	(3)	-
Electricity	103	62	41	+66.1%
Spain	44	23	21	+91.3%
International	59	39	20	+51.3%
Other	6	14	(8)	-57.1%
Total tangible + intangible	**533**	**320**	**213**	**+66.6%**
Financial	-	12	(12)	-
Total gross investments	**533**	**332**	**201**	**+60.5%**
Disposals	(2,236)	-	(2,236)	-
Other	(14)	(11)	(3)	+27.3%
Total net investments	**(1,717)**	**321**	**(2,038)**	**-**

Financial structure (I)

A comfortable debt maturity profile

As of March 31, 2018
(€m)



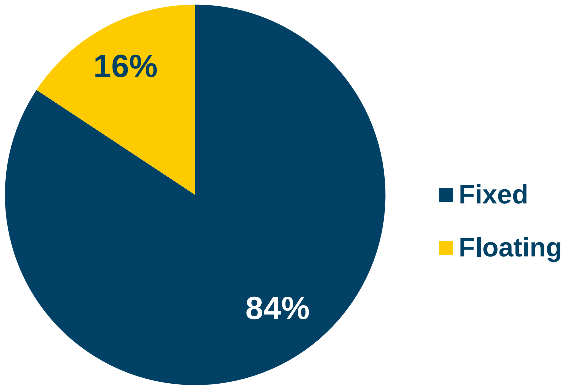
- ✓ Average life of Net debt ~ 6.4 years
- ✓ Liability management in January 2018, with the issuance of €850m, 10-year bond with a coupon of 1.5% and €916m notes repurchase
- ✓ Repayment of $464m and €500m corporate debt in aggregate at an average interest rate of 2.4% and 0.6% respectively, as well as €1,099m bonds maturity with avg. coupon of 4.6%; additional €620m corporate debt repayment in Abril 2018
- ✓ GNF Mexico €152m bond issuance of in March 2018: €87m 3-year tranche with floating rate +40bps and €65m 7-year tranche with fixed rate +144bps
- ✓ S&P and Moody's ratings maintained at BBB (stable) and Baa2 (stable) in their March and February 2018 updates respectively

Financial structure (II)

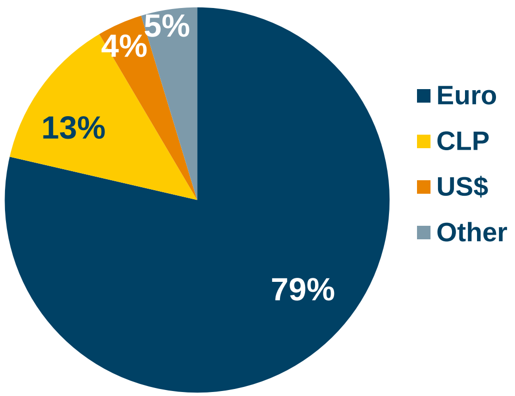
An efficient net debt structure

As of March 31, 2018

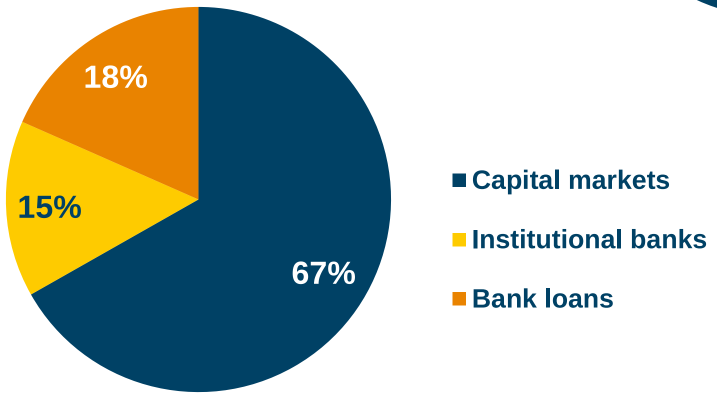
Majority of debt at fixed rates at a very competitive cost



Conservative currency exposure policy



Diversified financing sources



Financial structure (III)

Sound credit ratios and strong liquidity position

Selected credit ratios	1Q18	FY17
Net debt/ LTM EBITDA	3.3x	3.9x
Adjusted Net debt[1]/ LTM EBITDA (S&P)	4.1x	4.7x
FFO/adjusted Net debt[1] (S&P)	17.2%	15.7%
RCF/adjusted Net debt[1] (Moody's)	10.1%	9.5%

As of March 31,2018 (€m)	Limit	Drawn	Undrawn
Committed lines of credit	7,253	225	7,028
Uncommitted lines of credit	494	234	260
EIB loan	42	-	42
Cash	-	-	3,611
TOTAL	**7,789**	**459**	**10,941**

✓ Additional capital market capabilities of ~€6,400m both in Euro and LatAm (Mexico, Chile, Panama and Colombia) programs

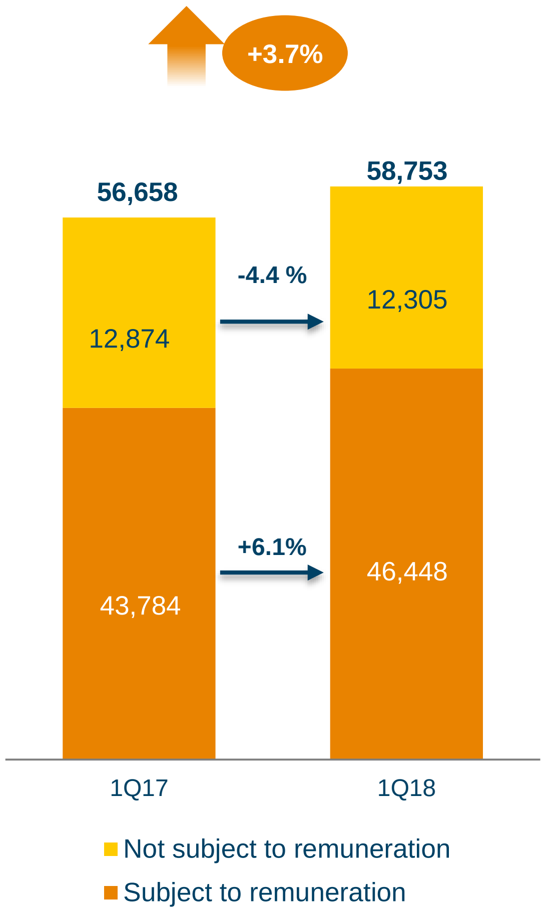
Note:
1. Based on adjusted net debt of €18,330m and €16,330m in FY17 and 1Q18 respectively adjusted mainly for hybrids (50%) and LNG tankers financial and operating leases, following rating agency criteria

2. Operating figures

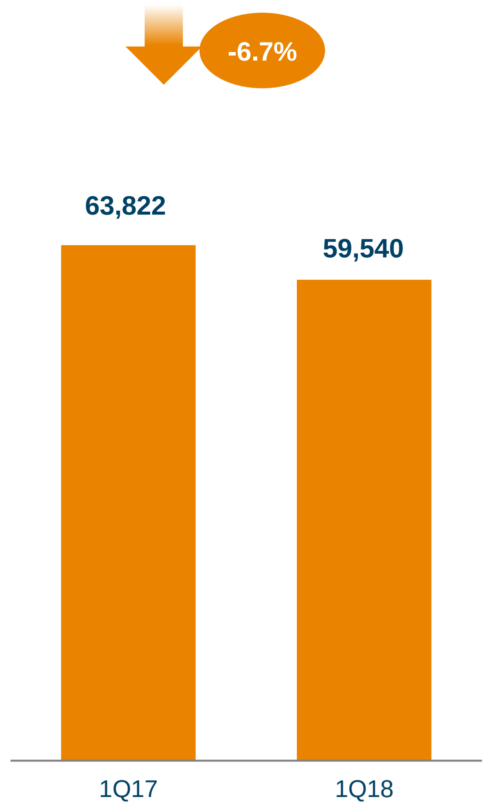
Networks

Gas distribution Spain

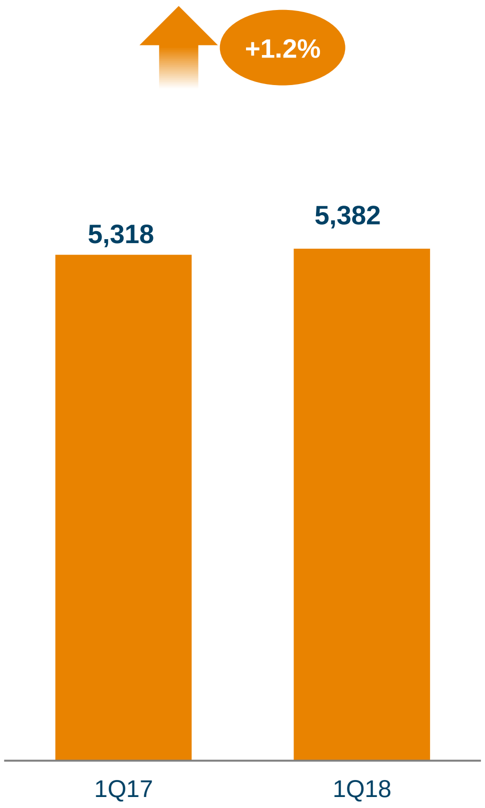
Gas sales[1] (GWh)



LPG sales (tn)



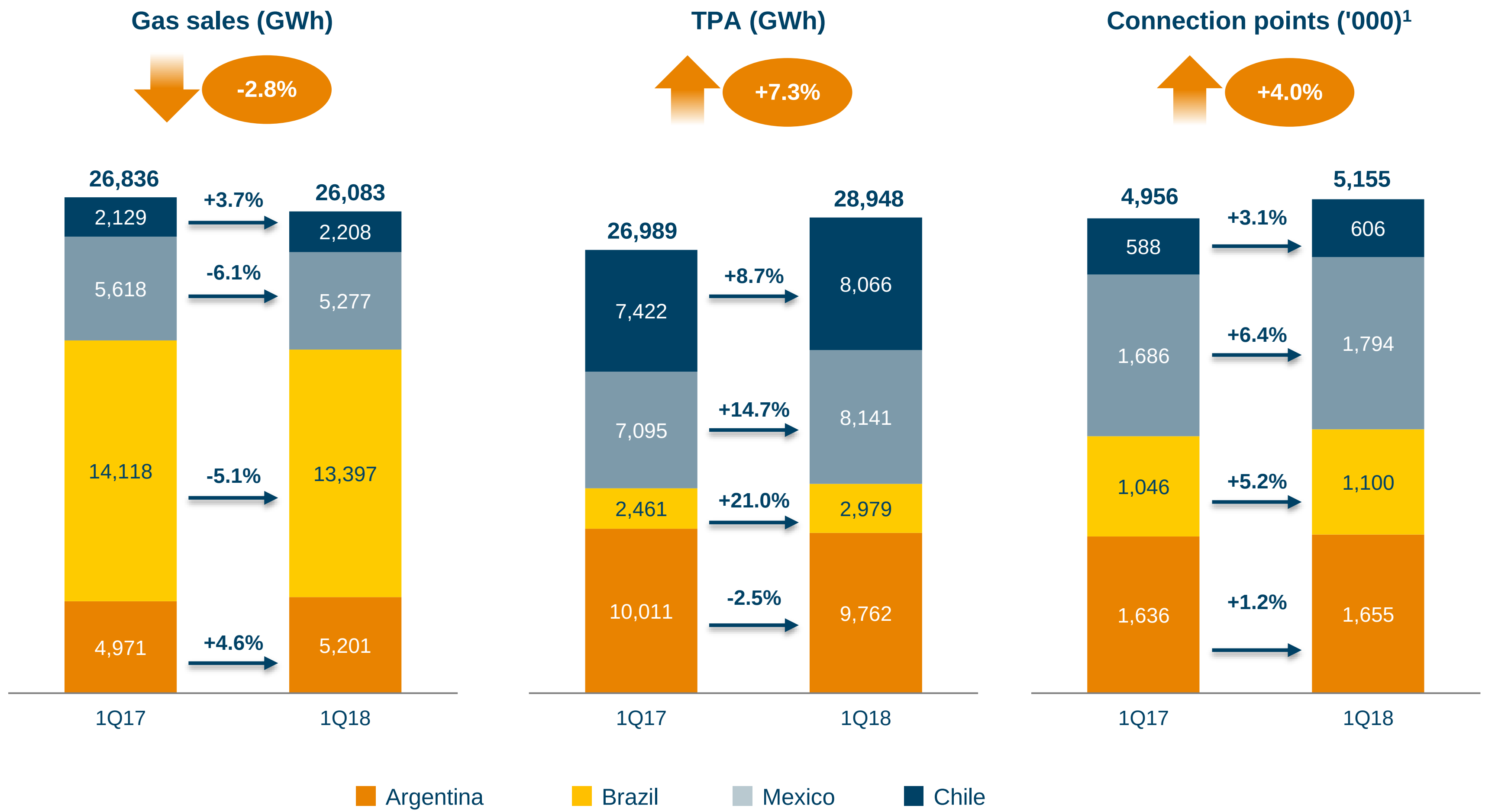
Connection points ('000)



Note:

1. Subject to remuneration refers to sales remunerated according to the parametric formula with pressure <60 bars whereas not subject to remuneration refers to sales to large industrial clients with pressure >60 bars and transport sales

Networks
Gas distribution LatAm



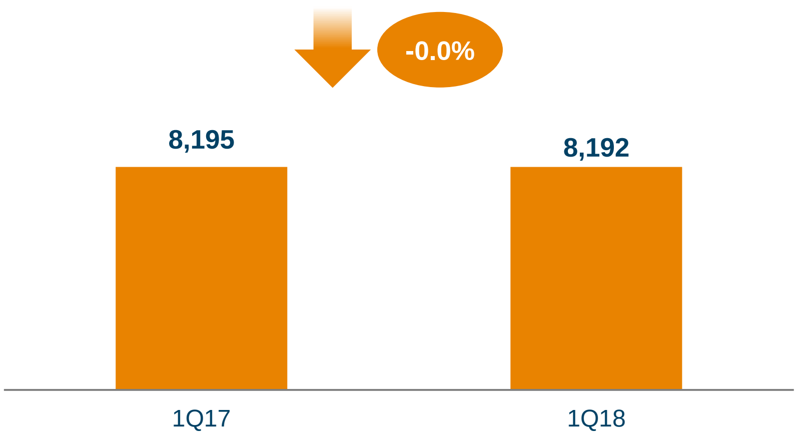
Note:

1. Excluding Peru connections points of 7,000 in 1Q18

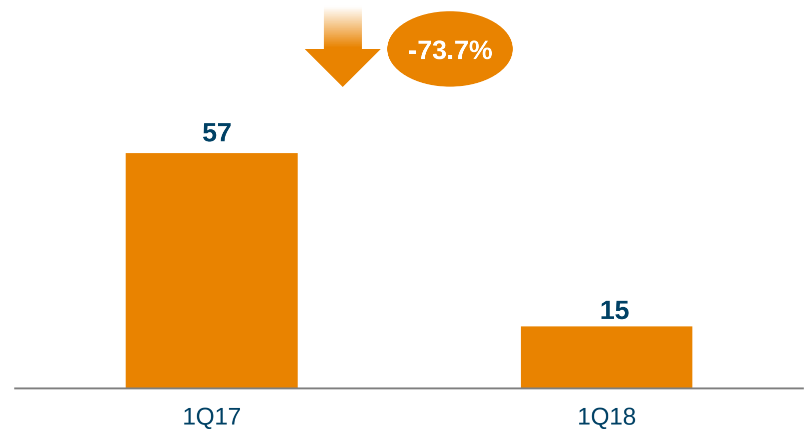
Networks

Electricity distribution Spain

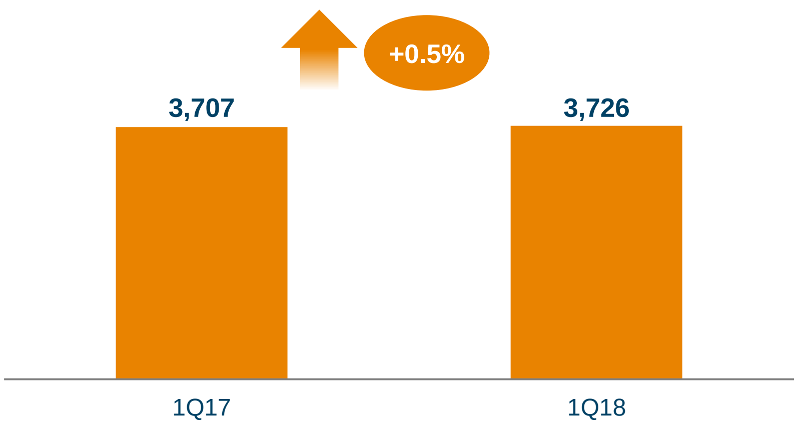
Electricity sales (GWh)



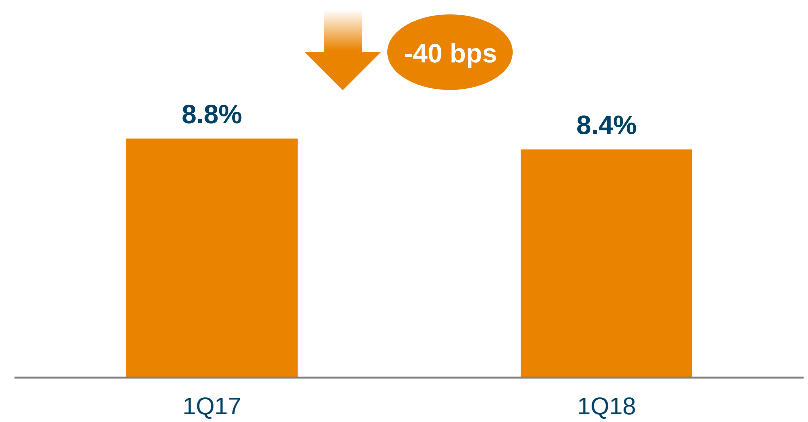
ICEIT[1] (minutes)



Connection points ('000)



Network losses (%)

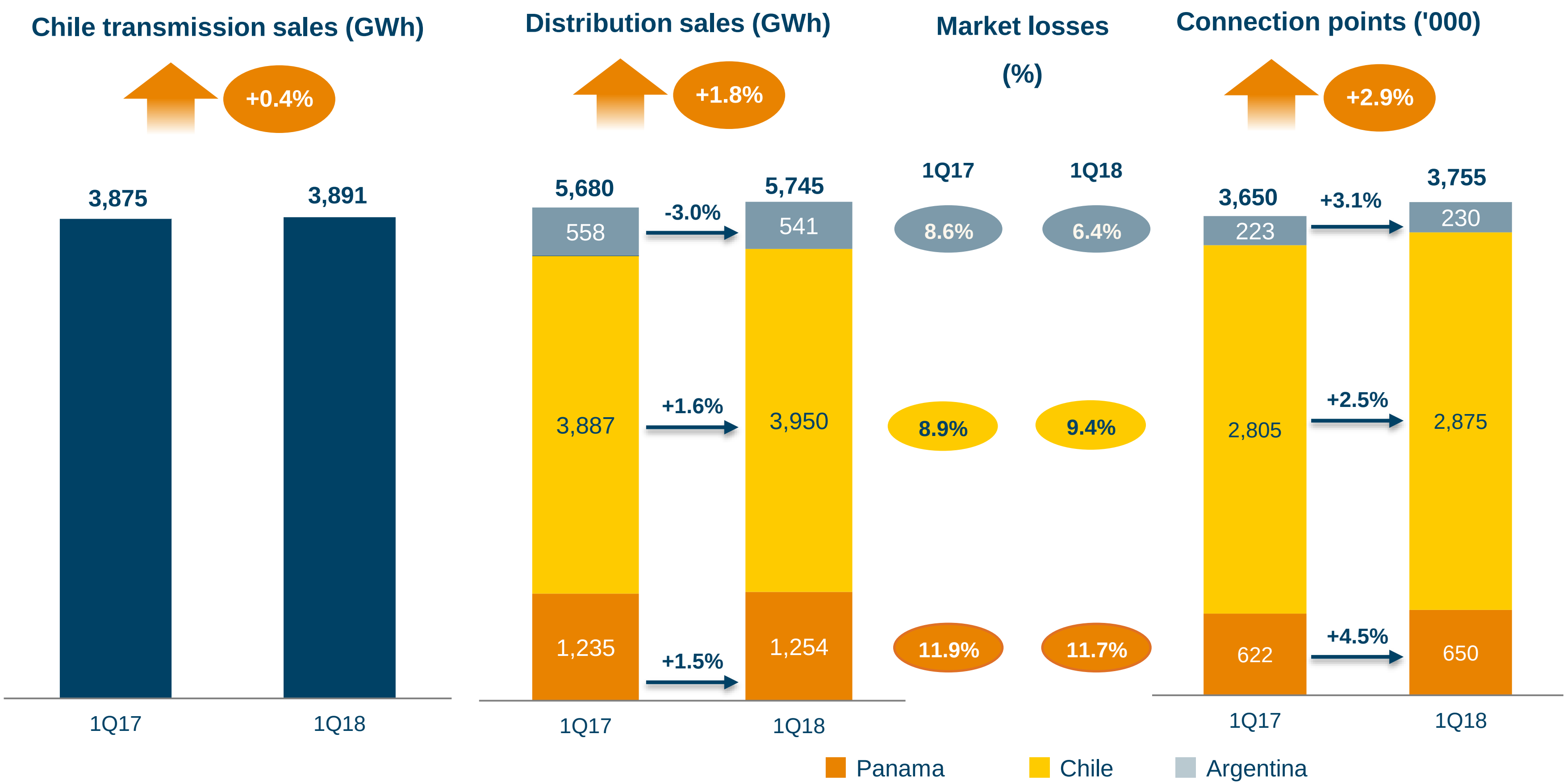


Note:

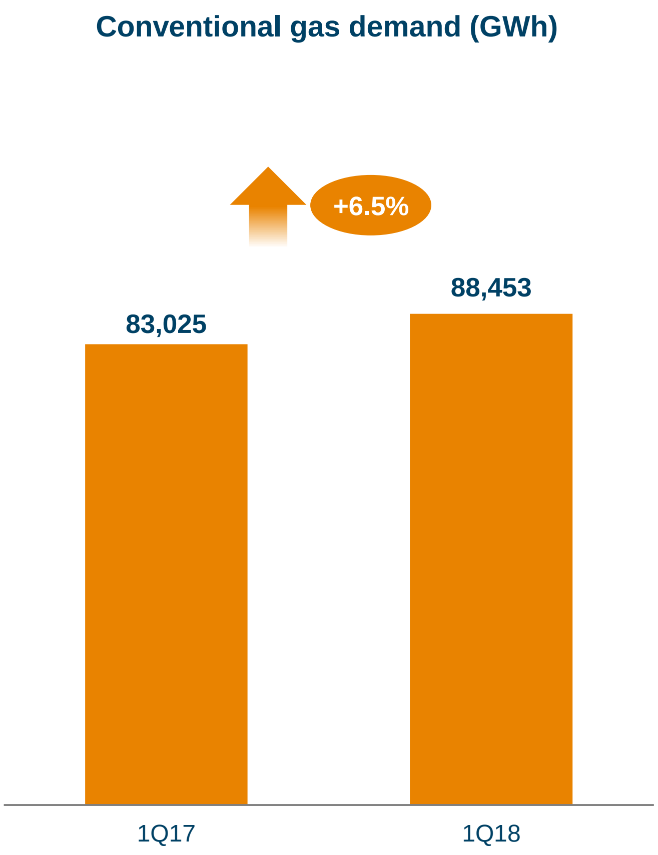
1. "Installed Capacity Equivalent Interruption Time"

Networks

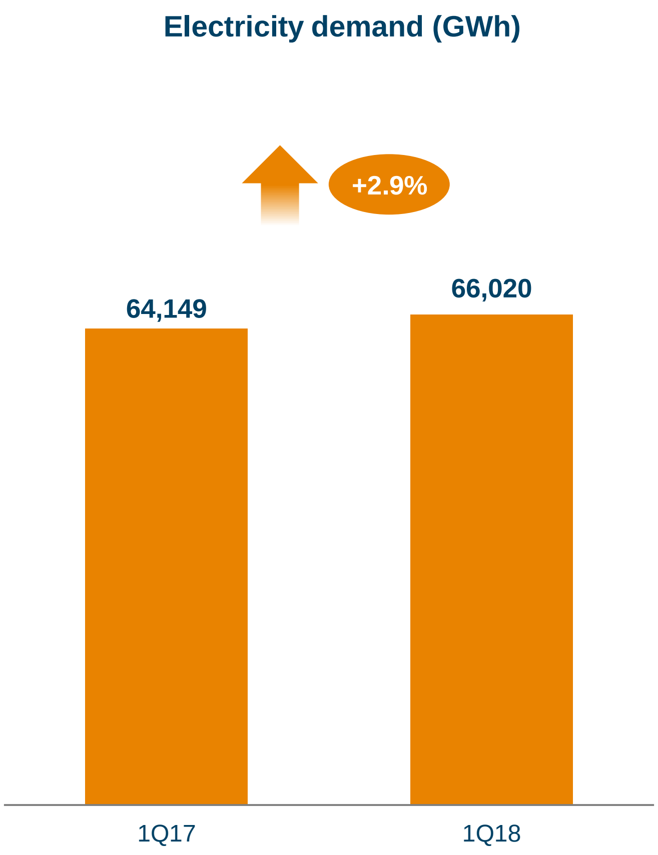
Electricity distribution LatAm



Gas and electricity demand in Spain



Source: Enagás

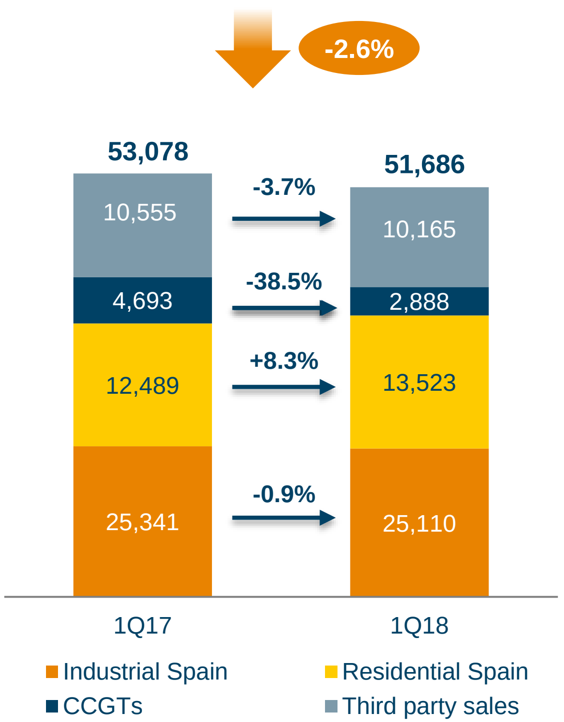


Source: REE

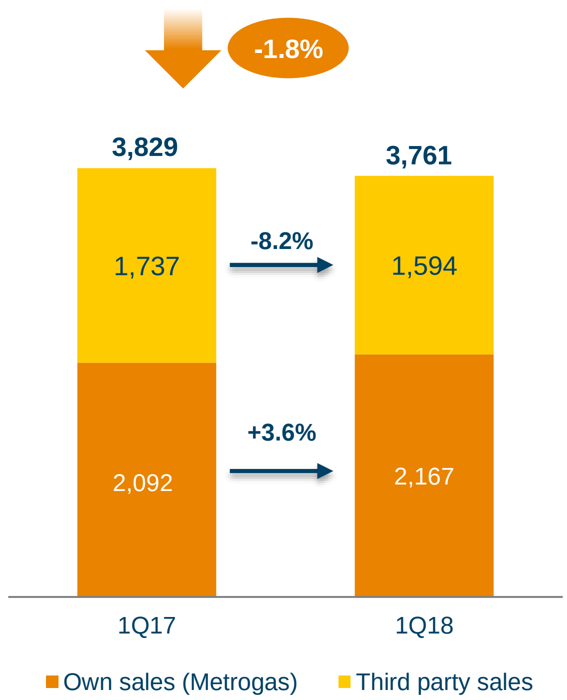
Gas

Gas sales by markets

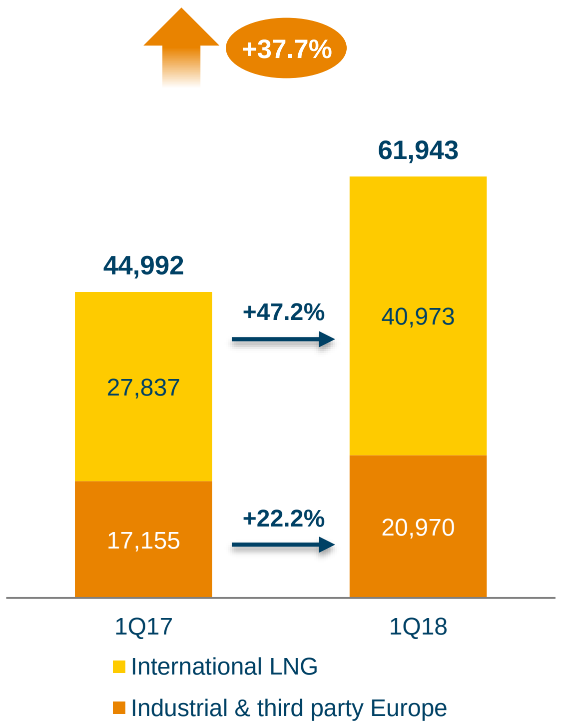
Spain (GWh)



Chile (GWh)

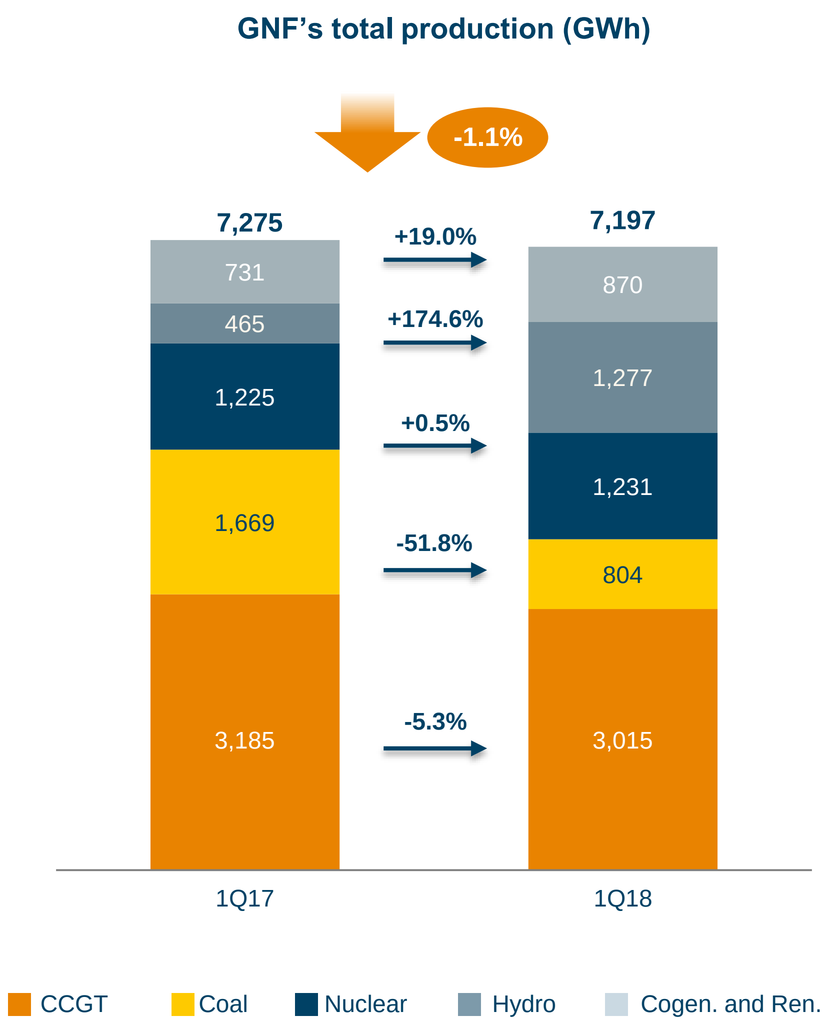


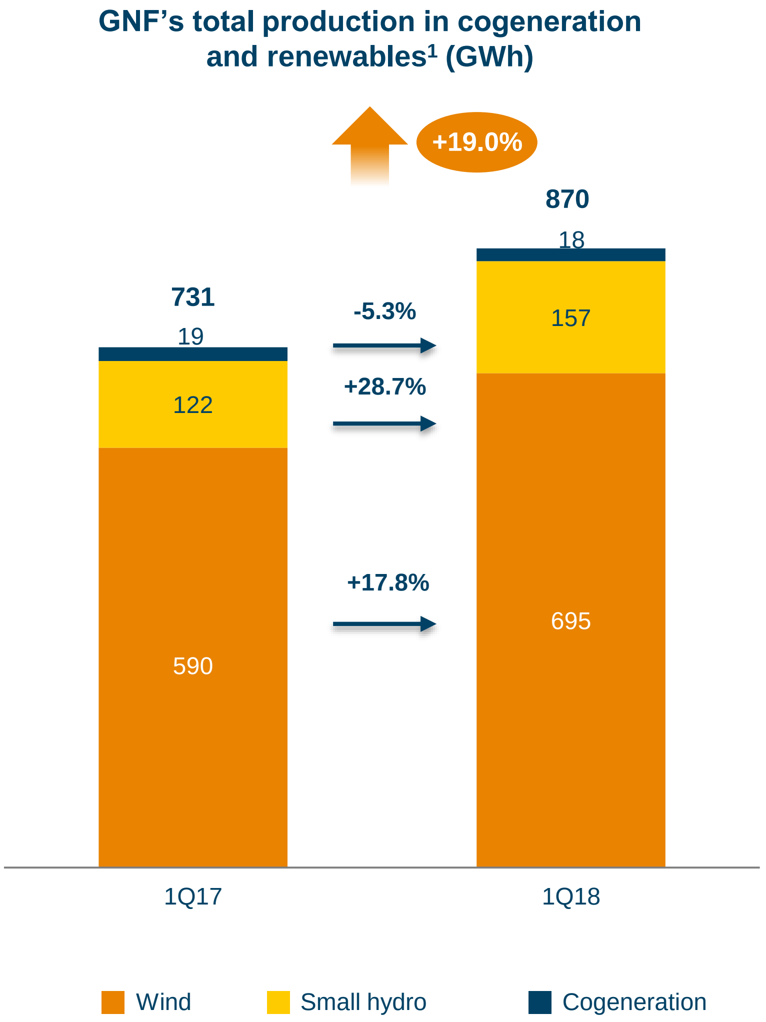
International (GWh)



Electricity

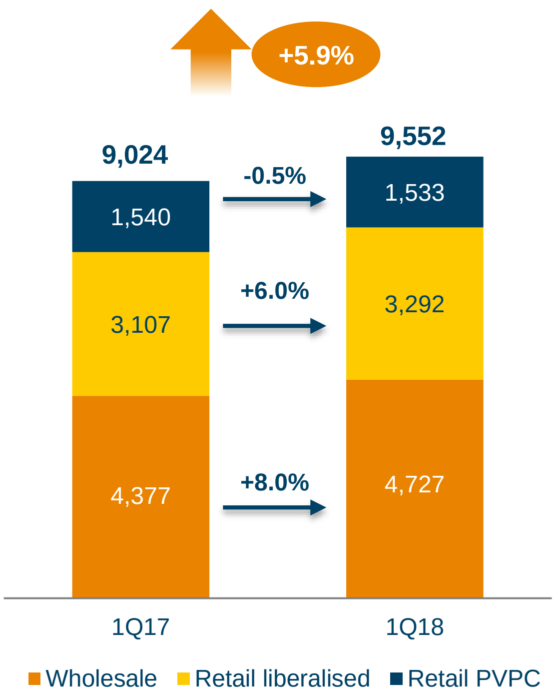
Spain (I)



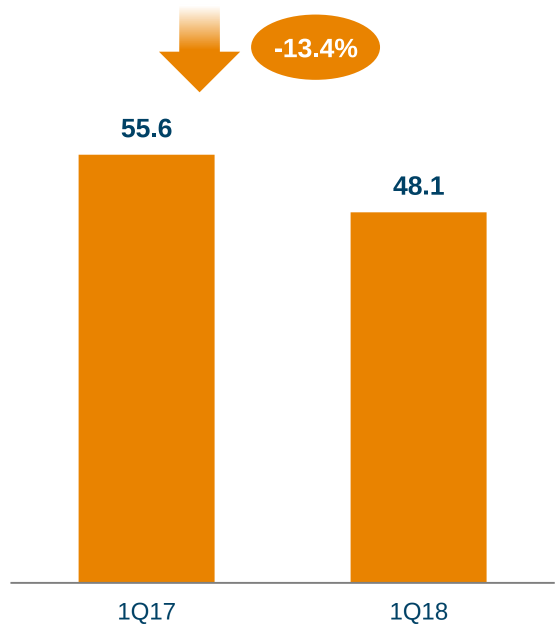


Electricity
Spain (II)

GNF electricity sales (GWh)

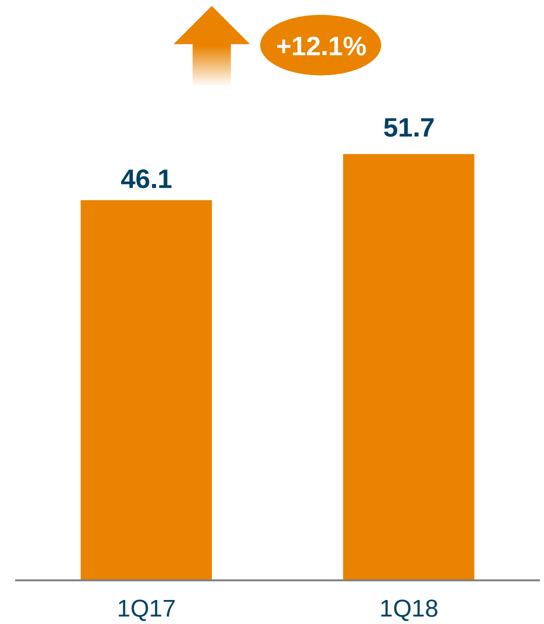


Average pool price[1] (€/MWh)



Source: REE

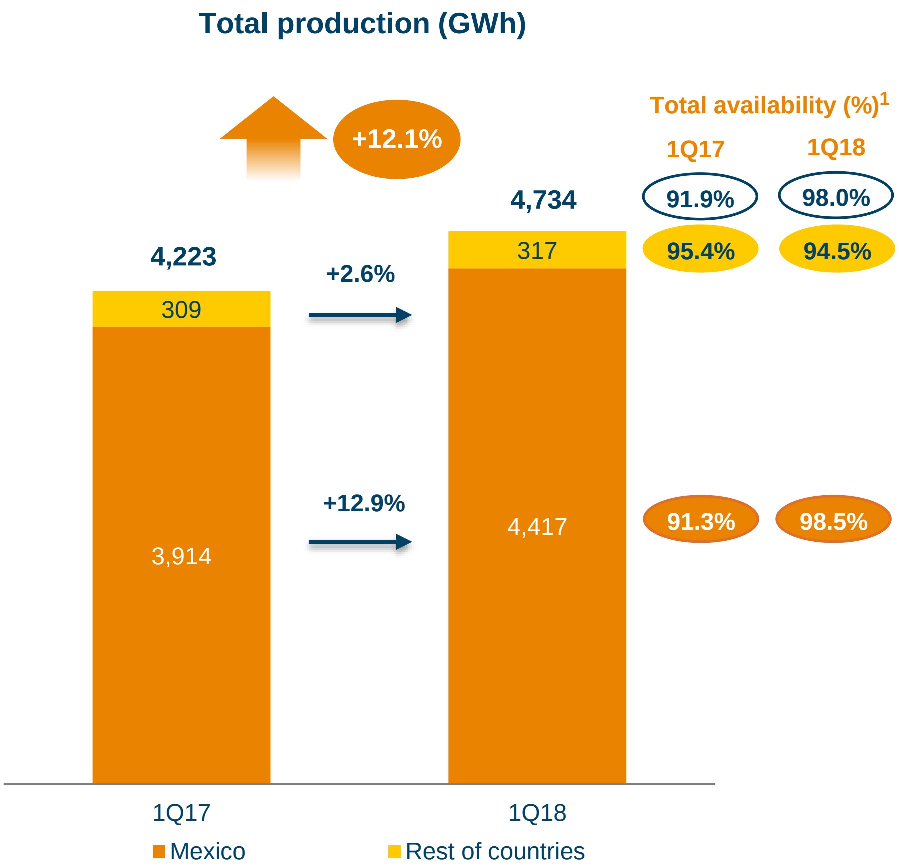
Average OMIP prices[2] (€/MWh)

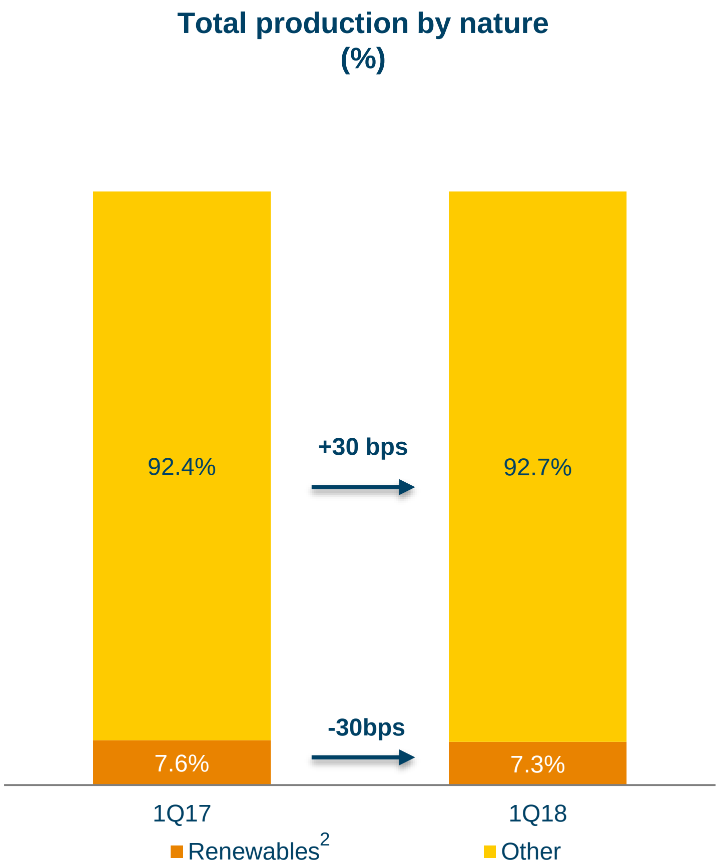


Source: OMIP

Notes:
1. Average price in the daily power generation market
2. Monthly average of the 12-month forward Spanish base prices in the Iberian Energy Derivatives Exchange (OMIP) in the period

Electricity
International generation





Notes:
1. The average of net electric energy available in a period of time divided by electric energy calculated as the net capacity times the hours of the period
2. Includes wind, hydro and solar production

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